A Systematic Analysis of Factors Influencing Investors Behaviour on Mutual Funds in Karnataka

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Abstract

There are several factors that basically influence the investor's behavior towards making mutual fund investment decisions. There is a vast growth that is taking place in the mutual fund industry and mutual funds have become a popular investment avenue in the recent years. However understanding the investor's behavior has become crucial for both the practitioners and the policymakers. The study aims to throw light on the key factors which are affecting the investor's decision making process. The study has taken into account the various demographic factors such as the social economic, psychological factors which are influencing the investor's decision making process.

The research findings will contribute to the exiting literature works on behavioral finance in the context of mutual funds, particularly within the state of Karnataka. Many of the investors are not able to analyse the behavioral factors which influence their investment decisions, hence it is crucial to create awareness among the general public about the existence of various behavioral biases such as anchoring bias, confirmation bias, mental accounting bias etc. This awareness will help the investors to make judicial investment decisions.

Keywords: Investment behavior, demographic factors, economic factors, psychological factors, social factors, mutual funds.

1. Introduction

The mutual fund industry in India has witnessed remarkable growth over the past few decades, emerging as a preferred investment avenue for a diverse range of investors. Karnataka, with its vibrant economy and burgeoning investor community, plays a pivotal role in shaping the trajectory of this sector within the country. Against this backdrop, understanding the factors influencing investors' behavior towards mutual funds in Karnataka becomes paramount for stakeholders ranging from financial institutions to policymakers. This systematic analysis seeks to delve into the intricacies of investors' decision-making processes in Karnataka, with a specific focus on their attitudes, preferences, and motivations regarding mutual fund investments. By examining the interplay of various socio-economic, demographic, and psychological factors, this research aims to provide nuanced insights into the drivers shaping investor behavior in the region.

The significance of this study lies in its potential to inform financial practitioners, regulators, and policymakers about the key determinants influencing investors' choices in Karnataka's mutual fund market. Through a comprehensive examination of factors such as risk tolerance, investment objectives, financial literacy levels, and market dynamics, this research endeavors to unravel the complexities underlying investors' decision-making processes.

Furthermore, this analysis aims to explore the impact of demographic factors, economic factors, psychological factors, social factors initiatives on investors' behavior towards mutual funds. By discerning the effects of these external forces on investor sentiment and investment patterns, the study seeks to offer valuable insights into the dynamics shaping the mutual fund landscape in Karnataka.

The findings of this research are expected to not only contribute to the academic literature on investor behavior but also provide actionable insights for practitioners in the financial industry. By understanding the factors driving investors' decisions, financial institutions can tailor their products and services to better meet the needs and preferences of investors in Karnataka, thereby fostering greater participation and engagement in the mutual fund market.

In summary, this systematic analysis endeavors to shed light on the multifaceted factors influencing investors' behavior on mutual funds in Karnataka. By providing a comprehensive understanding of these dynamics, this research aims to empower stakeholders with the knowledge needed to navigate the evolving landscape of the mutual fund industry in the region effectively.

2. Literature Review

Patil, A. *et al*, (2020), in their study investigates how socio-economic factors, cultural influences, and regulatory environments shape investors' attitudes and preferences towards mutual funds in Karnataka. By synthesizing empirical studies and market data, the review identifies key drivers and

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trends unique to Karnataka's investor community. Dr. M. Nagaraj, *et al*, (2021), this study investigates the behavior of investors towards mutual funds in Karnataka, focusing on various factors influencing their investment decisions. The study provides insights into the preferences and concerns of investors in Karnataka, offering implications for financial institutions and policymakers. S. Gopinath (2022), this research delves into the factors shaping investment decisions among retail investors in Karnataka's mutual fund market. The study highlights the importance of investor education and awareness programs in enhancing participation and confidence in mutual fund investments. Dr. Pankaj Jain, *et al*, (2021), the authors investigate factors influencing investment decisions, including risk perception, financial goals, past investment experiences, and awareness levels. The study underscores the need for personalized financial advice and investor education initiatives to cater to the diverse needs of investors in Karnataka. Dr. M. S. Prasad (2022), this study examines investors' perceptions towards mutual funds in Karnataka, aiming to uncover the underlying factors influencing their attitudes and behavior. Through qualitative and quantitative analysis, the authors explore aspects such as trust in fund managers, perceived benefits of mutual funds, and barriers to investment. Dr. Jeevananda, *et al*, (2023), the authors examine factors such as risk tolerance, investment knowledge, and financial goals, shedding light on the motivations and preferences of investors in the region. The study underscores the importance of investor education and transparent communication in building trust and fostering long-term relationships with investors. Rao, S. S. (2019), the review aims to identify demographic segments with distinct investment preferences and risk profiles, offering insights for financial institutions and policymakers targeting investors in Karnataka. Reddy, A. K. (2018), examines the impact of macroeconomic indicators, regulatory changes, and market sentiment on investors' risk appetite and investment decisions. Sharma, R. (2017), the review identifies gaps in financial literacy levels among different demographic groups in Karnataka and discusses strategies for enhancing investor education to promote informed decision-making in mutual fund investments. Singh, R. (2016), it examines concepts such as risk perception, cognitive biases, and decision-making heuristics. The review identifies psychological factors that influence investors' attitudes towards mutual funds in Karnataka and discusses implications for financial practitioners and policymakers.

These literature reviews provide a comprehensive understanding of the factors influencing investors' behavior on mutual funds in Karnataka. By synthesizing existing research and identifying key insights, they lay the groundwork for a systematic analysis of investor behavior in the Karnataka mutual fund market, offering valuable implications for financial institutions, policymakers, and researchers.

3. Purpose for the Study

The purpose of the study on the systematic analysis of factors influencing investors' behavior on mutual funds in Karnataka is multi-faceted. The primary aim is to gain a comprehensive understanding of the factors influencing investors' decisions in the mutual fund market within Karnataka. By examining various demographic factors, economic factors, psychological factors, social factors, the study seeks to uncover the drivers behind investors' behavior, including their risk preferences, investment goals, and decision-making processes. Through

rigorous analysis, the study aims to identify the key determinants that significantly impact investors' behavior towards mutual funds in Karnataka. This involves exploring factors such as demographic characteristics, financial literacy levels, market dynamics, regulatory changes, and psychological biases to discern their influence on investment decisions.

4. Research Methodology
4.1. Objectives of the Study
i).   To examine the factors influencing investment behavior on mutual funds
ii). To analyze the impact of key factors on investment behavior on mutual funds

4.2. Hypotheses of the Study
i).   **H0:** Demographic factors has no impact on Investment Behavior
ii). **H0:** Economic factors has no impact on Investment Behavior
iii). **H0:** Psychological factors has no impact on Investment Behavior
iv). **H0:** Social factors has no impact on Investment Behavior

4.3. Conceptual Model
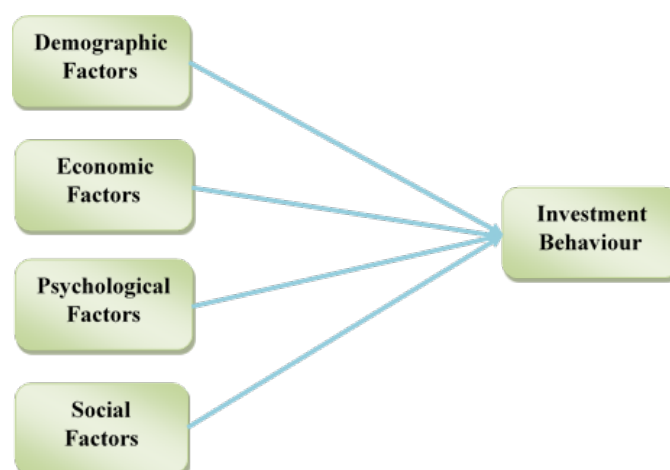
Flow Chart 1: Conceptual Model of the Study

4.4. **Research Design:** This study utilizes a quantitative research approach, employing an explanatory method within a conclusive research design. Descriptive statistics are utilized to identify and explore relationships among variables, enabling the formulation of generalizations and explanations closely tied to the research focus.

4.5. **Data Collection:** This study entails the collection of primary data through structured questionnaires employing a five-point Likert scale. A sample of 125 investors on mutual funds in Karnataka was chosen as respondents using a non-probability sampling technique, specifically employing convenience sampling to gather the data.

4.6. **Statistical Tools:** The study's analysis is conducted using SPSS software, leveraging tools including descriptive statistics, factor analysis, reliability testing, and regression analysis.

Note: The study consists of 5 variables such as Demographic Factor (DF) and its 5 factors are named as DF1 to DF5, similarly Economic Factor (EF) and their factors, Psychological Factors (PF) and their factors, Social Factors

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(SF) and their factors, Investment Behavior (IB). This study is been carried out on 5 factors basis, hence the naming or coding is done from 1 to 5

5. Analysis and Interpretation

Table 1: Descriptive Statistics

SPSS Output

	DS				
	Var	**Skew**		**Kurtosis**	
	Stats	**Stats**	**Stnd. Error**	**Stats**	**Stnd. Error**
DF1	1.247	1.316	.136	1.063	.244
DF2	1.532	.337	.136	-1.031	.244
DF3	1.140	1.337	.136	1.246	.244
DF4	1.230	.535	.136	-.032	.244
DF5	1.262	1.431	.136	1.360	.244
EF1	1.312	1.670	.136	1.529	.244
EF2	1.943	.034	.136	-1.233	.244
EF3	1.732	.237	.136	-1.090	.244
EF4	1.790	.324	.136	-.367	.244
EF5	1.503	.643	.136	-.251	.244
PF1	1.350	.366	.136	-.626	.244
PF2	1.406	.720	.136	-.257	.244
PF3	1.369	.622	.136	-.362	.244
PF4	1.350	.637	.136	-.361	.244
PF5	1.336	.466	.136	-.440	.244
SF1	1.640	.409	.136	-.552	.244
SF2	1.214	.403	.136	-.323	.244
SF3	1.400	.436	.136	-.664	.244
SF4	1.460	.200	.136	-.770	.244
SF5	1.366	.310	.136	-.742	.244
IB1	1.637	.295	.136	-.991	.244
IB2	1.305	.336	.136	-.641	.244
IB3	1.244	.435	.136	-.341	.244
IB4	1.409	.702	.136	-.247	.244
IB5	1.131	.244	.136	-.136	.244

Source: Field Survey and Primary Data of investors on mutual funds in Karnataka in the Study Area January 2024.

The table provided (Table 1.1) indicates that the kurtosis value is below 11 and the skewness value is below 3. This suggests that the gathered data is normalized and sufficiently valid for further analysis. The variance value indicates the extent of positive or negative dispersion of the collected data from the mean value.

a) Factor Analysis of Variables Defined

Table 2: KMO-Bartlett's Test

SPSS Output

Sl. No	Variables	KMO Value	Significance	DF
1	Independent Variables	0.712	0.000	4
2	Dependent Variable	0.844	0.000	13

Source: Field Survey and Primary Data of investors on mutual funds in Karnataka in the Study Area January 2024

Factor analysis was performed to evaluate the validity of variable grouping for both independent and dependent variables, yielding KMO values of 0.712 and 0.844, respectively. These values indicate the suitability of conducting further analysis. Furthermore, the significance values for key variables and investment behavior were all 0.000, with degrees of freedom (Df) being 4 and 13, respectively.

b) Reliability Results

Table 3: Reliability Results of Variables

SPSS Output

Factors	Cronbach's constant	Number of Items
Demographic Factors	.811	4
Economic Factors	.933	5
Psychological Factors	.856	5
Social Factors	.877	3
Investment Behavior	.743	3

Source: Field Survey and Primary Data of investors on mutual funds in Karnataka in the Study Area January 2024

Table 4 above presents the reliability analysis, which evaluates the internal consistency of factor grouping using Cronbach's Alpha values. The findings reveal that all factors grouped in the rotated component matrix exhibit values surpassing 0.7 or 70%. This indicates that the homogeneous grouping established in the rotated component matrix, following the resolution or elimination of underlying factors, is valid and advantageous for further analysis.

c) Results of Regression Analysis

Table 4: Regression Result of Variables

SPSS Output

Independent	Dependent	Stnd	Sig
Demographic		.847	.003
Economic Factors	Investment Behavior	-	.947
Psychological		.922	.000
Social Factors		.683	.023

Source: Field Survey and Primary Data of investors on mutual funds in Karnataka in the Study Area January 2024

a) The above value of .003 states that the variable Demographic Factors has high influence on variable Investment Behavior, with an association of 84.7%. Hence the null hypothesis 1 is rejected.

b) The above value of .947 states that the variable Economic Factors has no influence on variable Investment Behavior. Hence the null hypothesis 2 is accepted.

c) The above value of .000 states that the variable Psychological Factors has high influence on variable Investment Behavior, with an association of 92.2%. Hence the null hypothesis 3 is rejected.

d) The above value of .023 states that the variable Social Factors has influence on variable Investment Behavior, with an association of 68.3%. Hence the null hypothesis 4 is rejected.

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6. Discussion

In conclusion, the systematic analysis of factors influencing investors' behaviour on mutual funds in Karnataka provides valuable insights into the intricacies of investment decision-making within the region. Through a comprehensive examination of various demographic factors, economic factors, psychological factors, social factors, this study has shed light on the drivers shaping investors' attitudes, preferences, and actions in the mutual fund market. The findings of the study highlight the multifaceted nature of investor behaviour, underscoring the importance of considering a diverse range of factors in understanding investment decisions. Demographic characteristics play a significant role in shaping investors' risk preferences, investment goals, and decision-making processes. Additionally, psychological factors such as risk perception, cognitive biases, and investor sentiment exert a profound influence on investment behaviour, often impacting investment outcomes.

Moreover, the study has elucidated the impact of social factors such as market dynamics, regulatory changes, and financial literacy levels on investors' behaviour towards mutual funds in Karnataka. Market volatility, regulatory uncertainty, and fluctuations in investor sentiment can significantly affect investment decisions, highlighting the need for adaptive investment strategies and risk management practices. Finally, the economic conditions did not show any impact on investors' behaviour. In summary, the systematic analysis of factors influencing investors' behaviour on mutual funds in Karnataka provides valuable insights for practitioners, policymakers, and researchers alike. By uncovering the drivers shaping investment decisions and their implications for the mutual fund market, this study contributes to informed decision-making, market efficiency, and investor welfare in Karnataka's dynamic financial landscape.

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