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A Study On Investors Behaviour Towards Mutual Funds Schemes Offered By Private Sector Banks

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ABSTRACT

Mutual funds have emerged as one of the most popular investment vehicles, offering diversification, professional management, and liquidity to investors. This study examines investor behavior towards mutual fund schemes provided by private sector banks, focusing on factors influencing investment decisions, awareness levels, and challenges faced by investors. The research utilizes primary data collected through structured questionnaires, analyzing demographic profiles, risk perceptions, and financial literacy levels of investors. Findings suggest that investor behavior is significantly influenced by age, education level, and income, with younger investors exhibiting a higher preference for equity-oriented schemes. Additionally, financial literacy and trust in banking institutions play a crucial role in investment decision-making. The study highlights key barriers, including lack of awareness, risk aversion, and complexities in fund selection. The insights derived can aid private banks in developing more tailored financial products and educational initiatives to enhance mutual fund penetration and investor confidence.

Keywords: Investors' behavior, Mutual funds, Private sector banks, Investment decision-making, Risk tolerance, Financial literacy, Marketing strategies, Investor preferences, Return expectations, Indian financial market.

1. INTRODUCTION:

Mutual funds are one of the most widely used investment instruments, providing retail investors with an opportunity to participate in professionally managed and diversified portfolios. These funds pool money from various investors to invest in different asset classes, including equities, debt, and hybrid instruments. Managed by experienced fund managers, mutual funds offer benefits such as risk diversification, liquidity, and accessibility for small investors. The Indian mutual fund industry has witnessed significant growth, especially after the liberalization of financial markets. Private sector banks have played a crucial role in promoting mutual fund investments, leveraging their customer base, digital platforms, and advisory services to offer a wide range of schemes catering to different risk appetites and financial goals. Despite the growing popularity of mutual funds, investor participation remains uneven due to various factors, including lack of awareness, risk perception, and the complexity of mutual fund products. This study aims to analyze the behavior of investors towards mutual fund schemes offered by private sector banks, exploring key determinants such as demographic characteristics, financial literacy, and investment motivations.

2. LITERATURE SURVEY

Malik, H. (2024) Malik explored how macroeconomic conditions, like inflation and interest rates, influence mutual fund investments. The study finds that investors are more cautious during economic downturns, preferring debt funds. Private banks are advised to guide clients through market uncertainties by emphasizing the long-term benefits of diversified portfolios. **Bhatt, V. (2024)** Bhatt focused on the impact of financial literacy on mutual fund investments. The research highlights that well-informed investors are more likely to make calculated and beneficial investment decisions. Private banks should offer continuous financial education programs to improve investor outcomes and strengthen client relationships. **Dixit, M. (2024)** Dixit's study find that hybrid funds, which offer a balance of equity and debt, are particularly attractive to risk-averse investors. Private banks have been promoting these funds as a middle-ground option for those seeking moderate returns without taking excessive risks. The research highlights that the right marketing strategies can further increase the popularity of hybrid funds.

PROBLEM STATEMENT :

This study aims to analyze investor behavior towards mutual fund schemes offered by private sector banks, identifying the key factors influencing their investment decisions, challenges they face, and their level of awareness. By understanding these aspects, financial institutions can develop better strategies to enhance mutual fund adoption and improve investor confidence in private sector banks' mutual fund offerings.

OBJECTIVES OF THE STUDY :

- To examine the investment behavior of individuals in mutual fund schemes provided by private sector banks.
- To identify the problems faced by investors in mutual fund schemes of private sector banks.
- To evaluate the level of awareness among investors about mutual fund schemes offered by private sector banks.

3. RESEARCH METHODOLOGY

AREA OF THE STUDY

The sample area for the study was Coimbatore, focusing specifically on the local context and Investor behaviour within this geographic location. The sample unit comprised individuals who are investors of mutual funds in private sector banks users residing in Coimbatore, providing insights into the preferences and engagement of this particular group.

SAMPLING TECHNIQUE

The study utilized a structured questionnaire as the primary method for data collection, ensuring consistency and standardization in the responses gathered from participants.

SAMPLE SIZE

It included a sample size of over 181 respondents, to ensure a robust dataset for analysis. The sample size was chosen to provide sufficient data to draw meaningful conclusions regarding consumer perceptions and engagement with the Investors of Mutual Fund offered by Private Sector Banks.

DATA COLLECTION

Data collection methods involve the process of gathering the necessary information once the researcher has determined the types of data required for the study. In this research, data was collected using a structured questionnaire.

RELIABILITY TEST

Reliability refers to the ability of a measurement tool to consistently produce stable and consistent results when applied repeatedly. In this study, reliability was evaluated using Cronbach's Alpha for the items in the questionnaire. A Cronbach's Alpha value of 0.852 was obtained, indicating strong internal consistency.

4. RESULTS AND ANALYSIS

SOCIO DEMOGRAPHIC VARIABLES

The demographic profile analysis reveals that the majority (75.7%) of respondents belong to the 18-35 age group, indicating a predominantly youthful investor base. The gender distribution is nearly balanced, with a slight female majority (52.5%). Education levels are relatively high, as 68.5% of respondents hold at least an undergraduate degree, including 36.5% who are postgraduates. In terms of occupation, students form the largest group (40.3%), followed by employees (31.5%), reflecting a mix of early-stage and working professionals. Additionally, a significant portion (83%) of respondents earn below INR 50,000, suggesting that mutual fund investments are more common among individuals with low-to-moderate income levels.

ANOVA ANALYSIS

HO : There is no significant variance between age, educational level, occupation, monthly income level of the investors and investors behavior in mutual funds.

H1 : There is significant variance between age, educational level, occupation, monthly income level of the respondent and investors behavior in mutual funds.

Category	Factor	F-Value	p-Value (Sig)
Age	Investment Duration	7.976	0.000
	Investment Purpose	3.863	0.005
	Type of Mutual Fund Invested In	2.747	0.030
	Preferred Investment Period	1.491	0.207
	Portfolio Review Frequency	3.136	0.016
Occupation	Investment Duration	14.228	0.000
	Investment Purpose	3.359	0.020
	Type of Mutual Fund Invested In	3.921	0.010
	Preferred Investment Period	8.086	0.000
	Portfolio Review Frequency	4.060	0.008
Education Level	Investment Duration	8.758	0.000
	Investment Purpose	6.195	0.001
	Type of Mutual Fund Invested In	7.519	0.000
	Preferred Investment Period	3.619	0.014
	Portfolio Review Frequency	1.744	0.160
Monthly Income	Investment Duration	17.579	0.000
	Investment Purpose	8.885	0.000
	Type of Mutual Fund Invested In	7.133	0.000
	Preferred Investment Period	9.998	0.000
	Portfolio Review Frequency	7.289	0.000

The ANOVA results reveal significant differences in mutual fund investment behavior based on age, occupation, education level, and monthly income. Investment duration varies significantly across all factors, with the highest F-value observed for monthly income ($F = 17.579$, $p = 0.000$). Investment purpose also shows significant variation, particularly for income levels ($F = 8.885$, $p = 0.000$) and education ($F = 6.195$, $p = 0.001$). The type of mutual fund invested in differs notably across all categories, with the highest variance seen in education level ($F = 7.519$, $p = 0.000$) and income ($F = 7.133$, $p = 0.000$). While preferred investment period is significantly influenced by occupation ($F = 8.086$, $p = 0.000$) and income ($F = 9.998$, $p = 0.000$), age ($F = 1.491$, $p = 0.207$) does not show a significant impact. Portfolio review frequency significantly varies across most factors, particularly income ($F = 7.289$, $p = 0.000$), except for education level ($F = 1.744$, $p = 0.160$). These results confirm that demographic factors significantly influence mutual fund investment behavior, with income and occupation showing the strongest impact.

CHI-SQUARE ANALYSIS

H0: There is no association between education level of the investors and level of awareness among investors about mutual fund schemes offered by private sector banks.

H1: There is association between education level of the investors and level of awareness among investors about mutual fund schemes offered by private sector banks.

Analysis	Chi-Square Value	p-Value
Awareness of mutual fund schemes from private sector banks	29.745	0.003
Risk associated with different types of mutual fund schemes	5.785	0.448
Knowledge of mutual funds from private sector banks	10.300	0.327
Sources used to get information on mutual fund schemes	22.814	0.029
Factors influencing investment in private sector mutual funds	24.135	0.020
Most important factor when choosing a mutual fund scheme	33.946	0.001

The Chi-Square analysis evaluates the association between education level and various aspects of mutual fund awareness and decision-making. The results show a statistically significant association ($p < 0.05$) between education level and awareness of mutual fund schemes from private sector banks ($\chi^2 = 29.745$, $p = 0.003$), sources used to get information ($\chi^2 = 22.814$, $p = 0.029$), factors influencing investment decisions ($\chi^2 = 24.135$, $p = 0.020$), and the most important factor when choosing a mutual fund ($\chi^2 = 33.946$, $p = 0.001$). These findings indicate that education level plays a crucial role in these investment-related aspects. However, no significant association was found between education level and risk perception of different mutual fund

schemes ($\chi^2 = 5.785$, $p = 0.448$) or knowledge of mutual funds from private sector banks ($\chi^2 = 10.300$, $p = 0.327$), suggesting that these aspects may be influenced by other factors beyond education level.

REGRESSION ANALYSIS

H0: There is no significant influence among competitive compare and problems faced by investors in mutual fund schemes of private sector banks.

H1: There is significant influence among competitive compare and problems faced by investors in mutual fund schemes of private sector banks.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.155	.398		2.906	.004
	Awareness and Knowledge about private sector banks	1.085	.143	.492	7.559	.000
	Problems faced by investors	.150	.077	.126	1.940	.054

The regression analysis reveals a moderate relationship between the predictors (Awareness and Knowledge about private sector banks, and Problems faced by investors) and the dependent variable, with an R Square value of 0.286, meaning these factors explain 28.6% of the variation in the outcome. The ANOVA results ($F = 35.708$, $p < .001$) confirm that the model is statistically significant, rejecting the null hypothesis that the model has no explanatory power. Awareness and Knowledge about private sector banks has a strong positive impact on the dependent variable, with a coefficient of 1.085 and a Beta of 0.492, which is highly significant ($p < .001$). In contrast, Problems faced by investors has a smaller effect, with a coefficient of 0.150 and a marginally non-significant p-value of 0.054, indicating that its impact is weak and borderline.

5. FINDINGS

- The majority of respondents are young (75.7% aged 18-35), with a gender-balanced sample slightly favoring females (52.5%). Most have at least an undergraduate degree (68.5%), and students dominate the sample (40.3%). A significant portion (83%) earns below INR 50,000.
- ANOVA analysis indicates that age, occupation, education level, and monthly income significantly impact various investment behaviors, such as duration, purpose, preferences, and portfolio review frequency.

- Chi-Square analysis highlights that education level significantly affects awareness sources, investment factors, and selection criteria for mutual funds, but does not influence risk awareness or knowledge levels.
- Regression analysis shows that Awareness and Knowledge about private sector banks strongly influences the dependent variable, explaining 28.6% of the variation, while Problems faced by investors has a marginally weak effect.

6. SUGGESTIONS

- **Segment the Respondents:** Divide respondents into categories based on the key variables, such as income brackets, educational qualifications, and employment sectors, to identify trends and patterns.
- **Identify Investment Behavior Parameters:** Focus on factors like investment duration, risk tolerance, preferred scheme type, frequency of portfolio review, and purpose of investment.
- **Evaluate Risk Understanding:** Measure investors' comprehension of risks associated with different types of mutual fund schemes.
- **Understand Risk Perception:** Assess whether problems are related to how investors perceive and manage risk, including concerns over potential losses and their understanding of risk mitigation strategies.

7. CONCLUSION

This study provides valuable insights into investor behavior towards mutual fund schemes offered by private sector banks. The findings reveal that demographic factors such as age, education, occupation, and income significantly influence investment behaviors, with younger, more educated, and higher-income individuals showing a stronger inclination towards mutual fund investments. Awareness and knowledge about private sector banks' mutual fund offerings play a crucial role in shaping investment decisions, highlighting the importance of financial literacy in empowering investors. Despite the growing awareness, challenges such as risk aversion, lack of awareness, and complexities in fund selection persist. The regression analysis further emphasizes the importance of awareness, while the Chi-Square and ANOVA analyses confirm the influence of education level on awareness and decision-making processes. The study suggests that private sector banks should focus on segmenting their customer base, offering targeted financial education, and simplifying the investment process to address the barriers faced by investors. This approach will enhance mutual fund penetration, improve investor confidence, and foster long-term growth in the mutual fund market.

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