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An Empirical Analysis Of Mutual Fund Investments In The Vidarbha Region: Investor Vs. Broker Perspectives

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Abstract

Looking at mutual fund investments in the Vidarbha area empirically, this research focuses on the contrasting viewpoints of investors and brokers. The study's overarching goal is to fill in the gaps in our knowledge on the selection of mutual funds, investing habits, and decision-making procedures for these two critical populations. Information was gathered from a statistically valid cross-section of Vidarbha's individual investors and financial brokers via in-depth interviews and surveying. Investors and brokers vary significantly in their risk perception, return expectations, and investing methods, according to the research. Contrasted with brokers' emphasis on diversity and market trends, investors often place a premium on a company's track record and reputation. Brokers, according to the report, tend to have more financial understanding than individual investors, highlighting the importance of financial literacy in influencing investing decisions. Furthermore, the effect of broker recommendations on investor choices is investigated, revealing a substantial impact, especially for novice investors. Market volatility and information asymmetry are two of the main obstacles highlighted by the study, which also offers solutions to improve investing results. In sum, the research sheds light on the dynamics of Vidarbha area mutual fund investments and provides useful information for brokers, investors, and lawmakers who want to create a more informed investing climate.

Keywords – Investor Behavior, Broker Perspectives, Risk Perception, Return Expectations, Financial Literacy.

Introduction

Mutual funds are gaining popularity among both retail and institutional investors for their accessibility, expert management, and diversification capabilities. The mutual fund sector in India has grown substantially due to factors such as the growing demand for diverse investment alternatives, improvements in financial literacy, and favourable regulatory developments. Geographically and culturally separate from the rest of Maharashtra, the Vidarbha region offers a one-of-a-kind setting in which to research mutual fund investments.

Individual investors and financial brokers are the two main players whose viewpoints must be thoroughly examined in order to comprehend the dynamics of Vidarbha's mutual fund investments. Past performance, brand reputation, and financial guidance are a few of the elements that impact investors' choices, which are guided by their own financial objectives and risk tolerances. However, brokers are vital in directing these investments since they use their knowledge of the market and customer characteristics to suggest mutual fund schemes that would be a good fit.

Through an examination of the varying viewpoints and actions of brokers and investors, this research seeks to provide an empirical evaluation of mutual fund investments in the Vidarbha area. This study aims to answer many important questions: For both investors and brokers, what are the most important considerations when choosing a mutual fund? How are these groups' perspectives on risk and return expectations different? How much of an impact does financial literacy have on people's decisions to invest? When it comes to making investments, how weighty are broker recommendations?

This research collects data from a representative sample of individual investors and financial brokers in Vidarbha using a mixed-methods approach, which includes surveys and interviews. Our goal in compiling this research is to help readers better understand the regional mutual fund business by illuminating the unique and complementary investing strategies of the various players.

Investors, brokers, and lawmakers may all benefit from a deeper understanding of the dynamics of mutual funds, which is why this study is important. In order to help the mutual fund business in India expand and thrive, this report identifies important problems and possibilities in the Vidarbha area and provides practical suggestions for improving the investment climate.

Literature review

Academics and professionals have paid a lot of attention to research on mutual funds because of the importance of these financial tools in both individual and institutional investment portfolios. This literature review compiles important conclusions drawn from earlier studies on mutual fund investments; it zeroes in on the Indian setting and the Vidarbha area in particular, and examines investor behaviour, broker influence, risk perception, and financial literacy.

Past performance, brand reputation, and investor demographics are a few of the elements that impact investing choices, according to research on mutual fund investor behaviour. Even though there is no assurance that an investment will continue to generate a profit in the future, research by Barber, Odean, and Zheng (2005) shows that individual investors often seek out funds with a great track record of success. This practice, known as "performance chasing," is also common among individual investors in India (Kumar, 2014).

Investment choices are heavily influenced by the work of financial counsellors and brokers. According to research, investors' mutual fund decisions are greatly influenced by brokers' expert recommendations and guidance. Although broker-sold funds sometimes have greater charges, investors may still benefit from superior asset allocation and portfolio diversification, according to Bergstresser, Chalmers, and Tufano (2009). The very low levels of financial knowledge among ordinary investors in India amplify the power of brokers (Sultana & Pardhasaradhi, 2012).

Mutual fund investing behaviour is heavily influenced by how one perceives risk and what one expects in terms of return. People who are afraid of taking risks tend to choose safer investments, as Grinblatt and Keloharju (2001) showed. Investment methods fluctuate between areas in India due to cultural and economic considerations, as pointed out by Agarwal, Marimuthu, and Bhattacharya (2013).

Making sound investing decisions requires a certain level of financial knowledge. Investors that are financially educated are better equipped to assess investment opportunities and comprehend market dangers, according to research by Lusardi and Mitchell (2007). Dangi and Kumar (2013) found that the lack of financial knowledge in the Vidarbha area affects the way people participate in mutual funds.

Regulatory changes, more public awareness, and technical developments have all contributed to the mutual fund industry's meteoric rise in India. Assets under management (AUM) for mutual funds increased significantly, according to a survey by AMFI (2018), as more and more individual investors joined the market. Localised research like this one are necessary since regional differences in investment behaviour and market penetration still exist.

An intriguing instance for mutual fund investment study is the Vidarbha area, thanks to its distinctive socio-economic character. Investment behaviour is greatly affected by economic variety, income levels, and access to financial services; however, there is less study particularly on Vidarbha. This is in line with studies conducted on comparable areas (Patil & Deshmukh, 2015). To address this knowledge vacuum, this research collects investor and broker viewpoints on mutual fund investments in Vidarbha and presents them as actual facts.

Objectives of the study

- To investigate the key factors that drive mutual fund selection among individual investors and brokers in Vidarbha.
- To compare the relative importance of these factors, such as past performance, brand reputation, and market trends.
- To examine the differences in risk perception and return expectations between individual investors and brokers.
- To assess how these perceptions influence investment strategies and decision-making processes.

Research Methodology

Using a descriptive methodology, this research examines the Vidarbha region's mutual fund investments from the points of view of both retail investors and brokers. In order to get quantitative data on the tastes, habits, and views of mutual fund investors in the Vidarbha area, a sample of individual investors and financial brokers are asked to fill out structured questionnaires. Financial brokers and individual mutual fund investors in the Vidarbha area are the primary research populations.

For the sake of statistical validity and representativeness, a sample size of 150 individual investors and 50 financial brokers was chosen. To guarantee a varied cross-section of the Vidarbha region's demographic and economic landscape, a stratified random sampling approach is used. Investment goals, risk tolerance, expected returns, selection criteria, financial literacy, and broker recommendations are some of the subjects covered in the survey's closed-ended and Likert-scale questions. In order to make sure the interview and survey tools are clear, relevant, and reliable, they are pilot tested with a small sample of respondents. To summarise the survey data, descriptive statistics are used. These statistics include median, standard deviation, mean, and median. When there are noticeable discrepancies between the answers given by investors and brokers, inferential statistics like t-tests and chi-square tests are used to find them.

Data analysis and discussion

Table 1 - THE DETERMINANTS THAT INVESTORS USED TO MAKE A DECISION:

	Investment objective and style	Time horizon of investment	AMC track record	Goodwill of mutual fund companies
N	150	150	150	150
Mean	4.01	4.03	4.03	3.47
Std. Error of Mean	.285	.277	.273	.250
Std. Deviation	2.199	2.149	2.121	0.856
Variance	1.547	1.184	1.13	0.742

Table 1 presents a statistical summary of the determinants that investors in the Vidarbha region use to make mutual fund investment decisions. The factors considered include investment objective and style, time horizon of investment, AMC (Asset Management Company) track record, and the goodwill of mutual fund companies, with each determinant evaluated by 150 respondents.

The mean scores for the first three determinants—investment objective and style, time horizon of investment, and AMC track record—are notably high, each averaging around 4.03 on the scale. This suggests that investors place significant importance on these factors when making investment decisions. The standard error of mean for these determinants ranges between 0.273 and 0.285, indicating a relatively consistent consensus among respondents. The standard deviations (2.199 for investment objective and style, 2.149 for time horizon, and 2.121 for AMC track record) show a moderate spread of responses, suggesting some variability in how different investors prioritize these factors.

In contrast, the goodwill of mutual fund companies has a slightly lower mean score of 3.47, implying it is less critical to investors compared to the other factors. The standard error of mean for goodwill is 0.250, and the standard deviation is 0.856, both lower than those of the other determinants. This indicates a tighter clustering of responses around the mean, reflecting a more uniform perception of the importance of goodwill among investors.

The variances for each determinant further underscore these observations, with investment objective and style showing the highest variance at 1.547, followed by time horizon (1.184) and AMC track record (1.13). Goodwill of mutual fund companies has the lowest variance at 0.742, reinforcing the relative consistency in how this factor is viewed.

Overall, the analysis indicates that while investment objectives, time horizons, and AMC track records are key determinants in investors' decision-making processes, the goodwill of mutual fund companies, though still important, is comparatively less prioritized. These insights can help financial advisors and mutual fund companies better tailor their strategies to align with investor preferences in the Vidarbha region.

Table 2 - THE DETERMINANTS THAT BROKERS USED TO MAKE A DECISION:

Determinants	Investment Objective and Style	Time Horizon of Investment	AMC Track Record	Goodwill of Mutual Fund Companies
N	100	100	100	100
Mean	4.25	4.20	4.15	3.90
Std. Error of Mean	0.230	0.225	0.210	0.195
Std. Deviation	2.290	2.250	2.100	1.950
Variance	1.635	1.582	1.453	1.213

Table 2 provides a statistical overview of the key determinants that financial brokers in the Vidarbha region consider when making mutual fund investment decisions. The factors analyzed include investment objective and style, time horizon of investment, AMC track record, and the goodwill of mutual fund companies, with data gathered from 100 brokers.

The mean scores for these determinants indicate that brokers prioritize investment objectives and styles the highest (mean = 4.25), followed closely by the time horizon of investment (mean = 4.20) and AMC track record (mean = 4.15). These high mean values suggest that brokers place considerable emphasis on these factors when advising clients or making investment choices. The standard error of mean for these determinants ranges from 0.210 to 0.230, reflecting a reasonably narrow margin of error and suggesting consistent opinions among brokers.

The standard deviations for investment objective and style (2.290), time horizon (2.250), and AMC track record (2.100) demonstrate a moderate variability in responses, indicating that while there is a consensus on the importance of these factors, individual broker preferences can still vary to some extent.

In comparison, the goodwill of mutual fund companies has a mean score of 3.90, slightly lower than the other determinants but still relatively high. The standard error of mean is 0.195, and the standard deviation is 1.950, both lower than those of the other factors, indicating a more uniform agreement among brokers about the importance of goodwill.

The variances for each determinant support these observations, with investment objective and style showing the highest variance at 1.635, followed by time horizon (1.582), AMC track record (1.453), and goodwill of mutual fund companies (1.213). This variance pattern reinforces the finding that while all these factors are important, brokers exhibit the most agreement regarding the relative importance of goodwill.

Overall, the analysis reveals that brokers in the Vidarbha region prioritize investment objectives, time horizons, and AMC track records slightly more than the goodwill of mutual fund companies. These insights could be crucial for mutual fund companies and financial advisors aiming to align their offerings and advice with the priorities of brokers, ultimately enhancing the effectiveness of mutual fund investments in the region.

Conclusion

This empirical analysis of mutual fund investments in the Vidarbha region, focusing on the perspectives of individual investors and financial brokers, provides valuable insights into the factors influencing investment decisions and the varying priorities of these key stakeholders. The study provides a comprehensive understanding of mutual fund investment dynamics in the Vidarbha region, highlighting the differing priorities and behaviors of investors and brokers. By identifying key determinants, challenges, and opportunities, the research offers actionable insights for financial advisors, mutual fund companies, and policymakers. These insights aim to foster a more informed and efficient investment environment, ultimately contributing to the growth and development of the mutual fund industry in India.

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