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A Study on Factors Influencing Investment Decisions in Mutual Funds

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***Abstract* – This study aims to analyze the factors influencing investment decisions among individual mutual fund investors. The research focuses on key determinants, including risk perception, expected returns, demographic characteristics, and the role of financial advisors. A descriptive research design was adopted, and primary data were collected from 100 respondents using a structured questionnaire. The data were analyzed using percentage methods and presented in tables. The findings indicate that investors prefer low-risk investment options and that factors like income, age, financial awareness, and advisory support significantly influence investment decisions. The study also highlights the importance of financial literacy in improving investor behaviour.**

***Keywords*- Mutual Funds, Investment Decision, Risk, Return, Financial Literacy**

I. INTRODUCTION

Understanding the decision-making process behind investing in mutual funds is critical, as these funds have become one of the most popular options due to their diversification, professional management, liquidity, and affordability. As financial awareness and income levels rise, more individuals are choosing mutual funds.

Decisions are shaped by a range of factors. Risk tolerance, expected returns, income, age, and financial knowledge all play vital roles. In addition, behavioural factors such as peer influence, herd behaviour, and financial advisor advice further affect decision-making.
Understanding key influencing factors equips investors, financial institutions, and policymakers to enhance financial decisions and promote mutual fund investment.

II. LITERATURE REVIEW

This analysis builds on prior studies of factors influencing mutual fund investment decisions.

Earlier research primarily focused on the risk-return relationship, where investors aim to maximize returns while minimizing risk. While investors generally prefer higher returns, differences in risk-taking ability are evident.

Moreover, many studies have found that investors rely heavily on past performance when selecting mutual funds, even though past performance does not guarantee future results.

Research findings also reveal that demographic factors, such as age, income, and education, significantly influence investment behaviour. For example, younger investors tend to prefer equity funds, while older investors often choose safer options.

In addition to demographics, financial literacy emerges as a critical influence. Investors with better knowledge are more likely to make informed decisions and diversify their investments.

Behavioural finance studies further highlight the effects of factors such as herd behaviour, overconfidence, and loss aversion on investment decisions, deepening our understanding of investor psychology.

The roles of financial advisors and the media are also significant, especially for new investors, contributing another dimension to the investment decision process discussed in previous research.

Research Gap: Despite the wealth of research on mutual fund investment behaviour, several gaps persist in the literature. While many studies emphasize either financial, demographic, or behavioural factors in isolation, comprehensive research integrating all these aspects to provide a holistic understanding of investment decisions is lacking.

Additionally, the direct impact of financial literacy on mutual fund investment decisions has not been extensively analyzed, despite the recognition of financial awareness as an important factor.

Investor behaviour is evolving as digital investment platforms gain wider adoption. The expansion of online trading and mobile applications has shifted investor preferences and decision-making patterns, but these changes have been under-addressed in earlier studies.
Local context and regional variations in mutual fund investing are underexplored.

Objectives of the Study

- To study the concept and importance of mutual funds
- To identify factors influencing investment decisions
- To analyze the impact of risk and return
- To examine the influence of demographic factors

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Hypotheses

- H01: There is no significant relationship between risk perception and mutual fund investment decisions.
- H11: There is a significant relationship between risk perception and mutual fund investment decisions.
- H02: Expected returns do not significantly influence mutual fund investment decisions.
- H12: Expected returns significantly influence mutual fund investment decisions.
- H03: There is no significant association between demographic factors (age, income, education) and investment decisions.
- H13: Demographic factors significantly influence mutual fund investment decisions.
- H04: Financial advisors do not significantly influence mutual fund investment decisions.
- H14: Financial advisors significantly influence mutual fund investment decisions.

III. RESEARCH METHODOLOGY

Research Design: This study uses descriptive research to detail investor characteristics and mutual fund preferences. Quantitative data form the basis of analysis in this study, which utilizes statistical tools such as percentage analysis.
Nature of the Study:This research analytically describes key influences on investment decisions.

Data Collection: Primary data were collected via structured questionnaires, while secondary data were obtained from research journals, books, newspapers, websites of mutual fund companies, and reports by SEBI and AMFI.

Primary Data: The structured questionnaire collected data on essential aspects of investor decision-making.

- Risk perception
- Expected returns
- Investment preferences
- Financial awareness
- Demographic details

Data collection included both online and offline survey methods to reach respondents.

- Secondary Data: Secondary data was collected from various sources, such as:
- Research journals
- Books and textbooks
- Financial newspapers and magazines
- Websites of mutual fund companies
- Reports of SEBI and AMFI

Sampling Design

- Population: The surveyed population comprises individual mutual fund investors.
- Sampling Method: Convenience sampling enabled the easy, timely selection of willing participants.
- Sample Size: The final sample consists of 100 selected respondents.
- Justification of Sampling: Convenience sampling was used because:
- It is easy and time-saving.
- Suitable for academic research
- Limited resources and time constraints
- Easy access to respondents

Instrument Design: A structured questionnaire served as the principal research instrument.

The questionnaire consists of:

- Close-ended questions
- Multiple-choice questions
- Likert scale questions

It is divided into two sections:

- Demographic details (age, gender, income, education, occupation)
- Investment-related questions (risk, return, awareness, preferences)

- Data Analysis Techniques: Percentage analysis was the primary method for evaluating the collected data.
- Used to analyze respondent distribution and investment behaviour.
- Formula: Percentage = (Number of respondents / Total respondents) × 100
- Tabulation: Tabulation presented data for clear reading and interpretation.
- Graphical Representation: Visual data representation, such as charts, aided the understanding of the results.
- Comparative Analysis:Comparisons among variables like age and income provided deeper insights.
- Hypothesis Testing Method: The study tested hypotheses by using the majority response method with percentage analysis.
- If the majority of responses support the factor → Reject H0
- If not → Accept H0
- This approach is appropriate for descriptive studies without advanced statistics.
- Scope of the Study: The study focuses on:
- Factors influencing mutual fund investment decisions
- Risk and return preferences
- Demographic impact on investment behaviour
- Awareness and financial literacy

The research focuses on individual investors within a specific geographic area.

Limitations of the Study: Study limitations include a small sample size, non-random sampling, a limited time span, self-reporting, and a narrow regional focus.

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IV. DATA ANALYSIS AND INTERPRETATION

Table 1: Age Distribution

Below 25	28	28%
25–35	54	54%
35–45	14	14%
Above 45	4	4%

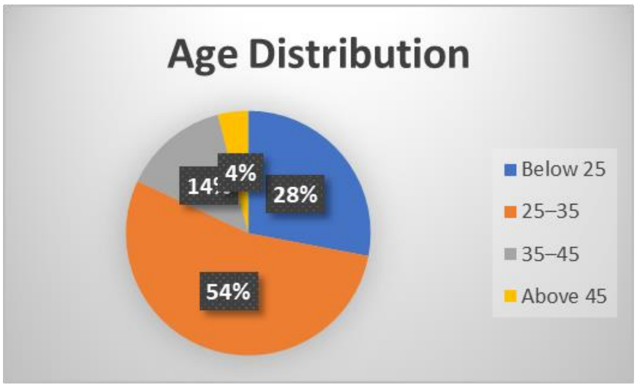

Fig. 1: Age Distribution

Interpretation: Most respondents (54%) are in the 25–35 age group, indicating that young investors are more active in mutual fund investments.

Table 2: Gender

Male	38	38%
Female	62	62%

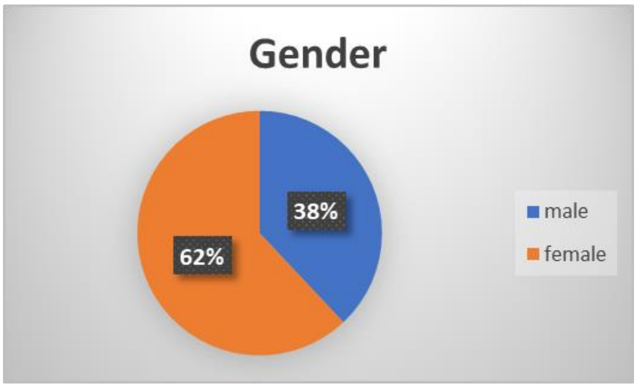

Fig. 2: Gender

Interpretation: Female respondents (62%) outnumber male respondents, indicating increased participation by women in investments.

Table 3: Education

Undergraduate	24	24%
Graduate	45	45%
Postgraduate	30	30%

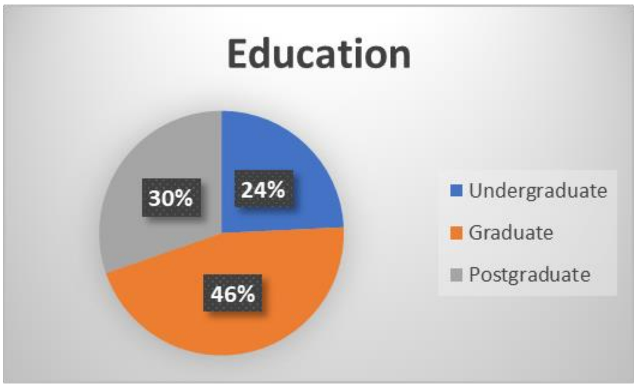

Fig. 3: Education

Interpretation: The majority of respondents are graduates (45%), indicating a well-educated group with better financial awareness.

Table 4: Income

Below ₹25,000	48	48%
₹25k–₹40k	34	34%
₹40k–₹50k	13	13%
Above ₹50k	5	5%

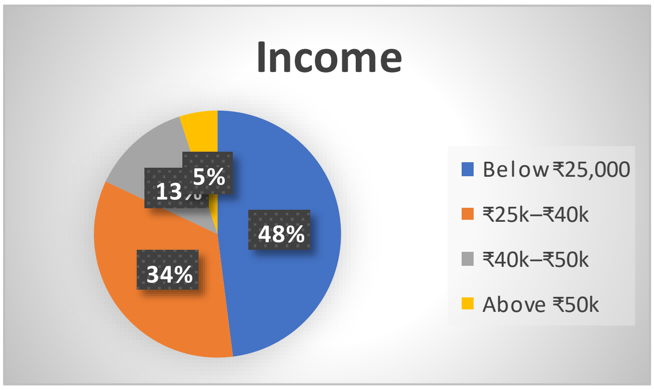

Fig. 4: Income

Interpretation: Most respondents fall into the below-₹25,000 income group (48%), suggesting a preference for safer investment options.

Table 5: Investment in Mutual Funds

Yes	74	74%
No	26	26%

Fig. 5: Investment in Mutual Funds

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Interpretation: A majority (74%) of respondents invest in mutual funds, indicating high awareness and acceptance.

Table 6: Types of Mutual Funds

Equity	36	36%
Debt	42	42%
Hybrid	19	19%
ELSS	3	3%

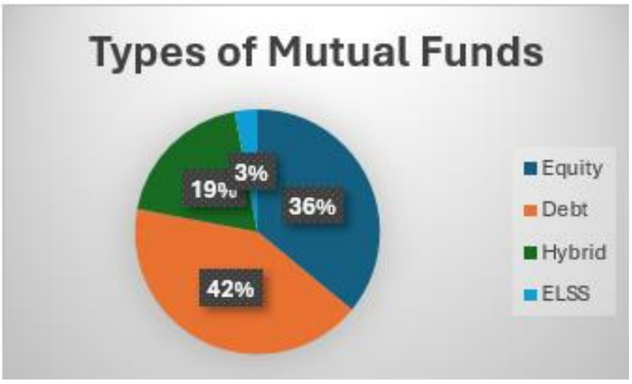

Fig. 6: Types of Mutual Funds

Interpretation: Debt funds are most preferred (42%), showing that investors are more risk-averse.

Table 7: Investment Horizon

Short-term	32	32%
Medium-term	50	50%
Long-term	18	18%

Fig. 7: Investment Horizon

Interpretation: Most respondents prefer medium-term investment (50%), indicating a balance between risk and return.

Hypothesis Testing (Percentage-Based)

- H01: Majority of respondents prefer low-risk investment (Debt funds 42%).
- Therefore, H01 is rejected, and H11 is accepted.
- H02: The majority of respondents invest for wealth creation (32%).

Therefore,

- H02 is rejected, and H12 is accepted.
- H03: Demographic factors such as age and income influence investment decisions.

Therefore,

- H03 is rejected, and H13 is accepted.
- H04: Majority investors depend on financial advisors.
- Therefore, H04 is rejected, and H14 is accepted.

Final Result

- All null hypotheses are rejected.
- All alternative hypotheses are accepted.

Findings

- Investors prefer low-risk investments.
- The majority are young and salaried.
- Income affects investment decisions.
- Financial literacy improves awareness.
- Advisory support influences beginners.

V. CONCLUSION

The study concludes that multiple factors, including risk, return, demographic characteristics, and financial awareness, influence investment decisions in mutual funds. Investors prefer moderate-risk investments and medium-term investment horizons. Financial literacy and advisory services play a crucial role in improving investment decisions.

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