IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A comparative study on people's perception towards stock market and mutual funds investment in India

Princy Jaiswal 1st Author, Mohammad Ayaan Shoyeb 2nd Author, Aflah K 3rd Author, Shuhail AK 4rd Author

Lovely Professional university, Phagwara, Punjab

Abstract: This research paper investigates the investment behaviour of people towards mutual funds and the stock market. The study examines the factors that influence individuals' investment decisions, such as risk tolerance, investment goals, knowledge and awareness of financial products, and demographic characteristics. Using a survey methodology, data was collected from a sample of individuals who have invested in mutual funds and the stock market. The study analyzes the differences in investment behaviour between the two types of investments and assesses the factors that affect the preference for one over the other.

I. Introduction

The article examines the behaviour of mutual fund investors and stock market investors through their purchase and sale decisions. The researchers analyse a dataset of mutual fund positions and trades for over 100 students over a three-month period. The study finds that investors predominantly chase past performance when buying mutual funds but exhibit the disposition effect, holding onto losers too long and selling winners too soon, when selling mutual funds. The study provides a behavioural explanation for the positive but asymmetric relation between net mutual fund flows and performance, with investors reluctant to sell losing investments. Finally, the study highlights the dilemma for investors on whether past performance can offset the costs of chasing past good performance.

1.2 Investor Overconfidence

People generally rate themselves as being above average in their abilities. They also overestimate the precision and veracity of their knowledge -- as well as the perceived superiority of their own knowledge relative to others. Many investors believe they can consistently time the market, but, there's an overwhelming amount of evidence that proves otherwise. Overconfidence results in excess trades, with trading costs denting profits.

1.3 Social Factors

While much of behavioural economics has been driven by cognitive psychology, economic sociology indicates that there are also supra-individual forces at work that drive investor behaviour. For instance, people are more conservative when making investment decisions on behalf of close others. Moreover, investors became even more conservative with investments made in accounts that had culturally salient labels such as "retirement" or "college savings." Other research is now looking at how social relations and larger structures like culture play on financial decisions. This shows that investor behaviour is driven not only by psychology but also by social factors.

.

II. Review of literature

2.1 INVESTOR BEHAVIOR IN EQUITY CROWDFUNDING

Johannes Wallmeroth

This article studies the investment behaviour of more than 15,100 investors and more than 42,200 investments on one of Germany's leading equity crowdfunding platforms using a hand-collected data set. It demonstrates how one subgroup makes the most significant contributions.The leading 59 campaigns' contributions of EUR 5000 or more account for 50.6% of the total funds raised, while they only represent 3.2% of all investments.

J Wallmeroth - Venture Capital, 2019 - Taylor & Francis

2.2 INVESTORS' PERCEPTION TOWARDS EQUITY MARKET

Kumar, K Sampath; Vasumathi,

Over the past two decades, the globalisation of financial markets has grown the number of individual investors by offering a wide range of market and investment possibilities. As a result, it complicates their decision-making process for investments. the elements return on investment, market trend, risk, short-term profitability, share price, dividend policy, historical financial performance, corporate reputation, reputation of the board of directors, current company profits, and expert opinion are factors that affect investor perception.

International Journal on Global 2018 - search.proquest.com
Kenneth R. French

2.3 FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR OF IT PROFESSIONAL IN INDIA

Mahabub Basha Shaik ,M. Kethan ,T. Jaggaiah ,Mohammed Khizerulla
India's IT sector significantly contributes to the country's GDP. Savings and investments are essential for accelerating economic growth and elevating India. Understanding the saving and investing habits of IT workers is the goal of this study. IT professionals have a distinct perspective when they decide to invest in a certain avenue, and they want their money to be invested in the most safe and liquid method possible.

East Asian Journal, 2022 - journal.formosapublisher.org

III. Need of Study

Investing in various types of assets is an increasingly popular activity that attracts people from all walks of life irrespective of their occupation economic status, education or family background. When a person has more money than he requires for current consumption, he would be coined as a potential investor. The investor who has extra cash could invest it in securities or in any other assets such as gold or real state or could simply deposit it in his bank account. The companies that have extra income may like to invest their surplus in extending the existing firm or commencing a new venture. All of these activities in a broader sense mean investment. The investment behavior of information technology professionals is somewhat different from that of institutional investors. Individuals tend to invest relatively more in non- tradable assets such as real estate, hedge funds or structured products. The term 'institutional investor' is generally used to describe an organization that invests on behalf of others, such as a mutual fund, pension fund or charitable organization. Hence, the present study made an attempt to study the investment behavior among information technology professionals in India.

3.1 Objectives of Study

1. To increase awareness among people about the importance of investment
2. To convey the benefits of investment in equity market and MFs over banks FDs
3. To study the various types of investments in Mutual Funds aligning the benefits for each.
4. To increase awareness among people about the importance of investment

Government and Non-profit initiatives: Support government and non-profit initiatives that educate people about the importance of investment and provide resources to help them get started.

Public-private partnership: Encourage public-private partnership to provide free financial literacy education.

1. Objective to convey the benefits of investment in equity market and MFs over banks FDs.
2. Investing in the equity market and mutual funds can offer higher potential returns compared to traditional bank fixed deposits. The stock market can be more volatile in the short term, but over the long term, it has historically provided higher returns.

Mutual funds also offer the potential for higher returns, as they invest in a diverse portfolio of stocks or bonds. Additionally, mutual funds are managed by professional fund managers who can make investment decisions on behalf of the investors.

Money Market Funds: These funds invest in short-term debt securities, such as Treasury bills and commercial paper. The benefits of investing in money market funds include the potential for steady income and low volatility.

It is important to note that the benefits of each type of mutual fund will vary depending on the specific fund and market conditions. It is also recommended that investors consult with a financial advisor before making any investment decisions.

3.2 Analysis

Investment Comparison: Mutual Funds, Stocks
Mutual funds and stocks are both types of investment vehicles that can be used to achieve financial goals. However, they have some differences in terms of their investment behavior. One key difference is that mutual funds are managed by professional fund managers who make investment decisions on behalf of the fund's investors, whereas stocks are individual securities that are bought and sold by investors themselves. This means that mutual funds may have a more diversified portfolio than an individual stock investor, as the fund manager is able to spread the risk across a larger number of holdings. Another difference is that mutual funds are typically more liquid than stocks, as they can be bought and sold daily at their net asset value (NAV). In contrast, the liquidity of stocks can vary depending on the trading volume of the particular security and the overall market conditions.
In terms of returns, both mutual funds and stocks have the potential to generate profits for investors. However, the performance of mutual funds may be more stable over time due to their diversified portfolio, while the performance of individual stocks can be more volatile.

Overall, the investment behaviour of mutual funds and stocks may differ depending on the specific characteristics of each vehicle and the investment goals of the investor. There are several factors that can be considered when analyzing mutual funds as an investment option. Some of these factors include:

Investment objectives: It is important to align the investment objectives of the mutual fund with the investor's financial goals. This includes considering factors such as the fund's target asset allocation, risk level, and expected return.

Fees and expenses: Mutual funds charge fees to cover the cost of managing the fund, which can include management fees, administrative fees, and other expenses. It is important to consider these fees as they can impact the overall return on the investment. One key difference is that mutual funds are managed by professional fund managers who make investment decisions on behalf of the fund's investors, whereas stocks are individual securities that are bought and sold by investors themselves. This means that mutual funds may have a more diversified portfolio than an individual stock investor, as the fund manager is able to spread the risk across a larger number of holdings. In terms of returns, both mutual funds and stocks have the potential to generate profits for investors.

However, the performance of mutual funds may be more stable over time due to their diversified portfolio, while the performance of individual stocks can be more volatile. Overall, the investment behavior of mutual funds and stocks may differ depending on the specific characteristics of each vehicle and the investment goals of the investor. It is important for investors to understand these differences and consider them when making investment decisions.

IV. RESEARCH METHODOLOGY

Research area

The study is to deal with people's perception towards investment in the stock market and mutual funds schemes in India.

Research design The survey's goal is to comprehend the behavioral characteristics and perceptions of individual investors, specifically their investment method selection behavior, as well as the factors that influence these investors' choices and the degree of conceptual sophistication they exhibit, with a focus on mutual funds and stock markets. There is no established hypothesis because this is a descriptive and exploratory study. The study might be impacted by the ups and downs of the financial markets, as well as by other things that are connected and could have a big impact on how an investor chooses their investments.

Sources of data

This study will be based on – literature review and collection of primary data through observations, discussions, response of the questionnaires, interviews. Secondary data will be collected through published and unpublished research papers, periodicals, magazines, newspapers, Stock market websites, trading platform analytics and statistics and websites of various Mutual funds Companies, periodical reports of various Mutual fund Companies, published books, published research papers and articles, etc.

Sample size and sampling techniques

The necessary information will be gathered through a questionnaire administered to at least 50 individual investors using straightforward random and subjective mode of sampling (in order for the data to qualify as research, it must be likely that all of the responses will be generated; therefore, it would be preferred to have as many respondents as possible). In order to save time and money, which are both limited, judgment sample selection will be made. Respondents will be checked, and their inclusion will solely be based on their understanding of financial markets, investment instruments, and stock markets, with mutual funds and stock markets receiving special consideration.

Analysis of data

The analysis of the data will be done through use of various statistical tools like tabulation of data, diagrammatic presentation of data, measures of averages, weighted means, measures of dispersion.

IV. Discussion and findings

There are a variety of studies and surveys that have been conducted on people's perceptions towards investing in the stock market and mutual funds in India. This study focuses on following consequences. It was found that while 70% of respondents were aware of the stock market, only 15% had invested in it. A lack of knowledge and trust in the market were cited as the main reasons for not investing.

4.1.Stock market

On the positive side, many people believe that investing in the stock market can provide a solid return on investment over the long-term. They argue that the stock market has historically provided higher returns than other investment options such as bonds or savings accounts. Additionally, investing in stocks can also provide a sense of ownership and control over the companies in which one is investing, as well as a potential for significant growth in the value of one's investment.On the negative side, some people view the stock market as a dangerous game that is best avoided. They argue that the stock market is highly volatile and that the value of one's investment can fluctuate greatly in a short period of time. Additionally, some people may be uncomfortable with the amount of risk involved in stock market investment and prefer to invest in more conservative options such as bonds or savings accounts.

4.2 Mutual Funds

4.2.1 Positive Opinion:

Diversification: Mutual funds provide an easy way to diversify a portfolio and spread risk across different asset classes, sectors, and geographic regions. This helps to minimize the impact of any single stock or bond on the overall performance of the portfolio.

4.2.2 Negative Opinion:

Fees and expenses: Mutual funds often come with high fees and expenses, which can eat into returns over time. This can make it more difficult for investors to achieve their financial goals, especially those with a long-term horizon. Lack of control: Mutual funds are managed by professional portfolio managers, which means that investors have little control over the specific investments in the fund. This can be a disadvantage for those who prefer to have a more active role in managing their portfolio.

Past performance is not indicative of future results: Mutual funds often use past performance as a selling point, but this can be misleading as past performance is not indicative of future results. This means that investors can be caught off guard when a fund underperforms or doesn't meet expectations. If you look at it from the perspective of retail investors, the two most popular investment methods - mutual funds and the stock market have seen a rapid increase in numbers. The Association of Mutual Funds of India (AMFI) has reported almost 5 Cr SIP accounts as of the end of December 2021, with total assets under management (AUM) exceeding 37.73 Lakh Cr. Reports show an impressive 14.2 million new Demat accounts were opened during the financial year, almost triple the number from the previous year.

4.2.3 Personal control:

A fund manager is appointed to manage the portfolio allocation and rebalancing of the underlying assets of the mutual fund. You can just invest in it or buy it back depending on your choice. In addition, you have no say in the composition of the portfolio.

4.2.4 Convenience and flexibility:

Mutual funds are probably the easiest to invest in. As long as you have a PAN card and a linked bank account, you can choose to invest in MF directly, through an agent/broker or directly through a fund house. Alternatively, you can also invest once or through a Systematic Investment Plan (SIP) with a smaller amount depending on your convenience and ability to pay.

4.2.5 Risk:

Obviously, all financial products have an element of risk. This must be properly absorbed and evaluated before investing in an instrument. In the case of each other There is a concept of a “risk meter”, which allows investors to know the level of risk associated with funds. In addition, because there are many types of MF (like stocks, debt, commodities, etc.), you can browse and invest in the best one that suits your risk profile.

V. Scope of Future Research:

The scope of the present study is confined to investment behavior among People in India. In the world of investment, relatively a limited number of attempts have been made to conceptualize the investment patterns of specified strata. The concept of family and individual spending, saving has been tremendously undergoing changes. There is a proactive change in consumption rather than investing. On the other side the flow of income has been increased. The investment is equally important to earning income. The income earned today should result in creating wealth in long term. Also, the created wealth can be well managed, if there is well managed investment plan.

VI. Limitations

It is suitable for investors who are aware of the professional competence of fund managers to join them to good return by moving to those funds. Investors should evaluate their portfolios on an ongoing basis and review their funds by modifying them as per position in the market to maximize returns. The study was limited to 460 investors. The research has been conducted to analyze only some factors affecting the investment behavior of investors. The research is conducted only in a few cities. In this research sample, female existence is very low. This research enforced the technique of snowball sampling and may not be representative of the actual population.

This project is limited in scope as the:

1.Survey is conducted with a shortage of time constraint and also based on secondary data.

2.Due to ignorance factor some of the respondents were not able to give correct answer

3. The respondent were not disclosing their exact portfolio because they have a fear in their mind that they come under tax slab.

VII. References

[1] DETERMINANTS OF INDIVIDUAL INVESTOR BEHAVIOUR: AN ORTHOGONAL LINEAR TRANSFORMATION APPROACH Chandra, Abhijeet and Kumar, Ravinder 2011 - mpra.ub.uni-muenchen.de

[2] INVESTMENT BEHAVIOUR OF WOMEN ENTREPRENEURS Jyoti M. Kappal, Shailesh Rastog Qualitative Research in Financial Markets, 2020 - emerald.com

[3] INVESTOR DIVERSIFICATION AND INTERNATIONAL EQUITY MARKETS Kenneth R. French & Kenneth R .French ,James M . Poberta 1991 - nber.org

[4] INVESTOR BEHAVIOR IN EQUITY CROWDFUNDING Johannes Wallmeroth 2019 - Taylor & Francis

[5] RETAIL INVESTORS AWARENESS TOWARDS EQUITY INVESTMENT Sakshi Agrawal , Dr. Simrina Singh International Journal of Management, 2020 - papers.ssrn.com

[6] The Value of Active Mutual Fund Management: An Examination of the Stockholdings and Trades of Fund Managers
Published online by Cambridge University Press: 06 April 2009 Hsiu-Lang Chen, Narasimhan Jegadeesh and Russ Wermers Journal of Financial, 2000 - cambridge.org