Mutual Fund Investments in Vidarbha: Patterns, Preferences, and Performance Evaluation

Sangeeta Sohan Dhengar, Research Scholar, Department of Business Management, RTM Nagpur University
Dr. Praveen Bhise, Research Supervisor, Department of Business Management, RTM Nagpur University

Abstract

In this research, the patterns, preferences, and performance evaluation of the mutual fund investment for Vidarbha region investor as well as brokers have been studied. Consequently, the study employs both quantitative and qualitative techniques to assess the primary determinants of investment decisions namely, risk taking capacity, financial objectives, and market information. The research also analyzes the brokers on their input in directing the investment directions together with the confidence level of the investment. An assessment of mutual funds is carried out using some fundamental financial ratios aimed at giving an idea of the return and volatility of different fund types. The research work also presents the analysis of the difference in investment preferences across various segments and in this regard, established that financial literacy is an important determinant of investment behaviour. The paper concludes with the suggestions to improve the investor's information and the quality of interactions between brokers and investors that would help to minimize mispositioned decisions in mutual fund investments.

Keywords: mutual fund investments, investor preferences, broker influence, performance evaluation, financial literacy, Vidarbha region

Introduction

Bearing this in mind, mutual funds have gained considerable popularity as a product to be invested in India and it is basically a pool of funds where people's money is float collectively where expertise fund managers invest the pooled money in various avenues. Thus they act as an entry point for those who want to invest with an aim of bearing certain risk in order to achieve a given level of personal wealth. The enhanced trends of Mutual Fund investments have been observed among investors and brokers of various securities markets in the Vidarbha region of Maharashtra where economic liberalization, changing and integrating economy, raising awareness or awareness towards investment practices and improved legal framework for various financial products have influenced the flow of investment in mutual fund as a better investment channel.

Distribution of potential investors in Vidarbha depends on their age, and income, risk taking propensity and financial literacy. intermediaries and specifically brokers are hence considered as focal controlling agents in the interface between Mutual Fund Schemes and investors in the micro and macro scenarios, as well as offering critical information and recommendation services. Yet, it is still essential to study mutual fund performance as well as investor behavior and effects of brokers with an aim of improving investors' results.

Thus, this research proposes to examine thekinetics and dynamics in mutual fund investments in Vidarbha, as well as assess the efficiency of different categories of mutual funds. Therefore the research aims to contribute to the understanding of investment decisions, the function of brokers and draw conclusions that can be useful for investors, brokers and policy makers. The knowledge gathered from this study will increase the level of research on the topic of mutual fund investment resembling the findings of this globalised world and in turn will improve the financial literacy and efficiency for developing country like Ghana.

Literature review

Every time with final planning if any person/individual is doing so then it is mandatory to have proper financial literacy. Proper financial awareness enables one to comprehend the market, situations, tools among other details, which assist him or her in financial planning. According to National Institute of Securities Market, Financial Planning is defined as "a process of achieving financial purposing through the management of monetary resources". It is possible

(ISSN: 2393-8048)

International Seminar on September 16th, 2024
"Exploring the Frontiers of Interdisciplinary Research (ICEFIR-2024)"
Organized By: Nagpal Charitable Trust, Sri Ganganagar
Venue: Maharaja Agrasen Vidya Mandir School, Sri Ganganagar

to explicate this thing as a taking necessary actions that are compliant with laws and regulations that defend the interest of the individual and which also assisted him/ her, to accomplish various financial objectives (Shobha and Shalini, 2015).

Majority of the investors use their money to purchase different securities by way of friends, relatives, brokers or financial planners. At times tips provided by different gurus on the websites, news channels also served as valuable for the investors to invest in different securities. Although most of the investors invest their money in various financial instruments only a limited number of the investors invest their money themselves and have adequate knowledge and expertise. As such, financial consciousness and financial literacy is the determinant and controlling the investment activities of any investor (Das, 2011; Talluru, 1997; Rajeswari, 2014).

In his study Mishra (2010) understand the factors influencing the generation of India. The study was able to derive an important factor "risk tolerance". This means that, the self-assessed risk taking capacity or propensity significantly varies between male respondents and Female respondents in this study. However, the male respondents and female respondents living in same premise and in same area had different investment in several mutual funds schemes more especially considering their risk tolerance capacity. New mutual fund schemes must be designed and introduced targeting male respondents as well as female respondents and viewing their risk taking capacity new mutual fund schemes can be created thereby synergic results are possible. Also, concerning the risk tolerance capacity, the respondents' age, gender, education, occupation, and income level should be also highlighted.

According to Rishab Telukunta (2017), the best Mutual Funds and Systematic investment plans with the best performing funds learn the past development and with current trend it they can conclude trends.

According to K. Alamelu and G. Indhumathi (2017), analysing the SIP Investments of Mutual Funds in India SIPs have been revealed to be perfect for investors whereby they do not have the time, or the capital, to engage active investments.

Dhandyayuthapan & pratheep (2018) conducted a research paper based on Analyzing secondary data having the objective, to learn about the Performance of selected Mutual fund schemes in HDFC and secondly To analyze the performance of the selected schemes with the help of performance evaluation models Sharpe, Treynor, and Jensen ratio. And they analyzed the experience of 30 open ended diversified equity schemes with daily closing NAV of different fund schemes has been used to compute the returns from the fund schemes.

Kumar (2018) There are several aspects and dimensions in evaluating the performance of mutual funds, but this study focused on five aspects: especially 22 Sharpe measure; Jensen differential measure; Treynor measure; Sortino measure and Information measure. To test the strength of relationship between fund size and mutual funds performance, correlation coefficients between all the parameters as calculated. None of the studies pointed to a correlation between the size of the fund and its performance.

Wachasundar and Rukmangad (2024) concluded from the initial data obtained in the study that herding behaviour, indeed, significantly affects the mutual fund performance. Nonetheless, the quality or manner of such influence is predetermined by factors such as the type and market segments of funds. The author goes further and points out that while herding may generate profit in the short-run in terms of price momentum and liquidity-greed returns, in the longer-run it led to mispricing and reversal if persisted. However, less liquid assets may also have their performance deteriorated for the long term due to trading losses arising from herding behavior as well as too frequent portfolio rebalancing. These results have implications for both fund managers and investors. This way the investors can be in a position to make good investment decisions that hitherto are in confluence with herd mentality and its negative impact.

(ISSN: 2393-8048)

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Research Methodology

The present paper uses a mixed method approach to provide an examination of mutual funds for investment in the Vidarbha region. Primary data is obtained from closed-ended questionnaires filled by investors and brokers with questions pertaining to their investment choices, investment decisions, and their assessment of mutual fund performance. Face-to-face semi-structured interviews with brokers add a layer of richness to the study because it is possible to get at variance or variations within the difficulties brokers stated. Secondary data is collected from reports, journals, and database for measuring the performance of mutual funds with the help of financial ratios like NAV per unit, expense ratio and the risk adjusted return. The study populations are the individual investors and brokers in Vidarbha especially in both rural and urban area of the region through using stratified random sampling to incorporate a cross-sectional analysis of both demographical and occupational classes. Causal analysis entails statistical methods used in segregating investment related patterns, prevalence of certain traits among investors and trends and commonalities with qualitative Thematic Analysis of the interview responses. The use of this approach guarantees that all aspects of the factors impacting the mutual fund investments are given than necessary scrutiny.

Objectives of the Study:

- To evaluate the role of brokers in influencing mutual fund investment decisions.
- To assess the performance of mutual fund schemes using key financial metrics.
- To explore the relationship between financial literacy and mutual fund investment behavior in the Vidarbha region.

Hypothesis

Null Hypothesis (H_0): There is no significant relationship between financial literacy and mutual fund investment behavior in the Vidarbha region.

Alternative Hypothesis (H_1): There is a significant relationship between financial literacy and mutual fund investment behavior in the Vidarbha region.

Data analysis and discussion

Table 1 – Descriptive statistics

Variable	Investors (N = 100)	Brokers (N = 25)
Age (years)	Mean: 40.2	SD: 10.5
Gender (Male:Female)	70:30	22:3
Education Level (%)	Graduate: 65%, Postgraduate: 25%, Others: 10%	Graduate: 40%, Postgraduate: 60%
Monthly Income (INR)	Mean: 45,000	SD: 15,000
Risk Appetite (%)	Low: 30%, Medium: 50%, High: 20%	Low: 10%, Medium: 40%, High: 50%
Years of Experience in Investments/Advisory	Mean: 7.8	SD: 4.2
Preferred Fund Type (%)	Equity: 40%, Debt: 30%, Hybrid: 30%	Equity: 60%, Debt: 25%, Hybrid: 15%
Awareness of Financial Metrics (%)	Moderate: 55%, High: 25%, Low: 20%	High: 80%, Moderate: 20%, Low: 0%

The descriptive statistics presented in Table 1 summarize the demographic and investment-related characteristics of two groups: respondents were investors (N = 100) and brokers (N = 25). The mean age of investors is 40.2 years (SD = 10.5), slightly lower than brokers, who appear skewed toward a predominantly male representation, with gender distributions of 70:30 for the investors and 22:3 for the brokers. There is a marked variation in education level, as to

(ISSN: 2393-8048)

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investors more than two third invested are graduates and 13% are postgraduates while of the brokers more than half are graduates and over one quarter are postgraduates.

Investors report, on average, a monthly income of INR 45,000 (SD = 15000), while for brokers, this figure is not mentioned. The survey results show the difference in attitudes toward risk: 50% of brokers chose high risk, while only 20% of the investors. On the other hand, a much higher proportion of investors have low risk taking propensity (30%) compared to brokers (10%). Brokers also pay more attention to information related to financial ratios, the awareness level being 80 % against only 25 % of investors.

The brokers have slightly more experience than the investors in terms of years of work experience indicating 7.8 years (SD= 4.2). Broker-preference funds are also different; brokers having greater affinity for equity funds (P = 0.60) than investors (P = 0.40). However, sales of hybrid funds are relatively low, particularly amongst brokers where only 15% prefer them compared to investors with a 30% preference.

In total these figures indicate that brokers are better educated, financially literate, have higher risk tolerance levels than investors and yet, they are more balanced in their approach choosing both their Funds and information sources, where as investors are more moderate in the type of Funds they like to invest and yet are more active in their seeking information.

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Table 2 – Pearson Correlation

Variable	Financial Literacy	Mutual Fund Investment Behavior
Financial Literacy	1	0.65**
Mutual Fund Investment Behavior	0.65**	1

The table 2 shows Pearson correlation co-efficient between financial literacy and mutual fund investment behaviour. The two are strongly and positively related with a coefficient of determination of 0.65. This indicates that knowledge of mutual funds leads to more positive invested action and implies that investment in mutual funds is more engaged as the financial literacy level increases.

The level of significance of the overall correlation is indicated by the double asterisk ()** meaning the correlation is significant at 0.5 level. This suggests us that the hypothesis has not occurred accidentally and serves as sufficient evidence of supporting the first hypothesis (H_1) stating that the level of financial literacy is positively related with the mutual fund investment behavior in the Vidarbha region.

Therefore, in relation to the above analysis we can conclude that there is positive and

(ISSN: 2393-8048)

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statistically significant relationship between financial literacy and investors' behaviours towards mutual funds. They instruct the importance a part of a proper etiquette of financial literacy to enhance results of investment specifically in regions with low level of financial literacy such as Vidarbha.

Table 3 – Performance of Mutual fund schemes

Mutual Fund Scheme	Net Asset Value (NAV) (INR)	Expense Ratio (%)	Risk-Adjusted Return (Sharpe Ratio)	Standard Deviation (%)	1-Year Return (%)
Bandhan Small Cap Fund - Regular Plan - Growth	46.691	1.20	0.95	14.3	12.5
Nippon India Small Cap Fund - Growth	174.082	1.50	1.20	18.7	15.8
Axis Small Cap Fund - Growth	106.300	0.85	0.75	10.5	8.4
SBI Small Cap Fund - Regular Plan - Growth	177.222	1.00	1.10	12.8	14.2
Canara Robeco Small Cap Fund - Regular Plan - Growth	40.110	1.30	1.05	16.5	18.0

The results of the study five small-cap mutual fund schemes are provided based on performance metrics in table 3. Here's a breakdown of the key findings:

Nippon India Small Cap Fund – Growth gives the highest one year return of 15.8% and a fairly good Risk-Adjusted Return (Sharpe ratio) of 1.20 which means that every additional unit of risk has been rewarded with a significantly high return. Still, it has the highest expense ratio of 1.50 percent which will slightly wane on investor returns across a number of years. The standard deviation of 18.7 % depicts a higher level of risk preferred for small – cap funds depending on the risks of such investments, there are are opportunities for both profit and loss making.

Canara Robeco Small Cap Fund Regular Plan Growth displays the highest star in the one year return showing sound performance at 18.0%. Even if the expense Ratio of 1.30 % is slightly higher the Sharpe ratio of 1.05 confirms this fact and once above the line that the return is good once risk. The volatility in the range of 16.5% is considered to be moderate risk.

Bandhan Small Cap Fund – Regular Plan – Growth has provided a 1-year return of 12.5 percent with the Sharpe ratio of 0.95 which states that return earned is moderate in comparison to risk. The direct expense ratio is even lower at 1.20% and the volatility, measured by standard deviation is moderate 14.3% compared to some other schemes.

SBI Small Cap Fund – Regular Plan – Growth has a relative performance of 14.2% over the past one-year period and has a Sharpe ratio of 1.10, which is good compared to the risk factor it has exposed its investors to. The expense ratio of 1.00% is also reasonable which creates good investment prospects because of cost effect. Unlike some of the other funds presented in the table the risk of the antibody was a bit lower with the standard deviation of 12.8%.

Axis Small Cap Fund – Growth is lowest with 1 year return of 8.4%, hence the paper concludes that this fund has offered lower return per unit of risk as determined by the Sharpe ratio of 0.75. But this comes with the least expense rate of 0.85%, thus making cheaper than other good

(ISSN: 2393-8048)

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performers charge despite these having relatively lesser returns and high standard deviations of 10.5%.

Therefore, on the basis of 1-year performance return, Nippon India Small Cap Fund and the Canara Robeco Small Cap Fund have performed well than other mutual fund, they involve high risks and charges. SBI Small Cap Fund is moderate in terms of performance, cost and risk profile. Bandhan Small Cap Fund performs well but offers moderate returns with more reasonable associated costs. That's right about Axis Small Cap Fund, which is the least attractive despite the low expense ratio. Consumers should choose a fund in accordance with their risk profile and the target returns they want to achieve, with some added caveat that greater returns equal more or higher risk, and cost.

Conclusion

This research work aimed at exposing general investment trends, choices, and outcomes of mutual funds involving investors and stockbrokers in the Vidarbha region. Insights drawn from the study of the level of financial literacy and investment behaviour/investment performance gave good understandings of how these mutual fund schemes are viewed and appreciated.

The key findings from the study are as follows:

Investor Preferences and Behavior: Small-cap mutual funds seem to be on the rise in Vidarbha investor population, particularly in the naturally risk averse population that is more drawn to schemes that broker both risk and reward. The paper establishes that the level of financial literacy significantly affects investment decision as individuals with high financial literacy are more likely to make informed investment decisions retaining high-risk high return fund preference.

Financial Metrics and Mutual Fund Performance: The results implied that the basic financial literacy had a moderate positive relationship with the mutual fund investment behavior. This included the NAV of the mutual fund schemes indicating the basic performance of each, the ratio of total expenses to average total assets, the Sharpe ratios and 1-year return. Some of the riskier funds experienced high returns but higher risks such as Nippon India Small Cap Fund and Canara Robeco Small Cap Fund; moderately risky but lower expense ratio like Axis Small Cap Fund and Bandhan Small Cap Fund.

Impact of Risk and Return: The analysis of mutual fund performance also brought out the fact that higher returns comes with higher risk (as found in Nippon India and Canara Robeco) the investor must be willing to take this risk. Conservative investors who prefer lower risk mutual fund schemes could find SBI Small Cap Fund a good investment proposition as funds offering lower risk provided reasonable risk adjusted returns.

Financial Literacy's Role: This study also supported the hypothesis that higher level of financial literacy increases the prospects of good returns of mutual fund investment. Understanding financial literacy, investors are able to make rational decisions, select correct levels of risk, and predict further investment outcomes.

Finally, this study stresses the significance of financial knowledge in enhancing the investment pattern and enhancing the mutual fund returns in Vidarbha area. The risk return correlation, cost and impact of financial literacy is an essential component in the choice making process by investors and brokers with a view of maximizing on their profits. The study also supports further financial literacy programmes that would assist the investors to make improved investment decisions when in the stock markets.

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(ISSN: 2393-8048)

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