INTRODUCTION

India after independence adopted the route of planned development. For this it opted for five years plans supported with annual budgets. Thus being a developing nation, various new channels of investments and development started opening up in India. Enormous development required to go for large scale investments. This warranted for heavy capital inflows both from inside and outside the nation. Such inflows were required to be honored with market based equivalent returns.

Indian economy had not opened to international trade and markets until 1992. Indian government adopted protectionist attitude towards Indian industries. In 1992 Indian economy opened up to international trade and investments. Thus after 1992 Indian economy witnessed tremendous growth in its capital and financial markets.

The Indian government started various reforms in the industrial planning; trading procedures; deregulation of various public sectors; encouraging mergers, combinations and restructuring in corporate sector; issuing of new banking norms in compliance with Basel I and II norms; allowing of private sector participation in banking, insurance, mutual funds; starting of regulatory authorities in Insurance Sector (IRDA - Insurance Regulatory and Development Authority), Banking Sector (RBI – Reserve Bank of India), Mutual Fund Sector (AMFI – Association of Mutual Funds of India); giving of more powers to SEBI (Security Exchange Board of India) for capital and money markets reforms; etc. All this had converted India into a very attractive place to make investments therein not only for Domestics Financial Institutions (DFI’s) but also for Foreign Institutional Investors (FII’s). This return is to be enjoyed not only by big investors but also by every individual local Indian investor who is not only the backbone of Indian Financial Markets but also at present vibrant knowledgeable investor ready to participate in growth of the nation.

The individual investor refers to the end consumer of financial markets. It is his behavior as a consumer of financial markets which has opened up a new area of study and research termed as Investor’s Behavioral finance. As it is a new subject serious studies are yet to begin in it. According to researchers financial markets provide both secondary and primary data which can be gathered in order to carry out the
fundamental analysis as well as technical analysis. When ever investor’s behavior changes, according to changes taking place in financial markets, their understanding about financial markets also changes, by which they either invest more or withdraw more from financial markets. Hence it is very important to understand and analyze investor’s behavior and their resultant effects on financial markets.

In India there are many financial intermediaries who have helped in the development and growth of Indian financial markets. One of them that gained lots of importance in recent times is Indian Mutual Fund markets. Here large numbers of investor’s pool together their funds, saved by them regularly from their periodic incomes, with a preplanned investment objective and managed by a specialized Professional Fund Manager. Fund Manager is entrusted with the job of investing total funds collected into profitable opportunities, securities, etc. so that his managed fund is able to meet expectations as promised to the investors. He uses his technical and managerial expertises, past experiences, expert judgmental techniques, etc. to devise a best managed portfolio. He is able to purchase securities at price lower than the market as he has bigger bargaining power than that of the individual investor.

Among all investment alternatives available Mutual Funds are considered to be the best as they are less costly and also easy to be obtained in smaller lots. The Mutual Fund greatest advantage is diversification of funds which enables a Mutual Fund to minimize risk and maximize returns at discounted price. An individual investor with limited knowledge will not be able to carry out such a wide spread out diversified investments. A mutual fund also enables a small investor having smaller capital to make investments professionally without wasting his time and energy. Also transaction costs incurred during investments get transferred over large number of investors. Mutual funds also have the facility of enabling one to convert funds back in to cash within a short period of time at their prevailing market price known as Net Asset Value (i.e. NAV). Thus Mutual Funds allow liquidity over a short period of time. The Mutual funds also provide better customer services to its investors both before and after the investments. In Mutual funds initial costs of investments is also lower. An open-ended fund (i.e. fund without any time limit of maturity) can be bought or sold anytime during the year from stock markets.
But Mutual funds have some disadvantages too. An investment in Mutual Fund is subject to market risks as fund pools created are invested in stock markets which are subject to market fluctuations. Fund Managers are required to maintain a continuous watch over the market reactions. They are supposed to have detailed inquiries before making of investments. This makes diversification of funds a necessity. Mutual funds returns are subject to TDS (Tax deduction at source) as per Income Tax Act. Thus before making an investment into any of the Mutual Fund scheme one should clear weigh all pros and cons of the scheme.

There are various types of Mutual funds schemes in India. They can be categorized as follows - by structure (Open ended schemes and Close ended schemes), by nature (Equity Funds - Diversified Equity Funds, Mid Cap Funds, Sector Specific Funds and Tax Saving Funds; Debt Funds - Gilt Funds, Income Funds, Monthly Income Plan, Short Term Liquid Funds or Money Markets schemes; and Balanced Funds), by investments (Growth Schemes, Income Schemes, balanced Schemes and money markets Schemes) and other schemes (like tax saving scheme – ELSS, Index Schemes, Sector specific Schemes, etc.).

In India Mutual Fund Industry started with formation of UTI (Unit Trust of India) in 1963 by both RBI (Reserve Bank of India) and Government of India. In 1987 UTI was transferred by RBI to IDBI (Industrial Development Bank of India). Its flag ship scheme was US-64. During 1987 many Public Sector Banks (State Bank of India, Canara Bank, Punjab National Bank, Indian Bank, etc.) and other Financial Institutions like LIC (Life Insurance Corporation of India), GIC (General Insurance Corporation of India), etc. started their own Mutual Funds. From 1993 onwards Private Sector also started their Mutual Funds. Then to control and regulate private Funds a regulatory apex body AMFI (Association of Mutual funds in India) was started in 1995 with 30 AMC (Assets Management Companies) registered with SEBI. This has thus leaded to development of professionally competitive and healthy mutual fund market in India. During 2003 UTI Act was abolished and divided into two separate organizations - Specified Undertaking of the Unit Trust of India outside the preview of Mutual Fund rules simply the manage assets of old UTI and ensure its liquidation and UTI Mutual fund.
Now a days Mutual Funds in India are being treated both as service and product as
now schemes are tailor made to cater to investors needs, expectations, financial positions,
risk tolerance limits, etc. mutual funds have brought the investments opportunities right
to the investors door steps.

A common individual investor has limited resources and access to market price
sensitive information. He is also not a technical analysis expert. Here Mutual Fund
comes to his aid. Mutual Funds Managers design portfolios management strategies based
on information obtained and opportunities available in markets. A Mutual Fund success
comes from expertise of Fund Manager and patience of investors. A good Mutual
Fund Manager understands and analyzes investor needs and behavior in order to
meet their expectations.

Here in this study an attempt is being made to examine the related aspects of
‘investor awareness level’ and ‘the fund selection behavior’ of individual Indian
investors towards various mutual fund schemes especially in the National Capital
Region of Delhi.

An attempt will also be made to determine role played by returns in influencing the
investors investment decision making. An attempt will be also be made to test
investors awareness level towards newer modes of financing and investing like
investments in share market, investments in banks, investments in post office schemes,
investments in corporate deposits, investments in life insurance schemes, financing
through reverse mortgage, investments in Islamic banking schemes, etc. From
researchers and academician view point such a study will help in expanding
knowledge in this area of learning.