

# Exploring Influences on Mutual Fund Investment Behaviour and Factors Shaping Investment Decisions

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## I. INTRODUCTION

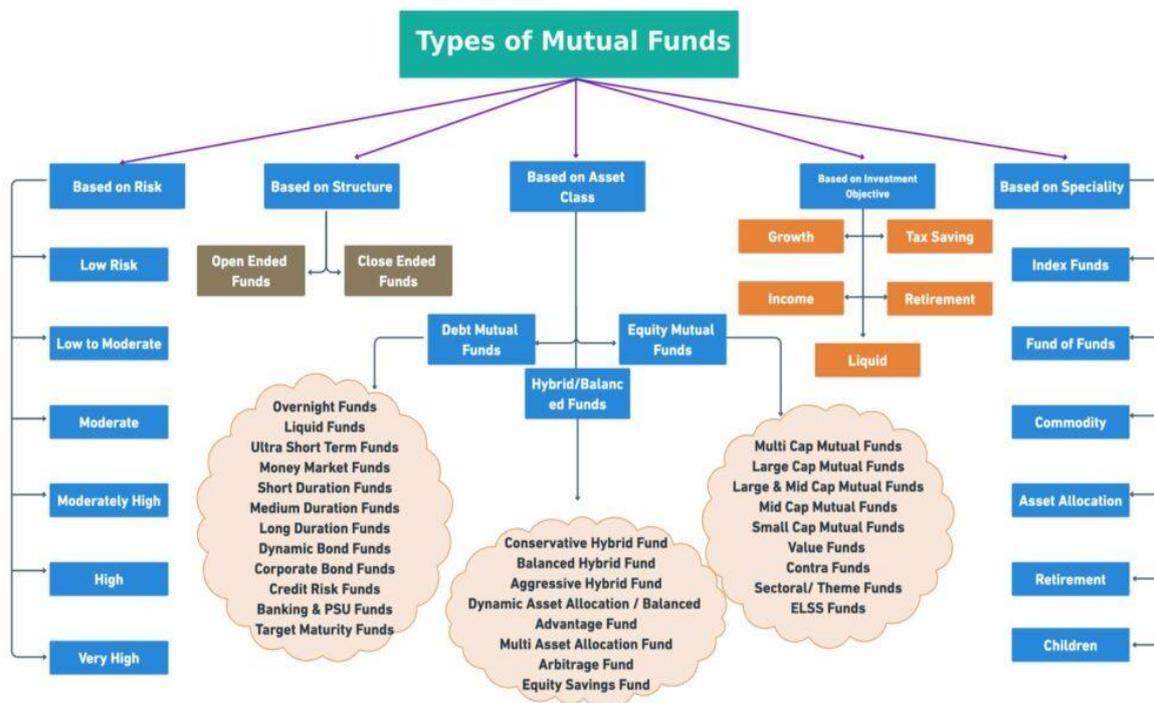
Investing in stocks has become a critical aspect of one's salary budget. Everybody is investing and expecting the value of their investment to grow over time. We sometimes do not have enough cash to afford shares, debentures, and bonds from big companies, as they are priced high. The share might provide outstanding results, but it is not affordable. This situation may arise among many buyers who want to purchase a particular share. Keeping this in Mind, A concept called mutual funds was introduced.

A mutual fund is a collection of funds gathered from multiple investors. A professional investment firm is responsible for managing the fund., which invests

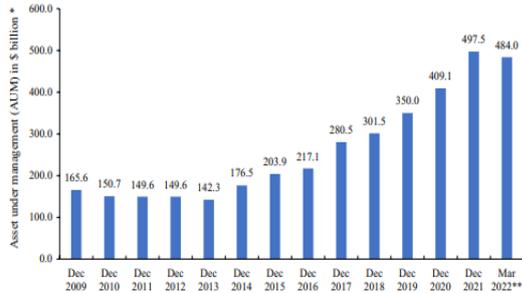
the funds in a diversified portfolio of stocks, bonds, or other securities. The purpose of a mutual fund is to offer investors a simple and economical way to invest in a broad range of assets while providing expert management and diversification. Investors contribute their share of investment to buy a portfolio of securities per the expected Income and risk. The fund offers part-ownership for its investors for the number of shares/units they hold. The yield earned by the fund is further divided among the investors as per the Units they have.

This helps the investors to Invest in the funds of their choice as per the level of risk they are willing to take. Small investments are encouraged and can be paid monthly, quarterly, semi-annually, and annually.

## II. CLASSIFICATION OF MUTUAL FUNDS

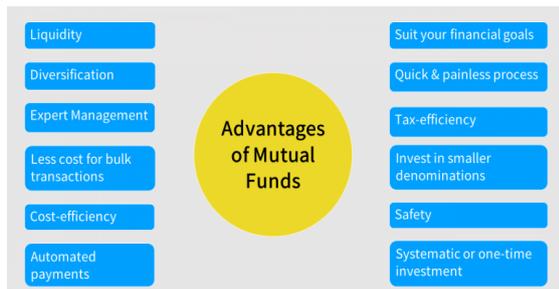


The role of media has been crucial in creating awareness and persuading people to invest in mutual funds. The trend these days has turned towards YouTube and Instagram influencers offering suggestions without charge to everyone and preaching intelligent investments. Therefore, there is an increase in the amount of funds managed by these investment management companies.



It is evident from the graph that the amount of managed funds is increasing exponentially. This indicates a positive transfer of money from areas of excess to areas of shortage.

### III. ADVANTAGES OF MUTUAL FUNDS



### IV. DISADVANTAGES OF MUTUAL FUNDS



This paper tries to bring out Biases that exist and influence the investor’s investment behaviour towards investing in Mutual Funds. It also brings out the different factors affecting Mutual Fund investments.

### V. BIASES INFLUENCING INVESTOR BEHAVIOUR TOWARDS INVESTING IN MUTUAL FUNDS

After reviewing a few research articles, the following biases influencing Investments are

identified. The details of the articles are mentioned in the references below.

a) Overconfidence regarding market information: Some Investors feel that just going through the market information, which is the price changes, is sufficient to conclude and are investing, which might lead to losses and not earning enough profit.

b) Disposition effect: The investors sell profit-earning stocks when the price increases, and if the fund is losing or not doing well, they tend to hold it until it turns green. They do not mind waiting longer; sometimes, the funds do not recover, leading to losses.

c) Herding Effect: Investors often follow the crowd and imitate other investors' strategies, assuming the herd is moving in the right direction. This will lead to good earnings or results in losses.

d) Mental Calculations: Some investors perform calculations mentally, decide the funds' performances, and end up in a mess. To choose the best investment avenues, one must never forget to perform technical analysis.

e) Loss aversion: Investors deny taking even the slightest risk possible, and it becomes challenging for fund managers to design a suitable fund to accommodate such people.

f) Recent Events: Considering that the recent events will not be enough for choosing a fund, one must also look at the stock's past performance. Some Investors consider the recent versions instead of the Fund's overall performance.

### VI. FACTORS AFFECTING MUTUAL FUND INVESTMENTS

The study has highlighted various vital areas, such as promoting funds, services offered by companies with mutual funds, intermediary roles, fund performance, quality of funds, and the growth of the investor base, which play very important in assisting the Investors in choosing the best fund as per their requirements from the investing management company. Further, there are five essential areas for mutual funds: fund promotions, mutual fund services, fund performance, fund quality, and investment returns, which add value to the selection process.

Some investors, like bank Employees, Teachers, Health care workers, etc., have a moderate risk-taking capacity and a low-risk perception towards investment. The main factors affecting their risk perception are fear of losing money in investment, lack of awareness and information, and lack of confidence in the decision-making process regarding mutual fund investments.

Funds with small assets under management, higher investment risk, and various tax benefits, expenses, and charges have also gained popularity recently.

## VII. CONCLUSION

Investors must thoroughly study the types of mutual funds they are willing to invest in. They must always learn the background of the fund and its present performance and should track it from time to time to ensure it is performing well and make modifications if necessary.

On the other hand, the mutual fund company must also consider the factors causing investor and investment decisions and design the funds accordingly. Some factors driving the differences are Investor Experience, Knowledge, Gender, sentiments, emotions, etc. This will help the Investors choose the suitable investment and increase the volume of the mutual funds traded.

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