

The Role of demographic factors on investment in mutual funds: A Study with Special Reference to Indore City

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Abstract—The mutual fund industry in India has undergone substantial transformation since the establishment of the Unit Trust of India in 1963, with significant milestones such as the entry of private and foreign players, as well as structural bifurcations, expanding its reach and influence. This study investigates the role of demographic factors specifically gender, age, occupation, Household Income and marital status on mutual fund investment preferences among Indore City. Through a survey of mutual fund investors, the analysis reveals that marital status, age, qualification, and household income significantly affect mutual fund choices. However, gender and Occupation shows no substantial impact on investment decisions among the surveyed group. The findings offer valuable insights for mutual fund companies (AMCs) to develop targeted products tailored to specific demographic needs, especially those of male and younger investors, while considering the nuanced preferences of different age groups. This research enhances understanding in the field of finance and provides AMCs with practical guidance to align their offerings with investor profiles, facilitating a more effective investment experience for academicians and promoting product innovation in the mutual fund sector.

Index Terms—Mutual Fund, Investments, Demographic Factors

I INTRODUCTION

The mutual fund industry in India has witnessed significant growth and transformation since the establishment of the Unit Trust of India (UTI) in 1963. Over the past several decades, the industry has evolved through various stages of expansion, including the entry of private and foreign players, structural reforms, and increased regulatory oversight. These developments have broadened the mutual fund market, allowing individuals across demographic backgrounds to participate in professionally managed investment

options. Mutual funds offer several benefits, such as diversification, liquidity, and access to a range of financial instruments, making them an increasingly attractive choice for Indian investors seeking to optimize returns while managing risk.

As the mutual fund landscape in India expands, understanding the factors influencing investor behavior has become essential, particularly in the context of demographic characteristics. Investor preferences are often shaped by demographic factors such as age, gender, income, occupation, education, and marital status, each of which can influence attitudes toward risk, return expectations, and investment horizons. Research indicates that these factors play a significant role in shaping financial decision-making, leading to varying preferences in asset classes and investment strategies.

This study focuses on the impact of demographic factors on mutual fund investment decisions among investors in Indore City. This research aims to investigate the influence of gender, age, and marital status on mutual fund preferences within this cohort. The findings are expected to provide valuable insights for asset management companies (AMCs) in designing and tailoring mutual fund products that cater to specific demographic profiles, ultimately supporting more informed investment decisions and enhancing the mutual fund industry's appeal among educated professionals.

By shedding light on the role of demographic factors in investment behavior, this study contributes to the growing literature on financial decision-making and offers practical recommendations for investors and AMCs to target their products more effectively. The insights generated from this research have the potential to improve mutual fund accessibility and relevance for diverse investor groups, further

strengthening the mutual fund industry's position as a vital component of India's financial ecosystem.

II. REVIEW OF LITERATURE

The role of demographic factors in shaping investment behavior, particularly in mutual funds, has been extensively studied. Understanding how demographic attributes such as age, gender, income, education, occupation, and marital status influence financial decisions is crucial for both financial institutions and policymakers. This section reviews existing literature on the topic, highlighting key findings and gaps that this study aims to address in the context of mutual fund investments in Indore City.

Barber and Odean (2001) found that gender differences affect investment behavior, with men typically demonstrating a higher risk tolerance than women, leading to distinct investment choices. This finding is further supported by Sahi, Arora, and Dhameja (2013), who noted that women in India tend to prefer safer investment options, a pattern also observed in mutual fund investment preferences.

Lal & Sachdeva, (2015) found that age is another critical factor in investment decision-making. Younger investors, who generally have a higher risk appetite and longer investment horizons, often show a preference for equity-oriented mutual funds. Conversely, older investors lean toward low-risk, fixed-income securities due to their need for capital preservation (Natarajan, 2014).

Ramkumar and Arumugan (2018) found that highly educated individuals tend to be more inclined toward equity-based mutual funds, whereas those with lower educational levels are more likely to invest in low-risk funds.

Guiso and Paiella (2008) demonstrated that investors with higher income levels are generally more comfortable with riskier assets, such as equity funds, while those with lower incomes prioritize secure investment options like debt funds or fixed deposits. Income serves as a proxy for financial stability and the ability to absorb potential losses, which are critical factors in investment decision-making (Mishra, 2015). Ansari & Moid, (2013) suggested that Marital status is another important factor influencing investment choices, often associated with varying financial responsibilities and long-term goals. Married individuals tend to have a greater focus on wealth

accumulation and security, leading them to favor safer, income-generating investments. Conversely, single individuals may exhibit a higher risk tolerance due to fewer financial responsibilities.

Chaturvedi & Khare, (2012) found that Occupation, as a demographic factor, also plays a role in shaping investment patterns. For instance, academic professionals, due to their relatively stable income and typically higher educational background, may exhibit a unique approach to investment. The stability associated with their profession can provide a foundation for diversified and, in some cases, more aggressive investment strategies.

III. DEVELOPING RESEARCH OBJECTIVES

1. To examine the influence of demographic characteristics (such as gender, age, marital status, education level, occupation, and household income) on the frequency of mutual fund investments among investors in Indore City.
2. To identify the significant demographic factors that contribute to variations in mutual fund investment behavior and preferences.
3. To analyze whether there is a statistically significant difference in mutual fund purchasing frequency across different demographic groups using non-parametric statistical methods.

IV. RESEARCH GAP

While substantial research has been conducted on the role of demographic factors in investment behavior, relatively few studies focus on specific professional cohorts, within smaller geographic areas. Additionally, the existing literature largely concentrates on metropolitan cities, overlooking the unique economic and social dynamics of tier-two cities like Indore. This study aims to bridge this gap by examining how demographic factors affect mutual fund investment decisions among Indore City's investors. The findings are expected to provide insights that can help asset management companies tailor their offerings to the unique needs of this demographic group, ultimately contributing to the literature on investor behavior and mutual fund preferences in India.

V. RESEARCH METHODOLOGY

Research Methodology can be defined as a set of standardized guidelines that assist researchers in identifying research questions, developing and evaluating objectives, and formulating hypotheses for their research work.

1. Identifying research questions

The researcher conducted a literature review to identify the research gap for the study. Based on the identified gap, the researcher was able to formulate the research questions for the study. The research questions for this study are:

1.How are demographics characteristics associated with purchasing mutual funds?

2.Does demographics characteristics impact consumer buy decision of mutual funds?

2.. Develop objectives and hypothesis

Research questions aid the researcher in formulating and evaluating objectives for the study. Two primary objectives were developed and analyzed using SPSS, with regression analysis employed to achieve the results. Hypotheses regarding the frequency of shopping for white goods were tested using the Mann-Whitney U test and the Kruskal-Wallis's test, focusing on their association with demographic characteristics. Additionally, the impact of social media marketing on consumer buying decisions for purchased goods was examined based on the research objectives. The hypotheses for this study are:

Null Hypothesis	Description
H ₀₁	There is no significant difference in the frequency of mutual fund investments between males and females.
H ₀₂	There is no significant difference in the frequency of mutual fund investments across marital status categories.
H ₀₃	There is no significant difference in the frequency of mutual fund investments among different age groups.
H ₀₄	There is no significant difference in the frequency of mutual fund investments among different qualification levels.
H ₀₅	There is no significant difference in the frequency of mutual fund investments across various occupational groups.
H ₀₆	There is no significant difference in the frequency of mutual fund investments across different household income levels

3. Scale development

A literature review was conducted to identify the constructs and items for the research study. The researcher identified 8 constructs comprising 24 items. All items were designed using a 5-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." Based on demographic characteristics, a questionnaire incorporating these constructs and items was developed and distributed to online shoppers influenced by social media marketing when purchasing white goods.

4. Identify target population, sampling method

Investors in Mutual Funds in Indore (MP) is our target population. According to Indiacensus.net of 2025 current estimated population of Indore (MP) is 3,173,000. Researchers used convenience and snowball sampling methods for this study.

5. Establish sample size

The researcher engaged with mutual funds investors to gather information about their purchasing behavior. Questionnaires were distributed among potential consumers in Madhya Pradesh. After screening, 384 valid responses from mutual funds purchasers were selected as the sample size for further analysis.

6. Reliability and Normality test

To ensure the internal consistency of the research instrument, Cronbach's Alpha was computed using SPSS for 24 items grouped under 8 constructs. The resulting Cronbach's Alpha value was 0.825, which exceeds the commonly accepted threshold of 0.70. According to Cronbach (1951), Cortina (1993), and Cho & Kim (2015), a value closer to 1 indicates a high level of reliability. Therefore, the instrument used in

this study demonstrates strong internal consistency, making it suitable for further statistical analysis.

For testing the assumption of normality, data from 384 respondents were analyzed. The Z-scores of skewness and kurtosis for the gender-based (male and female) groups did not fall within the acceptable range of -1.96 to +1.96, as recommended by Kim (2013). This deviation from the normal distribution suggests that the dataset does not meet the assumption of normality. As a result, the researcher concluded that non-parametric tests are appropriate for analyzing the data.

7. Analysis and Results

The dataset, consisting of responses from 387 individuals, was found to violate the assumption of normality. Therefore, non-parametric statistical tests such as the Mann-Whitney U test and the Kruskal-Wallis test were applied using SPSS for further analysis and interpretation of the findings.

According to Kothari (2011), the Mann-Whitney U test is suitable when the independent variable is dichotomous — containing only two groups. In this study, demographic variables such as gender (male and female) and marital status (married and unmarried) were treated as independent constructs with two categories each. These variables were examined in relation to the dependent variable, which was the frequency of shopping for white goods, categorized into multiple groups such as monthly, quarterly, half-yearly, and yearly.

As presented in Table 1, Null Hypothesis H_{01} is accepted. The asymptotic significance (p-value) for the relationship between gender and the frequency of purchasing of mutual funds is 0.123, which exceeds the conventional threshold of 0.05. This indicates that there is no statistically significant difference in purchasing frequency of mutual funds based on gender, aligning with the findings of Surienty et al. (2013).

In contrast, Null Hypothesis H_{02} is rejected, as shown in Table 1. The p-value for the relationship between marital status and frequency of purchasing of mutual funds is 0.015, which is below the 0.05 level of significance. This result suggests a statistically significant difference based on marital status. Furthermore, based on higher mean ranks, married individuals appear to be more influential in decision-making when it comes to purchasing mutual funds,

compared to their unmarried counterparts (Surienty et al., 2013).

According to Malhotra (2014), the Kruskal-Wallis non-parametric test is appropriate when the independent variable consists of more than two categories, particularly when examining its relationship with a dependent variable. In this study, several independent demographic variables were categorized as follows:

- Age: below 20 years, 21–30 years, 31–40 years, 41–50 years, and above 51 years
- Qualification: HSC (12th Pass), Undergraduate, Graduate, and Postgraduate
- Occupation: student, service, business, and housewife
- Household Annual Income: ₹1–5 lakhs, ₹5–10 lakhs, ₹10–15 lakhs, and ₹15–20 lakhs

As presented in Table 1, the asymptotic significance value for the relationship between age and frequency of purchasing of mutual funds is 0.029, which is below the 0.05 threshold. Therefore, Null Hypothesis H_{03} is Rejected, indicating that age does not significantly influence the frequency of purchases of mutual funds. Similarly, the p-value for the relationship between educational qualification and frequency of purchasing is 0.037, also lesser than 0.05. Thus, Null Hypothesis H_{04} is rejected, confirming that no statistically significant difference exists in purchasing frequency based on educational qualification. These findings are consistent with the observations made by Surienty et al. (2013).

As indicated in Table 1, the asymptotic significance value for the relationship between occupation and the frequency of purchasing of mutual funds is 0.217, which is above the 0.05 level of significance. Therefore, Null Hypothesis H_{05} is accepted, suggesting a statistically significant difference in purchasing frequency based on occupation.

Similarly, the asymptotic significance value for the relationship between household annual income and purchasing frequency is 0.011, which is also less than 0.05. Consequently, Null Hypothesis H_{06} is rejected, indicating a significant difference in purchasing behavior with respect to income levels. These findings are consistent with the conclusions drawn by Surienty et al. (2013).

Table 1: Result of Mann Whitney U Test and Kruskal-Wallis Test-Statistical Significance of Frequency of Purchasing Mutual Funds

Test	Demographic characteristics	Demographic Characteristics Groups	Frequency of Purchasing	Frequency of Purchasing (in %)	MR (Mean Rank)	Asymptotic significance value	Testing of Hypothesis (Null Hypothesis)
Mann – Whitney test	Gender	Male	281	73.17	196.23	0.123	Accepted
		Female	103	26.82	167.17		
	Marital status	Married	182	47.39	192.14	0.015	Rejected
		Unmarried	202	52.60	190.34		
Kruskal – Wallis Test	Age	Below 20 years	17	4.42	165.30	0.029	Rejected
		21-30 years	114	29.68	189.40		
		31-40 years	187	48.69	192.34		
		41-50years	36	9.37	175.62		
		More than 51 years	30	7.81	168.57		
	Qualification	HSC (12th pass)	6	1.56	169.25	0.037	Rejected
		Undergraduate	58	15.10	172.43		
		Graduate	105	27.34	189.72		
		Postgraduate	215	55.98	194.54		
	Occupation	Student	16	4.16	167.76	0.217	Accepted
		Service	227	59.11	196.64		
		Business	122	31.77	182.92		
		Housewife	19	4.94	172.25		
	Household Annual Income	Between 1-5 lakhs	12	3.12	173.54	0.011	Rejected
		Between 5-10 lakhs	197	51.30	197.34		
		Between 10-15 lakhs	94	24.47	186.35		
		Between 15-20 lakhs	81	21.09	182.63		

(Source: Author's Calculation)

VI. IMPLICATION

The results of this study provide meaningful insights into the purchasing behavior of individuals in relation to mutual funds, based on various demographic factors. These findings have several practical and strategic implications for marketers, financial institutions, and policy makers:

1. Gender-Neutral Marketing Approach

Since the analysis showed no significant difference in mutual fund purchasing frequency between males and females, financial service providers can design gender-neutral marketing strategies. This suggests that both genders are equally engaged in mutual fund investment, and efforts to promote such products need not be segmented by gender.

2. Targeting Married Individuals

A significant difference was observed in purchasing behavior based on marital status. Married individuals tend to be more active decision-makers when it comes to mutual fund investments. Marketing campaigns and financial planning services can be customized to appeal to the specific needs and financial goals of married customers, who may have more defined long-term financial responsibilities.

3. Age-Based Segmentation

The study found a significant relationship between age groups and mutual fund purchasing behavior. This highlights the importance of age-specific investment plans and communication. For instance, younger investors may respond better to high-growth or technology-based funds, while older groups may prefer low-risk or retirement-focused options.

4. Educational Qualification as a Key Factor

Educational background was also found to significantly influence mutual fund purchasing frequency. Individuals with higher qualifications, especially postgraduates, were more likely to invest. Financial literacy programs and investment advisory services could be more effectively promoted through educational institutions or professional networks.

5. Occupation is Less Influential

The absence of significant variation in purchasing frequency across different occupations suggests that occupation may not be a strong predictor of mutual fund investment behavior. Therefore, segmentation purely based on profession might not yield effective marketing outcomes.

6. Income-Sensitive Investment Behavior

The strong association between household income and investment frequency indicates that income is a major determinant of mutual fund participation. Individuals in the ₹5–10 lakh bracket showed the highest engagement. Financial institutions should design and promote tiered investment products that align with different income levels, especially targeting the middle-income group who seem most responsive.

VII. CONCLUSION

This study examined the relationship between various demographic factors and the frequency of mutual fund purchasing using non-parametric statistical techniques due to the non-normal distribution of data. The Mann-Whitney U and Kruskal-Wallis tests revealed

important insights into consumer investment behavior among 387 respondents.

The results demonstrated that marital status, age, educational qualification, and household income significantly influence the frequency of mutual fund purchases. In particular, married individuals, postgraduates, and those in the ₹5–10 lakh income range were more actively involved in mutual fund investment decisions. These findings underscore the importance of financial responsibilities, education, and income level in shaping investment preferences.

On the other hand, gender and occupation were not found to have a statistically significant impact, suggesting that mutual fund participation is relatively uniform across these segments. This highlights a shift toward more inclusive investment behavior, where financial decisions are less dependent on gender roles or occupational backgrounds.

Overall, the study contributes to a deeper understanding of how demographic characteristics affect financial decision-making. The insights derived can help financial service providers, marketers, and policymakers develop more targeted and effective strategies to promote mutual fund investments across diverse population segments. Future research may consider exploring psychological and behavioral factors in combination with demographic variables for a more comprehensive analysis of investment behavior.

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