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## “A STUDY ON INVESTORS' BEHAVIOR TOWARDS MUTUAL FUNDS”

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### ABSTRACT :

This research paper explores the investment behavior of Indian investors towards mutual funds. With the growing popularity of mutual fund investments, understanding the demographic, psychological, and financial determinants that drive investor choices is critical. The study is based on a sample of 140 respondents across age groups, occupations, income levels, and risk profiles. Using statistical tools, including the research investigates whether financial literacy and risk appetite influence mutual fund investment preferences. Findings reveal no significant relationship between knowledge levels or risk appetite and investment choices, underscoring the role of psychological and social factors in investment behavior.

**Keywords:** Mutual Funds, Investment Behavior, Risk Appetite, Financial Literacy, Equity Funds, SIP.

### INTRODUCTION:

A mutual fund is a collection of investor funds that are allocated based on certain investing choices. A mutual fund is a trust that aggregates the savings of numerous investors with similar financial objectives. When investors pool their funds, a mutual fund is produced. Thus, it is a pool of investor funds. Following this, the funds are invested in securities, debentures, shares, and other capital market products. According to the number of units they own, the income received from these investments and any capital gains are distributed to the unit holders.

The primary attributes of a fund are that its contributions and beneficiaries belong to the same demographic, namely investors. The phrase "mutual fund" refers to a system in which investors both contribute to and profit from the pool. The mutual fund is a collection of money that investors hold jointly.

The purpose of a mutual fund company is to allocate the resulting funds in accordance with the preferences of the pool's original investors. Professional investment managers are typically hired by investors to develop a product and present it to them for investment. This project reflects pre-existing investment goals and a portion of the pool.

Therefore, a mutual fund is the best option for the average investor since it provides a reasonably priced way to invest in a professionally managed, diversified basket of securities.

### REVIEW OF LITERATURE

Investor behavior towards mutual funds has been the focus of numerous studies, highlighting the influence of demographic, psychological, and informational factors. **Verma (2008)** emphasized that investor decisions are significantly shaped by personality traits and demographic aspects such as age, income, and occupation. The study observed that younger investors are inclined toward high-risk investments like equity funds, while older individuals prefer safer options like debt funds.

**Gupta and Sehgal (2010)** identified return on investment, historical performance, and peer recommendations as key factors impacting mutual fund selection. Their research also revealed that investors often rely heavily on financial advisors and social influence, rather than purely analytical evaluation.

**Chawla (2014)** investigated how risk appetite influences fund preference. The study found that risk-tolerant investors preferred equity-oriented funds, while risk-averse individuals chose fixed-income options. These patterns were also influenced by income levels and employment status.

**Singh and Jha (2012)** found that lack of awareness and financial literacy remains a critical barrier to mutual fund adoption. Investors with a better understanding of financial products were more likely to diversify their portfolios and invest confidently.

Digital platforms have also significantly impacted mutual fund participation. **Kumar and Sharma (2020)** highlighted the role of fintech in increasing accessibility and convenience, especially among younger and tech-savvy investors. Features like low entry barriers and ease of transaction have encouraged broader participation.

**Ranganathan (2006) and Mehta & Shah (2016)** emphasized the importance of past fund performance and the growing popularity of SIPs (Systematic Investment Plans), respectively. Investors are increasingly drawn to SIPs for their affordability, disciplined approach, and long-term wealth creation.

However, psychological biases such as herd behavior, loss aversion, and overconfidence continue to influence investment decisions (Misra & Jha, 2015). Despite regulatory efforts and awareness campaigns (SEBI, 2018), many retail investors still base their decisions on emotions, trends, or limited advice, rather than sound financial knowledge.

This review highlights the need for a deeper understanding of how factors like risk tolerance, digital exposure, financial education, and behavioral patterns collectively influence investor choices in mutual funds. Such insights can guide better product offerings, targeted investor education, and improved advisory services.

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### 3. OBJECTIVES:

- To know various factors considered by the customers while going to invest in the mutual fund.
- To study the working of mutual fund
- To know Investment preferences and knowledge level of investors
- To know the personal and social status of investors

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### FINDINGS & OBSERVATION:

The study offers valuable insights into the behavioural patterns of mutual fund investors. Approximately 79% of respondents had prior investment experience in mutual funds, indicating a high level of awareness and market participation. Despite the risks involved, 50% of investors showed a clear preference for equity funds, suggesting a strong inclination toward higher returns. Risk appetite analysis revealed that most respondents had a moderate to high tolerance for risk, reflecting a willingness to accept market volatility for potential gains.

Wealth creation emerged as the primary investment objective for 43% of respondents, followed by retirement planning and tax savings. Investors were also influenced by external sources such as financial advisors, social media platforms, advertisements, and peer recommendations. A proactive approach to investment was evident, as the majority of investors reviewed their mutual fund portfolios on a monthly basis to track performance and adjust strategies.

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### SIGNIFICANCE OF THE STUDY:

This study is significant as it sheds light on the key behavioral factors influencing investment decisions in mutual funds—a rapidly growing financial instrument among retail investors in India. By understanding how financial literacy, risk appetite, demographic characteristics, and psychological influences affect investor behavior, the study provides valuable insights for asset management companies, financial advisors, and policymakers to design more effective investor-centric strategies.

In a market environment where investment decisions are often driven by hearsay, trends, or incomplete knowledge, this study helps identify gaps in awareness and highlights the real motivators behind fund selection. The findings also contribute to academic literature by examining the relevance of behavioral finance in mutual fund investments and challenging the assumption that higher knowledge or risk tolerance directly translates to smarter investment choices.

Moreover, the study's outcomes can support the development of better investor education programs, targeted marketing campaigns, and personalized financial advisory services. It also helps investors better understand their own decision-making patterns and become more conscious, informed, and goal-oriented in their mutual fund investments. Overall, this study plays a critical role in bridging the gap between investor perception and practical investment behavior in the Indian mutual fund landscape.

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### RESEARCH METHODOLOGY

The research methodology adopted for this study is designed to systematically investigate the behavior of investors toward mutual fund investments, focusing on key variables such as financial literacy, risk appetite, and fund preferences.

#### 1. Research Design:

The study follows a descriptive research design, which is appropriate for understanding and interpreting the characteristics, preferences, and behavior of mutual fund investors.

#### 2. Research Type:

The research is quantitative in nature, relying on primary data collected through a structured questionnaire.

#### 3. Population and Sample:

The target population comprises individual investors across different demographics including age, income, occupation, and education level.

#### 4. Sampling Method:

A convenience sampling technique was employed to select participants who were accessible and willing to respond.

#### 5. Sample Size:

The study is based on responses from 140 investors who participated by filling out a structured questionnaire.

#### 6. Data Collection Method:

- Primary Data was collected using a well-structured questionnaire, distributed both online and offline.
- Secondary Data was gathered from reliable sources such as journals, research papers, and financial websites like SEBI and AMFI to support the primary analysis.

#### 7. Data Analysis Tools:

The collected data was analyzed using the following tools:

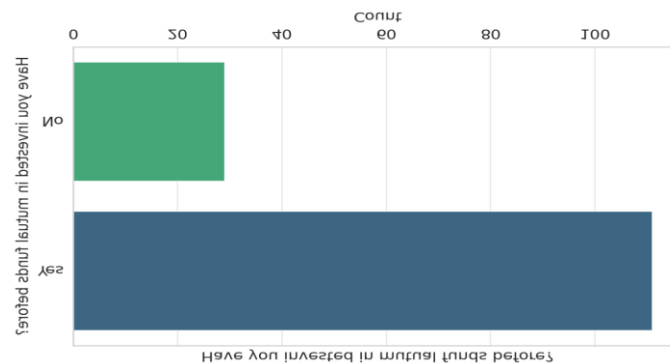
- Percentage analysis to interpret survey responses.
- Pie charts and bar diagrams for visual representation of trends.
- Chi-Square Test to examine the relationship between variables such as financial literacy and investment decisions, and between risk appetite and fund preferences.

#### 8. Scope of the Study:

The study focuses on understanding mutual fund investment behavior in the Indian context, particularly among retail investors. It aims to provide insights into how various factors influence investor decision-making regarding mutual funds.

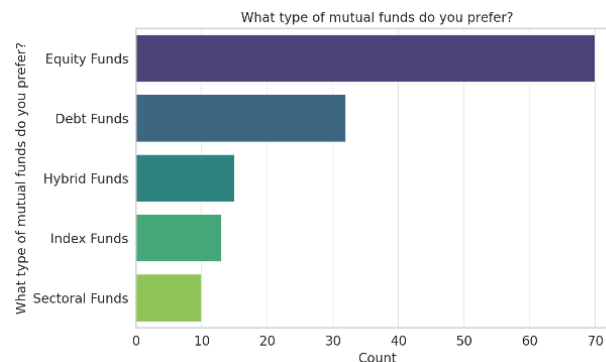
## DATA VISUALIZATION

### 1. Have you invested in mutual funds before?



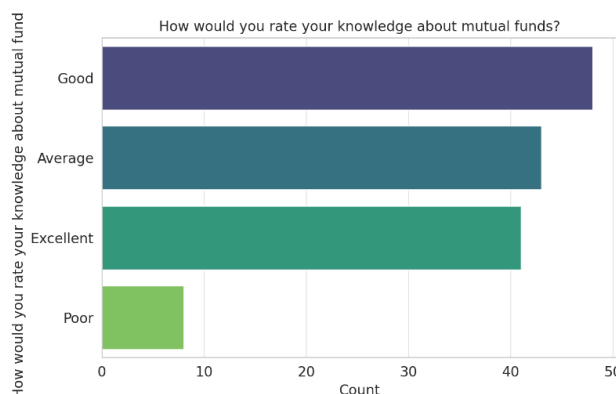
The bar chart illustrates the previous investment experience in mutual funds among the respondents, based on 140 responses. A substantial majority (79%) of respondents have previously invested in mutual funds, indicating widespread awareness and familiarity with this investment vehicle. On the other hand, 21% of respondents have not yet invested in mutual funds, highlighting an opportunity for financial institutions to tap into this segment through targeted education and outreach programs.

### 2. Primary Reason for Investing in Mutual Funds



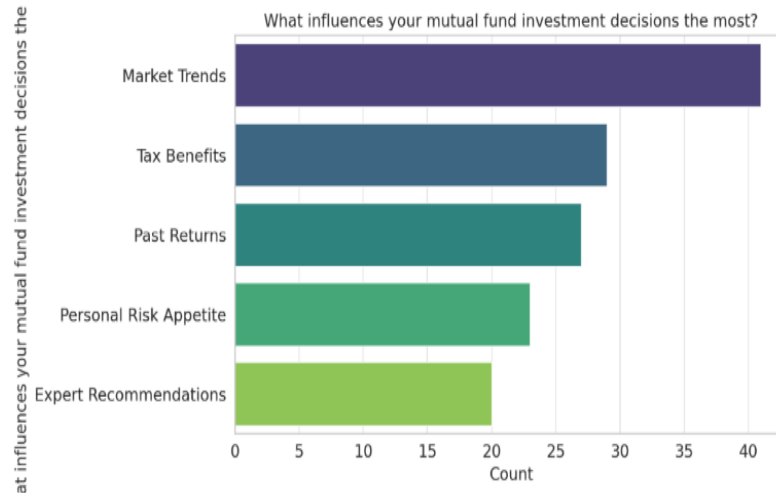
Based on 140 replies, the bar chart shows the mutual fund types that respondents favor. With 50% of participants choosing equity funds, they are the most popular choice, probably because of their high potential for return. With 25%, debt funds come next, indicating a desire for stability and reduced risk. Eleven percent of respondents selected hybrid and index funds, demonstrating their interest in passive and well-balanced investment approaches. With only 3% of the market, sectoral funds are the least popular, indicating that most investors steer clear of concentrated sector-based exposure.

### 3. How would you rate your knowledge about mutual funds



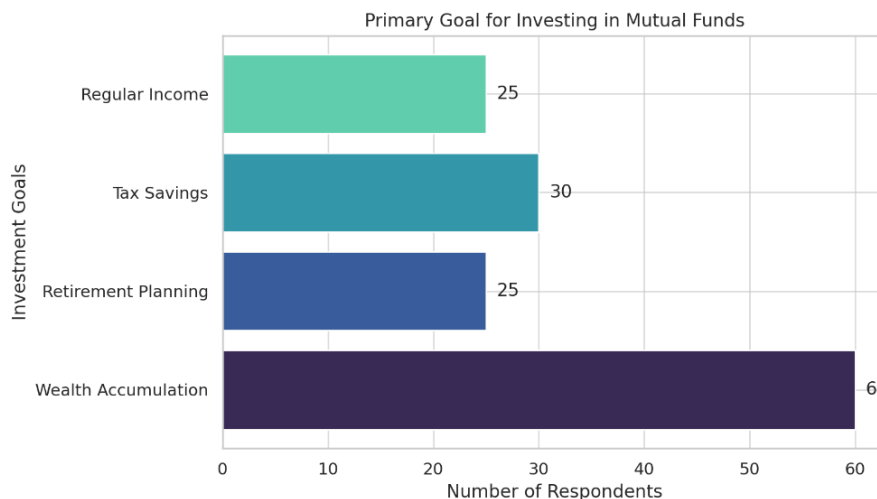
The bar chart illustrates respondents' self-assessed knowledge about mutual funds, based on 132 responses. A considerable portion (39%) rated their knowledge as "Good," indicating a moderate to high understanding of mutual funds. This is followed by 37% who rated their knowledge as "Average," suggesting a basic familiarity with the subject. About 18% of respondents claimed an "Excellent" level of knowledge, reflecting strong confidence in their investment understanding. A small segment (5%) rated their knowledge as "Poor," indicating the need for enhanced investor education and awareness.

#### 4. What Influences Your Mutual Fund Investment Decisions the Most?



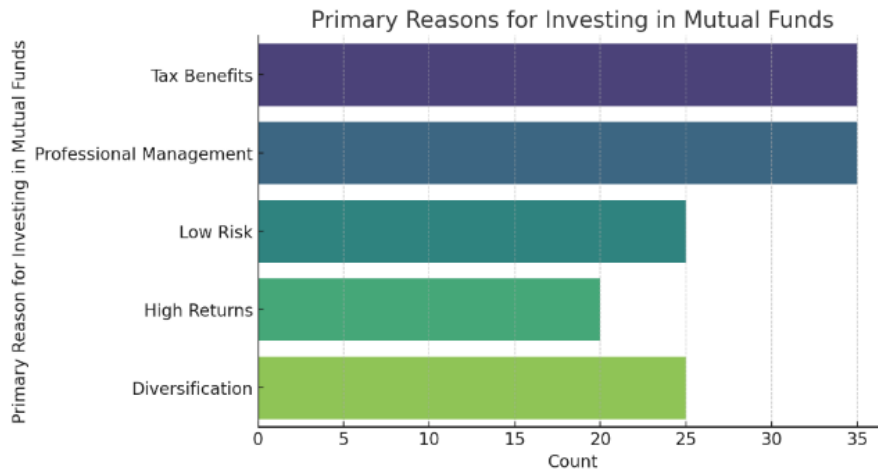
The bar chart illustrates the key factors influencing mutual fund investment decisions among respondents, based on 140 responses. Market trends and personal risk appetite were the most cited influences, each selected by 25% of respondents, indicating that both external market conditions and individual risk comfort significantly shape investor choices. Tax benefits and expert recommendations were each chosen by 17.86% of respondents, highlighting the importance of tax planning and professional guidance in financial decision-making. Meanwhile, only 14.29% of respondents considered past returns as a primary factor, suggesting a forward-looking approach where potential performance outweighs historical data.

#### 5. What is your primary reason for investing in mutual funds?



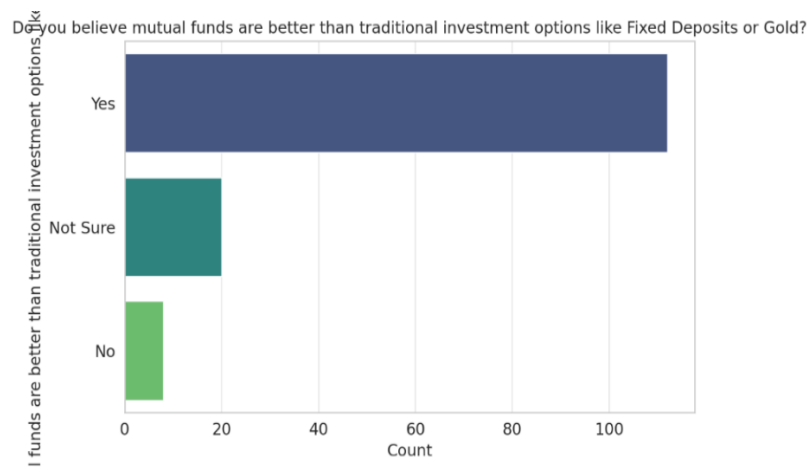
Based on 140 replies, the bar chart shows the respondents' main financial goals when it comes to mutual fund investing. According to 43% of respondents, accumulating wealth is the primary goal, indicating a strong emphasis on long-term capital growth. The 21% tax savings that follow show a strong interest in tools like ELSS that lower taxable income. A significant percentage of investors are concerned with safeguarding their post-retirement life or producing consistent passive income through mutual fund investments, as evidenced by the 18% of respondents who chose retirement planning and regular income, respectively.

#### 6. What is your primary reason for investing in mutual funds?



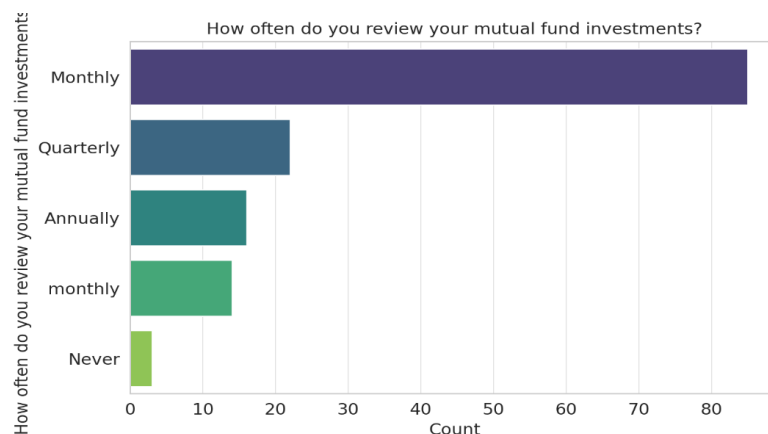
The bar chart displays the key reasons why respondents prefer to invest in mutual funds, based on 140 responses. Tax benefits and professional management were the top motivators, each selected by 25% of respondents, showing that investors value both financial efficiency and expert fund handling. Diversification and low-risk investing followed, each cited by 17.86% of participants, indicating a balanced and cautious investment mindset. A smaller segment (14.29%) prioritized high returns, reflecting a willingness to take on higher risk for potential greater gains.

#### 7. Do You Believe Mutual Funds Are Better Than Traditional Investment Options Like Fixed Deposits or Gold?



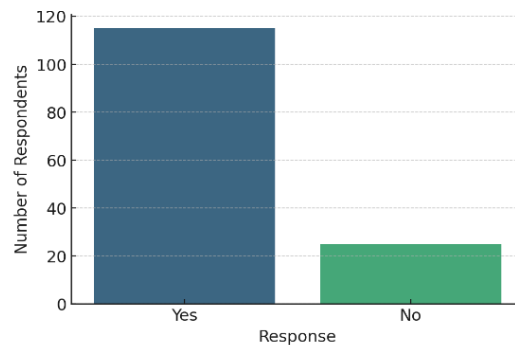
The bar chart illustrates respondents' perceptions of mutual funds compared to traditional investment options like fixed deposits or gold, based on 140 responses. A strong majority (75%) believe that mutual funds are a better investment option, reflecting confidence in their growth potential and flexibility. In contrast, 14.29% of respondents preferred traditional options, likely due to their safety and guaranteed returns. Meanwhile, 10.71% were unsure, highlighting the need for increased awareness and education about mutual fund benefits.

#### 8. How Often Do You Review Your Mutual Fund Investments?



The bar chart presents the frequency at which respondents review their mutual fund investments, based on 140 responses. A majority of investors (64.29%) review their portfolios monthly, indicating a high level of engagement and active investment management. Quarterly reviews are conducted by 17.86% of respondents, showing a moderate approach. About 15.71% of investors review their investments annually, reflecting a more passive strategy. A minimal 2.14% reported never reviewing their portfolios, which may point to complete reliance on fund managers or a lack of investment awareness.

### 9. Do You Believe That Advertisements and Social Media Impact Your Investment Decisions?



The bar chart illustrates respondents' views on the influence of advertisements and social media on their investment decisions, based on 140 responses. A significant majority (80.71%) acknowledged that advertising and social media platforms impact their mutual fund investment choices, highlighting the growing role of digital channels in financial decision-making. In contrast, 17.86% of respondents stated that their decisions are not influenced by such external media, suggesting a more independent or research-driven approach to investing.

### LIMITATIONS:

1. The 140 respondents in the sample may not be representative of all investors.
2. The data is limited by geography and might not accurately represent behavior across India.
3. Because there were no in-depth interviews and self-reporting, responses might be skewed.
- 4-The study excluded non-investors and only looked at mutual fund investors.
5. Deeper qualitative examination was not possible due to time constraints.

### RECOMMENDATIONS:

1. Raise Awareness: Run educational initiatives to enhance investors' comprehension of mutual funds.
2. Improve Accessibility: Make investing easier by using digital platforms that are easy to use.
3. Enhance Financial Advisory Services: Offer tailored advice to assist investors in reaching well-informed conclusions.
4. Encourage Long-Term Investing: To foster disciplined investing practices, support SIPs and goal-based investing.

### CONCLUSION

The study "A Study on Investors' Behavior Towards Mutual Funds" offers valuable information about the investing habits, inclinations, and conduct of individual investors.

According to the study, investors' knowledge of mutual funds has greatly increased, and the majority are currently enrolled in mutual fund schemes. The fact that 79% of respondents have previously invested in mutual funds shows how widely accepted and penetrated the business has become. Nevertheless, the Chi-Square analysis showed that investing decisions were not significantly impacted by financial literacy levels, or mutual fund expertise. This implies that although there is a high level of awareness, other factors, such as peer pressure, market trends, and convenience, also influence investment behavior. Likewise, it was determined that there was no statistically significant correlation between investment preference and risk appetite. Despite the fact that most investors classified themselves as moderate or high-risk takers, there was no difference in their actual fund preferences based on their risk profiles. Despite the dangers involved, equity funds were the most preferred investing option across all risk categories, suggesting a strong desire for larger returns.

According to the report, the primary reasons for investing are wealth building, tax advantages, and retirement preparation. The most popular investment strategy is Systematic Investment Plans (SIPs), which demonstrate a move toward long-term, disciplined wealth growth.

Additionally, it was noted that financial advisors, social media, and marketing all significantly impact investors' choices. However, issues including mistrust, a lack of product knowledge, and a fear of market volatility continue to be obstacles for new investors.

In conclusion, even though the mutual fund sector in India has expanded significantly and seen a rise in participation, further investor education and specialized financial advice are still desperately needed. To foster long-term trust and promote wider involvement, financial institutions must improve transparency, provide individualized advising services, and highlight the advantages of long-term investments. The mutual fund industry's healthy growth depends on addressing behavioral biases and making sure investors make well-informed decisions that are in line with their financial objectives.

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