

A COMPARATIVE STUDY OF INVESTMENT BEHAVIOR OF RETAIL AND HIGH NET WORTH MUTUAL FUND INVESTORS OF THE INDIA

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ABSTRACT

This research study focuses on investment behavior of mutual fund's retail investors and high net worth investors (HNIs) of the India. The basic objective is to compare these two investors on the basis of asset under management, folio numbers and their preference to equity mutual fund. Last ten financial years are considered for this research study. Research type is descriptive research and this study is based on secondary data. The data is sourced from the research reports of Association of Mutual Fund India (AMFI). From the collected data, simple tables and charts of 2D line markers are made for the research analysis. During last ten years, retail and HNI investor's investments in the mutual fund is increased by three times and five times respectively. Within last ten years, retail investor's number of folios/number of accounts became almost double while HNI folios became almost ten times, whereas Avg. AUM of retail became double but Avg. AUM of HNI investors is decreased by 40 %. Equity funds are popular funds and most preferred fund/schemes of retail investors because almost 75 % of their total AUM is in equity fund only. Financial marketers, managers, financial consultants, management students and investors will be benefitted by the outcome of this study as it will help to know more about change in pattern and investor's behavior about mutual fund investments. This study will definitely helpful and will overall makes contribution in the area of mutual fund industry in India and for the study of investor's behavior.

Keywords: Mutual Fund, AUM, Folio, Retail investors, High Net worth Investors.

Introduction

Change in economy leads to many changes like change in consumption pattern, expenses, saving, investment and many more things. In India income of individual is increasing from last few years however gap between income groups is also increasing. In India many options are available for savings and investments. The selection of any option is depend on investor's behavior. Financial planning, awareness/knowledge about product, tax benefits, liquidity, convenience are few important points for the selection of the investment option. From last few years interest rates are decreasing and hence other options like equity trading, gold bonds, mutual fund investment etc. are increasing. Different types of investors are preferring mutual fund investments. For this research study, mutual funds has been considered as a key focused point. In India period from 01st Apr to 31st Mar. is considered as a financial year and last ten financial years are considered for this research study. Asset under management (AUM) is the amount invested in the mutual fund. Mutual fund investors are of five different types as

Corporates, Bank/Financial Institutes, Foreign Investor Institutions (FIIs), High Net worth Individuals (HNIs) and Retail. Out of these five types of investors first three are of institute level and last two are individual investors respectively. HNIs are those individual investors who are investing more than two lakh rupees however retail are those individual investors who are investing less than two lakh rupees. Different types of investors are investing various amounts in various types of mutual funds. They have different amount and different fund choices for their investments. A comparative study of two types of investors like high network individuals and retail has been done to understand comparative or difference in their invested amount, account numbers and average investments. This research study is restricted to AUM, folios, average AUM and equity investment of retail investors and high network individuals. Folio is nothing but the number of mutual fund accounts. Overall, this study shows contribution to find comparison in two types of investor's behavior.

Literature Review

B Das, S Mohanty and NC Shil (2008) described the retail investor's behavioral pattern towards life insurance and mutual fund. They found, in retail market, male investors are more in number than the female investors. They found capital growth is the first objective of the investment followed by tax saving and retirement. They concluded with the selection of the investment option is depends on income group of the investors.

R Sehdev, P Ranjan (2009) studied that retail mutual fund investors mostly preferred balanced funds, debt funds followed by equity diversified funds and sectorial funds. They high lightened the major factor of mutual fund investment are not only because of its benefits and transparency but also because of redemption period, information and returns on investment.

S George, G Antony (2017) summarized mutual fund investor's behavioral intensions with reference to four 'P's of the marketing. They explained price doesn't impact but product, promotion and distribution have significant influence on the behavioral intensions of the mutual fund investor.

B Arathy, AA Nair, P Anju Sai (2015) explained that capital appreciation, price, high returns and tax benefits are some of the major factors behind mutual fund investment. Gaining of mutual funds are increasing though small investment is there but large number of investors are investing money in the future also. Researcher also underlined the fact that, investor's accept the fact that economic development can be happened due to investment in mutual fund.

M Elhaj (2020) concluded, among different types of investors, retail investors have low awareness. Knowledge about mutual fund differs according to gender as well as education however awareness level is not differs according to age and profession. While selection of mutual fund risk enthusiasm plays important role.

Objectives

To study of comparison among retail and high net worth investors with reference to AUM

To study of comparison among retail and high net worth investors with reference to number of accounts/folios.

To study of comparison among retailers and high net worth investors with reference to Average AUM.

To study of comparison among retailers and high net worth investors with reference to equity funds.

Research Methodology

Type of this research is a descriptive research. Secondary data is the type of research data and last ten year's (financial years) data is considered for this research study. For this research study, year wise retail investor's and High Networth Individuals (HNIs) investors total Assets Under Management (AUM), equity fund-AUM, average AUM and their number of folios are considered. Tables are formed from the collected data and from these tables, charts of line and 2D line markers are made. By observing these tables and charts, patterns and trends of mutual fund investments can be observed easily. Year wise growth or performance can be easily observed by these tables and charts.

Data Analysis and Interpretation

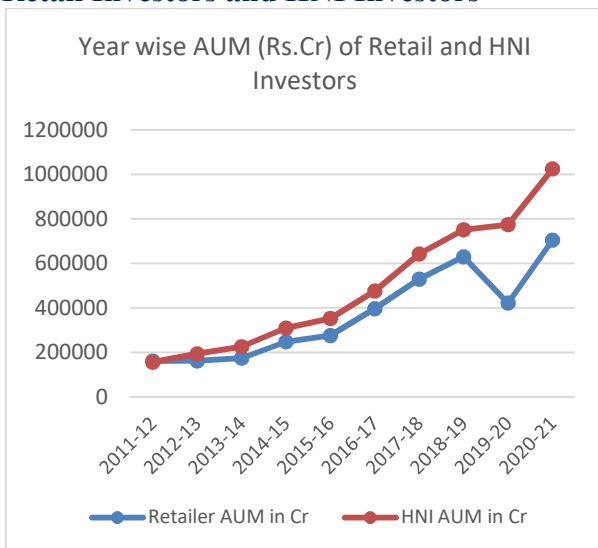
For this research study, secondary data is considered. The data is collected from the reports of the Association of Mutual Fund, India. Mutual fund industry's retail investor's and High Networth Individual's (HNIs) Assets Under Management (AUM) and their number of number of accounts which is also known as folios are considered as a data. For this data analysis, last ten financial years are considered. From the available data year wise tables are made and on the basis of these tables charts of 2D line markers are made. Tables and charts are helpful to understand the year wise performance of retail and HNI investors. Data analyzed for this research study is HNI and retail-total investment (AUM), number of folios, average AUM and equity fund investment (AUM) etc.

Table No.1 Year wise AUM (INR Cr.) of Retail Investors and HNI Investors

| Year | Retail-AUM (INR Cr.) | HNI-AUM (INR Cr.) |
|---------|----------------------|-------------------|
| 2011-12 | 160790.2 | 156277.97 |
| 2012-13 | 161980.75 | 193613.33 |
| 2013-14 | 174547.19 | 225624.07 |
| 2014-15 | 248065.08 | 309661.23 |
| 2015-16 | 275776.13 | 352780.44 |
| 2016-17 | 396544.38 | 476215.75 |
| 2017-18 | 529474.78 | 642728.19 |
| 2018-19 | 629864.43 | 751650.85 |
| 2019-20 | 422330.57 | 774762.36 |
| 2020-21 | 704959.61 | 1025499.79 |

Source: www.amfiindia.com

Chart No.1 Year wise AUM (INR Cr.) of Retail Investors and HNI Investors



Within last ten years, AUM of retail and HNI investors shows year on year growth, except year 2019-20, where retail shows dropped in AUM. From Chart No.1 it is clear that at the beginning AUM are much closer to each other however later on this gap is slightly increased which leads in to the makeable gap. The maximum gap is observed in the year 2019-20 as retail-AUM dropped but HNI-AUM has been slightly increased as compare to the previous year. In last ten years retail-AUM is increase by 338% whereas HNI-AUM is increased by 556%. In the year 2011-12 HNI-AUM is slightly lower than retail-AUM however after ten years (Year 2020-21) HNI-AUM is 45.47 % greater than retail-AUM.

Table No.2 Year wise Number of accounts of Retail Investors and HNI Investors

| Year | Number of accounts/Folios-Retail | Number of accounts/Folios-HNI |
|---------|----------------------------------|-------------------------------|
| 2011-12 | 45206521 | 815324 |
| 2012-13 | 41403829 | 936409 |
| 2013-14 | 38115246 | 1062628 |
| 2014-15 | 39942870 | 1430652 |
| 2015-16 | 45395059 | 1804463 |
| 2016-17 | 52313598 | 2512522 |
| 2017-18 | 67006424 | 3929796 |
| 2018-19 | 77261288 | 4758466 |
| 2019-20 | 80691066 | 8294917 |
| 2020-21 | 88212456 | 8861214 |

Source: www.amfiindia.com

Chart No.2.1 Year wise Number of accounts/Folios of Retail Investors

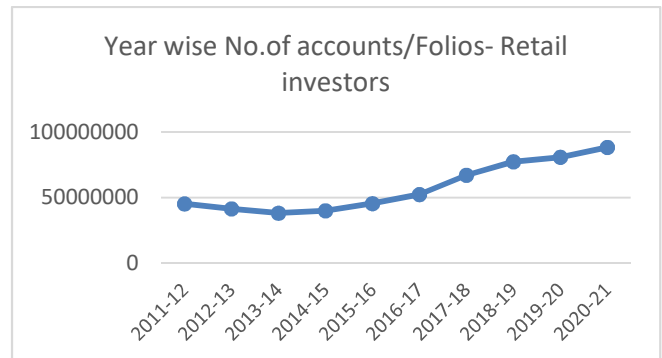
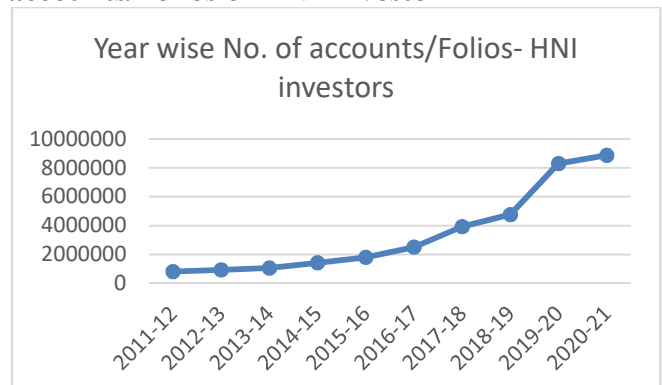


Chart No.2.2 Year wise Number of accounts/Folios of HNI Investor



Year on year, retailer and HNI shows increased in number of accounts/folios. Number of accounts of retail investors are too high as compare to HNI-number of accounts. During last ten years retail-number of accounts are increased by 95 %. In year 2012-13 and 2013-14 retail-number of folios were decreased but later on it shows consistent growth. Whereas HNI-number of accounts are increased by 987% which means retail investors became

almost double whereas HNI number of accounts became almost 10 times. Growth in number of accounts of HNI leads to increase in AUM and which is also affected on average AUM.

Table No. 3 Year wise Average AUM of Retail and HNI Investors

| Year | Avg. Retail AUM (INR Lakh) | Avg. HNI AUM (INR Lakh) |
|---------|----------------------------|-------------------------|
| 2011-12 | 0.036 | 19.17 |
| 2012-13 | 0.039 | 20.68 |
| 2013-14 | 0.046 | 21.23 |
| 2014-15 | 0.062 | 21.64 |
| 2015-16 | 0.061 | 19.55 |
| 2016-17 | 0.076 | 18.95 |
| 2017-18 | 0.079 | 16.36 |
| 2018-19 | 0.081 | 15.80 |
| 2019-20 | 0.052 | 09.34 |
| 2020-21 | 0.080 | 11.57 |

Chart No.3.1 Year wise Average AUM of Retail investors

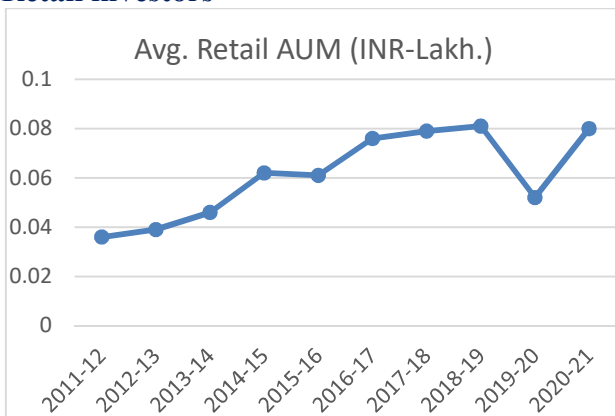


Chart No.3.2 Year wise Average AUM of HNI investors

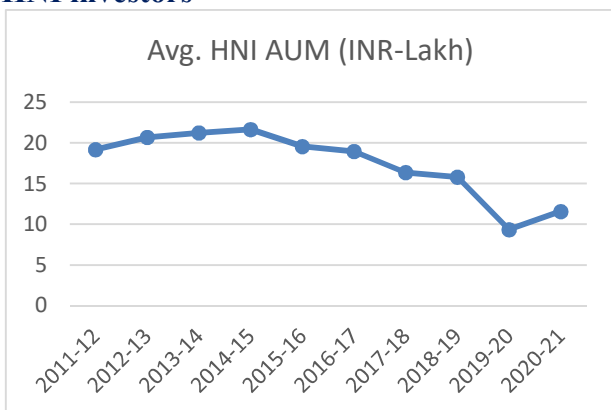


Table No. 3 and Chart No.3.1 and 3.2 shows Average retail-AUM and Avg. HNI-AUM. Average AUM is the amount of AUM per folio/account, which means total AUM is

divided by number of accounts. In last ten years, retail and HNI investors shows, year on year different types of changes in AUM and no. of accounts which is affected on their average AUM and hence pattern of average AUM of these two investors are different. Within last ten years, average retail AUM shows 125% growth whereas average AUM of HNI shows - 40% change. The avg. HNI-AUM decreased because though it's AUM shows 556 % growth, its no. of accounts shows 987 % growth which is affected on its average AUM and ultimately average AUM became low.

Table No.4 Year wise investment in equity fund-AUM (INR Cr.) by Retail investors and HNI Investors

| Year | Equity Fund-AUM in (INR Cr) of HNI | Equity Fund-AUM in (INR Cr) of Retail |
|---------|------------------------------------|---------------------------------------|
| 2011-12 | 37307.15 | 123548.54 |
| 2012-13 | 33736.57 | 118695.5 |
| 2013-14 | 40751.78 | 127498.09 |
| 2014-15 | 104780.31 | 192345.72 |
| 2015-16 | 123173.49 | 204566.52 |
| 2016-17 | 174322.45 | 286428.43 |
| 2017-18 | 261390.29 | 379476.82 |
| 2018-19 | 315363.81 | 466448.23 |
| 2019-20 | 225517.52 | 312783.69 |
| 2020-21 | 355663.95 | 551563.14 |

Source: www.amfiindia.com

Chart No.4 Year wise investment in equity fund-AUM (INR Cr.) by Retail investors and HNI Investors

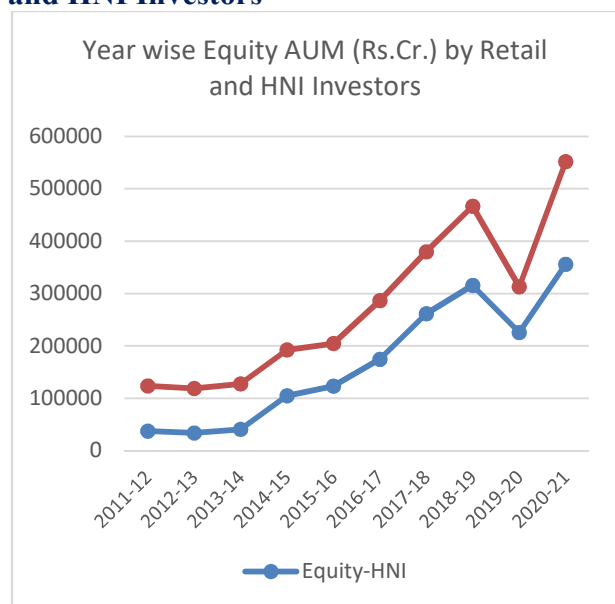


Table no. 4 and Chart no. 4 shows equity fund investment done by retail and HNI investors. Data shows that except year 2019-20, year on

year AUM amount has been increased. The pattern of the growth of retail and HNI equity investment is almost same in last ten years as two lines in the chart no.4 are almost parallel to each other. Though total AUM of HNIs is more than retail investors, HNI equity fund is less than retail equity fund. Equity fund is the popular fund and most preferred fund by retail investors because almost three fourth (around 75%) of the total equity fund-AUM is contributed by retail investors. Though equity fund shows maximum contribution by retail investors, HNI shows only 24 - 35 % contribution in equity funds. This clearly shows that retail and HNI have different fund choices/preferences for mutual fund investment and hence investment behavior of these two investors is different.

Findings

Retail and HNI investors shows year on year growth in their AUM except year 2019-20, where retailer shows dropped in AUM,. In last ten years retail AUM is increase by 338% whereas HNI-AUM is increased by 556%. In the year 2011-12, AUM of the HNI was less than AUM of the retail but in 2020-21, HNI-AUM is more than retail-AUM.

Year on year retail and HNI shows increased in number of accounts/folios. During last ten years retailer number of accounts increased by 95 % whereas HNI number of accounts increased by 987%. In the year 2021-12 number of retails accounts were 55.44 times more than HNI accounts whereas in 2020-21 the number of retails accounts are 9.54 times more than HNI accounts.

Within last ten years average AUM of retailers shows 125% growth whereas average AUM of HNI shows -40% change. Though AUM of HNI increased by 5 times but number of accounts are increased by almost 10 times, that's why showing negative growth in average AUM of HNI.

Though total HNI-AUM is more than retail investors, HNI equity fund-AUM is less than retail equity fund-AUM. Within total AUM of retail, contribution of equity fund is around 75 % whereas in case of HNI, the equity contribution is in between 24% to 35%. This clearly shows that retail and HNI have different fund choices/preferences for mutual fund investment.

Conclusions

Within last ten years, retail investor's mutual fund AUM is increased by three times whereas HNI investor's AUM is increased by five times.

Within last ten years, number of accounts/folios of HNI became almost 10 times whereas number of accounts/folios of retail investor's became almost double.

Within last ten years, average AUM of retail investor became double whereas average AUM of HNI shows negative growth. It changed by -40%

Total AUM of HNIs is more than retail investors but equity fund-AUM of HNI is less than equity fund-AUM of retail.

Difference in equity fund contribution show that investment behavior of retail and HNI investors are different.

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