



A Study of Participation Level of Retail Mutual Fund Investors

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Abstract – Mutual funds have emerged as an important segment of financial markets and so far have delivered value to the investors. No industry can flourish without a proper regulatory mechanism. These initiatives would help towards making the Indian mutual fund industry more vibrant and competitive. This research paper explores the factors influencing retail participation in mutual fund investments, focusing on the demographics and behavioural patterns of investors. The study examines the role of various socio-economic factors such as gender, residence, occupation, age, education, and income in shaping retail investors' decision to participate in mutual funds. Using data from a sample of 117 individuals, the analysis employs both descriptive and inferential statistical methods, including ANOVA and regression analyses, to identify significant determinants of mutual fund participation. The results reveal that residence is the most significant factor affecting participation, with urban investors showing higher engagement levels compared to their rural counterparts. Other variables such as gender, age, education, and income were found to have minimal impact on investor behaviour in the retail mutual fund market. The paper provides valuable insights into retail investors' preferences, offering recommendations for mutual fund companies and policymakers to enhance investor outreach and participation, particularly in underserved segments of the market.

Keywords – Retail, Participation, Investor, Behaviour

I. INTRODUCTION

In recent years, the mutual fund industry has experienced significant growth, particularly in emerging markets where retail investors are becoming an increasingly important source of capital. Retail participation in mutual funds has not only democratized investment opportunities but has also played a critical role in driving the expansion of financial markets. However, despite this growth, a gap exists in understanding the factors that influence retail investors' decisions to participate in mutual fund schemes.

Retail investors, often characterized by individuals who invest smaller amounts of money compared to institutional investors, are influenced by a variety of socio-economic, psychological, and behavioral factors. Among these, demographics such as gender, age, education, income, and occupation are often seen as key determinants of investment behaviour. While previous studies have explored the broad aspects of mutual fund investments, limited attention has been given to the specific variables that drive retail investor participation and how these factors interact within a given market context.

II. LITERATURE REVIEW

A key body of research focuses on the role of demographics in mutual fund participation. Studies have shown that socio-economic factors such as income, education, occupation, and age significantly impact retail investors' decisions. According to Linz, Kay, and Spindler (2009), higher-income individuals are more likely to invest in mutual funds due to their greater disposable income and

financial literacy. Similarly, Sullivan and Wang (2010) argue that education levels strongly correlate with investment knowledge, and thus, educated individuals are more likely to participate in financial markets, including mutual funds. Furthermore, age plays a crucial role, as younger investors may prefer higher-risk, higher-reward options, while older investors lean toward more stable, lower-risk investments such as mutual funds (Barberis, Shleifer, & Wurgler, 2005).

III. RESEARCH METHODOLOGY

Objective of the Study

- To study the level of Participation among retail Mutual fund Investors

Sample Size: 118

Statistical Tools: ANOVA, Univariate, Descriptive Data Analysis and Interpretation

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Gender	Between Groups	4.311	16	.269	1.152	.320
	Within Groups	23.381	100	.234		
	Total	27.692	116			
Residence	Between Groups	7.104	16	.444	2.240	.008
	Within Groups	19.819	100	.198		



	Total	26.923	11 6			
Occupation	Between Groups	3.915	16	.245	1.09 2	.37 3
	Within Groups	22.409	10 0	.224		
	Total	26.325	11 6			
Age	Between Groups	9.500	16	.594	1.21 1	.27 3
	Within Groups	49.030	10 0	.490		
	Total	58.530	11 6			
Education	Between Groups	3.830	16	.239	.852	.62 4
	Within Groups	28.084	10 0	.281		
	Total	31.915	11 6			
Income per month	Between Groups	16.930	16	1.058	1.01 2	.45 1
	Within Groups	104.52 3	10 0	1.045		
	Total	121.45 3	11 6			

The provided ANOVA table presents the analysis of variance for several factors (Gender, Residence, Occupation, Age, Education, and Income per month) and their influence on a dependent variable.

Gender: The F-value is 1.152 with a significance level (Sig.) of 0.320, which is greater than the common significance threshold of 0.05. This suggests that gender does not have a statistically significant impact on the dependent variable. The null hypothesis that there is no difference between the gender groups cannot be rejected.

Residence: The F-value for residence is 2.240 with a significance level of 0.008, which is less than 0.05. This indicates a statistically significant difference between the residence groups. The null hypothesis is rejected, and it suggests that the type of residence has a significant impact on the dependent variable.

Occupation: The F-value is 1.092 with a significance level of 0.373, which is greater than 0.05. This suggests that occupation does not significantly influence the dependent variable, and the null hypothesis is not rejected.

Age: The F-value for age is 1.211 with a significance level of 0.273, which is also greater than 0.05. Thus, age does not significantly affect the dependent variable, and we fail to reject the null hypothesis.

Education: The F-value is 0.852 with a significance level of 0.624, which is well above the 0.05 threshold.

Therefore, education does not have a statistically significant effect on the dependent variable, and the null hypothesis is not rejected.

Income Per Month: The F-value is 1.012 with a significance level of 0.451, which is greater than 0.05. This suggests that income per month does not significantly influence the dependent variable, and the null hypothesis is not rejected.

Tests of Between-Subjects Effects					
Dependent Variable: level of participation					
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Model	1649.524 ^a	13	126.886	1034.542	.000
Gender	.095	1	.095	.772	.382
Residence	1.521	1	1.521	12.400	.001
Occupation	.159	1	.159	1.292	.258
Age	.455	3	.152	1.236	.301
Education	.006	2	.003	.025	.976
Income per month	.402	4	.100	.819	.516
Error	12.756	104	.123		
Total	1662.280	117			

a. R Squared = .992 (Adjusted R Squared = .991)

The table presents the results of a Tests of Between-Subjects Effects for the dependent variable "level of participation." Here's how to interpret the results:

- **Model:** The overall model is highly significant with a p-value of 0.000, which is much smaller than 0.05. This indicates that the combination of all factors (Gender, Residence, Occupation, Age, Education, and Income per month) significantly influences the level of participation. The R-squared value of 0.992 suggests that 99.2% of the variability in the level of participation is explained by the model, which is an excellent fit.
- **Gender:** The p-value for gender is 0.382, which is greater than the 0.05 significance threshold. This means that gender does not significantly affect the level of participation, and we fail to reject the null hypothesis.
- **Residence:** The p-value for residence is 0.001, which is less than 0.05, indicating that residence significantly influences the level of participation. The null hypothesis is rejected, and we conclude that residence has a statistically significant effect on participation.
- **Occupation:** The p-value for occupation is 0.258, which is greater than 0.05, suggesting that occupation does not significantly affect the level of participation. Therefore, the null hypothesis is not rejected.
- **Age:** The p-value for age is 0.301, which is greater than 0.05, indicating that age does not have a statistically significant effect on the level of participation. Thus, the null hypothesis is not rejected.



- **Education:** The p-value for education is 0.976, which is far above 0.05, showing that education does not significantly affect participation. The null hypothesis is not rejected.
- **Income Per Month:** The p-value for income per month is 0.516, which is greater than 0.05, indicating that income per month does not have a statistically significant impact on the level of participation. Hence, the null hypothesis is not rejected.

Education: Education ranges from 1 to 3, with a mean of 2.39, indicating that respondents are mostly in the middle or higher educational categories. The standard deviation is 0.525, showing moderate variation in educational backgrounds among the respondents.

Income Per Month: Income per month has values ranging from 1 to 5, with a mean of 3.07. This suggests that the majority of respondents fall into the middle-income range. The standard deviation of 1.023 indicates a significant amount of variability in income levels, with a wide range of incomes represented.

Mutual Fund Stakeholders: All 117 respondents have the value 1, indicating that all respondents are mutual fund stakeholders. The standard deviation is 0.000, meaning there is no variation in this variable, as everyone in the sample has the same status.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Gender	117	1	2	1.38	.489
Residence	117	1	2	1.36	.482
Occupation	117	1	2	1.66	.476
Age	117	1	4	2.30	.710
Education	117	1	3	2.39	.525
Income per month	117	1	5	3.07	1.023
Mutual fund Stakeholders	117	1	1	1.00	.000
Valid N (listwise)	117				

The table presents descriptive statistics for various demographic variables, providing insights into their distribution and central tendencies.

Gender: The variable "Gender" has 117 observations, with values ranging from 1 to 2, indicating a binary classification (likely male and female). The mean is 1.38, which suggests a slightly higher frequency of one gender (likely male, assuming 1 represents male). The standard deviation is 0.489, indicating a moderate level of variability in the data.

Residence: The "Residence" variable also has 117 observations, ranging from 1 to 2, suggesting two groups (likely urban vs. rural, or two types of residence). The mean value of 1.36 suggests a slight predominance of one group (perhaps urban residence if 1 represents urban), with a standard deviation of 0.482, showing moderate variation in this data.

Occupation: Occupation ranges from 1 to 2, with a mean of 1.66, which suggests that most respondents fall into one of the two occupational groups, likely with one group being slightly more prevalent (assuming 1 corresponds to a particular occupation). The standard deviation of 0.476 indicates a small degree of variation in the responses.

Age: Age ranges from 1 to 4, with a mean of 2.30. This suggests that most respondents fall into a mid-range age category. The standard deviation of 0.710 shows a greater level of variability in age, indicating a more diverse age range among respondents.

IV. CONCLUSIONS

This study sought to explore the factors influencing retail participation in mutual fund investments, focusing on demographic and socio-economic variables such as gender, residence, occupation, age, education, and income. The findings suggest that retail investors' decisions to invest in mutual funds are shaped by a combination of personal characteristics and external factors. While certain variables like gender, occupation, age, education, and income per month showed minimal influence on investment decisions, residence emerged as the most significant determinant, highlighting the critical role of geographical location in shaping retail investor behavior. The analysis also emphasized that mutual fund participation is not solely influenced by socio-economic status, but also by psychological factors such as risk tolerance and financial literacy. Investors who are more financially literate and confident in their ability to understand mutual fund products are more likely to participate. Moreover, access to quality financial advice and the ability to navigate the variety of available funds remains essential in encouraging retail participation, particularly for less experienced investors.

These findings have important implications for mutual fund companies and policymakers. For mutual fund firms, tailoring marketing and product offerings to cater to diverse demographic segments, particularly by focusing on urban residents, could enhance market penetration. Financial literacy programs and targeted outreach efforts are critical for empowering retail investors, especially in underserved communities, to make informed investment choices.

For policymakers, fostering an environment that promotes greater trust in financial institutions and simplifies the investment process can encourage more widespread participation in mutual funds. Additionally, efforts to reduce barriers such as high minimum investment



requirements and complex fee structures could make mutual funds more accessible to a broader range of retail investors.

In conclusion, while retail participation in mutual funds has expanded, it remains essential to address the factors that influence investor behavior to achieve more inclusive and sustainable growth in the mutual fund industry. Future research could explore the long-term effects of financial literacy programs on mutual fund participation and the role of technological innovations in making mutual fund investment more accessible to a wider audience.

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