

# A Study of Investor Behaviour for Investment in Mutual Funds in Allahabad

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**Abstract:** The present condition is of innovative investment. Investor are suitable for innovative investment as well as more attentive for cashless transactions, online banking, online shopping, online investment etc, feeling self-sufficient for investment related matters. In related to investment previously Bank saving as well as saving account, Public Provident Fund through bank and post offices was the most suitable options for the investors. But now investors are more informative as compare to previously and investing in different areas for diversification of their investment. In the present condition, mutual fund investments are the important investment methods as compared to other options. Through mutual fund investment, we can get the indirect communication with capital market. The mutual funds can be choosing on the basis of different preferences like investor age, investor financial situation, investor risk capacity and what short of return investor looking from mutual fund investment. Mutual Funds gives high liquidity, managed by professionals, provides ELSS (Equity Linked Saving Schemes) tax saving with investment. Investor can get huge returns and having choice of different schemes as per the requirements as well execution of their financial goals. This research presents Investors' attitude for Mutual Funds Investment. In this research, Primary data collected through questionnaire and secondary data collected from various literatures and from internet. The results indicate that most of the investors know about mutual funds but still not investing in mutual fund due to lack of knowledge regarding investment in mutual fund. This research also investigate investors attitude for mutual funds investment in future for achieving investment objective. This research recommendation will be useful for mutual fund operating organizations and government to initiate the awareness programs for investors, so they become more literate and also run training programs for mutual funds advisors for developing trust in mutual fund investors. This research presents a study of investor behaviour for investment in mutual funds in Allahabad.

**Keywords:** Mutual Funds Investment Options, Awareness Programs, Attitude, Mutual Funds, Capital Market, Allahabad, Uttar Pradesh.

## 1. INTRODUCTION

Mutual funds have emerged as a key investment avenue for retail investors. A mutual fund is an investment tool for who pool their savings for investing in diversified portfolio [1, 6]. By the definition of AMFI "Mutual fund in India is a kind of collective investment that is managed professionally [3, 11]. In Mutual fund in India, the money is collected from a large number of investors and then it is invested in bonds, stocks, and various other securities. The fund manager of Mutual fund in India collects the interest income which is then distributed among the individual investors on the basis of the number of units that they hold". A mutual fund invites the prospective investors to join the fund by offering various schemes so as to the requirements of different categories of investors. There are a number of mutual fund schemes according to suit the needs and preferences of investors. Mutual funds in India are now governed under the SEBI (securities exchange board of India) regulations 1996 [2, 7]. In India there are various companies which are dealing in mutual fund such as Reliance Mutual Funds, HDFC, ABN Amro, AIG, Bank of Baroda, Canara Bank, Birla Sun Life, DSP Merrill Lynch and DBS Chola Mandalam. In present situation online systems and websites gives investors to perform all types of transactions without compulsion of exact physical location [8-11]. This research presents a study of investor behaviour for investment in mutual funds in Allahabad.

## 2. ECONOMY OF ALLAHABAD

The city of Allahabad is also called as Prayag and lies in the northern region of the Indian state of Uttar Pradesh. It is regarded as administrative headquarters in the district of Allahabad. It is considered as the 7th most popular city in the state of Uttar Pradesh. The economy of Allahabad is quite developed and therefore in the year 2011, it was declared as the 130<sup>th</sup> fastest growing city of the world [12].

- Industries- There are a large number of small as well as large scale industries found in the Allahabad city which made the economy of Allahabad develop and helped in accelerating the development of the city.



- Some of the significant industrial organizations found in the Allahabad district are:
  1. ITI Naini
  2. Geep Industries
  3. Triveni Sheet Glass Ltd Naini
  4. IFFCO in Phulpur area of Allahabad
  5. Raymond Synthetics Karchanna
  6. Hindustan cable Ltd Naini

There are several Educational Institutes such as Civil Aviation Training Centre along with Harish Chandra Mehta Atomic Research Centre found to be situated in the Allahabad city which have high reputation.

- Tourism- Because of the huge number of domestic as well as international tourists coming here in the Allahabad city, the tourism industry got a sufficient boost. Among the several reasons of attracting people, the Kumbh Mela is the major one. The Kumbh Mela is not only famous in India but worldwide and therefore millions and millions of devotees come here in Kumbh Mela organized here in every 12 years, thereby gearing up the economy of Allahabad and making it largest gathering of humans in the whole world.
- Income- The Income of city of Allahabad gets boost up because of a number of economic activities taking place here such as primary activities, agriculture and animal husbandry, fishing, forestry and logging, mining and quarrying etc. There are secondary activities and manufacturing which may be registered or unregistered. One can get to see a large number of constructions taking place in Allahabad which again improvises the Allahabad economy.
- Hotel Industry- Since large number of religious activities keeps on taking place here and Kumbh Mela or Maha Kumbh being the major one, the city catches the fancy of tens of millions of tourists across the world. It gives a kick to the economy of Allahabad through Hotel Industry as well. There are several hotels in Allahabad offering online information as well as bookings. There is Triveni Sangam, which is one of the four sites of the Kumbh Mela, taking place in Allahabad. It is the confluence of the 3 holy rivers of Ganga, Yamuna and Saraswati. The hotels of the city cater to the several devotees and tourists visiting the city regularly. These hotels offer the best facilities of accommodation as well as services to the visitors not giving much burden to the pocket. These Economy Hotels of Allahabad offer the services as per the requirements such as dining, recreation as well as cab service available there for their clients.

### 3. RELATED WORK

Panda and Tripathy (2005) [4] found the evidence of prevalence of such a psychological state among MF investors in India. For instance, UTI, which is synonymous to mutual funds in India, had a glorious past and perceived as a safe, high yield investment vehicle with the added tax benefit. Many UTI account holders have justified their beliefs by staying invested in UTI schemes even after the 1999 bail out and the July 2001 episode of repurchase freeze on US 64 for 6 months. "People are more likely to believe that something they own is better than something they do not own". Further, they found evidence of this effect also among Indian MF investors due to the continued existence of many poor performing funds with investors staying invested with them.

Ramamurthy and Reddy S (2005) [5] conducted a study to analyze recent trends in the MF industry and draw a conclusion that the main benefits for small investors" due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI.

Balaji K (2005) [6] conducted a study entitled „A survey on investment pattern in debt scheme of mutual fund investments" in Chennai with special reference to Karvy Consultants Limited. This study was undertaken to know the Investment pattern of investors in the debt scheme of mutual funds. In the survey, they studied the investment pattern, awareness about mutual fund and performance of the investor in various ways of investment avenues. In Mutual Funds, the debt scheme is the one, which provides good returns with reasonable risk. In recent days, debt schemes are gaining momentum among investors and through this project this fact has been proved. The choice of Investment Avenue of individual investors mainly depends on annual income and the percentage of income allotted for savings. The survey on investment pattern in debt scheme of mutual funds gives an idea of the investor's choice based on returns, rating of Mutual funds etc., particularly relating to city.

### 4. OBJECTIVE OF THE RESEARCH

- To find the Investors' information altitude in Allahabad for investment in Mutual Funds.
- To find the Investors' attitude for investment in Allahabad for Mutual Funds.
- To know the reasons and preference in Allahabad for mutual fund investment.

## 5. RESEARCH METHODOLOGY & DESIGN

This research study is descriptive in nature.

## 6. DATA COLLECTION

The primary data was collected using questionnaire in Allahabad [12]. Secondary data was collected from Research papers and Websites.

## 7. SAMPLING PLAN

- Targeted population: Investors
- Sampling unit: Individual Investors
- Sampling method: Judgment sampling
- Sample size: 1440
- Sample Location: Allahabad, Uttar Pradesh, India

## 8. TOOLS OF DATA ANALYSIS & INTERPRETATION

The data analyzed and processed by applying classifying method, tabular method and presented for .interpretation and recommendations.

**Table 1: Gender Criteria**

Gender	Count	%
Male	1100	76
Female	340	23

Interpretation: In this research 76% investors are male and rest 23% investors are females

**Table 2: Age Criteria**

Age	Count	%
Less than 35 years	90	6
35 to 50 Years	560	38
50 to 65 Years	740	51
Above 65 Years	50	3

Interpretation: In this research out of total investors, 51% investors are from the age group of 50 to 65 years followed by 38% investors are from 35 to 50 years. Only 3% investors are above 65 years of age

**Table 3: Qualification Criteria**

Qualification	Count	%
Undergraduate	40	2
Graduate	530	36
Post Graduate	790	54
Professionals	80	5

Interpretation: In this research 54% investors are having qualification of post graduate. Only 2% investors are undergraduate

**Table 4: Occupation Criteria**

Occupation	Count	%
Business	270	18
Service	1020	70
Professionals	150	10

Interpretation: In this research, 70% investors are service class and 18% investors are businessman followed by 10% investors who are professionals

**Table 5: Income Criteria**

Yearly Income	Count	%
Less than Rs. 200000	200	13
Rs. 200001 to Rs. 600000	760	52
Rs. 600001 to Rs. 900000	410	28
Rs. 900001 and above	70	4

Interpretation: In this research, 28% of the investors are having yearly earning between Rs. 600000 to Rs 900000, 52% of the investors are in the category of Rs.200001 to Rs. 600000 yearly income. Only 4% Investors are having yearly income more than Rs. 900000.

**Table 6: Marital Status Criteria**

Marital Status	Count	%
Married	1240	86
Unmarried	200	13

Interpretation: In this research, 84% investors are married and 15% investors are unmarried

**Table 7: Investment Criteria**

Investment Type	Count	%
Saving	1440	100
Capital Gain	1180	81
Regular Income From Different Sources	1060	73
Tax Benefits Related Investment	1400	97
Inflation Balance	1440	100

Interpretation: In this research, Savings and inflation balance is primary criteria for investment followed by Tax benefits related investments and capital gain

**Table 8: Yearly Savings Criteria**

Yearly Savings	Count	%
Less than 10%	420	29
10% to 25%	680	47
25% to 40%	220	15
More than 40%	120	8

Interpretation: In this research, 47% investors are able to save between 10% to 25% of their total yearly earnings followed by 29% investors who are able to save less than 10%

**Table 9: Awareness Criteria Regarding Mutual Funds Criteria**

Awareness Criteria	Count	%
Not Aware	300	20
Some Aware	980	68
Fully Aware	160	11

**Interpretation: In this research,** 68% investors are having some awareness of Mutual Funds. Only 11% investors are fully aware about mutual funds

**Table 10: Investment Choice Criteria**

Investment Choice Criteria	Count%	Rank (According to Preference)
Banks Branch	91	1
Small and Big Post Office	73	3
Insurance Company and Agent	63	4
Real Estate Investment	43	7
Gold, Silver, Jewelry	53	6
Secure Bonds	58	5
Different Mutual Funds	78	2

Interpretation: In this research, Banks Branch and Different Mutual Funds are investment choice as number 1 and 2 respectively for the investors. Small and Big Post Office are the 3 choice for the investors and Real Estate investment are having the last selection in terms investment as compared to available investment options

**Table 11:** Preference Criteria of Mutual Fund Scheme

Preference Criteria of Mutual Funds Scheme	Count	%
Equity Market	800	55
Debt	720	50
Balanced Plan	1280	88
Sartorial Investment	400	27
Investment in Index Funds	260	18
Tax Saving plan	1010	70

**Interpretation:** In this research, As per Table 11, Balanced plan is the favorite in investors. Investment in Index Funds is the last options for 18% investors

**Table 12:** Investment Mode Criteria in Mutual Funds

Investment Mode Criteria In Mutual Funds	Count	%
Occasionally Invest	380	26
Systematic Investment	1060	73

**Interpretation:** In this research, Systematic investment the best choice for investment in mutual funds as compared to occasional investment in mutual fund

Table 13: Analysis of Mutual Fund Performance Criteria

Analysis of Mutual Fund Performance Criteria	Count	%
Investment in Mutual Funds (Once in a week)	150	10
Investment in Mutual Funds (Once in Month)	370	25
Investment in Mutual Funds (Half Yearly)	440	30
Investment in Mutual Funds (Yearly)	480	33

**Interpretation:** In this research, Most of the investors check the performance of their invest in mutual funds on yearly basis followed by 30% investors who check their mutual fund performance on every six months

Table 14: Reasons that Influence Mutual Funds Investment

Reasons	Count	%
Risk Issue	1360	94
Return Issue	1440	100
Liquidity Issue	1340	93
Tax Saving Issue	460	31
Diversification Issue	1020	70

**Interpretation:** In this research, Return in mutual funds investment is the important issue for all the investor. Tax saving issue is important for only 31% investors investing in mutual funds

Table 15: Way to investment Criteria in Mutual Funds

Way to investment Criteria	Count	%
Using Internet/App	580	40
Physical Means	860	59

**Interpretation:** In this research, Physical means interaction is preferred by 59% of investors for investment in mutual funds. Only 40% investors are using Internet/App for investment in mutual funds

## 9. FINDINGS OF THE RESEARCH

This research presents a study of investor behaviour for investment in mutual funds in Allahabad. The primary goal of the investors is to save money and fight with inflation. Service class and others want to invest in tax saving plans for saving tax as well as boost the return of investment. Most of the investors are saving between 10 to 25% of their earnings. As per our research, some of investor invested in mutual fund without aware about mutual funds and take advice from others while investing in mutual funds. Investment in Banks savings and different schemes of mutual funds are being 1<sup>st</sup> and 2<sup>nd</sup> choice for investors. Investment in Balance plan and Tax saving plans are mostly chosen by the



investors. Systematic investment is the priority for investors while investing in mutual funds. Investment in mutual fund through physical means gives more trust for investment as compared to through Internet.

## 10. CONCLUSION

Mutual Fund organizations should educate investors to invest in mutual funds through Internet and Mobile App as compared to physical means because it saves time, money, paper work and complications. Mutual fund investment tracking is also very easy by using Internet and Mobile App. Direct interaction with equity can give high return but also risky for small and medium income group. In direct interaction while investing in equity market can be dangerous for investors. Mutual funds give the ease to investors to get the indirect exposure of equity market. As per the performance of mutual funds, it can be better options as compared to bank savings. Mutual Fund organizations should also run awareness camps for investors about investment methods and benefits of mutual funds. AMFI website shows past performance of Mutual funds and it can be the good way for investors for getting good returns and fight with inflation. Several advisory organizations proving advisory to Investors for investment in mutual fund and, a investor should have to maintain a diversified portfolio for maximizing their investment returns. This research presents a study of investor behaviour for investment in mutual funds in Allahabad.

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