

## Investment Behavior of the Indian Retail Mutual Fund Investors

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### Abstract:

This research study provides insights into effect of the recent marketing trends and investment behavior of retail mutual fund investors of the India. Purpose of the study is to observe the changes in Asset Under Management, number of folios, contribution done by retail investors in the mutual fund industry and preference towards equity fund among different types of mutual funds. The research study is descriptive type of research, based on secondary data; last ten financial years are considered for the study. The research data is collected from the research reports of Association of Mutual Fund India (AMFI). Average AUM of the industry has been increased by 154 % whereas Avg. AUM of retail investors has been increased by 125 %. Equity funds are popular funds and most preferred type of mutual fund of retail investors because maximum of their investment is in equity funds. The outcome of this research will be helpful to financial marketers, managers, financial consultants, management students and investors, to know more about change in pattern and investor's behavior about mutual fund investments.

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**Keywords:** Asset Under Management (AUM), Folios, Mutual Fund, Mutual fund industry Retail Investors.

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### 1. Introduction

From last few years, Indian economy is changing and this change in economy leads to other many changes. Change in consumption, change in life style, change in savings and investment etc. are some common effects of change in economy. Economy improvement is better for all the aspects of the nation and hence it is positive sign for industry, agriculture etc. and hence for finance. Ultimately these changes are due to the change in the consumer behavior. In India,

average income of Indians has been increased and it may go rise in future also, as an economic growth is in process. In India, different income groups have different patterns of savings and investment. From last few years, change in savings and investments patterns has been observed which shows change in investment behavior also. Investors are investing their funds in two types of assets, Physical assets and financial assets. From last few years, investment in financial assets has been increased as compare to financial assets. Direct equity, fixed deposits, debentures and bonds, mutual funds, insurance, public provident fund, pension products, postal saving, saving deposit and cash etc. are different types of financial assets whereas real estate, gold and precious objects are different types of physical assets. From last few years, marketing trends have been changed, digital business and marketing is the main reason behind these changes. Different types of mobile apps, websites, and social media marketing are few of the trends due to which overall business in financial sector became more convenient, hassle free and risk less (safe). For this study, financial asset-mutual funds has been considered as a focused point. In India financial year is from 01<sup>st</sup> April to 31<sup>st</sup> March, and for this research study, last ten financial years have been considered for this study. The total amount invested in the mutual fund is known as asset under management (AUM). In India, mutual fund investors are of five types as Corporates, Bank/Financial Institutes (FI), Foreign Investor Institutions (FII), High Net worth Individuals (HNI-investors who invested more than two lakh rupees) and Retail investors. All these investors are investing various amounts in various types of mutual funds as they have different amount and different fund choices for investment. Collectively all AUM is known as industry AUM and hence this research study is restricted to retail investors and their AUM and industry AUM. Folio is nothing but the mutual fund account and this study is restricted to retail investor's folios and industry folios.

## 2. Literature Review

Arathy B, Nair A & etal (2015) high lightened, the mutual fund as one of the emerged investment option by the retail investors and capital appreciation, high returns, tax benefits are the major factors behind this investment. Though overall investment is comparatively low but it is continuously growing. Maximum investors are investing in mutual fund for one, two, and three or four years, very few investors stayed invested for more than four years.

Prabhavathi, Y, Kishore, N, T, K (2013) found that individual investors have their own risk appetite and beliefs about any financial product however mutual fund plays an active role in

capital and money market. Researcher underlined the future growth of mutual fund industry subject to a strict regulations and control by concerned regulators.

Kandavel, D. (2011) suggested to mutual fund companies that their customers and products should be segmented as institutional and retail investors. Retail should divided further on the basis of demography as growth and balanced schemes must be suggest according to demography of the investors. Mutual fund companies can make a long term relationship with their investors and the scope of the industry.

Kandavel, D. (2011) suggested that the internet is an effective vehicle to communicate investors about information of the mutual fund scheme. He also suggested that mutual fund companies, AMFI should circulate all information in vernacular language, portfolio of the fund should be according to the objectives of the fund, underlined the importance of the advisory services and investors satisfaction.

Dasa K.K, Ali S. (2020) concluded that asset management companies are using Artificial intelligence (AI) and machine learning leads to increase in overall efficiency. With the digitization investors can invest directly without any inter mediator or broker. Robotics, block chain mechanism, robot advisors will help the AMC's to become an efficient and to show more performance in future.

### **3. Objectives**

1. To study of ten years mutual fund industry business.
2. To study of ten years retail investor's mutual fund business.
3. To study of folios numbers of mutual fund industry and retail investors.
4. To study equity fund investment done by retail investors.

### **4. Research Methodology**

Research is descriptive type of research. The research data is secondary data. A ten financial year's data has been considered for the study. Year wise mutual fund industry's AUM, retail investor's Assets Under Management (AUM), and their folio numbers are considered as a data for the research study. Collected data is arranged in a different tables and from these tables, charts of line and 2D line markers are made. Tables and charts are helpful to show patterns and trends of mutual fund investments.

### 5.Data Analysis and Interpretation

Mutual fund industry’s total Asset Under Management (AUM) and folio numbers as well as retail investors AUM and folio numbers are considered as a data. Last ten financial years are considered for the data analysis.

**Table No.1 Year wise AUM of Retail Investors and M.F. Industry**

Year	Retailer AUM (INR Tr.)	Industry AUM (INR Tr.)
2011-12	1.61	5.88
2012-13	1.62	7.02
2013-14	1.75	8.25
2014-15	2.48	10.83
2015-16	2.76	12.33
2016-17	3.97	17.55
2017-18	5.29	21.36
2018-19	6.30	23.80
2019-20	4.22	22.26
2020-21	7.05	31.43

Source: [www.amfiindia.com](http://www.amfiindia.com) \* All Figures are in INR in Trillions

**Chart No. 1 Year wise AUM of Retail Investors and M.F. Industry**

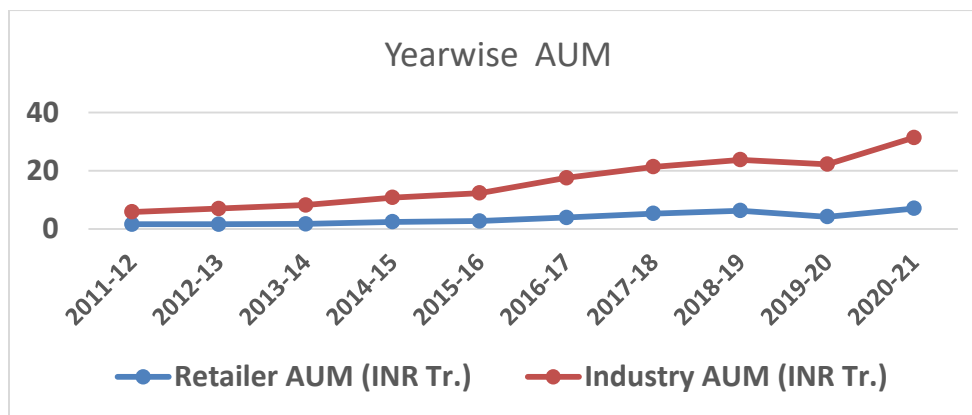


Table No.1 shows year wise asset under management (AUM) of retail investors and AUM of mutual fund industry. All figures in the table are in Indian rupees in Trillions and One Trillion is equal to One Lakh Crore. From Table No. 1 and Chart no.1, it is clear that, except year 2019-20, year on year, retail and industry AUM have been increased. Within last ten years, AUM of retail investors has been increased by 338 % whereas AUM of the industry has been increased by 435 % which shows difference in the growth. In the year 2019-20 both retail and industry AUM

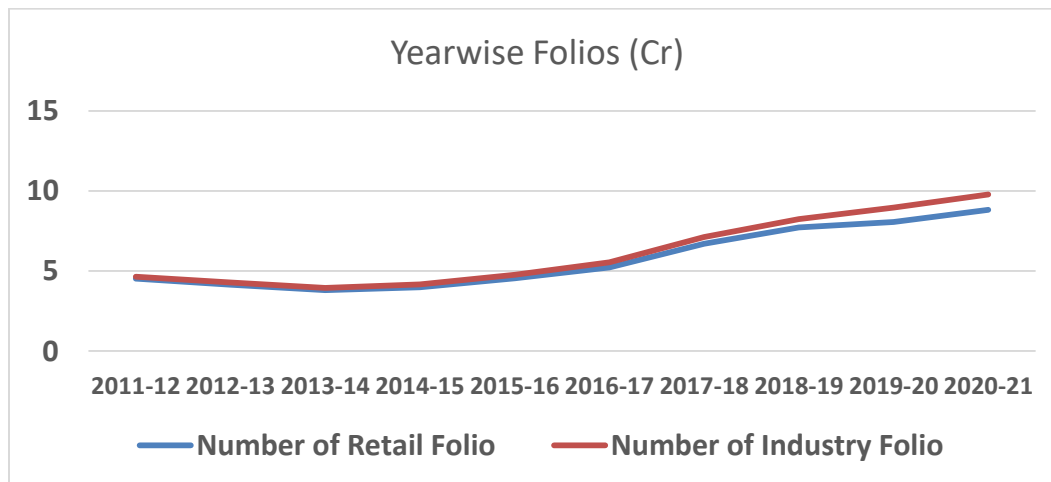
dropped by 35 % and 6 % respectively. From the chart, it is clear that, overall trend of these two AUM is comparatively same however within last ten years, overall growth of AUM of the mutual fund industry is more than the growth of retail AUM. Initially the gap between these two AUM were less which increased slowly and became more. In the year 2011-12, in the total AUM, the retail contribution was 27.36 % which later on reduced to 22.43 % in the year 2020-21. The increased in gap clearly indicates that mutual fund investment by other investors have been increased year on year.

**Table No.2 Year wise Number of Folios of Retail Investors and M.F. Industry**

Year	Number of Retail Folio (Cr.)	Number of Industry Folio (Cr.)
2011-12	4.52	4.65
2012-13	4.14	4.28
2013-14	3.81	3.95
2014-15	3.99	4.17
2015-16	4.54	4.77
2016-17	5.23	5.54
2017-18	6.70	7.13
2018-19	7.73	8.25
2019-20	8.07	8.97
2020-21	8.82	9.79

Source: [www.amfiindia.com](http://www.amfiindia.com)

**Chart No.2 Year wise Number of Folios of Retail Investors and M.F. Industry**



From the above table and chart, it is clear that, year wise there is change in folio numbers however in the year 2012-13 and 2013-14 no. of folios were decreased and later on it shows year

on year growth in number of folios. Change in no. of folios of retail and industry folios are showing almost same pattern however from the year 2016-17 onwards gap between these two types folios were increased and in the year 2019-20 and 2020-21 this gap became more. This increased in gap shows that other investors have done more investment. In the year 2011-12 the retail contribution was 97.32 % which reduced to 90.14 % in the year 2020-21. Though in the year 2019-20, AUM of retailer and industry were decreased but number of folios were increased. During last ten years number of retail folios were increased by 95 % whereas number of industry folio were increased by 111 %.

**Table No.3 Year wise Folio and AUM contribution of retail investors in mutual fund industry.**

Year	Folio contribution (%) by retail investors	AUM contribution (%) by retail investors
2011-12	97.32	27.36
2012-13	96.67	23.06
2013-14	96.38	21.15
2014-15	95.69	22.91
2015-16	95.24	22.37
2016-17	94.43	22.60
2017-18	93.92	24.79
2018-19	93.70	26.47
2019-20	89.91	18.97
2020-21	90.14	22.43

**Chart No. 3 Year wise Folio and AUM contribution of retail investors in mutual fund industry.**

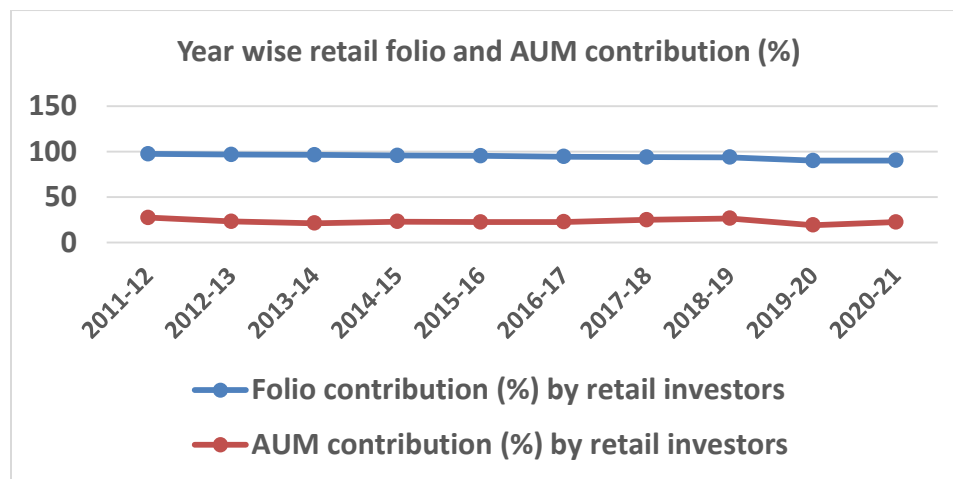


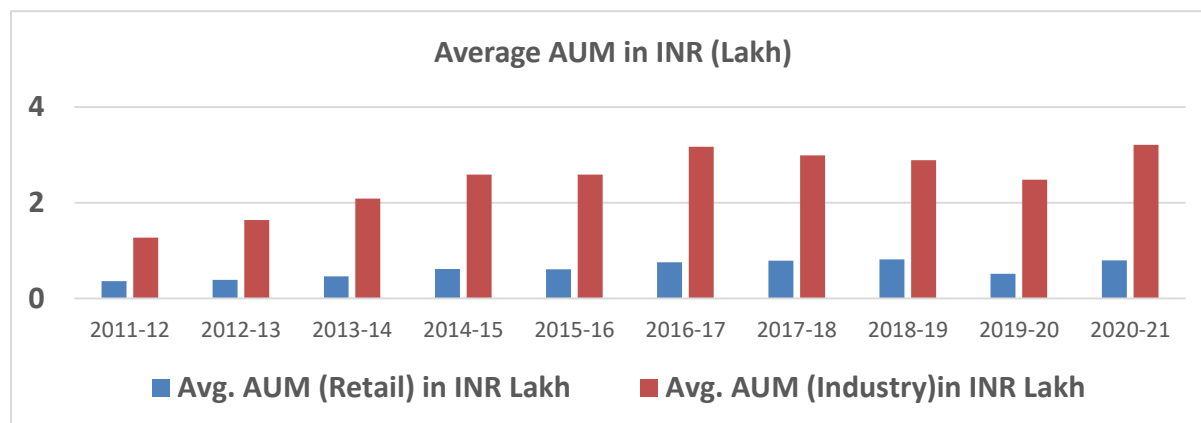
Table no. 3 consist of year wise percentage contribution done by retail investors in mutual fund industry. Above table and chart shows contribution of retail investors in total folios and total AUM. Out of five different types of investors, in mutual fund industry, retailers have major contribution in number of folios however contribution in AUM is comparatively less. In the year 2011-12, folio contribution was 97 % and AUM contribution was 27 %. Year on year, though amount of AUM of retail investors increased, the percentage contribution of AUM and folios were decreased. Year on year contribution of folios were decreased clearly shows that investment by other investors were increased. In the year 2019-20 contribution of folios and AUM were dropped by a big difference. Year wise folios shows decreased in contribution which shows the movement of average AUM accordingly, however in case of AUM it doesn't shows any fixed pattern or trend.

**Table No.4 Year wise Avg. AUM (INR Lakh) of Retail Investors and M.F. Industry**

Year	Avg. AUM (Retail) in INR Lakh	Avg. AUM (Industry)in INR Lakh
2011-12	0.36	1.27
2012-13	0.39	1.64
2013-14	0.46	2.09
2014-15	0.62	2.59
2015-16	0.61	2.59
2016-17	0.76	3.17
2017-18	0.79	2.99
2018-19	0.82	2.89
2019-20	0.52	2.48
2020-21	0.80	3.21

Source: www.amfiindia.com

**Chart No. 4 Year wise Avg. AUM (INR Lakh ) of Retail Investors and M.F. Industry**



Average AUM is the average of AUM per folio, which is nothing but total AUM divided by total no. of folios. From the chart no. 4, it is clear that year on year, average AUM of the retail investors has been increased, except year 2019-20. A pattern of growth of retail average AUM and industry average AUM are different. Within last ten years, industry Avg. AUM has been increased by 154% whereas retail Avg. AUM has been increased by 125%. These two average AUM shows different pattern of growth. Retail average AUM is decreased in the year 2015-16 and in the year 2019-20. Industry average AUM shows decreased in 2015-16 and then three consecutive years in 2017-18, 2018-19 and 2019-20. Avg. AUM of the retail investors shows highest value in 2018-19 whereas avg. AUM of the industry shows highest value in 2020-21. In the year 2011-12 the gap between two averages was low which later on increased and became more.

**Table No.5 Year wise Equity fund AUM of Retail Investors and M.F. Industry**

Year	Retail Equity fund AUM in INR Tr.	Industry Equity Fund AUM in INR Tr.
2011-12	1.24	1.82
2012-13	1.19	1.73
2013-14	1.27	1.92
2014-15	1.92	3.45
2015-16	2.05	3.86
2016-17	2.86	5.44
2017-18	3.79	7.50
2018-19	4.66	8.92
2019-20	3.13	6.05
2020-21	5.52	10.02

Source: [www.amfiindia.com](http://www.amfiindia.com)

**Chart No. 5 Year wise Equity fund AUM (INR Tr.) of Retail Investors and M.F. Industry**

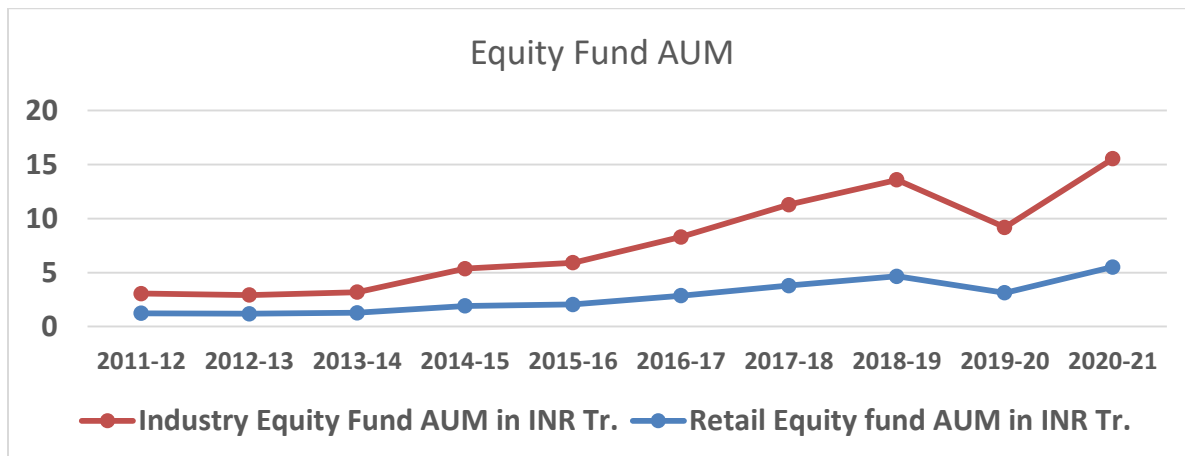




Table no. 5 and Chart no. 5 shows that year on year equity AUM amount has been increased except the year 2019-20. Initially the gap between two lines was less however this gap has been increased in the later stage, from year 2014-15 onwards. This clearly shows that other investors also preferred to invest in equity funds. Equity funds are popular funds and most preferred fund of the retail investors because major portion of their investment (around 75%) is in the equity fund. Though equity fund shows maximum investment by retail investors, industry shows only 31 % AUM invested in equity funds. From the table no. 5 it is clear that, retail equity fund contributed maximum portion of industry equity fund. In 2011-12 retail equity AUM contributed 68 % of the industry equity fund which became 55% in the year 2020-21.

### **6.Findings**

1. Except year 2019-20, year on year retail and industry AUM has been increased. Within last ten years, trend or pattern of the growth of these two AUM are almost same. Within last ten years AUM of retail investors shows 338 % growth whereas industry AUM shows 435 % growth.
2. Number of folios of retail and industry are showing almost same pattern of growth however from the year 2015-16 onwards gap between these two folios were increased. Though in the year 2019-20, both industry and retail shows decreased in AUM but no. of folios were increased. Within last ten years, retail folios have been increased by 95 % whereas industry folios have been increased by 111 %.
3. Average AUM of the retail investors has been increased gradually, except the year 2019-20 however retail average AUM and industry AUM shows different patterns. Within last ten years, industry's Avg. AUM has been increased by 154% whereas Avg. AUM of retail investors has been increased by 125%. Avg. AUM of the retail investors shows highest value in the year 2018-19 whereas avg. AUM of the industry shows highest value in the year 2020-21.
4. Year on year Equity- AUM amount of the industry and retail investors has been increased except 2019-20. From the year 2014-15 onwards industry equity fund started to increased shows that other investor's preference towards equity funds. Retail customer's maximum AUM is with equity fund however industry shows only around 31 % contribution in the equity fund.

5. Out of five different types of investors, retail investors have major contribution in number of total folios however shows comparatively very low contribution in the total AUM. Year on year contribution of folios decreased clearly shows that investment by other investors has been increased. Other investors included Corporates, Bank/Financial Institutes, Foreign Investor Institutions and High Net worth Individuals (investors who invested more than two lakh rupees).
6. Latest marketing trends especially digital marketing like social media marketing, chat bots along with digitization in transactions, use of net banking, payment banks, direct investment without any inter-mediator or broker etc. also leads to increase in investment and will be beneficial to mutual fund industry in future also.

### **7. Conclusions**

1. Within last ten years, mutual fund business increased strongly, AUM of the industry has been increased four times whereas AUM of the retail investors has been increased three times.
2. In the year 2019-20 though AUM of retail and industry decreased but no. of folios of retail as well as industry were increased.
3. During last ten years retail folios increased and became almost double whereas industry folio increased by more than double.
4. Within last ten years, average industry AUM and average retail AUM became more than double.
5. Though different types of mutual funds are available, equity funds is the most preferred fund of retail investors.
6. Latest marketing trends and digital business is supportive for mutual fund business and this will lead to maximum investment year on year as these are safe, transparent, time consuming and hassle free process.

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