

Factors Influencing Investors Behaviour Towards Mutual Fund Investment: A Study with Special Reference to Himachal Pradesh

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Abstract

This empirical review synthesizes current research on the factors influencing mutual fund investment decisions, contribution insights into how behavioural, demographic, financial, technological, and ethical considerations shape investor behaviour. The aim of this study is to investigate the factors that motivate investors to invest in mutual fund schemes. The investors of the state of Himachal Pradesh when choosing mutual funds, with a particular focus on the role of financial literacy, advisor influence, social trust, demographic factors, and emerging trends. The investors prioritize past performance, expected dividends, and recommendations from trusted sources, while factors such as stock market appeal and broader economic conditions play a less significant role. Gender, income, education, and occupation emerge as critical demographic factors, impacting investment preferences and scheme selection. The review also emphasizes the transformative impact of technology in financial platforms, where ease of use and financial literacy significantly affect adoption. Under the study simple statistical tools were used such as percentages, mean, frequencies to show awareness levels and sources report from AMFI. This research paper aims to study the impact of different factors, emerging trend on the decision-making and also examine the factors influencing investors to invest in mutual fund schemes.

Keywords: Mutual Funds, Investor Behavior, Financial Literacy, Economic Condition, Investment Decisions, AMFI.

1. INTRODUCTION

Mutual funds have become major players in the financial markets of leading economies. In the U.S. they manage about \$7 trillion in assets, while in Europe, it's over 3 trillion Euros, and in India, the figure stands at around ₹ 30,000 cr. Today investors have thousands of mutual funds to choose from, ranging from relatively safe short-term debt funds to riskier stock and derivative options. Investor perceptions of mutual funds vary widely. Conservative investors often see them as safer than individual stocks, while still acknowledging some level of risk. On the other hand, aggressive investors are willing to accept higher risks in exchange for the potential of greater returns. For beginners, Mutual funds can seem complex, but seasoned investors typically understand the balance of risk and reward. Equity funds are seen as high-risk, high-reward while debt funds are viewed as safer with more stable returns and hybrid

funds are considered a middle ground. Market conditions also play a pivotal role—optimism runs high in bull markets, while caution prevails during downturns. Mutual funds work by pooling money from many investors to invest in a range of assets like equities, bonds, government securities, and money market instruments. Skilled fund managers handle these investments, aligning with the funds goals. Profits, after fees and expenses, are distributed among investors based on the (NAV) of the fund. Essentially, Mutual funds offer a way for individuals to invest collectively under the guidance of professional management. In India, Mutual funds are structured as trusts under the Indian Trusts Act of 1882 and regulated by SEBI (Securities and Exchange Board of India) under the SEBI (Mutual Funds) Regulations, 1996. These regulations set limits on the fees and expenses that can be charged for managing a fund, ensuring transparency and investor protection. Mutual fund investments will be the best option to invest, as it really provides an opportunity to a small investor, to get better returns during long tenure of stay in investments. This has to be researched and results should be conveyed to modern investors, who prefer financial services such as Banking, Post office schemes, Government Bonds and Debentures. The diversified investment of shares in multiple companies by mutual fund investments ensures that the fund share value will not have weighed down even if an individual share reported poor performance. Professional fund managers of Asset Management Majority of Mutual funds offer systematic withdrawal and systematic transfer options to investors at free of cost and they send information periodically.

2. REVIEW OF LITERATURE

Aaluri, S. et.al (2024). This study advances financial research and informs decision-making processes, empowering stakeholders to navigate the complex landscape of investments and market participation effectively. The findings contribute to a deeper understanding of how mutual fund investments impact equity market performance, offering valuable implications for the various players in navigating financial markets. *Mathew, N., Ramesh, Amudha, et al. (2023)*. This paper focuses on different investment methods and their identification that is adopted by different biases along with investors and making decisions for investment. This paper helps the reader to understand different behavioral biases of investors in mutual fund, equity market, performance of funds of various fund houses, and the perceptions of the investors. *An, Y. et.al (2023)*. The findings of the study suggest that green investment should be adopted as a corporate strategy by firms for profit maximization, competitive advantage, and improvement in social well-being without compromising the environment. Policy makers can promote green investment by offering policy instruments such as tax incentives, guaranteed credits, grants, and investor education. Training courses may be offered to raise environmental awareness among firms and the general public. *Irawan, B., et al. (2023)*. The results of the questionnaires will be compiled into combined data to conduct testing on data using validity and reliability tests. Statistical method has been used with Smart PLS. The results of this study show that the variables perceived ease of use, perceived usefulness, and social influence do not affect the use of the application. Users are more influenced by financial matters and risks that may arise from using the application. Therefore, the variables of financial literacy and perceived risk have a significant effect with the variables of behavioral intention to use. This study also shows that the behavioral intention to use variable affects the actual use of the application by the user which is denoted by the actual system use variable. *Nag, R., Chakraborty, et.al. (2022)*. The study reveals that demographical variables have an influence on investment decisions. Among the demographic variables considered for the study, gender, qualification, occupation, and income are the most influential variables on the preference for investment options. Regarding the choice of Mutual fund

schemes, qualification and income are the most influential variables. *Ananthasuresh, K., Devendran, et.al. (2022)*. studied in their research paper that Most influencing factors with respect to choose of mutual fund scheme are performance of the scheme and risk involved in investing in the scheme and the least influencing factors are Exit load on the scheme and reputation of the Fund Manager. Most influencing factors with respect to the choice of AMC are efficiency of the Research Wing of the AMC and return made on the company mutual fund scheme and the least influencing factors are location of the AMC and experience of the AMC in mutual fund business.

3. NEED OF THE STUDY

The research gaps being depicted by the review of literature, raises the relevant research issues in the present research. The foremost purpose of the study is to find out the investment pattern of the individuals of Himachal Pradesh with regard to their pattern of behavior as an investor. There is a great need to know that how the people of the state of Himachal Pradesh invest in various avenues basis on their psychological and demographic factors. To analyze the behavior of the investors of Himachal Pradesh there is a need to find out the ratio of income, saving and investment of individual.

4. OBJECTIVES OF THE STUDY

The present study is structured to elucidate the following specific objectives:

1. To study the behavior of each individual investor with regards to the mutual fund investment in the state of Himachal Pradesh.
2. To study the impact of different factors and emerging trends on the decision-making process of investors in Himachal Pradesh.
3. To examine the factors influencing investors to invest in mutual fund schemes.

5. RESEARCH METHODOLOGY

This research is based on primary data sources extracted from the Association of Mutual Funds in India (AMFI) and financial literacy surveys conducted by institutions such as the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI). The collected data has been analyzed through several statistical tools like as means, percentages, and frequencies to assess and present awareness levels.

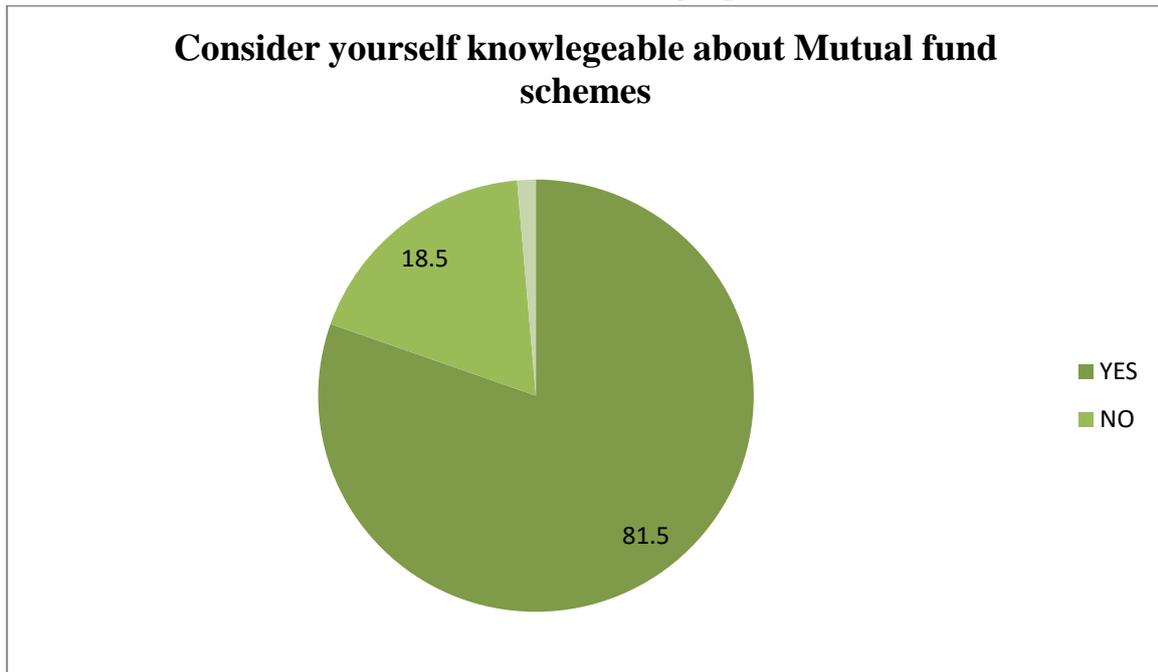
6. DATA ANALYSIS AND INTERPRETATIONS

The study is conducted to know the requisite of the investors in consideration of their investment in Mutual funds. It is apparent from the study that banks and advertisement have played vital role in making the investors aware regarding the mutual funds. It was found that returns, diversification and tax benefits are most favored features by the investors of mutual funds, and AMCs should focus on designing products which specifically cater to these features.

Table 6.1: You believe Mutual funds are a good option for long –term wealth creation

Knowledgeable consider	Frequency	Percentage
Yes	326	81.5
No	74	18.5
Total	400	100.0

Sources: Data collected through questionnaire

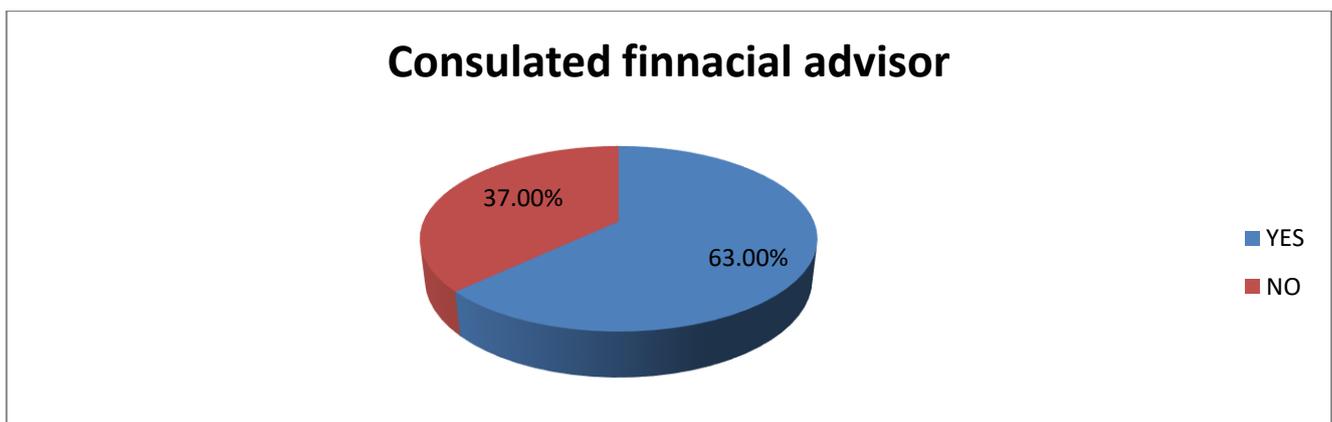


The data from Table 6.1 reveals that a significant majority, 81.5% (326 respondents), believe that mutual funds are a good option for long-term wealth creation. This indicates strong confidence in mutual funds as an investment vehicle for building wealth over time. Meanwhile, 18.5% (74 respondents) do not share this belief, suggesting that some investors either have doubts about the long-term benefits of mutual funds or prefer alternative investment options. The finding show that mutual funds are widely regarded as a favourable option for achieving long-term financial growth factor influencing investors to invest in mutual fund schemes in Himachal Pradesh by most of the respondents.

Table 6.2: Consulted a financial advisor before investing in a Mutual fund schemes

Consulted financial advisors	Frequency	Percentage
Yes	252	63.0
No	148	37.0
Total	400	100.0

Sources: Data collected through questionnaire

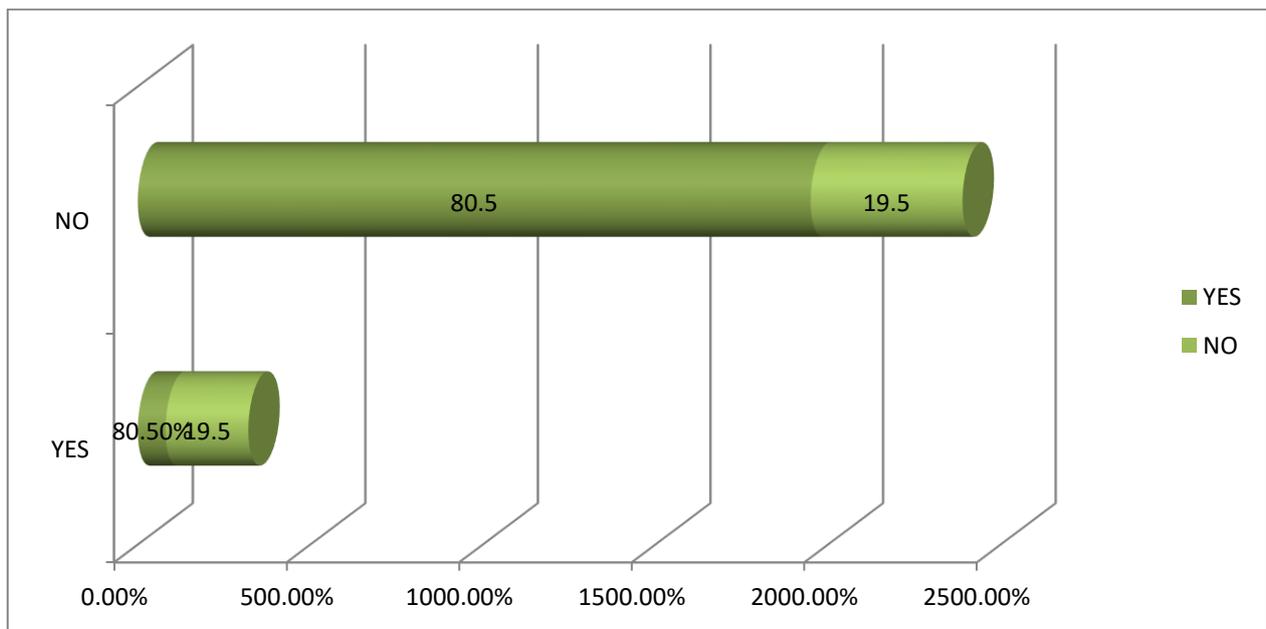


The data presented in Table 6.2. indicates that 63% (252) respondents have consulted a financial advisor before investing in mutual fund schemes. This suggests a strong tendency among investors to seek professional guidance, reflecting an awareness of the complexities involved in mutual fund investments. In contrast, 37% (148) respondents have not consulted a financial advisor, which could imply either a level of confidence in their investment knowledge or a preference for self-directed investment strategies. The majority of respondents value the expertise of financial advisors, which may contribute to more informed and strategic investment decisions influencing investors to invest in mutual funds schemes

Table 6.3.: Risk tolerance influences your choice of Mutual fund schemes?

Risk tolerance	Frequency	Percentage
Yes	322	80.5
No	78	19.5
Total	400	100.0

Sources: Data collected through questionnaire



The data presented in this table indicates that 80.5% (322) respondents believe that their risk tolerance influences their choice of mutual fund schemes. This suggests that a substantial majority of investors are mindful of their personal risk profiles when making investment decisions, recognizing the importance of aligning their investments with their comfort levels regarding risk. Conversely, 19.5% (78) respondents do not consider their risk tolerance as a factor in their mutual fund selection, which may imply a more aggressive investment strategy or a lack of awareness regarding the implications of risk. The findings highlight a strong awareness among investors about the role of risk tolerance in shaping their investment choices influencing investors to invest in mutual funds.

7. INVESTMENT DECISIONS AND INFLUENCING FACTORS IN MUTUAL FUNDS

Investing in mutual funds has gained significant traction over the years as a means of wealth creation and financial stability. A variety of studies have been conducted to understand the factors that influence

investors' decisions in mutual funds, and the body of literature presents a rich and diverse analysis of what drives investment behavior. The review will cover key areas such as demographic variables, behavioral influences, investment knowledge, financial and economic factors, as well as the emerging focus on green investment.

Behavioral and Stimulating Factors in Mutual Fund Investment

The factors play crucial roles in influencing individuals to invest in mutual funds. They identify expected dividends, past performance, friend recommendations, and family member recommendations as significant stimulating factors for investors. On the contrary, elements such as the desire to get rich quickly, stock merchantability, and a company's financial position are found to have a low impact on the decision to invest.

Financial knowledge and consultation impact on investment decisions

The investment decisions of women in Nepal country have the crucial role of financial and accounting information, as well as consultations with financial advisors. These factors have a positive and significant impact on women's investment decisions, underscoring the role of professional advice and concrete financial data in guiding investment choices.

Demographic variables and their influence

The demographic variables impact investment preferences in mutual funds. Factors such as gender, education level, occupation, and income were found to significantly influence investors' preferences and objectives. These findings indicate that investment behavior is not homogeneous but varies across demographic groups, necessitating personalized approaches in financial marketing and advisory services.

The role of financial and economic factors

Financial and economic factors are often the backbone of investment decisions. The financial considerations play a key role in understanding the broader implications of Mutual fund investments on equity markets. This study advances the notion that mutual fund investments are not merely individual financial decisions but contribute significantly to market dynamics.

Impact of Green Investment and Corporate Responsibility

The concept of green investment practices gains competitive advantages and enhance social well-being without compromising profitability. Furthermore, policy measures such as tax incentives, grants, and educational initiatives can promote green investment. This reflects a broader shift in investor priorities, where ethical considerations and environmental responsibility are becoming integral to financial decision-making. Green investments are not only seen as a way to generate profits but also to gain a competitive advantage and contribute positively to social welfare.

8. FINDINGS & IMPLICATIONS

Findings

1. The majority, 81.5% (326 of respondents), believe that mutual funds are a good option for long-term wealth creation. This indicates strong confidence in mutual funds as an investment vehicle for building wealth over time. Meanwhile, 18.5% (74 respondents) do not share this belief, suggesting that some investors either have doubts about the long-term benefits of mutual funds or prefer alternative investment options.
2. The majority of 63% (252) respondents have consulted a financial advisor before investing in mutual fund schemes. In contrast, 37% (148) respondents have not consulted a financial advisor, which

could imply either a level of confidence in their investment knowledge or a preference for self-directed investment strategies

3. The 80.5% (322) respondents believe that their risk tolerance influences their choice of mutual fund schemes. Conversely, 19.5% (78) respondents do not consider their risk tolerance as a factor in their mutual fund selection.

Implications

The synthesis of these studies reveals a complex yet insightful picture of Mutual fund investment behavior:

Individual Investors: There is a need for increased awareness and education, especially in areas like financial literacy and sustainable investments. Understanding the factors influencing decisions such as performance history, social recommendations, and ease of technological use can empower individuals to make more informed choices.

Institutional Investors: and Fund Managers reproduce, the findings emphasize the importance of transparency, reliable performance data, and ethical standards. Tailoring investment products to demographic preferences and leveraging technology can attract a wider range of investors. The increasing interest in green investments suggests that integrating ethical considerations into financial strategies could not only enhance profitability but also build brand loyalty among socially conscious investors.

For Policymakers: There is an opportunity to facilitate better investment environments by promoting financial literacy through targeted education programs, encouraging green investment with favorable policies, and supporting technological innovation that simplifies investment for the general public.

9. CONCLUSION

It is evident from the study that banks and advertisement have played crucial role in making the investors aware regarding the mutual funds. It was found that returns, diversification, and tax benefits are the most favored features by the investors of mutual funds, and AMCs must focus on designing products which specifically cater to these features. They make out expected dividends, past performance, friend recommendations, and family member recommendations as significant stimulating factors for investors. These elements highlight the importance of trust, familiarity, and social influence in investment decisions. The factors influence mutual fund investment decisions, ranging from behavioral and demographic elements to financial literacy and technology. The study bring to light that while social influences, financial advisories, and past performance are significant drivers, traditional factors like stock market attractiveness or economic conditions may play a lesser role for certain demographic segments. Moreover, the rise of green investment and digital finance signals an evolving investment landscape where ethical considerations and technological advancements are increasingly important. To foster informed decision-making. It is imperative for policymakers, financial advisors, and companies to consider the diverse and multifaceted nature of investor behavior. Tailored educational programs and strategic policy measures can address gaps in financial literacy, particularly among women and younger investors, empower them to make more informed and equitable investment decisions.

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