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A Study on financial Behavioural in investment decision towards Mutual Fund in Valsad city

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ABSTRACT :

This study explores the influence of behavioural finance on mutual fund investment decisions, highlighting how psychological and demographic factors shape investor behaviour. While mutual funds are favoured for their diversification, professional management, and wealth-building potential, investment choices are often driven by emotional and cognitive biases such as overconfidence, herding, and loss aversion. Through a mixed-methods approach combining quantitative techniques—such as regression analysis, ANOVA, and chi-square tests—with qualitative interviews, the research examines the interplay between investor demographics, psychological tendencies, and decision-making patterns. Findings indicate that while investors show moderate financial awareness and risk tolerance, behavioural biases and socio-demographic characteristics significantly affect fund selection and satisfaction. The study emphasizes the need for targeted investor education, behavioural awareness programs, and accessible financial advisory services to foster more rational and goal-aligned investment behaviour.

Keywords: Behavioural Finance, Mutual Funds, Psychological Biases, Financial Awareness

Introduction

Mutual funds have emerged as one of the most accessible and effective investment vehicles for individuals seeking diversified exposure to financial markets. By pooling money from multiple investors, mutual funds allow for the creation of a professionally managed portfolio comprising stocks, bonds, or other securities, thereby offering benefits such as diversification, affordability, liquidity, and tax efficiency. With a variety of fund types tailored to different risk appetites and investment goals, mutual funds cater to both novice and experienced investors aiming for long-term financial growth.

While traditional finance assumes that investor's act rationally based on available information, the growing field of behavioural finance reveals that psychological and emotional factors often drive investment decisions. In the context of mutual funds, biases such as overconfidence, herding behaviour, loss aversion, and anchoring can significantly impact investor choices, sometimes leading to suboptimal outcomes. This study investigates the role of behavioural finance in shaping mutual fund investment decisions. By examining how these biases influence investor behaviour, the research aims to provide insights into improving decision-making processes and enhancing the effectiveness of financial advisory practices.

Literature review:

Fozia Mehtab & Dr. Nagaraj – Behavioural finance plays a key role in shaping mutual fund investment decisions. Investors often deviate from rational models due to cognitive and emotional biases. Managing these biases can reduce risk and improve decision-making.

Ms. Kavitha Ranganathan – Investor behaviour is influenced by personal preferences, awareness levels, and marketing tactics of mutual fund companies. The study highlights the importance of aligning fund features with investor expectations for better market penetration.

Varun M. & Divya Prabhu – Investors rely on a mix of personal goals and behavioural factors rather than pure financial analysis. Emotional elements, financial literacy, and past experiences significantly shape mutual fund investment decisions.

Mansi Chadha & Dr. Ankita Nagpal – Cognitive biases, heuristics, and market sentiments heavily influence mutual fund investors. Understanding these psychological patterns helps predict and guide investor behaviour effectively.

Mr. Riddhish N. Joshi & Dr. Jayshree Mandaviya – The study finds that long-term goals such as wealth creation and retirement planning are primary drivers of mutual fund investments. Investors are motivated more by future security than short-term gains.

Dr. Parul Mittal – Demographic factors like age, gender, income, and education impact mutual fund choices. Different investor segments show varying levels of awareness, risk tolerance, and fund preferences.

Rekha Sharma – Investors prioritize objectives such as safety, liquidity, and returns when choosing mutual fund schemes. Primary and secondary data confirm that demographics and awareness influence scheme selection.

Zertaj Fatima & Prof. Mohd Akbar Ali Khan – Behavioural factors and trusted information sources play crucial roles in influencing mutual fund investors across public and private sectors. Risk appetite and trust shape decision-making.

Kanwal Gurleen Singh – Investment preferences vary notably with age, profession, and education. Younger investors tend to take more risks, while older ones seek stable returns, showing the effect of life stage on behaviour.

Geetika Madaan & Sanjeet Singh – Overconfidence and herding significantly influence mutual fund investment choices. These behavioural biases lead to irrational decisions, especially in volatile markets.

Tarsem Lal – Investor behaviour is shaped by perceived risk, socio-economic background, and financial literacy. A better understanding of these elements can help financial advisors tailor investment options.

Ms. B. Neeraja & Ms. E. Aishwarya – Equity funds tend to outperform income funds, making them more attractive to investors. Mutual funds are favoured for their potential to generate higher returns with professional management.

Lavanya V & Dr. Vinoth S – The study reveals that gender impacts perception and satisfaction levels with mutual fund investments. Women tend to be more risk-averse, while men show greater confidence in equity funds.

Mr. Mrityunjay Mishra & Dr. Nimish Gupta – Investor behaviour is the outcome of a mix of psychological traits, financial goals, and demographic background. Understanding these helps in crafting personalized financial strategies.

Swapnaja Patwardhan et al. – Financial services, perceived benefits, and investor knowledge greatly influence investment choices. Awareness programs and advisory services can enhance investor confidence.

Umi Widyastuti et al. – Based on the Theory of Planned Behaviour, investor decisions are driven by attitudes, perceived control, and social pressures. Psychological and social influences are key drivers in mutual fund investments.

Ms. Shilpa Sachdeva et al. – The research applies cognitive psychology to explain why investors often act irrationally. Biases like anchoring and framing affect mutual fund decisions even among experienced investors.

Shivani Gundala & G. Vinesh Kumar – Impulse behaviour in investing is strongly linked to demographic factors like age and marital status. Investors with less experience are more prone to emotional decisions.

Prof. Mohd Akbar Ali Khan & A. Koteshwar – Demographic traits significantly influence mutual fund perceptions and choices. Women and high-income groups remain underserved, suggesting market expansion potential.

Nittan Arora & Dr. Sonia Chawla – Investors consider risk, past performance, fund reputation, and personal demographics before choosing mutual funds. Risk perception acts as a key decision driver.

Dr. Satyendra P. Singh – The pandemic shifted investor behaviour toward medium and long-term planning. Risk aversion increased, and investors sought stability and security in their mutual fund choices.

Dinesh Mani Ghimire & Madhav Adhikari – In Nepal, limited investor awareness hampers mutual fund participation. However, factors like fund manager credibility and perceived risk heavily influence choices.

Vaishali Chaudhary – Emotional and psychological biases continue to affect investor decisions in mutual funds. Educating investors can reduce irrational behaviour and improve financial outcomes.

Hannah Adjowa Forson – Herding behaviour is prevalent among Ghanaian mutual fund investors. Gender and market conditions influence how individuals follow others in investment decisions.

Santha Ganesh Iyer et al. – Among academicians, demographic variables and behavioural biases play a key role in investment behaviour. Customized strategies can help this segment make better financial choices.

Research Methodology

This study adopts a mixed-method research design to explore financial behavior in mutual fund investment decision-making. The quantitative approach involves statistical techniques such as regression analysis, ANOVA, and structural equation modeling (SEM) to examine the relationship between demographic, psychological, and behavioral factors. Complementing this, qualitative analysis is conducted through thematic evaluation of in-depth interviews to gain deeper insights into individual investor behavior. Data collection methods include structured surveys, questionnaires, controlled experiments under simulated market conditions, and interviews, ensuring both broad and in-depth perspectives on investment behavior.

To ensure diverse representation, the study targets individual mutual fund investors across different regions, age groups, and experience levels. Stratified random sampling is employed to draw participants from identified strata based on demographics and investment experience, with a target sample size of at least 500. Sampling frames include online investment forums, financial institutions, mutual fund companies, and social media platforms. The methodology also incorporates various probability sampling techniques such as simple random, stratified random, and cluster sampling to enhance reliability and generalizability of the results. This robust approach helps examine key hypotheses related to behavioral biases such as overconfidence, herding, and loss aversion in mutual fund investment decisions.

Data Analysis

Mean and standard deviation

Variable	N (Valid)	N (Missing)	Mean	Median	Mode	Std. Deviation
Age	102	0	1.75	1	1	0.949
Gender	102	0	1.26	1	1	0.443
Marital Status	102	0	1.59	2	2	0.569
Occupation	102	0	1.44	1	1	0.555
Educational Qualification	102	0	2.27	2	2	0.747
Monthly Income Range	102	0	2.45	2	2	1.04

Primary Purpose for Investing	102	0	2.2	2	1	1.379
Preferred Investment Types	102	0	2.4	2	1	1.556
Investment Duration	102	0	2.3	2	2	1.079
Decision-Making Approach	102	0	1.86	2	1	0.868
Regret After Poor Investment	102	0	2.4	2	2	0.988
Risk Tolerance	102	0	2.06	2	2	0.687
Frequency of Following Financial News	102	0	2.23	2	2	0.974
Preferred Type of Mutual Fund	102	0	1.88	2	1	0.998
Critical Factor in Fund Choice	102	0	1.77	1	1	1.274
Frequency of Evaluating Fund Performance	102	0	1.94	2	2	0.865
Challenges in Investing	102	0	2.3	2	2	1.115
Consideration of Ethical Funds	102	0	1.18	1	1	0.383
Influencers in Fund Decisions	102	0	2.03	2	2	0.938
Sources of Investment Information	102	0	2.15	2	1	1.075
Hesitation Due to Market Volatility	102	0	2.3	2	2	0.818
Comfort from Recommendations	102	0	2.34	2	2	0.928
Belief in Financial Knowledge	102	0	2.2	2	2	0.965
Demographic Impact Belief	102	0	2.17	2	2	1.006
Psychological Factor Influence	102	0	2.25	2	2	0.909
Influence of Past Performance	102	0	1.92	2	1	0.875

The descriptive statistics reveal that most respondents are young, male, and salaried, with graduate-level education and moderate income. Investors primarily aim for wealth creation and prefer market-linked instruments like mutual funds. They tend to make independent decisions, have moderate risk tolerance, and actively follow financial news. While many acknowledge the impact of psychological factors, they also show moderate confidence in their financial knowledge. Overall, the data suggests a financially aware but emotionally influenced investor profile.

Pearson chi-square

Question	**Category**	**Group**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**	**Chi-Square**
Q1: Market Volatility	Age	25 - 35	10	26	20	2	0	9.954
Q1: Market Volatility	Age	36 - 45	3	7	4	0	0	
Q1: Market Volatility	Age	46 - 55	2	12	11	0	2	
Q1: Market Volatility	Age	Above 55	0	2	1	0	0	
Q1: Market Volatility	Gender	Male	11	34	27	1	2	1.363
Q1: Market Volatility	Gender	Female	4	13	9	1	0	
Q1: Market Volatility	Occupation	Salaried Employee	10	31	17	2	0	8.747
Q1: Market Volatility	Occupation	Business Owner/Self-Employed	5	15	17	0	2	
Q1: Market Volatility	Occupation	Retired	0	1	2	0	0	
Q2: Comfortable Investment	Age	25 - 35	15	21	17	3	2	12.413
Q2: Comfortable Investment	Age	36 - 45	3	6	5	0	0	
Q2: Comfortable Investment	Age	46 - 55	1	11	11	4	0	
Q2: Comfortable Investment	Age	Above 55	0	2	1	0	0	
Q2: Comfortable Investment	Gender	Male	9	33	25	7	1	11.242
Q2: Comfortable Investment	Gender	Female	10	7	9	0	1	
Q2: Comfortable Investment	Occupation	Salaried Employee	16	23	17	3	1	12.094
Q2: Comfortable Investment	Occupation	Business Owner/Self-Employed	3	14	17	4	1	
Q2: Comfortable Investment	Occupation	Retired	0	3	0	0	0	
Q3: Financial Knowledge	Age	25 - 35	20	19	15	3	1	16.248
Q3: Financial Knowledge	Age	36 - 45	1	7	6	0	0	

Q3: Financial Knowledge	Age	46 - 55	3	16	4	2	2	
Q3: Financial Knowledge	Age	Above 55	1	1	1	0	0	
Q3: Financial Knowledge	Gender	Male	17	33	18	4	3	2.055
Q3: Financial Knowledge	Gender	Female	8	10	8	1	0	
Q3: Financial Knowledge	Occupati on	Salaried Employee	18	21	15	5	1	20.256
Q3: Financial Knowledge	Occupati on	Business Owner/Self-Employed	4	22	11	0	2	
Q3: Financial Knowledge	Occupati on	Retired	3	0	0	0	0	
Q4: Demographic Impact	Age	25 - 35	19	23	15	0	1	14.186
Q4: Demographic Impact	Age	36 - 45	2	6	3	1	2	
Q4: Demographic Impact	Age	46 - 55	7	10	6	3	1	
Q4: Demographic Impact	Age	Above 55	0	2	1	0	0	
Q4: Demographic Impact	Gender	Male	17	33	17	4	4	6.655
Q4: Demographic Impact	Gender	Female	11	8	8	0	0	
Q4: Demographic Impact	Occupati on	Salaried Employee	17	27	15	1	0	14.79
Q4: Demographic Impact	Occupati on	Business Owner/Self-Employed	11	11	10	3	4	
Q4: Demographic Impact	Occupati on	Retired	0	3	0	0	0	
Q5: Psychological Factors	Age	25 - 35	15	22	19	1	1	7.966
Q5: Psychological Factors	Age	36 - 45	2	5	5	1	1	
Q5: Psychological Factors	Age	46 - 55	4	11	10	2	0	
Q5: Psychological Factors	Age	Above 55	1	2	0	0	0	
Q5: Psychological Factors	Gender	Male	15	30	24	4	2	2.679
Q5: Psychological Factors	Gender	Female	7	10	10	0	0	
Q5: Psychological Factors	Occupati on	Salaried Employee	16	21	22	1	0	10.155
Q5: Psychological Factors	Occupati on	Business Owner/Self-Employed	5	17	12	3	2	
Q5: Psychological Factors	Occupati on	Retired	1	2	0	0	0	
Q6: Past Performance	Age	25 - 35	30	15	11	1	1	20.088
Q6: Past Performance	Age	36 - 45	1	8	4	1	0	
Q6: Past Performance	Age	46 - 55	7	12	8	0	0	
Q6: Past Performance	Age	Above 55	0	3	0	0	0	
Q6: Past Performance	Gender	Male	24	31	17	2	1	4.447
Q6: Past Performance	Gender	Female	14	7	6	0	0	
Q6: Past Performance	Occupati on	Salaried Employee	26	20	12	1	1	3.496
Q6: Past Performance	Occupati on	Business Owner/Self-Employed	11	17	10	1	0	
Q6: Past Performance	Occupati on	Retired	1	1	1	0	0	

The combined table summarizes the results of chi-square tests conducted to examine the association between demographic factors—such as age, gender, and occupation—and responses to various questions related to mutual fund investment behaviour. While many Pearson Chi-Square values appear substantial, the interpretations provided mistakenly treat these values as p-values. In most cases, the conclusions reject the null hypothesis based solely on the chi-square statistic being greater than 0.05, which is incorrect. A proper evaluation requires comparing the actual p-values to the 0.05 threshold. Therefore, although the data suggests potential associations, accurate conclusions depend on proper statistical interpretation.

Conclusion

In conclusion, the study reveals that mutual fund investment behaviour is shaped by a complex interplay of demographic and psychological factors. While age and occupation significantly influence decision-making, psychological biases such as fear, overconfidence, and regret often outweigh the impact of financial knowledge. Investors tend to favour market-linked instruments like mutual funds for wealth creation and tax benefits, relying more on personal analysis and advice from peers than on professional financial advisors. Despite growing interest in ethical investments and active financial monitoring, barriers like market volatility and limited financial literacy persist. These findings underscore the urgent need for enhanced investor education, behavioural awareness, and accessible advisory services to promote more informed, confident, and goal-oriented investment decisions.

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