

Analysis of Factors Influencing Investment Decisions in Mutual Funds

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Abstract

Mutual funds have become one of the most preferred investment options among individuals because they provide diversification, professional management, liquidity, and convenient investment methods such as SIPs. However, investment decisions in mutual funds are influenced by many personal, financial, and market-related factors. This study examines the major factors affecting investor decisions in mutual funds. Primary data were collected from 100 respondents via a structured questionnaire on Google Forms. The study used percentage analysis, tables, charts, and hypothesis testing to interpret the data. The findings reveal that most investors are young and middle-aged salaried individuals with moderate risk tolerance. Risk perception, expected returns, income level, financial literacy, past fund performance, tax benefits, and AMC brand reputation significantly influence investment decisions. Hybrid and equity funds were the most preferred investment choices among respondents. The study concludes that investors generally prefer long-term wealth creation through systematic and diversified investments. Financial awareness and proper guidance play a key role in improving investment decisions. The study suggests that mutual fund companies should increase investor education, transparency, and digital accessibility to attract more participants.

Key Words: Mutual Funds, Investment Decision, Risk Tolerance, Financial Literacy, SIP, Investor Behaviour.

1. INTRODUCTION

Mutual funds are one of the most popular investment options in today's financial market. They collect money from many investors and invest it in shares, bonds, or other securities. Mutual funds are managed by professional fund managers, making them suitable for people who lack expertise in the stock market.

In India, the mutual fund industry has grown rapidly due to rising income levels, greater awareness, digital investment platforms, and government support. Many investors prefer mutual funds because they provide diversification, professional management, liquidity, and systematic investment opportunities through SIPs. Investment decisions in mutual funds are influenced by factors such as risk tolerance, expected returns, income level, awareness, tax benefits, market conditions, and past performance. Some investors make decisions based on logic, while others are influenced by emotions, social advice, and brand reputation. This study aims to understand the major factors influencing mutual fund investment decisions and how they affect investor behaviour.

2. OBJECTIVES OF THE STUDY

- To examine the effect of risk tolerance on mutual fund investment decisions.
- To study how expected returns and past performance influence investors.
- To analyze the role of financial literacy in choosing mutual funds.
- To understand the impact of age, income, education, and occupation on investment decisions.
- To identify investor preferences among different mutual fund schemes.

3. HYPOTHESIS

H1: Risk Perception and Investment Decision

- **H₀:** There is no significant relationship between risk perception and investment decisions in mutual funds.
- **H₁:** There is a significant relationship between risk perception and investment decisions in mutual funds.

H2: Financial Literacy and Investment Decision

- **H₀:** Financial literacy does not significantly influence investment decisions in mutual funds.
- **H₂:** Financial literacy significantly influences investment decisions in mutual funds.

H3: Income Level and Investment Decision

- **H₀:** There is no significant relationship between income level and mutual fund investment decisions.
- **H₃:** There is a significant relationship between income level and mutual fund investment decisions.

H4: Past Performance and Investment Decision

- **H₀:** Past performance of mutual funds does not significantly affect investment decisions.
- **H₄:** Past performance significantly affects investment decisions.

4. REVIEW OF LITERATURE

Previous studies show that mutual fund investment decisions are influenced by both financial and behavioural factors.

- Traditional finance theory says investors choose investments by comparing risk and return.
- Behavioural finance theory says investors are also affected by emotions, overconfidence, herd mentality, and fear of loss.
- Studies found that higher financial literacy increases mutual fund participation.
- Investors often prefer funds with better past performance.
- Younger investors generally choose equity funds, while older investors prefer safer debt funds.

- AMC reputation and tax-saving benefits also influence decisions.

These studies show that mutual fund investment behaviour depends on many connected factors.

4.1 RESEARCH GAP: Although many studies have examined mutual fund investment behaviour, important gaps remain.

Most previous studies focused mainly on financial factors such as returns, risk, and income, while paying limited attention to behavioural factors such as overconfidence, herd mentality, fear of loss, and emotional decision-making. Many studies were conducted in metro cities and developed areas, but fewer studies focused on semi-urban and rural investors, where awareness and participation are still growing. Earlier studies often examined demographic factors such as age, gender, and occupation separately rather than combining them with financial literacy and behavioural influences. There is also limited research on the effect of digital platforms, mobile apps, social media, and online advisors on mutual fund investment decisions.

Most previous studies used secondary data, whereas fewer collected primary data directly from investors. Therefore, this study attempts to fill these gaps by analyzing financial, demographic, behavioural, and awareness-related factors together using primary data collected from investors.

5. RESEARCH METHODOLOGY

5.1 Research Design: Research design is the overall plan and structure used to systematically conduct a study. It helps the researcher collect, organize, analyze, and interpret data effectively to achieve the research objectives. For the present study, a descriptive research design has been adopted. A descriptive research design is suitable for this study because it focuses on describing investors' current behaviour, opinions, preferences, and attitudes regarding mutual fund investments. The study aims to understand the factors that influence investment decisions, including risk tolerance, expected return, income level, financial literacy, tax benefits, and the brand reputation of Asset Management Companies (AMCs). This design helps in presenting factual information about investor behaviour without manipulating any variables. It is useful for gathering detailed information from respondents and analyzing patterns in their investment decisions. Since the study is based on real opinions and responses collected from investors, a descriptive research design is considered the most appropriate method.

5.2 Data Collection: The success of any research study depends upon the quality and reliability of the data collected. For this study, both primary data and secondary data were used.

Primary Data: Primary data refers to first-hand information collected directly from respondents for the specific purpose of the study. In this research, primary data were collected through a structured questionnaire prepared using Google Forms.

The questionnaire included closed-ended questions related to:

- Age group of respondents

- Occupation
- Income Group
- Mutual fund investment
- Preferred mutual funds types

Google Forms was used because it is simple, fast, cost-effective, and efficient for collecting responses. It also allows for automatic data recording and tabulation.

Secondary Data: Secondary data refers to information already available from published sources. It was collected to support the study and understand the background of mutual fund investments.

Sources of secondary data included:

- Books on finance and investment
- Research journals and articles
- SEBI reports
- RBI reports
- Mutual fund company websites
- Financial newspapers and magazines
- Online sources such as Investopedia, Moneycontrol, and Economic Times.

Secondary data helped in preparing the literature review, theoretical concepts, and comparison of findings.

5.3 Sample Size: Sample size refers to the number of respondents selected from the total population for collecting data. In this study, the sample size consists of 100 respondents. These respondents were selected from different age groups, occupations, income categories, and educational backgrounds to obtain varied opinions regarding mutual fund investments. A sample size of 100 respondents was considered suitable for the study because it provides sufficient data for percentage analysis, charts, and hypothesis testing within the available time and resources.

The respondents included:

- Students
- Salaried employees
- Business persons
- Professionals
- Others

The selected sample helped in understanding the investment behaviour of different categories of individuals.

5.4 Sampling Method: A sampling method is the technique used to select respondents from a population. In the present study, convenience sampling was used. Convenience sampling is a nonprobability sampling technique in which respondents are selected based on their easy availability, willingness to participate, and the researcher's accessibility.

This method was chosen because:

- It is simple and economical
- It saves time
- It is suitable for academic research projects

- Respondents were easily reachable through online platforms

The Google Form questionnaire was shared through social media, email, WhatsApp, and personal contacts. People who were interested and available responded to the survey. Although convenience sampling may have some limitations, such as bias, it is useful for collecting quick data for descriptive studies.

5.5 Tools Used for Analysis: After collecting data, various statistical and presentation tools were used to analyze and interpret the responses meaningfully.

1. Percentage Method: The percentage method was used to convert the raw data into percentages. It helps in easy comparison and understanding of responses.

For example:

- Percentage of investors who invest in mutual funds
- Percentage of respondents preferring hybrid funds
- Percentage of investors influenced by tax benefits

This method simplifies complex data into a form that is understandable.

2. Tables: Tables were used to arrange data in rows and columns for clear presentation. A tabular presentation makes comparisons easier and supports systematic interpretation.

Examples:

- Age-wise distribution of respondents
- Occupation-wise responses
- Income group analysis

3. Pie Charts: Pie charts were used to present data in a circular format. Each part of the circle shows the proportion of responses.

Pie charts help in the visual understanding of:

- Types of mutual funds preferred
- Investment participation
- Satisfaction levels

They make data attractive and easier to understand.

4. Hypothesis Testing: Statistical hypothesis testing, such as the Chi-square test, was used to examine the relationship between variables like:

- Risk perception and investment decision
- Financial literacy and investment decision
- Income level and investment behaviour
- Past performance and investment choice

This helped in drawing scientific conclusions from the collected data.

6. DATA ANALYSIS AND INTERPRETATION

Table-1 : Age Group

Age Group	Percentage
Below 25	24%
25–35	32%
36–46	27%
46–55	12%
Above 55	5%

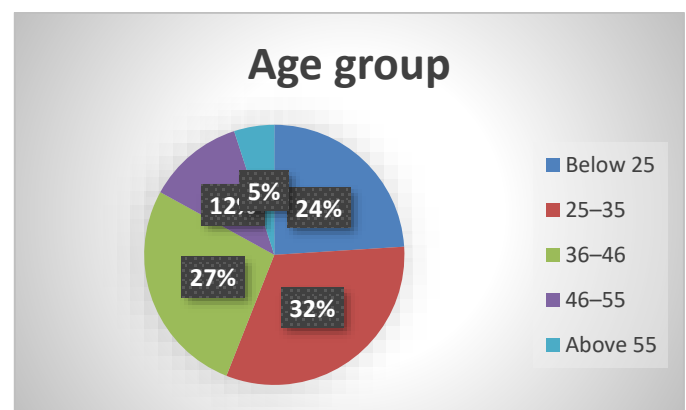


Fig -1: Age group

Interpretation: The majority of investors belong to the 25–35 age group. Young and middle-aged individuals are more interested in mutual fund investments.

Table2 : Occupation

Occupation	Percentage
Student	14%
Employee	47%
Business	24%
Professional	14%
Others	1%

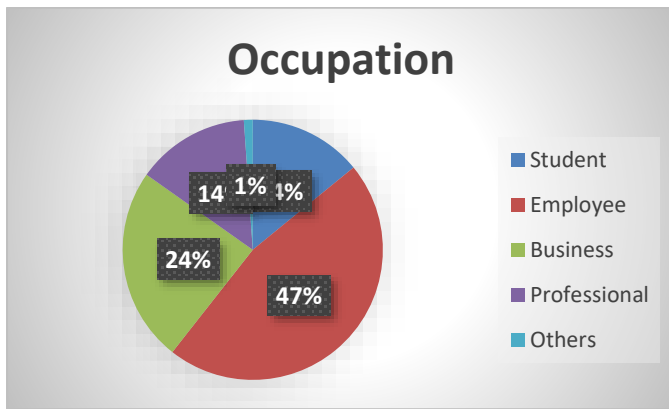


Fig -2: Occupation

Interpretation: Salaried employees are the major investors because they have regular income.

Table 3: Income Group

Income	Percentage
Below 25,000	26.8%
25,000–50,000	30.9%
50,000–100,000	34%
Above 100,000	8.2%

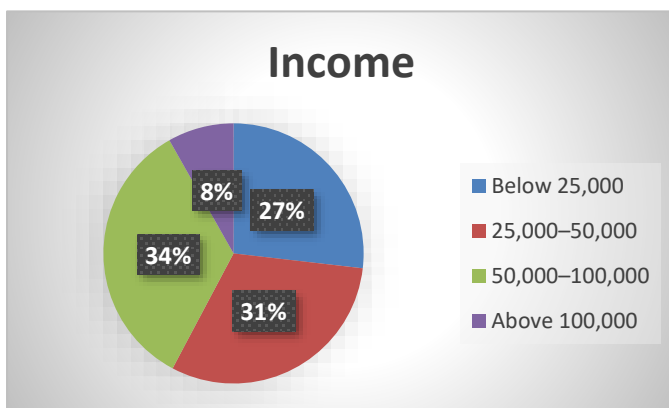


Fig -2: Income

Interpretation: Most investors belong to middle-income groups.

Table 4: Preferred Mutual Fund Type

Fund Type	Percentage
Equity	20%
Debt	20%
Hybrid	33%
ELSS	13%
Not Sure	14%

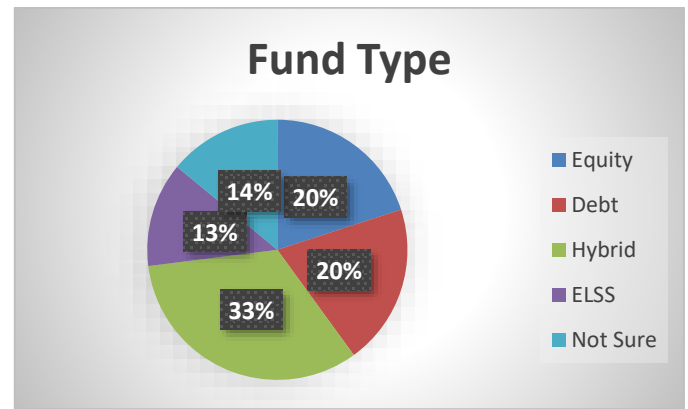


Fig -4: Fund Type

Interpretation: Hybrid funds are the most preferred because they balance risk and return.

7. HYPOTHESIS TESTING

H1: Risk Perception and Investment Decision

• Null Hypothesis (H_0): No significant relationship

• Result: Rejected H_0

Conclusion: Risk perception significantly affects investment decisions.

H2: Financial Literacy and Investment Decision

• H_0 : Financial literacy does not influence decisions

• Result: Rejected H_0

Conclusion: Financial literacy significantly influences investment decisions.

H3: Income Level and Investment Decision

• H_0 : No significant relationship

• Result: Rejected H_0

Conclusion: Income level significantly affects mutual fund investment decisions.

H4: Past Performance and Investment Decision

• H_0 : No significant relationship

• Result: Rejected H_0

Conclusion: Past performance significantly affects investment decisions.

8. FINDINGS

- Young and middle-aged investors are more likely to invest in mutual funds.
- Salaried employees are the major investors.
- Most respondents belong to middle-income groups.
- Hybrid funds are the most preferred option.
- Investors mostly have moderate risk tolerance.
- Financial literacy strongly influences decisions.
- Past performance affects investment choices.
- Tax benefits motivate many investors.
- AMC brand reputation influences trust.
- Investors prefer long-term wealth creation.

9. CONCLUSION

The study concludes that mutual fund investment decisions are influenced by multiple factors, including risk tolerance, expected return, income level, financial literacy, past performance, tax benefits, and brand reputation. Most investors are young working professionals who prefer moderate risk and long-term growth. Hybrid and equity funds are the most preferred schemes.

Financial awareness and guidance are very important for making better investment decisions. Mutual fund companies should focus on educating investors and providing simple digital investment platforms.

10. REFERENCES

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