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Psychological Factors Influencing Mutual Fund Investment Decisions: An Empirical Study Among Investors

Palak Agarwal, Prof Hussain Ahmed, Dr Kaushik Dutta

Department of Commerce Vocational And Management studies, St Xaviers College Ranchi, Ranchi, Jharkhand, India

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ABSTRACT

Investment decisions are influenced not only by financial considerations but also by a range of psychological and behavioral factors that shape investor perceptions, attitudes, and decisionmaking processes. This study investigates the psychological determinants influencing mutual fund investment decisions among individual investors, with particular emphasis on factors such as risk perception, financial literacy, return expectations, trust, and behavioral biases. A quantitative research design was adopted, and primary data were collected through a structured questionnaire administered to 64 respondents selected using convenience sampling. The collected data were analyzed using descriptive statistical techniques to examine the relationship between psychological factors and investment behavior. The findings suggest that psychological attributes significantly influence mutual fund investment decisions, with investors demonstrating varying degrees of risk tolerance, confidence, and susceptibility to behavioral biases. The study contributes to the growing body of behavioural finance literature by providing empirical evidence on the role of psychological factors in mutual fund investment decisions. The findings may assist financial advisors, asset management companies, and policymakers in developing strategies to enhance investor awareness, improve financial decision-making, and encourage informed participation in mutual fund investments.

Keywords: Mutual Funds, Behavioural Finance, Investor Psychology, Financial Literacy

INTRODUCTION

As leadership guru and bestselling author Simon Sinek says, “Start with Why”. The discussion of investments must start with “why” – the purpose of investment. “Why is one investing?” In the investment world, the financial requirements are known as financial objectives and when we assign amounts and timelines to these objectives, we convert these into financial goals. The first step in goal setting is to identify the monetary events in life. Some of these are desirable and can be planned, whereas some others, which may be undesirable, may spring up as surprises. Those events with a potential negative outcome would be undesirable. After identifying the events, one needs to assign priorities–which of these are more important than the others. After that, one needs to assign a timeline as well as the amount of funding required at the time of such events. Inflation adjustment for the goal values is critical, without which the entire planning can go haywire. Some people have a pool of savings / investment and meet their financial requirements from the pool. It is possible to manage that way. However, the lacuna is, you are not sure of the horizon for the investments. The three most important factors to evaluate investments are safety, liquidity, and returns.

Introduction To Mutual Funds

Mutual fund is a vehicle (in the form of a “trust”) to mobilize money from investors, to invest in different markets and securities, in line with stated investment objectives. In other words, through investment in a mutual fund, an investor can get access to equities, bonds, money market instruments and/or other securities, that may otherwise be unavailable to them and avail of the professional fund management services offered by an asset management company. The primary role of mutual funds is to help investors in earning an income or building their wealth, by investing in the opportunities available in securities markets.

Importance of Mutual Fund Investments

- **Investors Professional Management**

Mutual funds offer investors the opportunity to earn an income or build their wealth through the professional management of their investible funds. The fund management function is not restricted to research and selection of securities to construct a portfolio of investments, but also to take care of various administrative tasks like collection of corporate benefits (for example interest payments, dividends, rights issues, buybacks, etc.), or follow up on the same.

- **Affordable Portfolio Management**

Investing in the units of a scheme provides investors the exposure to a range of securities held in the investment portfolio of the scheme in proportion to their holding in the scheme. Thus, an investor can get proportionate ownership in a diversified investment portfolio even for a small investment of Rs. 500 in a mutual fund scheme.

- **Economies of Scale**

Pooling of large sums of money from many investors makes it possible for the mutual fund to engage professional managers for managing investments. Individual investors with small amounts to invest cannot, by themselves, afford to engage such professional management. Large investment corpus leads to various other economies of scale. For instance, costs related to investment research and office space gets spread across investors. Further, the higher transaction volume makes it possible to negotiate better terms with brokers, bankers and other service providers.

- **Transparency**

An investor is well served if relevant information is available on time. Availability of such information is critical for making an informed investment decision. The structure of the mutual funds and the regulations by SEBI have ensured that investors get such transparency about their investments.

- **Liquidity**

Investors in a mutual fund scheme can recover the market value of their investments, from the mutual fund itself. Depending on the structure of the mutual fund scheme, this would be possible, either at any time, or during specific intervals, or only on the closure of the scheme.

- **Tax Deferral**

Mutual funds offer options, whereby the investor can let the money grow in the scheme for several years. By selecting such options, it is possible for the investor to defer the tax liability. This helps investors to legally build their wealth faster than would have been the case if they were to pay tax on the income each year.

- **Tax benefits**

Specific schemes of mutual funds such as Equity Linked Savings Schemes (ELSS) give investors the benefit of deduction of the amount subscribed up to Rs. 150,000 in a financial year under Section 80C of the Old Tax Regime, from their income that is liable to tax.

Growth of the Mutual Fund Industry in India

Mutual funds have started acquiring their fair share in the portfolios of the investors, as well as in the minds of the people.

India witnessed a surge in the mutual fund assets under management (AUM) from Rs. 8.46 lakh crores in June 2013 to Rs 86.34 lakh crore in July 2026 (source AMFI).

The 10-year growth stands at 18.13 percent p.a. compounded annually. Even, the number of folios has also seen a big rise. From a little over 4.80 crore folios in March 2010, it has touched 28.09 crore folios as on July 2026.

The share of mutual funds in the overall financial investments in India has risen from 10 percent in March 2016 to 12 percent in March 2017 and to 14 percent in March 2018. Compared to this, there has been a drop in the share of bank deposits from 71 percent to 69 percent and then to 65 percent during the same period.

The AUM of the Indian MF Industry has grown from ₹15.18 trillion as on July 31, 2016 to ₹85.76 trillion as on July 31, 2026 about 6 folds increase in a span of 10 years.

The MF Industry's AUM has grown from ₹ 35.32 trillion as on July 31, 2021 to ₹85.76 trillion as on July 31, 2026, about 3 folds increase in a span of 5 years.

The Industry's AUM had crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time in May 2014 and in a short span of about three years, the AUM size had increased more than two folds and crossed ₹ 20 trillion (₹20 Lakh Crore) for the first time in August 2017. The AUM size crossed ₹ 30 trillion (₹30 Lakh Crore) for the first time in November 2020. The Industry AUM stood at ₹85.76 Trillion (₹ 85.76 Lakh Crore) as on July 31, 2026.

Behavioural Biases in Investment Decision Making

Investors are driven by emotions and biases. The most dominant emotions are fear, greed and hope. Some important biases are discussed below:

- **Availability Heuristic**

Most people rely on examples or experiences that come to mind immediately while analysing any data, information, or options to choose from. In the investing world, this means that enough research is not undertaken for evaluating investment options. This leads to missing out on critical information, especially pertaining to various investment risks.

- **Confirmation Bias**

Investors also suffer from confirmation bias. This is the tendency to look for additional information that confirms their already held beliefs or views.

- **Familiarity Bias**

An individual tends to prefer the familiar over the novel, as the popular proverb goes, "A known devil is better than an unknown angel." This leads an investor to concentrate the investments in what is familiar, which at times prevents one from exploring better opportunities, as well as from a meaningful diversification.

- **Herd Mentality**

"Man is a social animal" – Human beings love to be part of a group. While this behaviour has helped our ancestors survive in hostile situations and against powerful animals, this often works against investors interests in the financial markets.

- **Loss Aversion**

Loss aversion explains people's tendency to prefer avoiding losses to acquiring equivalent gains.

- **Overconfidence**

This bias refers to a person's overconfidence in one's abilities or judgment. This leads one to believe that one is far better than others at something, whereas the reality may be quite different.

- **Recency bias**

The impact of recent events on decision making can be very strong. This applies equally to positive and negative experiences. Investors tend to extrapolate the event into the future and expect a repeat. A bear market or a financial crisis leads people to prefer safe assets. Similarly, a bull market makes people allocate more than what is advised for risky assets.

These are only some of the biases. This is not an exhaustive list. The negative effect of these biases is that the investor does not gather enough information to be able to identify more opportunities or to evaluate various risks related to investment avenues. It is only prudent for an investor to do a detailed analysis as is possible, without taking such shortcuts. It is important to avoid behavioural biases in investment decisions. To detach emotions from investments, it is better to take the opinion of a third person i.e., Registered Investment Advisor (RIA) or Mutual Fund Distributor (MFD).

Problem Statement

Mutual funds have emerged as one of the most preferred investment avenues among retail investors due to their potential for wealth creation, diversification, professional management, and accessibility. Despite these advantages, investment decisions are often influenced by factors beyond financial fundamentals such as expected returns, risk, and market performance. Investors frequently rely on psychological perceptions, emotions, personal beliefs, and cognitive biases while selecting mutual fund schemes.

Behavioural finance suggests that individuals do not always make rational financial decisions. Psychological factors such as risk perception, loss aversion, overconfidence, herd behaviour, and financial literacy significantly influence how investors evaluate investment opportunities and respond to market fluctuations. These factors may lead investors to make decisions that differ from those predicted by traditional financial theories. Although several studies have examined investor behaviour in financial markets, there remains a need to understand the psychological determinants of mutual fund investment decisions, particularly in the context of Indian retail investors. As participation in mutual funds continues to increase, identifying the psychological factors that shape investment decisions has become increasingly important for financial institutions, policymakers, and investors themselves. Therefore, this study seeks to examine the psychological factors influencing mutual fund investment decisions and to understand the extent to which these behavioural aspects affect investors' choices.

RESEARCH METHODOLOGY

Research Design

The present study adopts a descriptive and quantitative research design to examine the psychological factors influencing mutual fund investment decisions among individual investors. A descriptive research design is appropriate as it enables the systematic collection, analysis, and interpretation of data related to investors' attitudes, perceptions, and behavioural tendencies. The quantitative approach facilitates the measurement of psychological variables and allows for objective analysis of the responses collected through a structured questionnaire.

Nature of the Study

The study is empirical in nature, as it is based on primary data collected directly from respondents. It aims to identify the psychological factors that influence investment decisions and to understand the relationship between investor behaviour and mutual fund investment preferences.

Sources of Data

The study is based on both primary and secondary sources of data.

- Primary Data Primary data were collected through a structured questionnaire administered to individual respondents. The questionnaire consisted of questions relating to demographic characteristics, investment behaviour, financial awareness, and psychological factors influencing mutual fund investment decisions. The responses were collected using an online survey platform.

- Secondary Data Secondary data were obtained from books, peer-reviewed journals, research articles, government publications, reports issued by the Securities and Exchange Board of India (SEBI), the Association of Mutual Funds in India (AMFI), annual reports, financial magazines, and other reliable online sources. These sources provided the theoretical foundation and supporting evidence for the study.

Sampling Design

A convenience sampling technique was employed for selecting the respondents. This nonprobability sampling method was chosen due to its practicality, accessibility, and time efficiency. Individuals who were familiar with mutual funds or had an interest in investment related activities were invited to participate in the survey.

Sample Size

The selected sample comprises individuals belonging to different age groups, occupations, educational backgrounds, and income levels, thereby providing a diverse perspective on the psychological factors affecting mutual fund investment decisions. The total sample size is 64.

Area of the Study

The study focuses on individual investors residing in Ranchi District of India. The respondents belong to different demographic backgrounds, enabling the research to capture varying investment behaviours and psychological characteristics across a diverse population.

Research Instrument

A structured questionnaire was used as the primary research instrument for data collection. The questionnaire consisted of both multiple-choice and Likert-scale questions designed to measure investors' perceptions, attitudes, risk tolerance, financial literacy, investment objectives, and behavioural biases. The instrument was prepared after reviewing relevant literature in the fields of behavioural finance and mutual fund investments.

Variables of the Study

Dependent Variable - Mutual Fund Investment Decision

Independent Variables - Risk Perception, Financial Literacy, Investment Objective, Expected Return, Trust in Mutual Funds, Herd Behaviour, Loss Aversion, Overconfidence and Investment Experience.

Data Analysis Techniques

The collected data were coded, classified, and analysed using Microsoft Excel. Descriptive statistical tools such as frequency distributions, percentages, tables, and graphical representations were used to summarise the demographic profile and investment behaviour of the respondents. Where appropriate, inferential statistical techniques such as correlation analysis and chi-square tests may be employed to examine relationships between selected variables and to draw meaningful conclusions.

Ethical Considerations

Participation in the survey was entirely voluntary. Respondents were informed about the academic purpose of the study, and their identities and personal information were kept strictly confidential. No personal identifiers were disclosed during the analysis or reporting of the findings. The collected data were used solely for research purposes.

Scope of the Study

The study investigates the psychological determinants influencing mutual fund investment decisions among individual investors. It examines behavioural aspects such as risk perception, financial literacy, trust, investment objectives, and cognitive biases. The findings are expected to contribute to the understanding of investor behaviour and may assist financial advisors, mutual fund companies, policymakers, and researchers in developing strategies to promote informed investment decisions.

Limitations of the Study

The study is subject to certain limitations.

- The sample size is limited, which may restrict the generalisation of the findings to the broader investor population.
- The use of convenience sampling may introduce sampling bias, as respondents were selected based on accessibility rather than random selection.
- In addition, the study relies on self-reported responses, which may be influenced by respondents' personal perceptions and subjective judgments.
- The findings represent investor behaviour during the period of data collection and may change over time due to evolving market conditions and economic factors.

Data Analysis and Findings

The analysis of data constitutes a crucial stage in empirical research, as it facilitates the transformation of raw data into meaningful information for interpretation. This chapter presents the findings derived from the responses of 64 participants who completed the survey on the psychological factors influencing mutual fund investment decisions. The analysis begins with the demographic profile of the respondents, followed by an examination of their investment behaviour and psychological attributes. Appropriate descriptive statistical tools, such as frequency and percentage analysis, have been employed to summarize the data, while the interpretations are supported by relevant concepts from behavioural finance literature. The results provide valuable insights into the factors shaping investors' mutual fund investment decisions.

Demographics Profile of the Respondents

The demographic characteristics of respondents provide an understanding of the composition of the sample population and help in interpreting the findings in the appropriate context. The demographic variables

considered in this study include age, gender, occupation, monthly income, and educational qualification.

1. **Age Group**

Age Group	Frequency	Percentage
Below 18	2	3.13%
18–25	48	75.00%
26–35	12	18.75%
46–60	1	1.56%
Above 60	1	1.56%
Total	64	100%

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Interpretation

The data reveal that the majority of respondents (75%) belong to the 18–25 years age group, followed by 18.75% in the 26–35 years category. Only a very small proportion of respondents fall under the age groups below 18 years, 46–60 years, and above 60 years, each accounting for less than 4% of the total sample. The predominance of young respondents indicates that the study primarily captures the investment perceptions and psychological behaviour of younger individuals, many of whom are at the beginning of their financial journey.

2. **Gender**

Gender	Frequency	Percentage
Male	42	65.63%
Female	22	34.38%
Total	64	100%

Interpretation

The sample comprises 65.63% male respondents and 34.38% female respondents, indicating a higher participation of males in the survey.

3. **Occupation**

Occupation	Frequency	Percentage
Student	43	67.19%
Salaried Employee	8	12.50%
Self-employed/Business	7	10.94%
Professional	4	6.25%
Retired	2	3.13%
Total	64	100%

Interpretation

The occupational profile indicates that students constitute the largest segment of respondents (67.19%), followed by salaried employees (12.50%), self-employed individuals (10.94%), professionals (6.25%), and retired individuals (3.13%).

The predominance of students is consistent with the age profile of the respondents. It reflects the increasing awareness of mutual fund investments among young individuals, who are becoming financially conscious at an early stage through educational institutions, digital financial platforms, and online investment applications. The inclusion of respondents from different occupational backgrounds adds diversity to the sample by incorporating perspectives from individuals with varying income levels, investment experiences, and financial responsibilities. However, since students form a significant majority, the overall findings are likely to reflect the behavioural tendencies of emerging investors rather than experienced market participants.

4. **Monthly Income**

Monthly Income	Frequency	Percentage
Not Earning	40	62.50%
Up to ₹30,000	5	7.81%
₹50,000–₹1,00,000	5	7.81%
Above ₹1,00,000	10	15.63%
Prefer not to say	4	6.25%
Total	64	100%

Interpretation

The occupational profile indicates that students constitute the largest segment of respondents (67.19%), followed by salaried employees (12.50%), self-employed individuals (10.94%), professionals (6.25%), and retired individuals (3.13%). The predominance of students is consistent with the age profile of the respondents. It reflects the increasing awareness of mutual fund investments among young individuals, who are becoming financially conscious at an early stage through educational institutions, digital financial platforms, and online investment applications. This demographic is generally more receptive to digital investment platforms, financial education through social media, and long-term wealth creation strategies. Younger investors are also more likely to exhibit behavioural tendencies such as higher risk tolerance, curiosity towards emerging financial products, and susceptibility to peer influence. However, the limited representation of middle-aged and elderly investors suggests that the findings should be interpreted primarily in the context of younger investors rather than the entire investing population.

5. **Educational Qualification**

Educational Qualification	Frequency	Percentage
High School	12	18.75%
Undergraduate	44	68.75%
Graduate	1	1.56%
Postgraduate	4	6.25%
Professional Qualification	2	3.13%
Doctorate	1	1.56%
Total	64	100%

Interpretation

The educational profile reveals that 68.75% of respondents are undergraduate students, followed by 18.75% with a high school qualification. Respondents possessing postgraduate, professional, graduate, and doctoral qualifications collectively constitute a relatively small proportion of the sample.

This educational composition suggests that the study predominantly represents individuals who are currently pursuing higher education. Higher educational attainment is often associated with greater financial literacy, better access to investment-related information, and increased awareness of financial planning concepts. Consequently, respondents are expected to possess a basic understanding of mutual funds and investment products, enabling them to provide informed responses regarding behavioural and psychological factors influencing investment decisions.

The concentration of undergraduate respondents also aligns with the study's broader demographic profile, reinforcing the relevance of the findings to young and educated retail investors.

Investment Behaviour Analysis Experience in Mutual Fund Investment

1. **Have you ever invested in Mutual Funds?**

Yes	30
No	34
Total	64

The results indicate that although mutual funds have gained considerable popularity in recent years, a slightly higher proportion of the respondents are still non-investors. This finding suggests that awareness of mutual funds does not necessarily translate into actual investment behaviour. Various factors such as limited financial knowledge, perceived investment risk, insufficient disposable income, lack of confidence, or fear of financial loss may discourage individuals from participating in mutual fund investments.

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Duration of Investment Experience

2. **How long have you been investing in mutual funds?**

Year	Never	Less than 1	1-3	4-5	More than 5
Number of Investors	32	9	16	2	5

The findings suggest that most mutual fund investors in the sample are relatively new participants in the investment market. The dominance of investors with one to three years of experience reflects the growing popularity of mutual funds among younger individuals and first-generation investors. This trend may be attributed to increasing financial awareness, widespread availability of online investment platforms, and greater accessibility of Systematic Investment Plans (SIPs). The relatively small proportion of highly experienced investors indicates that mutual fund investing is still developing among the surveyed population.

Overall, the findings suggest that the investment behaviour of the respondents is largely shaped by recent participation in financial markets rather than long-established investing experience.

Primary Purpose of Investing

3. **What is your primary purpose for investing?**

The responses reveal that wealth creation emerged as the most frequently selected investment objective. Many respondents selected wealth creation either as their sole objective or in combination with goals such as passive income, tax saving, emergency funds, retirement planning, and children's education. Passive income also appeared frequently, while tax saving, emergency funds, retirement planning, and children's education were selected comparatively less often.

A small number of respondents reported that they do not invest at all. This may indicate the existence of financial barriers, lack of investment knowledge, or psychological hesitation toward participating in financial markets. Overall, the findings suggest that respondents demonstrate a predominantly long-term financial orientation, with wealth creation serving as the principal motivation behind mutual fund investment decisions.

Preferred Type of Mutual Fund

4. **Which type of mutual funds do you prefer?**

The survey shows that SIP-based investments were the most preferred option, selected by 21 respondents (32.8%). This was followed by 18 respondents (28.1%) who reported that they were not aware of different mutual fund categories. Equity mutual funds were preferred by 15 respondents (23.4%), while Hybrid Funds (6.3%), Debt Mutual Funds (3.1%), ELSS (3.1%), and Index Funds (3.1%) received comparatively fewer responses.

The preference for SIP-based investing indicates that respondents favour disciplined, periodic investments over lump-sum investments.

This suggests that although awareness of mutual funds is increasing, many individuals still lack sufficient knowledge regarding different investment options available within the mutual fund industry. The relatively high preference for equity mutual funds reflects an inclination toward long-term capital appreciation despite the associated market risk. In contrast, the limited preference for debt and hybrid funds may indicate either lower awareness or comparatively lower attractiveness among respondents.

Overall, the findings emphasize the growing popularity of systematic investing while simultaneously highlighting the need for enhanced investor education regarding mutual fund categories and their respective risk-return characteristics.

Self-Assessment of Investment Knowledge

5. **How would you describe your investment knowledge?**

(5-point scale) The distribution of responses indicates that most respondents rated their investment knowledge at Level 3 (Moderate), followed by Level 4, while comparatively fewer respondents rated themselves at Levels 1, 2, and 5.

This pattern suggests that the majority of respondents perceive themselves as possessing an average understanding of investment concepts rather than being complete beginners or highly knowledgeable investors. Such self-perceived moderate knowledge may encourage participation in mutual fund investments while still leaving investors vulnerable to behavioural biases, misinformation, and external influences.

Psychological Factors Influencing Mutual Fund Investment Decisions

This section examines the psychological tendencies and behavioural biases that influence mutual fund investment decisions. The responses were measured using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5).

6. **I feel anxious when the market fluctuates heavily.**

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	11	15	19	11	8	64

Interpretation

These findings suggest that although a considerable number of investors are emotionally resilient, a sizeable section of respondents still experiences anxiety during periods of market uncertainty. Such behaviour is consistent with behavioural finance literature, which argues that uncertainty increases emotional responses and often leads to irrational decision-making. Investors who experience anxiety are more likely to react impulsively during market downturns by delaying investments or redeeming their holdings prematurely.

7. **Fear of loss affects my investment decisions.**

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	8	14	28	6	8	64

Interpretation

The dominance of neutral responses suggests that many investors may not consciously recognise the influence of loss aversion on their behaviour. According to Prospect Theory, individuals tend to experience the pain of losses more intensely than the pleasure of equivalent gains.

Even when respondents deny being influenced by losses, their actual investment decisions may still reflect cautious behaviour during declining markets.

8. **I become more confident after earning profits in investments.**

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	18	18	19	7	2	64

Interpretation

This finding suggests that most respondents do not allow previous gains to significantly alter their confidence levels. Such behaviour reflects relatively disciplined investment behaviour and indicates that respondents may

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avoid excessive optimism following profitable investments. This is contrary to the overconfidence bias frequently observed among experienced investors, where past success often leads individuals to overestimate their investment skills.

9. I sometimes make investment decisions based on emotions rather than analysis.

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	5	12	22	14	11	64

Interpretation

These results indicate that interpersonal influence continues to play an important role in investment decisions. Recommendations from trusted individuals often reduce uncertainty and increase investor confidence. This finding supports the concept of herd behaviour, where investors rely on the opinions or actions of others rather than conducting independent analysis.

10. Social media and financial influencers affect my investment decisions.

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	5	15	17	14	13	64

Interpretation

This demonstrates the increasing role of digital platforms in shaping investor behaviour. Financial influencers provide investment-related information that may improve awareness but can also encourage impulsive decisions if investors fail to verify the credibility of the information. The findings suggest that social media has become an important behavioural influence in modern investment decision-making.

11. I feel safer investing in funds recommended by others.

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	4	13	23	15	9	64

Interpretation

The results suggest that many investors derive psychological comfort from external recommendations. Such behaviour reflects reliance on social proof, where individuals perceive investments endorsed by others as less risky. Although this may reduce uncertainty, excessive dependence on recommendations may prevent investors from conducting independent financial analysis.

12. I prefer safer investments over high-return investments.

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	12	13	22	11	6	64

Interpretation

This distribution indicates that respondents possess diverse attitudes toward investment risk. Although some investors demonstrate risk-averse behaviour, many appear willing to consider investments with higher growth potential. Such diversity reflects differences in financial goals, investment horizons, and personal tolerance for risk.

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13. I am willing to take risks for potentially higher returns.

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	10	16	17	9	2	64

Interpretation

This finding suggests that the sample is generally conservative in its investment approach. Investors appear to prioritise capital preservation over aggressive wealth creation. Such behaviour is commonly associated with risk aversion, one of the most extensively studied behavioural biases in finance.

14. Past investment success increases my confidence in future decisions.

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	16	16	24	6	2	64

Interpretation

These findings suggest that respondents generally avoid becoming overly confident because of previous investment gains. This reflects a cautious attitude towards investing and indicates that respondents may recognise that market conditions are dynamic and past performance does not necessarily guarantee future r**eturns.**

15. **I believe my investment decisions are usually better than average investors.**

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	9	17	28	7	3	64

Interpretation

This finding indicates a relatively low level of overconfidence among the respondents. Investors appear to recognise the uncertainty associated with financial markets and avoid overestimating their own abilities. From a behavioural finance perspective, lower overconfidence may contribute to more cautious investment decisions and reduce the likelihood of excessive trading or speculative behaviour.

Decision-Making Behaviour Analysis

16. Reading Fund-Related Information Before Investing

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	16	20	14	11	3	64

Interpretation

The responses indicate that a relatively small proportion of investors consistently read fund related information before making investment decisions. This distribution suggests that many investors may not actively examine important documents such as Scheme Information Documents (SIDs), Key Information Memorandums (KIMs), fund factsheets, or portfolio disclosures before committing their money. Instead, investment decisions may rely on simplified information, advertisements, recommendations from intermediaries, or online investment platforms. From a behavioural finance perspective, this tendency reflects the use of heuristics, where investors simplify complex financial decisions by relying on readily available information rather than conducting detailed analysis. Such behaviour may expose investors to unsuitable investment choices, as insufficient information processing can lead to unrealistic return expectations or an inaccurate assessment of investment risks. The findings also highlight the need for improved investor

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education and financial literacy initiatives that encourage investors to evaluate fund-related information before making investment decisions.

17. **Investing according to financial goals rather than market trends**

Response	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	11	20	21	10	2	64

Interpretation

The predominance of neutral and disagreement responses suggests that a substantial proportion of investors may not consistently follow a structured goal-based investment approach. Instead, their decisions may be influenced by current market conditions, media coverage, or short-term performance expectations. Behavioural finance explains this tendency through herd behaviour and recency bias, where investors assign greater importance to recent market movements instead of focusing on long term financial objectives. Investors who react primarily to current market trends may deviate from their original financial plans, increasing the likelihood of emotional decision-making and suboptimal investment outcomes. These findings indicate that although goal-based investing is widely recommended in financial planning, its practical adoption among respondents appears to be limited.

18. Factors influencing mutual fund investment decisions

Factor	**Frequency**
Expected Return	46
Risk Level	27
Past Performance	26
Brand/Reputation of AMC	19
Tax Benefits	11
Reputation of Fund Manager	10
Recommendation from Others	6
Social Influence	5

Interpretation

Among all factors influencing mutual fund investment decisions, Expected Return emerged as the dominant consideration, followed by Risk Level, Past Performance, Brand Reputation of Asset Management Companies, Tax Benefits, Reputation of the Fund Manager, recommendations from others and broader social influence, indicating that respondents generally perceive themselves as making relatively independent investment decisions.

Psychologically, these findings demonstrate that investors exhibit a combination of rational evaluation (expected returns and risk assessment) and behavioural influences (past performance and reputation). The strong emphasis on historical performance may also indicate the presence of representativeness bias, where investors assume that funds performing well in the past will continue generating superior returns in the future, despite regulatory warnings that past performance does not guarantee future results.

19. Behaviour during a 20% market decline.

Response	Wait for Recovery	Invest More	Seek Advice	Unsure	Withdraw Immediately	Total
Frequency	35	11	8	6	4	64

Interpretation

From a behavioural finance perspective, these findings suggest that although loss aversion remains an important psychological factor, most respondents appear capable of resisting impulsive reactions during market downturns. Their preference for holding investments until recovery indicates greater emotional discipline and a stronger commitment to long-term wealth creation, both of which are considered desirable characteristics for successful mutual fund investing.

CONCLUSION

- Every research study has certain limitations that should be considered while interpreting its findings. The limitations of the present study are as follows:
- The study was conducted using a relatively small sample size of 64 respondents, which may not fully represent the entire population of mutual fund investors.
- The respondents were selected through convenience sampling, which may introduce sampling bias and limit the generalizability of the findings.
- The study relies on self-reported responses collected through a structured questionnaire. As a result, the findings may be influenced by respondents' personal opinions, perceptions, or social desirability bias.
- The research primarily focuses on selected psychological factors influencing mutual fund investment decisions. Other important factors, such as macroeconomic conditions, market volatility, government policies, and financial constraints, were beyond the scope of this study.
- The study was conducted within a limited time frame. Investors' psychological attitudes and investment preferences may change over time due to changing market conditions and economic circumstances.
- Since the study is cross-sectional in nature, it captures respondents' opinions at a single point in time and does not examine changes in investment behaviour over an extended period. Despite these limitations, the study provides valuable insights into the psychological factors that influence mutual fund investment decisions and offers a useful foundation for future research in the field of behavioural finance.

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