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“Mutual Funds and Investor Behaviour”

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ABSTRACT :

Mutual funds have come to be one of the maximum famous funding options for individuals trying to develop their wealth with especially lower hazard. This research paper targets to have a look at the behaviour of buyers closer to mutual finances, focusing at the elements that influence their funding selections including danger perception, return expectations, financial literacy, past reviews, and social affect. The observe also attempts to understand the extent of attention amongst investors concerning unique styles of mutual funds and the role of financial advisors in guiding investment selections. A number one survey changed into conducted to gather responses from various classes of buyers, which includes students, specialists, and retired individuals. The findings indicate that while many investors are aware about mutual price range as a concept, their actual participation relies upon on a couple of behavioural and emotional factors. The studies highlights the want for higher economic education and transparent statistics dissemination to encourage informed investment choices. This paper contributes to the growing literature on behavioural finance and gives insights for mutual fund groups, financial advisors, and policymakers to better understand investor psychology and layout techniques for this reason.

Keywords: Mutual Funds, Investor Behaviour, Investment Decisions, Risk Perception, Financial Literacy, Behavioural Finance

Introduction

In today's speedy-paced financial international, mutual finances have emerge as a not unusual and available funding preference for each new and skilled investors. A mutual fund is a professionally controlled funding scheme that swimming pools cash from diverse investors and invests it in exceptional belongings inclusive of shares, bonds, or different securities. It offers the blessings of diversification, expert management, and liquidity, making it an appealing option for people with constrained expertise or time to control investments on their very own. Despite the benefits of mutual finances, the behaviour of traders closer to them can range significantly. Many human beings are still hesitant to make investments due to a lack of knowledge, worry of loss, past terrible experiences, or restrained financial knowledge. On the other hand, some buyers make choices primarily based on trends, social have an impact on, or guidelines instead of rational analysis. This makes it vital to look at how traders think, experience, and act in terms of making an investment in mutual funds.

Investor behaviour is a key region inside behavioural finance that looks at the psychological factors and feelings influencing investment choices. Understanding this behaviour can assist monetary establishments design better investment merchandise, provide stepped forward guidance, and construct accept as true with with capacity buyers. This research paper focuses on figuring out the key elements that affect investor behaviour closer to mutual budget. It explores how humans understand danger and returns, how a lot they believe monetary recommendation, what stage of expertise they've approximately mutual fund schemes, and what non-public or outside factors pressure their investment choices. The have a look at pursuits to bridge the space among mutual fund awareness and real funding with the aid of highlighting behavioural patterns and presenting insights which could assist each buyers and fund managers make informed and confident decisions.

Objectives of the Study

- To assess the level of awareness among investors about different types of mutual funds and their benefits.
- To identify the key factors influencing the decision-making process of investors while choosing mutual fund schemes (e.g., risk appetite, return expectations, past experiences, peer influence, etc.).
- To examine investor preferences regarding types of mutual funds (such as equity, debt, hybrid, SIPs, etc.).

Literature Review

According to *Agarwal (2019)*, mutual funds in India are witnessing a shift from being a traditionally under-utilized investment vehicle to a mainstream financial product. He identifies that this change is largely driven by greater financial literacy and regulatory initiatives by organizations like SEBI and AMFI. *SEBI (2023)* and *AMFI (2024)* have played a key role in building investor trust by ensuring transparency, ease of access, and regular dissemination of information related to mutual fund performance and risk categorization.

Bodie, Kane, and Marcus (2021) emphasize that investor behaviour is highly influenced by perceived returns, market trends, and personal financial goals. They highlight that systematic investment plans (SIPs) offer psychological comfort to investors by allowing disciplined investing and reducing risk through rupee-cost averaging. *Chandra (2020)* also supports this by discussing how risk tolerance and return expectations impact portfolio choices, especially in mutual fund investments.

Sondhi (2022) conducted a detailed study focusing on factors influencing mutual fund investments and concluded that return expectations, past fund performance, and tax benefits are the dominant motivators for Indian investors. The study also revealed that many investors rely on advice from friends, family, or advisors, while a growing segment is inclined towards self-research and online platforms for investment decisions.

Singh and Sharma (2020) further explored the perception of urban investors and found that although awareness of mutual funds has improved, there remains confusion about fund types, risk levels, and returns. This gap between awareness and action is a crucial finding that supports the need for better investor education.

From a financial marketing perspective, *Kotler and Keller (2016)* explain how branding and communication strategies influence consumer investment choices. Their insights help explain why some mutual funds gain popularity based on brand trust and visibility, rather than just performance metrics.

Bhalla (2017) offers a foundational understanding of mutual fund performance evaluation and risk-return analysis, which helps in understanding how investors interpret fund data and make comparative decisions. He suggests that simplified tools and financial advice can enhance the effectiveness of mutual fund promotions.

Lastly, *The Economic Times (2024)* highlighted recent trends showing that SIPs are becoming the most preferred investment route, especially among young and salaried investors. The article attributed this shift to digital platforms, ease of automation, and the consistent returns shown by long-term mutual fund holdings.

Research Methodology

Research methodology refers to the systematic process adopted to collect, analyze, and interpret data in alignment with the objectives of the study. This research aims to examine investor behaviour towards mutual funds, with a focus on their awareness levels, influencing factors, and investment preferences. A *quantitative research approach* has been adopted for this study.

Research Design

The study is descriptive in nature, as it aims to describe the characteristics of mutual fund investors and their decision-making patterns. It is based on primary data collection using a structured questionnaire, designed to cover all the core objectives of the study.

Sampling Technique

A *convenience sampling* method has been used to select the respondents for this study. This non-probability sampling method was chosen due to ease of access and time constraints.

Sample Size

The survey was conducted among *100 respondents*, which included working professionals, students, and small investors who have some awareness or experience in financial investments.

Data Collection Method

Primary data was collected through a *structured questionnaire*, which consisted of both close-ended and multiple-choice questions. The questionnaire was divided into sections that corresponded to the research objectives: awareness, influencing factors, and preferences related to mutual funds.

Data Analysis Tools

The collected data was analyzed using basic *statistical tools* such as frequency distribution and percentage analysis. The findings were then presented in tabular format with three columns: Particular, Number of Respondents, and Percentage, for easy interpretation.

Scope of the Study

This research focuses on individual investors and their behaviour towards mutual fund investments. It provides insights into their preferences and the reasons behind their choices, which can help fund managers, financial advisors, and policy makers in designing more effective investment strategies and educational campaigns.

Limitations of the Study

- The sample size is limited to 100 respondents, which may not represent the entire population.
- The responses are based on self-reporting, which may include biases.
- The study is limited to urban and semi-urban investors with access to digital platforms.

Data Analysis & Interpretation**Section A: Awareness of Mutual Funds**

Q1. Are you aware of what mutual funds are?

Table : 1

Particular	No. of Respondents	Percentage
Yes	82	82%
No	18	18%

Interpretation:

Out of 100 respondents, 82% are aware of mutual funds, while 18% are not. This indicates a high level of awareness among investors, but there is still a need to educate the remaining group.

Q2. Which of the following mutual fund types are you familiar with? (Multiple options selected)

Table : 2

Particular	No. of Respondents	Percentage
Equity Funds	70	70%
Debt Funds	42	42%
Hybrid Funds	38	38%
SIP (Systematic Plan)	65	65%
Not aware of any	15	15%

Interpretation:

Most respondents are familiar with equity funds (70%) and SIPs (65%), showing these are the most commonly known options. Debt and hybrid funds have relatively lower awareness. 15% of respondents are not aware of any mutual fund type, indicating a gap in financial education.

Q3. Do you think mutual funds are a good investment option compared to traditional options like FDs or PPF?

Table : 3

Particular	No. of Respondents	Percentage
Yes	68	68%
No	12	12%
Not Sure	20	20%

Interpretation:

68% of respondents believe mutual funds are a better investment option than traditional methods like FDs and PPF. However, 20% are still unsure, which reflects uncertainty or lack of information.

Section B: Factors Influencing Investment Decisions

Q4. What is the most important factor for you while investing in mutual funds?

Table : 4

Particular	No. of Respondents	Percentage
Return Potential	36	36%
Low Risk	22	22%
Past Performance	14	14%
Tax Benefits	18	18%

Expert Advice	10	10%
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Interpretation:

Return potential is the top factor (36%) influencing mutual fund investment, followed by low risk and tax benefits. Expert advice influences only 10%, showing many investors prefer self-research or other factors.

Q5. How would you rate your risk appetite?**Table : 5**

Particular	No. of Respondents	Percentage
Low	28	28%
Moderate	50	50%
High	22	22%

Interpretation:

Half of the respondents (50%) have a moderate risk appetite, making them suitable candidates for balanced or hybrid funds. 28% prefer low risk, while 22% are willing to take higher risks for better returns.

Q6. Who influences your investment decisions the most?**Table : 6**

Particular	No. of Respondents	Percentage
Self-research	40	40%
Family/Friends	25	25%
Financial Advisor	20	20%
Social Media/Internet	15	15%

Interpretation:

40% of respondents rely on self-research for making investment decisions, indicating a growing trend of self-learning. Family/friends and financial advisors also play a significant role, while social media has a smaller impact.

Section C: Preferences in Mutual Fund Types**Q7. Have you ever invested in mutual funds?****Table : 7**

Particular	No. of Respondents	Percentage
Yes	60	60%
No	40	40%

Interpretation:

60% of respondents have invested in mutual funds, while 40% have not. This shows a growing interest, but there's still room for encouraging non-investors through awareness and trust-building.

Q8. If yes, which type of mutual fund have you mostly invested in?**Table : 8**

Particular	No. of Respondents	Percentage
Equity	28	28%
Debt	10	10%
Hybrid	12	12%
SIP	30	30%
Not Applicable	20	20%

Interpretation:

Among those who have invested, SIPs are the most preferred (30%), followed by equity funds (28%). A few chose debt and hybrid funds. 20 respondents have never invested, hence marked as "Not Applicable."

Q9. Which investment method do you prefer?**Table : 9**

Particular	No. of Respondents	Percentage
One-time Lump Sum	32	32%
SIP (Systematic Plan)	48	48%
Not Sure	20	20%

Interpretation:

48% prefer investing through SIPs, indicating a strong interest in disciplined, long-term investment. 32% opt for lump sum, while 20% are still unsure, highlighting the need for guidance.

Findings

1. High Awareness Level: A massive majority (82%) of respondents are aware of mutual budget, indicating increasing economic attention amongst individuals. However, 18% nevertheless lack fundamental expertise about mutual price range, showing the want for persisted economic training.
2. Familiarity with Specific Fund Types: Equity funds (70%) and SIPs (65%) are the maximum well-known mutual fund alternatives. Debt price range (42%) and hybrid finances (38%) are less regarded. Interestingly, 15% of respondents are ignorant of any sort of mutual fund.
3. Positive Perception Toward Mutual Funds: Around 68% of the respondents consider that mutual funds are a better investment preference than traditional alternatives like Fixed Deposits (FDs) or Public Provident Fund (PPF). However, 20% are nevertheless uncertain, showing a few level of hesitation or lack of knowledge.
4. Return Potential as a Priority: The most essential issue influencing mutual fund investment is return capacity (36%), followed via low threat (22%) and tax benefits (18%). Only 10% don't forget expert recommendation as the most important, indicating a choice for impartial choice-making.
5. Moderate Risk Appetite Dominates: Half of the respondents (50%) charge themselves as having a moderate hazard appetite, whilst 28% decide on low danger and 22% are high-threat takers. This indicates that balanced or hybrid mutual funds may additionally suit the bulk.
6. Self-Research Leads Investment Decisions: Self-research is the pinnacle influencing component for investment decisions (40%), observed via own family and friends (25%), economic advisors (20%), and social media/net (15%). This highlights a fashion towards unbiased financial choice-making.
7. Investment Experience in Mutual Funds: 60% of respondents have invested in mutual budget, whereas forty% have not. This shows that whilst mutual budget are getting famous, there is nonetheless scope to boom investor participation.
8. Preference for SIPs: Among buyers, SIPs are the maximum desired method of investment (30%), barely ahead of fairness funds (28%). SIPs also are the most preferred funding method normal (48%), due to their systematic and disciplined nature.
9. Uncertainty in Investment Method: Despite developing focus, 20% of respondents are still uncertain approximately the desired mode of funding. This again reflects the want for higher economic literacy and simplified communique from fund houses.
10. Gap in Knowledge and Action: While cognizance is excessive, now not all respondents have surely invested in mutual price range. This hole shows that recognition does now not always translate into motion, possibly because of worry of loss, loss of self belief, or complexity of to be had options.

Conclusion

The look at on mutual funds and investor behaviour highlights the developing interest and focus among individuals toward modern financial units. Mutual budget, as a dependent and professionally controlled investment alternative, are more and more being considered a viable alternative to conventional saving schemes like constant deposits and public provident budget. The studies findings screen that a big portion of the populace is properly-knowledgeable approximately mutual funds, specifically approximately famous classes inclusive of equity finances and Systematic Investment Plans (SIPs). However, a expertise gap nevertheless exists for different fund kinds which include debt and hybrid budget, indicating the need for more targeted economic literacy efforts. Investor behaviour, as discovered thru the have a look at, is pushed by means of numerous key factors together with return ability, chance urge for food, beyond studies, and the effect of depended on sources. The choice for moderate threat and the popularity of SIPs factor toward a shift in investor mind-set—in which long-time period, consistent investing is being favoured over one-time, excessive-risk bets. It is likewise obtrusive that self-studies is becoming the dominant source of financial selection-making, displaying a growing trend in investor independence. Nevertheless, many individuals nevertheless depend upon family, pals, or advisors, which displays the significance of consider in monetary choices. Despite a excessive stage of awareness, no longer all respondents have taken movement to invest in mutual price range. This shows that cognizance by myself does now not usually lead to funding choices—factors together with confidence, threat notion, and simplicity of get right of entry to additionally play a position. Furthermore, a portion of traders remains uncertain about the kind or technique of funding they select, pointing to the want for extra simplified and approachable

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