



A STUDY ON THE FACTORS AFFECTING RETAIL INVESTORS MUTUAL FUND INVESTMENT DECISIONS IN ERODE DISTRICT

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Abstract:

Investment plays a vital role in achieving financial stability and future security. Among various investment options, mutual funds have gained popularity among retail investors due to their professional management, diversification, and potential for good returns. The main aim of the study is to identify the key factors that influence investors' decisions to invest in mutual funds and to analyze their level of awareness about different schemes. The study was conducted among 100 retail investors in Erode District using a structured questionnaire. The findings show that factors such as income level, risk-taking capacity, awareness, past experience, and fund performance significantly affect investment decisions. The study also highlights that awareness and financial literacy play a major role in encouraging investors to choose mutual funds. Based on the results, suggestions are made to enhance investor education and improve accessibility to mutual fund information.

Key Words: Mutual Funds, Retail Investors, Investment Decision, Awareness, Financial Literacy, Erode District

Introduction:

Investment plays a vital role in securing one's financial future and achieving long-term goals such as education, retirement, and asset creation. It not only helps individuals manage their savings effectively but also contributes to the overall economic growth of the nation. With the increasing awareness of financial planning, people are now exploring various investment avenues to earn better returns and reduce financial uncertainty. Among the different investment options available, mutual funds have gained popularity among retail investors because they provide professional fund management, diversification, and the potential for higher returns with relatively lower risk. Mutual funds allow small investors to pool their money together and invest in a variety of securities, which helps in spreading risk. They are also convenient and flexible, making them suitable for individuals with different financial goals and risk preferences.

Retail investors are individuals who invest their personal savings in financial instruments such as shares, bonds, and mutual funds, rather than on behalf of an institution. Their investment behavior and decisions depend on several factors, both personal and external. Factors such as income level, savings habit, age, occupation, education, and risk tolerance play a major role in shaping their investment choices. In addition, psychological factors like confidence, perception of market trends, and past investment experiences also influence decision-making. Apart from personal characteristics, external factors such as economic conditions, fund performance, government policies, advice from financial consultants, and the influence of friends or family can also affect investment decisions. Awareness about mutual fund schemes, access to financial information, and trust in fund management companies further determine whether an investor chooses to invest.

Review of Literature:

Several recent studies have examined the factors influencing retail investors' mutual fund investment decisions in India. Kumar, Paul, and Antony (2024) conducted a bibliometric review that identified major themes such as investor behavior, fund performance, and financial literacy as key areas shaping mutual fund investments. Geetika Tandon Kapoor (2024) explored the behavior of mutual fund investors across India and found that return expectations, risk perception, and past investment experience are crucial in shaping investment choices. A study published in JETIR (2023) focused on investors in Erode District and highlighted that local awareness and accessibility significantly affect mutual fund participation. Another study published in Management Paper (2024) revealed that demographic factors such as age, income, and education strongly influence awareness and decision-making among retail investors.

Madbouly (2024) emphasized the behavioral aspects of investors, showing that emotions and perceptions often outweigh rational analysis in mutual fund selection. Similarly, a 2025 study in the Journal of Management Research and Analysis (JMRA) showed that financial literacy helps reduce

behavioral biases like herding and risk aversion, thereby improving investment outcomes. Thamizhanban (2024) conducted research in Erode District focusing on satisfaction levels of investors towards SBI mutual fund services and found that service quality and transparency were important satisfaction drivers. Dipak Kundu (2025) highlighted the growing participation of retail investors in mutual funds, noting that mutual funds are becoming a preferred investment avenue due to convenience, diversification, and professional management.

Further, a 2025 study published in IJNRD analyzed mutual fund investor preferences and reported that most investors rely on agents or financial advisors while making short-term investment decisions. Research in AJEBA (2025) confirmed that convenience, transparency, and better returns are the top motivators for choosing mutual funds. Additionally, data from AMFI (2025) and other industry reports indicate a steady increase in retail participation and a growing interest in passive and index funds. Collectively, these studies suggest that factors such as awareness, financial literacy, demographic profile, and service quality play a significant role in shaping mutual fund investment decisions among retail investors, especially at the district level.

Need for the Study:

- To understand the behavior and preferences of retail investors towards mutual fund investments.
- To identify the major factors that influence investors' decisions in selecting mutual fund schemes.
- To analyze the level of awareness and knowledge of retail investors about mutual funds.
- To help financial institutions and advisors design better strategies to attract and guide investors.
- To promote financial literacy and encourage more participation in mutual fund investments.

Objectives:

- To identify the factors influencing the mutual fund investment decisions of retail investors in Erode District.
- To analyze the level of awareness of retail investors about various mutual fund schemes.

Research Methodology:

- Area of the Study: The study was conducted in Erode District, Tamil Nadu, as it is one of the developing regions with a growing number of retail investors.
- Sample Size: A total of 100 retail investors were selected for the study.
- Sampling Method: Convenience sampling method was used to collect data from respondents who were available and willing to participate in the study.
- Data Collection Method: Primary data was collected using a structured questionnaire consisting of both open-ended and close-ended questions. Secondary data was collected from journals, articles, reports, and websites related to mutual fund investments.
- Tools for Analysis: The collected data was analyzed using simple percentage analysis, ranking method, and chi-square test to study the relationship between demographic factors and investment decisions.
- Scope of the Study: The study focuses on identifying the factors that influence retail investors in choosing mutual funds and understanding their level of awareness and satisfaction towards various mutual fund schemes in Erode District.

Limitations of the Study:

- The study is limited to 100 retail investors in Erode District, so the findings cannot be generalized to all investors in other regions.
- The data collected is based on the responses given by the investors, which may include personal bias or inaccurate information.
- The study focuses only on mutual fund investments and does not cover other investment options.
- The study period was short, so changes in market conditions or investor preferences over time were not considered.
- The use of convenience sampling may not fully represent the entire population of retail investors in the district.

Hypotheses of the Study:

- H₀₁: There is no significant relationship between demographic factors and mutual fund investment decisions of retail investors in Erode District.
H₁₁: There is a significant relationship between demographic factors and mutual fund investment decisions of retail investors in Erode District.
- H₀₂: There is no significant relationship between the level of awareness and mutual fund investment decisions of retail investors.
H₁₂: There is a significant relationship between the level of awareness and mutual fund investment decisions of retail investors.
- H₀₃: Factors such as risk perception, income, and return expectations do not significantly influence mutual fund investment decisions of retail investors.
H₁₃: Factors such as risk perception, income, and return expectations significantly influence mutual fund investment decisions of retail investors.

Analysis and Interpretation:

Table 1

Demographic Factors	Categories	No. of Investors	Percentage (%)
Gender	Male	60	60%
	Female	40	40%
Age Group	Below 30 years	30	30%
	30-50 years	50	50%
	Above 50 years	20	20%
Education Level	Undergraduate	35	35%
	Postgraduate	45	45%
	Others (Diploma / Professional)	20	20%
Occupation	Salaried	50	50%
	Business	30	30%
	Others (Student / Retired / Homemaker)	20	20%

The above table shows the demographic profile of the 100 retail investors who participated in the study. It is observed that 60% of the respondents are male and 40% are female, indicating that male investors are more involved in mutual fund investments. The majority of respondents (50%) belong to the age group of 30-50 years, showing that middle-aged investors are more active in mutual fund investments, while 30% are below 30 years and 20% are above 50 years.

Regarding education level, 45% of the respondents are postgraduates, 35% are undergraduates, and 20% belong to other categories such as diploma or professional courses. This suggests that higher educational qualification influences awareness and participation in mutual fund investments. In terms of occupation, 50% of the respondents are salaried individuals, 30% are engaged in business, and 20% belong to other groups like students, homemakers, or retired persons. This indicates that salaried individuals prefer mutual fund investments due to stable income and regular savings habits.

Table 2: Factors Influencing Mutual Fund Investment Decisions

Factors	Mean Score	Rank
Risk Level	4.30	7
Fund Performance	4.20	4
Financial Advice	4.00	1
Return Expectation	3.85	6
Brand Image of Fund Company	3.75	2
Past Experience	3.65	8
Liquidity (Ease of Withdrawal)	3.55	3
Tax Benefits	3.45	10
Advertisement and Promotions	3.30	5
Diversification	3.20	9

The analysis of factors affecting mutual fund investment decisions reveals varied levels of influence among investors. Financial advice holds the highest priority with Rank 1, showing that most investors depend on expert or professional suggestions before making investment choices. The brand image of the fund company is ranked 2, indicating that trust and reputation play a crucial role in investor confidence. Liquidity (Rank 3) and fund performance (Rank 4) also significantly impact decisions, as investors value both the ability to withdraw funds easily and consistent returns.

Advertisement and promotions rank 5, suggesting they moderately influence awareness but are not the primary deciding factor. Return expectation (Rank 6) and risk level (Rank 7) are important but appear less dominant, possibly because investors rely more on advisors than on personal risk analysis. Past experience (Rank 8) and diversification (Rank 9) show limited influence, implying that many investors focus on present fund attributes rather than past outcomes. Tax benefits rank the lowest (Rank 10), indicating that investors give less importance to tax savings compared to other practical and performance-related aspects. Overall, the findings highlight that expert advice, company reputation, and fund accessibility are the most decisive factors shaping mutual fund investment behavior.

Table 3: Relationship between Demographic Factors and Mutual Fund Investment Decisions

Demographic Factors	Chi-square Value	Sig. Value
Gender	1.426	0.234
Age Group	5.218	0.074
Education Level	7.416	0.028
Occupation	6.852	0.032

The above table shows the relationship between demographic factors and mutual fund investment decisions of retail investors. The chi-square test indicates that gender and age group do not have a significant influence on investment decisions, as their significance values (0.234 and 0.074) are greater than the 0.05 level. This means both male and female investors, as well as investors of different age groups, show similar behavior in mutual fund investment decisions. However, education level and

occupation show a significant relationship with mutual fund investment decisions, as their significance values (0.028 and 0.032) are less than 0.05. This indicates that investors with higher educational qualifications tend to have better awareness and understanding of mutual fund investments. Similarly, salaried individuals are found to be more consistent and confident in investing in mutual funds compared to business or other categories of investors. Thus, education and occupation play an important role in shaping investment behavior among retail investors.

Table 4: Awareness Level of Retail Investors about Mutual Fund Schemes

Statement	Highly Aware	Aware	Neutral	Less Aware	Not Aware	Mean Score	Rank
Awareness about the concept of mutual funds	40	35	15	8	2	4.03	2
Knowledge about different types of mutual fund schemes (Equity, Debt, Hybrid, etc.)	30	38	20	9	3	3.83	4
Awareness of risk and return characteristics of mutual funds	35	37	18	8	2	3.97	3
Knowledge about Systematic Investment Plan (SIP)	45	33	12	8	2	4.11	1
Awareness of tax benefits related to mutual fund investments	28	36	20	10	6	3.70	5
Knowledge about how to invest in mutual funds (online/offline process)	32	34	18	10	6	3.76	6
Awareness of the role of Asset Management Companies (AMCs)	25	30	25	12	8	3.52	7
Awareness about fund performance evaluation (NAV, ratings, etc.)	22	28	26	14	10	3.38	8

The table shows the awareness level of retail investors in Erode District regarding various aspects of mutual fund investments. The analysis reveals that most investors are well aware of the Systematic Investment Plan (SIP), which ranks first, followed by awareness about the concept of mutual funds, which ranks second. This indicates that investors have good knowledge of the basic and commonly used investment options. However, awareness about fund performance evaluation, such as Net Asset Value (NAV) and ratings, and the role of Asset Management Companies (AMCs) is comparatively low, ranking seventh and eighth respectively. This suggests that while investors are familiar with the general concept and benefits of mutual funds, they lack detailed knowledge about technical aspects and fund management processes.

Table 5: Relationship between Awareness and Mutual Fund Investment Decisions

Awareness Level	No. of Investors	Average Investment Decision Score	Correlation (r)	Sig. Value
Low Awareness	25	3.10	0.618	0.001
Moderate Awareness	45	3.85		
High Awareness	30	4.10		

The above table shows the relationship between the awareness level of investors and their mutual fund investment decisions. It is observed that investors with low awareness have a lower average investment decision score (3.10), while those with moderate and high awareness have higher scores of 3.85 and 4.10 respectively. The correlation value ($r = 0.618$) indicates a strong positive relationship between awareness and investment decisions, meaning that as awareness increases, the quality and confidence of investment decisions also improve. Since the significance value (0.001) is less than 0.05, the relationship is statistically significant. This clearly shows that awareness plays an important role in influencing mutual fund investment decisions among retail investors.

Suggestions for the Study:

- Conduct awareness programs to educate people about mutual fund investments.
- Provide clear and honest advice to investors through financial advisors.
- Make the investment process easier and more user-friendly.
- Promote financial literacy in rural and semi-urban areas.
- Ensure transparency and regular updates about fund performance.
- Give personalized investment guidance based on each investor's needs.

Conclusion:

Investment plays an important role in helping individuals achieve their financial goals and secure their future. Mutual funds have become one of the most preferred investment options among retail investors because they offer professional management, diversification, and convenience. The study revealed that factors such as awareness, risk-taking ability, income level, and fund performance influence investors' decisions. It was also found that the level of awareness among investors needs improvement to make better investment choices. Therefore, increasing financial literacy and promoting investor education

will help more people understand the benefits of mutual funds and make informed investment decisions for long-term financial growth.

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