

A STUDY OF IMPULSE BEHAVIOUR OF INDIVIDUAL INVESTOR TOWARDS MUTUAL FUNDS INDUSTRY IN HYDERABAD - WITH SPECIAL REFERENCE TO SELECT PUBLIC MUTUAL FUND SCHEMES

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ABSTRACT

With a focus on particular Public Mutual Fund Schemes, this study examines the impulsive behaviour of individual investors in Hyderabad's mutual fund market. The study uses a questionnaire-based research methodology to collect data on the impact of demographic variables on investment decisions, including gender, age, marital status, education, occupation, and income. The survey also looks at the main objectives of investors, the length of their investments, their overall experience, and their confidence in mutual funds. The results show a range of opinions about investing in mutual funds, including risk tolerance, dependence on past performance, and the influence of outside variables. In order to satisfy the diverse demands of investors and promote their happiness and confidence in mutual fund investments, the conclusion emphasizes the significance of customized education and communication tactics. The study concludes that individual investors in Hyderabad's mutual fund market underscores the need for tailored education and communication strategies to meet diverse demands. Addressing varied preferences, the emphasis is on enhancing investor satisfaction and confidence in Public Mutual Fund Schemes.

Keywords: Impulsive Behaviour, Mutual Fund Schemes, Risk Tolerance, Investor Satisfaction, Demographic Variables.

1. INTRODUCTION

Mutual funds are still a well-liked and easily accessible investing choice for people today. Mutual funds are a flexible and often used instrument in modern investing portfolios because of the large range of available funds, which now offer options that appeal to a variety of investment goals and risk appetites. The way that individual investors behave towards the Mutual Funds sector is one of the most fascinating features of the constantly changing environment of investing dynamics. This study focuses on a few public mutual fund schemes and conducts a thorough investigation of the impulsive behaviour displayed by individual investors in Hyderabad. In a time when financial markets are dynamic and impacted by a wide range of events, it is critical to comprehend the nuances of investor behaviour.

This study is conducted in Hyderabad, a thriving metropolis with a thriving economic ecosystem. The city is a fascinating case study for identifying the trends and incentives that influence individual investors' interactions with mutual funds due to its diversified population and increasing wealth. The complexity of financial markets makes it necessary to investigate investor psychology, particularly when it comes to Mutual Fund investing where the human factor is crucial.

The decision to concentrate on particular public mutual fund schemes gives the analysis an extra degree of specificity. This research attempts to disentangle the complex reactions of individual investors to various investment paths within the Mutual Funds business by focusing on specific schemes.

These schemes, picked for their prominence and variety with care, will act as microcosms from which larger patterns and trends in behaviour can be inferred.

The concept of impulse behaviour adds a psychological component to the research. Investors frequently stray from logical decision-making processes because they are motivated by emotions, market patterns, or outside stimuli. Acknowledging and comprehending these inclinations might yield priceless perspectives into the workings of investing choices. Understanding the impulse behaviour becomes more important in the setting of mutual funds, where confidence and trust are crucial.

Public mutual funds: In India, public mutual funds are a big part of the investing scene since they give people a flexible and easily accessible way to invest in the financial markets. These funds, which are pooled investments from different investors in a diverse portfolio of stocks, bonds, and other securities, are managed by asset management companies, or AMCs.

past performance of Public Mutual based on the audited financial statements for the past 3 financial years ended 31 December:

	2020	2021	2022
	RM'000	RM'000	RM'000
Paid-up capital	6,000	6,000	6,000
Shareholders' funds	1,98,761	2,74,213	2,89,293
Turnover	15,64,605	18,73,535	15,61,648
Profit before tax	7,14,788	8,78,086	7,80,365
Profit after tax	6,28,383	7,65,452	6,45,080

2. REVIEW OF LITERATURE

- ❖ **Dr. Geetika Tandon Kapoor et al (2023)**, This study focuses on the correlation between mutual fund choices and investors' demographic and socio-economic profiles, emphasizing its relevance in India's customer-centric economy. Based on primary data from 200 respondents, the research employs Chi-square and Mann Whitney U tests to analyse factors influencing investment choices. The findings offer insights into how demographic and socio-economic factors shape investors' preferences in mutual funds, providing crucial information for a customer-centric mutual fund landscape. In conclusion, understanding the dynamics between profiles and preferences is vital for shaping the future of mutual funds in India.
- ❖ **Surendra Kumar Verma et al (2023)**, The study compares and analyzes the performance of ten equity schemes, aiming to grade them based on effectiveness, particularly to assist small investors in decision-making. Utilizing the T-Test for the difference in the mean, it compares the mean and return of public and private sector mutual funds. The analysis employs Jensen's Alpha, Sharpe, and Treynor index models, revealing significantly improved performance in the majority of selected schemes from both sectors. The study concludes that the notable performance of these equity mutual fund schemes indicates success for both Public and Private Sector Mutual Funds, attributed to improved fund allocation, managerial efficacy, and portfolio manager performance.
- ❖ **Pooja Chaturvedi Sharma (2019)**, This study analyses investor perceptions of mutual funds in Delhi/NCR, surveying 100 educated investors to understand their views. Factors influencing buying behaviour, including fund characteristics, credibility, convenience, success factors, and fund family, were explored. Findings reveal that these factors significantly impact mutual fund investors' decisions. The study concludes that mutual fund success relies on collaboration between skilled fund managers and discerning investors. Acknowledging the specific needs of investors, especially in Delhi/NCR, is crucial for the ongoing success and growth of mutual funds as an accessible investment option.
- ❖ **Kotishwar (2013)**, This study explores the correlation between investor demographics and mutual fund choices in the Indian Mutual Fund industry. Analysing perceptions from 500 investors (250 from each sector), it identifies age, marital status, and education as influential factors in investment decisions. Investor profiles, particularly age, marital status, and education, directly impact mutual fund preferences. Noteworthy influencers include Management Fee, Return on Income, and Security, highlighting a nuanced understanding of investor behaviour. The findings stress the need for targeted strategies, especially in engaging the underexplored female segment and addressing the underrepresentation of higher-income groups in mutual fund targeting.
- ❖ **Naila Iqbal (2012)**, The study focuses on the comparison between the performance of private and public sector mutual funds in India, aiming to guide investors in decision-making. Utilizing statistical tools like T-tests and variance, the research tests the null hypothesis suggesting no significant performance difference. Results based on five years' average returns and variances reveal a statistically significant disparity, with private sector mutual funds outperforming their public sector counterparts. The computed T-value (1.95) exceeds the tabulated value (1.86), indicating superior performance. Consequently, investors may find private sector mutual funds more favourable for potentially better results and Net Asset Values.

3. OBJECTIVES OF THE STUDY

- ❖ To study the mutual fund industry in India.
- ❖ To Study the Impact of Demographic Characteristics of individual investor towards select mutual funds under the public mutual funds.
- ❖ To Study and Evaluate the Attractiveness of Select Public Mutual Fund Schemes.

HYPOTHESIS OF THE STUDY:

Null Hypothesis (H0): Demographic factors such as age, income, and education level do not significantly influence the impulse behaviour of individual investors in the context of the selected public mutual fund schemes in Hyderabad.

Alternative Hypothesis (H1): Demographic factors such as age, income, and education level significantly influence the impulse behaviour of individual investors in the context of the selected public mutual fund schemes in Hyderabad.

4. RESEARCH METHODOLOGY

- ❖ **Research Design:** The study adopts a cross-sectional research design to analyse the impulse behaviour of individual investors in the context of the mutual funds industry in Hyderabad, specifically focusing on select public mutual fund schemes.
- ❖ **Sampling:** A purposive sampling technique is employed to select 100 individual investors in Hyderabad who have invested in the specified public mutual fund schemes. The sample is chosen to ensure a diverse representation of investors across different demographics.
- ❖ **Data Collection:** The questionnaire is designed to capture information on investors' impulse behaviour, demographic details, and their experiences with select public mutual fund schemes.
- ❖ **Data Analysis:** Statistical Package for the Social Sciences (SPSS) is utilized for data analysis. Descriptive statistics, including mean, median, and standard deviation, are computed to provide an overview of the impulse behaviour and demographic characteristics of the sampled investors.

5. RESULT AND DISCUSSION

- ❖ **To Study the Impact of Demographic Characteristics of individual investor and attractiveness towards to select mutual funds under the public mutual funds.**

Frequency distribution of “Gender”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	44	41.5	41.5	41.5
	Female	62	58.5	58.5	100.0
	Total	106	100.0	100.0	

The table depicts the gender distribution of individual investors towards select public mutual funds. Out of 106 participants, 41.5% are male, while 58.5% are female, indicating a diverse demographic.

The data highlights a significant presence of both genders, emphasizing the need for gender-inclusive considerations in understanding investor behaviour in the context of public mutual funds.

Frequency distribution “Age”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25 years	92	86.8	86.8	86.8
	26-35 years	12	11.3	11.3	98.1
	36-45 years	2	1.9	1.9	100.0
	Total	106	100.0	100.0	

The table reveals a diverse age distribution among individual investors in select public mutual funds, emphasizing the youthful demographic.

The majority, 86.8%, falls within the 18-25 years age range, indicating a significant concentration of younger investors. The 26-35 years category represents 11.3%, while the 36-45 years group is the smallest at 1.9%.

This underscores the importance of tailoring investment strategies to meet the preferences of a predominantly younger investor base.

Frequency distribution “Marital status”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	14	13.2	13.2	13.2
	Unmarried	92	86.8	86.8	100.0
	Total	106	100.0	100.0	

The table reveals a diverse demographic among individual investors in select public mutual funds concerning marital status. The majority, 86.8%, is unmarried, while 13.2% are married.

This emphasizes the importance of acknowledging and catering to the preferences and financial goals of both married and unmarried investors in designing investment strategies.

Frequency distribution “Highest level of education”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School or below	15	14.2	14.2	14.2
	Bachelor's Degree	33	31.1	31.1	45.3
	Master's Degree	50	47.2	47.2	92.5
	Doctorate or Professional Degree	8	7.5	7.5	100.0
	Total	106	100.0	100.0	

The table presents a diverse demographic based on the highest level of education among individual investors in select public mutual funds. Indicates, 47.2% hold Master's degrees, 31.1% have Bachelor's degrees, and 14.2% have education levels of High School or below. This highlights the importance of tailoring financial communication and strategies to accommodate varying educational backgrounds within this investor group.

Frequency distribution “Current occupation”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	81	76.4	76.4	76.4
	Employed (private and public sector)	19	17.9	17.9	94.3
	Self employed	6	5.7	5.7	100.0
	Total	106	100.0	100.0	

The table represents a diverse demographic in terms of current occupation among individual investors in select public mutual funds. The majority, 76.4%, consists of students, while 17.9% are employed in both private and public sectors, and 5.7% are self-employed.

This highlights the varied occupational backgrounds within the investor group, emphasizing the need for targeted investment communication tailored to different professional segments

Frequency distribution “Approximate Annual income”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	20	18.9	18.9	18.9
	Middle (lower and upper)	[62	58.5	58.5	77.4
	High	9	8.5	8.5	85.8
	None	15	14.2	14.2	100.0
	Total	106	100.0	100.0	

The table reflects a diverse demographic in terms of annual income among individual investors. Notably, 58.5% fall into the middle-income bracket, while 18.9% have a low income, and 8.5% have a high income. Additionally, 14.2% indicate none, emphasizing the importance of recognizing varied income levels when tailoring investment strategies for this investor group.

Frequency distribution “Primary goal of investing in Mutual funds”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Capital appreciation	14	13.2	13.2	13.2
	Wealth Preservation	25	23.6	23.6	36.8
	Income generation	65	61.3	61.3	98.1
	Speculation	2	1.9	1.9	100.0
	Total	106	100.0	100.0	

The table represents a diverse demographic in the primary investment goals of individual mutual fund investors.

The majority, 61.3%, aims for income generation, while 23.6% prioritize wealth preservation, and 13.2% focus on capital appreciation. With 1.9% opting for speculation, the data underscores the varied financial objectives within the investor group, suggesting the importance of catering investment strategies to diverse goals

Frequency distribution “Years are you been investing in mutual funds”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 2 years	78	73.6	73.6	73.6
	2- 5 years	19	17.9	17.9	91.5
	5-7 years	6	5.7	5.7	97.2
	above 7 year	3	2.8	2.8	100.0
	Total	106	100.0	100.0	

The Above table reflects a diverse demographic in terms of the duration of mutual fund investments among individual investors. A significant majority, 73.6%, have less than 2 years of investment experience, while 17.9% fall within the 2-5 years range. Additionally, 5.7% have been investing for 5-7 years, and 2.8% have an investment tenure of over 7 years, indicating varied levels of experience within the investor group.

Frequency distribution “Over all experience in investing in mutual funds”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Beginner	55	51.9	51.9	51.9
	Intermediate	46	43.4	43.4	95.3
	Expert	5	4.7	4.7	100.0
	Total	106	100.0	100.0	

The table reveals a diverse demographic in the overall experience of investing in mutual funds among individual investors. A significant portion, 51.9%, are beginners, while 43.4% fall into the intermediate category. Furthermore, 4.7% identify as experts, indicating varied levels of investment experience within the investor group.

Frequency distribution “Typical investment horizon when considering mutual fund investment”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Short- term (0-1 year)	52	49.1	50.0	50.0
	Medium-term (1-5 years)	48	45.3	46.2	96.2
	Long-term (5 years and above)	4	3.8	3.8	100.0
	Total	104	98.1	100.0	
Missing	System	2	1.9		
		106	100.0		

The table indicates a diverse demographic in terms of the typical investment horizon considered by individual investors in mutual funds. A significant portion, 50.0%, opts for a short-term horizon (0-1 year), while 46.2% choose a medium-term horizon (1-5 years). Additionally, 3.8% have a long-term horizon (5 years and above), showcasing varied investment preferences within the investor group.

Frequency distribution “local economic conditions in HYD impact your investment decisions in Mutual funds”

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	15	14.2	14.2	14.2
	Slightly	36	34.0	34.0	48.1
	Moderately	41	38.7	38.7	86.8
	Highly	8	7.5	7.5	94.3
	Extremely	6	5.7	5.7	100.0
	Total	106	100.0	100.0	

The table reflects a diverse demographic in terms of how local economic conditions in Hyderabad impact investment decisions in mutual funds. Indicating, 38.7% of investors feel moderately impacted, while 34.0% are slightly affected, and 14.2% are not affected at all. With 7.5%, 5.7%, and 5.7% expressing high, extremely high, and extremely low

impact, respectively, the data illustrates varied perceptions within the investor group regarding the influence of local economic conditions on their investment decisions.

Frequency distribution of “Public mutual funds”

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
External factors such as market news or social media can significantly influence my decision to invest in mutual funds?	Frequency	11	9	46	35	5
	percentage	10.4	8.5	43.4	33.0	4.7
My investment decisions are influenced by the recent performance of mutual funds.	Frequency	4	7	44	46	5
	percentage	3.8	6.6	41.5	43.4	4.7
I perceive public mutual funds as low-risk investment options?	Frequency	8	10	40	42	6
	percentage	7.5	9.4	37.7	39.6	5.7
I tend to invest in public mutual funds based on short-term market trends rather than a long-term investment strategy.	Frequency	4	8	44	41	9
	percentage	3.8	7.5	41.5	38.7	8.5
"I conduct thorough research and analysis before investing in public mutual funds."	Frequency	10	8	30	54	4
	percentage	9.4	7.5	28.3	50.9	3.8
The marketing and promotional activities of public mutual funds influence my decision to invest impulsively.	Frequency	5	9	41	42	9
	percentage	4.7	8.5	38.7	39.6	8.5
Public mutual funds, in my opinion, are suitable for investors who prefer spontaneous and flexible investment approaches	Frequency	2	11	32	53	8
	percentage	1.9	10.4	30.2	50.0	7.5
I believe public mutual funds offer unique advantages that make them attractive for impulsive investors.	Frequency	5	10	32	51	8
	percentage	4.7	9.4	30.2	48.1	7.5

I trust the expertise of fund managers in managing public mutual funds effectively	Frequency	8	2	27	59	10
	percentage	7.5	1.9	25.5	55.7	9.4
I find investing in public mutual funds to be an easy and accessible process	Frequency	3	5	34	53	11
	percentage	2.8	4.7	32.1	50.0	10.4

The table depicts varied opinions on how **external factors influence mutual fund investment decisions**, with 43.4% neutral, 33.0% in agreement, and 4.7% strongly agreeing. However, 18.9% (10.4% strongly disagree, 8.5% disagree) express skepticism. To address concerns, targeted education and communication on the impact of market news and social media may help bridge the divided perspectives.

The table indicates diverse views on the **influence of recent mutual fund performance on investment decisions**, with 43.4% agreeing and 4.7% strongly agreeing. A considerable 41.5% hold a neutral stance, while 10.4% (3.8% disagree and 6.6% strongly disagree) diverge from this perspective. This diversity emphasizes the need for a customized approach to address the preferences and concerns of investors influenced by recent performance and those who are not.

The table presents diverse **opinions on the perceived risk of public mutual funds**, with 39.6% agreeing and 5.7% strongly agreeing that they are low-risk. However, 16.9% (7.5% strongly disagree and 9.4% disagree) hold a contrary view, indicating skepticism about the perceived low risk. This variation underscores the importance of nuanced risk understanding among investors. To address concerns and promote clarity, financial institutions should consider offering comprehensive information and education to align investor expectations with the actual risk profiles of public mutual funds, fostering a more informed perspective.

The table outlines diverse **investment behaviors regarding public mutual funds based on short term market trends rather than long term**, with 38.7% agreeing and 8.5% strongly agreeing to base decisions on short-term market trends. However, 41.5% maintain a neutral stance, while 11.3% (3.8% strongly disagree and 7.5% disagree) diverge by preferring a long-term investment strategy. This underscores the need for tailored guidance and education to align investors' choices with their desired investment horizon, promoting a more balanced and informed approach.

The table reflects investor sentiments regarding the thoroughness of **research and analysis conducted before investing in public mutual funds**. A significant majority, comprising 50.9%, agrees (28.3% neutral, 22.6% agree) with the importance of in-depth research. However, 17.5% (9.4% strongly disagree and 7.5% disagree) hold reservations, suggesting a portion of investors may not prioritize extensive analysis. This underscores the need for encouraging and educating investors on the benefits of diligent research to make more informed and strategic investment decisions.

The table highlights the **impact of marketing and promotional activities of public mutual funds on impulsive investment decisions in public mutual funds**. Around 48.1% adopt a cautious or indifferent stance (4.7% strongly disagree, 8.5% disagree, and 38.7% neutral), while an equal percentage, 48.1% (39.6% agree and 8.5% strongly agree), acknowledges the influence of marketing efforts. This dual role of marketing emphasizes the need for balanced perspectives. To mitigate impulsivity, investor education programs can guide individuals toward more deliberate and informed investment choices.

The table indicates **opinions on the suitability of public mutual funds for investors favouring spontaneous and flexible investment approaches**. A majority, comprising 57.5% (1.9% strongly disagree, 10.4% disagree, and 45.2% neutral), holds a more cautious or indifferent stance. However, 57.5% (50.0% agree and 7.5% strongly agree) acknowledge the suitability for spontaneous and flexible investors, suggesting a balanced distribution of perspectives.

The table reveals opinions on the appeal of **public mutual funds offers unique advantage that make them attractive for impulsive investors**. A substantial majority, accounting for 55.6% (4.7% strongly disagree, 9.4% disagree, and 41.5% neutral), holds a more cautious or indifferent view. However, 55.6% (48.1% agree and 7.5% strongly agree) acknowledge the unique advantages, indicating a balanced perspective. This suggests the importance of understanding and promoting the specific benefits that make public mutual funds attractive to impulsive investors.

The table indicates the level of **trust in the expertise of fund managers for effective management of public mutual funds**. A substantial majority, totalling 65.1% (7.5% strongly disagree, 1.9% disagree, and 55.7% agree), expresses confidence in fund managers' abilities. Conversely, 9.4% strongly agree that they trust fund managers, highlighting a

significant level of trust in their expertise. This high level of confidence underscores the perceived competence of fund managers in effectively managing public mutual funds.

The table reveals **perceptions about the ease and accessibility of investing in public mutual funds**. A majority, comprising 60.4% (2.8% strongly disagree, 4.7% disagree, and 52.9% neutral), suggests a moderate to cautious stance. However, 60.4% (50.0% agree and 10.4% strongly agree) find the process easy and accessible, emphasizing a significant proportion of investors who perceive public mutual fund investments as user-friendly. This highlights the importance of promoting accessibility and simplicity in investment processes to cater to diverse investor preferences.

6. CONCLUSION

This study concludes that, the people have different opinions and preferences when it comes to investing in certain mutual funds. Men and women are equally involved, highlighting the need to consider everyone's perspective. Younger people are more interested, so investment strategies should suit their preferences. Marital status, education, and jobs also play a role, showing the need for a personalized approach. Different income levels require tailored investment plans. Most investors aim for income, but experience and confidence levels vary, stressing the need for customized education. People have mixed views on external influences, risk, and recent performance. To address this, clear communication and education are crucial to meet diverse investor needs and boost satisfaction and confidence in mutual fund investments.

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