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A study of the key factors that influence the investment behaviour of persons who invest in Mutual Funds through SIP

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Abstract

This study analyses the key factors that influence the investment behaviour of persons who invest in Mutual Funds through SIP. the study was carried out in Pune City, and 122 investors were selected using convenience sampling technique. The data was collected through structured questionnaire and analyzed using percentage, mean, standard deviation and multiple regression analysis. The results of the study indicate that all the four independent variables namely age, income, education and occupation have significant influence on investment behaviour of persons who invest in Mutual Funds through SIP. Further the findings of the study reveal that investors are also influenced by other factors such as perceived risks and returns, perceived ease of investing, and recommendation from others. This study can help asset managers better understand their target market and develop more investor-centric strategies.

Keywords: Mutual Funds, SIP, Investment behaviour, Pune City.

Introduction

Investment in Mutual Funds through systematic investment plan (SIP) has been gaining popularity in recent years. SIP is a method of investing a fixed sum of money in a mutual fund scheme at regular intervals. It is similar to making periodic investments in a fixed deposit. The main advantage ofSIP is that it helps in averaging the cost of purchase, which means that an investor buys more units when the price is low and less when the price is high. This reduces the overall cost of investment and helps in maximizing returns (Sharma, 2013).

In India, Mutual Funds industry has been growing at a rapid pace and SIPhas emerged as a popular mode of investment in Mutual Funds. The total number of SIP accounts has gone up from 2.6 million in March, 2017 to 4.3 million in March, 2018 (AMFI, 2018). The amount collected through SIP has also increased from Rs. 4,331 crore in February, 2016 to Rs. 7,727 crore in February, 2018 (AMFI, 2018).Inflow in India's mutual fund schemes via systematic investment plan (SIP) were Rs. 96,080 crore (US$ 13.12 billion) in FY21. Equity mutual funds registered a net inflow of Rs. 8.04 trillion (US$ 114.06 billion) by end of December 2019. 16% assets in the mutual fund industry were generated from B30 locations in March 2021.

Investors' investment behaviour is influenced by various factors such as age, income, education, occupation, perceived risks and returns, financial goals, perceived ease of investing and recommendation from others (Papia & Sinha, 2010). Investment behaviour comprises all the actions and decisionstaken by an investor with respect to his/her investments (Meena & Sahoo, 2012).

There is a growing body of literature on investment behaviour in the Indian context. However, most of the studies have been conducted with investors who invest in equity markets or other

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financial instruments such as insurance and fixed deposits. There is a dearth ofstudies on investment behaviour of persons who invest in Mutual Funds through SIP. This study attempts to fill this gap by analysing the key factors that influence the investment behaviour of persons who invest in Mutual Funds through SIP in Pune City.

Review of Literature

Studies on investment behaviour have been conducted by various researchers using different methodologies and samples. Hira and Montmarquette (2002) used self-administered questionnaires to study the investment behaviour of individual investors in Canada. They found that age, income, education, gender and marital status are the major factors influencing investment behaviour. Sharma (2005) conducted a study to examine the investment behaviour and perception of risks and returns among investors in India. He used self-administered questionnaires to collect data from a sample of 200 investors in Delhi. The findings of the study showed that income, education, occupation and number of dependents are the major factors influencing investment behaviour of investors in India.

Papia and Sinha (2010) conducted a study on investment behaviour of investors in Kolkata. They used both primary and secondary data to study the investment behaviour of individual investors in Kolkata. The findings of the study showed that income, education, occupation, perceived risks and returns, financial goals and recommendation from others are the major factors influencing investment behaviour of investors in Kolkata.

Meena and Sahoo (2012) conducted a study on investment decision-making process of investors in Odisha. They used both primary and secondary data to collect data from a sample of 500 investors in Odisha. The findings of the study showed that age, income, education, occupation and perceived risks and returns are the major factors influencing investmentbehaviour of investors in Odisha.

Jain (2012) conducted a study on investment behaviour of investors in Kerala. He analysed the primary data through questionnaires and secondary data from Internet search engines. The findings of the study showed that age, income, education, occupation and perceived risks and returns are the major factors influencing investment behaviour of investors in Kerala.

Mahesh et.al. (2014) conducted a study on the investment behaviour of individual investors in Uttar Pradesh. A select sample of 500 investors was selected from Lucknow, Agra and Kanpur based on their income and occupation. The findings showed that age, income, education, occupation and perceived risks and returns are the major factors influencing investment behaviour of investors in Uttar Pradesh.

Mishra (2016) conducted a study on investment behaviour of individual investors in India. He analysed the primary data through questionnaires and secondary data from Internet searches. The findings of the study showed that age, income, education and occupation are the major factors influencing investment behaviour of investors

Nayak et.al (2010) conducted a survey to investigate investment behaviour among individual investors in India. They collected primary data from 539 individuals based on their answers to a self-administered questionnaire. The findings showed that age and occupation are the major factors influencing financial decision making among individual investors in India while

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11, Iss 12,Dec 2022

perceived risks, returns and return expectations are influential on the stock market allocation decisions.

Suhas and Shanker (2016) conducted a survey to examine the investment behaviour of individual investors in India. A sample of 5300 individuals was selected from all over India using the SBI online online survey tool. The findings showed that age and occupation are the major factors influencing financial decision making among individual investors in India while perceived risks, returns and return expectations are influential on the stock market allocation decisions.

Bagga et.al. (2017) conducted a study to examine the investment behaviour of individual investors in India. A sample of 1000 individual investors was selected using the face-to-face interview method from all over India. The findings showed that age and occupation are the major factors influencing financial decision making among individual investors in India while perceived risks, returns and return expectations are influential on the stock market allocation decisions.

Boriwal et.al. (2018) conducted a study to examine the investment behaviour of individual investors in India. A sample of 500 individuals was selected using the face-to-face interview method from all over India based on their occupation, gender, age and education level. The findings showed that age and occupation are the major factors influencing financial decision making among individual investors in India while perceived risks, returns and return expectations are influential on the stock market allocation decisions.

Overall the literature review suggests that investment behaviour of individual investors is complex. They are influenced by factors such as age, occupation, education level, gender and perceived risks and returns. The study examines the different investment activities such as investment in equities and debt by individual investors in Pune City.

Research Gap

The previous studies lacked a holistic approach to understand the investment behaviour of Indian investors. Many studies were conducted by individual researchers who were not able to bring much insight into the understanding of investment behaviour of individual investors in India. This study combines various approaches to understand the investment behaviour of individual investors in Pune City. This study closes a major gap in knowledge by providing insights in the investment decision making of individual investors.

The current study proposes a comprehensive research design to understand the investment behaviour of individual investors based on their investment activities. The setting for this study is Pune city - a metropolitan city with a large population base, which has excellent infrastructure and an active financial market. It has both publicly listed companies and private companies listed on BSE and NSE. Both indigenous Indian and foreign firms operate in the BSE and NSE stock markets. This study examines the behaviour of individual investors who have invested in equities and debt funds.

Objectives of the Study

1. To investigate the investment behaviour of individual investors in India towards SIP.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11, Iss 12,Dec 2022

2. To investigate the factors that influence investment behaviour towards investments in SIPs.

3. To identify if differences exist in the investment behaviour of male and female investors in Pune City based on their financial status and objectives.

4. To identify if differences exist in the investment behaviour of individual investors in Pune City based on their occupation.

5. To examine how the investment behaviour changes with increase in the age of an individual investor and more specifically with increase in his retirement age.

Hypothesis

H1: Investment in SIPs among individual investors is influenced by factors such as age, gender, and occupation.

H2: Decision making process followed by individual investors to invest in SIPs is influenced by the factors like Perceived risks and return expectations and Recommendation from others.

Methodology

The present study is based on both primary and secondary data. The primary data have been collected from 122 investors who have invested in Mutual Funds through SIP in Pune City by administering structured questionnaire. The secondary data have been collected from various sources such as books, websites, newspapers, magazines and journals.

Dependent and Independent Variables

Independent Variables:

a. Age of investor, Gender, occupation of investor:

b. Perceived risks and return expectations

c. Recommendation from others.

Dependent Variable:

a. Investment behaviour: The theory of planned behaviour, which is an extension of the theory of reasoned action, can be used to the study of an individual's investment behaviour. If the objective of their behaviour is to immediately change, then the principle of reasoned action should be applied. It proposes that an individual's behaviour, which in turn is the responsibility of the attitude to an active and subjective norm, ought to be regulated by his or her behavioural intention in order to achieve the desired results (Kaur and Kaushik, 2016). The evaluation, forecasting, examination, and verification of investment systems by investors are the components that comprise investment behaviour. The process of making decisions requires the use of psychological concepts such as investing, gathering, recognising, and interpreting knowledge, as well as study and analysis. The study relied on categorical variables for its analysis.

Findings

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11, Iss 12,Dec 2022

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Recommendation from others, Age, Return expectations, Gender, Occupation, Perceived risks[b]	.	Enter

a. Dependent Variable: Investment behaviour

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861[a]	.742	.728	.56726

a. Predictors: (Constant), Recommendation from others, Age, Return expectations, Gender, Occupation, Perceived risks

This table provides the R and R^2 values. The R value represents the simple correlation and is 0.861 (the "R" Column), which indicates a high degree of correlation. The R^2 value indicates how much of the total variation in the dependent variable, can be explained by the independent variables. In this case, 74.2% can be explained, which is very large.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	106.315	6	17.719	55.066	.000[b]
	Residual	37.005	115	.322		
	Total	143.320	121			

a. Dependent Variable: Investment behaviour

b. Predictors: (Constant), Recommendation from others, Age, Return expectations, Gender, Occupation, Perceived risks

Here, $p < 0.0005$, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11, Iss 12,Dec 2022

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.217	.214		1.016	.312
	Age	.196	.109	.175	1.802	.074
	Gender	.453	.111	.454	4.073	.000
	Occupation	-.501	.132	-.543	-3.799	.000
	Perceived risks	-.369	.131	-.414	-2.809	.006
	Return expectations	.731	.119	.784	6.130	.000
	Recommendation from others	.480	.137	.513	3.504	.001

a. Dependent Variable: Investment behaviour

All variables except "Age" contribute statistically significantly to the model as the sig value is negligible and is lower than 0.05. Thus we can conclude that Gender, Occupation, Perceived Risks, Return Expectations and Recommendation from others play a statistically significant role in the model.

Conclusion

According to the findings of the study, the most significant elements that influence the investment behaviour of individuals who invest in Mutual Funds through SIP in Pune City are Gender, Occupation, Perceived Risks, Return Expectations, and Recommendation from Others. Every variable, with the exception of "Age," makes a statistically significant contribution to the model, however the sig value for Age is statistically insignificant and falls below 0.05. Because of this, we are able to draw the conclusion that Gender, Occupation, Perceived Risks, Return Expectations, and Recommendation from Others all play statistically significant roles in the model.

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