

Investor Apprehension and Behavioural Factors Influencing Mutual Fund Investment in Kerala

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Submitted to the University of Calicut
for the award of the degree of
Doctor of Philosophy in Commerce

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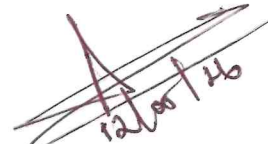


**Post Graduate and Research Department of Commerce
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January 2026

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I hereby declare that the work presented in the thesis entitled "**Investor Apprehension and Behavioural Factors influencing Mutual Fund Investment in Kerala**" is based on the original work done by me under the guidance of Dr. Udayakumar O K, Associate Professor, PG & Research Department of Commerce, Government College Madappally, Vatakara and has not been included in any other thesis submitted previously for the award of any degree. The contents of the thesis are undergone plagiarism check using iThenticate software at C.H.M.K. Library, University of Calicut, and the similarity index found within the permissible limit. I also declare that the thesis is free from AI generated contents.


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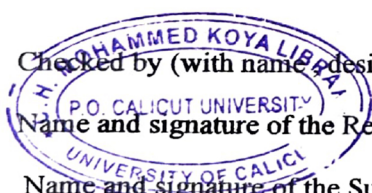
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Dedication

***To my dear wife, Jiji, My daughter, Eva Prakash, and my
beloved Parents***

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Contents

List of Tables

List of Figures

List of Abbreviations

Abstract

Chapter 1

INTRODUCTION 1 – 56

1.1	Background of the study.....	1
1.2	Significance of the study.....	6
1.3	Statement of the problem	9
1.4	Research Questions	11
1.5	Scope of the study	11
1.6	Objectives of the study	13
1.7	Hypotheses of the study	14
1.8	Research Methodology.....	18
1.9	Constructs used in the study	29
1.10	Pretesting.....	33
1.11	Pilot study and Reliability analysis	33
1.12	Statistical Software Packages used for the study	36
1.13	Operational definitions	40
1.14	Conceptual Model for the study.....	43
1.15	Limitations of the study.....	47
1.16	Scheme of Reporting.....	50
	References	54

Chapter 2

REVIEW OF LITERATURE..... 57 – 138

2.1	Introduction.....	57
2.2	Phases of Literature Search.....	58
2.3	Determinants of Investor Apprehension	59

2.4	Role of Financial Literacy.....	69
2.5	Effect of Investor Perception and Investor Behaviour	82
2.6	Impact of Investment Performance	100
2.7	Risk Tolerance in Mutual Fund Investment.....	108
2.8	Role of Investor Involvement.....	115
2.9	Research Gap.....	120
2.10	Conclusion.....	123
	References	124

Chapter 3

MUTUAL FUND INVESTMENT: AN OVERVIEW 139 – 182

3.1	Introduction.....	139
3.2	Introduction to Investment	141
3.3	Mutual Fund: An Introduction	142
3.4	SEBI (Mutual Fund) Regulation, 1996.....	166
3.5	Recent Trends in Mutual Funds.....	168
3.6	Role of AMFI in Mutual Fund industry	170
3.7	Problems Encountered by the Mutual Fund industry.....	173
3.8	Conclusion.....	177
	References	179

Chapter 4

THEORETICAL FRAME WORK FOR BEHAVIOURAL FACTORS OF MUTUAL FUND INVESTMENT..... 183 – 236

4.1	Introduction.....	183
4.2	Concept of Investor Apprehension.....	183
4.3	Concept of Financial Literacy	189
4.4	Concept of Perceived Value	203
4.5	Concept of Perceived Trust.....	212
4.6	Concept of Investor Involvement	215
4.7	Concept of Risk tolerance.....	218
4.8	Concept of Investment Performance.....	222
4.9	Concept of Reinvestment Decision and Recommendation intention.....	225
4.10	Conclusion.....	228
	References	230

Chapter 5

INVESTOR APPREHENSION AND FINANCIAL LITERACY OF MUTUAL FUND INVESTORS IN KERALA.....237 – 268

5.1	Introduction.....	237
5.2	Demographic Profile of Respondents.....	237
5.3	Objective.....	240
5.4	Tools for Data Analysis.....	240
5.5	Constructs studied.....	241
5.6	Investors Apprehensions towards Mutual Fund investment in Kerala and its Socio- Demographic variations.....	242
5.7	Financial Literacy across Socio-Demographic profile of the investors	251
5.8	Conclusion.....	267

Chapter 6

INVESTORS' PERCEIVED VALUE, TRUST, INVOLVEMENT AND RISK TOLERANCE TOWARDS MUTUAL FUND 269 – 292

6.1	Introduction.....	269
6.2	Objective.....	269
6.3	Tools for Data Analysis.....	270
6.4	Constructs Studied.....	270
6.5	Extent of Investors' Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund investment	271
6.6	Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund investment across Socio-Demographic background of investors.....	272
6.7	Conclusion.....	291

Chapter 7

INVESTMENT PERFORMANCE AND BEHAVIOURAL INCLINATIONS OF MUTUAL FUND INVESTORS IN KERALA 293 – 318

7.1	Introduction.....	293
7.2	Objective.....	293

7.3	Tools for Data Analysis.....	294
7.4	Constructs Studied	294
7.5	Levels of Investment Performance of Mutual Fund investors in Kerala & its Socio-Demographic influence.....	296
7.6	Behavioural inclinations of Mutual Fund investors in Kerala and its Socio-Demographic influence	303
7.7	Conclusion.....	318

Chapter 8

THE BEHAVIOURAL RIPPLE EFFECTS OF FINANCIAL LITERACY AMONG MUTUAL FUND INVESTORS IN KERALA.....319 – 354

8.1	Introduction.....	319
8.2	Objective.....	320
8.3	Hypotheses formulation.....	320
8.4	Data Validation Using Confirmatory Factor Analysis	325
8.5	Model Development	334
8.6	Path Analysis Using Hypotheses Testing	336
8.7	Mediation Testing in the Model.....	343
8.8	Highlights of the Findings and Its Practical Significance	347
8.9	Conclusion.....	351
	References	353

Chapter 9

MODERATING EFFECT OF INVESTORS INVOLVEMENT ON THE EFFECT OF INVESTORS APPREHENSION AND INVESTMENT PERFORMANCE AND RE-INVESTMENT DECISION 355 – 364

9.1	Introduction.....	355
9.2	Objective.....	355
9.3	Moderation Analysis: An Overview.....	356
9.4	Conclusion.....	364
	Reference	364

Chapter 10

SUMMARY, FINDINGS AND CONCLUSION 365 – 388

10.1	Introduction.....	365
10.2	Summary.....	365
10.3	Major Findings of the Study.....	376
10.4	Conclusion	387

Chapter 11

RECOMMENDATIONS, THEORETICAL IMPLICATIONS AND SCOPE FOR FUTURE RESEARCH 389 – 394

11.1	Introduction.....	389
11.2	Recommendations	389
11.3	Implications of the Study.....	391
11.4	Scope for Future Research.....	393

BIBLIOGRAPHY..... i – xxviii

APPENDIX.....i – x

List of Tables

Table	Title	Page No.
1.1	Sample districts	26
1.2	Constructs, Measurements items, and Supporting reference	29
1.3	Pilot study results during the period of initial data collection	34
1.4	Harman's Single factor test	35
1.5	Normality of data by Kolmogorov-Smirnov test	35
2.1	Literature on determinants of Investor apprehension	59
2.2	Literature on role of financial literacy	70
2.3	Literature on effect of Investor perception and Investor behaviour	82
2.4	Literature on impact of Investment performance	100
2.5	Literature on risk tolerance in Mutual Fund investment	108
2.6	Literature on role of investor involvement	116
3.1	Key role of AMFI	171
4.1	Key components of VAM	205
4.2	Key TPB variables in Mutual fund Reinvestment	228
5.1	Socio-Demographic profile of the respondents (Mutual fund investors in Kerala)	238
5.2	Value of one sample t-test- Investor Apprehension	242
5.3	Value of Independent t-test- Gender	243
5.4	Value of independent t-test –Married and Unmarried	244
5.5	ANOVA value -age	245
5.6	Post Hoc test values-Age	246
5.7	ANOVA value-Education	248
5.8	ANOVA value-Occupation	249

Table	Title	Page No.
5.9	ANOVA value- Annual savings	250
5.10	Value of One sample t-test-Financial literacy	251
5.11	Value of Independent t-test - Gender	253
5.12	Value of Independent t-test – Marital Status	254
5.13	Value of One Way ANOVA- Age	256
5.14	Value of ANOVA- Education	257
5.15	Value of One Way ANOVA – Occupation	259
5.16	Value of Post Hoc Test –Occupation	261
5.17	ANOVA value- Annual Savings	263
5.18	Value of Post Hoc Test –Annual Savings	265
6.1	Value of One Sample t-test- Investors’ Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund Investment	271
6.2	Value of Independent t-test – Gender	273
6.3	Value of ANOVA- Age	275
6.4	Value of Post Hoc Test- Age	276
6.5	Value of ANOVA - Education	278
6.6	Value of ANOVA- Monthly Income	279
6.7	Value of Post Hoc Test- Monthly Income	280
6.8	Value of ANOVA- Occupation	282
6.9	Value of Post Hoc Test- Occupation	284
6.10	Value of ANOVA – Annual Savings	287
6.11	Value of Post Hoc Test – Annual Savings	289
7.1	Chi-square test value - Levels of investment performance of mutual fund investors in Kerala	296
7.2	Chi-square test value -Gender	297
7.3	Chi square test value - Age	298
7.4	Chi Square test value- Education	299
7.5	Chi Square test value- Monthly Income	300

Table	Title	Page No.
7.6	Chi Square Test value - Occupation	301
7.7	Chi Square Test value – Annual Savings	302
7.8	Value of One Sample t-test –Behavioural Inclination	304
7.9	Value of Independent t-test - Gender	306
7.10	Value of ANOVA - Age	307
7.11	Value of ANOVA - Education	308
7.12	Value of ANOVA – Monthly Income	309
7.13	Post Hoc Test value – Monthly Income	310
7.14	Value of ANOVA - Occupation	312
7.15	Post Hoc Test value - Occupation	313
7.16	Value of ANOVA – Annual Savings	316
7.17	Post Hoc Test value – Annual Savings	317
8.1	Summary of hypotheses formulated	324
8.2	Model fit indices for financial literacy factors of CFA model	327
8.3	Final Reliability and Validity of CFA Model of financial literacy and investor apprehension factors	328
8.4	Discriminant Validity among the financial literacy and investor apprehension factors	329
8.5	Model fit indices for outcome variables in the CFA model	331
8.6	Final Reliability and Validity of outcome variables in the CFA model	331
8.7	Discriminant Validity among the outcome variables in the CFA model	333
8.8	Indexes of goodness of fit for use in evaluating the structural path model	335
8.9	Path analysis for testing of structural model for the mutual fund investors in Kerala	336
8.10	Using the bootstrapping method to test mediation in the model (summary of values)	343

Table	Title	Page No.
8.11	Indexes of goodness of fit for use in evaluating the structural model	347
8.12	Summary of the results of path hypotheses testing model.	350
9.1	Hypotheses formulation	356
9.2	Model fit indices for examining how independent variable X affects its dependent variable Y through a moderating variable W	357
9.3	Summary of estimates of the moderation model	358
9.4	Summary of moderation effect – I and II	360
9.5	Summary of hypotheses testing	362

List of Figures

Figure	Title	Page No.
1.1	Research onion	19
1.2	Research onion used for the study	23
1.3	Conceptual Model for the Study	44
2.1	PRISMA Flow Diagram	58
3.1	Concept of Mutual Fund	144
3.2	Evolution of Mutual Fund in India	151
3.3	Mutual Fund Assets Global Marker Report 2025	155
3.4	Structure of Mutual Fund in India	156
3.5	Basis of classification of Mutual Funds	160
3.6	Role of AMFI	171
4.1	Estimated Investor Apprehension Levels in Kerala	186
4.2	Key Components of Financial Literacy	191
8.1	Hypothesized conceptual model for mutual fund investors in Kerala	324
8.2	Confirmatory Factor Analysis for financial literacy factors	326
8.3	Confirmatory Factor Analysis for outcome variables in the model	330
8.4	Testing of structural model for the mutual fund investors in Kerala	334
9.1	Unstandardized Regression Coefficients-based Interaction Moderation Model	357
9.2	Simple slop test of two-way interaction effect for unstandardized variables for moderation effect-I	361

List of Abbreviations

AGFI	: Adjusted Goodness Of Fit Index
AI	: Artificial Intelligence
AMC	: Asset Management Company
AMFI	: Association of Mutual Funds in India
ANOVA	: Analysis of Variance
AUM	: Assets Under Management
AVE	: Average Variance Extracted
BI	: Behavioural Intention
BRIC	: Brazil, Russia, India, China, and South Africa
CAPM	: Capital Asset Pricing Model
CARE	: Credit Analysis and Research Ltd
CB-CFA	: Covariance-Based Confirmatory Factor Analysis
CFA	: Confirmatory Factor Analysis
CFI	: Comparative Fit Index
CMB	: Common Method Bias
CMIE	: Centre for Monitoring Indian Economy
CR	: Composite Reliability
CRISIL	: Credit Rating Information Services of India Limited
DOSPRT	: Domain Specific Risk Taking
EFA	: Exploratory Factor Analysis
ELM	: Elaboration Likelihood Model
ELSS	: Equity Linked Saving Scheme
ETF	: Exchange Traded Fund
FI	: Financial Institution
FL	: Financial Literacy
FLA	: Financial Attitude
FLB	: Financial Behaviour
FLK	: Financial Knowledge
FNS	: Financial Skills

FV	: Future Value
GIC	: General Insurance Corporation of India
H0	: Null Hypothesis
HSD	: Honest Significant Difference
IC	: Investment Criteria
ICRA	: Investment Information and Credit Rating Agency
IMF	: International Monetary Fund
INA	: Investor Apprehension
INP	: Investment Performance
INV	: Involvement
ITA	: Income Tax Act
KIM	: Key Information Memorandum
KMO	: Kaiser–Meyer–Olkin Measure of Sampling Adequacy
KYC	: Know Your Customer
LIC	: Life Insurance Corporation of India
LTCG	: Long-Term Capital Gains
MF	: Mutual Fund
MFA	: Mutual Fund Awareness
MGB	: Model of Goal directed Behaviour
MHO	: Mediation Hypothesis
MPT	: Modern Portfolio Theory
NAV	: Net Asset Value
NFI	: Normed Fit Index
NFO	: New Fund Offer
NISM	: National Institute of Securities Market
NSE	: National Stock Exchange
OECD	: Organisation for Economic Cooperation and Development
OG	: Overlapping Generations
OK	: Objective Knowledge
PET	: Perceived Trust
PEV	: Perceived Value
PLS-SEM	: PLS-SEM
PRISMA	: Preferred Reporting Items for Systematic Reviews and Meta Analyses

PV	: Present Value
RBI	: Reserve Bank of India
RCT	: Rational Choice Theory
REIT	: Real Estate Investment Trust
RID	: Reinvestment Decisions
RIP	: Regular Income Plans
RKT	: Risk Tolerance
RMI	: Recommendation Intention
RMSEA	: Root Mean Square Error of Approximation
ROI	: Return on Investment
RP	: Risk Perception
RTA	: Registrar and Transfer Agents
RTS	: Risk Tolerance Scores
SCP	: Structure Conduct Performance
SEBI	: Securities and Exchange Board of India
SEM	: Structural Equation Modeling
SID	: Scheme Information Document
SIP	: Systematic Investment Plan
SK	: Subjective Knowledge
SMHO	: SEM Hypothesis
SRMR	: Standardized Root Mean Square Residual
SRO	: Self-Regulatory Organisation
STCG	: Short Term Capital Gain
SUUTI	: Specified Undertaking of the Unit Trust of India
SWO	: Systematic Withdrawal Plan
SWP	: Systematic Withdrawal Plan
TER	: Total Expense Ratio
TPB	: Theory of Planned Behaviour
TRA	: Theory of Reasoned Action
TVM	: Time Value of Money
USA	: United States of America
UTI	: Unit Trust Of India
VAM	: Value based Adoption Model

Abstract

The growing prominence of mutual funds as a preferred investment avenue among retail investors in India has intensified the need to understand the behavioural and psychological factors influencing investment decisions. Despite significant expansion in the mutual fund industry, investor participation continues to be shaped by apprehension, varying levels of financial literacy, perceptions of value and trust, and individual risk attitudes. This study examines the behavioural determinants influencing mutual fund investment decisions with specific reference to retail investors in Kerala.

The research develops and empirically tests an integrated conceptual framework that incorporates investor apprehension, financial literacy, perceived value, perceived trust, risk tolerance, and investor involvement as key antecedents influencing investment performance, reinvestment decisions, and recommendation intentions. The study adopts a descriptive and analytical research design, using primary data collected from 502 mutual fund investors across selected districts of Kerala through a structured questionnaire. Probability-based multistage sampling was employed to ensure representativeness of the sample. The collected data were analysed using appropriate descriptive statistics and advanced multivariate techniques to examine direct, mediating, and moderating relationships among the constructs.

The findings reveal that investor apprehension significantly influences mutual fund investment behaviour by affecting risk perception and performance outcomes. Financial literacy emerges as a critical enabler, positively shaping perceived value, trust, and informed decision-making. Perceived value and perceived trust are found to play a pivotal role in enhancing investment performance, while risk tolerance acts as a significant mediating mechanism between behavioural perceptions and performance outcomes. Further, investor involvement moderates the relationship between apprehension and investment outcomes, highlighting the role of active engagement in mitigating behavioural biases. The study also establishes that favourable investment performance positively influences reinvestment decisions and recommendation intentions among mutual fund investors.

The study contributes to behavioural finance literature by offering a context-specific behavioural model for mutual fund investors and provides practical insights for policymakers, asset management companies, and regulators to design targeted investor education initiatives, enhance transparency, and promote sustained investor participation in mutual fund markets.

Keywords: *Mutual Fund Investment, Investor Apprehension, Financial Literacy, Perceived Value, Perceived Trust, Risk Tolerance, Investor Involvement, Investment Performance, Reinvestment Decision, Recommendation Intention, Kerala*

സംഗ്രഹം

ഇന്ത്യയിലെ റീട്ടെയിൽ നിക്ഷേപകർക്കിടയിൽ മൂപ്പൽ ഫണ്ട്കളുടെ വർദ്ധിച്ചുവരുന്ന പ്രാധാന്യം നിക്ഷേപ തീരുമാനങ്ങളെ സ്വാധീനിക്കുന്ന പെരുമാറ്റപരവും മാനസികവുമായ ഘടകങ്ങൾ മനസ്സിലാക്കേണ്ടതിന്റെ ആവശ്യകത വർദ്ധിപ്പിച്ചിരിക്കുന്നു. മൂപ്പൽ ഫണ്ട് വ്യവസായത്തിൽ ഗണ്യമായ വികാസം ഉണ്ടായിട്ടും, നിക്ഷേപക പങ്കാളിത്തം, സാമ്പത്തിക സാക്ഷരതയുടെ വ്യത്യസ്ത തലങ്ങൾ, മൂല്യത്തെയും വിശ്വാസത്തെയും കുറിച്ചുള്ള ധാരണകൾ, വ്യക്തിഗത റിസ്ക് മനോഭാവങ്ങൾ എന്നിവയാൽ രൂപപ്പെട്ടുകൊണ്ടിരിക്കുന്നു. കേരളത്തിലെ റീട്ടെയിൽ നിക്ഷേപകരെ പ്രത്യേകമായി പരാമർശിച്ച് മൂപ്പൽ ഫണ്ട് നിക്ഷേപ തീരുമാനങ്ങളെ സ്വാധീനിക്കുന്ന പെരുമാറ്റ നിർണ്ണായക ഘടകങ്ങളെ ഈ പഠനം പരിശോധിക്കുന്നു.

നിക്ഷേപ പ്രകടനത്തെയും പുനർനിക്ഷേപ തീരുമാനങ്ങളെയും ശുപാർശ ഉദ്ദേശ്യങ്ങളെയും സ്വാധീനിക്കുന്ന പ്രധാന ഘടകങ്ങളായി നിക്ഷേപകരുടെ ആശങ്ക, സാമ്പത്തിക സാക്ഷരത, ഗ്രഹിച്ച മൂല്യം, ഗ്രഹിച്ച വിശ്വാസം, റിസ്ക് ടോളറൻസ്, നിക്ഷേപക പങ്കാളിത്തം എന്നിവ ഉൾക്കൊള്ളുന്ന ഒരു സംയോജിത ആശയപരമായ ചട്ടക്കൂട് ഗവേഷണം വികസിപ്പിക്കുകയും അനുഭവപരമായി പരിശോധിക്കുകയും ചെയ്യുന്നു. കേരളത്തിലെ തിരഞ്ഞെടുത്ത ജില്ലകളിലുടനീളമുള്ള 502 മൂപ്പൽ ഫണ്ട് നിക്ഷേപകരിൽ നിന്ന് ഒരു ഘടനാപരമായ ചോദ്യാവലിയിലൂടെ ശേഖരിച്ച പ്രാഥമിക ഡാറ്റ ഉപയോഗിച്ച്, ഒരു വിവരണാത്മകവും വിശകലനപരവുമായ ഗവേഷണ രൂപകൽപ്പനയാണ് പഠനം സ്വീകരിക്കുന്നത്. സാമ്പിളിന്റെ പ്രാതിനിധ്യം ഉറപ്പാക്കാൻ സാധ്യത അടിസ്ഥാനമാക്കിയുള്ള മൾട്ടിസ്റ്റേജ് സാമ്പിൾ ഉപയോഗിച്ചു. നിർമ്മാണങ്ങൾക്കിടയിലുള്ള നേരിട്ടുള്ള, മധ്യസ്ഥത, മോഡറേറ്റിംഗ് ബന്ധങ്ങൾ പരിശോധിക്കുന്നതിന് ഉചിതമായ വിവരണാത്മക സ്ഥിതിവിവരക്കണക്കുകളും നൂതന മൾട്ടിവേരിയേറ്റ് സാങ്കേതിക വിദ്യകളും ഉപയോഗിച്ച് ശേഖരിച്ച ഡാറ്റ വിശകലനം ചെയ്തു.

നിക്ഷേപകരുടെ ആശങ്ക മൂപ്പൽ ഫണ്ട് നിക്ഷേപ സ്വഭാവത്തെ സാരമായി സ്വാധീനിക്കുന്നുവെന്ന് കണ്ടെത്തലുകൾ വെളിപ്പെടുത്തുന്നു, അതുവഴി അപകടസാധ്യതാ ധാരണയെയും പ്രകടന ഫലങ്ങളെയും ബാധിക്കുന്നു. സാമ്പത്തിക സാക്ഷരത ഒരു നിർണായക സഹായിയായി ഉയർന്നുവരുന്നു, ഇത് ഗ്രഹിച്ച മൂല്യം, വിശ്വാസം, അറിവുള്ള തീരുമാനമെടുക്കൽ എന്നിവയെ ക്രിയാത്മകമായി രൂപപ്പെടുത്തുന്നു. ഗ്രഹിച്ച മൂല്യവും ഗ്രഹിച്ച വിശ്വാസവും നിക്ഷേപ പ്രകടനം വർദ്ധിപ്പിക്കുന്നതിൽ നിർണായക പങ്ക് വഹിക്കുന്നതായി കാണപ്പെടുന്നു, അതേസമയം പെരുമാറ്റ ധാരണകൾക്കും പ്രകടന ഫലങ്ങൾക്കും ഇടയിൽ ഒരു പ്രധാന മധ്യസ്ഥ സംവിധാനമായി റിസ്ക് ടോളറൻസ് പ്രവർത്തിക്കുന്നു. കൂടാതെ, നിക്ഷേപകരുടെ പങ്കാളിത്തം ഗ്രഹിച്ച ആശങ്കയും നിക്ഷേപ ഫലങ്ങളും തമ്മിലുള്ള ബന്ധത്തെ മിതമാക്കുന്നു, പെരുമാറ്റ പക്ഷപാതങ്ങൾ ലഘൂകരിക്കുന്നതിൽ സജീവമായ ഇടപെടലിന്റെ പങ്ക് എടുത്തുകാണിക്കുന്നു. മൂപ്പൽ ഫണ്ട് നിക്ഷേപകർക്കിടയിൽ അനുകൂലമായ നിക്ഷേപ പ്രകടനം പുനർനിക്ഷേപ തീരുമാനങ്ങളെയും ശുപാർശ ഉദ്ദേശ്യങ്ങളെയും പോസിറ്റീവായി സ്വാധീനിക്കുന്നുവെന്നും പഠനം സ്ഥാപിക്കുന്നു.

മൂപ്പൽ ഫണ്ട് നിക്ഷേപകർക്ക് സന്ദർഭ-നിർദ്ദിഷ്ട പെരുമാറ്റ മാതൃക വാഗ്ദാനം ചെയ്യുകൊണ്ട് പെരുമാറ്റ ധനകാര്യ സാഹിത്യത്തിന് ഈ പഠനം സംഭാവന നൽകുന്നു. കൂടാതെ,

ലക്ഷ്യബോധമുള്ള നിക്ഷേപക വിദ്യാഭ്യാസ സംരംഭങ്ങൾ രൂപകൽപ്പന ചെയ്യുന്നതിനും, സുതാര്യത വർദ്ധിപ്പിക്കുന്നതിനും, മൂലധന ഫണ്ട് വിപണികളിൽ സുസ്ഥിരമായ നിക്ഷേപക പങ്കാളിത്തം പ്രോത്സാഹിപ്പിക്കുന്നതിനും നയരൂപകർത്താക്കൾ, അസറ്റ് മാനേജ്മെന്റ് കമ്പനികൾ, റെഗുലേറ്റർമാർ എന്നിവർക്ക് പ്രായോഗിക ഉൾക്കാഴ്ചകൾ നൽകുന്നു.

സൂചകപദങ്ങൾ: മൂലധന ഫണ്ട് നിക്ഷേപം, നിക്ഷേപകരുടെ ധാരണ, സാമ്പത്തിക സാക്ഷരത, മനസ്സിലാക്കിയ മൂല്യം, മനസ്സിലാക്കിയ വിശ്വാസം, റിസ്ക് ടോളറൻസ്, നിക്ഷേപകരുടെ പങ്കാളിത്തം, നിക്ഷേപ പ്രകടനം, പുനർനിക്ഷേപ തീരുമാനം, ശുപാർശ ഉദ്ദേശ്യം, കേരളം

Chapter 1

INTRODUCTION

1.1	Background of the study.....	1
1.2	Significance of the study.....	6
1.3	Statement of the problem	9
1.4	Research Questions	11
1.5	Scope of the study	11
1.6	Objectives of the study	13
1.7	Hypotheses of the study	14
1.8	Research Methodology.....	18
1.9	Constructs used in the study.....	29
1.10	Pretesting	33
1.11	Pilot study and Reliability analysis	33
1.12	Statistical Software Packages used for the study.....	36
1.13	Operational definitions	40
1.14	Conceptual Model for the study.....	43
1.15	Limitations of the study.....	47
1.16	Scheme of Reporting.....	50
	References.....	54

*“The most important quality for an investor is temperament,
not intellect.”*

– Warren Buffet

1.1 Background of the Study

The Indian financial market has undergone phenomenal growth and transformation during the last two decades, with the investment instrument mutual funds becoming popular amongst retail investors. Offering diversification, professional management, and liquidity, mutual funds have become an integral part of the investment landscape. According to Sarish (2012), the mutual fund industry has obstacles as well as possibilities. Mutual funds were found to be the greatest option of investment for the ordinary investors. In particular, state of Kerala has been showing its increasing participation in mutual fund investments due to its high literacy rate and rising financial awareness. However, despite this progress, there are still large disparities in the way people behave as investors with individual psychological factors, financial literacy, perceived risks and degrees of involvement playing a part.

Grable (2000) carried out a study to capture demographic, socioeconomic and attitudinal factors that influence financial risk tolerance in everyday monetary matters. The research hoped to advance earlier inquiries by analysing the role of these characteristics in the willingness to take financial risks by an individual.

The first is the understanding of mutual fund investor behaviour that looks not just at economic and demographic characteristics of mutual fund investors, but also at the cognitive and emotional dimensions. Investor behaviour is influenced by the cognitive and the emotional side, which usually causes irrational decision-making. Cognitively, investors use mental shortcuts and biases such as overconfidence, anchoring, availability and mental accounting, which may distort the assessment and judgment of risk. Emotionally, (Kahneman & Tversky, 1979; Barber & Odean, 2001). Emotions

such as fear, greed, regret, and loss averseness play an important role in investment choices, particularly during volatile market periods (Shiller, 2000; Lo, 2005). These emotional reactions may result in behaviour such as panic selling or adjusted to chase a speculative gain. Together, cognitive and emotional biases question the assumptions of rational decision-making in conventional finance, which constitute the basis of behavioural finance as expounded in the works of Kahneman, Thaler, and others. The present study takes into account the following behavioural factors as it influences deeply the decision making of investors.

Investor apprehension with feelings of anxiety and uncertainty has a significant impact on mutual fund investment decision making in terms of risk perception and delaying or deterring investment action. According to Weber, Blais and Betz (2002), the state of apprehension is strongly correlated with one's perception of risk, as well as one's emotional reaction to an uncertain outcome, potentially resulting in cautious or avoidant behaviour. In the case of mutual funds, apprehensive investors can be hesitant because of fear of volatility in the markets, a lack of understanding, or fear of financial loss (Pompian, 2006). Studies by Forgas (1995) emphasize the fact that negative feelings such as apprehension can negatively affect the quality of decisions by increasing cognitive biases and decreasing the information processing capacity. Furthermore, according to Baker and Nofsinger (2002), investor apprehension can cause under-diversification and preference for low-risk funds, even if such choices fail in line with long-term financial goals. Hence, addressing investor apprehension by education, open communication and personalised advice is a key to encourage confident and rational investment decisions in mutual funds.

Financial literacy is a key factor in the decision-making process of mutual fund investments, as it can provide investors with the knowledge and skills necessary to assess the performance of mutual funds, understand the risks associated with investing in them, and make informed decisions. Lusardi and Mitchell (2007) define financial literacy as "the ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions." In the context of mutual funds, it is possible that those who are more financially literate are more likely

to understand concepts such as diversification, expense ratios and risk-return trade-offs, and therefore, will have better investment outcomes (Van Rooij, Lusardi, & Alessie, 2011). According to Bhushan and Medury (2013), financially literate investors are more confident with their investment decisions and there is an increased tendency for them to participate in mutual fund schemes. Additionally, Rooij et al. (2012) stress that financial literacy plays an important role in decreasing the reliance on biased heuristics and emotional responses and promotes rational investment behaviour. Hence, it is important to improve financial literacy for the promotion of mutual fund participation and making informed investment choices that are goal-oriented. Moreover, financial literacy lowers the risk of being victims of behavioural biases such as overconfidence and herd behaviour that usually led to suboptimal investment outcomes (OECD, 2016). Therefore, financial education is not only critical for people's financial well-being but also for the stability and efficiency of financial markets in general.

Perceived value is of vital importance to mutual funds investment decision-making process, as it represents the overall assessment of the investor of the benefits that have been received in comparison to the costs that have been incurred by the investor. Zeithaml (1988) defines perceived value as "the total assessment of the consumer of the utility of a product based on what he or she perceives to be received for and given up." In the context of mutual funds, perceived value includes such factors as fund performance, quality of management, brand reputation and quality of service. Sondhi and Jain (2010) found that the investor's perception of value has a noticeable effect on the investor's preference for a particular mutual fund especially in the context of continuity of returns and transparency of information. Similarly, Srivastava (2007) emphasises on the part that perceived value is formed not only by financial returns, but also psychological satisfaction and trust in the fund manager. Thus, boosting perceived value by communicating, delivering, and providing services can have a significant impact on the loyalty and decision-making process of investors when investing in mutual funds.

Furthermore, Perceived trust is an important determinant in decision-making in mutual fund investments, as it is directly related to an investor's willingness to commit funds in the face of uncertainty and risk. Trust helps to reduce perceived risk and creates investor confidence in the competence and integrity of the fund manager. According to Morgan and Hunt (1994) trust is "a key mediating variable in relationship marketing," that is essential in fostering long-term relationship between investors. In the mutual fund context, Gill, Biger, and Bhutani (2005) state that investors are more inclined to select and stay with fund houses that are trustworthy especially with regard to ethical practices, transparency, and consistent performance. Moreover, the importance of trust in fund managers was found by Chen and Mau (2009) in which trust has a significant impact on investor's satisfaction and intention to reinvest, thereby emphasizing that emotional security often supersedes rational evaluation. Therefore, building perceived trust by being transparent, using ethical practices and being consistent with communications is essential to shaping investor behaviour when it comes to mutual fund investments.

The other important factor is involvement of investor. Investor involvement is an important psychological construct which affects mutual fund investment decision-making by affecting the level of information processing and the extent of personal relevance granted to investment decisions. Zaichkowsky (1985) defines involvement as "a person's perceived relevance of the object based on inherent needs, values and interests." In the mutual fund context, highly involved investors will be more likely to engage in active information search, critically evaluate fund performance and make well-informed decisions (Mittal & Lee, 1989). According to Jain and Jain (2012), investor involvement has a significant effect on the consideration of fund attributes like past returns, risk levels and management reputation which later on affects fund selection. Additionally, Sondhi and Basu (2014) highlight that the more involved they are, the more satisfied and controlled they are on their financial outcomes, which will then help them invest in the long term. Thus, understanding and increasing investor involvement is key for mutual fund companies looking to develop deeper investor involvement and trust.

Risk tolerance is a basic concept in mutual fund investment decision-making and is a measure of an investor's willingness and ability to accept variability in investment returns. Grable and Lytton (1999) state that risk tolerance is "the maximum amount of uncertainty an individual is willing to accept when making a financial decision." It plays a critical role in the portfolio choice as investors with higher tolerance for the risk are likely to invest in equity-oriented mutual funds with higher return potential compared to the risk averse investors who go for debt or balanced funds (Barnewall, 1987). Hallahan, Faff, and McKenzie (2004) found that demographic variables like age, income, and education have a significant effect on risk tolerance, and these have an impact on mutual fund selections and investment behaviour. Moreover, Roszkowski and Grable (2005) point out that obtaining a correct assessment of risk tolerance is critical to matching the investment strategy with individual financial goals and emotional comfort. Therefore, understanding an investor's tolerance to risk is extremely important for mutual fund advisors and managers in order to provide appropriate fund recommendations for long-term satisfaction.

The above factors are becoming more and more accepted as key influencers of investment performance, and investment satisfaction. It was discovered that investors make decisions on whether or not to purchase a mutual fund scheme with the past performance of the scheme and that they are heavily influenced by the high and low returns from the scheme in the past. Furthermore, it was found that the investing decisions by investors while building their portfolios are not always rational, and they tend to react in the status quo manner, it came to the conclusion that there are a number of alternatives available to assist the investors to make better decisions while they acquire Mutual Fund Schemes. An empirical link has been established between the risk perception of investors and their investing patterns and choice of specific brokers for their investments in the study's findings that are influenced by their age, experience, income and educational qualification (Sachdeva, 2013).

While various studies have separately studied these factors, there have been scant efforts in discussing the interaction between these factors within the context of the Indian mutual fund investor, Kerala in particular.

Additionally, the behaviour of investment is not only prompted by direct relationships among these factors but also through mediators and moderators. For example, risk tolerance can be shown to mediate the relationship between perceived value and investment performance, to see how risk sentiments influence the conversion of perceived value into actual investment performance. Similarly, investor involvement may moderate the effect of investor apprehension on performance and reinvestment behaviour (high involvement may mitigate the negative effects of apprehension).

By exploring the antecedents and consequences of investment performance, identifying the role of mediating and moderating factors of psychological and behavioural constructs, the current study seeks to develop a comprehensive model of mutual fund investor behaviour in Kerala. Such an exploration is vital in the context of emerging economies, where formal financial inclusion is growing, but there is still great variance in behavioural readiness and confidence by investors.

This research, therefore, fills an important gap in the literature by looking at cognitive, behavioural and contextual factors in a coherent framework. The insights gained will not only add to the academic discussion on investor psychology and financial behaviour, but also have practical implications for mutual fund companies, policy makers and financial advisors who want to improve investor participation, trust and long-term financial well-being.

1.2 Significance of the Study

The present study is significant as it is organised based on a conceptual model explaining the mutual fund investment behaviour. It does so through interrelationships between investor apprehension, financial literacy, perceived value, perceived trust, risk tolerance, investor involvement, investment performance and reinvestment behaviour. By empirically testing the hypothesised direct, mediating and moderating relationships, the study provides a clear understanding of the investor decision-making in the context of mutual fund investments in Kerala.

1.2.1 Theoretical and Academic Significance

The main academic contribution of this study is the integrated conceptual model, which simultaneously captures the cognitive, psychological and behavioural dimensions of investing in mutual funds. By hypothesising that investor apprehension, financial literacy, perceived value and perceived trust are major antecedents of investment performance and reinvestment behaviour, the study moves beyond the analysis of isolated variables towards a more holistic explanation of investor outcomes and explains behavioural finance theory. A significant contribution of the study from the theoretical perspective is the consideration of perceived value and trust as a mediator between risk tolerance and investment performance. This mediation hypothesis provides empirical insight into the transaction between the perception of values and performance outcomes. It illustrates a gap in research where risk tolerance tended to be looked at as a predictor and not as an explanation. Further, the study reinforces behavioural finance by empirically testing the negative role of investor apprehension on both investment performance and intentions to reinvest, which brings theories of bounded rationality and affect-driven decision making closer to the data. The inclusion of investor involvement as a moderating variable provides an important theoretical extension by explaining the variation in the strength and direction of these relationships as a function of the level of cognitive and emotional engagement of investors. This moderation framework is useful in explaining inconsistent results across the prior literature on the roles of fear, uncertainty, and engagement when making financial decisions. By validating these relationships in Kerala, the study provides a context for the behavioural finance research in India.

1.2.2 Methodological Significance

Methodologically, the study is important because of its hypothesis-driven empirical test of a multi-path conceptual framework. This framework takes into consideration both mediation and moderation effects. The structured model is helpful to identify the causal mechanism as opposed to simply the associations between variables. This approach adds explanatory power and robustness to the findings. It also provides a framework for further research on investment behaviour in similar emerging markets.

1.2.3 Practical Significance

The practical relevance of the study stems directly from the conceptual model and hypotheses in the study. By identifying investor apprehension, financial literacy, perceived value, and perceived trust as antecedents of investment performance, the results provide practical information for mutual fund companies, asset management firms, and financial advisors to develop investor-related communication and advisory strategies. The moderating influence of investor involvement suggests that engagement interventions, such as personalized communication, digital dashboard and portfolio review, can reduce apprehension and increase reinvestment behaviour. Understanding reinvestment behaviour, as predicted by the model, is helpful in improving customer retention and building long-term investor relationships.

1.2.4 Policy and Regulatory Importance

The results of the study in the hypothesis sense direct relevance to regulatory and industry bodies like SEBI and AMFI. By establishing, empirically, the importance of financial literacy and trust in determining risk tolerance and performance and reinvestment decisions, the study offers evidence-based rationale for targeted investor education programs and regulatory interventions aimed at improving transparency. The moderating effect of investor involvement further highlights the policy measures that can foster active participation of investors and informed decision-making. Such insights can support the establishment of differentiated financial literacy programmes responding to different levels of involvement for better investor protection and market stability.

1.2.5 Contextual and Social Importance

Within the socio-economic context of Kerala, characterised by a large amount of general literacy, increasing financial participation and high household savings, the conceptual framework of the study provides a sophisticated understanding of the influence of psychological and behavioural factors in mutual fund investment outcomes. By elucidating hypothesised pathways between apprehension, involvement, trust, and perceived value and performance and reinvestment behaviour,

the study provides investors with insights to counter behavioural biases and induce rational, long-term investment behavioural tendencies. The validated conceptual model can be used as a reference for financial awareness programmes, cooperative financial institutions and future research.

1.3 Statement of the Problem

The Indian mutual fund sector has registered a significant expansion in assets under management, innovation in the product, and regulatory support. Retail investors believe mutual funds to be an effective way of investing as they offer good diversification, professional management, liquidity, and affordability. In spite of all these benefits, the retail investor behaviour in the mutual funds is still very small and skewed in terms of geographical regions, which implies the existence of latent behavioural and informational limitations that prevent optimal investment decision-making.

The state of Kerala, which is characterised by a high literacy level, a significant amount of non-resident earnings inflow, and a relatively good savings habit, shows a paradox to mutual fund adoption. Even though investors in Kerala have the financial capability to invest in market-linked instruments, a large percentage still incline towards the traditional investment methods like bank deposits, gold, and real estate. This reluctance depends upon the effect of behavioural reasons, including low financial literacy, low perceived value, lack of trust in mutual fund institutions, high risk aversion, and low levels of investor participation. Specifically, investor fear caused by uncertainty in the market, market volatility, fear of loss, and poor knowledge of mutual fund products pose one of the greatest psychological deterrents to initial and subsequent investment decisions.

There has been a significant increase in the mutual fund industry in India in the areas of assets under management, product innovation, and regulatory support. Retail investors are found to invest in mutual funds as they give them diversification, professional management, liquidity, and are affordable to invest. Nevertheless, as advantageous as they are, there is still limited and uneven participation in the mutual funds by the retail investors in various regions, which suggests that there is still a set

of underlying behavioural and informational limitations that inhibit optimal investment-making.

Kerala, a state that has a high literacy level, a large inflow of non-resident income, and a rather high savings culture, has a paradox in the mutual fund adoption. Though the Kerala investors have the financial resources to invest in market-related instruments, a large percentage of them still stick to the conventional investment methods like bank deposits, gold and real estate. This indecisiveness is an effect of behavioural attributes like low financial literacy, perceived value, lack of trust in mutual fund institutions, risk aversion, and investor non-involvement. Specifically, the investor fear caused by uncertainty in the market, volatility, fear of loss, and poor knowledge of the mutual fund products is a significant psychological impediment to initial investment and addition of funds into the investment.

Existing research on the behaviour of mutual fund investment has been mainly on investor awareness, preference patterns, and fund performance, mostly independently. Nevertheless, scanty empirical studies have investigated the relational impacts of major behavioural constructs, that is, the perceived value, perceived trust, risk tolerance, and investor involvement, in an integrated model, particularly in the Kerala context. How financial literacy facilitates the development of investors psychological risk tolerance through enhanced perceived value and trust, and how this, in turn, influences investment performance and subsequent investment-related behavioural intentions are the topics that are not well covered in previous literature.

Moreover, the empirical evidence that relates to the area is deficient as to how behavioural and cognitive variables are converted into reality investment performance and future behavioural intentions in the form of reinvestment and recommendation. This is more in Kerala, where behavioural resistance is still prominent than financial capability. Lack of a comprehensive behavioural model restricts the capacity of policy makers, asset management firms, and financial consultants to build specific strategies of engaging and educating investors.

Considering these gaps, this study aims to fill the gap by systematically studying the interaction between investor apprehension and financial literacy, perceived value and

perceived trust, risk tolerance, investor involvement, investment performance, and reinvestment decisions of mutual fund investors in Kerala. The proposed integrated analytical approach will enable the study to add to the body of literature on behavioural finance and offer empirical data applicable in the creation of the theory, shaping policies, and practice.

1.4 Research Questions

- What is the extent of financial literacy and investor apprehension among mutual fund investors in Kerala, and how do these levels differ across various socio-demographic groups?
- To what extent do mutual fund investors in Kerala exhibit perceived value, trust, involvement, and risk tolerance, and how do these levels vary with socio-demographic characteristics?
- What is the level of investment performance and behavioural inclinations (such as reinvestment and recommendation intentions) among mutual fund investors in Kerala, and how are these levels influenced by socio-demographic factors?
- How does financial literacy enable psychological risk tolerance through the mediating roles of perceived value and trust, and how does this pathway affect downstream outcomes such as investment performance and behavioural intentions among mutual fund investors?
- To what extent does investor involvement moderate the relationship between investor apprehension and key outcomes such as investment performance and reinvestment decisions in the mutual fund context?

1.5 Scope of the Study

The current research is limited to the study of behavioural and psychological antecedents affecting mutual fund investment decisions, reinvestment, and recommendation intentions of individual retail investors in the Indian state of Kerala.

The geographical, conceptual, demographic, and time limits are well specified to make the study focused, clear, and researchable.

1.5.1 Geographical Scope

The research is limited to the state of Kerala in southern India. The state of Kerala is marked by a high level of general literacy, a tremendous level of remittances of non-resident Indians, and increasing exposure to financial products. Regardless of these positive socio-economic factors, the penetration of mutual funds in the state is still average against the financial potential of the state. It is this paradox that renders Kerala a suitable and pertinent framework to study behavioural aspects that define the mutual fund investment and reinvestment decisions. The study results are hence context-specific and are understood in the socio-economic and cultural setting of Kerala.

1.5.2 Conceptual Scope

In conceptual terms, the literature is devoted to the chosen behavioural finance constructs that are theoretically and empirically connected to the behaviour of the mutual funds in terms of investment. All the important constructs that are discussed within the study are investor apprehension, financial literacy, perceived value, perceived trust, investor involvement, risk-taking, investment performance, reinvestment decisions, and recommendation intention.

The paper focuses on investor apprehension, the psychological factor that is examined as an obstacle to investment behaviour and financial literacy as a precursor that drives investor knowledge and decision-making. The perceived value and perceived trust are examined as cognitive appraisals that influence the investor confidence and expectations. The moderating variable is the involvement of investors, which affects the existing relationship strength between investor apprehension, investment performance, and reinvestment decisions. Investment performance is considered as one of the important outcome variables that affect the future behavioural intentions, i.e., reinvestment and recommendation.

The study is, therefore, confined to testing the impacts of direct, mediating, and moderating relationships as put forward in the conceptual framework and not macroeconomic and regulatory or fund-manager-specific factors.

1.5.3 Demographic Scope

The demographics of the study is limited to the individual fund investors in retail mutual funds who live in Kerala. The respondents consist of investors with a minimum investment period of one year in mutual funds, to ensure that the respondents have experience in performance and an intention to reinvest. There are various investors with different demographic backgrounds, such as age, sex, income, level of education, and occupation, included to capture the variability of behavioural traits. The institutional investors, corporate investors, portfolio managers, and financial advisors are not included in the study because they make decisions based on professional requirements and organizational interests instead of personal behavioural factors.

1.5.4 Temporal Scope

The time frame of the study is 2020-2026. This period captures the post-pandemic stage of economic recovery and market stabilization in India, where the involvement of retail investors in mutual funds has increased. The data gathered are the perceptions, experiences, and behavioural reactions of the investors with regard to this time. Such results are thus assumed to be taken within the context of the market conditions existing at the time of study and might lack the ability to reflect behavioural change since the time of the study.

1.6 Objectives of the Study

1. To investigate the apprehension and financial literacy of the mutual fund investors in Kerala
2. To examine the investors' perceived value, trust, involvement and risk tolerance towards mutual fund investment
3. To investigate the investment performance and behavioural inclinations of mutual fund investors in Kerala

4. To examine the enabling role of financial literacy in shaping investors psychological risk tolerance via perceived value and trust and its downstream effect on investment performance and behavioural inclinations
5. To extract the moderating effect of investors involvement on the effect of investors apprehension and investment performance and reinvestment decision

1.7 Hypotheses of the Study

In accordance with the above given objectives following hypotheses were formulated

Objective 1: To investigate the apprehension and financial literacy of the mutual fund investors in Kerala

1. **H₀:** There is no significant difference between observed and assumed investor apprehension among the mutual fund investors in Kerala
2. **H₀:** There is no significant difference between male and female investors with respect to their investor apprehension towards mutual fund investment
3. **H₀:** There is no significant difference between married and unmarried investors with respect to their investor apprehension towards mutual fund investment
4. **H₀:** There is no significant difference among various age groups of investors with respect to their apprehension towards mutual fund investment
5. **H₀:** There is no significant difference among various educational qualifications of investors with respect to their apprehension towards mutual fund investment
6. **H₀:** There is no significant difference among occupations of investors with respect to their apprehension towards mutual fund investment
7. **H₀:** There is no significant difference among annual savings of investors with respect to their apprehension towards mutual fund investment
8. **H₀:** There is no significant difference between observed and assumed financial literacy among the mutual fund investors in Kerala

9. **H0:** There is no significant difference between male and female investors with respect to their financial literacy towards mutual fund investment
10. **H0:** There is no significant difference between married and unmarried investors with respect to their financial literacy towards mutual fund investment
11. **H0:** There is no significant difference among age groups of investors with respect to their financial literacy towards mutual fund investment
12. **H0:** There is no significant difference among various educational backgrounds of investors with respect to their financial literacy towards mutual fund investment
13. **H0:** There is no significant difference among various occupations of investors with respect to their financial literacy towards mutual fund investment
14. **H0:** There is no significant difference among annual savings of investors with respect to their financial literacy towards mutual fund investment

Objective 2: *To examine the investors' perceived value, trust, involvement and risk tolerance towards mutual fund investment*

1. **H0:** There is no significant difference between male and female mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment
2. **H0:** There is no significant difference among age of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment
3. **H0:** There is no significant difference among the education of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment
4. **H0:** There is no significant difference among monthly income of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

5. **H0:** There is no significant difference between the occupation of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment
6. **H0:** There is no significant difference among annual savings of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Objective 3: *To investigate the investment performance and behavioural inclinations of mutual fund investors in Kerala.*

1. **H0:** There is no significant difference among the levels of investment performance of mutual fund investors in Kerala
2. **H0:** There is no significant association between gender and the levels of investment performance of mutual fund investors in Kerala
3. **H0:** There is no significant association between age and the levels of investment performance of mutual fund investors in Kerala
4. **H0:** There is no significant association between education and the levels of investment performance of mutual fund investors in Kerala
5. **H0:** There is no significant association between monthly income and the levels of investment performance of mutual fund investors in Kerala
6. **H0:** There is no significant association between occupation and the levels of investment performance of mutual fund investors in Kerala
7. **H0:** There is no significant association between annual savings and the levels of investment performance of mutual fund investors in Kerala
8. **H0:** There is no significant difference between assumed and observed behavioural inclinations among mutual fund investors in Kerala
9. **H0:** There is no significant difference between behavioural inclination of male and female mutual fund investors in Kerala
10. **H0:** There is no significant difference between behavioural inclination and age of mutual fund investors in Kerala

11. **H0:** There is no significant difference between behavioural inclination and education of mutual fund investors in Kerala
12. **H0:** There is no significant difference between behavioural inclination and monthly income of mutual fund investors in Kerala
13. **H0:** There is no significant difference between behavioural inclination and occupation of mutual fund investors in Kerala
14. **H0:** There is no significant difference between behavioural inclination and annual savings of mutual fund investors in Kerala

Objective V: *To examine the enabling role of financial literacy in shaping investors' psychological risk tolerance via perceived value and trust and its downstream effect on investment performance and behavioural inclinations*

1. **H0:** Financial literacy has a positive effect on perceived trust.
2. **H0:** Financial literacy has a positive effect on perceived value.
3. **H0:** Financial literacy has a positive effect on risk tolerance
4. **H0:** Perceived trust has a positive effect on risk tolerance
5. **H0:** Perceived value has a positive effect on risk tolerance.
6. **H0:** Risk tolerance has a positive effect on involvement
7. **H0:** Involvement has a positive effect on investment performance
8. **H0:** Investment performance has a positive effect on re-investment decisions
9. **H0:** Investment performance has a positive effect on recommendation intention
10. **H0:** Re-investment decisions have a positive effect on recommendation intention.
11. **H0:** Perceived trust mediates in the relationship between financial literacy and risk tolerance
12. **H0:** Perceived value mediates in the relationship between financial literacy and risk tolerance

Objective VI: *To extract the moderating effect of investor's involvement on the effect of investor's apprehension and investment performance and reinvestment decision*

1. **H0:** Investors apprehension has a positive effect on investment performance
2. **H0:** Investors apprehension has a positive effect on re-investment decisions
3. **H0:** Involvement has a positive effect on investment performance
4. **H0:** Involvement has a positive effect on re-investment decisions
5. **H0:** Involvement has a moderating effect on the strength of the relationship between Investors apprehension and investment performance
6. **H0:** Involvement has a moderating effect on the strength of the relationship between Investors apprehension and Re-investment decisions

1.8 Research Methodology

The study methodologies have been described under the following headings.

1.8.1 Research Design

The analysis takes a descriptive data model to study many issues of the research problem using diverse statistical tools. The general research design is a combination of a descriptive and an analytic design, as it would not only describe the present situation, but it would examine the relationships and patterns present in the data.

In order to adopt the methodology, the study relies on the Research Onion by Saunders (2009) as it is a complete guide to choosing the relevant research philosophies, research approaches, strategies, time horizons, and data collection methods. The onion model has a layered design which assists in peeling all the components of the research process in a systematic manner.

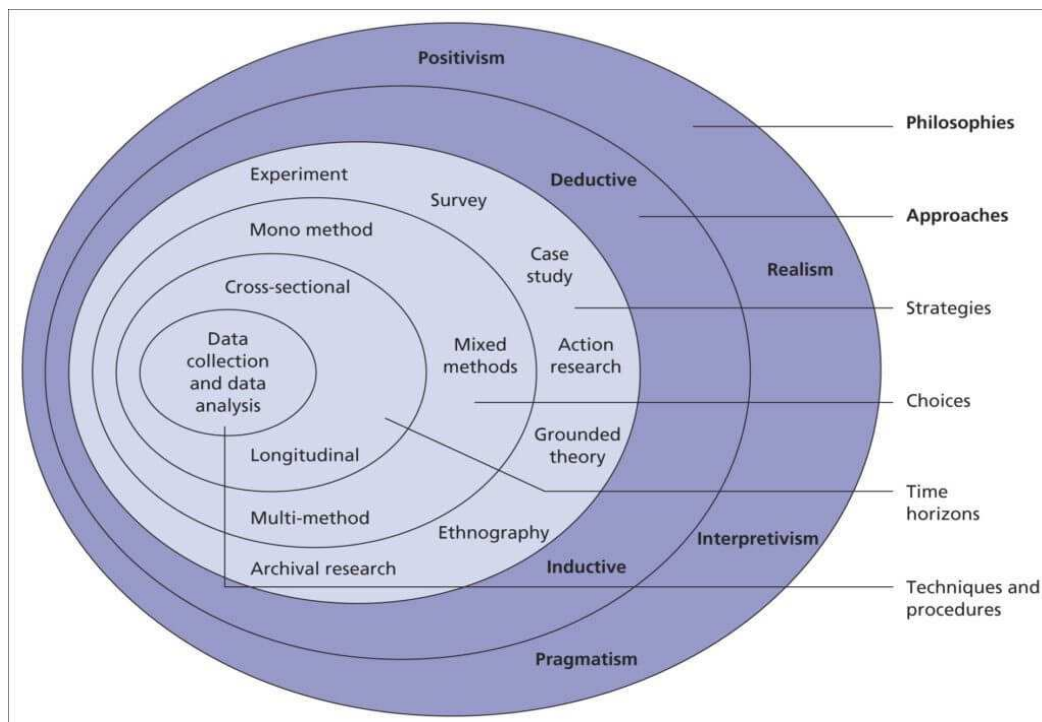
1.8.1.1 Research Onion

Saunders et al. (2009) present a conceptual model known as the Research Onion that identifies the stages of a good research methodology development. It has six layers, research philosophy, approach, strategy, choice, time horizon, data collection and analysis techniques, each influencing a decision that defines the manner in which research is undertaken. Based on more general philosophical assumptions regarding

knowledge (e.g., positivism or interpretivism), it becomes narrow through methodological decisions like the use of deductive or inductive research methods, research methodologies (survey or case studies), and the choice of mono or mixed methods. It also takes into consideration the time span (cross-sectional or longitudinal) and then centres on particular data collection and analysis procedures. The systematic methodology provides coherence, clarity, and correspondence between research queries and methodological choices. Research onion propounded by Sanders, Lewis and Tornhill, 2009 is given below.

Figure 1.1

Research onion



Source: Sanders, Lewis and Tornhill, 2009

1. Philosophy of Research: Positivism

A research philosophy is based on the assumption that reality is objective and observable and not dependent on how human beings perceive it. It supposes that the knowledge is based on the sensory experience and can be quantified with the help of empirical, scientific techniques. Scholars who assume a positivist position seek to examine phenomena by using measurable information, typically gathered using a

form of structured instrument (e.g. surveys or experiments) and examined using statistical methods. The aim is to test, establish patterns, and come up with generalisable laws or theories. This research method asks the researcher to stay neutral and detached so as to avoid biases and make the findings valid and reliable. Positivism is traditionally related to the deductive method of research and is also prevalent in both natural and social sciences, where clarity, objectivity, and replicability are required.

2. Methodology: Deductive Research

It entails the initiation of a theory or hypothesis that already exists and then formulating a research plan to test it by means of empirical observation and gathering of data. This method shifts between the general and the specific; that is, generalised theory determines the formulation of particular research questions or predictions. The deductive approach applies quantitative data to confirm or disprove hypotheses, and researchers can use surveys or experiments to gather sufficient data. The analysis of the results is then conducted to test the validity of the initial assumptions. This method is highly similar to the positivist philosophy because it focuses on objectivity, measurement, and the scientific method. It is extremely common in research when the objective is to examine cause-and-effect relationships or to confirm the existing models in terms of statistically reliable results.

3. Research Strategy: Survey

The survey plan incorporates the unbiased and structured gathering of standard information of a specific sample population through the use of instruments like questionnaires, structured interviews, or web-based forms. It is specifically useful in studying patterns, trends, or attitudes in large populations, which is why it is an excellent technique in social sciences, business, education, and research in health matters of the population. The most usual method of research is a deductive one that is usually used in a survey, and in which the hypothesis is tested using the theory previously tested. This is in agreement with a positivist epistemological orientation that lays stress on the application of objective measurements and quantifiable data to explain a social phenomenon. The fact that the survey strategy generates statistical

data that can be applied to a larger population is one of the main strengths of this approach, as long as the sample is representative. It can be compared across subgroups, trended over time, and tested using inferential statistics. Nevertheless, surveys have their flaws as well. They tend to use self-reported information, which is susceptible to the social desirability bias or misinterpretation of the questions. Also, the fixed-response format can exclude the extensiveness of responses, and the response rate can be an issue, particularly in online questionnaires.

4. Method of Research: Mono-method Quantitative

The mono-method quantitative methodology allows the applied data collection method and the relevant quantitative data analysis methods. Under this method, statistical information is collected and processed to determine trends, prove the hypotheses, and make objective conclusions. The quantitative choice of the mono-method is operationalised in this research by using structured tools, i.e., surveys or questionnaires. These instruments will be aimed at gathering standard, measurable information that may be subjected to statistical analysis, including descriptive statistics, correlation, or regression analysis, based on the research questions. This method is quite appropriate when a study is based on a positivist philosophy and deductive research approach, when the objective of the study is to either reject the existing theories or hypotheses based on empirical evidence. It can be replicated, generalised, and compared with others, particularly in large sample sizes.

Nevertheless, a mono-method quantitative study can be too shallow to serve as a source of deep insight that qualitative data can provide. It might fail to reflect the context, meanings, and motivations of the participants. Thus, it will best suit the goal of the research when the objectives are focused on measuring, predicting, and objective analysis rather than on detailed examination of the subjective experiences. In spite of these shortcomings, the mono-method quantitative choice is efficient, consistent, and clear in data collection and data analysis, thus a dependable method of studies that aim at obtaining statistically validated outcomes.

5. Time Horizon: Cross-sectional

A cross-sectional time horizon is a collection of data at a time point, which gives us a picture of the phenomenon being researched. This method is normally applied in studies that seek to evaluate existing attitudes, behaviours, conditions, or features of a group or a population. The cross-sectional design is especially appropriate in studies that aim to determine the prevalence, correlations, or differences among variables without necessarily following how the variables change over time. It is consistent with a quantitative research approach and is frequently selected due to its efficiency, cost-effectiveness, and capability to make timely conclusions.

Cross-sectional research does not come with any convulsions of time, as opposed to longitudinal studies that gather data over long-term periods in order to note trends and developments. Consequently, it is not capable of establishing causal relations and the rate of change of variables over time. However, it is an effective and legitimate method of investigating the existing circumstances and establishing a premise for further study. The cross-sectional time horizon is suitable in this study since the analysis of data at a specific time is aimed at understanding the current trends or sentiments among the target population. The design will be useful in achieving the research goals without being too big to manage with the available time and resources.

6. Data Collection and Data Analysis

The final part of the research methodology is concerned with the actual process of data collection and processing, which is central to the discussion of the research objectives. Quantitative survey data will be collected using a structured questionnaire for the study. This tool is aimed at gathering standardized reactions of the respondents, and the responses would be consistent and reliable throughout the dataset. The data is gathered at one point in time, which corresponds to the cross-sectional time horizon and allows the researcher to obtain a picture of the phenomenon under analysis. The questionnaire contains closed-ended questions, which are easy to quantify and analyze the answers.

After data collection, the information will be statistically analyzed through the use of the relevant techniques. This can encompass both the descriptive statistics to summarize the data (e.g., frequencies, percentages, and means) and the inferential statistics to establish relationships between variables or test hypotheses. This quantitative data collection and analysis approach will help the study be positivist-oriented, as the results will be objective, measurable, and applicable to the larger population if the sample is representative.

Figure 1.2

Research onion used for the study



Source: Saunders, Lewis and Thornhill, 2009

1.8.2 Sources of Data

1. Primary Data:

Structured questionnaires distributed online and offline. Instrument: 5-point Likert scale items adapted from validated studies (e.g., Zaichkowsky, 1985; Grable, 2000; Sweeney & Soutar, 2001).

2. Secondary Data:

Secondary data has been utilized to support and contextualize the primary research findings. It serves to provide historical, comparative, and market-level insights into mutual fund investment trends and financial literacy.

Types of Secondary Data Sources Used

a) Government and Regulatory Bodies

- SEBI (Securities and Exchange Board of India) – Reports on mutual fund performance, investor protection guidelines, financial literacy initiatives.
- RBI (Reserve Bank of India) – Reports on financial inclusion, macroeconomic indicators.
- Ministry of Finance – Union Budgets, Economic Surveys.

b) Industry Reports

- AMFI (Association of Mutual Funds in India) – Mutual fund statistics, awareness campaigns, investor demographics.
- CRISIL and ICRA – Mutual fund rankings, financial literacy research.
- Morningstar – Performance evaluations and risk metrics.

c) Academic Journals, Literatures and Newspapers

- Peer-reviewed articles on financial literacy, mutual fund investment behaviour, and behavioural finance.

- Past theses and dissertations in related domains.
- Newspapers like The Hindu, Economic Times, Indian Express, Business Line

d) Market and Consumer Research

- Nielsen, Kantar, or Statista – Market studies on investment preferences and financial behaviour.

e) Databases

- CMIE Prowess, Bloomberg, Refinitiv Eikon – Mutual fund NAVs, asset data, and investor trends.
- World Bank, OECD, IMF – For comparative global data on financial literacy and investment.

1.8.3 Sample Design

The section focuses on the methods and processes employed to choose sample respondents

A. Population

The population of the current study is all individual mutual fund investors in the state of Kerala whose name appears in the portfolio records of different Asset Management Companies in Kerala. This involves the retail investors, who invested in mutual fund scheme either by lump-sum investments, or/and Systematic Investment Plans (SIPs) regardless of the type of mutual fund scheme (equity, debt, hybrid, index, sectoral, or ELSS). The population is demographically composed of investors of different age groups, income levels, occupations and educational backgrounds and the population is perceived as large and finite.

B. Sample Size Determination

The size of sample was determined on the basis of the standard deviation obtained from a pilot study involving 60 respondents. To ensure that the standard error

remained within acceptable bounds, the calculation was performed at a 5% significance level.

Sample size (n) = $(ZS/E)^2$ (Israel, 2009), where

Z is the z-value for a 95% confidence level which is 1.96,

S is the standard deviation from the pilot sample (0.571), and

E is the permissible margin of error (0.05).

Substituting the values, the estimated sample size was **501.0076**, and the researcher proceeded to collect 502 responses for the main study.

Additionally, during the data analysis phase, sample adequacy was evaluated in the context of Covariance-Based Structural Equation Modelling (CB-SEM). According to Tanaka (1987), SEM using Maximum Likelihood Estimation requires a minimum 5:1 ratio of observations to free parameters, assuming multivariate normality. Based on this guideline, a sample size of 502 was considered sufficient for SEM model development in the study.

C. Sampling Method and procedure

After determining the sample size of 502 mutual fund investors for the study, then it is decided to divide Kerala in to 3 regions namely North, Central and South. The sample districts selected are Kozhikode and Kannur representing North Kerala, Ernakulam and Thrissur representing Central Kerala, Kollam and Thiruvananthapuram representing South Kerala

Table 1.1

Sample Districts

Region	Sample district chosen	Sample size
North Kerala	Kozhikode, Kannur	167
Central Kerala	Ernakulam, Thrissur	168
South Kerala	Kollam, Thiruvananthapuram	167
Total	6 districts	502

D. Sampling Technique

The present study adopted Multi Stage Random Sampling Technique, a form of Probability Sampling. To facilitate sample selection Kerala was divided into three major regions, namely North, Central, and South Kerala, in order to capture regional differences in terms of socio-economic conditions and differences in investment behaviour. Two districts from each region were selected on the basis of having the greatest number of investor presence, i.e., Kozhikode and Kannur from North Kerala, Ernakulam and Thrissur from Central Kerala, and Thiruvananthapuram and Kollam from South Kerala. Finally, the respondents were selected using simple random sampling techniques till the desired sample size was achieved. 502 mutual fund investors were selected as the sample size. This has reduced sampling bias and enhanced representativeness, and enabled the data to be appropriate for advanced techniques of analysis such as Structural Equation Modeling (SEM) and moderation analysis.

1.8.4 Questionnaire Design

Questionnaire design is an important part of empirical research, especially when the study focuses on behavioural, attitudinal, and perceptual aspects of individual decision-making. In the current research, named *“Investor Apprehension and Behavioural Factors Influencing Mutual Fund Investments in Kerala*, the data collection instrument based on a structured questionnaire is used. The questionnaire has been designed to be sensitive to the multidimensional nature of investor behaviour and also to be consistent with both the objectives and the conceptual framework of the study.

The questionnaire is designed into separate parts that will represent certain variables that will be incorporated in the study. The first part gathers the socio-demographic and economic data of respondents, such as age, gender, education, occupation, income, and investment experience. This fact gives the required contextual background in explaining changes in investment behaviour across various groups of investors.

The following parts of the questionnaire are dedicated to the measurement of the main behavioural and psychological constructs of the study. Financial literacy is measured using questions that represent the concepts of mutual funds, the knowledge of the trade-offs between risk and returns, and the fundamental principles of investing by the respondents. Investor apprehension is gauged by using statements that represent fear, uncertainty, and perceived complexity with respect to mutual fund investments. Perceived value and perceived trust are measured by using items that measure the beliefs of the respondents in terms of the benefits, reliability, transparency, and credibility of the mutual fund products and institutions.

Investor participation is quantified by assessing the level of individual interest, information-seeking behaviour, and participation in decision-making of investing in mutual funds. The risk-taking behaviour is measured with questions that show the readiness of the respondent to embrace financial risk and the prospective losses in order to obtain greater returns. Self-reported indicators are used in the determination of investment performance based on satisfaction with returns, accomplishment of investment objectives, and the overall evaluation of the performance of the mutual funds. Reinvestment decision and recommendation intention are reflected by the items that reflect future intentions of the respondents to keep on investing in mutual funds and to recommend them to others.

Variables measuring all attitudinal and perceptual are measured using multiple-item statements on a five-point Likert scale of strongly disagree to strongly agree. The multiplicity of the items in each construct improves the reliability of the measurement, along with enabling rigorous quantitative analysis. On the whole, the questionnaire is structured in such a way that it is clear, content valid, and analytically strong to allow conducting a systematic study of the relationships between financial literacy, investor apprehension, perception, involvement investment performance, and reinvestment decisions among mutual fund investors in Kerala. In summary, the questionnaire is a well-structured, theory-driven tool designed to systematically capture the factors influencing mutual fund investment behaviour and performance in Kerala, facilitating both descriptive and inferential statistical analyses.

1.9 Constructs used in the study

The following table gives the various constructs used in the study along with the sample measurement items

Table 1.2

Constructs, Measurement Items, and Supporting References

Sl No	Construct	Sample Measurement Items	Reference(s)
1	Investor Apprehension	• Experience some kind of apprehension when making decisions regarding investments in mutual funds • Concerned about the complex nature of mutual funds and their investment strategies. • Worried about the potential risks associated with mutual fund Investments such as market risk • Apprehensive about the fees and charges involved in mutual Fund investments. • Worried to invest in mutual Funds due to the lack of transparency and clear information provided by fund managers.	Ahmed et al. (2022); Ricciardi & Simon (2000); Malhotra & Singh (2007); Van Rooij, Lusardi & Alessie (2011)
2	Financial knowledge	• Awareness of Various financial products and services • Knowledge of Mutual fund house • Catering to long term financial objective	Manku(2025); Maheswari et al. (2025) ; Lusardi & Mitchell (2014); Van Rooij et al. (2011);

SI No	Construct	Sample Measurement Items	Reference(s)
		• Knowledge of wide range of services offered by Mutual funds • Understanding of mutual fund prospectus • Knowledge of concepts and schemes of MF investments	
3	Financial Skills	• Ability to predict the performance and future outcome of MF investment • Ability to select accurate Mutual Fund investment options • Ability to assess the risk and return potential of different mutual funds. • Ability to diversify mutual fund portfolio • Ability to balance mutual Fund portfolio on a regular basis.	Wendy (2024); palesta et al. (2024); Shroff et al. (2024)
4	Financial Attitude	• Believe responsible and accountable as an investor in mutual fund investment • Believe mutual fund investing is an important part of financial planning. • Believe mutual fund investment is less risky investment • Believe mutual fund investment is a less returns investment avenue compared with share market investment • Believe mutual fund investment is safe investment option	Oehler et al. (2024);Kar and Patro (2024);Nguyen et al. (2023);Wangi and Bhaskara (2021)

SI No	Construct	Sample Measurement Items	Reference(s)
5	Financial Behaviour	- Analyse about mutual fund investment before taking investment decision - Adequate level of risk while investing in MF - Regular reviewing of mutual fund investments and make adjustments as needed. - Conduct thorough research on mutual fund's portfolio before investing. - Seek professional advice when making major Investment decisions.	Zaheer Ahamed et al. (2020); Richa Gupta (2020); Gupta Sangeetha (2017); Agarwalla et al. (2015)
6	Perceived value	- Feel that investing money in mutual funds is worthwhile. - Offer professional Management of investment Portfolios - Allow investors to Diversify their investments and reduce risk - Provide investors with access to a wide range of Investment options. - Investing in mutual fund is really value for money - Fees associated with mutual Funds are reasonable.	Sweeney & Soutar (2001); Morgan & Hunt (1994); Grable & Lytton (1999); Jain & Singh (2020)
7	Perceived Trust	- Mutual fund investment experience given a sense of trust. - Confidence and trust - Safety and security	Sankar et al. (2025); Indra Bishnoi et al. (2024); Sonal Singh (2024)

SI No	Construct	Sample Measurement Items	Reference(s)
		• Sound investment decisions • Transparency	
8	Involvement	• Actively seek out information about mutual funds. • Discussion of mutual fund investments with friends, family and financial advisors • Participation in online forums and other discussions about mutual funds. • Attend mutual fund seminars and other investment workshops. • High involvement in mutual fund investment process	Sarika Keswani, et. al.(2019); Lim et al. (2016); Saini et al. (2011).
9	Risk tolerance	• Willingness to take risk • Achieving investment goals • Potential for high returns • Long term growth • Accepting short term loss for long term gain • Withstand panic during downturn	Ger and Maheta (2025), Harini et.al. (2024) Shi Yu et al.(2023)
10	Investment performance	• Display upward trend • No regret in MF decision • Satisfaction in MF performance • Satisfaction on risk adjusted returns	Anupam Roy (2025), Ramakrishnan (2024) Les Coleman (2023)
11	Recommendation intention	• Recommendation to family and friends	Bansal and Chhbra (2018); Nihar

SI No	Construct	Sample Measurement Items	Reference(s)
12	Reinvestment decisions	• Positive word of mouth	(2011);Morgan ang Hunt (1994)
		• Positive encouragement	
		• Willingness to reinvest	Huang and Hsu (2013) Roszkowski and Grable(2005)
		• Long term wealth growth	
		• Profitability	
		• Increase investment	
		• Market conditions	

1.10 Pre-testing

A pretest of the questionnaire was done among 100 mutual fund investors in the Kozhikode district before the pilot study. Their recommendations and viewpoints were taken into account while drafting the questionnaire.

1.11 Pilot study and Reliability analysis

A. Reliability Analysis

Reliability testing during a pilot study assesses the internal consistency of a questionnaire or measurement instrument before full-scale data collection. It ensures that the items within each construct or scale consistently measure the intended concept.

One of the most commonly used methods is Cronbach's Alpha, where a value above 0.70 is generally considered acceptable (Nunnally, 1978). This helps identify poorly performing items, which may need revision or removal. Additionally, inter-item correlations and corrected item-total correlations are also examined to evaluate the coherence among items.

Conducting reliability testing during the pilot phase strengthens the instrument's credibility and enhances the overall validity of the main study by ensuring stable and consistent measurement.

Table 1.3*Pilot study results during the period of initial data collection*

SI No.	Constructs	Test results	
		Test value	Item deletion status
Factors of financial Literacy			
1	Financial Awareness	0.765	Nil
2	Financial Knowledge	0.841	Nil
3	Financial Attitude	0.855	Nil
4	Financial Behaviour	0.766	Nil
Outcome factors			
5	Perceived Value	0.847	Nil
6	Perceived Trust	0.811	Nil
7	Involvement	0.863	Nil
8	Risk Tolerance	0.765	Nil
9	Investment performance	0.799	Nil
10	Re-investment Decisions	0.755	Nil
11	Recommendation Intentions	0.794	Nil
Investor Apprehension			
12	Investor Apprehension	0.865	Nil

A pilot study was conducted during the initial phase of data collection to assess the reliability of the constructs used in the research instrument. The reliability test results, as indicated by Cronbach's alpha values, showed that all constructs demonstrated acceptable to high internal consistency, with values ranging from 0.755 to 0.865. Specifically, the financial literacy factors financial awareness (0.765), financial knowledge (0.841), financial attitude (0.855), and financial behaviour (0.766) all met the standard threshold. Similarly, outcome variables such as perceived value (0.847), perceived trust (0.811), involvement (0.863), risk tolerance (0.765), investment performance (0.799), re-investment decisions (0.755), and recommendation intentions (0.794) also showed satisfactory reliability. The construct measuring investor apprehension recorded the highest reliability at 0.865. Notably, no item

deletions were required across any of the constructs, indicating strong internal consistency of the instrument in its preliminary stage.

Table 1.4

Harman's Single Factor Test: Assessment of Common Method Bias

Purpose of Test	Method Used	Result Obtained	Threshold Value	Inference
To assess common method bias (CMB)	Harman's single factor test	37.55%	$\leq 50\%$	Common method bias is not a concern

To assess the possibility of common method bias (CMB) in the dataset, Harman's single-factor test was conducted. The results indicated that the first unrotated factor accounted for 37.55% of the total variance, which is below the commonly accepted threshold of 50%, as recommended by Podsakoff et al. (2003). This implies that common method variance is not a significant concern in this study. Therefore, the dataset is considered to be largely unaffected by single-source bias, supporting the reliability and validity of the research findings.

B. Normality of Data (Distributional Assumption)

For the purpose of determining whether or not the data follow a normal distribution, the Kolmogorov-Smirnov test was carried out (Sarstedt & Mooi, 2014).

Table 1.5

Normality of data by Kolmogorov-Smirnov test

SI No.	Constructs	Kolmogorov-Smirnov test	
		Statistic	Sig.
Factors of financial Literacy			
1	Financial Awareness	0.032	0.200*
2	Financial Knowledge	0.028	0.200*
3	Financial Attitude	0.034	0.200*
4	Financial Behaviour	0.029	0.200*

SI No.	Constructs	Kolmogorov-Smirnov test	
		Statistic	Sig.
Outcome factors			
5	Perceived Value	0.029	0.200*
6	Perceived Trust	0.032	0.200*
7	Involvement	0.035	0.200*
8	Risk Tolerance	0.028	0.200*
9	Investment performance	0.029	0.200*
10	Re-investment Decisions	0.039	0.200*
11	Recommendation Intentions	0.041	0.200*
Investor Apprehension			
12	Investor Apprehension	0.041	0.200*

* This is a lower bound of the true significance

The normality of the dataset was assessed using the Kolmogorov-Smirnov test, which indicated that all key constructs, including financial literacy dimensions (financial awareness, financial knowledge, financial attitude, and financial behaviour), outcome factors (such as perceived value, perceived trust, involvement, risk tolerance, investment performance, recommendation intention and re-investment decisions), and investor apprehension, demonstrated non-significant values with significance levels equal to 0.200. This suggests that the data for these constructs follow a normal distribution, satisfying one of the essential assumptions for conducting structural equation modelling using CB-SEM in AMOS 21.

1.12 Statistical Software Packages and Tools used for Data analysis

The data collected for the present study were processed and analysed using appropriate statistical tools and software packages to ensure accuracy, reliability, and analytical rigor. Both descriptive and inferential statistical techniques were employed in accordance with the objectives and hypotheses of the study. The primary software packages used for data analysis include IBM SPSS Statistics (Version 27), IBM SPSS AMOS Graphics (Version 21), and Microsoft Excel.

A. Software Packages Used

1. Analysis of Investor Apprehension and Financial Literacy

To examine the levels of investor apprehension and financial literacy among mutual fund investors in Kerala, descriptive statistics such as mean and standard deviation were used. Inferential statistical techniques including one-sample *t*-test, independent-samples *t*-test, and one-way Analysis of Variance (ANOVA) with Tukey's HSD post hoc test were applied to assess differences across demographic groups. These analyses were carried out using the IBM SPSS Statistics 27 software package.

2. Analysis of Perceived Value, Perceived Trust, Investor Involvement, and Risk Tolerance

To analyse investors' perceived value, perceived trust, investor involvement, and risk tolerance towards mutual fund investments, descriptive statistics and inferential tests such as one-sample *t*-test, independent-samples *t*-test, and one-way ANOVA with Tukey's HSD post hoc analysis were employed. All analyses under this objective were conducted using IBM SPSS Statistics 27.

3. Analysis of Investment Performance and Behavioural Inclinations

To investigate the investment performance and behavioural inclinations (reinvestment decision and recommendation intention) of mutual fund investors in Kerala, percentage analysis was used for descriptive assessment. The Chi-square test for goodness of fit and Chi-square test for association were applied to examine the distribution and relationships among categorical variables. These analyses were performed using IBM SPSS Statistics 27.

4. Analysing the role of financial literacy in impacting risk tolerance via perceived value and trust and its effect on behavioural inclination

To examine the enabling role of financial literacy in the risk tolerance capacity of investors through perceived value and trust and its effect on investment performance and behavioural outcome, Covariance-Based Confirmatory Factor Analysis (CB-CFA) and Structural Equation Modelling (SEM) were employed. These techniques

were used to validate the measurement model and test the structural relationships proposed in the conceptual framework. The analyses were conducted using IBM SPSS AMOS Graphics 21, with Microsoft Excel used for preliminary data preparation and result tabulation.

5. Moderating role of Investor Involvement

To assess the moderating effect of investor involvement on the relationship between investor apprehension, investment performance, and reinvestment decision, Structural Equation Modelling (SEM) and simple slope analysis were applied. Moderation effects were examined using interaction paths and graphical slope interpretation. These analyses were performed using IBM SPSS AMOS Graphics 21, supported by Microsoft Excel for computation and visualization.

B. Tools Used for Data Analysis

This section outlines the statistical tools and analytical techniques employed to analyze the data and test the research hypotheses. Both descriptive and inferential statistical methods were used to ensure a comprehensive examination of the dataset and to draw valid conclusions regarding relationships and differences among the study variables.

➤ Descriptive Statistical Tools

Descriptive statistics were initially employed to summarize and organize the data in a meaningful manner. Measures of central tendency, such as mean, and measures of dispersion, such as standard deviation, were used to describe the general characteristics of the sample and key study variables. Frequency distributions and percentage analysis were applied to profile respondents and to understand response patterns across demographic and behavioural variables. These techniques provided an overall snapshot of the data and served as a foundation for subsequent inferential analysis.

➤ **Inferential Statistical Tools**

To test the research hypotheses and draw inferences beyond the sample data, the following inferential statistical techniques were applied:

1. **One-Sample t -Test:** The one-sample t -test was used to determine whether the mean value of a selected variable significantly differed from a predetermined or theoretical benchmark. This test helped assess whether investor perceptions and behavioural attributes deviated from expected or neutral levels.
2. **Independent Samples t -Test:** The independent samples t -test was employed to examine whether significant differences existed between two independent groups (such as gender or investment experience categories) with respect to selected continuous variables. This analysis aided in identifying group-based variations relevant to the study objectives.
3. **One-Way Analysis of Variance (ANOVA):** One-way ANOVA was used to test for statistically significant differences in mean values across more than two independent groups, such as age groups, income levels, or educational categories. When the ANOVA results were found to be significant, further analysis was conducted using post hoc tests.
4. **Tukey's Honestly Significant Difference (HSD) Post Hoc Test:** Tukey's HSD post hoc test was applied following significant ANOVA results to identify specific group pairs that differed significantly from one another. This method controlled for Type I error and facilitated detailed interpretation of group differences.
5. **Chi-Square Test for Goodness of Fit:** The Chi-square test for goodness of fit was used to examine whether the observed distribution of categorical variables differed significantly from expected distributions. This test was particularly useful for analyzing response patterns related to investment behaviour and intentions.
6. **Structural Equation Modelling (SEM):** Structural Equation Modelling (SEM) was employed to examine complex relationships among multiple variables simultaneously. SEM enabled the testing of both measurement models and

structural models, allowing for the assessment of direct, indirect (mediating), and moderating effects within the proposed conceptual framework. By accounting for measurement error and evaluating overall model fit, SEM provided a robust analytical approach for validating the theoretical relationships

1.13 Operational definitions

Investor Apprehension

Investor apprehension is indeed a complicated state of mind which involves fear, uncertainty, indecision and emotional uneasiness of investors when considering or engaging in the mutual fund investments. This can be mostly due to perceived financial risk, uncertainty in regard to market trends, fear of losing capital, lack of product understanding, and distrust of financial intermediaries. Loss aversion, ambiguity aversion, and emotional biases related to the inability to make rational decisions are closely related, and are frequently associated with investor apprehension in the literature of behaviour finance. The very high levels of apprehension can culminate into postponing of investment, not participating in the market, untimely exit of investment or failing to reinvest even when the performance is good. Apprehension in the setting of mutual funds can have enormous perception of risk, trust establishment, participation, and long-term investment.

Financial Literacy

Financial literacy is the ability of an individual to gain, process and use financial knowledge to make effective and informed investment choices. Financial literacy in the context of mutual funds goes beyond simple financial knowledge to encompass knowledge in the fundamentals of investing, like the connection between risk and returns, the benefits of diversification, the effects of inflation, Net Asset Value (NAV), expense ratios, portfolio rebalancing, and market volatility. Being financially literate would allow investors to appraise the performance of funds, compare other investment choices, risk exposure, and investment planning investment with individual financial objectives. The increase in the financial literacy level correlates

with less apprehension by investors, perceived value, trust in the financial institutions, risk tolerance, and stable investment and reinvestment patterns.

Perceived Value

Perceived value is a subjective measure of the total worth of investment in mutual funds by an investor on a trade-off between perceived benefits and perceived costs. Among the benefits there could be the projected or actual returns, the advantages of diversification, the advantage of professional management of funds, liquidity, transparency and convenience whereas among the costs would be the management fees, transaction costs, the effort needed to learn the products and the exposure to market risk. In contrast to objective measures of performance, perceived value is influenced by personal experiences, expectations, financial literacy and psychological bias. An increase in perception of value increases the investor satisfaction, trust in fund managers, risk tolerance and has a positive impact on reinvestment and recommendation intentions.

Perceived Trust

Perceived trust is the level of trust that the investors place on the mutual fund institutions, asset management companies, and fund managers, in terms of integrity, competence, transparency, and reliability. Trust is an essential psychological process that minimizes perceived uncertainty and long-term financial ties. In mutual funds' investments, disclosure quality, continuity of communication, regulatory control, past performance, ethical behaviour, and brand name are some of the factors that would affect trust. Increase in levels of trust lowers the investor uncertainty, enhances risk tolerance, and encourages long-term investment, such as reinvestment and positive recommendations.

Investor Involvement

Investor involvement refers to the degree to which the investors take the mutual fund investment decision as highly personally relevant and participate cognitively and behaviourally in the investment process. Involved investors are very active in seeking information, tracking and managing portfolio, reviewing other funds and also take

part in the decision-making process instead of depending on external recommendations. Investor participation is more likely to increase learning and decision making and also moderate the impacts of emotional biases like fear and overreaction. Investment behaviour in behavioural theory, the moderating role of involvement is very important since it enhances or dilutes the effect of psychological factors on investment returns and behaviour intentions.

Risk Tolerance

Risk tolerance is defined as the psychological readiness and willingness of an investor to take the uncertainty and market volatility and even lose money in the name of generating greater expected returns. It captures emotional comfort to risk and cognitive measurement of financial ability. The extent of risk tolerance among individuals is different because of the variations of financial literacy, prior experience in the investment field, stability of income, age and psychological characteristics. Risk tolerance is a mediating variable in the mutual fund investment behaviour of perceived value and trust with investment performance and reinvestment decision. By applying greater risk tolerance, investors tend to stay longer with the market in case of volatility and adopt long-term wealth creation plans.

Investment Performance

Investment performance here means evaluation of performance of the mutual funds in terms of returns, risk adjusted gains and alignment with investors financial goals. It is an indicator of how the investments in the mutual funds have met or surpassed the expectations of the investors as far as the returns, stability, and consistency are concerned in the long-run. Investment performance has a positive impact on the satisfaction, trust, and the intentions of future behaviour including reinvestment and recommendation. Notably, perceived performance might not be equivalent to the real performance in the market because of cognitive bias, expectation and emotional reaction to short term fluctuation.

Reinvestment Decision

Reinvestment decision means that the investor has the desire and readiness to proceed to invest more in mutual funds depending on the cumulative experience in investing. Such decision is affected by the perceived performance of investments, satisfaction, confidence in investment management, risk-taking ability, and less apprehension. Reinvestment behaviour defines long term commitment and loyalty towards mutual fund investments and is an important criterion of long-term participation by investors in capital markets.

Recommendation Intention

Recommendation intention indicates the willingness of the investor to encourage fellow investors, friends, family members and colleagues to invest in mutual funds. It is a positive word-of-mouth behaviour and a result of positive investment experiences, perceived value, and strong trust as well as satisfactory performance. Recommendation intention does not only indicate satisfaction by the investors, but also leads to market growth and acquisition of investors by mutual fund institutions. Recommendation intention has frequently been viewed as a more advanced behavioural outcome after making reinvestment decisions in behavioural finance models.

1.14 Conceptual model developed for the study

The conceptual model derived in this research study is an organised model to consider the major impacts in the investment decisions made by investors in mutual funds. The model is based on the existing theories of behavioural finance and investment decision-making and combines psychological and financial variables that are thought to influence investor behaviour.

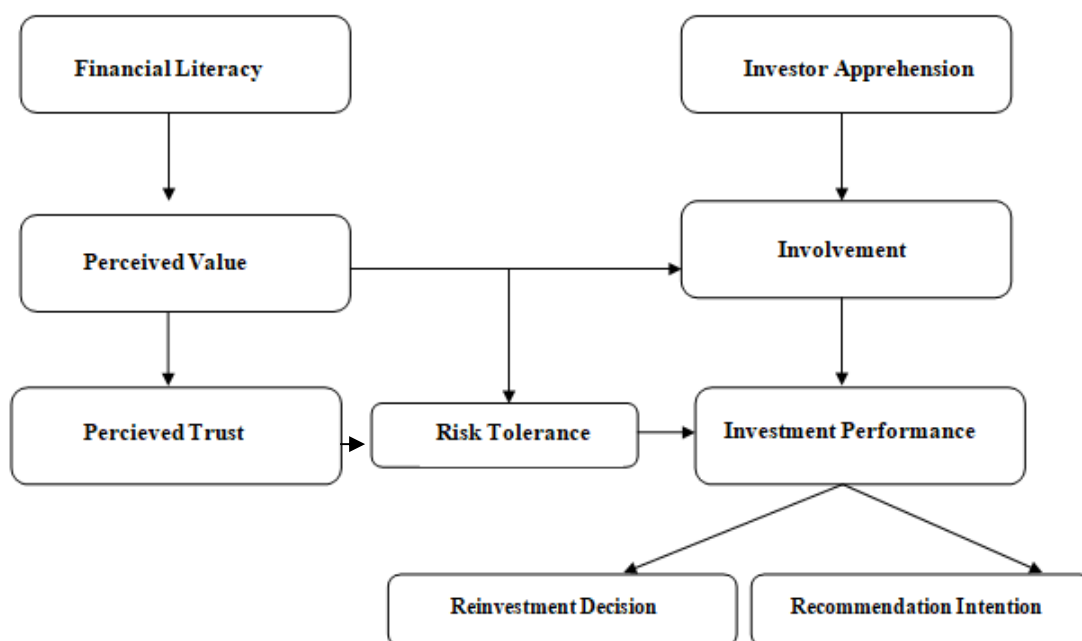
The model assumes the importance of such constructs as Investor apprehension, financial literacy, perceived value, perceived trust, risk tolerance, investor involvement, and performance of investors in influencing their attitudes and intentions. It is assumed that these variables have a direct or indirect effect on the

decision to reinvest. Investor apprehension is a moderator which indicates the psychological barriers that can be involved in rational investment behaviour.

The model considers a combination of cognitive (e.g., knowledge, risk evaluation) and emotional (e.g., trust, apprehension) aspects to offer a detailed view of the processes that motivate the continued investment in mutual funds. The framework is based on the empirical investigation itself as well as on the scholarly literature, since it connects the financial decision making and the psychology of investors when investing into mutual funds.

Figure 1.3

Conceptual Model for the study



1. Financial Literacy → Perceived Value

Financial literacy provides investors with the knowledge and skills needed to evaluate financial products such as mutual funds. A better understanding of concepts like risk–return trade-off, diversification, expense ratios, and NAV enables investors to accurately compare alternatives and assess investment quality. As a result, financially literate investors are more capable of recognizing the long-term benefits and economic

utility of mutual fund investments. This enhanced evaluative ability increases the perceived value of mutual funds as a viable and rewarding investment option.

2. Financial Literacy → Perceived Trust

Informed investors are more confident in understanding how mutual funds operate and in assessing the credibility of financial institutions. Financial literacy reduces confusion regarding fund structures, regulatory safeguards, and disclosure norms, thereby minimizing uncertainty and suspicion. When investors can independently verify information and comprehend investment risks, they are more likely to trust fund managers and asset management companies. Consequently, higher financial literacy fosters greater institutional trust and confidence in mutual fund schemes.

3. Perceived Value → Involvement

When investors perceive high value in a mutual fund product, they tend to become more personally involved in investment decision-making. High perceived value increases personal relevance, motivating investors to devote greater time and cognitive effort to understanding investment options. Such investors actively engage in researching fund performance, tracking market movements, and monitoring portfolio outcomes. This heightened engagement reflects stronger involvement in mutual fund investment activities.

4. Investor Apprehension → Involvement

High levels of apprehension or fear related to market volatility, potential losses, or financial fraud can significantly influence investor involvement. In some cases, apprehension may lead to increased vigilance, prompting investors to monitor investments closely and seek additional information. Conversely, excessive fear may discourage participation, resulting in avoidance behaviour and reduced engagement in investment decisions. Thus, investor apprehension can either enhance or inhibit involvement depending on the investor's emotional coping capacity and confidence level.

5. Perceived Value → Risk Tolerance (Mediated Path)

When investors perceive strong value in mutual fund investments, they are more likely to tolerate higher levels of risk, believing that the expected returns justify potential losses. High perceived value reduces the psychological weight of uncertainty and enhances confidence in investment outcomes. Risk tolerance therefore acts as a mediating mechanism through which perceived value translates into improved investment performance. Investors who value mutual funds highly are more willing to accept volatility in pursuit of long-term gains.

6. Perceived Trust → Risk Tolerance

Trust in mutual fund managers and financial institutions plays a crucial role in shaping investors' risk tolerance. When investors trust the competence, integrity, and transparency of fund managers, perceived risk is significantly reduced. This sense of security encourages investors to tolerate greater uncertainty and market fluctuations. As trust strengthens, investors become more comfortable allocating funds to relatively riskier mutual fund schemes.

7. Risk Tolerance → Investment Performance

Investors with higher risk tolerance are more inclined to invest in equity-oriented or growth-focused mutual funds that offer higher return potential. Their willingness to endure short-term volatility allows them to remain invested during market fluctuations, which is essential for long-term wealth creation. Assuming proper diversification and disciplined investment strategies, higher risk tolerance can lead to superior investment performance. Thus, risk tolerance directly influences the quality of investment outcomes.

8. Investor Involvement → Investment Performance

Higher investor involvement contributes to improved investment performance by facilitating informed and rational decision-making. Actively involved investors

continuously evaluate fund performance, stay updated on market conditions, and rebalance portfolios when required. Their proactive approach helps in avoiding impulsive decisions driven by market noise or emotional biases. Consequently, greater involvement enhances the likelihood of achieving favorable investment results.

9. Investment Performance → Reinvestment Decision

When investors perceive their mutual fund investments as successful, they develop positive attitudes toward the investment avenue. Satisfactory performance reinforces confidence and satisfaction, motivating investors to reinvest in the same or similar mutual fund schemes. Positive investment experiences also strengthen long-term commitment to mutual fund investing. Therefore, perceived investment performance plays a decisive role in reinvestment decisions.

10. Moderating role of investor involvement

Investor involvement moderates the relationship between investor apprehension and both investment performance and reinvestment decisions. High involvement enables investors to process information more effectively, manage emotions, and adopt rational coping strategies, thereby reducing the negative impact of apprehension. In contrast, low involvement may intensify fear-based reactions, leading to poor investment choices or complete withdrawal from the market. Thus, the level of investor involvement determines how apprehension influences investment outcomes and future investment behaviour.

1.15 Limitations of the study

Although the current research offers valuable information concerning the behavioural and cognitive characteristics of the mutual fund reinvestment decision-making, some limitations need to be highlighted. The limitations are to be taken into account when interpreting the findings and evaluating the extent to which they can be generalized.

1. Geographical limitation

The research has a geographical limitation by restricting it to mutual fund investors within Kerala. In as much as Kerala forms a financially literate, and investment conscious population, other states might tend to have different investor behaviour owing to the variation in socio-economic status, culture, financial penetration, and availability of investment advisory services. This means that the results cannot be entirely applicable to other contexts and investors in India or other areas.

2. Cross-sectional research design.

The research design is a cross-sectional research design, which will represent the perceptions and behaviours of the investors at a given time. Although the method is appropriate in studying the relationship between variables, it has a drawback of being unable to make causal inferences. The involvement, risk tolerance and investor attitude might change over market cycles and life cycles. Longitudinal design would help us gain more understanding of the way these relationships evolve.

3. Reliance on self-reported data.

The data that has been used to conduct the study is self-reported data and as such, it is prone to biases like the social desirability bias, recall bias, and the subjective interpretation. There is a possibility of measurement error on whether the respondents are financially literate, do well in their investments, or are risk-averse. Even with critical questionnaire development, these biases cannot be completely done away with.

4. Interpretation of mediating and moderating effects

Statistical modeling methods come up with the mediating effect and the moderating effect of perceived value, trust and investor involvement, respectively. Although the relationships are theoretically based, they can be affected by the missing variables or unobserved confounding variables. Consequently, the mediation and moderation

effects and interpretation must be handled carefully, especially in complicated behavioural contexts.

5. Sample diversity and representation

Although an attempt was made to take a representative sample of mutual fund investors, it might not be a complete sample that will represent the investor profiles. The differences in investment experience, years of participation in the market, the type of funds in which the investor invests (equity, debt, hybrid) and risk-taking capacity might not be balanced. This difference may affect the validity and strength of the results.

6. Changing regulatory and market environment

The Indian mutual fund sector is a vibrant regulatory and market place in which the SEBI regulations, disclosure requirements and product constructions keep on changing frequently. Such changes can cause investor behaviour and perceptions to change. Therefore, the results of this paper are indicative of how investors will act in the current regulatory and market environment and may not be relevant in much different future scenarios.

7. Measurement constraints

Even though the constructs were measured using established and proven scales, behavioural constructs like apprehension, trust, and involvement are subjective and multidimensional in nature. Structured questionnaires could also fail to be capable of tapping the level and subtlety of these psychological aspects. The qualitative information may help supplement and elaborate the knowledge of these constructs.

8. Exclusion of alternative investment avenues

The research is very specific to mutual fund investments and has not considered other possible investment opportunities like direct equity, real estate, gold or fixed-income

products. The comparative performance or changing preferences between asset classes may affect investors to reinvest again which was not included in the research.

9. Technology and platform influence

In the research, the influence of digital platforms, robo-advisory services, or mobile investment application on the development of investor participation and reinvestment behaviour is not studied directly. This exclusion can reduce the applicability of results in more digital investment settings as the fintech platforms gain more and more influence on investment decisions.

10. Behavioural biases not explicitly modeled

Although psychological constructs of apprehension and involvement are considered in the study, the study does not specifically mention particular behavioural biases, including overconfidence, herding behaviour, and disposition effect. Such biases can be combined with the variables under study and affect the decisions on reinvestments, which should be considered as a research prospect in the future.

1.16 Scheme of reporting

1. Introduction

The first chapter contains sections like background of the study, significance of the study, statement of the problem, research questions, scope of the study, research questions, objectives, hypothesis, research methodology, statistical software packages and tools used for data analysis and interpretation, operational Definitions, Conceptual model and limitations of the study.

2. Review of literature

This includes the review of related literature of each objective and also discusses the research gap in detail. The literatures were collected based on the themes such as determinants of investor apprehension, role of financial literacy, effect of investor

perception and investment behaviour, impact of investment performance, risk tolerance in mutual fund, and role of investor involvement.

3. Mutual fund investment an overview

The third chapter deals with the introduction of mutual funds, concept of mutual funds, various definitions, advantages and disadvantages of mutual fund investment, evolution of mutual funds in India, growth aspects in mutual fund industry, structure of mutual funds in India, classification of mutual funds in India, mechanism of investment Pattern in mutual funds, concept and mechanism of SIP, SEBI regulations regarding mutual funds, Role of AMFI, objectives of AMFI, and problems encountered by mutual fund industry.

4. Theoretical framework for behavioural factors in Mutual fund investment

The fourth chapter includes an elaborate explanation of investor apprehension and its influence on Mutual fund investment decision. This segment also explains various behavioural determinants such as financial literacy, perceived value, perceived trust, involvement, risk tolerance, investment performance and re-investments decisions. The supporting theories of each of these constructs are also dealt with.

5. Investors apprehension and financial literacy of mutual fund investors in Kerala

This chapter includes explanation regarding how investor apprehension and financial literacy is affected by various socio-demographic factors such as age, gender, marital status, education, monthly income, and annual savings.

6. Investors' perceived value, trust, involvement, risk tolerance towards the mutual fund

This chapter examines the fundamental constructs that shape investors' attitudes toward mutual fund investments, with a specific focus on perceived value, trust, involvement, and risk tolerance. Utilizing both descriptive and inferential statistical

methods, the study offers a comprehensive analysis of these constructs and how they vary across different socio-demographic groups.

7. Investment performance and behavioural inclinations of mutual fund investors in Kerala

This chapter seeks to examine the investment performance and motivational inclinations of mutual fund investors in Kerala, with a particular focus on two core constructs: investment performance and behavioural inclinations.

8. The behavioural ripple effects of financial literacy among mutual fund investors in Kerala

The eighth chapter uncovers two meaningful mediating pathways, perceived value and perceived trust through which financial literacy indirectly influence risk taking behaviour. These mediators represent emotional and rational lenses respectively suggesting that effective financial decision making is shaped by both effective assurance and cognitive assessments.

9. The moderating effect of investors involvement on the effect of investors apprehension, investment performance and reinvestment decision

This chapter investigates the moderating role of investor involvement in the relationship between investment apprehension and two critical outcomes: investment performance and reinvestment decision-making. Through this analysis, the study offers valuable insights into the complex behavioural dynamics that influence financial decision-making.

10. Summary, Findings and Conclusion

This chapter includes the summary of the study, Significance of the study, statement of the problem, research questions, objectives of the study, research hypothesis, research methodology, summary of chapters, major findings and conclusions.

11. Recommendations, Theoretical implications and the scope for future research.

The last chapter consists of recommendations, Theoretical implications of the study and the scope for further research.

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Chapter 2

REVIEW OF LITERATURE

2.1	Introduction	57
2.2	Phases of Literature Search.....	58
2.3	Determinants of Investor Apprehension.....	59
2.4	Role of Financial Literacy.....	69
2.5	Effect of Investor Perception and Investor Behaviour	82
2.6	Impact of Investment Performance.....	100
2.7	Risk Tolerance in Mutual Fund Investment	108
2.8	Role of Investor Involvement.....	115
2.9	Research Gap.....	120
2.10	Conclusion.....	123
	References.....	124

2.1 Introduction

Mutual funds have become a new form of investment that most people are looking to diversify their investments and be professionally managed. Nonetheless, of their increased popularity, the actions of investors to mutual fund investments are affected by a number of psychological, financial, and performance-based factors. In that respect, it becomes important to know the level of financial literacy and the fear that investors have, especially in a state such as Kerala, where the investment rates are changing at a very high rate.

This study seeks to examine the Investor Apprehension and other behavioural concerns of mutual fund investors in Kerala and the study will give an indication on how the same influences investment behaviour. It also discusses such relevant factors as financial literacy, perceived value, perceived trust, involvement, risk tolerance, investment performance, and reinvestment decisions. All these are factors that provide a holistic picture of the investor decision-making process.

In addition, the study examines the antecedents and outcomes of the investment performance and this illuminates the dynamics that culminate into winning investment experiences. The relationship between risk tolerance in investment and financial literacy with the mediating factor of perceived value and trust is given a special attention. The research will also be conducted to determine whether the moderating role of investor involvement in the effects of investor apprehensions on the investment performance and reinvestment decisions plays any role.

Through the consideration of these dimensions, the study will make contributions to a better understanding of the behaviour of mutual fund investors to offer valuable implications to financial advisors, policymakers and mutual fund firms which want to achieve informed and confident investment decisions. The study categorises the literature review under six themes based on the objectives.

- i. Determinants of Investor Apprehension
- ii. Role of Financial Literacy

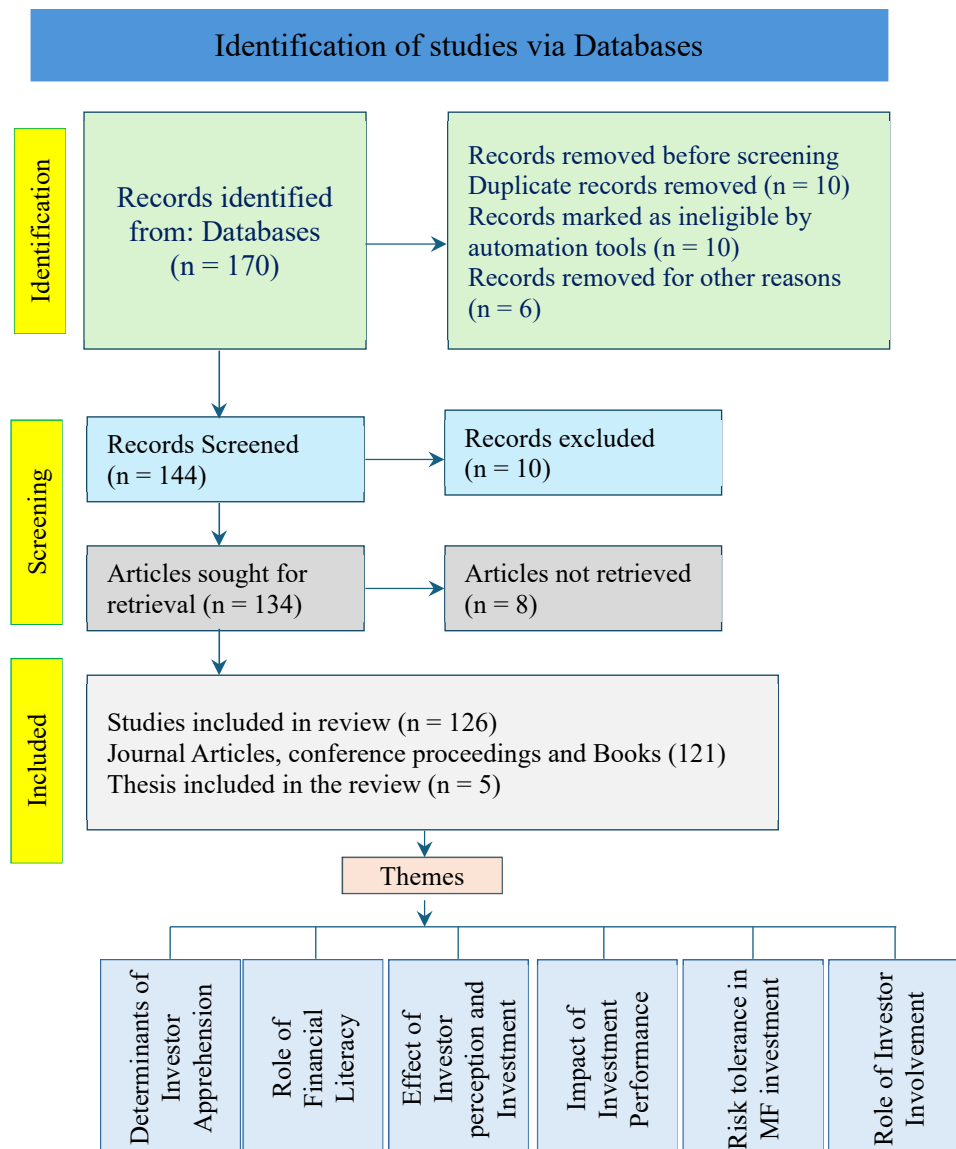
- iii. Effect of Investor perception and Investment behaviour
- iv. Impact of Investment Performance
- v. Risk tolerance in Mutual Fund Investment
- vi. Role of Investor involvement

2.2 Phases of Literature Search

The literature discovered by using databases at different phases of literature research employing the PRISMA flow chart is presented in Figure 2.1

Figure 2.1

PRISMA Flow Diagram



2.3 Determinants of Investor Apprehension

Table 2.1 list out the studies regarding determinants of Investor Apprehension in influencing mutual fund investment decisions.

Table 2.1

Literature on Determinants of Investor Apprehension

Sl No	Title	Journal/Conference/Thesis	Year
1	Understanding behavioural biases and their impact on mutual fund investment decisions: A systematic literature review	The Chartered Accountant	2025
2	Understanding Mutual Fund Investors Behaviour Using an Extended Model of Goal-Directed Behaviour	SAGE journals (Global Business Review)	2024
3	Perceived behavioural factors and individual investor stock market investment decision: Multigroup analysis and major stock markets perspectives.	SAGE Open	2024
4	Behavioural Biases and their Influence on Investment Decision-Making: A Systematic Literature Review and Future Research Agenda	Journal of law and sustainable development	2023
5	Influence of behavioural biases while making decision on mutual fund investment	Journal of Information and Optimization Sciences	2022
6	An analysis of behavioural bias and investment performance among equity mutual fund investors in Kerala	Thesis	2022
7	Past behaviour, financial literacy and investment decision-making process of individual investors	International Journal of Emerging Markets	2020

Sl No	Title	Journal/Conference/Thesis	Year
8	Impact of behavioural factors in making investment decisions and performance	International Journal of Economics and Finance	2019
9	Cognitive and behavioural biases influencing investment performance.	ZENITH International Journal of Multidisciplinary Research	2017
10	Investor fear and market volatility: Empirical evidence	Journal of Behavioural Finance	2013
11	Behavioural biases of mutual fund investors.	Journal of Financial Economics	2011
12	Behavioural finance and wealth management: How to build optimal portfolios that account for investor biases	Book	2006
13	Fear and greed in financial markets: A clinical study of day-traders.	American Economic Review: Papers and Proceedings.	2005
14	Trader reactions to news: The role of uncertainty, emotion and cognitive processing.	Journal of Occupational and Organizational Psychology	2005
15	Behavioural Bias and Investment	Review of Finance	2003
16	A survey of behavioural finance	Handbook of the Economics of Finance	2003
17	Boys will be boys: Gender, overconfidence, and common stock investment.	Quarterly Journal of Economics	2001
18	Investment madness: How psychology affects your investing and what to do about it.	Book	2001
19	What is behavioural finance?	Business, Education and Technology Journal	2000
20	The disposition to sell winners too early and ride losers too long	Journal of Finance	1985

Banerjee (2025) conducted a systematic literature review of research on behavioural biases that affect mutual fund investment decisions, with particular focus on their effects on fund performance and investor perceptions. The review finds that biases such as herding, home bias, overconfidence, the disposition effect, etc. are common among both retail investors and fund managers, and that these biases often result in under-optimal fund performance, increased turnover, and increased risk-taking. The author emphasizes that investor perceptions about risk, performance, the credibility of the fund house, and the manager's skill are influenced by cognitive and emotional biases, which in turn affect decisions such as fund selection, reinvestment behaviour, and recommendations. The paper highlights that, despite high levels of financial literacy, many investors are prone to behavioural distortions, leading to apprehension, reduced trust, and perceived value. Banerjee concludes with suggestions for future research that incorporate emotional and psychological constructs alongside objective performance measures to better understand mutual fund investor behaviour in emerging markets.

Vishnani et al. (2024) used an extended version of the Model of Goal-Directed Behaviour (MGB) to analyse the effects of attitudes, desires, emotions, financial self-efficacy, and regret aversion bias on Investment decision-making among mutual fund investors. Using survey data and PLS-SEM analysis, they found that investor attitude positively influenced the desire to invest in mutual funds, and that financial self-efficacy significantly influenced behavioural intention and actual investment behaviour. Interestingly, in the study, negative anticipated emotions (e.g., regret) had a significant effect on investment desire, whereas positive emotions did not. The authors further identified that regret-aversion bias moderates the relationship between desire and behavioural intention. Investors who are concerned about regret are less likely to act even if they desire to invest. This provides significant insight into the psychological side of investment behaviour by demonstrating a joint effect that cognitive capability (financial self-efficacy) and emotional regulation (regret aversion) have on whether knowledge turns into action.

Kumar and Singh (2024) explored the effect of behavioural biases, namely overconfidence, representativeness, and availability, on the stock market investment decision-making of individual investors. Data were collected from 362 participants who are active in the Shanghai stock market. The results show that these behavioural factors significantly affect investment choices and that these effects are consistent across major stock markets. The study pointed out the importance of understanding these biases for investors, financial advisors, and policymakers to improve investment strategies and market efficiency.

Paul and Sundaram (2023) conducted a systematic literature review of 109 empirical studies published between 1980 and 2022 to examine the effects of behavioural biases on investment decision-making at both the individual level and institutional level. Their analysis reveals that the most common biases are overconfidence and herding. Overconfidence usually has a greater impact because individual investors tend to be more overconfident, whereas institutions exhibit greater herding behaviour. The authors point out that although the field of behavioural finance research has grown, it has some important lacunae: for example, little research has been done on institutional overconfidence, the measurement of biases is patchy and emerging markets are poorly represented. They suggest a future research agenda focused on integrating cognitive and emotional constructs (such as regret aversion, investor apprehension, and trust) with outcome behaviours (such as reinvestment and recommendations). This review supports the positioning of behavioural bias (investor apprehension) as an important antecedent and the need to consider the interplay between biases and perceived trust, perceived value, and reinvestment decisions in the mutual fund context.

Bagchi et al. (2022) examined the influence of behavioural biases on the decision-making process of individual investors specifically the anchoring, herding, framing, overconfidence and representativeness biases on choosing mutual funds. The authors suggest that in the context of mutual fund investments in India, rational-actor models are inadequate to explain observed investor behaviour, and biases arising from heuristics and psychological shortcuts play an important role in influencing investment decisions. Based on the methodology of a quantitative survey, the paper

gathers data on a sample of Indian mutual fund investors, uses statistical methodology to test the impact of each bias on investment decisions, and finds that most of the biases they choose have a positive and statistically significant impact on investment decision, often leading to suboptimal results.

Darsana Sudarsan (2022) studied the impact of behavioural biases on investment performance of mutual fund investors in Kerala. The study concludes by identifying the key psychological factors that together influence the investor apprehensions and decisions, include fear of loss, regret aversion, herding tendency and overconfidence. Using survey data from individual equity mutual fund investors, Darsana found that fear-driven bias and perceived uncertainty are important factors that reduce reinvestment willingness and portfolio diversification. The results show that the emotional investors in Kerala are more risk averse and prefer security-oriented schemes even at the expense of a low return. By pointing to the negative relationship between behaviour bias and performance, the research highlights the omnipresent part of investor apprehension on investment continuity and on long-term wealth creation. This thesis offers useful regional data in support of the inclusion of psychological constructs in models for reinvestment and recommendation intentions among mutual fund investors.

Raut (2020) examined the past investment behaviour, financial literacy, and psychological factors that affect the decision-making process of individual investors in emerging markets. Using Structural Equation Modelling (SEM) with Indian retail investor's data, the study finds financial literacy helps significantly to increase investment confidence and rationality. However, it also reveals that negative experiences in the past and perceived losses elicit investor apprehension and lowered willingness to re-invest or try riskier investments such as equity mutual funds. The research underscores the significance of emotional memory and past regret in overriding financial knowledge and keeping people cautious with their investments. Raut goes on to conclude that financial education is not enough unless it is coupled with psychological training to build resilience in making decisions when faced with barriers of fear. His findings support the inclusion of apprehension and behavioural

biases as mediators between literacy and reinvestment intention directly in mutual funds studies, especially in culturally risk averse locations such as Kerala.

Sarika Keswani et al. (2019) examined the role of behavioural determinants on investment decision and performance of individual investors in National Stock Exchange (NSE) of India. The research is focused on four very important behavioural biases: heuristic, prospect, market, and herding. Data was obtained using a structured questionnaire on a Likert scale and the reliability of the questionnaire was established with a Cronbach's alpha score of 0.728. Exploratory Factor Analysis (EFA) and tests using multiple regressions were used to analyse the data. The findings show that all four of the behavioural factors have a significant effect on the decision-making processes of investors and their investment performance. The study concludes that these behavioural biases are an important factor in determining investment behaviours and investments.

Nidhi et al. (2017) examined the role of behavioural biases, i.e. overconfidence bias, herd behaviour bias and risk tolerance bias on the investment performance of investors in capital markets of Eastern India. The research was a survey of 106 active investors, where contextual version scales have been used for the constructs studied. Exploratory factor analysis and Cronbach's alpha tests for validation of the scales were used, followed by descriptive statistics and multiple regression analysis to find results. The results revealed that Overconfidence Bias which includes Dispositional optimism and unrealistic optimism significantly affects the investment performance. Herd Behaviour Bias which includes Trading volume and speed, as well as herding on a market-wide basis, play a major role in investment performance. Risk Tolerance bias which includes Calculative risk and speculative risk play a great role in the performance of investment. On the contrary, the influence of situational optimism, investment decision of others and impulsive risk were not found to have any significant impact on investment performance in the Eastern Indian context. The study highlights the importance of being aware of behavioural biases in investment decisions and other potential areas for research including examining other dimensions of behaviour and conducting comparative studies across regions.

Bennington and Bown (2013) empirically studied the relationship between investor fear and market volatility to understand how investor emotion influences their trading behaviour. Their results showed that increased market uncertainty increases investor anxiety that results in risk-averse behaviours such as premature withdrawal, liquidity preference, and low reinvestment. The study showed that fear-based decision-making tends to override rational assessment during time of market volatility leading to herding and loss avoidance behaviour. Furthermore, the authors noted that emotionally apprehensive investors are likely to over-react to short-term changes, at the expense of long-term wealth accumulation. The research supports the general idea according to behavioural finance theory that investor apprehension is a psychological hurdle to continued participation and reinvestment especially in volatile financial environments.

Bailey et al. (2011) investigated the impact of behavioural biases on mutual fund investment choices of individual investors. Their study is based on a large dataset of US discount-brokerage investors, and they introduce measures of a range of behavioural measures: attention to news, tax awareness and "familiarity bias" at the fund-level in addition to standard demographics and previous measures of bias. Their findings show that investors that exhibit behavioural biases tend to make suboptimal choices when it comes to funds: suboptimal choices regarding fund style, higher expense funds, frequency of trading, and poor market timing. In particular, they find that "trend-chasing" i.e. investing in funds that recently performed well is less likely to reflect a rational inference of managerial skill, and is more closely associated with behavioural biases. Using factor analysis of the bias measures, the authors identify a few "stereotypes" or archetypes of investors, such as "Gambler", "Overconfident", "Narrow-Framer", "Smart", and "Mature". Investors with these stereotypes act differently with regards to fund choice, timing and frequency of trading, and often act against their long-term returns. The paper thus extends the literature on behavioural finance -- which had mainly focused on stock picking to the realm of mutual funds and delegated management. It shows that the biases in behaviour are important even when investors delegate the management of their portfolio to fund managers, as their

biases affect the type of funds they use, when they buy/sell and how much they pay for the fees/expenses.

Pompian (2006) divided the biases of investors into emotional and cognitive biases and shows how the emotions, especially fear, regret, and overreaction, influence investor apprehension affects in making optimal financial behaviour. The author stresses that apprehensive investors are prone to avoid necessary risk exposure and, as a result, to maintain overly conservative portfolios and thus low long-term returns. Through the use of case studies and advice models, Pompian presents strategies to recognise apprehensive investors and formulate investment strategies based on their psychological levels of comfort. His framework promotes adaptive portfolio construction and behavioural coaching to down anxiety and enhance decision confidence. The book is a practical extension of behavioural theory, demonstrating how an understanding and countering of investor apprehension will enhance reinvestment and wealth sustainability.

Lo et al. (2005) used an experimental study that offers physiological evidence of emotional influences (fear and greed) on financial decision-making among professional day traders. Using real-time biometric monitoring, the authors showed that fluctuations in heart rate, skin conductance and blood pressure were associated with volatility in the stock market and the outcome of profits or losses. Their findings assure that emotional arousal, especially fear can harm rational judgment and force investors to make impulsive or overly cautious trading decisions. The study therefore validates the concept of investor apprehension as a measurable emotional state that occurs as a result of uncertainty and financial stress. Lo et al. argues that such emotions are not an incident but a part of understanding market behaviour since they are often the cause of panic selling/ herding/ avoidance of reinvestment. This evidence strengthens the behavioural finance premise that psychological and physiological responses to perceived risk play an important role in determining the continuity and performance of investments - a premise especially important to mutual fund investors who are confronted with the vagaries of the markets.

Fenton-O'Creevy et al. (2005) investigated the emotional responses of traders to market news and uncertainty with particular emphasis on the interaction between affective responses and cognitive processing in financial decision-making. Drawing from a psychological and behavioural finance point of view, their work showed that increased uncertainty and volatility trigger strong emotional responses especially fear and anxiety that affect rational analysis and prolong decision latency. The authors concluded that traders who were under high emotional arousal showed lower levels of cognitive control and a tendency to engage in overly cautious or avoidance-based behaviour, which represents a clear form of investor apprehension. Their results highlight the importance of emotional regulation and tolerance for uncertainty as important predictors of financial decision-making. This study offers empirical confirmation that apprehension under stressful market conditions may result in limited risk-taking capacity, disincentive to reinvestment, and poor long term financial performance; all of which are issues particularly pertinent to mutual fund investors who have to navigate through uncertain economic environments.

Massa and Simonov (2003) examined the influence of individual behavioural biases (such as overconfidence and home bias) on investment behaviour and portfolio allocation. The authors use Swedish investor data to analyse how preferences and biases affect taking risk and participating in the market

Barberis and Thalers (2003) detailed chapter in the Handbook of the Economics of Finance provides an authoritative summary of behavioural finance research and brings together the traditional financial theory and insights from psychology. The authors take a critical look at how cognitive errors and emotional biases (overconfidence, loss aversion, mental accounting, regret, etc.) systematically cause investors behaviour to be biased away from the rational expectations model. They suggest that fear and regret are major factors in developing investor apprehension, where people are prone to over-value the potential losses and under-react to good information leading to conservative investment and delayed reinvestment. The chapter also points out the role of collective apprehension and herding behaviour on the part of investors in creating aggregate market phenomena such as bubbles and crashes. By combining the micro-level psychological tendencies and the macro-level market effects, Barberis

and Thaler offer a basic basis to understand the role of emotional responses to uncertainty in driving risk-averse decisions, which is directly applicable in this case of mutual fund investments in Kerala, and the hesitation by investors to reinvest.

Barber and Odean (2001) performed a seminal study investigating the contribution of gender differences and overconfidence in common stocks investment behaviour. Analyzing more than 35,000 brokerage accounts, they discovered that men traded 45% more frequently than women, and were able to attribute the higher trading frequency to higher levels of overconfidence. However, this excessive trading tended to create fewer net returns, proving the harmful effects of emotional and psychological biases on rational financial behaviour. The study underscores the fact that men can be overconfident, women have a greater tendency towards risk aversion and investment caution both signs of underlying investor apprehension. This financial behaviour gendered aspect indicates that apprehension, which manifests as excessive caution or reactive trading, plays an important role in investment continuity, investment, and reinvestment decisions. The authors conclude that the successful results of investments depend not only on financial literacy but on managing emotional biases, confidence levels and apprehensive tendencies which distort the assessment of risk and decision-making

Nofsinger (2001) discussed the psychological and emotional forces that motivate investor behaviour and it challenges the traditional concept of rational financial decision-making. He explains how cognitive biases like fear, regret and herd mentality cause investor apprehension, causing individuals to shun risk or make rash choices during volatile markets. Nofsinger stresses how many investors let their emotions overcome logic and end up with less-than-ideal portfolio performance and resistance to reinvestment following market downturns. Through practical examples he demonstrates how fear and overreaction can lead to premature sales, panic withdrawals and lifetime loss of wealth. The author argues for better emotional awareness and financial education to help investors become aware of and in control of these fear-based responses. His understandings form a basis for understanding the emotional barriers that underlie investor apprehension; thus, the work is crucial to behavioural studies in mutual fund investment decisions.

Ricciardi and Simon (2000) offered a seminal review of the topic of behavioural finance, outlining the role that psychological factors and emotional reactions play in financial decision-making by investors. The paper draws together the insights from cognitive psychology and finance in refuting the conventional assumption of investor rationality contained in the classical economic theory. The authors suggest that investor behaviour is influenced by emotions such as fear, regret and overconfidence and this may cause them to misjudge risk and expected returns. They introduce the concept of investor sentiment and emotional bias; reinforcing the view that decisionmaking under uncertainty often results in irrational or less than optimal investment decisions. This paper supports the argument that investment decisions are not only affected by financial knowledge, attitude and behaviour, but also by behavioural biases that may distort these relationships. For example, even well-informed investors (high knowledge) may act sub-optimally when too much overconfidence or when too much herding creates a situation in which they choose certain popular funds instead of those suited to them.

Shefrin and Statman (1985) pin points the "disposition effect," in which investors respond out of fear, regret and emotional bias rather than rational evaluation. This behaviour shows the investor apprehension and the fact that the individuals show a reluctance to realise loss in order to avoid the emotional discomfort associated with admitting mistakes. Shefrin and Statman explain that investors are anchored to purchase prices and suffer from loss aversion, which causes investors to prematurely sell off profitable assets and hold on to underperforming assets. This emotional inertia restricts portfolio rebalancing, give disincentives to reinvestment in more productive funds, and finally reduce long-term returns. The study offers one of the first behavioural explanations as to why investors are risk averse following losses and overconfident following gains - two psychological states that directly contribute to investment hesitation and erratic reinvestment behaviour.

2.4 Role of Financial Literacy

The researcher has found out a list of studies related to the effect of Financial Literacy in influencing mutual fund investment decisions which is shown in Table 2.1

Table 2.2*Literature on the role of Financial Literacy*

SI No.	Title	Journal/Conference/Thesis	Year
1	Exploring key factors influencing investor reluctance toward mutual fund investments	International Scientific Journal of Engineering and Management	2025
2	Financial literacy in predicting investment decisions: Do attitude and overconfidence influence?"	International Journal of Social Economics	2025
3	Unveiling investment behaviour: Through emotional intelligence, social stigma, financial literacy and risk tolerance	International Journal of Social Economics	2024
4	The nexus between financial literacy, risk perception and investment decisions: Evidence from Indonesian investors	Investment Management & Financial Innovations	2024
5	The influence of financial technology, financial literacy, and risk perception on mutual fund investment decisions of Generation Z in Jawa Barat	International Journal of Science, Technology & Management	2024
6	Unravelling the impact of financial literacy on investment decisions in an emerging market	Business Strategy & Development	2024
7	Investment in risky assets and participation in the financial market: Does financial literacy matter?	International Review of Economics	2024
8	Unravelling the impact of financial literacy on the intention of Indian retail investors to adopt socially responsible investments: The interplay of social self-efficacy as a mediating mechanism	Global Business Review	2024
9	The effect of financial literacy and investment motivation on investment interest	Jurna Ilmiah Manajemen Kesatuan	2024
70	<i>Investor Apprehension and Behavioural Factors Influencing Mutual Fund Investment in Kerala</i>		

SI No.	Title	Journal/Conference/Thesis	Year
10	May financial literacy, risk tolerance, and demographic factors influence the investment decisions of BCA Malang customers?	Asean International Journal of Business	2023
11	Does financial education help to improve the return on stock investment? Evidence from China?	Pacific-Basin Finance Journal	2023
12	Financial literacy and portfolio diversification: Evidence from Vietnam	Journal of Competitiveness	2023
13	The Impact of Financial Literacy on Investor Attitudes and Decision-Making: An Empirical Analysis	Journal of General Management Research	2021
14	The effect of financial attitude, financial behaviour, financial knowledge, and socio demographic factors on individual investment decision behaviour	American Journal of Humanities and Social Sciences Research	2021
15	What explains the investment decision-making behaviour? The role of financial literacy and financial risk tolerance	Afro-Asian Journal of Finance and Accounting	2020
16	Financial literacy affects financial behaviour through financial attitude as an intervening variable	International Journal of Innovative Science and Research Technology	2020
17	Socio-demographics, risk propensity, and investment diversity: Moderating role of financial literacy	International Transaction Journal of Engineering, Management, & Applied Sciences & Technologies	2020
18	Impact of financial literacy on mutual fund investment behaviour among Indian investors.	International Journal of Management	2020

SI No.	Title	Journal/Conference/Thesis	Year
19	Influences of financial literacy on investment decision in small business in Southeast Sulawesi.	International Journal of Civil Engineering and Technology	2018
20	To study the relationship of financial literacy and investment behaviour of salaried class individuals of Delhi	International Education and Research Journal (IERJ)	2017
21	An examination into the link between financial inclusion, financial literacy and investment patterns	Journal of Commerce and Management,	2017
22	An Association between Financial Literacy and Investment Behaviour of Salaried Individuals: A Study in Telangana State	International Journal of Emerging Market Research.	2016
23	Financial literacy among working young in urban India.	World development	2015
24	Relationship between financial literacy and investment behaviour of salaried individuals	Journal of Business Management & Social Sciences Research	2014
25	Financial literacy and its determinants.	International Journal of Engineering, Business and Enterprise Applications	2013
26	Financial literacy and stock market participation	Journal of Financial Economics	2011

Manku (2025) explored the most influential factors explaining the resistance of investors to investing in mutual funds with the purpose to reveal the psychological, informational, and perceptual barriers which discourage the possible investors. The research design was a quantitative survey based one that used some data gathered on 390 individual investors who had invested or thought of investing in mutual funds. The identified study based on descriptive and inferential statistical analysis has found that lack of awareness, low financial literacy, high level of perceived risk and low level of perceived trust are the most important factors contributing to the reluctance

of investors to capital markets. Those investors who were more familiar with the advantages of mutual funds, diversification of risks, and the long-term growth of wealth were much less likely to feel apprehensive. Conversely, fear of loss, misinformation, and dependence on informal advice had greater influence on people who possessed limited knowledge and the financial attitude where risk aversion and the bad opinion regarding the transparency of fund managers disheartened investment. Mutual funds that were perceived to be uncertain or complicated were more unpopular with investors. On the same note, financial behaviour such as saving habits, previous experience on investment and risk taking were observed to mediate on financial knowledge and investment decisions.

Maheshwari et al. (2025) explored the effect of financial literacy on investment decision and whether attitude towards investment and overconfidence bias mediate. The research conducted among individual investors in India and was done based on structured survey among 311 individual investors and the relation is analysed using PLS-SEM. The authors say that while financial literacy is widely regarded as an essential prerequisite for effective investment behaviour, knowledge alone might not directly translate into sound decisions, especially in behavioural finance situations where psychological factors also play a role in investor behaviour. The results show that the financial literacy does not have a strong direct impact on the investment decisions. Instead, two behavioural variables, investment attitude and overconfidence, are significant mediators. Investors with higher financial literacy are more likely to form more positive attitudes towards investing, and are more confident in their ability to make investment decisions, which in turn increases their likelihood of making investment decisions. This would imply that the impact of financial literacy is to a large extent indirect, as it works through the formation of cognitive and affective orientations.

Pooja Chaturvedi Sharma (2024) analysed the impact of financial literacy and financial risk tolerance on investor behaviour, adding social stigma as a mediator and emotional intelligence as a moderator. The sample included 761 individual investors, who were financially independent, aged 25 years and above, and had at least five years

of experience in the stock-market and who were living in five major Indian metropolises. The analysis of the structural equation modelling using PLS-SEM showed that financial literacy had a statistically significant effect on investor behaviour. This relationship was established to be partially mediated by social stigma and emotional intelligence was found to be an important moderator, which influenced the direct and indirect relationships between financial literacy, financial risk tolerance, social stigma and investor behaviour.

Wendy (2024) examined financial literacy, risk perception and its influence on investment decision-making process among Indonesians investors (n= 233) who had undergone formal financial education. The positive effect of financial literacy was significant on the decision making on investment. Interestingly, risk perception was also observed to nullify this relationship that is, even informed investors themselves may not make a confident investment decision in case they perceive that the risk is high. The need to examine cognitive and emotional dimensions of the investment behaviour is also supported by such an interaction of the financial knowledge and the perceived level of risk.

Palesta et al. (2024) investigated moderate variables concerning the relation to the mutual fund investment decision of the members of the Generation Z, residing in West Java, Indonesia, i.e., financial literacy, financial technology, and the risk perception. Based on their findings, they observed that despite the fact that financial technology and the perception about risk did not have significant impact on investment decisions, the factor of financial literacy played important roles in affecting or directing the behaviour of the Gen Z investment decision makers. Above all, despite being technologically inclined, the young investors still rely mainly on their knowledge of financial affairs in investing their money.

Shroff et al. (2024) explored the effects of the financial literacy in determining investment choices in an Indian setting, which matters in the latter. The authors developed a multi-dimensional construct of financial literacy based on the Theory of Planned Behaviour with the help of linear and logistic regressions out of the number of 384 investors. The positive correlation that was found between financial literacy

and informed transactional decision-making was proved by the study of course. It was found that the more financial literate investors having high levels of confidence and rationality in resource allocation to financial tools were found to be in moderate to high levels. These results are especially applicable to the present study since the conceptualization of financial literacy employed in the research in question also assumes that there are knowledge, skills and behaviour that not only define the decision to invest in mutual funds, but also influence the perceptions of risk, trust in institutions, and reinvestment.

Oehler et al. (2024) focused on exploring the relationship between risk aversion and financial literacy concerning risky asset investment using a structural equation model on the German household data. Based on their results, they discovered that despite the fact that the key factor in risky investment in assets was household wealth, financial literacy indirectly affected the level of household risk aversion. There is a positive correlation between more financial literacy and the perceived risk, and an increased possibility of intervention in the financial market arises. This mediating position of risk tolerance suggests the conceptual framework of the current study that is intended to identify how financial literacy affects investor fears and risk perceptions that affect the mutual fund investment decision-making and reinvestment intentions. The German paper points to the psychological component of financial literacy and suggests that educating investors can not only raise the level of knowledge but also change the attitude to risk and contribute to the increased participation of investors in diversified investment products.

Kar and Patro (2024) examined how financial literacy influences tendency to engage in socially-focused investment taking (SRI) by individuals among Indian retail investors. They relied on the Theory of Planned Behaviour and involved 235 individuals in their study and analysed the mediating role of the social self-efficacy (SSE) and attitudes towards SRI. The findings indicated that direct and positive impacts of financial literacy on investors SRI intentions as well as this interaction were enhanced by the positive attitude towards investment and SSE followed by the

mediation. Although this study is devoted to SRI, the findings confirm the overall argument of the current research.

The Gultom et al. (2024) focused their study on millennial segment of the academic population of Indonesia. The interest in investment was highly affected by financial literacy whereas the generational group and investment motivation were not significant affecting the phenomenon as independent factors. Surprisingly, the relationship between financial literacy and interest in investment was not moderated by generational groups but the relationship between motivation and interest. It means that although financial literacy is invariably the cause of investment behaviour in relation to cohorts of age, motivational factors should be considered differently based on the features of generations. These observations provide useful parallels to the modern study particularly on how generational phenomena can interface with economic literacy to guide mutual fund reinvestment practice.

Istanti and Lestari (2023) carried out empirical research on the customers of Bank BCA in Malang, Indonesia to determine the impact of financial literacy, risk tolerance and the demographic variables on the investment decisions. According to the analysis of the SEM-PLS, the researchers obtained that risk tolerance made a significant difference in influencing investment decisions, whereas the financial literacy and such demographic variables as age or income did not play the critical role. This finding challenges the past suppositions and illustrates the extent of intricacy of investment behaviour. It explains that the very knowledge can hardly turn into the action until this knowledge is combined with positive risk disposition. This result fills the gap in the investigation of the study under consideration since the study seeks to know how much risk tolerance and moderation influence of investor participation would help explain how financially literate people would still exhibit hesitation in making decisions about mutual fund investments and reinvestment.

Zhang et al. (2023) have included empirical data concerning a correlation with financial education and investment outcomes. The survey carried out in China found that educated individuals were more successful in their investments in the stock markets and the reason was the better investment behaviour and increased risk

tolerance. It is worth noting, however, that the effect of financial education is more conspicuous among inexperienced investors and less investor protection that is, in less served settings the structured literacy programmes can be the equaliser. Even though the study focused on stock markets, the behavioural process i.e. disciplined investing, long term planning; less fear of volatility will be applicable to mutual fund investors. To the retail investors who too vary in their experience and exposure to market protection, these results once again lead to focus on result-oriented literacy interventions that transcend the availability of knowledge and will explicitly aim at quantifiable change in the investment performance.

Nguyen et al. (2023) examined a relation between financial literacy and portfolio diversification in Vietnam through the survey amongst 343 individual investors of the financial market. The results strengthened the fact that more financially literate individuals (especially those who were acquainted with notions of the time value of money, risk assessment, and digital assets) were prone to diversification of their portfolios in a wide range of instruments. Interestingly, it was found that common knowledge of the economy made no significant effect and specific knowledge of the finances had prominent associates with diversification behaviour. This difference serves to support the proposition that the practical choice of investment requires actual applied financial knowledge and not the theoretical understanding of economics. These insights align well with the current study since it is particularly relevant that the mutual funds are by their nature diversified instruments of investments.

Kanishka Gupta and Ishaan Singh (2021) studied the correlation between financial literacy, investor psychology and decision-making. For this purpose, 510 people were asked to complete a standardized questionnaire. To examine the psychometric characteristics of the instruments employed in previous studies, the authors used an exploratory factor analysis (EFA) approach, followed by a two-step structural equation modelling (SEM) approach that included confirmatory factor analysis (CFA) and hypothesis testing. The results showed that there were substantial correlations between the factors of financial literacy, decision-making, and the attitudes of the investors. The results imply that investors may minimize financial losses by depending on regulatory bodies with requisite financial information.

Wangi and Baskara (2021) studied how financial attitude, behaviour, knowledge and socio demographic factors influence the investments decision of individual investors

in Indonesia. Based on the theories of financial literacy and behavioural finance, the authors used multiple regression analysis to evaluate the links between these constructs using data from 200 respondents who invest through BNI Securities in Denpasar. Results indicated that financial knowledge plays a very important role in enhancing the ability to assess risk and return by investors. A financial attitude that expresses optimism, prudence, and a disposition to save has a strong influence on investment preferences. Plus, financial behaviours such as budgeting, saving on a regular basis, and diversification practices help improve the quality of investment decisions. When socio demographic variables were introduced into the model, it was shown that education; income and age have an important effect on investments choices and participation level. The research provides great empirical support for the multidimensional view of financial literacy. It emphasises the importance of financial knowledge (cognitive), attitude (affective) and behaviour (action) in determining rational investment decision. These findings are consistent with the current research on mutual fund investors in Kerala, as strengthening the fact that financial knowledge, attitude and behaviour are the basis for responsible investment behaviour and effect reinvestment intentions.

Zaheer Ahamed et al. (2020) studied investment decision-making behaviour plays a major role in the financial growth of an individual investor. This study explores the effect of financial literacy in investment decision-making behaviour using mediating role of financial risk tolerance. The study used quantitative research design and multi-stage using both random and convenience sampling. A survey questionnaire was adopted to gather the data from 384 registered individual investors of Stock Exchange in Pakistan. Structural equation modelling (SEM) was applied to test the relationships between the constructs. Results showed positive and significant impact of financial literacy on investment decision making behaviour and financial risk tolerance among individual equity investor. Similarly, financial risk tolerance mediated the link between financial literacy and investment decision-making behaviour. The study makes recommendations to the policy makers on how to enhance financial literacy among the individual investors. It also proposes significant functional insights for stockbrokers, investment advisors and financial managers through study of investment decision making behaviour of the individual equity investors. This study

is a guideline for the academy to further develop the financial literacy of the future investors.

Ananda Mikhratunnisa et al. (2020) analysed good financial conduct is essential in this age of easy access to both spending and saving. Due to the fact that members of generation Z tend to be spendthrifts, the aim of this research is to understand their patterns of spending. The sample for the research was 200 participants. Methods for investigating structural equation modelling (SEM) data by use of partial least squares showed that financial literacy had an impact on financial attitudes, which affected financial behaviours.

Muhammad Khurram and Qaisar Malik (2020) looked at the ways in which people's demographics and behaviours impact the way society decides to divide up its assets. As a result of the usefulness of socio-demographic data and behavioural traits in forecasting investment choices, they have been used as predictors. It suggests that the effect of the predictors on investment decision making behaviour may be moderated by financial literacy. Consequently, financial literacy has been used for studying the effect of predictors. Based on demographics, financial attitudes, and decision-making behaviour, it is revealed that financial literacy has a strong moderating effect on investment variety. Investment diversity is also increased with age, education and income earned.

Richa Gupta (2020) focused on the role of financial literacy in mutual fund investment behaviour of Indian customers. The research finds that many investors have low to moderate financial literacy, which limits investors in mutual funds. The more financially literate you are, the better and more confident you are in making investments. The study proposes that financial education in India can be improved to increase awareness and make people invest in mutual funds at an increasing rate.

Kalsum et al. (2018) found the effect of financial literacy and investing experience on access to financing and decision-making on investments. This research was intended to investigate 395 small enterprises which are located in the Peninsula of Southeast Sulawesi. Investment choices were the dependent while financial literacy and investment experience were the independent factors. The research also made use of access to financing as a mediating variable. Data analysis was performed using Partial least squares. Finding that one's financial attitude had no bearing on one's

personal financial choices, the research found a favourable correlation between financial literacy and those decisions and also concluded that one's financial knowledge and talents had an effect.

Gupta Sangeeta (2017) examined the link between the knowledge of various financial products by salaried people and their financial literacy. The size of the sample was 180 persons. A person's understanding of products and investing options is determined by the individual's degree of financial literacy, according to the study. Researchers discovered that those that fell into the "High Level of Financial Literacy Group" were more likely to invest in modern fund products, and had a generally better understanding of the products. Respondents that have lower scores on the financial literacy scale are more likely to invest their money in tried-and-true items.

Swati Narula (2017) examined the relationship between financial inclusion, financial literacy and investment behaviour among retail investors in Delhi, India. The research aims to measure the financial literacy level of retail investors, analyse the investing patterns of retail investors and the gender differences in financial literacy and identify the financial literacy initiatives by the governmental and non-governmental organisations.

BalaSwamy and Priya (2016) discussed the relationship between financial literacy and investment behaviour of the salaried people in Telangana State. Utilizing a structured questionnaire, data were gathered from sample of Salaried employees from different sectors. The results of the analysis showed a considerable positive correlation between the level of financial literacy and informed investment decisions. The findings indicate the possibility of improving financial literacy as one way of making better investment choices among salaried individuals.

Agarwalla et al. (2015) studied the degree and determinants of financial literacy among youth working adults in urban India-an increasingly responsible group for financial decision-making in an economic environment undergoing rapid change in the country. Using a large dataset from multiple Indian cities compiled using a survey, the authors measure both basic financial knowledge (e.g. numeracy, interest rates, inflation) and complex financial concepts (e.g. risk diversification). The study concludes that financial literacy levels amongst urban working youth remains generally low, including large gaps in financial literacy in fundamental financial

principles. Despite relatively higher levels of education and income than the national average, many of the respondents have difficulties with the basic financial tasks required for effective money management and long-range planning.

Puneet Bhushan (2014) discussed the correlation between financial literacy, investing strategies and financial products knowledge among salaried population. Salary-earning persons in Himanchal Pradesh who are working in both public and private sectors and liable to be levied with income tax were included in the study. Financial behaviour, financial knowledge and attitude were considered when assessing the level of financial literacy for each individual using the OECD technique. A study showed that an individual's awareness and choice of investment for a number of financial products is affected by their level of financial literacy. People tend to invest in traditional financial goods rather than modern financial products which may earn higher returns due to lack of financial literacy. The conclusions of the study suggest that financial literacy is highly correlated with financial products knowledge and investment behaviour.

Puneet Bhushan and Yajulu Medury (2013) The 516 participants of the study were salaried employees selected randomly from three districts of Himachal Pradesh (Shimla, Solan and Kangra). For this study, it was opted to use demographic and socioeconomic factors as independent variables like gender, age, education, income, occupation, location and used ANOVA for all the aforementioned components. The overall level of financial literacy of respondents was found to be low by the poll. Factors that influence financial literacy include gender, level of education, income, occupation and workplace, but age and geography do not have a role.

Van Rooij et al. (2011) examined the relationship between financial literacy and stock market participation on data from the Netherlands, which give insight of great relevance to investors of emerging markets. Their study found people who are low on financial literacy have significantly less chances of investing their money in equities due to a limited understanding of financial products and increased perceptions of risk. This lack of confidence and perceived complexity leads to apprehension amongst investors and as a result, individuals tend to shy away or delay their participation in the financial markets despite potentially long-term gains. The authors underline that knowledge gaps are psychological barriers that increase fear of loss and mistrust in investment instruments that result in the reinforcement of financial exclusion. Their

findings imply that financial literacy improvement creates not only a rational decision-making process but also reduces the effect of emotional hesitancy, an understanding that is important in the context of mutual fund investors from areas such as Kerala, where apprehension and low literacy often go hand in hand.

2.5 Effect of Investor perception and Investor behaviour

Table 2.3 presents a table of studies concerning the Effect of investor perception and investor behaviour

Table 2.3

Literature on effect of investor perception and investor behaviour

Sl No	Title	Journal/Conference/Thesis	Year
1	Investors perception and attitude towards mutual fund investments through Upstox	International Journal of Engineering Research and Science & Technology	2025
2	The Study on Customer Perceptions Towards Mutual Funds	International Journal of Innovative Research in Science, Engineering and Technology	2025
3	A comprehensive analysis of investors' views on mutual fund investments in Ahmadabad	International Education and Research Journal	2024
4	Measuring the Level of Awareness of Mutual Fund Investors	Journal of Propulsion Technology	2024
5	An analysis of young investors' perception and decision-making in the Indian stock market.	Journal of Investment Behaviour and Finance Studies	2024
6	Investor Behaviour and Decision-Making in Mutual Fund Investments with Reference to Ahmedabad	International Education and Research journal	2023
7	Do Emotions, Desires and Habits Influence Mutual Fund Investing? A Study Using the Model of Goal-Directed Behaviour	International journal of Bank marketing	2022

SI No	Title	Journal/Conference/Thesis	Year
8	Mutual Fund Investment Behaviour; A Study on Association between the Variables of Investment Behaviour and Investors Attitude	International Journal of Economic perspectives	2022
9	Do emotions benefit investment decisions? Anticipatory emotion and investment decisions in non-professional investors	Frontiers in Psychology	2021
10	Determinants of Investment Behaviour in Mutual Funds: Evidence from Pakistan	Frontiers in Psychology	2021
11	Investor experiences and financial market dynamics	Journal of Financial Economics	2020
12	An analysis of retail mutual fund investor's behaviour towards mutual fund investment with special reference to Cochin city, Kerala, India.	Research Papers on Management and Development in India	2019
13	Factors Influencing the Investors to Invest in Mutual Funds: An Empirical Analysis	International Journal of Engineering Technologies and Management Research	2019
14	Mutual fund investor's behaviour towards information search and selection criteria: Do knowledge and perception about mutual funds matter?	Qualitative Research in Financial Markets	2018
15	Value similarity and overall performance: Trust in responsible investment	Society and Business Review	2017
16	Investigation of the determinants to augment investment in the Indian stock market.	International Journal of Management and Commerce Innovations	2016

Sl No	Title	Journal/Conference/Thesis	Year
17	Investment behaviour and awareness of salaried individuals in Tiruvannamalai District, Tamil Nadu	International Journal of Business and Administration Research Review	2015
18	Mutual Fund as an Investment Avenue among the Retail Investors of Kerala	Thesis	2015
19	An empirical analysis of factors influencing investment in mutual funds in India.	Global Business Review	2014
20	Mutual fund investors' behaviour in Kerala	Thesis	2014
21	A study on investor's perception towards mutual fund investment	Scholars Journal of Economics, Business and Management	2014
22	A study on influence of investment specific attitudes of investors on investment decisions	Indian Journal of Commerce and Management	2013
23	Trade-Offs Between Investors' Perceptions of Risk, Returns, Service Quality, and Mutual Fund Investments.	Indian Journal of Finance	2013
24	A Study of Consumer Behaviour towards Mutual Fund with Special Reference to ICICI Prudential Mutual Funds, Vijayawada.	International Journal of Management Research and Business Strategy	2013
25	Attitude of Mutual Fund Investors—An Empirical Study	International Journal of Research in Commerce & Management	2013
26	Mutual Funds: An Investment Option from Investors' Point of View	Journal of Management & Research	2013
27	Preferences of Investors for Investment in Mutual Fund in India	International Journal of Current Research	2013

Sl No	Title	Journal/Conference/Thesis	Year
28	A study on customer perception towards various mutual fund schemes in Chennai	International Journal of Marketing, Financial Services & Management Research	2013
29	Perception and Behaviour of Mutual Funds Investors in Indore, Madhya Pradesh	Indian Journal of Finance	2012
30	Investor's behaviour and perception towards investment in mutual funds: An empirical study in Rajasthan	Journal of Arts, Science & Commerce	2012
31	Behavioural analysis of individual investors towards selection of mutual fund schemes: An empirical study	International Journal of Marketing & Business Communication	2012
32	Investment preferences of salaried individuals: A study in Kolkata.	Indian Journal of Finance	2011
33	How Mutual Fund Investors' Objective and Subjective Knowledge Impacts Their Information Search and Processing Behaviour	Journal of financial Service Marketing	2011
34	Confidence Mediates How Investment Knowledge Influences Investing Self-Efficacy	Journal of economic psychology	2010
35	Consumer perceived value: The development of a multiple item scale.	Journal of Retailing	2001
36	The role of familiarity and trust.	Omega: The International Journal of Management Science	2000
37	The commitment-trust theory of relationship marketing	Journal of Marketing	1994

Ilyas and Ramanjaneyulu (2025) highlights that perceived value in mutual fund investments through Upstox is greatly affected by fund performance and the availability of investment options and choices. Trust is influenced by issues about the quality of customer support, transparency, and education. Investors tend to follow a moderate risk versus moderate reward approach, any deviation in these areas might lead to lower levels of satisfaction and confidence in digital investment platforms. The step toward increasing transparency, customer service, and investor education is essential to build trust and drive broader adoption in the Indian digital investment landscape.

Sankar et al. (2025) gave insight into mutual fund investor perception based on mutual fund awareness, risk tolerance, financial knowledge and prior investment experience. According to their survey of 98 respondents digital platform familiarity, support from the advisor and the level of income significantly influenced investor perception on mutual funds. These findings are consistent with the concept of perceived value because investors evaluated the utility of funds based on ease of access, guidance from advisor and expected returns relative to risk. In parallel, the research addresses perceived trust, considering that the support from advisors and the familiarity with the platforms are trust-generating mechanisms, lowering the hesitation and perceived risk. Thus, the article emphasises the importance of both perceived value and trust in mutual funds being co-determinants of engagement in investment in mutual funds as well as providing empirical context for studies that are focused on reinvestment behaviour.

Shilpa Jobanputra et al. (2024) conducts a regional study of mutual fund investors in Ahmadabad (International Education and Research Journal) and found that investors give prime importance to return reliability, liquidity and low transaction costs, as well as worrying about fund manager transparency and hidden charges. These results have a direct relationship to the constructs of perceived value (evaluations of benefit-cost trade-offs) and perceived trust (confidence in provider honesty and competence). The Ahmadabad study therefore adds to evidence in general that

perceived economic value and institutional trust together influence investor willingness to persist and recommend fund investments

Indra Bishnoi et al. (2024) conducted a study to investigate the level of awareness towards mutual funds among 300 mutual fund investors in North India by using the framework based on Theory of Planned Behaviour. The authors found that there were three key dimensions of general information, perceived benefit or ease and suspiciousness of risk. Their results revealed that income and age affected scheme choice and awareness was only moderate despite increasing mutual fund penetration. From a behavioural model perspective, this highlights that even in cases of moderate awareness; risk-cautiousness (apprehension) is high which may lead to a lower perceived value and trust, negatively impacting the reinvestment intention. Thus, increasing awareness is not enough unless it can also counteract investor apprehension and foster trust.

Sonal Singh (2024) made an analysis of the perception and decision-making of young investors in the Indian stock market. It finds that while they are drawn by potential high returns, they are also wary because of risks and market volatility. Social media and peer influence have a great impact on their choices. Better financial literacy makes them invest with more confidence. The research is suggestive of better education and support to overcome the fears and make smarter investment decisions

Jyoti Babulal Thakkar (2023) explored the investment behaviour and decision-making patterns of low-income mutual funds investors in Ahmedabad with the help of a sample size of 100 respondents and the descriptive statistical analysis is used to understand the attitudes, preferences, and influencing factors. The results show that the general attitude of the respondents towards mutual funds is favourable, and the main factors that attract the respondents to the mutual funds are perceived safety and professional management. The influence of advisors and data from industry professionals was found to be important for the choice of fund, also mentioning the importance of perceived trust in fund providers. Further, the study implies that the cognitive and affective evaluations are layered in the investment decision in the form of perceived benefits (such as security, diversification, growth) mapping to perceived

value. While the study is descriptive and not generalizable, it suggests the role of trust in a provider and subjective value assessments in informing investor decision making in mutual funds.

Sunderarajan Sourirajan and Swamy Prumandla (2022) analysed the effect of emotions, desires, and habits on investing in mutual funds making use of Model of Goal-directed Behaviour to understand investor motivations. Goal-based desires were a significant driver of investing intentions while actual investing was driven by habits. Anticipated regret had a strong influence on desires. The overall explanation of variance in intentions and investing behaviours was improved by 27 and 28% respectively by the new model. The current investments in mutual funds is used as a proxy for future investing behaviours so results need to be interpreted accordingly. Some of the future research directions might be the effects of mood, impact of language, religion and culture. For "emotionally complex" cultures, impact of emotive drivers and habits play a significant part on investing and fund houses need to orient their marketing accordingly. Awareness programs on how emotive issues and habits can impede as well as improve investment performance in markets would benefit the retail investors. The study has the strength of analysing affective and non-volitional factors, as well as demonstrating that intentions are not a sufficient explanation for behaviours. It not only analyses intentions as most studies do, but also their end behaviours as investors. It uses the MGB theoretical framework from behavioural psychology that has not been used with financial behaviours before.

Pooja Srivastava (2022) explored the relationship between variables of investment behaviour and investor attitude with a focus on the role of psychological factors in mutual fund investment decision. This study evaluates the association between the variables of investment behaviour and investors attitude. He used chi-square analysis for the better understanding of association between the investment behaviour and investors attitude. The findings from the investors indicate that there is an association between the investment behaviour and investors attitude. It was found that asymptotic significance for Pearson Chi-Square comes out to be less than 0.05, so we reject all the null hypotheses at 5% level of significance. Hence it can be concluded that two

variables are associated and all the variables of investment behaviour are associated with the investor's attitude.

Hinvest et al. (2021) analysed that the increase of performance in financial trading is big business. A question that remains in the academy and the industries is that of whether emotions make a trader better or worse. In this research, 30 subjects allocated hypothetical wealth between a share (risk) and the bank (paying a small amount of sure gain) across four trading games. Skin Conductance Response was measured while playing the games in order to measure anticipatory emotion, a covert emotion signal that affects decision-making. Anticipatory emotion was significantly associated with trading performance but the direction of the correlation was dependent upon the movement of the share. Thus, anticipatory emotion is not totally "good" or "bad" in trading; rather the relationship is context-dependent. This is one of the first studies that explore the association between anticipatory emotion and trading behaviour using trading games in an experimentally-rigorous environment. Their findings provide insights into the link between anticipatory emotion and financial decision-making as well as applications to enhance trading performance in novice and expert traders.

Sharaz Saleem et al. (2021) investigated the factors that affect the behaviour of mutual fund investments, which are risk perception, return perception, investment criteria, mutual fund awareness, and financial literacy. The study examines several determinants of investment behaviour among mutual fund investors of Pakistan by taking into consideration the constructs like Risk Perception (RP), Return Perception (Return P), Investment Criteria (IC), Mutual Fund Awareness (MFA) and Financial Literacy (FL). Surveying 500 respondents (460 usable questionnaires) using snowball sampling method, the study results revealed that the results pit criteria demonstrated a negative and significant effect on investor behaviour while risk perception, return perception and mutual fund awareness were found to be insignificant and negatively related to behaviour. There was a positive but insignificant effect of financial literacy. These results suggest that even though it is possible for literacy to lead to an increase on knowledge, it is not guaranteed that this will translate into a positive behavioural intention, indicating a gap between knowledge (cognitive) and action (behaviour)

Ulrike Malmendier et al. (2020) explored the role of personal experiences in shaping the behaviour of individual investors and in turn, the financial market. The authors derive an overlapping generations (OLG) model with experience-based learning in which investors revise their beliefs according to their experience, not just on history. The model shows that such learning results in a long-lasting heterogeneity in beliefs, portfolio choices and trading behaviour between different cohorts. Empirical analysis lends support to the model's predictions; it can be seen that the past experience of investors has a significant effect on their investment decisions, adding to phenomena in the market such as excess volatility and predictability of returns.

Kumar (2019) investigated the behaviour of the retail mutual fund investors in the Cochin city, Kerala and their investment patterns, investment preferences, and decision-making process. By using a structured questionnaire, data was collected from a sample of 130 retail investors. The research identifies some significant factors that affect investment decisions, including the perception of risk, the expectation of returns and the role of financial advisors. The findings offer insights into the behaviour of mutual fund investments of retail investors in the region, including areas for financial education and policy intervention.

Bishwajit Rout and Sangeeta Mohanty (2019) analysed the motivation behind the investors in India to invest in mutual funds by surveying 100 respondents from different districts in Odisha and using the factor analysis method on 17 fund-related variables (brand name, NAV, past performance, liquidity, fund size, rating, tax benefits). The study identifies four broad factors affecting the investment decision: Intrinsic Qualities (the type of fund, the type of scheme, sustainable performance), Portfolio Management (size of fund, NAV, reputation of fund manager), Extra Benefits (tax benefits, redemption facilities, regular savings) and Image (brand name, reputation of fund manager, ratings) of the fund. Indian mutual fund industry started with traditional products like equity fund, debt fund and balanced fund and later significantly increased its product base. With the advent of modern times, the industry has given birth to numerous products like money market funds, sector specific funds, index fund, gilt funds, insurance linked funds, exchange traded funds, marching

towards reality funds etc. The Indian mutual fund industry offers several options in terms of mutual fund schemes to common man. What is noteworthy is that bulk of the mobilisation has been by the private sector mutual funds rather than bank sponsored mutual funds. Through this paper the author has attempted to focus on the factors that motivate the investors to invest in mutual funds.

Inderjit Kaur (2018) examined the knowledge and perception of mutual fund investors that determines their information search behaviour and selection criteria. Utilizing the Theory of Planned Behaviour and the models for consumer behaviour, the research analyses data gathered from the investors of the National Capital Region which is Delhi in India. The findings show that investors who have more knowledge about mutual funds rely on impersonal sources of information and give precedence to fund performance in their selection process. Conversely, less knowledgeable investors tend to rely on expert advice and are more interested in the characteristics of the fund. Additionally, the study underscores the significant impact of perception of returns and risks on information seeking behaviour and fund choice by investors.

Heimann et al. (2017) investigated the impact of value similarity on the perceived trustworthiness of investment funds, suggesting that the perceived trustworthiness of investment funds is positively associated with the similarity of values between funds and the investor's personal moral values or investment values. Their experimental evidence indicates that simply branding a fund "ethical" was not enough to increase trust unless information was explicitly provided on value-alignment. This finding emphasises the psychological element of trust formation in which investors do not react to performance or labels, but to a deeper sense of shared values. For the mutual fund industry, especially in emerging markets or regional markets like Kerala, this implies that it may not be enough for fund houses to focus on creating investor trust through returns or disclosures, but also through a congruence of message, values and service orientation with investor beliefs. Incorporating this insight, the present study suggests that perceived trust is improved when investors perceive fund providers share their values, thus affecting the intention to reinvest, with perceived value mediating between perceived value matching and reinvestment intention.

Gurinder Singh and Navneet Kaur (2016) focussed on the perceptions of investors as well as non-investors. The study revealed that a major factor that inhibits stock market participation is lack of financial knowledge and fear of monetary loss. Respondents said that awareness can be increased by advertisements and it can have a significant impact in improving financial literacy and investments. Additionally on the recommendation of the committee, it was suggested that investor-friendly equity schemes be launched as a strategy to stimulate higher participation in the Indian stock market.

Sathiyamoorthy and Krishanmurthy (2015) studied the investment behaviour and awareness of salaried people of Tiruvannamalai District, Tamil Nadu. The study reveals that most investors consider safety to be more important than high returns. Factors that affect them when making investment choices include education level, age, and family size. Bank deposits become the most popular form of investment, with major objectives being children's education, marriage costs and retirement protection. The research is based on primary data and employs T-tests and Chi-Square tests to analyse the data.

Joseph (2015) studied the preferences, perceptions and investment behaviour of retail mutual fund investors in state of Kerala. Drawing from a survey of 472 respondents from three zones in Kerala, the study examines demographic influences (age, zone, savings, occupation) on preference of mutual funds, risk level and satisfaction level in mutual fund investment. Key findings indicate that the levels of preference for mutual funds, though moderate (mean score ~68%), apprehension exists, complexity and poor performance are major issues and return and liquidity are the highest drivers of satisfaction; safety and reliability are weaker drivers of satisfaction. The study highlights the role of investor awareness, information sources and communication mode to have a significant impact on perception and risk attitudes which has implications for a link to financial literacy as well as investor involvement

Deepak Chawla (2014) examined the factors that affect the decision of individual investors to invest in mutual funds in India. Utilising a sample of 431 respondents, the research identifies key attributes that the investors consider important. The study uses

factor analysis to extract the underlying factors and analyse their relationship with demographic variables. The results offer insights to mutual fund companies to customise their offerings and offer a starting point for future research to delve deeper into investor behaviour.

Thomas (2014) examined the behaviour, perceptions, and levels of satisfaction of retail mutual fund investors in Kerala with a sample size of around 90 individual investors and using a large amount of primary data. His study looks into fund selection criteria (past performance, brand name, etc.), investor awareness of technical terms (like NAV, entry/exit loads), and post-investment satisfaction in dimensions such as return, transparency, safety, liquidity and service quality. Findings show that although investors have a high level of focus on returns and brand reputation, awareness of technical documents (e.g. scheme information documents) is low - implying that there is a discrepancy between perceived value and actual literacy. The thesis also highlights that the involvement of investors (monitoring, seeking advisor advice) and trust in the reputation of fund house have a significant impact on satisfaction and likely reinvestment behaviour

Sehdev and Ranjan (2014) have mentioned that mostly people are preferring balanced funds and debt funds. After that people look for Equity diversified and Sector funds. The factors that are responsible for the preference of investors for mutual funds as an investment option are benefits and transparency, returns, redemption period, Liquidity and Institutional Investor's activity. For information on mutual funds people are mostly depending on internet rather than any other media channel

Sindhu and Rajitha Kumar (2013) analysed effects of investment specific attitudes of individual investors on the mutual fund investment decision. The study is contextualised in India in recognition of the fact that household savings in the form of financial assets is particularly important for resource mobilisation. It is focused on the importance of the expectations and attitude of investors regarding investment instruments (especially mutual funds) in the decision-making process. The authors suggest that because mutual funds appear to be transparent and cheaper in volatile markets, the role of investor attitude takes on greater salience in volatile markets. The

results indicate that those with more favourable attitudes toward investment (e.g. beliefs in growth potential of mutual funds, comfort with risk/return trade-offs) are more likely to choose mutual funds as part of their portfolio

Sanjay Kaushik (2013) conducted study to explore the effect of investor's perception on risk, returns and service quality on mutual fund investments. The research identifies the dominant factors that affect investment decisions are perceptions of risk and satisfaction with returns. Other influential factors include quality of the service, transaction costs, and brand familiarity. The study uses data from 250 respondents and uses statistical analyses such as the Cronbach's alpha, chi-square, and step-wise regression to determine the predictors of mutual fund investment intentions. On the one hand, investors perceive mutual funds to be riskier and a less rewarding investment channel as compared to the risk-free investments, and this leaves them dissatisfied. On the other hand, the volatile market has turned most of the investors to hold stocks with calculated risk, in the shape of mutual funds, to save themselves from the volatile market. Keeping this scenario in mind, understanding the perception of mutual funds by the investors has become imperative since mutual funds can now prove to be the most preferred financial avenue, provided they are put forth before investors in the desired form. Mutual funds purchase decision by investors is affected by a chain of factors. Out of the list of factors, the perception of risk and satisfaction from returns has been found to be dominant. Other factors that account for their final decision are quality of service offered, cost of transaction, name familiarity and so forth. It identified the perceived relationship between risk and returns of investors as respondents, service quality and investment decisions. Furthermore, it studied the effect of three factors - perceived quality of services, name familiarity, and price on the respondent's decision to choose a mutual fund. It also analysed the influence of the age, income, education, and risk and returns perception of the respondents in choosing the financial avenues.

Padmaja (2013) gave explanation of the awareness of investors, views, preferences and the levels of satisfaction of investors towards mutual funds. The area of research looked on consumer behaviour in the area of mutual funds, particularly ICICI

Prudential Mutual Funds Limited, Vijayawada as a case study. The information was collected from direct and indirect sources. The direct data was collected using the use of a standardised list of questions. The data collection was employed through the convenience sampling method, and conducting the entire study was done in the city of Vijayawada. In spite of the fact that the market is flooded with countless investing prospects, such as mutual funds, it has been shown that regular customers are still limited their selections to conservative methods which include fixed deposit accounts and gold. This was a result of lack of knowledge related to the working of MFs, which makes a number of customers apprehensive about investing in mutual funds in the first place.

Raju et al. (2013) examined the perceptions and attitudes of the Indian investors about Mutual Fund schemes. The primary goal of the study is to examine the perceptions of individual investors about mutual funds with the aim of identifying factors influencing the investment decision of the investor. The majority of respondents reported a generally positive attitude toward mutual funds, and liked such things as professional fund management, the diversification of the portfolio, and the potential for higher returns. Investors were generally more positive toward schemes seen as having higher returns; and attitudes to types of funds were adversely impacted by concerns over risk and past performance. Elements like tax benefits, liquidity and reputation of fund houses were found to play a huge role in preferences of investors. For instance, the majority of investors favoured equity funds for growth and also the safety of debt and balanced funds depending on their risk appetite. The study suggests that improved communications about fund performance and risk management may improve investor confidence. Ultimately, by taking into consideration these attitudes, mutual fund firms can better tailor their product schemes and marketing strategies to meet the needs of their investors.

Joshi (2013) examined that Investment decision for individual investor is concerned with various factors. These factors could have an impact on the entire investment process. Mutual Funds have become an important portal for the small size investors. Mutual fund has a vital role to play in Indian economy. The main focus of the study

is to know the investor's view about the investment preference, motivational factors especially for mutual funds. The study identified the preference of the consumers for various mutual funds, and the major reasons for investment in mutual fund schemes. They also investigated various factors that investor is thinking before selecting a mutual funds company. Overall, the research was based on the behaviour of individual investors and as such form a part of behavioural finance.

Adhikari et al. (2013) discovered the characteristics that encourage the choices of investors for investing in mutual funds, which allowed them to examine investment alternatives instead of MFs and start establishment of MF as a source to invest in India. The sample was divided into 2 groups, those who were considering investing and those who were invested. It was discovered that the most desirable elements for existing investors to invest in MFs were high returns and benefits in taxes, which inclined the investment decision to be made through mutual funds as the preferable distribution channel for the investment.

Geeta Kesavaraj (2013) conducted a study to establish customer perception towards various types of mutual funds in Chennai. The research was carried out mainly to know customer expectations and customer satisfaction and complaints to help improving mutual fund products and helping for their effective promotions. Using a descriptive research design, she gathered primary data from a sample of 204 respondents using a structured questionnaire using convenience sampling. The data was analysed using Simple Percentage Analysis, Chi-Square Test, Karl Pearson's Correlation and One way ANOVA. The results of the research revealed important information about customer perceptions and gave recommendations on how to improve customer satisfaction and support wealth maximisation through mutual funds.

Ravi Vyas and Suresh Chandra Moonat (2012) investigated investor attitudes and behaviours in Indore, concluding that risk aversion and a preference for mutual fund options with manageable capital risk are prevalent. The authors highlight the necessity for mutual fund companies to analyze investor fund selection and switching patterns, and to develop products that align with shifting consumer preferences. The study

seeks to facilitate broader mutual fund adoption in India and provides insights into the expectations of current investors.

Mandot (2012) made a study on a sample of 200 investors belonging to different cities of Rajasthan with the aim of studying the relationship between demographic factors with investment risk behaviour. The study found that there was a significant association between the level of risk investors were willing to undertake with the marital status, age, income, education and occupation. These factors seemed to have an effect on the risk preferences and investment decisions of investors. Interestingly, the results of this study did not show any significant association between gender and risk-taking behaviour, which indicates that both male and female investors displayed similar risk profiles. The research underscores the importance of understanding demographic variables in the development of investment strategies and could be helpful to financial advisors in tailoring investment.

Jain and Rawal (2012) studied the selection of mutual funds by investors in Delhi and Gurgaon and have concluded that age and savings are the factors which influence the choice of investment as gender does not influence the choice of mutual funds. Their findings are consistent with previous studies that highlight the importance of financial capacity and life stage on investment decisions. The preference for tax-saving and growth schemes lends credence to the earlier studies which emphasise on tax benefits and capital appreciation as the major motivator factors. The research also shows a continued lack of financial literacy among educated investors, which has been observed in other studies. Additionally, a growing tendency toward investment in gold reflects general economic uncertainty as a factor in investor behaviour.

Saha and Dey (2011) have studied 100 mutual fund investors in Kolkata and have found that bank deposits were the most preferred saving options followed by insurance and mutual funds. Mutual funds ranked highest among such financial instruments such as shares and bonds. Most of the investors preferred growth and open-ended schemes with safety, decent returns, and liquidity being the top priorities. Reference groups and print media played an important role as a source of information. About 67% of them preferred mutual funds instead of direct equity, and 72% of them

were aware of mutual funds, irrespective of their age. The study emphasised finding products that match investor risk and return expectation.

Sanjay Kumar Mishra and Manoj Kumar (2011) investigated the relationship between both objective and subjective levels of knowledge and the investor's information search and processing behaviour in mutual fund investments. Contrary to the popular belief claiming that objective knowledge (OK) (that is, what is actually stored in the memory) and subjective knowledge (SK) (that is, what individuals perceive they know) differently affect information search and information processing behaviour, an empirical study conducted on 268 mutual fund (MF) investors suggests no significant difference in terms of the impact of OK and SK on the width and depth of information search and information processing. The research study suggests that OK and SK have a significant impact on the width and depth of information search and information processing behaviour, however there is no significant difference in their impact. The possible explanation put forth is that even though the MF investors may be victims of self-deception (that is, pseudo expertise) and report high knowledge (that is, high SK), the effect of SK on actual investment behaviour is not significantly different from that of OK. The implications of the findings are also discussed.

James Forbes and Murat Kara (2010) examined the mediating role of confidence between investment knowledge and investing self-efficacy, affecting mutual fund investment behaviours. A comprehensive investment literacy questionnaire was used to survey potential sources (viz., knowledge, confidence) of investing self-efficacy in a large sample of working adults. As expected, the influence of investment knowledge on belief in one's future capability of orchestrating a plan to achieve investment goals was mediated by confidence. On the whole, the accuracy of applied knowledge about investment by employees was low: 57%. In brief, the knowledge of investments was reliably related to confidence. However, confidence and investment knowledge accuracy were entirely independent 9/21 items, suggesting an inability to inhibit poor investment decisions or an inability to take advantage of investment opportunities. A policy of mandatory investment training could be enacted so as to not interfere with

the freedom of choice of individuals, which would likely help the truly uninformed to become more informed and eventually successful investors.

Sweeney and Soutar (2001) developed a multidimensional approach to understanding consumer perceived value, which they have termed the PERVAL scale. This scale identifies four major dimensions that affect consumer purchase attitudes and behaviours: Emotional Value: The utility that comes from the feelings or affective states that a product evokes. For example, a mutual fund that generates peace of mind or excitement of future returns could increase emotional value. Social Value: The utility associated with the ability of a product to increase one's social self-concept. In the instance of mutual funds, assuming an investment in socially responsible funds may enhance an investor's social image. Functional Value (Quality/Performance): The utility that is derived from perceived quality and expected performance of the product. For mutual funds, it is a consistent return and good fund management. Functional Value (Price/Value for Money): The utility in the function of the product in terms of providing value for money. Investors determine if the fees of the mutual fund are worth it in terms of its performance. These are dimensions which provide a very complete framework for analysing how consumers perceive value which is crucial for understanding investment behaviours in mutual funds. This study offers useful insights into the multifaceted nature of consumer perceived value which can be instrumental in analysing the decision-making process of mutual fund investors.

Gefen (2000) offered one of the seminal discussions on the theory of trust in the context of online and service-based relationships, focusing on trust arising from two related dimensions - familiarity and reliability. From his findings, it is evident that as consumers repeatedly interact with an online seller, the perceived familiarity creates reduced uncertainty and builds trust, having the effect of boosting a purchase intention. Translating this framework to the financial space, mutual fund investors generate perceptions of trust in fund providers, as a result of consistent performance, openness and credible communication. Familiarity with the brand, reputation, and reliability of service and reliability of a fund house counter the perceived risk and create psychological security which fosters reinvestment and recommendation

intentions. Thus, Gefen's model emphasizes that trust is not only some intellectual assessment of institutional competence, but also an emotional mechanism of assurance to alleviate investor apprehension and enable sustained investment relationships.

Morgan and Hunt (1994) highlight the important roles of trust and commitment in creating successful relational exchanges. According to their theory, both trust and commitment are critical for building and sustaining long-term relationships between businesses and their customers. In terms of mutual fund investments as an example, this theory is relevant. When investors believe in a mutual fund company and feel loyal to them, they are more likely to act favourably in terms of investment behaviour, such as investment amount, investment holding period, and positive word-of-mouth referrals. Trust helps lower perceived risk and commitment helps to increase the willingness to keep the relationship, even during short-term market fluctuations. Morgan and Hunt see several antecedents to trust and commitment such as shared values, communication, and lack of opportunistic behaviour. They suggest that these factors give rise to an outcome like cooperation, functioning conflict and lessened uncertainty, which all are beneficial in the context of a mutual fund investment.

2.6 Impact of Investment performance

Table 2.4 shows the compiled list of studies focusing on investment performance of mutual funds.

Table 2.4

Literature on impact of investment performance

Sl.No	Title	Journal/Conference/Thesis	Year
1	A Study on Investors' Behaviour Towards Mutual Funds with Reference to West Bengal	International Education and Research journal	2025
2	Evaluating the Performance of Mutual Fund Managers: A Comparative Analysis of Market Timing and Stock	Journal of Informatics Education and Research	2024

100	<i>Investor Apprehension and Behavioural Factors Influencing Mutual Fund Investment in Kerala</i>		
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Sl.No	Title	Journal/Conference/Thesis	Year
	Selection Using the Treynor-Mazuy Model in the Indian Market		
3	Mutual funds as the growth driver of investment in Kerala	Thesis	2024
4	Explaining Mutual Fund Behaviour Through the Structure-Conduct-Performance Lens	International Journal of finance and economics	2023
5	A Comprehensive Method for Ranking Mutual Fund Performance	SAGE Open	2023
6	Indian Mutual Fund Performance: Theoretical Models and Empirical Evidences	Thesis	2022
7	Performance Analysis of Mutual Funds-A Study on Selected Mid Cap and Small Cap Funds	International Journal of Business and Management Invention	2018
8	Performance Evaluation of Indian Equity Mutual Fund Schemes.	International Journal of Scientific Research and Review	2018
9	Does the time horizon of the return predictive effect of investor sentiment vary with stock characteristics?	Applied Economics Letters	2018
10	A Study of the Risk Adjusted Performance of Mutual Funds Industry in India	International Journal of Research in Finance and Marketing	2017
11	A study on performance evaluation of selected debt mutual funds in India.	International Journal of Scientific Research and Management	2017
12	An empirical evaluation of the performance of selected equity growth mutual fund schemes in India.	International Journal of Marketing, Financial Services & Management Research	2014

Sl.No	Title	Journal/Conference/Thesis	Year
13	Behavioural Effect of Mutual Fund Investors and Perception in Millenium City.	Pacific Business Review International	2013
14	Mutual Fund Characteristics, Managerial Attributes, and Fund Performance	Review of financial economics	2004
15	Evaluating Mutual Fund Performance	The journal of finance	2001

Anupam Roy (2025) examined the perceptions and responses of mutual fund investors in West Bengal regarding fund performance and how these perceptions shape their investment behaviour. The study showed that what investors value most is fund performance (measured through return consistency, risk-adjusted yield and Net Asset Value, or NAV, growth). Investors who believed their chosen funds were stable and performing relative to the benchmark levels showed increased trust in fund managers and perceived value, which in turn enhanced their reinvestment intentions. On the other hand, unstable or inconsistent performance of funds led to low confidence and increased apprehension among investors, especially those with limited financial literacy. The findings also showed that fund performance serves as a tangible signalling device of fund house credibility, and directly influences investors' perceived trustworthiness of the institution. Thus, the study by Roy highlights that, in regional markets, the perception of fund performance not only determines investor investment satisfaction but also serves as an important behavioural trigger that influences long-term commitment, loyalty, and willingness to recommend mutual fund schemes to others.

Amith Ramesh Bhatia et al. (2024) evaluated performance of mutual fund managers in India based on Market timing and stock picking skills using the Treynor-Mazuy model. It analyses the vital mutual fund performance of Indian market. It reviews prior work on mutual fund performance evaluation, market timing ability, and so on, and tries to make sense of antagonistic prior results. The data used for the study is from

January 2019 to December 2023 and the sample is of Indian mutual fund managers using the Treynor-Mazuy market timing model.

Ramakrishnan (2024) investigated the development of mutual funds as a major investment growth vehicle in Kerala in terms of accessibility, awareness, product variety, and performance perception and investor demographics. The study finds that increasing mutual fund penetration is associated with more household savings being channelled into equity-oriented schemes and that various structural and behavioural factors such as support from advisors, distribution reach and digital access - contributes towards better adoption of funds.

Les Coleman (2023) used the structure-conduct-performance paradigm in the mutual fund industry and demonstrates the connection between fund behaviour, market structure, and performance outcomes. These are economically important as the largest institutional investors, and form an important principal-agent relationship as custodians of retirement savings. Despite a large body of literature, there is no agreed explanation of mutual fund behaviour. This analysis draws connections between mutual fund research across disciplines by using the structure-conduct-performance (SCP) paradigm, which is commonly used in strategy research to explain firm actions and outcomes. SCP explains mutual fund actions after placing the fund manager at the centre of fund operations, where their conduct is driven by the structure of markets and the fund management industry. Structural influences on fund managers include market unpredictability, the oligopolistic nature of the mutual fund industry, and client disengagement. As a result, funds draw income in the form of commission on assets under management, which is not ideal for clients. In addition, the conduct of fund managers is motivated by their homogeneity and socialization with competitors and investee firms. While the most obvious role of fund managers is the construction of investment portfolios, outperformance is not their only, or perhaps even principal, objective. The SCP lens provides insights into mutual funds that are valuable to fund managers, investors, regulators, and executives of investee firms. This paper draws on real-world data to offer a theory-based actor-centric perspective on investment, an archetypal practitioner-driven discipline.

Jin Yuwan et. al (2023) proposed a new comprehensive method for mutual fund performance ranking by multi-indices and paired comparison. The purpose of the study is to give a more holistic assessment of mutual funds by taking into account different performance indicators which will improve the decision-making process for the investors. The increasing guidance requirement in choosing mutual funds contributes to development of abundant literature on approaches of ranking funds' performance. However, all the commonly used single index and multi-indexes ranking methodologies have their own drawbacks and, are in fact, not suitable for a reasonable and practical mutual funds comprehensive ranking sometimes. More specifically, the single index measures are incomprehensive, controversial, or even ineffective sometimes, while the mostly used multi-indexes methods do not make full use of evaluation information and usually indirect and inflexible in reality. This paper proposes a paired competition based mutual fund multi-indexes comprehensive performance ranking method which could avoid most of the shortcomings of existing approaches with six good characteristics: it is a comprehensive ranking method that reflect different performance aspects; it provide both cardinal and ordinal information for different practical applications; it integrate both individual evaluation information and joint comparison information for obtaining more accurate and robust ranking scheme; it has a flexible framework to process complicated data situation; it reveal true strength of fund without distortion; it is convenient to operate in practise. In addition, a more reasonable objective weighted method is put forward to cope with the index's correlation problems.

Maheen (2022) used a vast array of theoretical models of performance evaluation such as CAPM, Carhart four factor models and Treynor Mazuy timing model to analyse the performance of Indian equity oriented mutual funds over a long period. She finds that while a minority of funds exhibit statistically significant ability in stock selection, very few exhibit consistent ability in market timing, in line with broader evidence from around the world. The empirical evidence also reveals that there is a positive relationship between fund performance and fund size and past reputation but a negative relationship between fund performance and high fund expense ratios and high load structures.

Sridevi (2018) the results of the study have shown that out of the two schemes of both mid cap and small cap funds have evidences of outperforming the benchmark return. Not all the funds have been positive values. In Mid cap fund the performance, Axis balanced fund is very insignificant whereas in the small cap fund the performance, HSBC balanced is considered desirable. However, from the above study it can be said that the schemes have diversified results.

Saranya and Parthiban Than gavel (2018) studied that the Mutual Fund is a safe investment tool. Mutual Fund is the only opportunity many investors have for investing in the intelligent diversified manner. After studying and analysing different mutual fund schemes the following conclusions can be made. The most important considerations while making investment decision was return aspect followed by safety, liquidity and taxability. Based on the analysis the performance of the study can be concluded to be good and those who want to eliminate risk element and want to reap better return than it would be advisable to go for debt or arbitrage schemes, which ensures both return and safety.

Jiang and Zhou (2018) investigated the predictability of investor sentiment when it comes to stock returns over a range of time horizons, contingent on firm-specific features. Employing Granger causality analysis in the frequency domain, they explore the data from the US stocks to determine whether the predictive power of investor sentiment is dependent on factors such as firm size, book-to-market equity ratio, operating profitability and investment levels. The study finds investor sentiment has short-term (less than 12 months) and long-term (more than 12 months) predictive effects on stock returns depending on these firm characteristics. Specifically, stocks of smaller companies, companies with lower book-to-market ratios, and stocks with lower operating profitability have a greater predictability vis-a-vis investor sentiment in both the short and long term. Contrarily, in stocks with higher values in these characteristics, the predictive effect is mostly short term. These findings imply that the influence of investor sentiment on stock return is complex and relies on specific characteristics of a firm, which provides useful information for investors and portfolio

managers of how to implement investment strategies depending on the characteristics of the firm and the investment horizon.

Shivangi Agarwal and Nawaz Mishra (2017) in their study had analysed the performance of mutual funds schemes against their respective benchmarks with the help of risk-adjusted measures such as Sharpe ratio, Treynor ratio, Jensen's alpha etc. The research found that 90% of the mutual fund schemes outperformed the benchmark which means good fund management and good market conditions at the time of the research. This high performance indicates that mutual funds, especially those with steady track records, can be a better choice for investors who are seeking stable and improved returns. The authors stressed that such performance trends may help in enhancing investor confidence and increase participation in the mutual fund industry. The results also underline the importance of assessing mutual fund schemes not only in terms of the absolute return but also in terms of how well they reward the risk assumed.

Yashasvi and Rajpara (2017) in their study made an evaluation of the performance of selected debt mutual fund schemes. The researchers found out which schemes were performing better and there was a growing investor interest in debt mutual funds. They concluded that rational investors prefer to invest in debt funds over other mutual funds because of relatively low risk and stable returns. Additionally, the results indicated that investor awareness and financial literacy are important factors in the choice of mutual fund schemes where informed investors lean more towards debt instruments.

Srinivas Yadav et al. (2014) conducted an empirical study to assess the performance of 15 selected equity growth mutual fund schemes in India which were among the top 10 Asset Management Companies in terms of Assets Under Management (AUM). The period covered by the research was 1st June 2010 to 31st May 2013. Using the NAV data, the performance was evaluated by using portfolio evaluation methods such as the Sharpe Ratio, Treynor Ratio to measure risk-adjusted returns. The index used as benchmark for comparing the performance of the funds with the performance of the market was the S&P CNX NIFTY index.

Sachdeva et al. (2013) found investors make their decisions on whether or not to purchase a mutual fund scheme based on the past performance, and that they are heavily affected by the historical high and low returns of the scheme. Furthermore, it was discovered that investors investing decision, while constructing their portfolios are not always rational, and that they tend to behave in a status quo manner. After conducting its research, it came to the conclusion that there are a variety of alternatives that are available to assist investors in making better decisions while buying mutual fund schemes.

Laurie Prather et al. (2004) examined the effect of fund specific characteristics and managerial attributes on mutual fund performance and finds that certain factors such as fund popularity, fund growth, fund cost and fund management are a significant determinant of mutual fund performance. This study offers a detailed analysis of mutual fund performance in recent years by analysing a large number of both mutual funds and fund attributes in an attempt to link fund performance to fund specific characteristics. The results show that the hypothesised relationships between performance and the explanatory variables are generally supported. After taking into consideration general market conditions and fund investment objective the characteristic variables that have relation to fund popularity, growth, cost and management also explain performance. Finally, after adjusting for survivorship and benchmark error and funds-specific factors, the results refute the performance persistence phenomenon.

Kothari & Jerold Warner (2001) examined the standard measures of mutual fund performance and identifies the limitations in identifying abnormal fund performance, making recommendations for using event study procedures to improve performance. It studies standard measures of mutual fund performances, where simulated funds are used with characteristics that simulate actual funds. It is found that performance measures used in previous research on mutual funds have little ability to detect economically large magnitudes (i.e., three percent per year) of abnormal fund performance, particularly if a mutual fund's style characteristics differ from those of the value-weighted portfolio of stocks. Power can be greatly increased with event-study procedures, which examine the stock trades of a fund. These procedures have been feasible using time series data sets on mutual fund portfolio holdings.

2.7 Risk tolerance in Mutual Fund Investment

Table 2.5 shows the compiled list of studies focusing on Risk tolerance on mutual funds.

Table 2.5

Literature on Risk tolerance in Mutual Fund Investment

Sl.No	Title	Journal/conference/thesis	year
1	Investor risk tolerance and its effect on mutual fund investment decisions	EPRA International Journal of Climate and Resource Economic Review	2025
2	Investors' personality traits and mutual fund investment decisions: A regression analysis of risk tolerance and investment choices	Journal of Information Systems Engineering and Management	2025
3	Risk Tolerance in Investment Decisions: Are Personality Traits the Real Triggers	The Journal of Business Perspective	2024
4	The mediating role of risk tolerance in relationship between heuristic and prospect theory and investment performance	European Economic Letters	2024
5	Learning Risk Preferences from Investment Portfolios Using Inverse Optimization	Research in International Business and Finance	2023
6	Financial literacy and investment choices: Mediating roles of risk tolerance and rational decision-making.	Educational Administration: Theory and Practice	2023
7	Risk tolerance as mediating factor in individual financial investment decisions: a developing-country study.	Studies in Economics and Econometrics	2023
8	Risk factors, uncertainty, and investment decision: Evidence from mutual fund flows from India	Indian Economic Review	2022

Sl.No	Title	Journal/conference/thesis	year
9	Behavioural finance factors and investment decisions: A mediating role of risk perception	Cogent Economics & Finance	2022
10	The mediating role of risk tolerance in the relationship between financial literacy and investment performance	Colombo Business Journal	2020
11	Investor Attitudes and Behaviour towards Inherent Risk and Potential Returns in Financial Products.	International Research Journal of Finance and Economics	2013
12	Does personality affect the investment performance of mutual fund managers?	Journal of Behavioural Finance	2013
13	A study of investors' knowledge and risk perception towards mutual funds: Evidence from Visakhapatnam	The IUP Journal of Financial Risk Management	2011
14	Estimating risk tolerance: The degree of accuracy and the paramorphic representations of a hybrid financial risk-tolerance instrument	Journal of Financial Counseling and Planning	2005
15	An empirical investigation of personal financial risk tolerance.	Financial Services Review	2004
16	The diversification puzzle	Financial Analysts Journal	2004
17	A domain-specific risk-attitude scale: Measuring risk perceptions and risk behaviours.	Journal of Behavioural Decision Making.	2002
18	Financial risk tolerance and additional factors that affect risk-taking in everyday money matters.	Journal of Business and Psychology	2000

Gundala and Chodisetty (2025) explored the impact of investor's risk tolerance on decision making behaviour in the context of mutual fund investments. Using mixed-method approach (comparative analysis of investor segments, secondary data of mutual fund performance and regression techniques) they look at the impact of varying level of risk tolerance in determining asset allocation, fund choice (equity-oriented vs balanced/debt funds) and investment strategy while taking into account psychological biases and demographic factors (age, income, financial literacy). The study finds that the higher risk-tolerant investors are more likely to opt for equity-oriented mutual funds (more return potential but higher risk or volatility) while risk-averse investors prefer more conservative funds (debt, balanced schemes). Demographic factors and financial literacy moderate these relationships. This article emphasises the importance of measuring the risk tolerance as an important determinant of investment choice.

Ger & Maheta (2025) explored the Impact of Personality Traits of Investor on Mutual Fund Investment Decision with respect to risk Tolerance and Investment Decision. Utilizing regression analysis on an extensive data set, the research identifies significant relationships between psychological, educational and demographic factors and investment behaviour. Key findings include age and investment knowledge lead to risk taking tendencies and conservative traits and risk perception greatly affect low risk investment choices. The study highlights the importance of knowing individual differences in personality and tolerance for risk, in order to improve investment decision-making processes.

Azra Mehraj Mukhdoomi and Farooq Ahmad Shah (2024) identified that investment decisions of investors are influenced by their risk tolerance to a large extent. The authors suggest network risk tolerance is influenced by a variety of social, economic, demographic and psychological factors. This research is an extension of the investigative inquiry on the impact of a particular psychological factor, i.e., personality on the risk tolerance of small investors, without limiting them to any particular asset class or classifying them into any predefined groups. A quantitative research design was used to measure the personality characteristics and risk tolerance

of the investment decision making of small investors in Kashmir. The results show that extroverts and experienced individuals show a greater tolerance for risk, while conscientious, neurotic and agreeable individuals show risk aversion in the geographical context of this study. These results suggest that financial advisers should account for personality characteristics of investors in their advisory process for small investors. It is therefore essential that financial planners and advisors have an investor-centred approach so that they take into account personal characteristics when developing investment guidance and designing portfolios that suit individual personalities. The study also demonstrates that investors with unique character profiles have unique risk-taking capacities and that a specific investor is likely to be comfortable investing in a risk class that fits his or her personality.

Harini et al. (2024) examined the role of heuristic and prospect theory related factors in investment performance with risk tolerance as mediating variable. The results suggest that risk tolerance mediates, at least in part, the link between behavioural biases and outcomes of investment.

Shi Yu et al. (2023) proposed a method framework to infer risk preference of investors from their current portfolios using inverse optimisation to better understand investment behaviour. The degree of risk an individual investor can tolerate, which is identified as risk preference, is part of a subjective construct which is closely linked to psychological and behavioural science in decision making situations. This study proposes a new approach to measuring risk preference by applying inverse optimisation to a mean - variance portfolio allocation model. The proposed approach allows for continuous and real-time estimation of risk preferences by combining contemporaneous information of portfolio holdings and market prices. Empirical validation is performed on robotic investment portfolios, and real market data that include twenty years of asset pricing and ten years of mutual fund portfolio holdings. The derived risk preference parameters are further validated against two known risk measurement metrics that are used frequently in the discipline. The proposed methodology has scope for enabling easier and novel developments in automated or

personalised portfolio management (for example, robo-advising), which can be used to complement financial advisors' decision-making processes in long-term investment horizons.

Priya et al. (2023) studied the correlation of financial literacy and investment decision-making with focuses on the mediating effect of risk tolerance and rational decision-making. The findings emphasise the importance of risk tolerance in the investment decision.

Hussain et al. (2023) examined the effect of financial literacy, investor personality, and overconfidence bias on investment decision with risk tolerance as a mediator. The study concludes that risk tolerance has a significant mediating effect on the relationship among these variables and investment decisions.

Nedumparambil and Bhandari (2022) studied the risk factors affecting the mutual fund investors in India from April 2006 to December 2019. Analysing data of 991 actively managed equity funds; the research shows that Indian mutual-fund investors largely make their decisions based on naive performance measures, such as raw returns, without making any risk factor adjustment as per risk models such as CAPM or Fama-French three factor model. This behaviour shows a tendency among investors to pursue high returns without giving much consideration to risks associated, thus pointing to the gaps in financial literacy and risk assessment practices.

Ahmed et al. (2022) investigated the effects of behavioural finance factors, namely herding, disposition effect, blue-chip bias and overconfidence, on investment decision in the Saudi equity market with the risk perception as a mediating variable. Using structural equation modelling (SEM) and data from 134 individual investors, the study results showed that herding, disposition effect, and blue-chip bias have a significant effect on increasing risk perception, which positively affects investment decision-making. Overconfidence, on the other hand, has a direct effect on investment decisions, but does not have a significant effect on risk perception. These results highlight the need of considering psychological biases and risk perception while

analysing investor's behaviour, especially within emerging markets such as Saudi Arabia.

Balaji Kanagasabai and Vaneeta Aggarwal (2020) examined the relationship between financial literacy and investment performance and the mediating role of risk tolerance. Data were collected from 203 individual investors from Chennai, India using a standardised questionnaire. The results indicate a strong positive association between financial literacy and investment performance and risk tolerance mediated this association. The conclusion of the study is that increasing the level of financial literacy will lead to an increase in the risk tolerance of investors, which in turn will increase the quality of investment. These insights are important for investors, financial advisors, and policymakers who wish to encourage financial literacy and more informed investment decisions.

Huang and Hsu (2013) constructed a model of behavioural characteristics that affect the investment risk. The model proposed is applied in order to identify the positive association between experience and propensity to engage in risk-taking. When looking at financial instruments other than mutual funds, it does seem that the relationship between investor inclination and risk perception is negative.

Wong and Carducci (2013) examined the role of personality characteristics in the investment performance of mutual fund managers. The purpose of the study is to understand whether the various personality traits can predict the differences in the performance results of the fund managers. Risk tolerance is found to be an important mediating variable in the link between personality and investment consequences. Managers with a higher level of risk tolerance, as influenced by personality, are more likely to make investment decisions that have the potential to produce better performance. These findings provide support for the proposition that psychological factors, especially personality traits and risk tolerance, have a decisive influence on investment decision making and performance.

Nihar (2011) has conducted a study involving 436 investors of Visakhapatnam to assess their knowledge regarding mutual funds and also to see the variation between the knowledge and risk perception. The results showed average to poor awareness about mutual funds on the part of the investors. Most respondents favoured post office savings as a major savings option and saw it, together with bank savings accounts, as being the safest investment options. The study concluded that the lack of knowledge creates a resistance to invest in mutual funds, and there is a need for the industry to increase the education and awareness of the investors to make them invest more in well-informed investments.

Roszkowski and Grable (2005) designed their research to assess the degree of accuracy that financial advisors and their clients have in estimating financial risk tolerance of clients. The research concerned 386 financial advisors and 458 clients and sought to compare how well the advisors' assessments matched the clients' self-evaluations and standardised test scores of risk tolerance. This study highlights the importance of evaluating risk tolerance in financial decision-making. The results have implications that suggest that clients' estimates of their self-assessments are more stable than estimates given by advisors, leading to the need for tools and methods that enable clients to assess their own risk preferences.

Hallahan et al. (2004) conducted a comprehensive, cross-section investigation into the determinants of personal financial risk tolerance using data produced from individual psychology-based financial risk tolerance scores (RTS) and individual demographic information to support such investigations. The present study sought to examine the roles of demographic variables in the tendency to take financial risks. This research provides empirical evidence regarding the effect of demographic factors on financial risk tolerance. The results show the need to account for individual differences in risk preferences in analytic models.

Meir Statman (2004) asked the question of mismatch between the optimal diversification dictated by the classical financial theories and the real investment

behaviour of individual investors. According to mean-variance portfolio theory, the optimal diversified portfolio would contain more than 300 stocks. Nevertheless, according to empirical observations, the average investor normally owns only three to four stocks, thus posing a "diversification puzzle". It might be a deliberate choice to under-diversify because of behavioural factors underlies how important it is to consider individual risk preferences and aspirations.

Weber et al. (2002) created the Domain- Specific Risk-Taking (DOSPERT) scale to assess people's risk-taking behaviours and perceptions in various life domains. Their instrument is reconceptualising the attitude toward risk as being domain specific, not universal, thus acknowledging the variability in risk tolerance between decision making contexts. Such domain specific considerations provide the opportunity for richer understanding regarding the effects of how investors perceive things which affects their investment choices and consequential outcomes.

Grable (2000) tested the demographic, socioeconomic and attitudinal influences on the tolerance of financial risk in the context of everyday monetary situations. The study was aimed at expanding on previous research by examining how these variables affect one's tendency to take financial risk. Findings emphasise the importance of inclusion of demographic and socioeconomic variables in the evaluation of financial risk tolerance. In addition, the findings highlight the need to take into consideration individual differences in risk tolerance resulting from, for example, age, gender, marital status, education, income and financial knowledge when developing predictive models of the mediating role of risk tolerance in the relationship between perceived value and investment performance.

2.8 Role of Investor involvement

Table 2.6 shows the compiled list of studies focusing on role of Investor Involvement on mutual funds.

Table 2.6*Literature on the Role of Investor Involvement.*

Sl.No	Title	Journal/conference/thesis	year
1	How does investor confidence lead to trading? Linking investor return experiences, confidence, and investment beliefs	Journal of Behavioural and Experimental Finance	2016
2	Involvement and investment performance.	Journal of Behavioural Finance	2016
3	Investment behaviour of investors in Nigeria: The role of demographic and psychographic variables	Research Journal of Finance and Accounting	2016
4	Investor Behaviour: The Psychology of Financial Planning and Investing	Book	2014
5	Investor's Awareness and Perception about Mutual Funds	International Journal of Multidisciplinary Research	2011
6	Behavioural finance and wealth management: How to build optimal portfolios that account for investor biases	Book	2006
7	Behavioural corporate finance	Journal of Applied Corporate Finance	2001
8	What is Behavioural Finance?	Business, Education & Technology Journal	2000
9	Cognitive errors, emotions, and financial decisions.	Financial Analysts Journal	2000
10	Measuring the involvement construct	Journal of Consumer Research	1985

Hoffmann and Post (2016) looked at the effect of investor confidence on trading behaviour. They found that more confident investors tend to rely on intuitive judgments about expected returns in developing beliefs that are based on personal experiences of returns in the recent past. This reliance on "naive reinforcement learning" causes them to revise their beliefs more strongly in light of the return

experiences, and causes them to engage in more trading. However, this increased trading frequency, or turnover, can adversely affect the performance of investment, due to the cost incurred and possible suboptimal decision. This study investigates the psychological mechanisms through which past investment outcomes influence investor confidence and subsequent trading behaviour. The authors demonstrate that investor confidence is not static but is shaped by personal return experiences, which in turn affect beliefs about market predictability and individual skill. These dynamics directly influence the level of investor involvement in financial decision-making.

Adetunji and Owolabi (2016) examined the factors that determine investment behaviour among Nigerian investors, seeking to focus on either the demographic variables (e.g., age, income, education) or the psychographic variables (e.g., risk tolerance, investor involvement, motivation). Using survey data and methods of descriptive-analytical inference, the authors find that psychographic factors (especially investor involvement and risk attitudes) have a more significant impact on decision-making patterns than do solely demographic variables. The study's exploration of the role of investor involvement that is, the degree of attention, interest and activity which investors devote to managing their investments - emerges as a prominent predictor of investment outcomes. The authors conclude that high involvement investors consistently apply long term strategies and are less prone to emotional reactions or short-term fluctuations in the market. This finding lends support to the proposition that involvement moderates the link between emotional responses such as apprehension and actual investment outcomes such as performance evaluation and reinvestment decisions. Consequently, the study provides an empirical basis for understanding how rational enhancement of engagement levels and diminished psychological biases in financial behaviour.

Lim et al. (2016) found that high involvement investors show more persistence during market downturns, despite apprehension, and end up reporting better long-term performance. Understanding the impact of investor involvement is proven to be crucial in analysing investment performance and subsequent investment reinvestment

decisions. Highly involved investors seem to blunt the harmful effects that are linked to apprehension, thus leading to a more uniform investment path and, therefore, possibly improved performance.

Baker and Ricciardi (2014) presented an extensive discussion of the influence of psychological variables on financial decision-making. The text begins with a history of the field, tracing the evolution of the psychology of investors from early works such as Mackay's *Extraordinary Popular Delusions and the Madness of Crowds* to more recent ones such as the prospect theory of Tversky and Kahneman. Later chapters examine areas such as financial literacy, personality process, and the role of religiosity in financial choices, thus emphasizing the importance of individual heterogeneity in financial choices.

Saini et al. (2011) studied the correlation between mutual funds investment and investor behaviour and the investor's view regarding different issues such as type of mutual fund schemes, investment objective, level of satisfaction, role of financial advisor, etc. The study gave special focus to various aspects such as the sources of mutual funds and issues in Indian Mutual fund industry. The study proves that speculators have a positive attitude towards mutual fund investment and try to actively involve in the mutual fund investment process.

Pompian (2006) combined ideas from behavioural finance and investment strategy to offer a practitioner-oriented approach to investing behaviour. A major contribution of the work is segmentation of investors into different types of behaviour, which is: Preservers, Followers, Independent, and Accumulators, based on the degree to which they tolerate risk, the style of decision making, and the relative importance of emotional versus cognitive bias. The author emphasises that investor involvement (the degree to which individuals are involved and understand their investment decisions) has a significant impact on financial outcomes. Investors with higher involvement levels are more likely to be rational and less prone to certain biases, such as loss aversion or the recency effect; whereas, low involvement investors are more likely to

invest on the basis of heuristics and emotions, which can result in poor reinvestment decisions or overreactions to short-term performance. This framework reinforces the idea that customized portfolio strategies, based on both psychological profile and engagement level, can be used to increase reinvestment behaviours and long-term performance. Consequently, the involvement of investors not only directly influences decision-making, but also acts as a moderator in the relationship between emotional factors (such as apprehension) and actual investment conduct.

Shefrin (2001) outlined the basic tenets of behavioural corporate finance which is a relatively new field designed to apply behavioural economics and psychology to corporate financial decision-making. Shefrin's framework implies that investor involvement should be measured not merely as declared interest but as a composite of attention allocation (frequency of monitoring), cognitive effort (depth of information search), and affective commitment (emotional importance). Shefrin goes on to introduce a framework for behaviour that combines heuristics (e.g., representativeness, overconfidence), emotions (e.g., fear, regret), and self-control deficiencies (e.g., mental accounting, myopia) as a framework for financial modelling, in order to provide a structured lens through which to assess non-rational behaviour. A large part of the article is spent proving how investor behaviour, conditioned by these biases, leads to systematic deviations from rational financial theory. Such deviations include under or over-reactions to performance data, poor estimations of risk, and inconsistent investment decisions. Crucially, Shefrin highlights the tempering influence of investor involvement and sophistication and suggests that more involved and more knowledgeable investors are better able to control for biases. This observation is consistent with the proposition that involvement may moderate the impact of investor apprehension on reinvestment behaviour and makes the study of great interest in the field of research on mutual-fund investment psychology.

Ricciardi and Simon (2000) highlights that investor involvement determines how individuals perceive financial information, assess risk, and respond to market signals. Highly involved investors tend to actively seek information, monitor investments

closely, and evaluate alternatives using both cognitive and emotional inputs. In contrast, low-involvement investors often exhibit limited information search, rely on heuristics, and depend heavily on external advice or social cues. Ricciardi and Simon suggest that such differences in involvement explain why similar market information leads to diverse investment behaviours across individuals.

Statman (2000) examined the role of cognitive errors and emotional effects in the process of investors making financial decisions, thus challenging the rational agents' model of traditional finance. He divides behavioural errors into cognitive errors (overconfidence, anchoring, and framing) and emotional biases (like regret aversion, fear, and greed). Statman argues that these biases influence all areas of the investment process, including security selection, market timing and reinvestment behaviour. His work has been one of the building blocks of behavioural finance and thereby supports the argument that an emotional state on the part of the investor directly influences mutual fund reinvestment decisions and evaluations of performance.

Zaichkowsky (1985) developed and validated a Personal Involvement Inventory (PII) scale in order to measure the degree to which a consumer sees a personal relevance or interest in a product, service or issue. The results of the study suggest involvement as an important factor in influencing consumer behaviour, including the amount of information search, processing, and decision-making behaviour. Within the context of mutual fund investments, this work supports the notion that investor involvement, i.e., the level to which investors are involved in their investment choices, can play an important role in affecting outcomes such as decision quality, investor satisfaction, and reinvestment behaviour.

2.9 Research Gap

Financial literacy has been widely recognized as a key determinant of investment participation and long-term financial well-being (Lusardi & Mitchell, 2014; van Rooij, Lusardi & Alessie, 2011). At the same time, Investor apprehension influences investor confidence and willingness to engage with financial markets

(Simonse et al., 2024). However, most existing studies evaluate literacy alone, without assessing the emotional apprehension component independently in the mutual-fund context, and evidence at a state level granularity within India, particularly in Kerala, remains absent. Therefore, a clear gap exists in independently profiling the levels of financial literacy and apprehension among mutual-fund investors in Kerala, rather than assuming these constructs through national-level findings. Research confirms that perceived value and trust influence financial decision-making (Guiso, Sapienza & Zingales, 2008; Blut et al., 2024), while investor involvement shapes the depth of financial engagement (Zaichkowsky, 1985) and risk tolerance drives portfolio preferences (Grable & Lytton, 1999).

However, prior works often examine these variables generally in financial-services research, and context-specific evidence focusing exclusively on mutual-fund investors is limited. Importantly, no Kerala-specific study has independently evaluated these psychological and behavioural constructs within the mutual-fund domain, leaving a gap in understanding how value perception, trust, involvement, and risk tolerance are individually manifested among retail mutual-fund investors in the state.

Behavioural influences on investment outcomes have been well documented (Odean, 1998; Barber & Odean, 2001), and investor behaviour has been shown to shape financial performance (Kaustia & Knüpfer, 2012). However, most studies are based on Western financial markets or large-scale national datasets, and few provide state-specific insights from emerging markets. Additionally, existing Indian studies largely assess awareness and preference trends, with limited focus on independently measuring behavioural inclinations and investment performance at the regional level. Thus, a notable gap exists in capturing the behavioural patterns and performance tendencies of mutual-fund investors exclusively in Kerala, where financial inclusion and investment activity are comparatively advanced

Although prior studies have explored general investor behaviour in mutual fund markets, much existing work remains largely descriptive or correlational, focusing on trends rather than proving causal dynamics. In Kerala, despite disciplined saving habits and a growing investment culture, mutual fund adoption still lags behind traditional bank-based instruments. Earlier reports have even classified Kerala as an under-penetrated mutual-fund market relative to its banking deposit strength and higher financial awareness levels. However, most published studies on Kerala investors rely on survey description or basic regression, without validating whether factors like perceived financial knowledge, risk attitude, or trust actually cause changes in investment decisions. This represents a methodological gap. Therefore, this study applies Structural Equation Modeling (SEM) to empirically test directional causal paths, addressing the lack of studies that statistically establish cause–effect relationships in mutual fund investment behaviour in Kerala. Investor apprehension has been shown to disrupt rational decision-making and reduce financial confidence, leading to suboptimal investment behaviour (Simonse et al., 2024). Simultaneously, involvement is recognized as a key behavioural dimension that strengthens cognitive engagement and enhances commitment to financial decisions (Zaichkowsky, 1985). While established behavioural finance theory suggests that psychological involvement may buffer the adverse effect of anxiety on investor decision outcomes, empirical evidence specifically examining whether higher involvement mitigates the negative influence of apprehension on investment performance and reinvestment behaviour is limited. Further, no published study has explored this moderating relationship in the mutual fund context at a regional level in India, particularly in Kerala, where investor participation levels and digital investment access are expanding. This reveals a clear conceptual and contextual gap in understanding the boundary conditioning role of involvement in apprehension drive investment behaviour.

2.10 Conclusion

This chapter provides a comprehensive view of previous studies undertaken by various scholars in the field of mutual fund investment decision making. Initially 170 studies were identified and later on it was narrowed down to 126 studies directly relevant to the topic. A total of 116 articles, five books and five theses were referred from different databases. By analysing all these, the researcher identified significant gap in this area through those studies. The present study seeks to address this significant gap in mutual fund investment decision making by examining the influence of various behavioural determinants and its impact on decision making.

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Chapter 3

MUTUAL FUND INVESTMENT: AN OVERVIEW

3.1	Introduction.....	139
3.2	Introduction to Investment	141
3.3	Mutual Fund: An Introduction	142
3.4	SEBI (Mutual Fund) Regulation, 1996.....	166
3.5	Recent Trends in Mutual Funds.....	168
3.6	Role of AMFI in Mutual Fund industry	170
3.7	Problems Encountered by the Mutual Fund industry.....	173
3.8	Conclusion.....	177
	References.....	179

3.1 Introduction

Any nation's growth and public stability are dependent on a healthy financial system. This is an awareness of industrialisation and company expansion. An extensive array of various financial tools is available on the financial system. Any progress needs money, and the capital market can provide it Akingbohunge (1996). An efficient financial system can speed up economic growth; thus, financial mobilisation is one of the top goals on the agenda for industrial prosperity. Lending organizations, mortgage lenders, and financial intermediaries make up the core components of a very well commercial bank. An important determinant of the effectiveness of the financial intermediation is the financial system itself. We have seen an enormous increase in savings and use of savings as investments for business and industry development over the last several decades. This trend continues today. Savings used to go to banks, and then to financing sectors, and then to funding industries. Now, the savings go to areas of the economy directly, instead of passing through banks and financing industries. The growth of the capital market has made this possible. People's attitude about risk and their perception have changed in recent years, encouraging more people to put their money into economic securities in the market.

It's risky to put money into investments since you never know what kind of return you will get. The commitment of finances to one or more commodities that will be retained for a predefined timeframe is what is meant by investment (Jones, 2007).

Investing involves weighing the benefits and drawbacks of different options. The ruminations on the uncertain future guide all investing decisions. It is possible for the value of an investment securities portfolio to fluctuate depending on the factors involved and influences financial system, such as the quality of specific companies, changes in the scenario of general market conditions (such as interest rates and currency exchange rates), changes in government regulations, tax regulations,

compliance standards, and so on). That's why it is so important for investors to constantly be on the lookout for fresh information and changing expectations when it comes to their investments in stocks. (Bhalla, 2001).

Possibility of an endeavour as a result of consumers opening a wide range of investment choices in order to gain a greater return, the provision of financial services has become a distinct business in and of itself. Investing in equities, fixed-income instruments, contracts, commodity, and other things of value has become increasingly information-intensive over time. In order to do business in the financial markets quickly and accurately, the average person lacks the skills, knowledge, time, and inclination. It had been decided to create banking institutions in order to aid potential investors. These institutions act as investment vehicles by combining the savings of many investors who have the same financial goals and investing them in a predetermined, well-diversified portfolio to achieve the highest possible return on investment while posing the lowest possible risk for investors. Mutual funds are one such institution. Mutual funds connect the public's savings to the equity market, and middlemen help mobilise investor money and channel them to capital market borrowers. With their position as knowledgeable and well-informed investors, they influence the stock market, and they help move forward good corporate governance while also protecting the financial system's general health. Investment in mutual funds has added a needed liquidity to the financial system verdict for putting pressure on the traditional role of banks and other financial institutions in the stock markets.

Mutual fund AUMs (assets under management) are increasing at a rapid pace, eroding the value of bank deposits. When MF AUM shares in bank deposits have climbed from 32.4% to 48.5% since 2020-21, it shows that investors are migrating from mainstream equity funds in search of higher returns. As noted by CARE Rating, households using MFs are noteworthy since they are in direct competition with bank deposits, which are still the most popular way to save money (Jones, C. P. 2020). Bank deposits are being replaced by money market funds (MFs) as the rate of interest on bank deposits has fallen precipitously, resulting in diminishing remuneration. Instead, the rapid increase in the equity investment scheme's rate of return throughout the time

period described above makes mutual funds the preferred conduit for capital formation (Pozenand & Hamacher, 2021).

3.2 Introduction to Investment

Investment is not just about the financial activities it is a great engine driving personal financial growth and the progress of entire economies. Whether through the creation of a small business, a new technology, or an expansion of a public infrastructure, investment plays an important role in creating opportunities and innovation. It serves as a bridge between current resources and future hopes and allows individuals and institutions to plan into the future, accumulate wealth and contribute to wider economic development.

As the economic world keeps on changing, investment has become a much more essential and complex process. Financial market is interconnected than ever before that is affected by rapid change in technology, shifting political dynamics, and switching economic indicators. With the growth in access to investment platforms and investment tools, individuals have more opportunities than ever before to enjoy the advantages of investments across the financial landscape. However, with all these opportunities comes the need for increased awareness and strategic decision-making. The sheer quantity of information available as well as the speed at which markets are moving can be overwhelming, especially for those who lack a structured approach or basic knowledge.

3.2.1 The Importance of a Structured Investment Approach

One of the key messages that are emphasised in this guide is the importance of having a structured investment strategy. Investing without a plan is like going on a journey without a destination or a map. While some may be successful by chance, it is important for most investors to follow a disciplined approach to investing that considers their financial objectives, risk tolerance, time horizon, and the state of the market.

A structured approach includes the need to set clear objectives, either short term or long term, evaluate the available resources, and pick the right financial instruments to

achieve the goals. It also involves regular monitoring and adjustment to keep on track with changing personal circumstances and market changes. Without structure, investments can be driven by emotion, speculation or misinformation resulting in less than optimal outcomes or even loss of capital. By having a clear investment strategy, individuals are better able to weather the ups and downs of the market, avoid impulsive decisions and stay focused on their long-term goals.

In India, there are various methods of structured investments, which suit various risk appetites and financial objectives. These methods use a mix of different financial instruments to design customized investment strategies for investors such as, Target Debt Fund, Equity Linked Saving Scheme (ELSS), Structured Notes Fixed Deposit Plus Insurance (FD-Linked Insurance), Regular Income Plans (RIP), Real Estate Investment Trust (REIT), Exchange Traded Fund (ETF), Debt Funds with Capital Protection, Mutual Funds etc.

3.3 Mutual Fund: An Introduction

Diverse investment tools have sprung up in tandem with the expansion of financial markets. Investors can now make several investments and get a respectable return with little risk. Investing in mutual funds has undergone a transformation. This approach collects money from prospective buyers and then invests it all together for a certain goal. These monies are subsequently invested in a variety of assets in order to meet the scheme's predetermined goal (USSEC, 2020). Investing in stocks and bonds would be a good use of an equity category fund, whereas using a debt category fund would be more appropriate. The money you have as an investor can be invested in financial assets such as stocks and bonds, which you can buy directly or through an investment vehicle such as a mutual fund (Kumar Rakesh 2020).

Every investor who intends to invest in any instrument is not efficient enough to decide on a portfolio of instruments for appropriate returns. Every investor who wants to invest in any instrument for whatever reason, he may be ill-equipped in the areas of financial literacy, time management, and confidence. Emerging countries have a disproportionate number of these characteristics. For this reason, it is preferable to

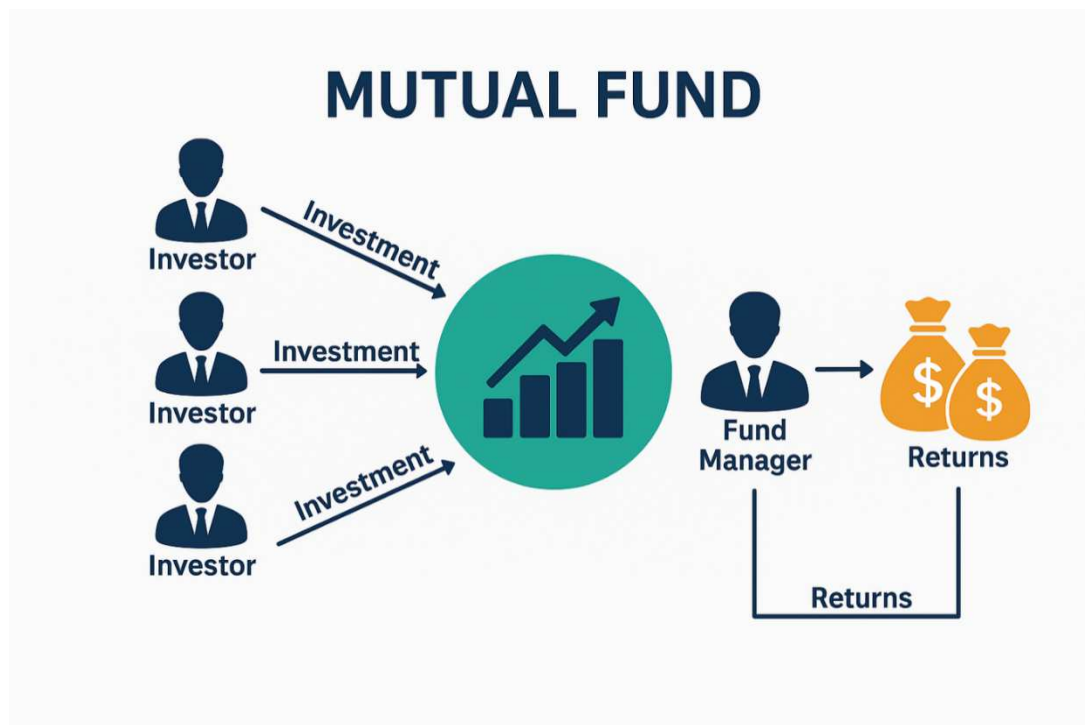
have a proper investment vehicle in place to counteract these issues. As a result, for many investors, mutual funds are the greatest solution to these issues.

In the market, there are many individuals with modest savings who are unable to invest due to the tiny size of their holdings. With mutual funds, investors can combine their money and invest in stocks, but in a different way. This type of investment is referred to as a mutual fund, and it involves asset management firms. Investors pool their funds and invest a bigger sum in stocks or other commodities, and then AMC disperse the profits to those investors after deducting their operational costs.

What are the investors getting out of this? By investing in such a massive sum, investors stand to benefit from significant returns. This benefit accrues to everyone in the long run because everyone is a participant in the investment process. What are the advantages to the AMCs from this arrangement? The AMCs benefit since they receive a high commission for the service they execute, and thus create a win-win situation for all market participants.

3.3.1 Concept of Mutual Fund:

A mutual fund is a type of financial investment vehicle that is used to pool money from multiple investors and invest it in a portfolio of securities that are diversified, such as stocks, bonds or money market instruments. The fund is professionally managed by an Asset Management Company (AMC), which makes investment decisions for investors. Mutual funds, because they enable individuals to access diversified, professionally managed portfolios at a relatively low cost, lower risk and make the investment process easier. Investors receive units of the fund and the value of these units known as Net Asset Value (NAV) varies on the basis of the performance of the underlying investments. Overall, the idea of mutual funds is to assist investors with economic purposes through systematic, diversified and regulated financial investment options.

Figure 3.1*Concept of Mutual Fund*

The diagram provides a simplified representation of how a mutual fund operates, illustrating the core components and the flow of investment. It begins with individual or institutional investors who pool their money by purchasing units of a mutual fund. An extremely popular type of trust, mutual funds pool the money of many investors who all have the same financial aim in mind. Quick money market products (such as short-term bonds) and other securities are purchased with the collected funds. After subtracting the necessary expenses and taxes, the net asset value (NAV) is divided among the fund's unit holders in terms of the number of units they own. It is an Asset Management Company (AMC) that permits investors of all income levels to participate in an actively managed, balanced portfolio of assets at an affordable cost.

To maximise investment returns while minimising portfolio risk, AMC hires fund managers who focus on the risk-return trade-off. The fund manager's greatest asset is his ability to reduce transaction costs while still projecting an excellent future return

by purchasing undervalued stock and then selling it at a premium price in the coming years.

The mutual fund earns returns in the form of dividends, interest income or capital appreciation. These returns are either distributed to the investors or reinvested and the value of each unit is recorded as the Net Asset Value (NAV), which fluctuates as per the market performance. Investors can decide to redeem their units at the prevailing NAV which gives liquidity and flexibility. Overall, the mutual fund concept as shown in the diagram brings out the advantage of professional management, diversification and ease of investment to create them a popular choice among a wide range of investors.

3.3.2 Definitions of Mutual Fund:

In line with the Mutual Fund Regulation Act of 1993, a fund established as a trust by a sponsorship to raise funds through the selling of shares to the public is defined as a Mutual Fund."

"Financial institutions which place a wide array of assets within range of the humblest buyers," says Frank Reilly (1982).

Mutual funds are defined by the VNR Dictionary of Business and Finance as "an equity fund that pools the amount invested of others and invests those assets on their account, usually in a particular sort of financing, such as mutual funds, bond funds or ordinary shares."

According to Jaydev. M. (1998)."Mutual Fund is a commercial bank formed by a group of a trust endorsed by banks, finance companies, and other manufacturing concerns with an objective to galvanise cost saving (mostly house) by attempting to launch different schemes and continuing to invest the accumulated funds in different equipment of developing and developed economies that are previously managed,"

In the United States, a mutual fund is defined by the Securities and Exchange Commission as "a corporation that gathers combined funds from several people and

spends it in shares, bonds or other commodities." Fund's portfolio is made up of the stocks, bonds and other assets that it holds. In the fund, each donor has shares that make up a portion of the total ownership.

According to Investment Company or Unit Trust (inseparably linked with UK), mutual funds are widely used in the United States and are governed by The Investment Companies Act 1940. Investing companies are divided by the Act into two basic categories: unit investment trusts and managed investment businesses. On the other hand, investment management firms are classified into open-end and closed-end types. The following are the terms' explanations.:

"An active monetary business is one that is always prepared to buy its own stock at or near its valuation" (or open-end fund). Mutual funds, as they are popularly known, regularly offer fresh shares to the general public at or near their gross property values" (Sharpe and Gordon 1994.).

"When one of their shareholders chose to sell their shares, a closed-end investment company does not stand ready to buy the shareholdings it owns. Their stock is instead recorded in the system or even over marketplace". (Sharpe 1996).

Explanation of mutual fund and unit trust from Encyclopaedia Britannica (1994) provides clarity: An open-end trust, also known as a unit trust, spends the money of its members in a variety of commodities and distributes units representing interests in those assets as a result of their investment. It is distinct from an investment trust because it doesn't issue stock in its own company. The net asset value of mutual funds is decided daily by the marketplace value of the stock they hold, unlike closed-end investment corporations, which have a predetermined valuation and whose units can be purchased and sold on the open market by the client."

Mutual funds are known as financial intermediaries because they pool the savings of many investors who share a similar investment goal and invest them in investments such as bonds, securities, marketable securities, and other financial products, all at reasonably low price, in accordance with their pre-determined asset goals and

strategies. It's a group of companies combining their money in the capital market to obtain efficiencies of scale and to manage a diverse portfolio with an in-house investment management and highly skilled fellow researchers.

3.3.3 Advantages of Mutual Fund

There are many benefits of investing in mutual funds as compared to purchasing securities in the equities or a fixed-return investment in obtaining an optimum investment portfolio of the clients. Mutual funds also act as a gateway through which small investors access big companies that they could not access before. The above and many others are the advantages that one is able to get by putting money in mutual funds and thus, it makes them an appropriate wealth generation tool

a. Professional Management:

The corpus money raised by the mutual funds, according to the various programmes is managed by more qualified professionals with skills in the field of investment management as well as research on security and corporate finance and knowledge about the dynamic nature of the economic environment. The exploration of the cooperative fund is a continuous process where low cost and high-yield investments are discovered and timely acquisitions and sales are done. The consequence is that shareholders will be able to divide the costs of management and innovation of the vehicle among other parties, thereby saving time and money.

b. Diversification:

The saying, do not put all your eggs in one basket, is quite accurate as far as investing is concerned. An investor can maximize his or her money in investing in different forms of securities. An individual investor with a small budget, on the other hand, will not be able to buy a large number of securities of different companies due to his limited capital. This problem can be avoided by investing in a wide variety of securities of different companies and industries through investing in a mutual fund. In other words, investors are provided with a portion in the entire market. Mutual funds are the only way of diversified; this is not the case with any other type of virtual

financing. In addition, Portfolio Construction states that diversity reduces risk and enhances the possibilities of higher returns.

c. Instant Liquidity:

An open-end fund manager plan grants instant liquidity by a buyback facility which enables the units of the fund to be bought and exchanged at any time of the day. Due to this, an investment portfolio is much more liquid than either a deposit account or a bond.

d. Choice of Scheme:

Investment in mutual funds provides the investors with sufficient fund schemes in various investment vehicles (equity/debt) and open ended/closed schemes. Depending on the financial goals, investors have many different plans to choose the one that will allow them to achieve their savings goals.

e. Transparency:

In an effort to make certain that investment opportunities are safe, all mutual funds should be registered as AMFI and operate within the stringent limits of the SEBI MF Regulation Act 1996 that safeguards the interest of unit holders on a moral plane and regulates financial services in a well, managed manner. The investors are informed of every fact and development at regular intervals. Due to such reviews, the investors are able to make informed decisions regarding their investments since the operation of the account is apparent.

f. Economies of Scale:

The index funds are also accessing cheaper due to the economies of scale in trading, depository, and other costs, since they successfully trade large quantities of assets in a single trade. It has maintained low prices through standardisation and ensures maximum production efficiency. These benefits are later passed on to the investors in the form of capital gains.

g. Tax Benefit:

Mutual funds have a number of tax planning strategies such as collective investment savings plans (ELSS) which provide a tax incentive to investors as rebate under Section 80c of the Income Tax Act 1966 (ITA). In the case of the equity schemes (where the corpus on equity exceeds 65 percent), repayment of dividends paid is not subject to repayment.

Other than the advantages of mutual funds, they also have different disadvantages that make shareholders anxious.

3.3.4 Disadvantages of Mutual Fund

a. Management and Administration Costs

Mutual funds are managed by professionals and in return, there is a fee charged. These fees are from the investor's money on an annual basis. Even if the fund does not earn good returns, investor has to pay such charges which reduce his overall profit.

b. Risk associated with mutual fund

Mutual funds and stock market investments are both risky. The warning "Mutual Fund Investing is inherently risky" is displayed prominently in the mutual fund offer document. The value of mutual fund shares would fall if the stock market is collapsed.

c. Dilution of Returns

Mutual funds are known to be invested in a number of different stocks and securities. This spreads the risk but also limits the potential of earning very high returns. As a result, your returns may be "average" in terms of what you might get from directly investing in a handful of high performing stocks.

d. No Customized Portfolio

Creating a personalised portfolio based on the needs of certain investors is not possible in the case of mutual funds. When deciding on a fund's security holdings, the

management makes his or her own judgments. In some cases, firms make it a hindrance in attaining their financial goals because they can't meddle in the decision-making procedure of the fund management.

e. Exit Load and Lock-in Period

Some mutual funds will charge you if you withdraw your money early, which is referred to as an exit load. Certain funds such as ELSS have a compulsory 3-year lock-in period and hence money cannot be withdrawn before that.

f. Misleading Advertisements and Rating

Mutual funds tend to spotlight their past performance or star ratings. But past returns may not continue in the future. Investors may be led by high past returns and end up choosing unsuitable fund

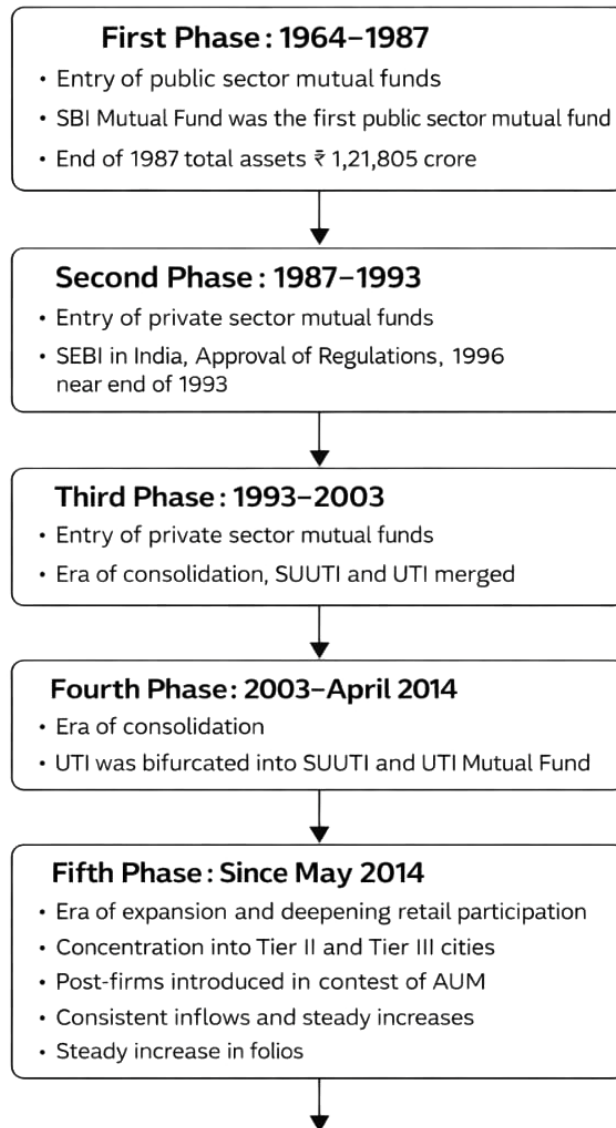
3.3.5 Evolution of Mutual funds in India

A strong financial market with broad participation is essential for a developed economy. With this broad objective India's first mutual fund was established in 1963, namely, Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India with a view to encourage saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities.

In the last few years, the MF Industry has grown significantly. The history of Mutual Funds in India can be broadly divided into five distinct phases as follows:

Figure 3.2*Evolution of Mutual Fund in India*

Evolution of Mutual Fund in India



Source: AMFI website

First Phase - 1964-1987

The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the

Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964 (US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹ 6,700 crores of Assets Under Management (AUM).

Second Phase - 1987-1993 - Entry of Public Sector Mutual Funds

The year 1987 marked the entry of public sector mutual funds set up by Public Sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first 'non-UTI' mutual fund established in June 1987, followed by Can bank Mutual Fund (Dec. 1987), Punjab National Bank Mutual Fund (Aug. 1989), Indian Bank Mutual Fund (Nov 1989), Bank of India (Jun 1990), Bank of Baroda Mutual Fund (Oct. 1992). LIC established its mutual fund in June 1989, while GIC had set up its mutual fund in December 1990. At the end of 1993, the MF industry had assets under management of ₹47,004 crores.

Third Phase - 1993-2003 - Entry of Private Sector Mutual Funds

The Indian securities market gained greater importance with the establishment of SEBI in April 1992 to protect the interests of the investors in securities market and to promote the development of, and to regulate, the securities market.

In the year 1993, the first set of SEBI Mutual Fund Regulations came into being for all mutual funds, except UTI. The erstwhile Kothari Pioneer (now merged with Franklin Templeton MF) was the first private sector MF registered in July 1993. With the entry of private sector funds in 1993, a new era began in the Indian MF industry, giving the Indian investors a wider choice of MF products. The initial SEBI MF Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable.

The number of MFs increased over the years, with many foreign sponsors setting up mutual funds in India. Also, the MF industry witnessed several mergers and acquisitions during this phase. As at the end of January 2003, there were 33 MFs with total AUM of ₹1,21,805 crores, out of which UTI alone had AUM of ₹44,541 crores.

Fourth Phase - since February 2003 – April 2014

In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities, viz., the Specified Undertaking of the Unit Trust of India (SUUTI) and UTI Mutual Fund which functions under the SEBI MF Regulations. With the bifurcation of the erstwhile UTI and several mergers taking place among different private sector funds, the MF industry entered its fourth phase of consolidation.

Following the global melt-down in the year 2009, securities markets all over the world had tanked and so was the case in India. Most investors who had entered the capital market during the peak, had lost money and their faith in MF products was shaken greatly. The abolition of Entry Load by SEBI, coupled with the after-effects of the global financial crisis, deepened the adverse impact on the Indian MF Industry, which struggled to recover and remodel itself for over two years, in an attempt to maintain its economic viability which is evident from the sluggish growth in MF Industry AUM between 2010 to 2013.

Fifth (Current) Phase – since May 2014

Taking cognisance of the lack of penetration of MFs, especially in tier II and tier III cities, and the need for greater alignment of the interest of various stakeholders, SEBI introduced several progressive measures in September 2012 to "re-energize" the Indian Mutual Fund industry and increase MFs' penetration.

In due course, the measures did succeed in reversing the negative trend that had set in after the global melt-down and improved significantly after the new Government was formed at the Centre.

Since May 2014, the Industry has witnessed steady inflows and increase in the AUM as well as the number of investor folios (accounts).

- The Industry's AUM crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time as on 31st 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 overall size of the Indian MF Industry has grown from ₹ 10.83 trillion as on 31st March 2015 to ₹69.50 trillion as on April 30, 2025, about 6 and half fold increase in a span of 10 years.
- The MF Industry's AUM has grown from ₹ 22.26 trillion as on March 31, 2020 to ₹69.50 trillion as on April 30, 2025, more than 3-fold increase in a span of 5 years.
- The no.of investor folios has gone up from 8.97 crore folios as on 31-March-2020 to 23.63 crore as on 30-Apr-2025, more than 2 and half fold increase in a span of 5 years.
- On an average 24.03 lakh new folios are added every month in the last 5 years since March 2020.

The growth in the size of the industry has been possible due to the twin effects of the regulatory measures taken by SEBI in re-energising the MF Industry in September 2012 and the support from mutual fund distributors in expanding the retail base.

MF Distributors have been providing the much-needed last mile connect with investors, particularly in smaller towns and this is not limited to just enabling investors to invest in appropriate schemes, but also in helping investors stay on course through bouts of market volatility and thus experience the benefit of investing in mutual funds.

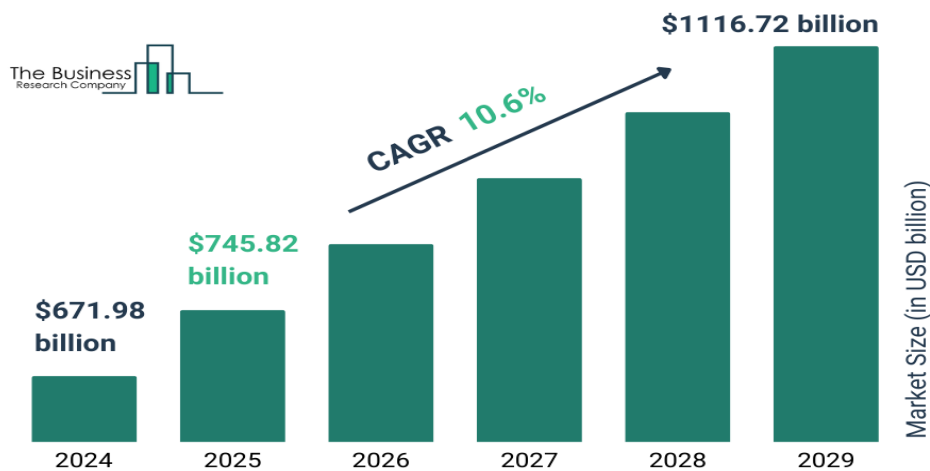
3.3.6 Growth aspects in Mutual funds industry

Investing in Indian mutual funds has been growing at the breakneck pace and it seems that this trend will continue as evidenced by the fact that the investment firms have been continuously multiplying and even today. Growing at more than 12.5 per cent a year, this sector creates doubts about how this was achieved. If this rate of growth is true, then the credit should go to professionals for carrying out their efforts. The net assets managed by these organisations have expanded more than 100%, which

requires a major change in this industry. Additionally, many foreign firms have entered the market in an attempt to capitalize on the huge unrealised talents in this market. Also, since the average American's savings rate is increasing, it's clear that this industry is evolving at a fast pace. Also, the investment in rural areas is now increasing and so as a result, mutual fund map is visible in B and C cities that will not only help stream hand account, which go through our country's overall saving but will streamline the savings as well. Investing in the agricultural area has proven to be more difficult and rewarding for some mutual funds' businesses due to the high trust factor and returns. Many factors have led to the explosive growth of the mutual fund industry over the past ten years. Because the mutual fund providers are issuing a slew of new and exciting investment alternatives, it's all the more impressive that there are so many custom fit programs available.

Figure 3.3

Mutual Fund Assets Global Market Report 2025



Source: Mutual Fund Assets Global Market Report 2025

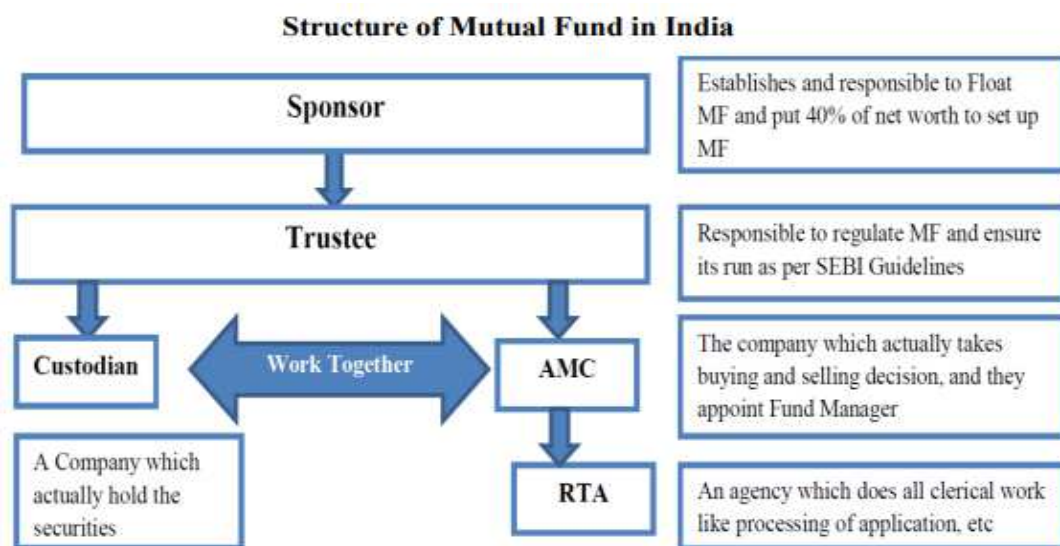
The chart titled "Mutual Fund Assets Global Market Report 2025" illustrates a strong upward trend in the global mutual fund market, highlighting consistent growth from 2024 to 2029. Beginning at \$671.98 billion in 2024, the market is projected to increase to \$745.82 billion in 2025, and continue growing steadily, reaching \$1,116.72 billion by 2029. This progression reflects a robust Compound Annual Growth Rate (CAGR) of 10.6%, indicating sustained investor confidence and expanding participation in

mutual fund investments. The steady rise in market size underscores the increasing reliance on mutual funds as a preferred investment vehicle globally, driven by factors such as greater financial literacy, digital access, professional fund management, and diversified investment options. This trend signifies a favourable outlook for both institutional and retail investors, as well as for the overall asset management industry.

3.3.7 Structure of Mutual Fund in India:

Figure 3.4

Structure of Mutual Fund in India



a. Sponsor:

In the mutual fund industry, the sponsor plays the role of promoter and initiator of the fund, and plays a role similar to that of a company promoter. According to the regulations by SEBI, it is the responsibility of the sponsor to establish and set up the mutual fund as a trust, appoint a set of trustees, and set up an Asset Management Company (AMC) to manage investments (SEBI, 1996). The sponsor must satisfy tight eligibility conditions associated with financial stability, integrity and operational experience in the business of financial services so that only creditable institutions can promote mutual funds. Studies on mutual fund governance highlight that initial capital is provided by the sponsor and the sponsor contributes a minimum of 40% of the net

worth of the AMC, which shows financial commitment and alignment with the interests of the investor (Pozen & Hamacher, 2021). Although the sponsor sets up the framework of the fund, it is not involved in day-to-day investment decisions as this is left to the AMC, who must operate independently under regulatory supervision. Such separation of roles is noted by scholars to improve transparency and protection to investors as they protect them from undue influence of the promoting entity (Jayadev, 1998). Thus, the sponsor has a foundational and regulatory role, making sure that the mutual fund can be set up with adequate resources, governance and credibility, before it mobilises funds from the public.

b. Trusteeship:

Trusteeship is the cornerstone of the governance framework in mutual funds and plays an important role in the protection of the interests of the unit-holders. The trustees serve as the legal owner of the property that the mutual fund owns and works to ensure that the Asset Management Company (AMC) responds responsibly to the investor funds and adheres to regulatory norms. According to the Association of Mutual Funds in India (AMFI, 2020), the responsibilities of the trustees include supervising the operations of the AMC, approving the introduction of new schemes, monitoring the investment decisions and ensuring that all the operations of the fund are as per the trust deed and the regulations of SEBI (Mutual Funds). Trustees must operate independently from the sponsor so that they are not influenced by its policies and at least two-thirds of them must be independent professionals with skills in finance, law or economics. According to Murthy and Reddy (2008), trustees act as watchdogs in order to ensure ethical and transparent functioning of mutual funds and thereby enhance investor confidence. Their responsibilities include checking the performance of the scheme, ensuring the fair valuation of assets, ensuring that they are compliant with reports, and checking that the AMC does not stray from the investment objectives stated in the fund. Similarly, Sharma and Mehta (2012) emphasize that the oversight by trustees reduces the problems of agency as they guarantee that fund managers do not take undue risks or engage in practices against the interests of investors. Trustees also have to ensure timely disclosures, address grievances of investors and report any

adverse findings to SEBI. Another significant aspect of trusteeship is that of fiduciary responsibility. Trustees must uphold the interests of investors over and above that of the sponsor or AMC and as such, fiduciary duty is a major ethical and legal requirement. As highlighted by Rajan and Varma (2018), trustees are critical in enforcing accountability through periodic audits, compliance reviews and performance evaluations. This fiduciary role is part of the improved quality of governance, reduction in information asymmetry, and transparency in the mutual fund ecosystem. Overall, trusteeship acts as an institutional safeguard which makes the mutual fund structure robust and assures that the rights of investors are protected throughout the life of the fund.

c. Asset Management Company (AMC):

Under Companies Act 1956, an Asset Management Company has to be registered as a corporation. AMC may be established by the donor or by the legal document, depending upon the circumstances. In order to terminate the trustees as a fund manager, either a plurality of directors or 75% of equity shareholders have to vote. Fund management costs are debited to investors from the AMC's account and is known as the expense ratio. The AMC maintains corpus (funds) of the asset management companies (trust). The AMC is regulated by the trustees and also by the SEBI. It is under their watch and protection.

d. Custodian:

As the money manager (AMC) buys and sells securities, they are actually under custody of the custodial or the repository member rather than the financial adviser (AMC). The depository participant is registered with the SEBI. Money invested in mutual funds provide dividends and interest to them, which they in turn receive and report for activities of Various firm is like bonus issues, right issues, and stock split buybacks are also tracked activities, and open offers. As a result, an AMC is only concerned about transactions such as trading and leaves the management and storage of real assets to the custodian. AMC is permitted to have multiple custodians with different class of security. Because the Sponsor and Custodian of a mutual fund are

independent companies, the fund is an extremely safe investment in which fraud is extremely difficult.

e. Registrar and Transfer Agents (RTAs):

Maintaining the records of investors is a huge responsibility of the Registrars and Transfer Agents (RTAs). For investors, RTAs represent a contact point. Investor data such as which units they receive at what cost, NAV detail and how many investors receive on withdrawal are all kept and upgraded by RTAs. RTAs also contain information on New Fund Offer (NFO) and dividend payments to the investors, and it is used to remind the investors of maturity dates of their forward-looking commitments (Fixed Maturity Plans). CAMS and Karvy are two examples of RTAs; however similar information can be found from finance companies as well. In one place, investors may get to know about a wide range of projects in various funds and programmes from a variety of finance companies.

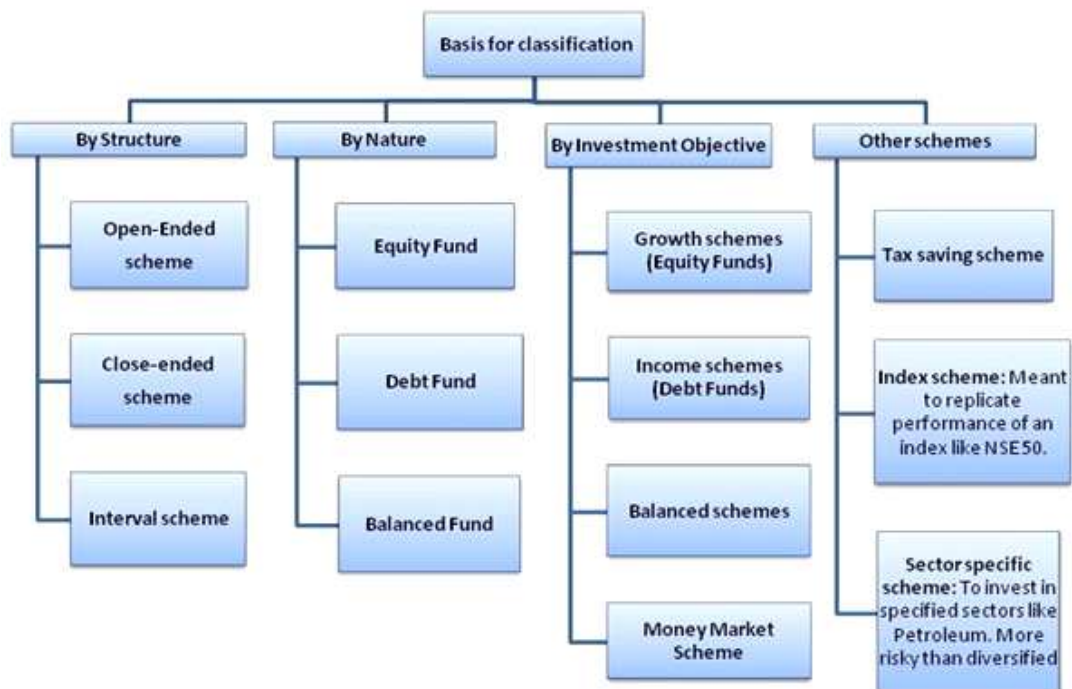
3.3.8 Classification of Mutual Fund Schemes in India

Mutual funds have become one of the most popular investment vehicles among both retail and institutional investors because of their diversification features, professional management and ease of access. As the industry grew, the range of mutual fund schemes was also expanding so a systematic and transparent structure was needed to differentiate between different kinds of funds. The classification of mutual funds helps the investors to know the investment objective, risk profile, asset allocation pattern, and investment strategy of each scheme. It helps investors make informed choices about the types of funds they want to invest in based on their financial goals and time horizon as well as their risk tolerance. Mutual fund classification is usually done on several parameters like asset class, investment objective, level of risk, structure and management style. Regulators such as Securities and Exchange Board of India have come up with some standardized classification to bring clarity and comparability among schemes. Such categorization helps ensure that investors are not misled by the overlapping products and make well-informed decisions. Understanding the classification of mutual funds is thus a basic requirement for constructing an efficient

portfolio, and is the basis for judging performance, gauging risk, and making strategic investment decisions.

Figure 3.5

Basis for classification of Mutual Funds



Mutual fund schemes are categorized based on several attributes that align with investor needs and fund management strategies. The four main bases are:

1. By Structure
2. By Nature of Investment
3. By Investment Objective
4. Other Specialized Schemes

a) By Structure

This refers to how and when investors can enter or exit the scheme, and whether the scheme has a fixed duration.

I. Open-Ended Scheme

- Investors can buy or redeem units at any time directly from the fund house.
- There is no fixed maturity date.
- NAV is declared daily and investors get the prevailing NAV at the time of transaction.
- Provides high liquidity and flexibility.
- Suitable for those who want to invest or withdraw at their convenience.
- Example: SBI Blue-chip Fund, HDFC Equity Fund.

II. Close-Ended Scheme

- These funds are open for subscription only during the launch period (New Fund Offer - NFO).
- Units cannot be redeemed before maturity but can be traded on the stock exchange.
- Investors need to stay invested for a fixed duration (usually 3 to 5 years).
- NAV is not updated daily for transactions; market price may vary from NAV.
- Example: Fixed Maturity Plans (FMPs).

III. Interval Scheme

- Combines features of both open-ended and close-ended schemes.
- Fund opens for transactions only at specific intervals (e.g., every 3 or 6 months).
- Investors can buy/sell units only during these specified periods.
- Offers limited liquidity with periodic flexibility.
- Useful for parking money for medium-term goals.

b) By Nature of Investment

This classification is based on the type of assets the fund invests in, which determines its risk-return profile.

i. Equity Fund

- Invests primarily in shares or equities of companies.
- Returns are linked to stock market performance and corporate earnings.
- Suitable for investors seeking capital appreciation over a long period.
- Carries high risk due to market volatility but also potential for high returns.
- Types include large-cap, mid-cap, small-cap, multi-cap, thematic funds, etc.

ii. Debt Fund

- Invests in fixed-income securities such as government bonds, corporate debentures, treasury bills, etc.
- Objective is to provide regular income and capital preservation.
- Less risky compared to equity funds.
- Suitable for conservative investors or those with short to medium-term horizons.
- Types include short-term debt funds, liquid funds, income funds, gilt funds, etc.

iii. Balanced Fund (Hybrid Funds)

- Invests in both equity and debt instruments.
- Offers a balanced risk-return trade-offs.
- Reduces volatility due to debt component and provides growth from equity.
- Ideal for investors who want exposure to equities but with a cushion of debt.

c) By Investment Objective

Funds under this category are classified based on the specific financial goals or outcomes they aim to achieve.

I. Growth Schemes (Equity Funds)

- Primary goal is capital appreciation.
- Invests mainly in growth-oriented stocks.
- Does not focus on providing regular income.
- Suitable for long-term investors looking to build wealth.
- May be volatile in the short term.

II. Income Schemes (Debt Funds)

- Aims to provide regular income through interest-generating instruments.
- Capital preservation is also a key objective.
- Suitable for retirees and risk-averse investors.
- Less impacted by stock market fluctuations.

III. Balanced Schemes

- Attempts to balance income generation and capital appreciation.
- Ideal for investors with moderate risk tolerance.
- Offers exposure to both fixed-income and equity markets.

IV. Money Market Scheme

- Invests in very short-term debt instruments (less than 1 year) like treasury bills, commercial papers, etc.
- Offers very low risk and high liquidity.
- Suitable for investors wanting to park surplus funds safely for a short period.

d) Other Schemes

These are specialized mutual funds tailored to specific investor needs or market strategies.

i. Tax Saving Scheme (ELSS)

- Known as Equity Linked Savings Scheme (ELSS).
- Qualifies for tax deduction under Section 80C of the Income Tax Act (up to ₹1.5 lakh).
- Has a lock-in period of 3 years.
- Primarily invests in equities.
- Suitable for investors who want to save tax while investing in equity markets.

ii. Index Scheme

- Aims to replicate the performance of a stock market index such as Nifty 50 or Sensex.
- Follows a passive investment strategy.
- No active stock picking – fund invests in the same stocks as the index, in the same proportion.
- Low cost (expense ratio is less).
- Returns closely track the performance of the chosen index.

iii. Sector-Specific Scheme

- Invests only in a specific industry or sector, such as IT, pharmaceuticals, banking, petroleum, etc.
- Offers potential for high returns if the sector performs well.
- Carries high risk due to lack of diversification.
- Suitable for knowledgeable or high-risk investors who understand sectoral trends.

3.3.9 Mechanism of Investment Patterns in Mutual Funds

The mechanism of investment patterns in mutual funds is determined to a great extent by the behaviour of investors, financial awareness and regulatory environment. According to Gupta (1994), the mutual fund investment pattern is the result of some combination of perceived risk, return expectation and the role of financial intermediaries. Investors prefer to distribute their money into schemes according to their degree of risk aversion and their investment horizons and thus exhibit a systematic behaviour based on economic and psychological factors. Behavioural elements like herding, overconfidence, and past performance bias have a strong influence on how much investors allocate their money to equity funds, debt funds, or hybrid funds (Barberis & Thaler, 2003). These behavioural tendencies give rise to observable patterns of investment, e.g. preference for systematic investment plans (SIPs), loyalty of investors to well-known fund houses, switching behaviour during market volatility etc.

Academic literatures also point out those regulatory bodies, such as the Securities and Exchange Board of India plays a major role in influencing the mechanism of mutual funds investment pattern. Raza, Jahangir and Babar (2016) have highlighted the importance of having strong regulatory guidelines as it will help in bringing transparency and minimizing information asymmetry issues and also standardize the structure of mutual fund schemes. In India, SEBI's call for clear objectives of the schemes, standardized categorization and mandatory disclosure of allocation of assets has led to more predictable and disciplined investment patterns. These rules restrict the amount a fund can invest in particular asset classes hence protecting investors from aggressive risk-taking and ensuring allocation to declared objectives (Tripathy, 2017). Through these regulatory constraints, overall mechanism of investment patterns becomes more consistent, structured and investor-friendly.

Research has also been done to explain that investment patterns are influenced by portfolio construction mechanisms used by mutual funds under regulatory supervision. According to Singh and Vanita (2002), mutual funds have structured asset allocations frameworks to balance out risk, return, and diversification often serves as

a key mechanism in that respect. Debt and equity allocation limits, sectoral exposure guidelines, and liquidity norms enforced by way of SEBI regulation, ensure that the funds operate within predetermined risk bands. Studies like Sharma and Bodla (2011) demonstrate that these mechanisms drive the investor confidence and bring more systematic investments particularly in risk-controlled schemes like hybrid and debt funds. Thus, portfolio-level mechanisms that are supported by regulatory requirements are responsible for stable and predictable investment patterns in the industry.

Another key mechanism that influences the pattern of investment is the transparency and monitoring through mandatory disclosures. Research by Kaur and Kaushik (2016) highlights that the disclosure of NAV, transparency about the monthly portfolio and the classification in riskometer helps the investor keep track whether the fund is following the investment pattern that is declared or not. Performance disclosure mechanisms make for better accountability and mitigate the incentive for fund managers to deviate from the asset allocation model without investor knowledge. According to Tripathi and Bhandari (2018), such transparency leads to higher investor trust and promotes long-term, systematic investment behaviour - particularly in regulated industries such as India, where the SEBI's oversight is meant to ensure compliance and periodic reporting.

3.4 SEBI (Mutual Fund) Regulation, 1996

The Securities and Exchange Board of India brought in the SEBI (Mutual Funds) Regulations, 1996, to provide a holistic legal and operational framework for the mutual fund industry in India. These regulations are intended to safeguard the interests of investors, ensure transparency, and foster professionalism in the management of pooled investment funds. Under these regulations, every mutual fund will have to be established as a trust where a sponsor will act as a promoter, trustees will protect the interests of the unit-holders, and an Asset Management Company (AMC) will manage the day-to-day investment operations. SEBI has strict eligibility conditions for sponsors and requires the trustees to act independently of each other, which ensures that there are checks and balances in the governance structure. It is also provided in

the SEBI regulations that no mutual fund scheme can be initiated without the prior approval of trustees, and the submission of detailed documents to SEBI. Each scheme should make clear its investment objective, pattern of asset allocation, factors, risks, fees, and working framework through the Scheme Information Document (SID) and the Key Information Memorandum (KIM). These disclosures help to ensure transparency and help investors to make informed decisions. To further make the mutual fund arena clearer, SEBI came up with a standardized scheme categorization framework from 2017. This categorization divides mutual funds into equity, debt, hybrid, solution, and index/ETF categories which have specific rules for asset allocation. This increases the comparability across funds and avoids misclassification or duplication of schemes. Along with the scheme categorization, strict norms of investment and risk management are enforced by SEBI to ensure that investors are not exposed to such investments and speculative practices. These norms include restrictions on sector or issuer exposure, mandatory guidelines for diversification of investments, restrictions on investments in unlisted securities and limits on the use of derivatives. SEBI has also imposed strict norms of valuation to be followed by mutual funds to ensure fair and accurate calculation of Net Asset Value (NAV). Debt funds have to follow credit-risk and interest-rate-risk guidelines which include stress testing to maintain liquidity and financial stability during market disruptions. Transparency is another pillar of the regulatory approach of SEBI. Mutual funds are required to provide the daily NAV, publish the monthly portfolios, half-yearly financial results and risk levels through risk-o-meter framework. These disclosures help investors to track if the fund is following its stated investment pattern and risk profile. SEBI has also put a limit on Total Expense Ratio (TER) to check for high charges and require investor grievance redressal mechanisms to address grievances in an efficacious way. Through regular audits, inspections and enforcement actions, SEBI ensures that AMCs operate within regulations, maintain ethical standards, and operate in the best interest of investors. Overall, the regulatory framework of SEBI promotes trust, governance, and stability in the mutual fund industry, ensuring that it operates with integrity and principles that focus on the interests of investors.

3.5 Recent Trends in Mutual Funds

The Indian mutual fund sector has been growing dynamically and undergoing structural changes in past years. These trends indicate the behavioural change by investors, regulatory innovations and the rising impact of technology and sustainability.

- **Rapid Growth in Retail Participation**

The mutual fund industry is witnessing participation of retail investors like never before. Increasing financial literacy, digital financial platforms and the increase in popularity of Systematic Investment Plans (SIPs) have encouraged small and middle-income households to invest regularly. AMFI (2024) points out that SIP accounts and monthly inflows were at all-time highs, with a structural shift towards market-linked savings. This trend shows that retail investors are moving away from traditional saving instruments such as fixed deposit in favour of mutual funds as long-term wealth creation instruments.

- **Emergence of Thematic & Sectoral Funds**

Thematic and sectoral funds now have become increasingly popular as investors look to exploit long-term trends in technology, healthcare, renewable energy, infrastructure and consumption. As noted by Kaur and Verma (2021), such funds are attractive to investors who have specific sectoral convictions but are also riskier because of concentration in certain industries. Their emergence is closely related to economic developments, changes in policies and varying investor tastes.

- **SIP Dominance over Long-Term Wealth Creation**

SIPs have become the backbone of inflows of mutual funds. They allow for disciplined investing and prevent investors from making investment decisions based on the emotional biases of trying to time the market. According to Ramesh and Gupta (2023), SIPs have steadily increased because of rupee-cost averaging and automated investments, which makes them the choice of retail participants. This trend has

stabilized inflows into equity funds, lessened volatility and helped long-term industry growth.

- **Stringent and Modernized SEBI Regulations**

SEBI is continually updating the regulations so as to increase transparency, minimise risks, and enhance better governance. The scheme categorization reform introduced in 2017, improved riskometer, TER (expense ratio) caps, and strengthening of valuation guidelines has made the industry more investor centric. SEBI (2023) also made better disclosure of portfolios, stress testing of debt funds, and standardized risk reporting, which have contributed to increased transparency and levels of mis-selling.

- **Popularity of Hybrid and Balanced Funds**

Amidst the volatility in the market, hybrid funds, viz. Balanced Advantage Funds, Aggressive Hybrid Funds and Conservative Hybrid Funds have become popular. These funds have diversified exposure to equity, debt and sometimes arbitrage and provide a balance between risk and return. According to research by Ramesh and Gupta (2023), the hybrid funds appeal to risk-averse investors who do not want to avoid investing in equity markets and want stable returns.

- **Digitalisation & Integration of FinTech**

Digital platforms, robo-advisors, and investment apps have mutual fund ecosystem. The ease of onboarding process, Know Your Customer processes, tracking of transactions in real time and automated SIPs has helped the millennials and Gen Z to participate. AMFI (2024) states that a huge portion of new folios comes from the digital channels, indicating the shift towards a tech-enabled investment experience.

- **Increasing Preference for Goal-based Investing**

Investors are moving from ad hoc investing to structured goal-based investing - retirement planning, children's education and wealth creation for long-term. Studies show that digital advisory tools and financial planning app have contributed to this

behaviour. Ramesh & Gupta (2023) point out that SIPs, hybrid funds and low-cost index funds are very attractive to goal-oriented investors.

- **Expansion of AUM & Penetration into Tier-II & Tier-III Cities**

The industry's geographical penetration has been improved significantly. Small towns now make up an increasing percentage of SIP accounts and AUM. AMFI (2024) adds that mutual fund adoption in B30 (Beyond Top 30) cities has grown at a rapid rate with the introduction of awareness campaigns, distributor incentives and digital accessibility to investments.

3.6 Role of AMFI in the Mutual Fund industry

Excluding the UTI Mutual Fund, all Indian mutual funds formed the Association of Mutual Funds in India (AMFI) in 1993 and came to the consensus that an integrated platform was required to discuss the issues that impacted the mutual fund industry as a unit as a whole, in an effort to protect and promote the interests of corporate finance, and that of unit holders. According to AMFI, the Indian mutual fund industry should be developed in a manner that was competent, robust, and moral, and also attempted to enhance and retain standards across the board. In terms of determining the initiatives that will be required to attract shareholders and evolve the mutual fund industry, AMFI is a new strategy. SEBI has also taken several regulatory measures following committee recommendations established by AMFI. On the other hand, AMFI is not a self-regulatory body (SRO). It can do nothing to make those involved obey its recommendation. As soon as SEBI puts any AMFI recommendations in the legal framework of the mutual funds, it becomes binding.

Figure 3.6*Role of AMFI***Table 3.1***Key role of AMFI*

Sl No	Key Role	Description
1	Industry Representation	Acts as a collective voice for all mutual funds (except UTI), representing them in dialogue with SEBI and other authorities.
2	Standard Setting & Ethics	Promotes ethical practices, fair standards, and transparent operations in the mutual fund industry.
3	Advisory to SEBI	Recommends policies, procedures, and reforms to SEBI; while non-binding, many are adopted into law by SEBI.
4	Distributor Registration & Regulation	Issues AMFI Registration Numbers (ARNs), sets eligibility through NISM exams, and enforces a Code of Conduct for mutual fund distributors.

Sl No	Key Role	Description
5	Grievance Mediation	Facilitates resolution of systemic and investor issues by acting as a bridge between stakeholders (AMCs, investors, and SEBI).
6	Coordination Among AMCs	Encourages collaboration among asset management companies (AMCs) for the development of the industry and adoption of uniform processes.
7	Promoting Innovation & Growth	Advocates for product innovation and encourages a competitive yet regulated mutual fund market.

3.6.1 Objectives of AMFI:

The Association of Mutual Funds in India (AMFI) is the self-regulatory body of the mutual fund industry, established for the purpose of protecting the investor, promoting ethical standards of the industry, and facilitating the development of the mutual fund industry.

- **To Promote Ethical and Professional Standards in the Mutual Fund Industry**

AMFI's major goal is to ensure that all Asset Management Companies (AMCs) operate with fairness, transparency, and professionalism. It prescribes and enforces a code of conduct for the fund houses, distributors, and intermediaries to adhere to high ethics in the industry.

- **To Protect and Promote Investor Interests**

AMFI's work to protect the interests of mutual fund investors involves ensuring that mutual funds communicate truthfully, that they do not mis-sell, and are more transparent. It also conducts awareness campaigns, such as the popular 'Mutual Funds Sahi Hai' initiative, to educate the people.

- **To Function as a Self-Regulatory Organization (SRO)**

AMFI acts as SRO by keeping a check on the conduct of AMCs and distributors. It frames guidelines to ensure that they comply with the SEBI regulations and enhance discipline in the industry.

- **To Promote Investor Awareness and Financial Literacy**

Another major objective is to increase investor education so that people understand risks, returns and suitability of mutual fund products. AMFI organises workshops, digital campaigns, and training programmes to disseminate financial literacy in India.

- **To Create a Platform for Development and Policy Dialogue in the Industry**

AMFI acts as the voice of the mutual fund industry in its dealings with SEBI, RBI, and the Government. It serves as a link between the regulators and the AMCs providing feedback to industry and assisting in the policy development process to enable stable and sustainable growth.

- **To Maintain Transparency and Data Reporting**

AMFI publishes on a monthly, quarterly and an annual basis mutual fund statistics like AUM, SIP flows, investor folios and scheme classifications. This facilitates a transparent flow of information to investors, researchers and policy makers.

3.7 Problems Encountered by the Mutual Fund Industry

Despite tremendous growth, the Indian mutual fund industry is facing a wide range of challenges which prevent it from reaching more people, being more efficient and providing satisfaction to the investors. These challenges are related to regulatory constraints, market dynamics, infrastructure gaps, and investor behaviour. Some of the issues are explored in detail below:

1. Low Penetration in Rural, Semi-Urban Areas

Although the industry has made inroads into urban India, presence into rural and semi-urban areas is still sparse. According to AMFI, more than 80% of investors in mutual funds are concentrated in the top 30 cities. In many rural areas, there is great lack of awareness regarding mutual funds as a wealth creation tool. Cultural and psychological dependence on traditional modes of saving such as gold and chit funds, fixed deposits restrict the use of mutual funds to a certain extent. Inadequate access to financial advisors and poor digital infrastructure in these areas make the problem worse.

2. Investor Mistrust and Mis-selling Practices

Investor confidence is delicate and can be easily shattered by unethical sales practices. Distributors may promote products that may provide them with higher commissions instead of what may suit the investor's financial objectives and risk appetite. Mis-selling destroys investor confidence and this is particularly true when the schemes fail to live up to expectations. Misleading advertising, jargon-filled documentation and lack of post-investment support are further deterrents to new investors. Addressing these challenges involves effective regulation enforcement and increased focus on ethical financial advisory practices.

3. Regulatory Compliance & Operational Burden

While the regulations by SEBI help in protecting the interest of investors, the compliance requirements are becoming more complex and time-consuming in nature. Frequent changes to fund classifications, disclosure mandates, riskometer updates mean AMC's are constantly changing their strategies and systems. This is especially heavy lifting for smaller AMC's who may not have the scale and resources to do so, which can result in higher cost structures and lack of operational agility.

4. Market Volatility and External Shock

Mutual fund investments have close ties to market conditions. During periods of increased volatility caused by global crisis, domestic political uncertainty, inflation spikes or currency devaluation, mutual fund NAVs can fall. Retail investors are often emotional investors, and they redeem investments at a loss, which not only has a significant impact on their financial outcomes but also disrupts the flow of capital in the market. Educating investors about cycles in the market and encouraging SIP based investments can help in curbing knee-jerk reactions.

5. Digital Divide and Technological Challenges

Though digitalisation of fund transactions has been transformed, the digital divide remains a big obstacle. A large portion of India's population does not have access to smart phones, internet connectivity and digital financial literacy. Moreover, the cybersecurity threats are a major risk to the online platforms and investor data. Cyber frauds, phishing attacks, and outages in the platforms can spoil the trust of investors in digital mutual fund transactions.

6. Performance Pressure on Fund Managers

In an intensely competitive environment, fund managers are under continual pressure to provide benchmark-beating returns. This can result in short-termism, in which decisions are made on the basis of quarterly performance rather than long-term strategy. High portfolio churn, lack of diversification in terms of a few sectors that are performing well or relying too much on star stocks could result in higher risks and poor diversification. A structured performance review mechanism between risk-adjusted returns is needed.

7. Fee Structure, Transparency and Expense Ratio

While SEBI has put a ceiling on the Total Expense Ratios (TER), there are many hidden expenses in mutual fund investments that remain unknown to many investors.

Regular plans, those that include distributor commissions, often have higher costs than direct plans- but the distinction is not always obvious to investors. Lack of transparency on transaction charges, exit loads, and fund manager charges impacts trust among investors and lowers net returns.

8. Fragmented Distribution Ecosystem

India's Mutual Funds Distribution Landscape is fragmented in terms of Banks, NBFCs, IFAs and Digital Platforms. A lack of standardized training curriculum and certification (other than the basic NISM test), however, means that investor experiences can vary significantly according to the intermediary. In addition, smaller distributors do not always have the technological tools or research capabilities to provide quality financial advice.

9. Poorly Developed Retirement Planning Products

There is a growing need for pension and retirement-oriented financial instruments because of the rising life expectancy as well as the escalating cost of living. However, most mutual fund schemes are for short-term or medium-term wealth creation goals. Very few products offer annuity-linked withdrawal or target-date retirement solutions. Investors who are planning for retirement may deem the current offerings as inadequate, especially when the global best practices are compared.

10. Limited Attention to Investor Education

Investor education is also undeveloped, although awareness campaigns such as "Mutual Funds Sahi Hai" are conducted by AMFI; they have not been able to reach far and beyond the metropolitan areas. More so, educational resources are usually confined to the English or Hindi language only, leaving out large populations in regional language belts. Many investors are also poor at understanding risk, portfolio diversification, and investment time horizons because of a lack of familiarity with financial jargon. In order to overcome these multifaceted challenges, heavy efforts by

regulators, asset management companies, financial advisors, and policymakers are necessary. It includes following measures:

- * **Strengthen last-mile connectivity:** Reach out mutual fund distributor networks and digital platforms to remote and rural areas with localised services.
- * **Enforce Transparency and Ethics:** Make penalties for financial misconduct more stringent and promote honest advisory practices.
- * **Simplify investor education:** Develop multi-lingual and communicative tools for mutual fund investors to demystify the investments, especially for first-time investors.
- * **Product innovation:** Create retirement-specific, inflation-hedged and capital-secured schemes to meet changing investor needs.
- * **Enhance digital security:** Ease cybersecurity infrastructure and investor awareness on safe digital practices. With inclusive policies, investor-centric innovations and a congruous effort towards trust-building, the mutual fund industry is playing a transformative role in India's path towards financial empowerment.

3.8 Conclusion

This chapter has given an overview on the mutual funds as a whole, covering their structure, functionality, regulatory framework and their position in the modern portfolio of investments. Mutual funds have become a popular and accessible investment option managed by professionals that can provide the diversification, liquidity, and risk-appropriate options for a large array of investors. The discussion also emphasised the important role played by regulatory bodies such as SEBI and industry associations like AMFI in ensuring transparency, investor protection and healthy market growth. As the participation of mutual funds is ever increasing, especially among the retail investors, knowing its features, types, advantages, and

challenges is important for making well-informed decisions in the field of finance. This basic knowledge provides the context for the next several chapters, which go into greater detail about the behavioural, cognitive, and psychological determinants that affect mutual fund investment decisions.

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Chapter 4

THEORETICAL FRAME WORK FOR BEHAVIOURAL FACTORS IN MUTUAL FUND INVESTMENT

4.1	Introduction.....	183
4.2	Concept of Investor Apprehension.....	183
4.3	Concept of Financial Literacy	189
4.4	Concept of Perceived Value	203
4.5	Concept of Perceived Trust.....	212
4.6	Concept of Investor Involvement	215
4.7	Concept of Risk tolerance.....	218
4.8	Concept of Investment Performance.....	222
4.9	Concept of Reinvestment Decision and Recommendation intention.....	225
4.10	Conclusion.....	228
	References.....	230

4.1 Introduction

This chapter gives an overview of the most important psychological, cognitive, and behavioural factors that affect mutual fund investment decisions. As financial markets have grown more and more complex, investors are protecting themselves not just with financial knowledge, but also with perceptions, emotions and decision-making patterns to navigate the investment decisions. The chapter emphasises the role of investor apprehension, financial literacy, perceived value, trust, risk tolerance, and involvement in the context of how total individuals perceive the mutual fund options and make decisions about performance and reinvestment. By presenting a consolidated view of these varied behavioural determinants, the chapter lays the ground for understanding the multidimensional nature of investor behaviour, as well as the theoretical frameworks in support of these relationships.

4.2 Concept of Investor Apprehension

Investor apprehension refers to the emotional state of anxiety, hesitation, or fear that individuals may experience when making financial investment decisions. This apprehension often stems from uncertainty about future returns, perceived risk of capital loss, lack of financial knowledge, or prior negative investment experiences. It can manifest as reluctance to invest, preference for low-risk assets, or overdependence on others' advice. According to Loewenstein et al. (2001), emotions like fear and worry significantly influence risk perception and decision-making under uncertainty. Investor apprehension can also be heightened by volatile market conditions, media reports, or economic downturns, leading to behavioural biases such as loss aversion and status quo bias. These emotional responses may hinder rational investment behaviour, resulting in either excessive caution or irrational reactions like panic selling. Moreover, research in behavioural finance suggests that such apprehension can deter individuals from participating in the capital market altogether, thus limiting

their long-term wealth creation opportunities. Addressing investor apprehension through financial education, transparent communication, and trust-building initiatives is essential for fostering confident and informed investment behaviour.

4.2.1 Investor Apprehension in Mutual Fund Investment

Investor apprehension can be described as the feeling of anxiety, reluctance, or fear that individuals can feel towards the decision of financial investment. This fear is normally motivated by a lack of confidence in the potential returns in the future, a perceived risk of losing capital, financial illiteracy, or a history of poor investment performance. It may be in the form of unwillingness to invest, a taste for low-risk assets, or excessive trust in other advice. As Loewenstein et al. (2001) state, such emotions as fear and worry play an important role as they affect risk perception and decision making under uncertainty. The volatile conditions in the market, media coverage, or economic recessions may also increase the level of investor apprehension, which contributes to some behavioural biases (like loss aversion and status quo bias). Such emotional reactions can impair rational investment decisions, leading to the overprotectiveness of the reaction or irrational responses such as panic selling. Besides, behavioural financial research indicates that this fear may discourage individuals from even engaging in the capital market and thereby reduce their long-term wealth generation potential. To overcome the fear of investors and instill a confident and informed behaviour, it is necessary to address the issue of investor apprehension by using financial education, clear communication, and trust-building programs

4.2.2 Statistics Relating to Investor Apprehension

SEBI Investor Survey (2023):

54% of Indian retail investors said they felt anxious or uncertain when it comes to making investment decisions, with market volatility being a critical factor.

43% of mutual fund investors cited fear of possible losses as the reason they delay or avoid investments.

RBI Financial Literacy Report, 2022:

- 48% of people stated fear of losing money is the greatest obstacle to investing in market-linked products, including mutual funds.
- Apprehension level was higher for first-time investors and people with low financial literacy.

AMFI Insights (2024):

- During the market downturns, almost 35% of SIP investors confessed that they felt apprehensive about continuing their investments despite the long-term benefits of SIP discipline.
- However, more than 70% still invested because of faith in the mutual fund system and regulatory protections.

Morningstar Behavioural Study 2023:

- Investors lose an average of 1.7% annually in returns due to poor timing based on anxiety and fear - performance-related apprehension.
- 60% of investors said that fear of market crashes affects their investment decisions more than the potential gains.

OECD Global Financial Literacy Survey 2020:

- About 52% of the respondents across emerging economies displayed high levels of investment related apprehension owing to a lack of confidence and lack of financial knowledge.
- Similar trends were found in India, where 56% say they are unsure about selecting the right financial products.

Investor Behaviour of Kerala (based on SEBI & AMFI regional patterns):

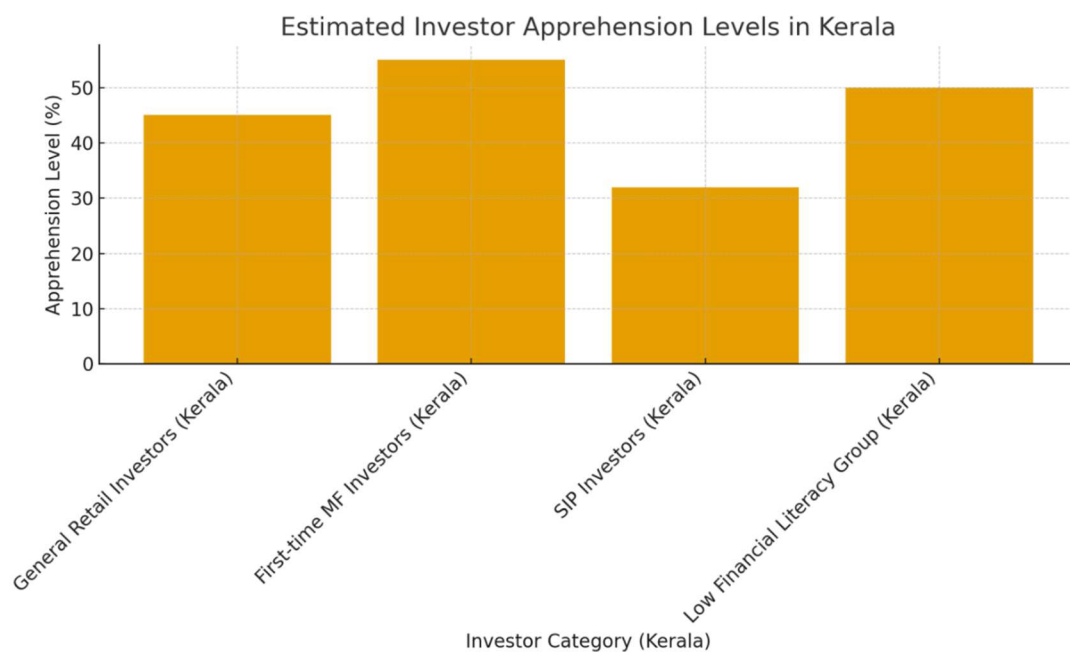
- Kerala shows a high level of financial participation, but about 40-45% of retail investors complain of apprehension arising out of market fluctuation and the complexity of the product.
- Risk perception and fear of loss both continue to be dominant factors in investment inertia.

Deloitte Behavioural Finance Report (2023):

- Nearly 70% of investors will have increased apprehension during times of economic uncertainty, resulting in decreased desire to invest in equity mutual funds.
- Loss aversion was shown as a major reason for this.

Figure 4.1

Estimated Investor Apprehension Levels in Kerala



Source: Derived from SEBI (2023), AMFI (2023–24), RBI (2022), OECD (2020), and Morningstar (2023) reports.

The graph shows the levels of the estimated apprehensions by the investors of various categories of mutual funds in Kerala. The data underscores the fact that apprehension differs considerably depending on investor experience, financial literacy and investment behaviour. First-time mutual fund investors have the highest level of apprehension at about 55% reflecting the lack of knowledge about market variations, knowledge of product features and risk-return characteristics. This is consistent with the findings of behavioural finance that indicate that novice investors are more prone to experiencing fear and uncertainty in investing in market-linked investments. Low financial literacy investors show a level of apprehension at around 50%, which shows that lack of knowledge of financial concepts, is a significant contributor to apprehension and lack of willingness to make investment decisions. This makes financial literacy a crucial factor in determining whether an investor is confident or not. General retail investors of Kerala have shown a moderate level of apprehension of about 45%, which implies that while many investors know about the benefits of mutual funds, apprehensions about volatility and risk in the market remain in general. This category represents a broad cross section of the investing population where perceptions of risk and uncertainty are still taken into consideration when making a decision. Whereas SIP (Systematic Investment Plan) investors have the lowest level of apprehension at 32%. SIP participants are generally involved in disciplined and longer-term investment behaviour and may be more exposed to financial education campaigns. Their reduced apprehension means greater confidence in systematic investment processes and trust in the mutual fund ecosystem. Overall, the graph highlights that there is a high correlation between investor apprehension in Kerala, financial literacy, experience and mode of investment. These insights underscore the need for specific investor education and advisory assistance to overcome psychological barriers and to increase participation in mutual funds.

4.2.3 Theoretical foundation

The Prospect Theory proposed by Kahneman and Tversky (1979) is a valuable and useful behaviour theory for explaining the fear of investors in the processes of financial decision-making. The theory implies that people evaluate results in the

context of perceived gains and losses and not based on actual final results. One of the main concepts of the Prospect Theory is that people have a stronger psychological response to losses than to gains of the same scale. This is especially applicable in investment in mutual funds, where the level of uncertainty and market dynamics are involved and hence the sensitivity to losses. The loss aversion may have a large impact on investors and their feelings and participation in the decision-making process.

- Risk aversion and emotional response: Risk-averse investors are highly sensitive to the risk of losing their money and therefore tend to bring high levels of emotions and fear when making investment decisions.
- Disproportionate reaction to losses: Due to the greater impact of negative emotional response to a possible loss than the beneficial emotional response to a gain, investors can be more anxious, which can lead to more vigorous information search and analysis.
- Dual behavioural results: There are two opposite behaviours that can be caused by the investor apprehension. One category of investors reacts by getting deeper involved- seeking more information, comparing, and minimising risk taking approaches. The other category reacts by withdrawing and showing less engagement in order to escape the psychological pain that comes with risky decision making.

Therefore, the fear based on loss aversion can either boost or hinder investor participation, and it will depend on how the person copes with the situation, his or her emotional stability, and previous experiences on the investment. Prospect Theory thus assists in understanding why mutual fund investors are not always involved in the same amount, even when the market environment is the same.

When investor apprehension is moderate, and the investment decision is perceived as important yet manageable, it can activate central route processing within the Elaboration Likelihood Model (ELM). In this state, the investors spend more time in information analysis, to compare and to evaluate the alternatives and mutual fund options in a methodical and measured way. On the other hand, excessive fear might

lead to too much emotional pressure on the investor which might be beyond his cognitive ability. Consequently, the person progresses to peripheral processing of routes, which is guided by simplified images like fund ratings, advertisements, brand recognition, or social suggestions- indicating less involvement. ELM thus depicts the effect that apprehension has on whether investors are motivated to work with information or not, as well as the degree of information processing to which they are motivated. The moderate level of apprehension can promote the process of reflective assessment, but high apprehension can result in avoidance or heuristic decision-making. The cross of Prospect Theory and ELM is a complete explanation of the role of investor apprehension in the decision to participate in mutual funds: Prospect Theory explains the source of apprehension, which is emotional and risk-related, due to aversion to loss and preference to negative results. ELM elucidates the cognitive implications of the feeling as it shows whether investors do more or less processing of information or revert to superficiality. The combination of these models implies that the level of fear may either boost or hinder investor participation with regard to the perceived severity of risk, financial expertise of the investor, and prior exposure to investment. This combined vision brings into focus the reason why various investors will respond differently to the same amount of market uncertainty

4.3 Concept of Financial Literacy

Financial literacy is commonly defined as the capacity to comprehend and use various financial skills, including personal financial management, budgeting, and investing. It contains both cognitive understanding of financial concepts and practical ability to apply them in decision-making. OECD (2016) defines financial literacy as: “A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.” Lusardi and Mitchell, (2014) explain financial literacy as: “The ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions.”

A person who is financially literate is one who is able to understand the practical aspects of money and to make prudent choices on all aspects of their financial lives.

Having the ability to earn, save, and invest one's own money is a sign of financial literacy. He gets a kick out of using his knowledge of financial goods. As a result of recent breakthroughs, having a solid financial education and knowledge base is becoming more important for one's financial welfare. It is critical to recognise that financial literacy is an all-encompassing word that includes not just financial knowledge but also financial conduct and attitude. To become financially literate, one must possess more than just a basic knowledge of financial concepts. In place of financial knowledge, what is really necessary to exhibit good and desirable financial behaviour is a positive attitude or a healthy frame of mind towards money and money management. When used together, these elements will help promote financial literacy, which helps in leading to sound financial planning and less stress.

Investors are extremely diverse, with backgrounds ranging from finance to technology. Investors have many, many investment options. To maintain their market presence, asset management companies (AMCs) continually introduce new products or revamp existing ones to offer a wide range of investment options. Ensuring the long-term viability of funds will mean that mutual fund schemes need to adapt to changing needs, and that asset management companies understand investors' fund selection patterns. This chapter primarily focuses on the investor's mind when choosing a mutual fund, including expectations, motivating factors, and the various variables that influence the decision. The current information, based on investor behaviour, is still at an early stage and, consequently, is not comprehensive enough to understand the mutual fund investor's purchasing process.

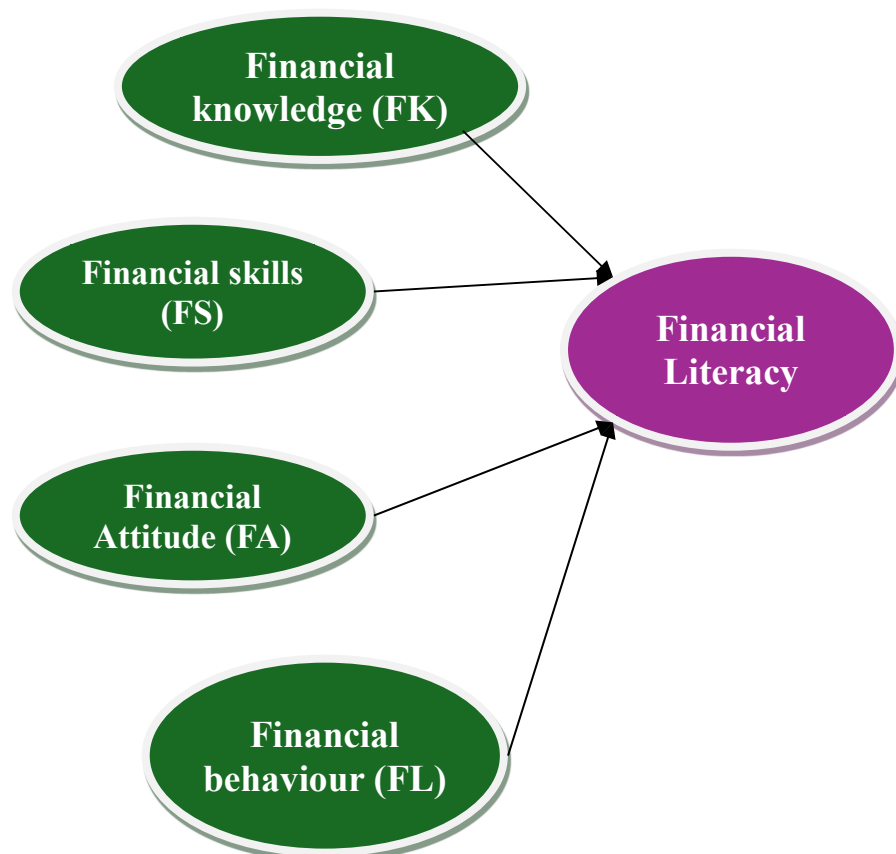
According to the core normative model of investment behaviour, risk and return are the major factors influencing an investor's investment decisions. In addition, the model assumes that investors make rational decisions. However, it appears that things have not planned out as expected, and there is evidence that people can sometimes act irrationally. According to the behavioural finance literature (Ariely, 2008), investor behaviour is "predictably irrational." Furthermore, the available research does not provide sufficient evidence to indicate that investor behaviour is affected by anything other than economic factors. Therefore, the normative model of investment behaviour is of little relevance to MF marketers and regulators. It is very likely that there is a

model that can encompass classical finance, behavioural finance and consumer behaviour.

Despite being a developed nation, USA did not rank in the top 10, and its financial literacy rate was only 43%. It's interesting to note that only a quarter of adults live in South Asian countries, and that these countries rank among the lowest in financial literacy. Adults in Singapore have the highest level of financial literacy in Asia, with 59% of adults financially literate. India, with a rating of 121 and a financial literacy score of a mere 24 percent, was among the countries with the lowest financial literacy. Although it is much lower than the world average, the percentage is very close to that of the BRIC and South Asian countries.

Figure 4.2

Key Components of Financial Literacy



4.3.1 Financial Knowledge

More often than not, financial knowledge is considered to be the cornerstone behind financial literacy, since it provides people with the necessary information needed to make sound financial judgments. It shows a person's knowledge of basic financial information, such as interest rates, inflation, risk and return, diversification, credit management, savings tools, and investment products. Houston (2010) states that financial knowledge constitutes the cognitive aspect of financial literacy, enabling an individual to interpret financial data accurately and use it to resolve life problems. Studies have consistently shown that greater financial knowledge is associated with better financial behaviour and performance. According to Lusardi and Mitchell (2014), financial knowledge (in particular, knowledge of compound interest, risk diversification, and long-term planning) is closely linked to prudent saving and investment choices. It helps people assess financial options, compare costs and benefits, and choose strategies that align with their financial objectives. Moreover, financial knowledge is a defence mechanism against poor financial choices, thereby minimising the risk of being lured into debt traps or falling prey to financial fraud. Financial knowledge is one of the core competencies established by the Organization for Economic Co-operation and Development (OECD, 2016) as part of financial literacy, alongside financial attitudes and behaviour. According to their model, unless people have proper knowledge, they may have difficulty making good use of their money despite their positive attitudes or intentions. That is, knowledge is the foundation of information on which sound financial decisions are made. Investment decisions are also critical with regard to financial knowledge. Van Rooij, Lusardi, and Alessie, (2011) found that better financially informed people are more inclined to engage in financial markets and invest in appropriate products, such as mutual funds and stocks. This is also important in the modern, more complicated financial landscape, where consumers are now being forced to navigate a variety of financial products, online platforms, and changing market conditions. In general, financial literacy is critical for supplementing an individual's financial capacity and supporting long-term financial health. With enhanced financial literacy, people are better positioned to plan, assess risk, and make decisions that promote economic stability

and individual success. Financial knowledge generally includes general concepts such as interest rates, inflation, diversification, and time value of money concepts that are all fundamental to making informed financial decisions.

4.3.1.1 Important Components of Financial knowledge.

1. Interest Rates

Interest rates refer to the cost of borrowing money or the return on saving and are expressed as a percentage of the principal amount borrowed or saved. Fluctuations of interest rates have a direct effect on financial markets. For example, when there is a rise in interest rates, bond prices show a fall and that will have a negative effect on the performance of debt mutual funds. Distinguishing between simple and compound interest allows investors to evaluate the relative advantages of saving or investing compared to immediate consumption, thereby facilitating more informed assessments of opportunity costs.

2. Inflation

Inflation means an increase in the general price level of goods and services, which erodes purchasing power over time. For long-term wealth preservation, it is essential to consider inflation-adjusted (real) returns instead of nominal returns. Inflation frequently encourages investment in equity instruments for long-term objectives, as equities have historically provided higher returns than fixed-income products. For instance, if inflation is 5% and a mutual fund yields a 7% return, the real return amounts to only 2%.

3. Diversification

Diversification entails distributing investments across multiple asset classes, sectors, and instruments to reduce overall risk. Mutual funds inherently achieve diversification by investing in a wide array of securities. This strategy mitigates unsystematic risk, which is specific to individual companies or industries, and thereby enhances the portfolio.

4. Time Value of Money (TVM)

This principle asserts that money available today is more valuable than the same amount in the future because of its earning potential. Key concepts within TVM include Present Value (PV), which quantifies the current worth of a future sum, and Future Value (FV), which represents the value of current funds at a future date, accounting for interest or growth rates. Mastery of TVM concepts promotes early investment, facilitates financial goal planning such as retirement corpus estimation, and underscores the benefits of compounding. Investors appreciate the power of compounding.

5. Risk–Return Relationship

The risk–return trade-off suggests that investments with higher potential returns typically involve greater risk. In mutual funds, equity schemes usually involve greater risk but offer potentially bigger returns, while debt schemes are associated with lower risk and moderate returns. Investors must choose mutual funds that align with their risk tolerance, investment horizon, and financial objectives.

6. Asset allocation and Portfolio Balancing

Asset allocation means investment distribution across varied classes of assets such as equity shares, debt funds, and gold. Portfolio rebalancing involves periodically adjusting the portfolio to maintain the desired allocation (e.g., 60% equity and 40% debt) as market movements cause deviations. This practice ensures alignment with long-term financial goals and risk preferences.

4.3.2 Financial Behaviour

Financial behaviour can be described as actual financial activities and choices that are made by individuals in their daily lives. It demonstrates the level of success in which an individual uses their financial knowledge, attitudes and skills to handle money and realise financial well-being. According to the OECD (2016), financial behaviour is a set of behaviours including budgeting, saving, responsible borrowing, repaying debts on time, and making informed investments. Financial behaviour in this sense is the

behavioural expression of financial literacy. Financial behaviour is any act which touches on planning, allocation and the control of financial resources, such as the household budget management, cash management, and savings management. With people being exposed to various financial scenarios, it is more expected of them to be responsible in the use of their finances, particularly in a digitally changing world where financial choices are getting more sophisticated. Financial decisions have a strong impact of psychological factors which include: aspiration of higher returns, optimism, fear, herd behaviour, overconfidence and past experiences. Zakaria (2012) pointed out that those who make sound financial decisions have better financial stability and satisfaction. Personal perceptions and social influences therefore influence behaviour. Lusardi et al. (2010) also added that one of the main goals of financial literacy is to change the manner in which people spend their financial resources.

4.3.2.1 Important Components of Financial Behaviour.

1. **Regular Saving:** The financial security is enhanced by having a consistent allocation of income to be used in the future or the case of emergencies. More frequent saving people tend to invest in long-term financial products like mutual funds (Lusardi and Mitchell, 2014).
2. **Budgeting:** It is worth preparing a strategy to spend income on different expenses to enable people manage their expenditures and not to experience the needless financial burden. Studies indicate that budgeting is linked to high financial performance and low level of debts (Xiao and Porto, 2017).
3. **Choice of Appropriate Investments:** Sound financial behaviour refers to the analysis of investment options (stocks, mutual funds, or fixed deposits) in terms of financial objectives, investment horizon, and risk aversion. Good decision making brings the investment strategies and individual financial goals into congruence (Van Rooij, Lusardi, and Alessie, 2011).
4. **Avoiding Excessive Debt:** Prudent borrowing, as well as the avoidance of a needless loan, assists people to be economically stable.

5. **Early Investment and Reviews:** Investment decisions made in time and performance of the portfolio checked periodically will keep the financial objectives on track.

4.3.3 Financial Skills

Financial skills constitute the practical and actionable aspect of financial literacy. They encompass an individual's capacity to apply financial knowledge effectively in planning, managing, and evaluating personal financial activities. These skills enable individuals to implement their knowledge through sound financial practices that support long-term financial stability. According to Huston (2010), financial skills are a core component of financial literacy, as they determine how efficiently individuals utilise financial information to make decisions aligned with their financial goals. Such skills include budgeting, tracking expenses, managing cash flows, comparing financial products, planning for long-term objectives, and making informed choices regarding investing and saving. The OECD (2016) emphasizes that financial skills empower individuals to act in their best economic interests by understanding financial risks, avoiding excessive debt, and selecting appropriate financial tools. Thus, financial skills bridge the gap between financial knowledge and actual financial behaviour. Researchers further note that strong financial skills significantly enhance financial well-being.

Kempson et al. (2017) contend that individuals with effective financial management skills are more likely to live within their means, prepare for unexpected expenses, and make appropriate financial decisions. These skills also assist individuals in navigating complex financial environments, including digital transactions, diverse investment options, and sophisticated financial products. Bagwell et al. (2014) identify financial competency, which encompasses budgeting, planning, and monitoring, as a crucial determinant of an individual's ability to manage money in a way that supports financial security. Additionally, behavioural economists argue that financial skills are shaped by psychological factors such as self-control, time orientation, and achievement motivation (Wills, 2008; Garcia, 2013). These factors influence the consistency with which individuals apply financial skills in daily decision-making. In

summary, financial skills are a fundamental component of financial literacy because they translate financial knowledge into concrete behaviours. Strengthening financial skills enables individuals to manage resources efficiently, address financial challenges, and pursue sustainable financial well-being.

4.3.3.1 Major Financial Skills Dimensions.

Financial skills involve some applied skills which help a person in managing his financial affairs as well as making good investments decisions especially in the context of the mutual funds

1. Basic Mathematical Skills and Numerical Ability.

Financial decision-making is based on a firm understanding of the fundamentals of numerical skills such as interest rates, inflation, compounding, and risk-adjusted returns. These skills can assist an investor to read financial indicators correctly and make informed comparisons of investment options such as mutual funds. The expertise of these numerical values will improve an investor with the skill to analyze possible returns and to determine the applicability of the different investment products.

2. Budgeting Competence

Budgeting is a very important financial ability that assists an individual to divide his income among some basic spending, savings and investments. Good budgeting also enables good saving practices, e.g. making regular contributions towards Systematic Investment Plans (SIPs). Investors can be able to keep within the long-term investment objectives by making plans and controlling their cash flows.

3. Investment Decision-Making Skills.

The skills that help people to evaluate the mutual fund schemes through analysing the past performance of the scheme, how the scheme is diversified, and how the scheme is set to achieve certain objectives. Such skills assist investors to set investment decisions that are focused on their goals, time, and risk-taking capacity. According to

Lusardi and Mitchell (2014), financially skilled people are more likely to make more decisions that improve the long-term financial performance.

4. Debt Management Abilities

Another useful financial skill is having credit responsibility through the repayment of loans or when using a credit card. The knowledge of the interest payment, repayment period and the decision to trade-off between debts and investments may affect the decisions of mutual funds investment. When they are investing, the sound management of debts will ensure that people are financially stable.

5. Digital Financial Tool Usage.

As the digital finance is rapidly growing, the capacity to navigate mobile apps and internet solutions to monitor mutual fund portfolios, conduct transactions, and use financial planning tools is becoming a more critical aspect. According to the OECD (2016), in current financial ecosystems, digital financial capability is a critical skill because it enables easy and knowledgeable financial decision-making.

4.3.3.2 Importance of Financial Skills in Mutual Fund Investment

- Financial skills play a decisive role in shaping the effectiveness of mutual fund investment decisions. Investors who possess strong financial skills are more likely to interpret the risk–return characteristics of mutual fund schemes accurately.
- Track and evaluate the performance of their investments consistently.
- Make well-judged decisions regarding fund switching, redemption, or portfolio rebalancing.
- Experience greater confidence in their investment choices, which in turn enhances trust and perceived value factors that positively influence reinvestment intentions (Atkinson & Messy, 2012).

4.3.4 Financial Attitude

Financial attitude refers to an individual's mindset or predisposition towards financial matters. It includes positive or negative perceptions and confidence in handling money, planning for the future, saving behaviour, and attitudes toward debt and risk (Pankow, 2003). Research has shown that members of Generation Z increasingly show a cautious and reflective approach towards financial decisions. A good amount of literature implies that attitudes have a significant influence on behaviour, and this is stressed in the Theory of Planned Behaviour which was created by (Ajzen and Fishbein 2005). In line with this perspective, the survey on the financial attitudes of banks conducted by the Organisation for Economic Cooperation and Development (OECD) in 2017 by (Atkinson and Messy, 2017) evaluates the financial attitude by means of three statements regarding money management and future planning. The manner in which the respondents usually answer these statements is an indicator of their financial attitude. A positive attitude towards saving for example can contribute strongly to increasing the likelihood of engaging in actual saving behaviour. On the other hand, people that are more geared towards the short-term gratification will not be able to plan for long-term financial commitments, which shows how mindset influences behaviour. In this research financial attitude is assessed based on combination of such attitude measures.

An individual's perspective, emotions, or intended actions can be influenced by their attitude, which is determined by their positive or negative assessment of something or someone. Being well-prepared and experienced can greatly influence how an individual responds to various situations and circumstances. It demonstrates an individual's thought process and their deliberate movement towards an idea. Attitude is composed of three main components: cognitive, emotional, and conative or behavioural. Understanding attitudes involves examining beliefs, emotions, and behaviours in relation to the object of interest. Questionnaires, interviews, and other forms of reporting are commonly used to assess the cognitive aspects of attitude. However, monitoring physiological indicators such as heart rate provides a more convenient way to measure the affective aspects of attitude.

On the other hand, behaviour can be assessed by closely observing it. This is the common perception of attitude. Investors are individuals who make financial commitments to investment items with the aim of earning a profit. Usually, the primary concern for an investor is to minimise risk while maximising returns, in contrast to a speculator who is willing to take on more risk in hope of achieving above-average gains. His thoughts are clearly connected to these financial actions. Investors' perspectives on investing are shaped by their financial requirements, investment objectives, and timeframes, along with their risk tolerance, willingness to embrace uncertainty, investment expertise, and preference for secure financial assets

4.3.4.1 Components of Financial Attitude

1. Attitude toward Saving

This aspect signifies the way an individual believes in saving so as to have something to use in future, emergencies and long-term objectives. Positive attitude towards saving leads to a habit of saving and being more prepared to financial uncertainties.

2. Attitude toward Spending

This is their opinions on consumption and purchasing behaviour. The person who has a disciplined view on spending will be more likely to focus on needs rather than wants, will not make impulse purchases, and will have reflective consumption behaviour, which will benefit him on staying financially stable in the long term.

3. Disposition of Borrowing and Debt

This aspect symbolizes the way people view borrowing money, credit usage, and debt. A responsible attitude towards debts is a cautious approach to borrowing, the knowledge of the debt repayment of loans and the awareness of the lasting effects of excessive debts.

4. Risk Attitude

Risk attitude is the individuality in taking financial risks. There are those who are willing to take more risks with a potential of higher returns, and others who are willing to have low risk financial products. This element plays a huge role in the investment

decisions, including whether an investor chooses to invest in equity based mutual funds or low-risk debt plans.

5. Financial Orientation-Long-Term

It can be defined as the degree to which people place more importance on financial stability in the long term rather than satisfying themselves in the short term. A high long-term orientation promotes the planning of retirement, education of children and wealth generation instead of high consumption at the present time.

6. Self-Confidence in Finance Decisions

This element will show the level of confidence that people have in terms of managing money, appraising financial products, and making financial decisions. Increased confidence usually results in increased investment, saving and planning whereas low confidence may result in avoidance or financial procrastination.

7. Positive Goal Attitude to Financial Planning

This is an indicator of how much people are convinced about the value of having financial objectives and developing systematic strategies to accomplish them. The positive behaviour in this aspect encourages the systematic financial conduct and prudent resource allocation.

8. Importance of Financial Control as Perceived

This is connected with the degree of control over finances, expenses monitoring, and accountability among individuals. Individuals who hold high ratings on financial control also check their budgets and do not take needless financial risks.

4.3.5 Theoretical Foundation

The financial literacy behind mutual fund investing is firmly embedded in a number of well-developed economic, behavioural, and psychological theories, which in sum explain the factors that influence investor decision making and outcomes.

Human Capital Theory states that individuals invest in education and knowledge in order to be more efficient in decision-making and boost their economic well-being. In

the mutual fund context, financial literacy serves as an intangible form of human capital that increases the investors' capacity to understand risk-return trade-offs, the diversification benefits, expense ratios and the wealth accumulation over the long-term. Literate investors are thus in a better position to choose the appropriate mutual funds schemes and match investments with financial goals.

Expected Utility Theory is another justification theory based on the belief that rational investors are seeking to maximize expected utility of gains from investments based on available information. Financial literacy enhances an investor's ability to appropriately process financial information, assess the likelihood of gains and losses and make utility-maximizing investments. Mutual fund investors who are more literate are more likely to create diversified portfolios and avoid misjudging with incomplete or misunderstood information.

From a behavioural standpoint, the Bounded Rationality Theory acknowledges the fact that investors operate under cognitive limitations and information constraints. Financial literacy helps in reducing these limitations by making complex mutual fund concepts easy to understand and improving the ability to analyze. As a result, investors are less likely to be confused, ambiguous, and paralyzed when deciding whether to participate in mutual fund markets, and will be more confident and consistent in their participation.

Finally, Information Asymmetry Theory emphasizes the mismatch of information on the part of fund managers and investors. Financial literacy can help investors fill this gap by more effectively interpreting disclosures, fact sheets and performance reports. This lowers the reliance on intermediaries, provides more perceived transparency and boosts trust in mutual funds institutions.

Together, these theoretical perspectives construct financial literacy as a basic construct that influences investor's confidence, risk perception and rational behaviour in mutual fund investments, thus justifying its central role in behavioural and investment decision models.

4.4 Concept of Perceived Value

Perceived value is a pivotal concept in psychology that indicates the subjective judgments that people make concerning the value that they gain out of a product, service, or experience, as compared to the cost that they pay in acquiring it. Unlike objective or intrinsic value, which is established based on quantifiable properties, like quality, features, or price, perceived value is subject to all kinds of personal differentiation and might differ dramatically across volunteers. Such subjectivity leads to interpretation of the same offering in different ways, based on expectations, previous experiences and emotional responses, societal factors and individual preferences. An illustration is that a luxury watch can be of great value to a given consumer because of the beauty attached to it, the prestige of the brand and the emotional fulfillment it can give, but the same product can be considered by another consumer as being overpriced and having little practical use. Such differences explain that the perceived value goes beyond functional utility to incorporate emotional, symbolic and experiential aspects. Perceived value is defined (Kotler and Keller, 2012) as the net result of an analysis of the total benefits realised by a customer with regard to the total costs incurred on a product or service, especially against that of alternatives. Perceived value is shot when perceived benefits, including convenience, emotional satisfaction, quality, or brand trust, surpass perceived sacrifices, including monetary cost, time, effort, or perceived risk. Perceived value is therefore one of the important determinants to consumer choice, satisfaction and loyalty in various situations.

4.4.1 Perceived Value in Mutual Fund Investment

Perceived value is an important construct in the determination of the way people make investment decisions especially when it comes to mutual funds. It is a personal opinion of an investor concerning the advantages of an investment in comparison to the financial and non-financial cost incurred. In the case of mutual fund investments, perceived value is dependent on a number of factors such as expected returns, risk exposure, ease of transacting, quality of services, reputation of the fund house and even emotional satisfaction with the investment.

According to Zeithaml (1988), perceived value is the total assessment of usefulness of a product by a consumer on the basis of the trade of what one gets and what one foregoes. The classic finance, which is founded on the portfolio theory as developed by Markowitz (1952), is the one that relies on the calculation of the expected returns and risks to make decisions. Nevertheless, behavioural finance emphasises that investment decisions are significantly affected by psychological factors, perceptions and subjective beliefs. Investors, thus, look at many dimensions of values as opposed to just financial performance.

Sweeney and Soutar (2001) have determined that there are four major dimensions of perceived value that include: functional (quality and performance), emotional (feelings and affect), social (prestige and social approval) and conditional value (contextual benefits like market timing or tax benefits). As an example, investors tend to pay premiums to mutual funds with reputable fund houses or branded officers despite having less significant returns compared to smaller funds or less reputable ones (Lee & Marlowe, 2003). Empirical research also demonstrates that perceived financial value, e.g., the belief in the competence of fund managers and the belief of the consistency of returns, is significant in influencing investment behaviour. In their study, Keng and Ting (2009) established that service quality in the financial service industry is linked to customer loyalty through perceived value. This implies that as the investors develop high values in a mutual fund, their loyalty increases and they have less chances of moving to other funds. Risk perception also overlaps perceived value. Investors that consider a fund to be transparent, professionally run, or supported by a reputable regulation tend to believe that it is less risky and thus more valuable. This links with the consumption value theory by Sheth et al. (1991) that states that decision-making is influenced by various types of value such as functional, emotional, social, epistemic, and conditional elements.

Perceived value is also directly influenced by financial literacy. In an effort to identify the actual value of the choices in mutual funds, people with a better financial IQ will have a better opportunity to make informed decisions Pompian (2006), and Lusardi and Mitchell (2014). Individuals with low literacy, however, rely more on face clues like the brand name, advertisement or the latest performance ratings. Cognitive biases

also have an effect on perceptual value as shown by behavioural finance studies. Jain and Kaur (2018) believe that overconfidence and recency and anchoring are among the types of biases that affect how investors place a value on the mutual funds, especially during the turbulent periods. Consequently, investors may overvalue newly performing funds without necessarily analysing them.

4.4.2 Theoretical Foundation

Value-Based Adoption Model (VAM) offers a theoretical foundation to learn the role of perceived value in making an investor decided to use or persist using a financial product. Kim, Chan, and Gupta (2007) argue that perceived value is calculated by the ratio of the perceived benefits to the perceived sacrifices.

Core Components of VAM

According to Kim et al. (2007), perceived value is the result of a trade-off between perceived benefits and perceived sacrifices:

Table 4.1

Key Components of VAM

Component	Description
Perceived Benefits	The utility or gains derived from using a product (e.g., returns, convenience).
Perceived Sacrifices	The costs involved in using it (e.g., fees, risks, effort, complexity).

The model proposes that:

$$\text{Adoption Intention} = (\text{Perceived Value} = \text{Perceived Benefits} - \text{Perceived Sacrifices})$$

Therefore, the higher the perception of investors on the value of mutual fund investment over the sacrifices, the higher the intention of investors to invest or reinvest in it is.

4.4.2.1 VAM Application to Mutual Fund Investment.

The Value-Based Adoption Model (VAM) can be applied in the context of investments in mutual funds and offers a convenient perspective on how investors develop adoption and reinvestment intentions. This model proposes that the perceived value, which is the result of the perceived benefits divided by the perceived sacrifices, is a conclusive factor in determining the behaviour of the investor. Here, perceived benefits entail the good returns that the investors anticipate receiving after investing in the mutual funds that will motivate them to adopt, retain, or even increase the level of investments.

Perceived Benefits in Mutual Funds:

Perceived benefits are the subjective judgments of investors at the benefits and utility of mutual fund investments. Being one of the two key factors of VAM, perceived benefits play a significant role in the perception of value by an investor, his or her satisfaction with the result of an investment, and their intentions to re-invest in future (Kim, Chan, and Gupta, 2007). These advantages in the mutual fund context cut across financial, psychological as well as functional aspects.

Key Dimensions of Perceived Benefits in Mutual Funds

1. Financial Returns and Creation of Wealth

One of the greatest perceived advantages of mutual funds is the potential of increased long-term returns.

- **Capital Appreciation:** The mutual funds especially the equity-based schemes usually outperform conventional savings mechanisms over longer periods.
- **Dividend Income:** Certain plans have regular payouts in the form of dividends and this adds to the sense of financial benefit. Examples: AMFI (2023) notes that a number of equity mutual funds have been able to give better returns than fixed deposits in a period of ten years.

Example: AMFI (2023) reports that several equity mutual fund categories have delivered superior returns compared to fixed deposits over a ten-year period.

2. Professional Fund Management

Qualified fund managers run mutual funds undertaking market analysis, selection, and optimization of stocks.

Benefit: Investors without financial expertise gain access to sophisticated portfolio strategies through passive or active management.

3. Diversification and Risk Reduction

Mutual funds usually have diverse portfolios of different types and kinds of securities. Impact: Unsystematic risk is reduced in this diversification and this is why mutual funds are attractive to less experienced or risk-averse investors.

4. Liquidity and Flexibility of Investments

Mutual funds that are open-ended also enable the investor to redeem units at the current Net Asset Value (NAV). SIPs and SWPs are some of the investment vehicles that increase flexibility.

Investor Perception: Strong Liquidity increases the perceived appeal of mutual funds over an investment with a strong lock-in.

5. Convenience and Ease of Investment

Convenience of mutual fund investment is one of the greatest perceived advantages of the contemporary investor. As the digital financial platforms evolve, it is now possible to view mutual funds via online portals, in mobile apps, and via intermediary apps via Groww, Zerodha and via the official AMC sites. Besides, Systematic Investment Plans (SIPs) permit automatic monthly withdrawals and this comes in handy to salaried people who like a regimented and passive way of investing

Example: Investors view mutual funds as a “set-it-and-forget-it” option due to automation and simplicity.

6. Tax Efficiency

It has been concluded that tax benefits increase mutual fund perceived value considerably. Equity Linked Savings Schemes (ELSS) is a tax deduction scheme available under Section 80C of the Income Tax Act and is thus a choice of those looking to grow their wealth as well as have tax benefits. Moreover, the exemption of long-term capital gains (LTCG) on equity mutual funds up to ₹1 lakh per financial year (in accordance with the regulations of FY 202324) is an additional argument in favor of the fact that along with serving as a way to develop an investment, mutual funds can be viewed as a good tax planning instrument.

Perceived Benefit: Investors see mutual funds not just as growth instruments but as tools for tax planning.

7. Transparency and Regulatory Oversight

The investment in India through funds is regulated and supervised by the Securities and Exchange Board of India. The law requires the periodic reporting of portfolio holdings, risk, expense ratios, and performance. Such level of transparency instills confidence amongst the investors as they tend to view the mutual funds as a safer and more stable investment option than the uncontrolled or non-regulated investment options. Regulatory oversight is thus crucial in augmenting the level of perceived trust and mitigating the perceived investment risk

Result: Investors perceive mutual funds as more transparent and reliable compared to informal investment avenues.

8. Customization and Product Variety

Another source of positive perceived value is the wide variety of mutual fund products that are offered in the market. Depending on their risk tolerance, investment horizon and economic goals, investors have the option of investing in equity, debt, hybrid, index, thematic and sectoral funds. The diversification enables people to customise their investment portfolios according to their needs and likes. Psychological satisfaction is reflected in the feeling of customisation and conformity to personal

financial objectives and this further consolidates the perceived value of mutual fund investments.

Psychological Value: Customization enhances the sense of control and alignment with personal objectives.

Perceived Sacrifices in Mutual Funds

Perceived sacrifices are the different costs, efforts, and risks that an investor considers that he or she must incur to achieve the advantages of investing in mutual funds. Such sacrifices are not only limited to the direct financial expenses but also encompass the time taken to make the decisions, the mental effort to know the investment products as well as the psychological pressure of not knowing. Perceived sacrifices in Value-Based Adoption Model (VAM) are sequenced as an important element of perceived value that is defined as the net difference between perceived benefits and perceived sacrifices (Kim, Chan, and Gupta, 2007). Consequently, there could be a case that two investors will have differing opinions about the same mutual fund based on their perception of these associated sacrifices.

Types of Perceived Sacrifices in Mutual Fund Investment

1. Monetary Costs

To invest in mutual funds there are a number of direct financial charges:

- **Entry and exit load:** However, despite the fact that most schemes now perform as no-load funds, others still have a fee that is charged on entry or redemption.
- **Expense ratio:** It is an annual fee paid to the Asset Management Company (AMC) and used to cover the management and administrative costs and has a direct inverse impact on the returns of the investors.
- **Taxations:** Investors would pay any short-term capital gains (STCG) or long-term capital gains tax (LTCG) when returns are more than the exemption limit. Such financial charges are likely to decrease the perceived appeal of mutual funds, particularly in cases where expense ratios are large in comparison with returns.

Example: An investor may perceive that high expense ratios erode actual returns, reducing the attractiveness of actively managed funds.

2. Time and Cognitive Effort

Investing in mutual funds can very easily demand a lot of mental work and time to make decisions:

- Knowing the different schemes: There are many schemes of equity, debt, hybrid, sectoral and ELSS funds, so it is quite daunting to assess the options.
- Complexity: It is hard to differentiate between schemes or to determine suitability as many investors find it hard.
- Continued review: There are funds that need periodical review and rebalancing of the portfolio. This weight is mostly heavier on the first-time investors or people who are financially illiterate.

Impact: Low financial literacy increases this burden, especially among first-time or older investors.

3. Perceived Risk and Uncertainty

There is a fundamental trade-off of risk perception and uncertainty while investing in mutual funds:

- Market volatility: NAV can experience swings, which result into fear of losing capital.
- Past performance issues: Poor performance in the past can be a cause of suspicion.
- Risk of mis-selling: The investors might be afraid that the intermediaries will give them biased information.

Example: A risk-averse investor might see the unpredictability of returns as a major sacrifice, even if the long-term performance is favourable.

4. Loss of Control or Autonomy

Mutual funds have the difference with direct stock investing in that the authority of making decisions is delegated to fund managers. This deprivation of the ability to control your own asset choice and timing is considered by some investors as a trade-off, particularly those who like to be in control of the portfolios they own.

5. Switching Costs and Inertia

Switching AMC or reducing mutual fund schemes may be procedurally cumbersome:

- Renewing KYC data or investment websites.
- Alteration of SIP or SWP instructions.
- The psychological distress related to change. Such switching costs will mean that investors are reluctant to seek other funds that perform better.

Impacts of High Perceived Sacrifices

- Lower disposition to invest.
- Early withdrawal, particularly in bear markets.
- Reduced reinvestment intention.
- More use of heuristics or herd behaviour.

This trend is consistent with the Prospect Theory which assumes that the negative effect of loss is more powerful than the similar positive one (Kahneman and Tversky, 1979). Thus, monetary expenditures or perceived risk, even minor amounts thereof, can demoralise the investment more than the returns they could have. On the other hand, investors tend to undertake investments, contribute more, reinvest on a regular basis and trust fund houses and financial advisors' long term when they feel that the gains outweigh these sacrifices.

4.5 Concept of Perceived Trust

Perceived trust in investment refers to the trust of an investor in the reliability, competence and the suitability of financial markets, intermediaries, institutions and certain investment products to the best interest of the investor. Trust is specifically important in investment decisions because of the uncertainty, exposure to risk and complication of financial markets. Since the majority of investors do not have full information or financial expertise capabilities, they extensively use the credibility and integrity of financial advisors, regulatory, and investment institutions to guide their judgment. According to Lewis and Weigert (1985), trust is a social construct and collective aspect that helps people to cope with the feeling of uncertainty and vulnerability in economic and social relationships. Trust in financial markets is important in making the investors feel safe whenever they are putting money into products whose results become evident in the long run. Guiso, Sapienza, and Zingales (2008) give empirical data that, as the degree of trust in financial systems increases, the propensity to allocate funds to mutual funds and stocks will also increase, which leads to the conclusion that trust is a key factor in increasing the involvement of a person in the capital market. Mayer, Davis, and Schoorman (1995) also developed the concept of trust as having three underlying elements including ability, benevolence and integrity. Ability is the competence of financial institution or fund manager. The belief of financial entities on the welfare of the investor is known as benevolence. Integrity describes how much a business, organization or Mutual Fund Company is ethical and transparent in its operations. When investors recognise these traits in financial institutions or providers of mutual funds, they feel comfortable committing their capital to an investment even in uncertain market conditions. It does not only increase investment intention and decision making, but also long-term financial relationship, loyalty and portfolio diversification. This is why developing and maintaining investor confidence is one of the highest priorities of financial institutions, fund managers, and policy-makers that want to increase the market participation and level of financial inclusion.

4.5.1 Perceived Trust in Mutual Fund Investment

Perceived trust in mutual fund investment is the confidence of investors in mutual fund managers, the regulatory agency, and the integrity of mutual fund institutions. Morgan and Hunt (1994) define trust as a central factor that contributes to cooperative associations, and in the mutual fund sector, this trust helps diminish the uncertainty and riskiness surrounding the decision to invest. The investors feel more willing to enter the market when they are convinced that financial institutions are competent and ethical. This is in line with the results of Guiso, Sapienza and Zingales (2008), who state that the more trust one has in the financial systems, the more they tend to invest in products like stocks and mutual funds. Mutual fund investing involves a great deal of trust as these products are extremely complex, intangible and intensely mediated. The investors rely on fund managers, advisory platforms and institutional processes to make informed decisions on their behalf. Trust is therefore a psychological instrument which serves in alleviating the mental load, and dispels anxieties regarding changes in the market, mismanagement or insufficient transparency. The theoretical principles in the present case are based on the theoretical perspective on trust, a fundamental element of uncertainty minimization and long-term commitment (Commitment Trust Theory of Relationship Marketing, 1994; Morgan and Hunt).

There are a number of causes that lead to the creation of perceived trust with the mutual funds, and they include: transparency in disclosure of fund portfolio, leading and steady past performance, reputation of the fund house, excellent customer service and regulation by regulatory authorities such as the Securities and Exchange Board of India. These theoretical observations are supported by empirical evidence. Singh and Kaur (2016) established that trust exerted a greater effect on the purchase intention of mutual funds compared to performance alone, indicating that investors are more concerned with relational and psychological assurance rather than financial accountability. On the same note, Gupta and Shrivastava (2020) emphasised the role of trust-building measures, including investor education programmes, transparent digital platforms, and timely communication, as effective ways of improving trust perceptions.

In general, perceived trust is a foundational element with respect to initial participation as well as satisfaction, retention and loyalty among mutual fund investors. To fund houses, regulators, and policymakers, especially in emerging markets such as India, it is important to cultivate trust as the key to growing mutual fund adoption, as well as the background of an active long-term relationship with the financial sphere.

The correlation between financial literacy and perceived trust is also highly documented. Financially literate people can better comprehend disclosures, risk-reward relationships, and ratings of funds and, therefore, in this way, improve the comprehension of the credibility of financial institutions. Accurate interpretation and evaluation of financial information also make investors less vulnerable to cognitive bias and misinformation, which, in its turn, will make investors more confident in mutual fund products and intermediaries (van Rooij, Lusardi and Alessie, 2011). In addition, empirical research indicates that financially educated investors tend to behave in long-term investment patterns and unlikely to be affected by the market volatility in the short-term (Sekita, 2011). This is a point of increased confidence in the financial system and their financial judgment. Once trust exists, it turns into a loop that encourages further investing and reinvesting.

Among Indian investors, it is noted that the more financially conscious mutual fund investors have a higher degree of confidence in systematic investment plans (SIPs) and online mutual fund providers. Financial literacy has also become a strategic goal of AMFI, and this suggests that trust and transparency are essential in the process of increasing retail involvement in mutual funds.

4.5.2 Theoretical Foundation

According to the Trust-Commitment Theory, which was proposed by Morgan and Hunt (1994), long-term relationships in any exchange setting are based on trust and commitment. Trust refers to trust that one party develops in the reliability and integrity of the other party and commitment is a long-lasting willingness to continue a relationship that is appreciated. This theory can be applied to mutual fund investments to determine how the financial trust developed by using transparency, ethical fund

management and regular communication affect the commitment of investors to a fund or investment institution. Financial literate investors are better placed to judge fund credibility thus enhancing confidence in the service provider (Lusardi and Mitchell, 2014). This trust minimizes the perceived risk particularly when the market is volatile and compels the investors to invest in long term investment plans, i.e. reinvestment, systematic investment plans (SIPs). Consequently, perceived trust is found to emerge as a key facilitator to reinvestment decisions and investment performance supporting the view of behavioural finance that trust alleviates uncertainty and leads to rational financial behaviour. The theory also helps add to the more general goal of the study, as it demonstrates the importance of the improvement of trust with the help of financial literacy and the sense of value in providing the continuity of investor engagement and performance levels.

4.6 Concept of Investor Involvement

Investor involvement can be defined as the level of individual relevance, interest and active involvement of the individual towards decisions and activities in regard to investment. In mutual fund investments, it is an indicator of the extent of cognitive and emotional attachment to the investment process on part of the investors. Well engaged investors are more likely to spend more time in being able to access financial information, analyze alternatives, track portfolio performance, and risk-return performance. They have higher chances of being active in the decision-making process as opposed to using intermediaries or outside advice.

The motivational aspect of the investment is also reflected in the way the investor is involved, showing how important and consequential the investment decisions are to the financial objectives of the investor. The increased participation promotes awareness, less uncertainty, and systematization in assessing fund properties, thus, impacting the risk perception, levels of confidence, and behaviour. Low involvement on the other hand is commonly identified in the aspect of passive behaviour, less information searching as well as increased apprehension and decision making that is heuristic based. Investor participation is therefore a very important element in

determining investment behaviour, performance measurement and the intentions of reinvestment in mutual fund environment.

4.6.1 Investor Involvement in Mutual Fund Decision Making

Investor involvement is a measure of personal interest, involvement and the extent of psychological participation which an investor shows in the decision-making process of the investment. It captures the extent of proactiveness in terms of information search, alternative consideration, performance review, and investment portfolio management by an investor. High involvement implies that the investor values the investment decision as important to him or her and as such, is motivated to make a thorough analysis and deliberation. Low involvement on the other hand, implies passive and frequent dependence on an advisor or heuristic. Participation of investors is especially relevant in such financial products as mutual funds, when the decision is complicated, the results are unpredictable, and the results may be long-term. Zaichkowsky (1985) defines involvement as the degree of interest and individual relevance that a consumer attaches to a product and this may determine the amount of effort that he or she puts in to learn and appreciate a product. Applied to the area of investments, this implies that the more actively invested persons will tend to be financially literate, investigate disclosures, and fund performance, whereas low-involvement investors might turn to third-party advice or a brand name. The findings of research conducted by Mittal and Lee (1989) confirm the theory that information processing and rational investment decisions are enhanced by greater involvement. Risk perception, satisfaction and loyalty are also influenced by the level of investor involvement, as more realistic expectations and confidence in financial decisions are related to engaged investors.

Investor involvement in mutual fund investment is the degree of cognitive and emotional participation of a person in the process of mutual fund product evaluation, selection and management. It portrays the individual importance that the investor has attached to the investment activity and how much the investor is ready to invest time, effort, and resources into making quality decisions. Perceived risk, experience in investing, financial objectives and personal interests in financial affairs are some of

the factors that determine involvement. Laurent and Kapferer (1985) further stated that a construct of involvement is multidimensional, comprising interest, perceived importance, risk perception and symbolic value. High involvement in the case of mutual funds investing is normally linked to proactive behaviour like close monitoring of NAVs, fund performance comparisons, reading fund fact sheets, and financial news. Low involvement, in its turn, can result in dependency on the default options or the impact of the social recommendations and promotional materials. The high involvement of investors is likely to improve the quality of financial decision-making, decrease impulsive behaviour and satisfaction with the investment returns.

In addition, it moderates the effectiveness of financial literacy and perceived trust so better the mutual fund investors perceive a high value in an investment product, the more likely they will demonstrate a more personal involvement level in the decision-making process. Perceived value can be defined as the trade-off between the benefits that investors are willing to get, including returns, liquidity, tax benefits, and professional management, and the costs they have to incur including risks, fees or effort (Sweeney and Soutar, 2001). This positive appraisal encourages investors to become more involved in their investments, which encourages them to invest in activities like researching on mutual fund schemes, monitoring portfolio performance, and taking proactive actions with regard to portfolio rebalancing or reinvestment.

4.6.2 Theoretical Foundation

Elaboration Likelihood Model

This connection is theoretically justified using the Elaboration Likelihood Model (ELM) created by Petty and Cacioppo (1986). The ELM suggests that there are two ways people process information; the central and the peripheral routes. The former involves the deep and thoughtful pathway (central) and the latter is more superficial (peripheral). In cases where perceived value is great, investors have a higher tendency to use the central route, i.e. they are cognitively involved and take their time to make decisions. Such a high involvement gives rise to rational, informed and long-term investment decisions. Therefore, the perceived value is one of the primary antecedents of investor participation to encourage not only cognitive commitment but also future

behavioural commitment to mutual fund investing. For example, an investor who realises the long-term tax benefits, steady returns and professional management of an equity linked saving scheme (ELSS) can perceive it as highly valuable. This good attitude encourages the investor to read financial reports, compare various ELSS schemes, Track market performance, and plan SIPs or STPs actively (which the ELM model would predict).

4.7 Concept of Risk Tolerance

Risk tolerance in investment describes an individual's capacity to accept uncertainty and potential financial loss in pursuit of long-term returns. It reflects a psychological comfort level with market volatility and the possibility of underperformance or capital erosion. Unlike risk capacity which refers to the objective financial ability to take risk, risk tolerance is subjective and deeply rooted in personal attitudes, emotions, and behavioural traits. Factors such as personality, financial literacy, life stage, past experiences, and cultural background can all influence how much risk an investor is willing to bear. According to Roszkowski and Grable (2005), risk tolerance is a relatively stable trait but can be affected by market conditions and personal circumstances. Investors with high risk tolerance are more likely to pursue growth-oriented investments, such as equities or sectoral funds, while those with lower tolerance lean toward conservative options, like fixed income or balanced funds. Accurately assessing and aligning investment strategies with an investor's risk tolerance are essential for long-term success and emotional resilience in financial decision-making.

4.7.1 Risk Tolerance in Mutual Fund Investment

Risk tolerance is a psychological willingness and the degree of comfort that an investor is in when it comes to taking risks of losses or variation in the value of their investment portfolio. According to Grabel and Lytton (1999), risk tolerance can be described as the willingness and capability of an individual to take financial risk with the aim of attaining some returns. This construct is needed in mutual fund investment since each type of fund, either equity, hybrid or debt, has a different level of market risk. In Risk Perception Theory, investors do not just assess the risk using objective

information only but also through subjective evaluation due to the influence of emotions, perceived value, and trust. The perceived value is greater in this case as the investors develop more favorable disposition about the investment and this increases the risk-taking propensity. The perceived value is greater, and it leads to lower perceived risk and higher confidence. The low perceived risk acts to increase the risk-taking capacity. Increased risk tolerance allows investors to invest in more risky options and invest longer periods. Therefore, the perceived value has an indirect positive impact on investment performance through the fact that it augments the risk tolerance and consequently enhances long-term participation and reinvestment choices. The risk tolerance acts as a filter, through which investors analyse and pick mutual fund schemes, depending on how they perceive the risk-return nature of the schemes. Equity or sector funds would be preferred by aggressive investors of high risk, which have higher growth but which are more volatile. On the other hand, conservative investors tend to invest in debt or liquid funds which focus on stability as opposed to returns. Significantly, risk-taking is not entirely a rational or an economic evaluation. It is influenced by emotional and cognitive biases, past experiences of investments, character and sentiments in the market. Weber, Blais and Betz (2002) observed that risk-taking tendencies seem to be differentiated by domains and heavily reliant on the perceived and framed risks. In mutual funds, the correct determination of the risk tolerance of an investor is useful in directing investment to the financial objectives and avoiding emotionally related decision-making including panic selling during a bear market. In an attempt to enable informed and stable investment behaviour, risk profiling tools and questionnaires are usually employed by mutual fund advisors to assess investor risk tolerance. This evaluation will assure the investors that they will invest in the schemes that will suit their ability to take risks and stay dedicated towards their long-term financial goals.

4.7.2 Theoretical Foundation

A. Risk Perception Theory

According to Risk Perception Theory, the judgment of people on the risks depends not merely on the objective probabilities, but also on the psychological, emotional,

and cognitive factors (Slovic, 1987). This means that two investors can have a very different opinion on the same mutual fund- even when they are given the same information in a financial decision-making process. As an example, mutual funds based on the equity can be considered to be very risky by certain investors since they are volatile in the short-run whereas there are high chances that it would be very stable over the long-term. Some of the factors that influence risk perception are the media narratives, past investment returns, social influences, and financial knowledge (Weber, Blais, and Betz, 2002). All these factors put together affect the interpretation process of risk and may change the risk-taking behaviour of an individual. As a result, the perceived value, financial literacy and investor confidence have important roles in risk interpretation that eventually affect risk tolerance.

B. Trait Theory

The concept of Trait Theory understands risk tolerance as a fixed personality trait that is relatively constant in all time and circumstances (Roszkowski and Grable, 2005). Under this view, some people are born with some intrinsic traits that they would feel more at home with financial uncertainty and volatility in the market. Openness to experience, emotional stability, and sensation-seeking are personality dimensions that add to increased intrinsic risk tolerance. An example is that people who have high risk tolerance by nature might be more willing to put their money into growth-based or sector-based equity mutual funds and will not leave when market volatility arises in the short term. Conversely, more conservative risk takers will find themselves in debt or balanced funds where they want to be stable and predictable whatever the market is doing. Integrating Both Theories Risk Perception Theory and Trait Theory show a full picture of risk tolerance. The Trait Theory is used to explain the minimum risk tolerance based on personalities. Risk Perception Theory explains the situation variations in risk assessment due to the external cues and psychological mechanisms. As an example, a person with a tendency towards risk-taking will still decrease or discontinue investments in the mutual funds in the case of a financial crisis as the perceived risk is perceived to rise because of increased media attention or peer pressure. On the other hand, a risk-averse person having high perceived value and a

high level of trust on fund managers can conduct a short run of increased risk tolerance. The two aspects of risk tolerance can therefore be viewed as the conflicting relationship between consistent personal characteristics and changing situational risk perceptions. Increased risk tolerance would help investors to invest in higher-yield and stay longer. Perceived value therefore indirectly determines investment performance by augmenting risk toleration that subsequently encourages long term participation and reinvestment judgment. Investors use risk tolerance as a guide to filter the scheme of the mutual funds to select their preferred scheme depending on the perceived risk-return balance of the scheme. Risk-taking aggressive investors can choose equity funds or sector funds that have a higher growth rate but are more volatile. In their turn, conservative investors tend to invest in debt or liquid funds, in which stability is valued more than returns. Notably, risk tolerance is not an entirely rational or economic evaluation. It is influenced by emotional and cognitive biases, past investment experiences, personality factors, and the market moods. As observed by Weber, Blais, and Betz (2002), the risk-taking tendencies are different depending on the area and greatly rely on the perception and framing of risks. In mutual fund investment, the precise determination of risk tolerance of an investor is useful in aligning investment decisions with financial objectives and avoiding emotional decision making in ill market times like panic selling. Mutual fund advisors often apply risk profiling tools and questionnaires to acquire insights into risk aversion in order to recommend informed and stable behaviour among investors. The evaluation will determine that the investors make the right decisions on the schemes they can practice through their risk level and they are dedicated to their long-term financial goals.

4.7.3 Relationship between Risk Tolerance and Investment Performance

Risk tolerance is a decisive factor in determining how an investor copes with fluctuations in the market making rational decision to invest in the market, which is a direct determinant of investment success. Equity-oriented or growth mutual funds are more prone to being preferred by investors with high risk-taking as the returns on these funds may be high in the long-term despite the short-term fluctuations. This

readiness to take risk allows them to remain invested in times of market downturns which minimises the chances of taking emotional decisions like those as a result of panic selling. As a result, these investors tend to enjoy market recoveries, and thus they increase their investment performance (Grable, 2000). Conversely, low-risk investors can prefer less risky and low-yield securities such as debt funds or liquid funds. Although these options are less exposed to volatility, they will also restrict the possibility of capital appreciation, particularly in inflationary markets. In addition, the low risk tolerance may result in a high frequency of schemes and early redemption in times of market stress which interferes with the compounding process and has detrimental effect on the long-run returns (Roszkowski and Grable, 2005). The mediating variable between the risk tolerance and the performance of the investments is also the capacity of the investor to exercise discipline, in appropriate diversification and in matching the investment decisions with the long-term financial objectives. The high-risk-tolerant investors are less prone to strategic biases as shown by their regularity in investments and rebalancing of their portfolio, which subsequently leads to better returns in the long run (Lusardi and Mitchell, 2014). Therefore, risk tolerance does not only influence the kind of mutual funds an investor follows but also influences the consistency and rationality of investment behaviour both of which are essential in promoting high quality of investment returns.

4.8 Concept of Investment Performance

Investment performance generally refers to how well an investment achieves its financial objectives over a given period, often measured through returns, risk-adjusted metrics, and capital growth. However, in the field of behavioural finance, it is increasingly recognized that investment performance is not only assessed through objective outcomes but is also shaped by cognitive dimensions—the mental processes that govern how investors perceive, interpret, and react to financial information. Investors often rely on subjective judgments and heuristics, which can bias their evaluation of performance. For example, cognitive biases such as overconfidence, representativeness, and loss aversion can lead to misinterpretation of investment outcomes, resulting in irrational decision-making. Barberis and Thaler (2003)

highlight how psychological factors affect financial markets and investor behaviour, noting that cognitive distortions can lead investors to overreact to short-term fluctuations or cling to underperforming assets due to emotional attachment or misjudged expectations. Thus, understanding the interplay between cognitive dimensions and perceived investment performance is crucial for developing more realistic financial models and improving investor decision quality.

4.8.1 Investment Performance in Mutual Fund Investment Decisions

Investment performance is a vital variable in the investment decision of mutual funds; and yet, investors tend to interpret and act on this information based on their cognitive bias, but not via objective and analytical analysis. Even though such performance indicators like annual returns, alpha, beta, and Sharpe ratios are very vital in terms of efficiency and risk-adjusted performance of a mutual fund, most investors tend to make psychological shortcuts when evaluating these indicators. Among the most prevalent biases are recency bias whereby investors tend to place excessive emphasis on the returns of a fund in the recent past and ignore the trend in fund performance over a long period. This habit often causes investors to pursue short-term funds that are performing better than others, even though this performance in the market does not always last (Mint, 2025). The other bias that may influence the investors is that of overconfidence; where the investors may get into the habit of trading the mutual funds more often because they believe that they will always find a better fund. Studies have revealed that this overtrading can usually lower the returns on the entire portfolio since it causes high transaction costs and inefficient time decision-making (PubMed, 2024). The disposition effect also leads to additional distortions in performance-based decision making as it leads to sell off of winning funds prematurely and the retention of underperforming funds. This is normally motivated by psychology factors of loss aversion and regret avoidance (Bajaj Asset Management.). Moreover, herding (when the behaviour of investors is determined by imitating each other instead of a thorough analysis) can make some funds unreasonably popular without any adequate performance support (PubMed, 2024). These behavioural patterns demonstrate that the perceived investment performance is frequently influenced by mental and

emotional tasks rather than by the rational assessment. Therefore, a systematic and evidence-based approach to making decisions, as well as the cultivation of awareness of such prejudices, can greatly improve the performance in the mutual funds.

4.8.2 Theoretical Foundation

1. Rational Choice Theory

Rational Choice Theory (RCT) describes that people decide after a systematically scrutinized examination of the conceivable options and choosing the course of action that grants them optimistically the greatest personal utility or benefit (Becker, 1976). The theory holds that the investors have constant preferences, can compare cost and benefits of various options, and act in their self-interest to maximize the outcomes obtained. To mutual fund investment, RCT would imply that investors:

- Evaluate the attributes of funds including previous performance, fees, risk and projected returns;
- Choose plans that will meet their financial objectives and risk tolerance;
- To determine whether to retain, switch, or redeem their investments, constantly keep track of performance.

The performance of investment under this framework is considered to be the outcome of the information-based, conscious decisions. Nevertheless, in reality, the action of investors might not necessarily be guided by strict rationality because of the lack of financial knowledge, emotional force, and the presence of cognitive bias. This points out the importance of financial literacy in making rational choices and better investment decisions.

2. Portfolio Theory

The Modern Portfolio Theory (MPT) is the development of Markowitz (1952), who elaborates the concept of rationality by offering a quantitative perspective on the construction of a portfolio to achieve the maximum expected returns given a given amount of risk. MPT is based on the assumption that is the risk aversion of investors

who choose diversified portfolios with the least exposure to unsystematic risk. In the mutual fund investment, MPT means:

- The balance between returns and risks is improved by diversification in terms of asset type and type of fund (equity, debt and hybrid funds etc.);
- Investors have the advantage of having their funds in mutual funds whose returns are not highly correlated and hence the volatility is reduced;
- The optimal asset allocation is important in enhancing the performance of investment in the long run.

MPT is quite applicable in the context of mutual funds in India, which would be thousands of schemes. Knowing the principles of portfolio construction will ensure that investors do not over-concentrate, select complementary funds, and make their portfolio overall yield-risk ratio better. Information about portfolio theory, therefore, comes out as an important element of informed and effective long-term investment decisions.

4.9 Concept of Reinvestment Decision and Recommendation Intention

The reinvestment decision are decisions where investors choose to allocate dividends, interest income, or capital gains back into existing or new investments and are a critical component of long-term wealth creation. Although it is a conventional finance assumption that the reinvestment decisions are determined by rational computations that are oriented at the maximisation of future returns, behavioural finance indicates that emotional and cognitive issues can influence these decisions in a considerable manner. As an illustration, the overconfidence bias can cause investors to invest in the same mutual funds multiple times without the necessary review of market conditions, which causes habitual and potentially risky investment behaviours (Chadha, 2024). The anchoring effect can lead investors to make heavy dependence on the past performance or the starting investment values in making reinvestment decisions, despite current market reality indicating the need to adopt alternative approaches (Chauhan et al., 2024). Moreover, loss aversion, or the moral disposition to cite

potential losses more than similar gains can deter reinvestment in temporarily poor-performing funds, making investors too conservative and blocking the long-term growth of the portfolio (Kumar and Chaurasia, 2024). Recommendation intention refers to an investor's willingness to endorse or recommend a financial product such as a mutual fund to others, including friends, family members or colleagues. It is a positive behaviour resulting from and beyond a personal level of satisfaction and a high level of trust, perceived value and confidence in the investment. When the investors feel that a mutual fund has performed reliably and provides good benefits as compared to the risks, then the investors are more likely to recommend such mutual funds, to others. According to Zeithaml, Berry and Parasuraman (1996), recommendation intention is an important indicator of customer loyalty and is the result of positive perceptions about service quality and overall customer satisfaction. These behavioural patterns demonstrate that the process of reinvestment decision and recommendation intention is not always optimal and rational. Instead, these are affected by cognitive distortions which could deny investors the ability to synchronize the reinvestment and recommendation strategies with long term financial goals. This is an indication of the importance of the structured decision-making tools, greater financial literacy, and behavioural awareness to facilitate more appropriate reinvestment practices.

4.9.1 Reinvestment and Recommendation Decisions in Mutual Fund Investment

In the context of mutual funds, the reinvestment decision is referred to the decision of an investor to reinvest their earnings (dividends or capital gains) or additional capital in the same or other schemes after completion of an investment cycle. Although reinvestment may enhance wealth accumulation by compounding, these sorts of decisions are often influenced by psychological and cognitive factors rather than objective appraisal. One influential factor is confirmation bias, where investors seek information selectively that will support their current beliefs about a fund's performance. This may cause them to invest in a familiar scheme again even, when the market data suggests the need to be cautious or diversified (Nickerson, 1998). Additionally, heuristics or mental shortcuts are often used to make reinvestment

decisions. Investors might use recent fund performance, star ratings, or popularity as a substitute for in-depth analysis, as is consistent with the work of Tversky and Kahneman (1974). The endowment effect also provides a contribution to reinvestment behaviour. As explained by Kahneman, Knetsch and Thaler (1991), people are likely to overvalue things they have in ownership because they have them. In mutual funds this makes investors to put more money in familiar schemes instead of exploring better options which will allow them to diversify the portfolio. In the case of mutual funds, the strong intentions for making recommendations indicate that investors are not only comfortable with the investment choices that they make, but also open to influencing the financial choices of others, an important parameter for increasing participation in financial markets, particularly trust-dependent sectors such as asset management. Overall, the decision-making process of reinvestment and recommendation in mutual fund investing is influenced by a mixture of cognitive bias and emotional tendency, which may be contrary to rational portfolio optimization. Recognizing these behavioural influences can help investors and advisors design more informed strategic and disciplined reinvestment practices.

4.9.2 Theoretical Foundation

Theory of Reasoned Action (TRA)

The Theory of Reasoned Action (TRA) developed by Fishbein and Ajzen (1975) states that the attitude of an individual such as behavioural intention is the best predictor of behavioural intention. Intentions are the result of two major elements:

1. Attitude toward the behaviour: Investor's overall positive or negative assessment of reinvesting in mutual funds. If the past experiences have been satisfactory and mutual funds are seen to be good, the attitude towards reinvestment is reinforced.
2. Subjective norms: The perceived social expectations or pressures of significant others, such as family, colleagues, or financial advisors. Within a mutual fund reinvestment context, investors are more likely to reinvest if they (a) have favorable attitudes based upon good past performance or perceived value, and (b) are encouraged or validated by peers, influencers, or financial advisors. Thus, TRA represents a useful framework

for understanding the joint influence of personal evaluations and social influences in shaping reinvestment intentions.

Theory of Planned Behaviour (TPB)

The Theory of Planned Behaviour (TPB), which was introduced by Ajzen (1991), builds on TRA by adding a third factor: perceived behavioural control. This construct refers to an individual's perception of ease or difficulty of performing a behaviour, a concept similar to the concept of self-efficacy. In terms of mutual fund reinvestment, perceived behavioural control includes an investor's confidence in understanding reinvestment options, his or her comfort with digital investment platforms and accessibility to professional advice. Investors who had greater levels of financial literacy, digital know-how and positive experience in the past perceive reinvestment to be manageable and are more likely to commit to the behaviour. Important TPB Variables in Mutual Fund Reinvestment

Table 4.2

Key TPB Variables in Mutual Fund Reinvestment

TPB Construct	Mutual Fund Reinvestment Context
Attitude	Perceived value, trust, satisfaction with past performance
Subjective Norm	Recommendations from advisors, family influence
Perceived Behavioural Control	Financial knowledge, digital literacy, past investing experience

TPB therefore promotes a higher explanatory power of TRA by recognizing that even if the investor has a positive attitude and supportive social environment, reinvestment will not occur if he or she does not also feel capable and empowered to execute the behaviour.

4.10 Conclusion

This study combines several behavioural and financial theories to explain mutual fund investors of Kerala and their decision-making process. Financial literacy strengthens

investor's ability to assess mutual funds in order to improve perceived value and investor trust. Perceived value (from the balance of benefits and sacrifices) promotes involvement, risk tolerance and reinvestment intention while perceived trust minimises uncertainty and promotes long term commitment. Investor apprehension, drawing from Prospect Theory, is based on fear of loss and how it affects risk taking behaviour, but the effects of apprehension are moderated by the level of involvement of investors as explained in the Elaboration Likelihood Model. Risk tolerance based on Trait Theory and Risk Perception Theory mediates the relationship between perceived value and investment performance. Investment performance, interpreted within Rational Choice Theory, Modern Portfolio Theory, rational evaluation and behavioural factors. Finally, reinvestment decisions, based on the Theory of Planned Behaviour and The Theory of Reasoned Action, are dependent on attitudes, social influence and perceived behavioural control all of which are determined by financial literacy, trust and previous investment experiences.

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Chapter 5

INVESTOR APPREHENSION AND FINANCIAL LITERACY OF MUTUAL FUND INVESTORS IN KERALA

5.1	Introduction	237
5.2	Demographic Profile of Respondents	237
5.3	Objective	240
5.4	Tools for Data Analysis	240
5.5	Constructs studied	241
5.6	Investors Apprehensions towards Mutual Fund investment in Kerala and its Socio- Demographic variations	242
5.7	Financial Literacy across Socio-Demographic profile of the investors .	251
5.8	Conclusion.....	267

5.1 Introduction

This chapter investigates the core constructs influencing the behaviour of Mutual Fund investors in Kerala, specifically focusing on their levels of Apprehension and the financial literacy they possess while making investment decisions. In an increasingly dynamic financial landscape, investor confidence is closely tied to the ability to understand financial products and processes. The chapter explores how varying degrees of financial literacy and apprehensions possessed by the investors influence mutual fund decision making. Utilizing both descriptive and inferential statistical tools, the study offers a comprehensive view of these constructs and their associations with socio-demographic variables.

Descriptive statistics such as mean and standard deviation are applied to measure the extent of financial literacy and investor apprehension, capturing the central tendencies and variability in the dataset. Inferential techniques including one-sample t-tests, independent t-tests, one-way ANOVA, and Tukey's HSD post hoc tests are used to identify statistically significant differences across groups. This chapter is organised into two sections:

Section A measures the extent of investor apprehension and financial literacy by analyzing their mean scores and evaluating their levels

Section B examines how these constructs differ across socio-demographic factors such as gender, age, education, monthly income, occupation, and annual savings.

5.2 Demographic Profile of Respondents

The demographic profile of respondents is given in the following table

Table 5.1*Socio-Demographic profile of the respondents (Mutual fund investors in Kerala)*

Variables	Category	No of Respondents	Percentage (%)
Age	20 to 30	180	35.9
	31 to 40	158	31.5
	41 to 50	92	18.3
	Above 50	72	14.3
	Total	502	100
Gender	Male	368	73.3
	Female	134	26.7
	Total	502	100
Education	Under Graduation	206	41.0
	Post-Graduation	204	40.6
	Professional	92	18.3
	Total	502	100
Monthly Income	Up to 25,000	126	25.1
	25,001 to 50,000	128	25.5
	50,001 to 75,000	168	33.5
	Above 75000	80	15.9
	Total	502	100
Marital Status	Married	184	36.7
	Unmarried	318	63.3
	Total	502	100
Occupation	Government Employee	72	14.3
	Private Employee	220	43.8
	Business	66	13.1
	Profession	56	11.2
	Others	88	17.5
	Total	502	100
Annual Savings in Rs. approx.	Less than 50,000	192	38.2
	50,000 to 1,00,000	134	26.7
	Above 1,00,000	176	35.1
	Total	502	100

- **Age**

The age distribution of mutual fund investors in Kerala reveals that the largest number of respondents falls in the 20 to 30 years category, with 180 individuals (35.9%), making it the highest frequency group. This is followed by the 31 to 40 years group with 158 respondents (31.5%), and the 41 to 50 years group with 92 respondents (18.3%). The smallest group, with the lowest frequency, consists of 72 individuals (14.3%) who are above 50 years of age.

- **Gender**

In terms of gender distribution, male respondents dominate the sample, comprising 368 individuals (73.3%), which is the highest frequency under this category. On the other hand, female respondents account for 134 (26.7%), representing the lowest frequency in gender classification among mutual fund investors.

- **Education**

When classified based on educational qualifications, the highest number of respondents are those with undergraduate degrees, totalling 206 individuals (41.0%). This is closely followed by 204 postgraduates (40.6%), while the lowest frequency is observed among respondents with professional qualifications, numbering 92 individuals (18.3%).

- **Monthly Income**

In terms of monthly income, the ₹50,001 to ₹75,000 income group has the highest number of investors, with 168 respondents (33.5%). This is followed by those earning ₹25,001 to ₹50,000 (128; 25.5%), and up to ₹25,000 (126; 25.1%). The lowest frequency is seen in the above ₹75,000 category, comprising 80 respondents (15.9%).

5.3 Objective

Objective 1: *To investigate the apprehension and financial literacy of the mutual fund investors in Kerala.*

5.4 Tools for Data Analysis

The study adopts a combination of descriptive and inferential statistical methods to assess the constructs under investigation.

5.4.1 Descriptive Statistics Employed:

- Mean values were calculated to determine the central tendency of financial literacy and investor apprehension.
- Standard deviation was used to understand the variability in responses among mutual fund investors.

5.4.2 Inferential Statistical Techniques Used:

- One-sample *t*-tests helped to evaluate whether the average scores significantly differed from a predefined benchmark (Here it is 3).
- Independent *t*-tests were conducted to compare means between two demographic groups.
- One-way ANOVA was applied to examine differences across multiple groups based on socio-demographic variables.
- Tukey's HSD post hoc test was performed to identify specific group differences following significant ANOVA results.

These methods together provided a comprehensive framework to measure and analyse the extent and variation of financial literacy and investor apprehensions across different segments of the population.

5.5 Constructs Studied

(I) Investor Apprehension

Investor apprehension refers to the fear, hesitation, or uncertainty that individuals experience when considering mutual fund investments. It may arise due to perceived risks, market volatility, past negative experiences, low financial awareness, or distrust in financial intermediaries. This psychological barrier often prevents investors from participating confidently in investment markets, despite the potential benefits. Understanding and addressing investor apprehension is critical for enhancing financial inclusion and promoting long-term investment behaviour.

(II) Financial Literacy

Financial literacy refers to the comprehensive ability of individuals to make informed and effective decisions regarding their financial resources. It broadly encompasses four major dimensions: knowledge, skills, attitude, and behaviour. Together, these dimensions enable individuals to understand financial concepts, apply them practically, adopt a proactive mindset towards money management, and demonstrate responsible financial practices.

1. **Financial Knowledge:** This dimension reflects an individual's understanding of essential financial concepts such as budgeting, interest rates, inflation, investment options, insurance, and retirement planning. It provides the cognitive foundation for sound financial decision-making.
2. **Financial Skills:** These are the practical abilities to apply financial knowledge in real-world situations. This includes comparing investment products, interpreting financial statements, calculating risks and returns, and making choices that maximize financial well-being.
3. **Financial Attitude:** This dimension represents an individual's beliefs, values, and mindset toward money management. It includes aspects such as future orientation, risk tolerance, and the perceived importance of saving and planning for financial goals.

4. **Financial Behaviour:** It covers the actual financial practices and decisions taken by individuals. This includes creating budgets, saving regularly, avoiding unnecessary debt, reviewing financial plans, and making informed investment choices.

SECTION – A

5.6 Investor Apprehension towards Mutual Fund Investment in Kerala and its Socio-Demographic variations

H0: There is no significant difference between observed and assumed investor apprehension among the mutual fund investors in Kerala

Table 5.2 shows one sample t-test for measuring the significant difference between observed and assumed investors apprehension among the mutual fund investors in Kerala

Table 5.2

Value of one sample t-test- Investor Apprehension

Construct	Mean	SD	Mean difference (Gap)	t-value	P value
Investors' Apprehension	3.26	0.75	0.26	5.67	<0.001**

** denotes significant at 1%level; Test value-3

The one-sample t-test was conducted to examine whether the observed mean score of investors' apprehension (Mean = 3.26, SD = 0.75) significantly differs from the assumed test value of 3. The calculated mean difference is 0.26, and the obtained t-value is 5.67, with a p-value < 0.001, indicating statistical significance at the 1% level. This strong significance suggests that the observed level of apprehension among mutual fund investors in Kerala is meaningfully higher than the assumed neutral value. Therefore, the null hypothesis (which assumed no significant difference) is rejected, and the alternative hypothesis is accepted.

In practical terms, this result indicates that mutual fund investors in Kerala experience a noticeably higher level of apprehension or concern regarding their investments than what was expected. This heightened apprehension could stem from factors such as market volatility, lack of transparency, limited financial knowledge, or previous negative experiences. For financial advisors, fund managers, and policymakers, this signals the importance of addressing investor concerns through better education, communication, and risk-reduction strategies to foster greater confidence and participation in mutual fund investments.

5.6.1 Investor Apprehension across Gender

H0: There is no significant difference between male and female investors with respect to their investor apprehension towards mutual fund investment

Table no.5.3 shows Independent t-test for significant difference between male and female investors with respect to their investor apprehension towards mutual fund investment

Table 5.3

Value of Independent t-test- Gender

Construct	Gender	Mean	SD	t-value	P value
Investors' Apprehension	Male	3.24	0.75	-0.90	0.368 ^{NS}
	Female	3.34	0.74		

^{NS} denotes Not Significant

The independent t-test was conducted to assess whether there is a significant difference in investor apprehension towards mutual fund investments between male and female investors. The mean apprehension score for males is 3.24 (SD = 0.75), while for females it is 3.34 (SD = 0.74). The calculated t-value is -0.90 and the corresponding p-value is 0.368, which is greater than the 0.05 threshold for significance. This indicates that the observed difference in means is not statistically significant.

From a practical standpoint, the results suggest that gender does not play a significant role in influencing investors' apprehension levels towards mutual fund investments in Kerala. Both male and female investors seem to share similar levels of concern or hesitation, possibly due to shared exposure to market risks, financial awareness levels, or socio-economic factors influencing investment decisions. Hence, gender-specific strategies may not be necessary for addressing apprehension in mutual fund campaigns.

Since the p-value is not significant ($p = 0.368$), the null hypothesis stating that there is no significant difference between male and female investors with respect to investor apprehension is accepted. Therefore, it can be concluded that apprehension levels towards mutual fund investments do not differ meaningfully based on gender.

5.6.2 Investor Apprehension across Marital Status

H0: There is no significant difference between married and unmarried investors with respect to their investor apprehension towards mutual fund investment

Table no. 5.4 shows Independent t-test for significant difference between married and unmarried investors with respect to their investor apprehension towards mutual fund investment

Table 5.4

Value of independent t-test –Married and Unmarried

Construct	Marital Status	Mean	SD	t-value	P value
Investors' Apprehension	Married	3.34	0.69	1.22	0.222 ^{NS}
	Unmarried	3.22	0.78		

^{NS} denotes Not Significant

An independent t-test was conducted to examine if investor apprehension towards mutual fund investment differs based on marital status. The mean score for married investors is 3.34 (SD = 0.69), while for unmarried investors it is 3.22 (SD = 0.78). The computed t-value is 1.22 and the p-value is 0.222, which is greater than the 0.05

significance level. This result indicates that the difference in apprehension levels between the two groups is not statistically significant.

From a practical perspective, the findings suggest that marital status does not significantly influence investor apprehension regarding mutual fund investments. Both married and unmarried individuals appear to express similar concerns or levels of uncertainty, which might be shaped more by common financial challenges, risk perceptions, or investment literacy rather than their personal or family status. Hence, interventions to reduce investment apprehension can be designed uniformly without needing to distinguish based on marital status.

Given the non-significant p-value (0.222), the null hypothesis which states that there is no significant difference in investor apprehension between married and unmarried investors is accepted. Therefore, it is concluded that marital status does not play a determining role in shaping apprehensive attitudes towards mutual fund investments.

5.6.3 Investor Apprehension across Age group

H0: There is no significant difference among various age groups of investors with respect to their apprehension towards mutual fund investment

Table no. 5.5 shows ANOVA for significant difference among various age groups of investors with respect to their apprehensions towards mutual fund investment

Table 5.5

ANOVA value- Age

Construct	Age	Mean	SD	F value	P value
Investors' Apprehension	20 to 30	3.37	0.68	3.30	0.021*
	31 to 40	3.36	0.73		
	41 to 50	3.10	0.86		
	Above 50	3.01	0.72		

* denotes significant at 1% level

The table presents the results of a one-way ANOVA test to examine whether there is a significant difference in investor apprehension across various age groups. The analysis yielded an F-value of 3.30 and a p-value of 0.021, which is statistically significant at the 5% level. This indicates that there is a meaningful variation in apprehension levels among at least one pair of age groups.

In practical terms, the results suggest that age plays a role in influencing investors' apprehension toward mutual fund investments. While the test does not specify which age groups differ from one another, it clearly shows that apprehension is not uniform across all age segments. This implies that financial concerns or risk perceptions may shift with age due to varying life stages, income levels, responsibilities, and investment experiences. Financial advisors should consider age-specific concerns when promoting mutual funds or designing investor education programs.

Since the p-value is 0.021, which is less than 0.05, the null hypothesis which states that there is no significant difference among age groups regarding their apprehension is rejected. This confirms that age-wise differences in investor apprehension do exist, warranting further post hoc analysis to identify the specific group differences.

5.6.4 Post Hoc Test for measuring the exact significant difference between the mean scores varying age groups

Table 5.6

Post Hoc Test values- Age

Construct	Age (I)	Age (J)	Mean difference (I-J)	Std. error	P value
Investors' Apprehension	20 to 30 (Mean = 3.37)	31 to 40 (Mean = 3.36)	0.015	0.114	0.999 ^{NS}
		41 to 50 (Mean = 3.10)	0.277	0.134	0.167 ^{NS}
		Above 50 (Mean = 3.01)	0.366	0.146	0.048*
	31 to 40 (Mean = 3.36)	41 to 50 (Mean = 3.10)	0.262	0.137	0.229 ^{NS}
		Above 50 (Mean = 3.01)	0.350	0.149	0.046*
	41 to 50 (Mean = 3.10)	Above 50 (Mean = 3.01)	0.088	0.165	0.950 ^{NS}

^{NS} denotes Not Significant

The post hoc analysis was conducted to identify specific age group differences in investors' apprehension toward mutual fund investment. Out of all the comparisons, two pairs showed statistically significant differences: between 20 to 30 years and above 50 years ($p = 0.048$), and between 31 to 40 years and above 50 years ($p = 0.046$), both significant at the 5% level. All other comparisons among the age groups yielded non-significant p-values, such as 20 to 30 vs. 31 to 40 ($p = 0.999$), 20 to 30 vs. 41 to 50 ($p = 0.167$), and 41 to 50 vs. above 50 ($p = 0.950$), indicating no meaningful differences in those pairs.

In the significant comparisons, investors aged 20 to 30 had a higher mean apprehension score (3.37) than those above 50 (3.01), with a mean difference of 0.366. Similarly, those aged 31 to 40 (mean = 3.36) also showed more apprehension than the above 50 group, with a mean difference of 0.350. These results suggest that younger investors (20–40 years) tend to feel more apprehensive about mutual fund investments compared to their older counterparts who are above 50 years.

Practically, these findings highlight that younger investors may experience more fear, uncertainty, or lack of confidence regarding mutual fund investments. This could be due to limited investment experience, lower risk tolerance, or insufficient financial education at early life stages. In contrast, older investors may have greater exposure to financial products, a longer track record of managing investments, or a more composed attitude towards market fluctuations. Financial institutions and advisors should therefore focus on targeted awareness and confidence-building initiatives for younger investors to encourage informed and less hesitant participation in mutual funds.

The insight that older investors are less apprehensive compared to younger ones suggests the need for age-sensitive financial communication strategies. While older investors may benefit from advanced portfolio management support, younger investors require simplified guidance, myth-busting content, and transparent communication about risks and returns. Bridging this psychological gap through tailored engagement could significantly enhance mutual fund adoption among the 20–40 age segment.

5.6.5 Investor Apprehension across Education

H0: There is no significant difference among various educational qualifications of investors with respect to their apprehensions towards mutual fund investment

Table no 5.7 shows ANOVA for significant difference among various educational qualifications of investors with respect to their apprehensions towards mutual fund investment

Table 5.7

ANOVA value- Education

Construct	Education	Mean	SD	F value	P value
Investors' Apprehension	Graduation	3.36	0.67	1.77	0.173 ^{NS}
	Post Graduation	3.24	0.78		
	Professional	3.11	0.81		

^{NS} denotes Not Significant

The table displays the results of a one-way ANOVA test conducted to examine if there is a significant difference in investors' apprehension towards mutual fund investments based on their educational qualifications. The F-value is 1.77 and the p-value is 0.173, which is greater than the conventional significance threshold of 0.05. This indicates that the differences in apprehension across the educational categories, graduation, post-graduation, and professional qualifications are not statistically significant.

In simple terms, the results suggest that an investor's level of education does not significantly influence their level of apprehension toward mutual fund investment. This means that individuals, regardless of whether they hold a graduation degree, a postgraduate qualification, or a professional certification, tend to share similar concerns, doubts, or hesitations about investing in mutual funds. This uniformity may stem from a common exposure to market risks, shared access to investment information or general investment-related anxiety across education levels.

Given the non-significant p-value of 0.173, the null hypothesis which states that there is no significant difference among various educational qualifications of investors regarding their apprehension is accepted. Therefore, it is concluded that educational

qualification does not create significant variation in mutual fund-related apprehension among investors.

5.6.6 Investor Apprehension across Occupation

H0: There is no significant difference among occupations of investors with respect to their apprehensions towards mutual fund investment

Table no. 5.8 shows ANOVA for significant difference among occupations of investors with respect to their apprehensions towards mutual fund investment.

Table 5.8

ANOVA value- Occupation

Construct	Occupation	Mean	SD	F value	P value
Investors' Apprehension	Government Employee	3.24	0.78	1.37	0.242 ^{NS}
	Private Employee	3.34	0.72		
	Business	3.04	0.64		
	Profession	3.38	0.88		
	Others	3.18	0.75		

^{NS} denotes Not Significant

The table presents the results of a one-way ANOVA test conducted to assess whether there is a significant difference in investors' apprehension toward mutual fund investments across various occupational groups. The F-value is 1.37, and the p-value is 0.242, which is well above the standard 0.05 level of significance. This means that the observed differences in apprehension levels among the occupational categories government employees, private employees, business persons, professionals, and others are not statistically significant.

It indicates that investor apprehension is generally consistent across different occupational backgrounds. Regardless of whether an individual is employed in the government or private sector, owns a business, works as a professional, or falls into other job categories, their level of concern or hesitation toward mutual fund investment tends to be similar.

Given that the p-value is 0.242, which is not significant, the null hypothesis stating that there is no significant difference among occupational groups in terms of investors' apprehension is accepted. Therefore, it is concluded that occupation does not significantly influence the level of apprehension toward mutual fund investment.

5.6.7 Investor Apprehension across Annual Savings

H0: There is no significant difference among annual savings of investors with respect to their apprehensions towards mutual fund investment

Table no. 5.9 shows ANOVA for significant difference among annual savings of investors with respect to their apprehensions towards mutual fund investment

Table 5.9

ANOVA value- Annual savings

Construct	Annual Savings	Mean	SD	F value	P value
Investors' Apprehension	Less than 50,000	3.35	0.69	1.19	0.305 ^{NS}
	50,000 to 1,00,000	3.25	0.77		
	Above 1,00,000	3.18	0.79		

^{NS} denotes Not Significant

The table presents the results of a one-way ANOVA test conducted to determine whether investor apprehension towards mutual fund investment varies significantly based on different levels of annual savings. The analysis yielded an F-value of 1.19 and a p-value of 0.305, which is not statistically significant as it exceeds the conventional 0.05 threshold.

This indicates that the variations in apprehension across the three savings categories less than ₹50,000, ₹50,000 to ₹1,00,000, and above ₹1,00,000 are not statistically meaningful.

In practical terms, this result suggests that investors' levels of apprehension toward mutual fund investments are generally unaffected by how much they save annually. Whether an individual saves a small or large amount does not significantly change their overall concern or hesitation about mutual funds. This implies that investor

apprehension may stem from common psychological factors, information gaps, or market-related uncertainties, rather than being driven by differences in their financial capacity to save.

Since the p-value is 0.305, which is greater than 0.05, the null hypothesis which states that there is no significant difference in apprehension among different annual savings groups is accepted. Therefore, it is concluded that annual savings do not significantly influence mutual fund apprehension levels among investors.

SECTION – B

5.7 Financial Literacy across Socio-Demographic Profile of the Investors

H0: There is no significant difference between observed and assumed financial literacy among the mutual fund investors in Kerala

Table 5.10 showing one sample t-test for measuring the significant difference between observed and assumed financial literacy among the mutual fund investors in Kerala

Table 5.10

Value of One sample t-test- Financial literacy

Factors of Financial Literacy	Mean	SD	Mean difference (Gap)	t-value	P value	Rank Based Sum
Financial Knowledge	3.84	0.68	0.84	19.69	<0.001**	I
Financial Literacy Skills	3.29	0.77	0.29	6.07	<0.001**	IV
Financial Attitude	3.69	0.61	0.69	18.01	<0.001**	III
Financial Behaviour	3.75	0.59	0.75	20.14	<0.001**	II

** denotes significant at 1%level; Test Value - 3

The one-sample *t*-test results presented in the above table assess the difference between the observed financial literacy levels and an assumed average score of 3 among mutual fund investors in Kerala. All four components of financial literacy that knowledge, skills, attitude, and behaviour recorded mean values significantly higher than the assumed value, indicating that investors generally possess above-average financial literacy. Among the four, Financial Knowledge scored the highest (mean =

3.84), followed by behaviour (3.75), attitude (3.69), and skills (3.29). All these differences were statistically significant at the 1% level, as indicated by the p -values (< 0.001), confirming the presence of a strong and meaningful difference in each case.

Based on the results of the one-sample t -test, the null hypothesis stating that "there is no significant difference between observed and assumed financial literacy among mutual fund investors in Kerala" is rejected at the 1% significance level for all four dimensions that knowledge, skills, attitude, and behaviour. Since the observed mean scores for each component are significantly higher than the assumed test value of 3, it confirms that mutual fund investors in Kerala exhibit a financial literacy level that is statistically and practically above average, reinforcing the need to recognise their awareness.

From a practical point of view, this means that mutual fund investors in Kerala not only understand key financial concepts but also maintain a positive outlook toward financial planning and exhibit responsible financial behaviours, such as saving and goal-setting. However, the relatively lower mean score for financial skills suggests a potential gap in applying this knowledge like comparing mutual fund options, calculating returns, or assessing risk levels. In simple terms, while people know what to do and want to do it, some may struggle when it comes to taking actual investment decisions or using tools effectively.

These findings hold significant relevance for the mutual fund industry and financial education initiatives in Kerala. The high levels of knowledge and attitude indicate that awareness programs have made a positive impact, but to translate that into confident investment behaviour, greater focus must be given to enhancing practical financial skills. Financial institutions, fund houses, and regulatory bodies can design hands-on workshops, simulation-based training, and user-friendly investment platforms to strengthen investor capabilities. This can help reduce investor apprehension, improve participation, and build a more confident and informed investor base in the mutual fund ecosystem.

5.7.1 Financial Literacy across Gender

H0: There is no significant difference between male and female investors with respect to their financial literacy towards mutual fund investment

Table no. 5.11 shows Independent t-test for significant difference between male and female investors with respect to their financial literacy towards mutual fund investment

Table 5.11

Value of Independent t-test - Gender

Factors of Financial Literacy	Gender	Mean	SD	t-value	P value
Financial Knowledge	Male	3.89	0.70	1.83	0.068 ^{NS}
	Female	3.71	0.61		
Financial Skills	Male	3.34	0.75	1.56	0.120 ^{NS}
	Female	3.17	0.80		
Financial Attitude	Male	3.71	0.60	0.71	0.477 ^{NS}
	Female	3.65	0.63		
Financial Behaviour	Male	3.75	0.59	0.03	0.972 ^{NS}
	Female	3.74	0.59		

^{NS} denotes Not Significant

The independent t-test was conducted to assess whether there is a significant difference between male and female mutual fund investors in Kerala with respect to the four components of financial literacy that knowledge, skills, attitude, and behaviour. The results show that male investors reported slightly higher mean scores than female investors across all components. For instance, the mean for Financial Knowledge is 3.89 for males and 3.71 for females. However, the p-values for all dimensions are greater than 0.05, indicating that none of the differences are statistically significant.

In practical terms, this means that both male and female investors in Kerala show comparable levels of financial literacy when it comes to understanding, applying, and managing their mutual fund investments. While there are small numerical differences

in average scores, these are not large enough to be considered meaningful from a statistical perspective. Therefore, gender does not appear to be a decisive factor influencing financial literacy in the context of mutual fund investments.

Based on these findings, the null hypothesis which states that there is no significant difference between male and female investors with respect to their financial literacy is accepted. This has positive implications for the mutual fund sector, as it indicates a gender-neutral trend in financial awareness and capability, reflecting the success of inclusive financial education initiatives. It also suggests that future investor education programs can be designed and delivered uniformly across genders.

5.7.2 Financial Literacy across Marital Status

H0: There is no significant difference between married and unmarried investors with respect to their financial literacy towards mutual fund investment

Table no. 5.12 shows Independent t- test for significant difference between married and unmarried investors with respect to their financial literacy towards mutual fund investment

Table 5.12

Value of Independent t-test – Marital Status

Factors of Financial Literacy	Marital Status	Mean	SD	t-value	P value
Financial Knowledge	Married	3.71	0.71	-2.31	0.021*
	Unmarried	3.92	0.65		
Financial Skills	Married	3.27	0.76	-0.33	0.735 ^{NS}
	Unmarried	3.30	0.77		
Financial Attitude	Married	3.65	0.60	-0.97	0.332 ^{NS}
	Unmarried	3.72	0.62		
Financial Behaviour	Married	3.78	0.54	0.59	0.555 ^{NS}
	Unmarried	3.73	0.61		

* denotes significant at 5% level; ^{NS} denotes Not Significant

The independent *t*-test was conducted to examine whether there is a significant difference in financial literacy between married and unmarried mutual fund investors

in Kerala. The results show that unmarried investors reported higher Financial Knowledge (mean = 3.92) compared to married investors (mean = 3.71), and this difference is statistically significant at the 5% level ($p = 0.021$). For the other three components skills, attitude, and behaviour the differences in mean scores are minimal and statistically not significant ($p > 0.05$), indicating no notable difference between the two groups in those areas.

It means that unmarried investors tend to have better awareness and understanding of financial concepts related to mutual funds compared to their married counterparts. This may be because unmarried individuals, especially younger investors, are more exposed to digital platforms, online financial content, or education-based investment tools. However, when it comes to actual financial behaviours, attitudes, and practical skills, both married and unmarried investors perform similarly showing responsible financial practices regardless of marital status.

Given these findings, the null hypothesis which states that there is no significant difference between married and unmarried investors in terms of financial literacy is partially rejected, as a significant difference exists only in the knowledge component. For mutual fund companies and financial educators, this highlights the need for targeted educational strategies. Specifically, programs aimed at improving financial knowledge among married investors could be beneficial. It also suggests that mutual fund awareness campaigns should be customized not just by age or income, but also by life stage factors like marital status, to enhance investment readiness across diverse investor segments.

5.7.3 Financial Literacy across Age Groups

H0: There is no significant difference among age groups of investors with respect to their financial literacy towards mutual fund investment

Table no. 5.13 shows One Way ANOVA test for significant difference among age groups of investors with respect to their financial literacy towards mutual fund investment

Table 5.13*Value of One Way ANOVA- Age*

Factors of Financial Literacy	Age	Mean	SD	F value	P value
Financial Knowledge	20 to 30	3.75	0.71	1.38	0.249 ^{NS}
	31 to 40	3.85	0.72		
	41 to 50	3.90	0.64		
	Above 50	4.00	0.53		
Financial Skills	20 to 30	3.32	0.74	0.42	0.739 ^{NS}
	31 to 40	3.22	0.80		
	41 to 50	3.27	0.86		
	Above 50	3.38	0.65		
Financial Attitude	20 to 30	3.64	0.63	0.48	0.695 ^{NS}
	31 to 40	3.71	0.62		
	41 to 50	3.73	0.61		
	Above 50	3.76	0.55		
Financial Behaviour	20 to 30	3.79	0.58	1.13	0.337 ^{NS}
	31 to 40	3.78	0.54		
	41 to 50	3.60	0.66		
	Above 50	3.75	0.60		

^{NS} denotes Not Significant

An ANOVA test was used to examine whether financial literacy levels significantly differ among investors of different age groups. The analysis covered four age categories 20 to 30, 31 to 40, 41 to 50, and above 50 years across the four dimensions of financial literacy: knowledge, skills, attitude, and behaviour. The mean values show a gradual increase in Financial Knowledge from younger to older groups, with those above 50 scoring the highest (mean = 4.00). However, the F-values and corresponding p-values for all dimensions are above 0.05, indicating no statistically significant difference among age groups in any of the financial literacy components.

From a practical perspective, this suggests that age does not play a major role in determining the financial literacy of mutual fund investors in Kerala. Although older investors (especially above 50) appear to have slightly better knowledge and attitudes toward financial management, these differences are not strong enough to be

considered significant. In simple terms, investors of all age groups young, middle-aged, or senior show a fairly consistent level of understanding, skill, and behaviour when it comes to mutual fund investments.

Based on the findings, the null hypothesis stating that “there is no significant difference among age group investors with respect to their financial literacy” is accepted. This has practical implications for mutual fund companies and financial educators: rather than segmenting investor education solely by age, it would be more effective to design programs that cater to the general population, focusing on specific skill gaps or behavioural issues. The results also reflect a positive trend of financial awareness being spread across generations, possibly due to digital access, widespread financial campaigns, and improved education systems in Kerala.

5.7.4 Financial Literacy across Education

H0: There is no significant difference among various educational backgrounds of investors with respect to their financial literacy towards mutual fund investment

Table no. 5.14 shows ANOVA for significant difference among various educational backgrounds of investors with respect to their financial literacy towards mutual fund investment

Table 5.14

Value of ANOVA- Education

Factors of Financial Literacy	Education	Mean	SD	F value	P value
Financial Knowledge	Graduation	3.81	0.64	0.36	0.696 ^{NS}
	Post Graduation	3.85	0.71		
	Professional	3.91	0.71		
Financial Skills	Graduation	3.31	0.71	0.31	0.732 ^{NS}
	Post Graduation	3.25	0.81		
	Professional	3.34	0.79		

Factors of Financial Literacy	Education	Mean	SD	F value	P value
Financial Attitude	Graduation	3.70	0.63	1.76	0.174 ^{NS}
	Post Graduation	3.76	0.58		
	Professional	3.55	0.62		
Financial Behaviour	Graduation	3.77	0.61	0.34	0.712 ^{NS}
	Post Graduation	3.76	0.55		
	Professional	3.68	0.61		

^{NS} denotes Not Significant

An ANOVA test was conducted to assess whether financial literacy differs significantly among mutual fund investors with different educational qualifications Graduation, Post-Graduation, and Professional degrees. The mean scores for all four components of financial literacy (knowledge, skills, attitude, and behaviour) show slight variations across the groups. For example, professional degree holders scored the highest in knowledge (mean = 3.91), while postgraduates reported a slightly higher attitude score (mean = 3.76). However, in all cases, the *F*-values are low and the *p*-values are greater than 0.05, indicating that none of the differences are statistically significant.

In practical terms, this means that an investor's level of formal education does not create a major difference in how financially literate they are when it comes to mutual funds. Whether someone has a graduate, postgraduate, or professional qualification, their understanding, behaviour, and approach toward mutual fund investments remain fairly similar. This suggests that financial literacy in mutual fund investment is not limited to academic knowledge, but may be influenced more by individual interest, exposure to financial products, and personal experience.

Therefore, the null hypothesis stating that there is no significant difference among various educational backgrounds of investors with respect to their financial literacy is accepted. The implications for the mutual fund sector are important: awareness campaigns and investor training programs need not be overly segmented by education level. Instead, financial institutions should focus on delivering clear, accessible, and engaging content to all investors, regardless of academic background, emphasizing

real-world application and decision-making skills that go beyond textbook knowledge.

5.7.5 Financial Literacy across Occupation

H0: There is no significant difference among various occupations of investors with respect to their financial literacy towards mutual fund investment

Table no. 5.15 shows one way ANOVA test for significant difference among occupations of investors with respect to their financial literacy towards mutual fund investment

Table 5.15

Value of One Way ANOVA - Occupation

Factors of Financial Literacy	Occupation	Mean	SD	F value	P value
Financial Knowledge	Government Employee	3.87	0.64	3.99	0.004**
	Private Employee	3.84	0.70		
	Business	4.18	0.57		
	Profession	3.51	0.70		
	Others	3.79	0.62		
Financial Skills	Government Employee	3.05	0.87	2.56	0.039*
	Private Employee	3.34	0.73		
	Business	3.52	0.79		
	Profession	3.05	0.76		
	Others	3.35	0.69		
Financial Attitude	Government Employee	3.64	0.59	0.72	0.578 ^{NS}
	Private Employee	3.72	0.57		
	Business	3.79	0.56		
	Profession	3.55	0.68		
	Others	3.70	0.72		
Financial Behaviour	Government Employee	3.51	0.70	2.24	0.065 ^{NS}
	Private Employee	3.82	0.55		
	Business	3.83	0.49		
	Profession	3.66	0.59		
	Others	3.74	0.61		

* denotes significant at 5% level; ** denotes significant at 1% level; ^{NS} denotes Not Significant

An ANOVA test was conducted to determine whether financial literacy significantly differs among mutual fund investors based on their occupational categories like government employees, private employees, businesspersons, professionals, and others. The results show that Financial Knowledge and Financial Skills vary significantly across occupations, as indicated by p-values of 0.004 and 0.039, respectively, which are both below the conventional significance levels of 1% and 5%. However, the results for attitude ($p = 0.578$) and behaviour ($p = 0.065$) are not statistically significant, indicating no meaningful differences in those dimensions across occupational groups.

It indicates that what people do for a living does have an influence on their financial understanding and application, particularly when it comes to knowledge and skills. However, regardless of whether one is employed in government, private sector, or running a business, their general mindset toward financial planning (attitude) and day-to-day investment behaviour remains fairly consistent. The differences in knowledge and skills could stem from the level of exposure to financial tools or the nature of their financial responsibilities within their profession.

Since the p-values for knowledge and skills are statistically significant, the null hypothesis is rejected for these two components, meaning occupation does influence financial literacy in these areas. For the other two components attitude and behaviour, the null hypothesis is accepted, indicating no significant difference. These findings have important implications for mutual fund companies and financial planners. Investor education strategies can be customized based on occupational backgrounds, especially focusing on improving knowledge and practical skills for specific groups. At the same time, maintaining a unified communication strategy for attitude and behavioural aspects can ensure consistent messaging across all investor segments.

5.7.6 Post Hoc Test for measuring the exact significant difference between the mean scores varying occupation group

Table 5.16

Value of Post Hoc Test -Occupation

Factors of Financial Literacy	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
Financial Knowledge	Government Employee (Mean = 3.87)	Private Employee (Mean = 3.84)	0.026	0.128	1.000 ^{NS}
		Business (Mean = 4.18)	-0.311	0.160	0.300 ^{NS}
		Profession (Mean = 3.51)	0.363	0.168	0.199 ^{NS}
		Others (Mean = 3.79)	0.083	0.150	0.981 ^{NS}
	Private Employee (Mean = 3.84)	Business (Mean = 4.18)	-0.338	0.132	0.082 ^{NS}
		Profession (Mean = 3.51)	0.336	0.141	0.124 ^{NS}
		Others (Mean = 3.79)	0.056	0.119	0.989 ^{NS}
	Business (Mean = 4.18)	Profession (Mean = 3.51)	0.674	0.171	0.001 ^{**}
		Others (Mean = 3.79)	0.395	0.153	0.079 ^{NS}
	Profession (Mean = 3.51)	Others (Mean = 3.79)	-0.279	0.161	0.415 ^{NS}
Financial Skills	Government Employee (Mean = 3.05)	Private Employee (Mean = 3.34)	-0.056	0.119	0.989 ^{NS}
		Business (Mean = 3.52)	-0.395	0.153	0.048 [*]
		Profession (Mean = 3.05)	0.279	0.161	0.415 ^{NS}
		Others (Mean = 3.35)	-0.286	0.146	0.290 ^{NS}

Factors of Financial Literacy	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
	Private Employee (Mean = 3.34)	Business (Mean = 3.52)	-0.471	0.183	0.079 ^{NS}
		Profession (Mean = 3.05)	0.005	0.191	1.000 ^{NS}
		Others (Mean = 3.35)	-0.303	0.171	0.391 ^{NS}
	Business (Mean = 3.52)	Profession (Mean = 3.05)	0.291	0.161	0.370 ^{NS}
		Others (Mean = 3.35)	-0.017	0.135	1.000 ^{NS}
	Profession (Mean = 3.05)	Others (Mean = 3.35)	0.168	0.175	0.873 ^{NS}

**denotes significant at 1% level; ^{NS} denotes Not Significant

The post hoc analysis was performed to determine the exact occupational groups that differ significantly in their financial literacy levels. Among all pairwise comparisons, a statistically significant difference was observed in Financial Knowledge between business persons (mean = 4.18) and professionals (mean = 3.51), with a mean difference of 0.674 ($p = 0.001$), indicating a strong and meaningful gap. Additionally, in the skills dimension, a significant difference was found between business persons (mean = 3.52) and government employees (mean = 3.05), with a mean difference of 0.395 ($p = 0.048$). These are the only two significant relationships identified; all other occupational comparisons for both knowledge and skills returned non-significant results ($p > 0.05$).

It indicates that business people are more financially informed and practically skilled when it comes to mutual fund investments compared to both professionals and government employees. This could be attributed to the nature of their work, where managing finances, calculating risks, and making investment decisions are often routine tasks. Professionals and government employees, on the other hand, may not engage with financial planning regularly, resulting in relatively lower literacy in these

areas. Importantly, no significant differences were found in other occupational pairings, suggesting a general parity in financial literacy across most employment categories.

These findings are highly relevant to mutual fund companies and investor education initiatives. They suggest that targeted financial literacy programs should be developed for professionals and government employees, particularly focused on improving core knowledge and application skills. While business investors may already have a strong grasp of mutual fund concepts, others could benefit from structured training sessions, simulations, or advisory support. By bridging these gaps, the mutual fund sector can foster greater confidence and participation across diverse occupational groups, ultimately contributing to a more inclusive and informed investment environment.

5.7.7 Financial Literacy across Annual Savings

H0: There is no significant difference among annual savings of investors with respect to their financial literacy towards mutual fund investment

Table no. 5.17 shows ANOVA for significant difference among annual savings of investors with respect to their financial literacy towards mutual fund investment

Table 5.17

ANOVA value- Annual Savings

Factors of Financial Literacy	Annual Savings	Mean	SD	F value	P value
Financial Knowledge	Less than 50,000	3.68	0.69	5.11	0.007**
	50,000 to 1,00,000	3.90	0.55		
	Above 1,00,000	3.99	0.72		
Financial Skills	Less than 50,000	3.14	0.71	3.18	0.043*
	50,000 to 1,00,000	3.42	0.76		
	Above 1,00,000	3.36	0.81		

Factors of Financial Literacy	Annual Savings	Mean	SD	F value	P value
Financial Attitude	Less than 50,000	3.62	0.63	1.30	0.272 ^{NS}
	50,000 to 1,00,000	3.73	0.58		
	Above 1,00,000	3.75	0.61		
Financial Behaviour	Less than 50,000	3.70	0.63	0.54	0.583 ^{NS}
	50,000 to 1,00,000	3.78	0.51		
	Above 1,00,000	3.77	0.59		

* denotes significant at 5% level; ** denotes significant at 1% level; ^{NS} denotes Not Significant

The table presents the results of an ANOVA conducted to examine whether there is a significant difference in financial literacy (knowledge, skills, attitude, and behaviour) among investors categorized by their annual savings. For *Financial Knowledge*, the p-value is 0.007, which is significant at the 1% level (**). For *Financial Skills*, the p-value is 0.043, indicating significance at the 5% level (*). However, for *Financial Attitude* (p = 0.272) and *behaviour* (p = 0.583), the p-values are not significant (NS), suggesting no statistical difference across the savings groups for these two factors.

From a practical standpoint, these findings imply that the level of annual savings is meaningfully associated with investors' knowledge and skill components of financial literacy, but not with their attitude and behaviour. This suggests that individuals who save more annually may have better financial understanding and analytical skills relevant to mutual fund investment.

However, their attitude (e.g., risk tolerance, confidence) and actual behaviour (e.g., frequency of investment, tracking performance) do not differ significantly based on how much they save. Therefore, while improving knowledge and skills could potentially enhance saving levels, attitude and behaviour might be influenced more by other factors like personality, past experiences, or external financial guidance.

The null hypothesis stated that there is no significant difference in financial literacy across different annual savings levels. Based on the p-values, this hypothesis is

rejected for *Financial Knowledge* ($p = 0.007$) and *skills* ($p = 0.043$), as these are statistically significant. Conversely, the null hypothesis is accepted for *attitude* ($p = 0.272$) and *behaviour* ($p = 0.583$), as there is no statistically significant difference in these components of financial literacy among the savings groups.

5.7.8 Post Hoc Test for measuring the exact significant difference between the mean scores varying annual incomes

Table 5.18

Value of Post Hoc Test –Annual Savings

Factors of Financial Literacy	Annual Savings (I)	Annual Savings (J)	Mean difference (I-J)	Std. error	P value
Financial Knowledge	Less than 50,000 (Mean = 3.68)	50,000 to 1,00,000 (Mean = 3.90)	-0.220	0.107	0.100 ^{NS}
		Above 1,00,000 (Mean = 3.99)	-0.308	0.099	0.006**
	50,000 to 1,00,000 (Mean = 3.90)	Above 1,00,000 (Mean = 3.99)	-0.087	0.109	0.701 ^{NS}
Financial Skills	Less than 50,000 (Mean = 3.14)	50,000 to 1,00,000 (Mean = 3.42)	-0.280	0.121	0.049**
		Above 1,00,000 (Mean = 3.36)	-0.219	0.112	0.127 ^{NS}
	50,000 to 1,00,000 (Mean = 3.42)	Above 1,00,000 (Mean = 3.36)	0.060	0.123	0.878 ^{NS}

** denotes significant at 1% level; ^{NS} denotes Not Significant

The post hoc analysis was conducted to identify specific group-wise differences in financial literacy factors across annual savings groups. For Financial Knowledge, a significant difference is observed between the groups “*less than 50,000*” and “*above 1,00,000*” with a p-value of 0.006, which is significant at the 1% level (**). The comparisons between “*less than 50,000*” and “*50,000 to 1,00,000*” ($p = 0.100$) and “*50,000 to 1,00,000*” and “*above 1,00,000*” ($p = 0.701$) are not significant. For Financial Skills, a significant difference exists between “*less than 50,000*” and “*50,000 to 1,00,000*” ($p = 0.049$), which is significant at the 5% level. The other two pairwise comparisons for skills ($p = 0.127$ and $p = 0.878$) are not significant.

For Financial Knowledge, the group with *savings above 1,00,000* has a higher mean score (3.99) compared to those with *savings less than 50,000* (3.68), indicating that higher savers possess significantly better knowledge related to mutual fund investments. Similarly, for Financial Skills, those saving *between 50,000 to 1,00,000* have a higher mean (3.42) than those saving *less than 50,000* (3.14), showing a significant difference in skill levels favoring moderate savers. These mean score differences highlight that knowledge and skills improve noticeably with higher levels of annual savings.

The findings emphasise a practical insight: as individuals save more annually, their financial literacy particularly in terms of knowledge and skill tends to improve. This suggests a reinforcing cycle where better financial knowledge and skills may lead to improved financial planning and, consequently, higher savings. On the other hand, limited financial literacy may be a barrier preventing low savers from effectively participating in and benefiting from investment opportunities such as mutual funds. It highlights the importance of targeted financial education programs for lower-income or low-saving groups.

These results signal the need for policymakers, financial educators, and mutual fund distributors to focus financial literacy efforts on low-saving populations. By enhancing their knowledge and skills, it may be possible to encourage better

investment behaviour and long-term financial security. Moreover, the absence of significant differences in many other pairings also suggests that after a certain threshold, improvements in savings may not linearly boost financial literacy, indicating the role of other socio-psychological or institutional support systems.

5.8 Conclusion

The present chapter comprehensively analysed the financial literacy levels and investor apprehensions of mutual fund investors in Kerala by employing a blend of descriptive and inferential statistical techniques. With regard to investor apprehension, the analysis revealed that the overall level of concern among investors was significantly higher than the assumed neutral benchmark, indicating a tangible psychological barrier toward mutual fund investments. Interestingly, this apprehension did not significantly differ across gender, marital status, education, occupation, or savings levels. However, age was found to be a significant factor, with younger investors (20–40 years) showing greater levels of apprehension than their older counterparts. This underlines the need for age-sensitive investment education and communication strategies. With regard to financial literacy, the results confirm that mutual fund investors in Kerala possess significantly above-average financial literacy across all four key dimensions knowledge, skills, attitude, and behaviour. However, notable differences were observed in certain subgroups. For instance, Financial Knowledge and skills varied significantly based on annual savings and occupation, with businesspersons and high savers exhibiting stronger capabilities. On the other hand, demographic variables like gender, education, and age did not show statistically significant differences across most financial literacy dimensions. These findings suggest that while general financial awareness is commendable, targeted interventions may be needed to bridge gaps in specific groups, especially in improving financial skills for better investment outcomes.

Collectively, the chapter underscores the importance of not only improving financial literacy but also addressing psychological and behavioural barriers to promote confident, inclusive, and sustained participation in the mutual fund ecosystem.

Chapter 6

INVESTORS' PERCEIVED VALUE, TRUST, INVOLVEMENT AND RISK TOLERANCE TOWARDS MUTUAL FUND

6.1	Introduction.....	269
6.2	Objective.....	269
6.3	Tools for Data Analysis.....	270
6.4	Constructs Studied.....	270
6.5	Extent of Investors' Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund investment	271
6.6	Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund investment across Socio-Demographic background of investors.....	272
6.7	Conclusion.....	291

6.1 Introduction

This chapter explores the key constructs influencing investors' attitudes toward mutual fund investments, specifically focusing on perceived value, trust, involvement, and risk tolerance. Employing both descriptive and inferential statistical tools, the study provides a detailed assessment of the constructs and their variations across socio-demographic factors.

Descriptive statistics such as mean and standard deviation are utilized to measure the central tendencies and dispersions of the constructs, while inferential analyses, including one-sample t-tests, independent t-tests, one-way ANOVA, and Tukey's HSD post hoc tests, are applied to identify significant differences and relationships. This chapter is structured into two sections:

1. **Section A** delves into the extent of perceived value, trust, involvement, and risk tolerance among investors, analyzing their mean scores and statistical significance.
2. **Section B** examines how these constructs vary across socio-demographic factors such as gender, age, education, monthly income, occupation, and annual savings.

The findings aim to provide actionable insights into the behavioural and demographic influences on mutual fund investment perceptions, enabling financial institutions to design better engagement strategies and enhance investor confidence.

6.2 Objective

***Objective 1:** To examine the investors' perceived value, trust, involvement and risk tolerance towards mutual fund investment*

6.3 Tools for Data Analysis

The study uses both descriptive and inferential statistical methods assess the construct measured

Descriptive statistics:

- *Mean*
- *Standard deviation*

Inferential analyses:

- *One-sample t-tests*
- *Independent t-tests*
- *One-way ANOVA*
- *Tukey's HSD post hoc analysis*

6.4 Constructs Studied

1. **Perceived Value:** After investing in mutual funds, investors often recognize the value these investments bring. They appreciate the benefits such as portfolio diversification, professional fund management, and competitive returns, which enhance their overall satisfaction.
2. **Perceived Trust:** Post-investment, trust becomes a critical factor as investors evaluate the transparency, ethical practices, and performance of the mutual fund institutions. A positive experience strengthens their confidence in the fund managers and encourages continued investments.
3. **Involvement:** Investors' involvement post-investment reflects their engagement with portfolio management. While some rely heavily on fund managers, others actively monitor fund performance, analyze market trends, and make informed decisions to optimize their returns.

4. **Risk Tolerance:** Post-investment experiences often test investors' risk tolerance, as they face market fluctuations and varying returns. Those with higher tolerance find it easier to stay invested during volatile periods, while others may seek reassurance or adjust their portfolios to align with their comfort levels.

SECTION – A

6.5 Extent of the Investors' Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund Investment

Table 6.1 shows one sample t-test for measuring the investors' perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.1

Value of One Sample t-test- Investors' Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund Investment

Constructs	Mean	SD	Mean difference (Gap)	t-value	P value	Rank based on mean
Perceived Value	3.84	0.55	0.84	34.42	<0.001**	I
Perceived Trust	3.73	0.61	0.73	26.55	<0.001**	II
Involvement	3.20	0.81	0.20	5.59	<0.001**	IV
Risk Tolerance	3.71	0.60	0.71	26.66	<0.001**	III

***denotes significant at 1% level; Test value- 3*

The results of the one-sample t-test reveal that all four constructs that perceived value, trust, involvement, and risk tolerance significantly influence investors' attitudes toward mutual fund investments, as evidenced by p-values less than 0.001. Perceived value, with the highest mean score of 3.84, indicates that investors strongly believe mutual funds offer valuable returns. Trust and risk tolerance are also critical factors, with mean scores of 3.73 and 3.71, respectively, suggesting that investors trust mutual funds and are moderately comfortable with these. However, involvement, with the

lowest mean score of 3.20, indicates a relatively weaker engagement by investors in actively managing their mutual fund investments, but they are involved at above average level. All constructs show a significant positive mean difference from the test value of 3, confirming their relevance in shaping investor perceptions.

The hypothesis tested in this analysis states that the mean scores for perceived value, trust, involvement, and risk tolerance do significantly differ from the neutral value of 3. This null hypothesis is rejected for all constructs as the t-values are significant at the 1% level ($p < 0.001$). The rejection implies that these constructs are positively perceived by investors, and their mean scores are significantly above the neutral benchmark. This suggests that investors are optimistic and confident about these factors in their decision-making. To further enhance these perceptions, organizations should focus on delivering greater value through tailored benefits, fostering trust through transparency, actively engaging investors via interactive platforms, and providing tools or education to help them better understand and manage risks.

SECTION – B

6.6 Perceived Value, Trust, Involvement and Risk Tolerance towards Mutual Fund Investment across Socio-Demographic Background of Investors

The following socio-demographic factors are used for cross comparison analysis.

1. *Gender*
2. *Age*
3. *Education*
4. *Monthly income*
5. *Occupation*
6. *Annual savings*

6.6.1 Investors' Perceived Value, Trust, Involvement and Risk Tolerance across Gender

H0: There is no significant difference between male and female mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table no. 6.2 shows Independent t- test for significant difference between male and female mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.2

Value of Independent t-test - Gender

Constructs	Gender	Mean	SD	t-value	P value
Perceived Value	Male	3.87	0.55	1.61	0.108 ^{NS}
	Female	3.78	0.54		
Perceived Trust	Male	3.76	0.57	2.22	0.027*
	Female	3.62	0.71		
Involvement	Male	3.23	0.82	1.57	0.117 ^{NS}
	Female	3.10	0.81		
Risk Tolerance	Male	3.76	0.57	2.93	0.004**
	Female	3.58	0.66		

***denotes significant at 1% level; *denotes significant at 5% level; ^{NS} denotes Not Significant*

The independent t-test results reveal gender-specific differences in certain constructs of mutual fund investment perceptions. For perceived value and involvement, the p-values (0.108 and 0.117, respectively) indicate no significant difference between male and female investors. Male and female investors perceive the value of mutual funds and their involvement in the investment process similarly, leading to the acceptance of the null hypothesis for these constructs. This highlights that gender does not influence how investors value mutual funds or their level of engagement with investments.

However, significant differences are observed in perceived trust ($p = 0.027$) and risk tolerance ($p = 0.004$), with male investors showing higher trust and risk tolerance than their female counterparts. This leads to the rejection of the null hypothesis for these constructs. The higher trust among male investors may stem from confidence in financial institutions or investment processes, while the lower risk tolerance among females suggests a cautious approach to investments. These findings emphasize the need to address trust and risk-related concerns among female investors to ensure equitable investment opportunities.

The results have important implications for financial institutions and mutual fund providers. To bridge the trust gap, institutions should focus on enhancing transparency, providing personalized support, and educating female investors about mutual fund operations. Similarly, efforts to increase financial literacy and risk management skills can help female investors develop greater confidence in handling investment risks. Promoting inclusive strategies that cater to gender-specific needs can further improve mutual fund participation and satisfaction for both male and female investors.

6.6.2 Investors' Perceived Value, Trust, Involvement and Risk Tolerance across Age

H0: There is no significant difference among age of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table no. 6.3 shows ANOVA for significant difference among age of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.3

Value of ANOVA- Age

Constructs	Age	Mean	SD	F value	P value
Perceived Value	20 to 30	3.74	0.58	5.18	0.002**
	31 to 40	3.87	0.55		
	41 to 50	3.83	0.48		
	Above 50	4.03	0.46		
Perceived Trust	20 to 30	3.72	0.54	0.74	0.528 ^{NS}
	31 to 40	3.70	0.75		
	41 to 50	3.71	0.55		
	Above 50	3.82	0.52		
Involvement	20 to 30	3.29	0.76	2.29	0.077 ^{NS}
	31 to 40	3.13	0.86		
	41 to 50	3.06	0.81		
	Above 50	3.29	0.83		
Risk Tolerance	20 to 30	3.76	0.62	0.89	0.443 ^{NS}
	31 to 40	3.70	0.59		
	41 to 50	3.64	0.64		
	Above 50	3.72	0.54		

***denotes significant at 1% level; ^{NS} denotes Not Significant*

The ANOVA test results indicate significant differences among age groups of mutual fund investors only in their perceived value ($p = 0.002$), leading to the rejection of the null hypothesis for this construct. However, for perceived trust ($p = 0.528$), involvement scale ($p = 0.077$), and risk tolerance ($p = 0.443$), the differences are not significant. This results in the acceptance of the null hypothesis for these constructs, as the age groups do not exhibit statistically significant variations in these perceptions.

The relevance of these findings lies in understanding how different age groups evaluate the perceived value of mutual fund investments more distinctly compared to other factors. Identifying this distinction is critical for financial institutions to develop targeted strategies aimed at emphasizing the value proposition of mutual funds for diverse age demographics.

Based on these results, financial institutions should focus on segment-specific marketing strategies to enhance the perceived value of mutual funds for various age groups. Efforts to maintain uniform trust, engagement, and risk-related perceptions across all age groups can also foster a more inclusive and balanced investment environment.

6.6.3 Post Hoc Analysis of Age

A post hoc test is essential following the ANOVA for perceived value, as the significant F-value ($p = 0.002$) indicates differences among age groups. The post hoc analysis helps identify which specific age groups differ significantly in their perceived value of mutual fund investments. This step is crucial to gain deeper insights into the nature of these differences, enabling targeted strategies to address the unique perceptions of each age group effectively.

Table no. 6.4 shows Post hoc for significant difference among age of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.4

Value of Post Hoc Test- Age

Construct	Age(I)	Age(J)	Mean difference (I-J)	Std. error	P value
Perceived Value	20 to 30 (Mean = 3.74)	31 to 40 (Mean = 3.87)	-0.133	0.059	0.112 ^{NS}
		41 to 50 (Mean = 3.83)	-0.090	0.069	0.564 ^{NS}
		Above 50 (Mean = 4.03)	-0.290	0.075	0.001 ^{**}
	31 to 40 (Mean = 3.87)	41 to 50 (Mean = 3.83)	0.042	0.071	0.932 ^{NS}
		Above 50 (Mean = 4.03)	-0.157	0.077	0.177 ^{NS}
	41 to 50 (Mean = 3.83)	Above 50 (Mean = 4.03)	-0.200	0.085	0.091 ^{NS}

^{**}denotes significant at 1% level; ^{NS} denotes Not Significant

The post hoc analysis was executed to determine where significant differences lie among age groups of mutual fund investors with respect to the perceived value factor. The results display that the only significant difference is between the 20 to 30 age group (mean = 3.74) and the above 50 group (mean = 4.03), with a mean difference of -0.290 and a p-value of 0.001, which is significant at the 1% level. This recommends that investors above 50 years old have a significantly higher perceived value of mutual funds compared to those aged 20-30.

In terms of mean score comparisons, the 20 to 30 age group having the lowest perceived than above 50 group reported the highest mean score (4.03), describing that older investors tend to perceive mutual funds as more valuable. Above 50 group consistently ranked higher in perceived value across all comparisons. This suggests that age, particularly being over 50, may be associated with a stronger perception of the value of mutual funds.

6.6.4 Investors' Perceived Value, Trust, Involvement and Risk Tolerance across Education

H0: There is no significant difference among education of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table no. 6.5 shows ANOVA test for significant difference among education of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.5*Value of ANOVA - Education*

Constructs	Education	Mean	SD	F value	P value
Perceived Value	Graduation	3.78	0.58	2.47	0.085 ^{NS}
	Post Graduate	3.90	0.51		
	Professional Qualification	3.85	0.53		
Perceived Trust	Graduation	3.70	0.61	0.30	0.735 ^{NS}
	Post Graduate	3.74	0.61		
	Professional Qualification	3.75	0.62		
Involvement	Graduation	3.26	0.79	1.01	0.363 ^{NS}
	Post Graduate	3.15	0.81		
	Professional Qualification	3.18	0.87		
Risk Tolerance	Graduation	3.69	0.58	0.32	0.722 ^{NS}
	Post Graduate	3.72	0.61		
	Professional Qualification	3.75	0.62		

^{NS} denotes Not Significant

The ANOVA results indicate no significant differences among the education levels of mutual fund investors regarding their perceived value ($p = 0.085$), perceived trust ($p = 0.735$), involvement ($p = 0.363$), and risk tolerance ($p = 0.722$). Since none of the constructs show statistically significant differences, the null hypothesis is accepted for all four constructs. This suggests that education levels do not influence these perceptions of mutual fund investments.

The findings are relevant as they highlight that mutual fund perceptions, including value, trust, involvement, and risk tolerance, remain consistent across investors with different educational qualifications. This uniformity implies that financial institutions can adopt common strategies to communicate and engage with investors from various educational backgrounds without needing significant differentiation.

Based on these insights, it is suggested that financial institutions focus on creating inclusive investment awareness programs that cater to all educational levels. Emphasizing clarity in financial literacy and presenting mutual funds as accessible to diverse educational groups could further enhance overall participation and trust in mutual fund investments.

6.6.5 Investors' Perceived Value, Trust, Involvement and Risk Tolerance across Monthly Income

H0: There is no significant difference among monthly income of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table no. 6.6 shows ANOVA for significant difference among monthly income of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.6

Value of ANOVA- Monthly Income

Constructs	Monthly Income	Mean	SD	F value	P value
Perceived Value	Up to 25,000	3.76	0.63	1.61	0.168 ^{NS}
	25,000 to 50,000	3.84	0.44		
	50,0001 to 75,000	3.90	0.66		
	75,001 to 1,00,000	3.80	0.54		
	Above 1,00,000	3.93	0.41		
Perceived Trust	Up to 25,000	3.68	0.70	1.25	0.286 ^{NS}
	25,000 to 50,000	3.80	0.52		
	50,0001 to 75,000	3.74	0.61		
	75,001 to 1,00,000	3.62	0.64		
	Above 1,00,000	3.75	0.57		
Involvement	Up to 25,000	3.15	0.95	4.03	0.003**
	25,000 to 50,000	3.36	0.72		
	50,0001 to 75,000	3.20	0.78		
	75,001 to 1,00,000	2.90	0.77		
	Above 1,00,000	3.30	0.73		
Risk Tolerance	Up to 25,000	3.68	0.67	0.56	0.688 ^{NS}
	25,000 to 50,000	3.70	0.59		
	50,0001 to 75,000	3.73	0.68		
	75,001 to 1,00,000	3.69	0.52		
	Above 1,00,000	3.80	0.47		

***denotes significant at 1% level, ^{NS} denotes Not Significant*

The ANOVA results reveal that there is no significant difference among monthly income groups of mutual fund investors concerning their perceived value ($p = 0.168$), perceived trust ($p = 0.286$), and risk tolerance ($p = 0.688$). However, a significant difference is observed in the involvement scale ($p = 0.003$), indicating that monthly income influences the level of involvement investors exhibit towards mutual fund investments. Hence, the null hypothesis is accepted for perceived value, perceived trust, and risk tolerance, but rejected for involvement.

These findings are relevant as they highlight that while income levels do not significantly impact investors' perceptions of value, trust, or risk tolerance, their involvement in mutual fund investments varies with income. This insight is crucial for financial institutions aiming to enhance engagement among investors.

Based on the results, it is recommended that financial institutions focus on designing customized involvement-enhancing strategies, such as providing personalized investment advice or educational programs for different income groups. Additionally, identifying factors that drive higher involvement among certain income categories could guide the development of more inclusive and effective investment engagement approaches.

6.6.6 Post hoc for significant difference among monthly income of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.7

Value of Post Hoc Test- Monthly Income

Construct	Monthly Income (I)	Monthly Income (J)	Mean difference (I-J)	Std. error	P value
Involvement	Up to 25,000 (Mean = 3.15)	25,000 to 50,000 (Mean = 3.36)	-0.203	0.101	0.267 ^{NS}
		50,001 to 75,000 (Mean = 3.20)	-0.043	0.110	0.995 ^{NS}
		75,001 to 1,00,000 (Mean = 2.90)	0.248	0.118	0.222 ^{NS}
		Above 1,00,000 (Mean = 3.30))	-0.141	0.115	0.739 ^{NS}

Construct	Monthly Income (I)	Monthly Income (J)	Mean difference (I-J)	Std. error	P value
		50,001 to 75,000 (Mean = 3.20)	0.159	0.109	0.593 ^{NS}
	25,000 to 50,000 (Mean = 3.36)	75,001 to 1,00,000 (Mean = 2.90)	0.452	0.118	0.001**
		Above 1,00,000 (Mean = 3.30)	0.061	0.115	0.983 ^{NS}
	50,001 to 75,000 (Mean = 3.20)	75,001 to 1,00,000 (Mean = 2.90)	0.292	0.125	0.140 ^{NS}
		Above 1,00,000 (Mean = 3.30)	-0.097	0.123	0.932 ^{NS}
	75,001 to 1,00,000 (Mean = 2.90)	Above 1,00,000 (Mean = 3.30)	-0.390	0.130	0.025*

*Denotes significant at 5% level; **denotes significant at 1% level; ^{NS} denotes Not Significant

The post hoc analysis demonstrates that there are two significant differences in the involvement factor among different monthly income groups. The first significant comparison is between the 25,000 to 50,000 income category (mean = 3.36) and the 75,001 to 1,00,000 group (mean = 2.90), with a mean difference of 0.452 and a p-value of 0.001, which is significant at the 1% level. The second significant difference is between the 75,001 to 1,00,000 income category (mean = 2.90) and the above 1,00,000 group (mean = 3.30), with a mean difference of -0.390 and a p-value of 0.025, which is significant at the 5% level.

In brief, the findings highlight that individual in the 25,000 to 50,000 income bracket are significantly more involved in their investment decisions compared to those in the 75,001 to 1,00,000 income group. Additionally, those with incomes above 1,00,000 also show higher levels of involvement in their investment decisions than individuals earning 75,001 to 1,00,000. These results indicate that mid-level and high-income earners tend to show greater engagement in managing their investments, while those in the upper-middle-income range may not be as actively involved. Understanding these income-related differences in involvement can provide insights for financial

advisors and institutions focusing to tailor their services and strategies to different income groups.

6.6.7 Investors' Perceived Value, Trust, Involvement and Risk Tolerance across Occupation

H0: There is no significant difference among occupation of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table no. 6.8 shows ANOVA for significant difference among occupation of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.8

Value of ANOVA- Occupation

Constructs	Occupation	Mean	SD	F value	P value
Perceived Value	Government Employee	3.98	0.39	2.91	0.021*
	Private Sector Employee	3.86	0.52		
	Business	3.67	0.67		
	Profession	3.77	0.64		
	Others	3.84	0.54		
Perceived Trust	Government Employee	3.78	0.48	4.25	0.002**
	Private Sector Employee	3.78	0.55		
	Business	3.42	0.75		
	Profession	3.73	0.71		
	Others	3.73	0.62		
Involvement	Government Employee	2.97	0.82	4.82	0.001**
	Private Sector Employee	3.29	0.79		
	Business	2.98	0.82		
	Profession	3.43	0.81		
	Others	3.12	0.82		

Constructs	Occupation	Mean	SD	F value	P value
Risk Tolerance	Government Employee	3.76	0.54	1.33	0.258 ^{NS}
	Private Sector Employee	3.74	0.59		
	Business	3.58	0.61		
	Profession	3.78	0.51		
	Others	3.65	0.72		

*Denotes significant at 5% level; **denotes significant at 1% level; ^{NS} denotes Not Significant

The ANOVA analysis reveals significant differences in perceived value, trust, and involvement levels among mutual fund investors based on their occupations. Perceived value shows a significant difference ($F = 2.91$, $p = 0.021$), highlighting that different occupational groups perceive the value of mutual funds differently. Similarly, perceived trust exhibits a highly significant difference ($F = 4.25$, $p = 0.002$), indicating that occupational backgrounds strongly influence trust levels in mutual fund investments. Additionally, involvement also demonstrates a highly significant difference ($F = 4.82$, $p = 0.001$), suggesting that levels of engagement with mutual funds vary significantly among occupational groups. However, risk tolerance shows no significant difference ($F = 1.33$, $p = 0.258$), indicating that the willingness to take risks remains relatively consistent regardless of occupation.

These findings emphasize the critical role of occupation in shaping mutual fund investors' perceptions and behaviours. Occupation-specific differences in perceived value, trust, and involvement underscore the need for mutual fund providers to understand their investors' professional backgrounds. Such insights can be leveraged to segment the market effectively, design tailored communication strategies, and enhance overall investor satisfaction. The lack of significant variation in risk tolerance suggests that risk-taking attitudes are more universally shared among mutual fund investors, irrespective of their occupational differences.

Based on these findings, mutual fund providers should develop targeted communication and educational campaigns to address occupation-specific needs. For occupations with lower levels of trust or involvement, awareness programs could help build stronger relationships and engagement. Additionally, designing customized

investment products and advisory services tailored to the specific needs of different occupational groups can enhance their perceived value and trust. By addressing these occupational differences, mutual fund providers can improve customer satisfaction and attract a more diverse investor base.

6.6.8 Post hoc for significant difference among occupation of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.9

Value of Post Hoc Test- Occupation

Constructs	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
Perceived Value	Government Employee (Mean = 3.98)	Private Sector Employee (Mean = 3.86)	0.111	0.074	0.559 ^{NS}
		Business (Mean = 3.67)	0.308	0.097	0.014*
		Profession (Mean = 3.77)	0.208	0.093	0.167 ^{NS}
		Others (Mean = 3.84))	0.136	0.086	0.515 ^{NS}
	Private Sector Employee (Mean = 3.86)	Business (Mean = 3.67)	0.197	0.081	0.115 ^{NS}
		Profession (Mean = 3.77)	0.096	0.076	0.714 ^{NS}
		Others (Mean = 3.84)	0.025	0.068	0.996 ^{NS}
	Business (Mean = 3.67)	Profession (Mean = 3.77)	-0.100	0.099	0.852 ^{NS}
		Others (Mean = 3.84)	-0.172	0.093	0.351 ^{NS}
	Profession (Mean = 3.77)	Others (Mean = 3.84)	-0.071	0.089	0.928 ^{NS}

Constructs	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
Perceived Trust	Government Employee (Mean = 3.78)	Private Sector Employee (Mean = 3.78)	0.001	0.082	1.000 ^{NS}
		Business (Mean = 3.42)	0.367	0.108	0.007**
		Profession (Mean = 3.73)	0.049	0.103	0.989 ^{NS}
		Others (Mean = 3.73))	0.057	0.096	0.977 ^{NS}
	Private Sector Employee (Mean = 3.78)	Business (Mean = 3.42)	0.365	0.091	0.001**
		Profession (Mean = 3.73)	0.047	0.085	0.981 ^{NS}
		Others (Mean = 3.73)	0.055	0.076	0.951 ^{NS}
		Profession (Mean = 3.73)	-0.317	0.110	0.034*
	Business (Mean = 3.42)	Others (Mean = 3.73)	-0.310	0.104	0.025*
		Profession (Mean = 3.73)	0.007	0.099	1.000 ^{NS}
	Involvement	Private Sector Employee (Mean = 3.29)	-0.326	0.109	0.025*
		Government Employee (Mean = 2.97)	-0.009	0.143	1.000 ^{NS}
		Profession (Mean = 3.43)	-0.462	0.137	0.007**
		Others (Mean = 3.12))	-0.156	0.128	0.739 ^{NS}
Involvement	Private Sector Employee (Mean = 3.29)	Business (Mean = 2.98)	0.316	0.120	0.069 ^{NS}
		Profession (Mean = 3.43)	-0.135	0.113	0.752 ^{NS}
		Others (Mean = 3.12)	0.169	0.101	0.456 ^{NS}

Constructs	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
	Business (Mean = 2.98)	Profession (Mean = 3.43)	-0.452	0.146	0.018*
		Others (Mean = 3.12)	-0.146	0.137	0.826 ^{NS}
	Profession (Mean = 3.43)	Others (Mean = 3.12)	0.305	0.131	0.139 ^{NS}

*denotes significant at 5% level; **denotes significant at 1% level; ^{NS} denotes Not Significant

In perceived value, government employees (mean = 3.98) exhibit a significant difference compared to business individuals (mean = 3.67), with a mean difference of 0.308 and a p-value of 0.014. In perceived trust, significant differences are identified between government employees (mean = 3.78) and business individuals (mean = 3.42), with a mean difference of 0.367 and a p-value of 0.007, moreover between private sector employees (mean = 3.78) and business individuals (mean = 3.42), with a mean difference of 0.365 and a p-value of 0.001. Along with, there is a significant difference between business individuals (mean = 3.42) and professionals (mean = 3.73) with a mean difference of -0.317 and a p-value of 0.034, and between business individuals (mean = 3.42) and others (mean = 3.73) with a mean difference of -0.310 and a p-value of 0.025. In case of involvement scale, significant differences are observed between government employees (mean = 2.97) and private sector employees (mean = 3.29) with a mean difference of -0.326 and a p-value of 0.025, government employees (mean = 2.97) and professionals (mean = 3.43) with a mean difference of -0.462 and a p-value of 0.007, and between business individuals (mean = 2.98) and professionals (mean = 3.43) with a mean difference of -0.452 and a p-value of 0.018.

In conclusion, the post hoc analysis demonstrates several important differences across occupations regarding the factors studied. Government employees show significantly greater perceived value and perceived trust compared to business individuals, with similar trends observed in private sector employees and professionals when compared to business individuals in case of perceived trust. Professionals also exhibit significantly higher perceived trust compared to others. In terms of involvement in

investment decisions, private sector employees and professionals are more involved than government employees, with professionals expressing the highest level of involvement than business. Overall, the findings underscore the importance of considering occupational differences when designing mutual fund-related strategies. Tailored communication and education initiatives should address the specific needs and perceptions of different occupational groups to foster greater trust, involvement, and perceived value among investors.

6.6.9 Investors' Perceived Value, Trust, Involvement and Risk Tolerance across Annual Savings

H0: There is no significant difference among annual savings of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table no. 6.10 shows ANOVA for significant difference among annual savings of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.10

Value of ANOVA – Annual Savings

Constructs	Annual Savings	Mean	SD	F value	P value
Perceived Value	Less than 50,000	3.76	0.55	4.92	0.008**
	50,000 to 1,00,000	3.83	0.52		
	Above 1,00,000	3.94	0.55		
Perceived Trust	Less than 50,000	3.61	0.60	6.68	0.001**
	50,000 to 1,00,000	3.75	0.62		
	Above 1,00,000	3.84	0.60		
Involvement	Less than 50,000	3.07	0.81	4.50	0.011*
	50,000 to 1,00,000	3.24	0.74		
	Above 1,00,000	3.32	0.86		
Risk Tolerance	Less than 50,000	3.62	0.64	4.85	0.008**
	50,000 to 1,00,000	3.72	0.51		
	Above 1,00,000	3.82	0.60		

**Denotes significant at 5% level; **denotes significant at 1% level*

The results of the ANOVA indicate significant differences among the annual savings categories of mutual fund investors in relation to all four constructs: perceived value, perceived trust, involvement, and risk tolerance. For perceived value, perceived trust, and risk tolerance, the differences are statistically significant at the 1% level, and for involvement, the differences are significant at the 5% level. Hence, the null hypothesis stating no significant differences among annual savings categories for these constructs is rejected for all four variables.

From a practical point of view, the results suggest that investors' behavioural and psychological tendencies toward mutual fund investment are not uniform when their saving capacities differ. Factors such as perceived value, trust, involvement, and risk tolerance are influenced by the investor's financial position, indicating that saving capacity affects how individuals relate to mutual fund products and make investment decisions. This has managerial relevance for fund distributors and policymakers, as it emphasizes the need to design investor communication, product education, and trust-building measures tailored to different saving groups rather than adopting a one-size-fits-all approach.

Considering the p-values are all below 0.05, the null hypothesis, which states that there is no significant difference among annual savings of mutual fund investors with respect to their perceived value, trust, involvement, and risk tolerance, is rejected for each construct. Thus, it can be concluded that annual savings significantly influence all four psychological and behavioural dimensions of mutual fund investors.

6.6.10 Post hoc for significant difference among annual savings of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Table 6.11

Value of Post Hoc Test – Annual Savings

Constructs	Annual Savings (I)	Annual Savings (J)	Mean difference (I-J)	Std. error	P value
Perceived Value	Less than 50,000 (Mean = 3.76)	50,000 to 1,00,000 (Mean = 3.83)	-0.063	0.061	0.557 ^{NS}
		Above 1,00,000 (Mean = 3.94)	-0.177	0.057	0.006**
	50,000 to 1,00,000 (Mean = 3.83)	Above 1,00,000 (Mean = 3.94)	-0.114	0.062	0.163 ^{NS}
Perceived Trust	Less than 50,000 (Mean = 3.61)	50,000 to 1,00,000 (Mean = 3.75)	-0.139	0.068	0.105 ^{NS}
		Above 1,00,000 (Mean = 3.84)	-0.230	0.063	0.001**
	50,000 to 1,00,000 (Mean = 3.75)	Above 1,00,000 (Mean = 3.84)	-0.090	0.069	0.395 ^{NS}
Involvement	Less than 50,000 (Mean = 3.07)	50,000 to 1,00,000 (Mean = 3.24)	-0.172	0.091	0.144 ^{NS}
		Above 1,00,000 (Mean = 3.32)	-0.248	0.084	0.010**
	50,000 to 1,00,000 (Mean = 3.24)	Above 1,00,000 (Mean = 3.32)	-0.076	0.093	0.692 ^{NS}
Risk Tolerance	Less than 50,000 (Mean = 3.62)	50,000 to 1,00,000 (Mean = 3.72)	-0.098	0.067	0.309 ^{NS}
		Above 1,00,000 (Mean = 3.82)	-0.195	0.062	0.006**
	50,000 to 1,00,000 (Mean = 3.72)	Above 1,00,000 (Mean = 3.82)	-0.096	0.068	0.343 ^{NS}

***denotes significant at 1% level; ^{NS} denotes Not Significant*

For perceived value, there is a significant difference between those with annual savings of less than 50,000 (mean = 3.76) and those with above 1,00,000 savings (mean = 3.94), with a mean difference of -0.177 and a p-value of 0.006, specifying a significant effect at the 1% level. In terms of perceived trust, there is a significant difference between the less than 50,000 group (mean = 3.61) and the above 1,00,000 group (mean = 3.84), with a mean difference of -0.230 and a p-value of 0.001, which is also significant at the 1% level. Considering involvement, there is a significant difference between the less than 50,000 group (mean = 3.07) and the above 1,00,000 group (mean = 3.32), with a mean difference of -0.248 and a p-value of 0.010, significant at the 1% level. Lastly, for risk tolerance, a significant difference is observed between the less than 50,000 group (mean = 3.62) and the above 1,00,000 group (mean = 3.82), with a mean difference of -0.195 and a p-value of 0.006, which is significant at the 1% level.

In terms of mean scores, those with above 1,00,000 in annual savings consistently report higher scores across all factors compared to the other groups. Perceived value is highest for the above 1,00,000 group (mean = 3.94) than less than 50,000 group (mean = 3.76). Similarly, perceived trust is greater for the above 1,00,000 group (mean = 3.84) than less than 50,000 group (mean = 3.61). In terms of the involvement, the above 1,00,000 group again reports the higher mean score (3.32), than less than 50,000 group (mean = 3.07). Finally, for risk tolerance, the above 1,00,000 group has the higher mean score (3.82) than less than 50,000 group (mean = 3.62).

The data indicates a clear pattern where individuals with higher annual savings (above ₹1,00,000) consistently exhibit greater mean scores across all constructs: perceived value, perceived trust, involvement, and risk tolerance. This trend implies that higher savings are positively associated with more favorable perceptions and attitudes toward mutual fund investments.

The inference from this pattern suggests that individuals with greater financial capacity are more likely to perceive mutual fund investments as valuable and trustworthy. They also demonstrate a higher level of involvement in investment-related decisions and a greater ability to tolerate risks. This could be attributed to their better financial literacy, access to resources, or confidence in handling investments.

The findings underscore the importance of targeting lower-saving groups with tailored financial education programs to bridge the gap in perceptions and involvement. By enhancing their understanding of mutual fund benefits and building their trust, financial institutions can encourage broader participation in the investment market, fostering financial inclusivity and literacy.

6.7 Conclusion

The analysis presented in this chapter highlights the significant influence of perceived value, trust, involvement, and risk tolerance on mutual fund investors' attitudes. The results of the one-sample t-test reveal that all four constructs are positively perceived by investors, with perceived value ranking the highest in importance. This suggests that investors recognize the tangible benefits offered by mutual funds. Trust and risk tolerance also emerge as critical drivers, reflecting the investors' confidence in mutual fund providers and their ability to manage associated risks. However, the relatively lower mean score for involvement indicates a need for increased investor engagement in managing their investments actively.

The findings further demonstrate notable variations in these constructs across socio-demographic factors such as gender, age, education, income, occupation, and savings. These variations underline the importance of tailoring financial strategies to address the diverse needs and preferences of different investor groups.

In conclusion, this chapter underscores the importance of fostering trust, delivering perceived value, promoting active investor involvement, and enhancing risk tolerance

through educational initiatives and transparent practices. These efforts can help mutual fund providers build stronger relationships with investors and support their financial decision-making processes effectively.

Chapter 7

INVESTMENT PERFORMANCE AND BEHAVIOURAL INCLINATIONS OF MUTUAL FUND INVESTORS IN KERALA

7.1	Introduction	293
7.2	Objective	293
7.3	Tools for Data Analysis	294
7.4	Constructs Studied	294
7.5	Levels of Investment Performance of Mutual Fund investors in Kerala & its Socio-Demographic influence	296
7.6	Behavioural inclinations of Mutual Fund investors in Kerala and its Socio-Demographic influence.....	303
7.7	Conclusion.....	318

7.1 Introduction

This chapter addresses to investigate the investment performance and behavioural inclinations of mutual fund investors in Kerala. It aims to examine how investors evaluate the outcomes of their mutual fund investments and how these evaluations shape their post-investment behaviours such as reinvestment and recommendation intentions. To achieve this, both descriptive and inferential statistical techniques have been utilised. Descriptive tools such as mean, standard deviation, and percentage analysis help in summarising the general patterns of investor responses. Inferential tools including the chi-square test for goodness of fit, chi-square test for association, one-sample t-test, independent t-test, one-way ANOVA, and Tukey's Post Hoc analysis have been employed to test the hypotheses and identify significant differences among investor groups. The constructs analysed include investment performance, which reflects how investors assess returns, risk-adjusted gains, and goal alignment, and behavioural inclinations, which encompass reinvestment decisions and recommendation Intentions. Further, socio-demographic variables such as gender, age, education, monthly income, occupation, and annual savings are considered to assess how these factors influence investor performance and behaviour. Collectively, this chapter gives a comprehensive empirical insight into how mutual fund investors in Kerala respond to their investment outcomes and exhibit subsequent behavioural tendencies based on performance satisfaction and trust.

7.2 Objective

Objective 1: *To investigate the investment performance and behavioural inclinations of mutual fund investors in Kerala.*

7.3 Tools for Data Analysis

The study uses both descriptive and inferential statistical methods to investigate the investment performance and behavioural inclinations of mutual fund investors in Kerala.

Descriptive statistics:

- *Mean*
- *Standard deviation*
- *Quartile deviation*
- *Percentage analysis*

Inferential statistics:

- *Chi-square test for goodness of fit*
- *Chi-square test for association*
- *One sample t test*
- *Independent t test*
- *One way ANOVA*
- *Tukey's Post Hoc analysis*

7.4 Constructs Studied

- *Investment performance*
- *Behavioural inclinations*
 - *Re-investment decisions*
 - *Recommendation intentions*

1. **Investment Performance:** After investing, investors evaluate the performance of their mutual funds in terms of returns, risk-adjusted gains, and alignment with their financial goals. Positive performance enhances satisfaction and reinforces confidence in their investment choices.

2. **Behavioural Inclinations:** Investors' post-investment behaviour is influenced by their experiences with mutual funds. Positive performance and satisfaction often lead to re-investment decisions, where investors are intended to allocate additional funds to mutual fund schemes. Additionally, when investors trust the fund and perceive value, they develop recommendation intentions, encouraging friends and family to invest based on their positive experiences. These behavioural tendencies reflect the impact of trust, satisfaction, and performance on long-term investor engagement.
- **Re-Investment Decisions:** Investors often consider reinvesting in mutual funds based on their post-investment experiences. Consistent returns, trust in fund management, and satisfaction with performance significantly influence their decision to reinvest.
 - **Recommendation Intentions:** Satisfied investors are more likely to recommend mutual funds to peers. Trust in the fund, coupled with positive experiences, drives them to share their investment journey and endorse mutual funds to others.

The following socio-demographic factors are used for cross comparison analysis

1. *Gender*
2. *Age*
3. *Education*
4. *Monthly income*
5. *Occupation*
6. *Annual savings*

SECTION – A

7.5 Levels of Investment Performance of Mutual Fund Investors in Kerala & Its Socio-Demographic Influence

H0: There is no significant difference among the levels of investment performance of mutual fund investors in Kerala

Table 7.1 shows the levels of investment performance of mutual fund investors in Kerala

Table 7.1

Chi-square test value- levels of investment performance of mutual fund investors in Kerala

Attribute	Low Level	Moderate Level	High Level	Total	Chi-Square value	P value
Level of Investment Performance	158 (31.5%)	94 (18.7%)	250 (49.8%)	502 (100%)	73.49	<0.001**

***denotes significant at 1% level*

The examination of investment performance levels among mutual fund investors in Kerala indicates a significant difference among the groups. Especially, 31.5 per cent of investors are classified as having a low level of investment performance, 18.7 per cent as moderate, and 49.8 per cent as high. The total number of respondents is 502. The Chi-Square value is 73.49 with a P-value less than 0.001, which shows a highly significant result, allowing us to reject the null hypothesis that there is no significant difference among the levels of investment performance.

To put it simply, this means that there is a clear distinction in how well different mutual fund investors are performing with their investments in Kerala. A substantial portion of these investors, nearly half, are attaining high performance, whereas smaller percentages are struggling with low performance.

In the mutual fund investment context, this statement indicates that there is a significant variation in the investment outcomes among mutual fund investors in

Kerala. A large portion of investors are experiencing positive returns and achieving their financial goals, suggesting that these investors are making informed decisions or investing in well-performing funds. However, a smaller group is facing underperformance, possibly due to factors such as market volatility, poor fund selection, or insufficient knowledge in managing investments. This disparity highlights the need for tailored investment strategies, education, and better guidance to help all investors optimize their returns and minimize risks.

7.5.1 Association between Levels of Investment Performance and Investors' Gender

H0: There is no significant association between gender and the levels of investment performance of mutual fund investors in Kerala

Table 7.2 shows Chi-Square test for association between gender and the levels of investment performance of mutual fund investors in Kerala

Table 7.2

Chi-square test value -Gender

Gender	Level of Investment Performance			Total	Chi-Square value	P value
	Low Level	Moderate Level	High Level			
Male	108 (29.3%)	70 (19.0%)	190 (51.6%)	368 (100%)	2.97	0.226 ^{NS}
Female	50 (37.3%)	24 (17.9%)	60 (44.8%)	134 (100%)		
Total	158 (31.5%)	94 (18.7%)	250 (49.8%)	502 (100%)		

^{NS} denotes Not Significant

The Chi-Square test analysing the association between gender and levels of investment performance among mutual fund investors in Kerala indicates that there is no significant relationship between these variables, as disclosed by a Chi-Square value of 2.97 and a P-value of 0.226. Thus, we cannot reject the null hypothesis, which specifies that there is no significant association between gender and investment

performance levels. This indicates that both male and female investors exhibit similar patterns of performance, with no marked associations attributable to gender.

7.5.2 Association between Levels of Investment Performance and Investors' Age

H0: There is no significant association between age and the levels of investment performance of mutual fund investors in Kerala

Table 7.3 shows Chi-Square test for association between age and the levels of investment performance of mutual fund investors in Kerala

Table 7.3

Chi square test value - Age

Age	Level of Investment Performance			Total	Chi-Square value	P value
	Low Level	Moderate Level	High Level			
20 to 30	60 (33.3%)	44 (24.4%)	76 (42.2%)	180 (100%)	13.25	0.039*
31 to 40	56 (35.4%)	20 (12.7%)	82 (51.9%)	158 (100%)		
41 to 50	26 (28.3%)	16 (17.4%)	50 (54.3%)	92 (100%)		
Above 50	16 (22.2%)	14 (19.4%)	42 (58.3%)	72 (100%)		
Total	158 (31.5%)	94 (18.7%)	250 (49.8%)	502 (100%)		

**denotes significant at 5%level*

The Chi-Square test analysing the association between age and levels of investment performance among mutual fund investors in Kerala shows a significant relationship. Among the age groups, 33.3 per cent of investors aged 20 to 30 falls into the low performance category, whereas 24.4per cent are moderate, and 42.2per cent are high performers. For those aged 31 to 40, 35.4per cent are low, 12.7 per cent moderate, and 51.9per cent high. Among the 41 to 50 age group, 28.3per cent are low, 17.4 per cent moderate, and 54.3per cent high. In case of investors above 50, 22.2 per cent are low, 19.4 per cent moderate, and 58.3 per cent high. The Chi-Square value is 13.25 with a

P-value of 0.039, specifying that we can reject the null hypothesis of no significant association.

In conclusion, the analysis demonstrates that the highest percentage of high-level investment performance is among investors aged above 50, suggesting that this group leverages their experience and strategic knowledge effectively. In contrast, the 31 to 40 age group disclose the highest percentage of low-level performance, stating they may still be in the process of understanding the complexities of mutual fund investing. These findings highlight the crucial role that age and experience play in investment outcomes, pointing to the potential benefits of targeted educational initiatives for younger investors to enhance their performance.

7.5.3 Association between Levels of Investment Performance and Investors' Education

H0: There is no significant association between education and the levels of investment performance of mutual fund investors in Kerala

Table 7.4 shows Chi-Square test for association between education and the levels of investment performance of mutual fund investors in Kerala

Table 7.4

Chi Square test value- Education

Education	Level of Investment Performance			Total	Chi-Square value	P value
	Low Level	Moderate Level	High Level			
Graduation	66 (32.0%)	40 (19.4%)	100 (48.5%)	206 (100%)	0.75	0.944 ^{NS}
Post Graduate	66 (32.4%)	36 (17.6%)	102 (50.0%)	204 (100%)		
Professional Qualification	26 (28.3%)	18 (19.6%)	48 (52.2%)	92 (100%)		
Total	158 (31.5%)	94 (18.7%)	250 (49.8%)	502 (100%)		

^{NS} denotes Not Significant

The Chi-Square test assessing the association between education and levels of investment performance among mutual fund investors in Kerala reveals no significant relationship, as indicated by a Chi-Square value of 0.75 and a P-value of 0.944. accordingly, we cannot reject the null hypothesis, which posits that there is no significant association between education and investment performance levels. This finding indicates that investors' educational backgrounds whether they hold a graduation, post-graduate, or professional qualification do not significantly influence their performance in mutual fund investments.

7.5.4 Association between Levels of Investment Performance and Investors' Monthly Income

H0: There is no significant association between monthly income and the levels of investment performance of mutual fund investors in Kerala

Table 7.5 shows Chi-Square test for association between monthly income and the levels of investment performance of mutual fund investors in Kerala

Table 7.5

Chi Square test value- Monthly Income

Monthly Income	Level of Investment Performance			Total	Chi-Square value	P value
	Low Level	Moderate Level	High Level			
Up to 25,000	42 (33.3%)	26 (20.6%)	58 (46.0%)	126 (100%)	12.46	0.132 ^{NS}
25,000 to 50,000	40 (31.3%)	24 (18.8%)	64 (50.0%)	128 (100%)		
50,001 to 75,000	34 (36.2%)	12 (12.8%)	48 (51.1%)	94 (100%)		
75,001 to 1,00,000	24 (32.4%)	20 (27.0%)	30 (40.5%)	74 (100%)		
Above 1,00,000	18 (22.5%)	12 (15.0%)	50 (62.5%)	80 (100%)		
Total	158 (31.5%)	94 (18.7%)	250 (49.8%)	502 (100%)		

^{NS} denotes Not Significant

The Chi-Square test results specify that there is no significant association between monthly income and the levels of investment performance among mutual fund investors in Kerala, as reflected in the calculated Chi-Square value and P value. Therefore, we fail to reject the null hypothesis, which posits that monthly income does not influence the investment performance levels of these investors. This recommends that income does not significantly influence investment performance among mutual fund investors in this context.

7.5.5 Association between Levels of Investment Performance and Investors' Occupation

H0: There is no significant association between occupation and the levels of investment performance of mutual fund investors in Kerala

Table 7.6 shows Chi-Square test for association between occupation and the levels of investment performance of mutual fund investors in Kerala

Table 7.6

Chi Square Test value - Occupation

Occupation	Level of Investment Performance			Total	Chi-Square value	P value
	Low Level	Moderate Level	High Level			
Government Employee	16 (22.2%)	16 (22.2%)	40 (55.6%)	72 (100%)	11.27	0.187 ^{NS}
Private Sector Employee	78 (35.5%)	40 (18.2%)	102 (46.4%)	220 (100%)		
Business	20 (35.7%)	14 (25.0%)	22 (39.3%)	56 (100%)		
Profession	22 (33.3%)	8 (12.1%)	36 (54.5%)	66 (100%)		
Others	22 (25.0%)	16 (18.2%)	50 (56.8%)	88 (100%)		
Total	158 (31.5%)	94 (18.7%)	250 (49.8%)	502 (100%)		

^{NS} denotes Not Significant

The Chi-Square test results examine that there is no significant association between occupation and the levels of investment performance among mutual fund investors in Kerala, as exhibited by the Chi-Square value and P value. Therefore, we accept the null hypothesis, which states that occupation does not significantly impact investment performance in this context. This states that factors other than an individual's occupation may be more influential in determining their investment outcomes.

7.5.6 Association between Levels of Investment Performance and Investors' Annual Savings

H0: There is no significant association between annual savings and the levels of investment performance of mutual fund investors in Kerala

Table 7.7 shows Chi-Square test for association between annual savings and the levels of investment performance of mutual fund investors in Kerala

Table 7.7

Chi Square Test value – Annual Savings

Annual savings	Level of Investment Performance			Total	Chi-Square value	P value
	Low Level	Moderate Level	High Level			
Less than 50,000	72 (37.5%)	46 (24.0%)	74 (38.5%)	192 (100%)	18.60	0.001**
50,000 to 1,00,000	42 (31.3%)	16 (11.9%)	76 (56.7%)	134 (100%)		
Above 1,00,000	44 (25.0%)	22 (12.5%)	110 (62.5%)	176 (100%)		
Total	158 (31.5%)	84 (16.7%)	260 (51.7%)	502 (100%)		

***denotes significant at 1%level*

The Chi-Square test results show a significant association between annual savings and the levels of investment performance among mutual fund investors in Kerala, with a Chi-Square value of 18.60 and a P value of 0.001, suggesting significance at the 1%

level. In terms of percentages, among those with annual savings of less than 50,000, 37.5 per cent demonstrated low investment performance, 24 per cent moderate performance, and 38.5 per cent high performance. Among the group saving between 50,000 and 1,00,000, 31.3 per cent were at a low level, 11.9 per cent moderate, and 56.7 per cent high. Finally, among those saving above 1,00,000, 25 per cent were low, 12.5 per cent moderate, and 62.5 per cent high, indicating a trend where higher savings correspond to better investment performance.

In short, these findings suggest that there is a clear relationship between how much money individuals save annually and how well they perform in their investments. Investors who save less than 50,000 annually show the highest rates of low-level investment performance, whereas those saving above 100,000 exhibit the highest rates of high-level investment performance. Investors with higher annual savings often attain higher levels of investment performance, whereas those with lower savings generally have lower performance. This suggests that saving more money might provide individuals with better opportunities to invest successfully.

SECTION – B

7.6 Behavioural Inclinations of Mutual Fund Investors in Kerala & Its Socio-Demographic Influence

The behavioural inclinations of mutual fund investors in Kerala are assessed through two key constructs:

(1) Re-investment decision and

(2) Recommendation intention

reflecting investors' satisfaction and their likelihood of endorsing mutual funds to others. To understand how socio-demographic factors impact these behaviours, variables such as gender, age, education, monthly income, occupation, and annual savings are considered for cross-comparison analysis. These factors help give insights into how personal characteristics shape investment motivations and decision-making patterns among Kerala's mutual fund investors.

7.6.1 Constructs Examined

The following factors of behavioural inclinations are used.

1. *Re-investment decision*
2. *Recommendation intention*

The following socio-demographic factors are used for cross comparison analysis

1. *Gender*
2. *Age*
3. *Education*
4. *Monthly income*
5. *Occupation*
6. *Annual savings*

7.6.2 Extent of Behavioural Inclinations Possessed by the Investors

H0: There is no significant difference between assumed and observed behavioural inclinations among mutual fund investors in Kerala

Table 7.8 shows one sample t-test for measuring behavioural inclinations of the mutual fund investors in Kerala

Table 7.8

Value of One Sample t-test –Behavioural Inclination

Factors	Mean	SD	Mean difference (Gap)	t-value	P value	Rank based on mean
Re-investment Decision	3.74	0.67	0.74	24.70	<0.001**	II
Recommendation Intention	3.83	0.76	0.83	24.30	<0.001**	I

***denotes significant at 1%level; Test value- 3*

The one-sample t-test results exhibited in the above table indicate that the behavioural inclinations of mutual fund investors in Kerala significantly differ from the assumed neutral value of 3. For both factors, reinvestment decision and recommendation intention, the mean values (3.74 and 3.83, respectively) are higher than the test value, showing a positive behavioural tendency among investors. The t-values (24.70 and 24.30) are large, and the p-values are less than 0.001, suggesting that these differences are statistically significant at the 1% level. Hence, the null hypothesis, which states that there is no significant difference between assumed and observed behavioural inclinations, is rejected, establishing that investors exhibit significantly higher behavioural inclinations than the assumed average level.

In other words, these findings reveal that mutual fund investors in Kerala demonstrate strong post-investment engagement, particularly in recommending mutual funds to others and showing willingness to reinvest. The higher mean score for recommendation intention indicates that satisfied investors are confident in their investment choices and act as informal brand ambassadors, influencing others through word-of-mouth recommendations. The favourable reinvestment decision score further indicates sustained trust and satisfaction with fund performance. Overall, the behavioural inclination of investors reflects a mature and confident investor community in Kerala, which can contribute to the long-term growth and stability of the mutual fund market in the region.

7.6.3 Behavioural Inclinations Possessed by the Investors across Gender

H0: There is no significant difference between behavioural inclinations of male and female mutual fund investors in Kerala

Table 7.9 shows Independent t-test for significant difference between behavioural inclinations of male and female mutual fund investors in Kerala

Table 7.9*Value of Independent t-test - Gender*

Factors	Gender	Mean	SD	t-value	P value
Re-investment Decision	Male	3.76	0.65	1.14	0.253 ^{NS}
	Female	3.69	0.73		
Recommendation Intention	Male	3.84	0.72	0.76	0.445 ^{NS}
	Female	3.78	0.86		

^{NS} denotes Not Significant

The independent t-test results in above table show that there is no statistically significant difference between male and female mutual fund investors in Kerala in terms of their behavioural inclinations. For the factor of reinvestment decision, the mean score of male investors (3.76) is slightly higher than that of female investors (3.69), specifying that men have a marginally stronger tendency to reinvest in mutual funds. Similarly, in recommendation intention, males demonstrate a mean of 3.84 compared to females with 3.78, suggesting that men are slightly more inclined to recommend mutual funds to others. Yet, the t-values (1.14 and 0.76) are low, and the p-values (0.253 and 0.445) are greater than 0.05, confirming that these differences are not statistically significant.

From a practical perspective, the results imply that both male and female investors in Kerala share similar behavioural patterns when it comes to reinvesting in mutual funds and recommending them to others. The small differences in mean scores propose that gender does not play a major role in influencing behavioural inclinations among mutual fund investors. This could be attributed to the growing financial literacy and equal access to investment information across genders, which leads to similar decision-making patterns and post-investment behaviours. It highlights that both male and female investors analyse fund performance, trust fund managers, and make investment-related decisions in comparable ways.

According to the statistical outcomes, the null hypothesis stating that there is no significant difference between behavioural inclinations of male and female mutual fund investors in Kerala is accepted. The absence of significant difference implies that behavioural tendencies such as reinvestment decisions and recommendation

intentions are equally distributed among both genders, reinforcing the notion of gender neutrality in post-investment behavioural patterns within the mutual fund investment context.

7.6.4 Behavioural Inclinations Possessed by the Investors across Age

H0: There is no significant difference between behavioural inclinations and age of mutual fund investors in Kerala

Table 7.10 shows ANOVA for significant difference between behavioural inclinations and age of mutual fund investors in Kerala

Table 7.10

Value of ANOVA - Age

Factors	Age	Mean	SD	F value	P value
Re-investment Decision	20 to 30	3.78	0.75	0.35	0.784 ^{NS}
	31 to 40	3.74	0.65		
	41 to 50	3.69	0.61		
	Above 50	3.75	0.60		
Recommendation Intention	20 to 30	3.80	0.78	0.34	0.790 ^{NS}
	31 to 40	3.83	0.85		
	41 to 50	3.81	0.68		
	Above 50	3.90	0.61		

^{NS} denotes Not Significant

The ANOVA results indicate that there is no statistically significant difference between the behavioural inclinations of mutual fund investors across different age groups in Kerala. For factors, reinvestment decision and recommendation intention, the F values are 0.35 and 0.34, respectively, with corresponding p values of 0.784 and 0.790, both higher than 0.05. This exhibits that variations observed among the age categories are not statistically meaningful. From a practical point of view, this proposes that behavioural tendencies such as willingness to reinvest and recommend mutual funds are generally consistent across age groups, indicating that age does not affect the investment behaviour of mutual fund investors in a noticeable way. Based on these results, the null hypothesis, which states that there is no significant difference

between behavioural inclinations and age of mutual fund investors in Kerala, is accepted.

7.6.5 Behavioural Inclinations Possessed by the Investors across Education

H0: There is no significant difference between behavioural inclinations and education of mutual fund investors in Kerala

Table 7.11 shows ANOVA for significant difference between behavioural inclinations and education of mutual fund investors in Kerala

Table 7.11

Value of ANOVA - Education

Factors	Education	Mean	SD	F value	P value
Re-investment Decision	Graduation	3.74	0.69	0.15	0.857 ^{NS}
	Post Graduate	3.73	0.67		
	Professional Qualification	3.78	0.67		
Recommendation Intention	Graduation	3.75	0.80	2.03	0.131 ^{NS}
	Post Graduate	3.90	0.71		
	Professional Qualification	3.82	0.76		

^{NS} denotes Not Significant

The ANOVA result in table demonstrates that there is no statistically significant difference between the behavioural inclinations of mutual fund investors in Kerala based on their education level. In reinvestment decision, the F value is 0.15 with a p value of 0.857, and for recommendation intention, the F value is 2.03 with a p value of 0.131. Since both p values are higher than 0.05, the results confirm that educational qualification does not have a significant influence on behavioural inclinations. In other terms, this means that investors across different educational backgrounds, whether graduates, postgraduates, or professionals, demonstrate similar behavioural tendencies toward reinvesting and recommending mutual funds. It highlights that investment-related behavioural patterns are not primarily shaped by formal education. Hence, the null hypothesis, which states that there is no significant difference between behavioural inclinations and education of mutual fund investors in Kerala, is accepted.

7.6.6 Behavioural Inclinations Possessed by the Investors across Monthly Income

H0: There is no significant difference between behavioural inclinations and monthly income of mutual fund investors in Kerala

Table 7.12 shows ANOVA for significant difference between behavioural inclinations and monthly income of mutual fund investors in Kerala

Table 7.12

Value of ANOVA – Monthly Income

Factors	Monthly Income	Mean	SD	F value	P value
Re-investment Decision	Up to 25,000	3.70	0.74	2.52	0.040*
	25,000 to 50,000	3.77	0.66		
	50,001 to 75,000	3.76	0.70		
	75,001 to 1,00,000	3.58	0.67		
	Above 1,00,000	3.91	0.53		
Recommendation Intention	Up to 25,000	3.67	0.87	2.03	0.131 ^{NS}
	25,000 to 50,000	3.88	0.74		
	50,001 to 75,000	3.85	0.68		
	75,001 to 1,00,000	3.75	0.78		
	Above 1,00,000	4.04	0.63		

*Denotes significant at 5% level; ^{NS} denotes Not Significant

The ANOVA results in above table reveal that there is a statistically significant difference in the reinvestment decision of mutual fund investors in Kerala based on their monthly income, as speculated by the F value of 2.52 and the p value of 0.040, which is significant at the 5% level. This exhibits that variations in income levels meaningfully influence the reinvestment behaviour of investors. Yet, for recommendation intention, the F value is 2.03 with a p value of 0.131, which is higher than 0.05, indicating that there is no statistically significant difference among income groups with respect to their willingness to recommend mutual funds.

Put it simply, this finding implies that while the ability to reinvest in mutual funds is influenced by the income level of investors, the inclination to recommend mutual funds remains consistent across different income categories. The result proposes that

financial capability plays a role in reinvestment behaviour, but recommendation tendencies are shaped more by non-financial factors such as trust, satisfaction, and overall investment experience.

Thus, the null hypothesis which states that there is no significant difference between behavioural inclinations and monthly income of mutual fund investors in Kerala, is partially rejected. It is rejected for reinvestment decision due to the presence of a significant difference and accepted for recommendation intention where no significant difference is identified.

7.6.7 Post hoc for significant difference between behavioural inclinations and monthly income of mutual fund investors in Kerala

Table 7.13

Post Hoc Test value – Monthly Income

Factors	Monthly Income (I)	Monthly Income (J)	Mean difference (I-J)	Std. error	P value
Re-investment Decision	Up to 25,000 (Mean = 3.70)	25,000 to 50,000 (Mean = 3.77)	-0.074	0.084	0.903 ^{NS}
		50,001 to 75,001 (Mean = 3.76)	-0.058	0.092	0.969 ^{NS}
		75,001 to 1,00,000 (Mean = 3.58)	0.122	0.098	0.728 ^{NS}
		Above 1,00,000 (Mean = 3.91))	-0.208	0.096	0.196 ^{NS}
	25,000 to 50,000 (Mean = 3.77)	50,001 to 75,001 (Mean = 3.76)	0.016	0.091	1.000 ^{NS}
		75,001 to 1,00,000 (Mean = 3.58)	0.197	0.098	0.266 ^{NS}
		Above 1,00,000 (Mean = 3.91)	-0.133	0.096	0.634 ^{NS}
	50,001 to 75,001 (Mean = 3.76)	75,001 to 1,00,000 (Mean = 3.58)	0.181	0.104	0.418 ^{NS}
		Above 1,00,000 (Mean = 3.91)	-0.150	0.102	0.588 ^{NS}
	75,001 to 1,00,000 (Mean = 3.58)	Above 1,00,000 (Mean = 3.91)	-0.331	0.108	0.021*

*Denotes significant at 5% level; ^{NS} denotes Not Significant

The post hoc results presented in the given table show that among the various income categories, only one pair exhibits a statistically significant difference in the reinvestment decision of mutual fund investors in Kerala. Especially, a significant difference is observed between the income groups of ₹75,001 to ₹1,00,000 and above ₹1,00,000, with a mean difference of -0.331 and a p value of 0.021, which is significant at the 5% level. All other income group comparisons exhibit p values higher than 0.05, indicating that they are not statistically significant. This means that while most income categories demonstrate similar reinvestment behaviour, a meaningful difference exists between these two particular income levels.

The mean score comparison for the significant pair shows that investors in the income group above ₹1,00,000 (mean = 3.91) exhibit higher reinvestment tendencies than those in the ₹75,001 to ₹1,00,000 group (mean = 3.58). This difference specifies that individuals with higher income levels are more confident and capable of reinvesting in mutual funds compared to those earning relatively less. The positive mean difference indicates that increased income enhances investors' ability and willingness to reinvest, possibly due to greater financial flexibility and risk-bearing capacity.

In other words, the findings imply that income plays a decisive role in shaping reinvestment behaviour among mutual fund investors. Higher-income investors tend to exhibit stronger commitment to reinvestment, as they possess surplus income and are more comfortable with long-term financial planning. This insight is valuable for mutual fund companies and financial advisors, as it highlights the need to design income-segmented marketing and advisory strategies.

7.6.8 Behavioural Inclinations Possessed by the Investors across Occupation

H0: There is no significant difference between behavioural inclinations and occupation of mutual fund investors in Kerala

Table 7.14 shows ANOVA for significant difference between behavioural inclinations and occupation of mutual fund investors in Kerala

Table 7.14*Value of ANOVA - Occupation*

Factors	Occupation	Mean	SD	F value	P value
Re-investment Decision	Government Employee	3.75	0.56	4.01	0.003**
	Private Sector Employee	3.77	0.66		
	Business	3.45	0.64		
	Profession	3.93	0.63		
	Others	3.71	0.80		
Recommendation Intention	Government Employee	3.92	0.56	3.28	0.011*
	Private Sector Employee	3.86	0.72		
	Business	3.49	0.86		
	Profession	3.88	0.89		
	Others	3.84	0.79		

*denotes significant at 5% level; **denotes significant at 1% level

The ANOVA results in the above table show that there is a statistically significant difference between the behavioural inclinations of mutual fund investors in Kerala based on their occupation. In case of the factor of reinvestment decision, the F value is 4.01 with a p value of 0.003, which is significant at the 1% level, and for recommendation intention, the F value is 3.28 with a p value of 0.011, which is significant at the 5% level. These results verify that occupation has a meaningful influence on both reinvestment and recommendation behaviours among mutual fund investors, indicating that investors from different occupational backgrounds differ in their post-investment behavioural patterns.

In brief, the findings suggest that occupation contributes to variations in behavioural inclinations because it often reflects differences in income stability, exposure to financial knowledge, and risk-handling capacity. Investors from different occupational groups may vary in their confidence, experience, and access to financial planning resources, which affects how they approach reinvestment and recommendation decisions. Based on these statistical outcomes, the null hypothesis,

which asserts that there is no significant difference between behavioural inclinations and occupation of mutual fund investors in Kerala, is rejected, establishing that occupation significantly influences post-investment behavioural tendencies.

7.6.9 Post hoc for significant difference between behavioural inclinations and occupation of mutual fund investors in Kerala

Table 7.15

Post Hoc Test value - Occupation

Factors	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
Re-investment Decision	Government Employee (Mean = 3.75)	Private Sector Employee (Mean = 3.77)	-0.016	0.091	1.000 ^{NS}
		Business (Mean = 3.45)	0.300	0.119	0.089 ^{NS}
		Profession (Mean = 3.93)	-0.175	0.114	0.543 ^{NS}
		Others (Mean = 3.71))	0.039	0.106	0.996 ^{NS}
	Private Sector Employee (Mean = 3.77)	Business (Mean = 3.45)	0.317	0.100	0.014*
		Profession (Mean = 3.93)	-0.158	0.094	0.445 ^{NS}
		Others (Mean = 3.71)	0.056	0.084	0.964 ^{NS}
		Profession (Mean = 3.93)	-0.476	0.121	0.001**
	Business (Mean = 3.45)	Others (Mean = 3.71)	-0.261	0.114	0.154 ^{NS}
		Profession (Mean = 3.93)	0.214	0.109	0.286 ^{NS}
	Profession (Mean = 3.93)	Others (Mean = 3.71)			

Factors	Occupation (I)	Occupation (J)	Mean difference (I-J)	Std. error	P value
Recommendation Intention	Government Employee (Mean = 3.92)	Private Sector Employee (Mean = 3.86)	0.057	0.103	0.981 ^{NS}
		Business (Mean = 3.49)	0.432	0.135	0.013*
		Profession (Mean = 3.88)	0.037	0.129	0.998 ^{NS}
		Others (Mean = 3.84))	0.082	0.120	0.960 ^{NS}
	Private Sector Employee (Mean = 3.86)	Business (Mean = 3.49)	0.374	0.113	0.009**
		Profession (Mean = 3.88)	-0.020	0.106	1.000 ^{NS}
		Others (Mean = 3.84)	0.025	0.095	0.999 ^{NS}
	Business (Mean = 3.49)	Profession (Mean = 3.88)	-0.395	0.137	0.035*
		Others (Mean = 3.84)	-0.349	0.129	0.056 ^{NS}
	Profession (Mean = 3.88)	Others (Mean = 3.84)	0.045	0.123	0.996 ^{NS}

*denotes significant at 5% level; **denotes significant at 1% level; ^{NS} denotes Not Significant

The post hoc results display that both significant and non-significant differences exist among occupational groups of mutual fund investors in Kerala regarding their behavioural inclinations. For the factor reinvestment decision, significant differences are identified between private sector employees and business groups ($p = 0.014^*$) and between business and profession groups ($p = 0.001^{**}$). All other occupational pairs, including government employees with others, exhibit no significant difference ($p > 0.05$). In the same manner, for recommendation intention, significant differences are noted between government employees and business ($p = 0.013^*$), private sector employees and business ($p = 0.009^{**}$), and business and profession ($p = 0.035^*$). Other occupational combinations exhibit non-significant differences, suggesting that

while most groups share similar behavioural tendencies, business investors differ notably from other occupations in their behavioural inclinations.

In the case of significant pairs, mean score comparison suggests that business investors (mean = 3.45) have a lower tendency toward reinvestment compared to private sector employees (mean = 3.77) and professionals (mean = 3.93). This signifies that people engaged in business are relatively cautious about reinvesting their earnings in mutual funds, perhaps due to fluctuating income patterns or a preference for direct business investment. For recommendation intention, business investors (mean = 3.49) again demonstrate lower behavioural inclination compared to government employees (mean = 3.92), private sector employees (mean = 3.86), and professionals (mean = 3.88). This implies that business people are less likely to recommend mutual funds to others, while salaried employees and professionals show a more positive attitude toward mutual fund promotion.

From a practical standpoint, these results suggest that occupation significantly influences investors' behavioural patterns. Business investors appear more conservative, relying on direct control over their finances and being less affected by institutional investment options. In contrast, salaried employees and professionals display higher reinvestment confidence and stronger recommendation intentions, reflecting their trust in organized financial systems and long-term savings plans. Financial planners and mutual fund agents can use this insight to design occupation-specific awareness programs, emphasizing risk mitigation and performance transparency for business investors whereas providing diversified reinvestment options for salaried professionals to sustain their engagement in mutual fund schemes.

7.6.10 Behavioural Inclinations Possessed by the Investors across Annual Savings

H0: There is no significant difference between behavioural inclinations and annual savings of mutual fund investors in Kerala

Table 7.16 shows ANOVA for significant difference between behavioural inclinations and annual savings of mutual fund investors in Kerala

Table 7.16*Value of ANOVA – Annual Savings*

Factors	Annual Savings	Mean	SD	F value	P value
Re-investment Decision	Less than 50,000	3.63	0.69	4.28	0.014*
	50,000 to 1,00,000	3.81	0.60		
	Above 1,00,000	3.82	0.70		
Recommendation Intention	Less than 50,000	3.71	0.77	5.21	0.006**
	50,000 to 1,00,000	3.81	0.70		
	Above 1,00,000	3.96	0.78		

*denotes significant at 5% level; **denotes significant at 1% level

The ANOVA results implies that there are statistically significant differences in the behavioural inclinations of mutual fund investors in Kerala when classified based on their annual savings levels. For the factor reinvestment decision, the obtained F value is 4.28 with a corresponding p value of 0.014, which is significant at the 5 percent level. At the same time, for the factor recommendation intention, the F value is 5.21 with a p value of 0.006, which is significant at the 1 percent level. Since both p values are less than the conventional significance thresholds, it can be inferred that behavioural inclinations differ meaningfully across the savings groups.

In short, these results suggest that the level of annual savings influences how investors behave toward reinvesting and recommending mutual funds. Differences in behavioural inclinations across savings categories highlight that savings potential may be linked to differences in financial awareness, risk-handling capacity, and trust in investment instruments. This finding emphasizes the importance of financial capability in shaping investor behaviour, where financial position of individual appears to determine how confidently they engage with and promote mutual fund investments.

In light of the statistical evidence, the null hypothesis asserting that there is no significant difference between behavioural inclinations and annual savings of mutual fund investors in Kerala is rejected. Since both variables, reinvestment decision and recommendation intention, show statistically significant p values, it can be concluded that annual savings have a significant impact on behavioural inclinations of individuals.

7.6.11 Post hoc for significant difference between behavioural inclinations and annual savings of mutual fund investors in Kerala

Table 7.17

Post Hoc Test value – Annual Savings

Factors	Annual Savings (I)	Annual Savings (J)	Mean difference (I-J)	Std. error	P value
Re-investment Decision	Less than 50,000 (Mean = 3.63)	50,000 to 1,00,000 (Mean = 3.81)	-0.173	0.075	0.059 ^{NS}
		Above 1,00,000 (Mean = 3.82)	-0.186	0.070	0.023*
	50,000 to 1,00,000 (Mean = 3.81)	Above 1,00,000 (Mean = 3.82)	-0.012	0.077	0.985 ^{NS}
Recommendation Intention	Less than 50,000 (Mean = 3.71)	50,000 to 1,00,000 (Mean = 3.81)	-0.103	0.085	0.447 ^{NS}
		Above 1,00,000 (Mean = 3.96)	-0.255	0.079	0.004**
	50,000 to 1,00,000 (Mean = 3.81)	Above 1,00,000 (Mean = 3.96)	-0.151	0.087	0.191 ^{NS}

*Denotes significant at 5% level; **denotes significant at 1% level; ^{NS} denotes Not Significant

The post hoc analysis results exhibit that there are both significant and non-significant differences among annual savings groups of mutual fund investors in Kerala with respect to their behavioural inclinations. For the factor reinvestment decision, a significant difference is identified between the groups having annual savings of less than 50,000 and above 1,00,000 ($p = 0.023^*$), while the other pairs, less than 50,000 vs 50,000 to 1,00,000 ($p = 0.059^{NS}$) and 50,000 to 1,00,000 vs above 1,00,000 ($p = 0.985^{NS}$), do not show any significant difference. At the same time, for recommendation intention, a highly significant difference is found between investors with annual savings of less than 50,000 and above 1,00,000 ($p = 0.004^{**}$), whereas the pairs less than 50,000 vs 50,000 to 1,00,000 ($p = 0.447^{NS}$) and 50,000 to 1,00,000 vs above 1,00,000 ($p = 0.191^{NS}$) show no significant difference.

Considering the mean score differences in the significant cases, investors with annual savings above 1,00,000 (mean = 3.82) show a stronger reinvestment tendency than

those with annual savings below 50,000 (mean = 3.63). Simultaneously, for recommendation intention, investors with annual savings above 1,00,000 (mean = 3.96) show higher inclination compared to those with savings below 50,000 (mean = 3.71). This pattern indicates that higher savings groups exhibit more positive behavioural inclinations toward mutual fund activities, possibly due to better financial literacy, higher confidence, and stronger investment exposure, while lower savings groups tend to be more cautious or less participative in reinvestment and recommendation activities.

In other words, these findings indicate that the level of annual savings plays a critical role in shaping investor behaviour in the mutual fund sector. Investors with greater savings are more likely to reinvest their returns and recommend mutual fund investments to others, showing higher engagement and trust in the financial system. Conversely, those with limited savings appear more hesitant, possibly due to lower surplus income, limited risk tolerance, or lack of exposure to financial planning. Hence, financial advisors and fund managers should design savings-linked investment awareness and motivation programs to encourage lower-savings investors to build consistent investment habits and confidence in reinvestment and recommendation decisions.

7.7 Conclusion

In conclusion, the findings of this chapter reveal significant insights into the investment performance and behavioural inclinations of mutual fund investors in Kerala. The statistical analysis confirms that factors like re-investment decisions and recommendation intentions are crucial indicators of investor engagement and satisfaction. The study also highlights the role of socio-demographic factors in shaping investor behaviour, offering a deeper understanding of the factors that drive investment decisions and post-investment actions. The significant differences observed between assumed and actual behavioural inclinations suggest that mutual fund investors in Kerala exhibit more positive investment behaviours than initially anticipated. These findings are valuable for mutual fund managers and financial advisors, who can use this information to tailor their strategies and improve investor satisfaction, trust, and long-term engagement.

Chapter 8

THE BEHAVIOURAL RIPPLE EFFECTS OF FINANCIAL LITERACY AMONG MUTUAL FUND INVESTORS IN KERALA

8.1	Introduction	319
8.2	Objective	320
8.3	Hypotheses formulation.....	320
8.4	Data Validation Using Confirmatory Factor Analysis	325
8.5	Model Development	334
8.6	Path Analysis Using Hypotheses Testing.....	336
8.7	Mediation Testing in the Model	343
8.8	Highlights of the Findings and Its Practical Significance	347
8.9	Conclusion.....	351
	References.....	353

8.1 Introduction

In the evolving landscape of financial markets, individual investors are increasingly expected to make complex decisions amidst a plethora of investment products and fluctuating market conditions. In this context, financial literacy has emerged as a crucial enabler that empowers individuals with the knowledge, skills, and confidence to navigate financial choices effectively. Beyond its direct cognitive influence, financial literacy also shapes core psychological dispositions particularly risk tolerance, which reflects an investor's willingness to take financial risks in pursuit of future returns. However, the relationship is not merely linear; it is influenced by intermediary constructs such as perceived trust in the financial system and the perceived value of investment decisions, which act as mediating forces translating literacy into actionable behaviour.

This chapter seeks to explore how financial literacy influences risk tolerance, and how this psychological construct, in turn, sets the stage for downstream behavioural outcomes such as investment involvement, performance perception, reinvestment decisions, and recommendation intentions. By constructing a structural model, the study integrates both psychological and behavioural perspectives to provide a comprehensive understanding of the financial decision-making process. Special emphasis is placed on the mediating roles of trust and value, and the cascading effects of risk tolerance on customer engagement and post-investment behaviour. This exploration not only contributes to the theoretical refinement of investor behaviour models but also offers practical insights for policy-makers, educators, and financial service providers seeking to enhance investor participation and satisfaction.

8.2 Objective

Objective IV: *To examine the enabling role of financial literacy in shaping investors' psychological risk tolerance via perceived value and trust and its downstream effect on investment performance and behavioural inclinations*

The analysis for this study was conducted using Covariance-Based Structural Equation Modeling (CB-SEM) to examine the hypothesized relationships among the constructs. The model was tested using IBM SPSS AMOS 21, a widely accepted statistical software for confirmatory factor analysis and structural equation modeling. CB-SEM was chosen due to its robustness in estimating complex models involving latent constructs, mediating pathways, and multiple dependent variables. This method allowed for the simultaneous evaluation of measurement and structural components, ensuring both the reliability of the constructs and the validity of the hypothesized causal paths.

SECTION – A

8.3 Hypothesis Formulation

SM.H1: *Financial literacy has a positive effect on perceived trust.*

Financial literacy equips individuals with the knowledge and skills required to make informed financial decisions, thereby reducing uncertainty and suspicion when dealing with financial products or service providers. The ability to understand financial terms and mechanisms enhances confidence, which in turn fosters trust in institutions. According to Lusardi and Mitchell (2014), consumers who are financially literate are more likely to trust formal financial channels. Similarly, Xiao et al. (2011) emphasized that financial knowledge plays a vital role in improving trust toward investment agents and platforms.

SM.H2: *Financial literacy has a positive effect on perceived value.*

A financially literate investor is more capable of understanding the true benefits and trade-offs associated with investment products. This improved comprehension helps consumers appreciate the value embedded in services or offerings. Huston (2010)

highlighted that financial literacy improves the perceived worth of financial decisions, while Chen and Volpe (1998) found that knowledge enhances the accuracy with which people assess investment options, thereby increasing the perception of value.

SM.H3: Financial literacy has a positive effect on risk tolerance.

Financial literacy positively influences an individual's ability to assess and manage financial risks, leading to a greater willingness to engage in riskier but potentially more rewarding investments. Grable (2000) found that individuals with higher levels of financial understanding demonstrate greater tolerance for risk. Similarly, Lusardi and Tufano (2015) concluded that better knowledge of financial products reduces risk aversion and promotes confident decision-making.

SM.H4: Perceived trust has a positive effect on risk tolerance.

Trust in the financial system or in investment intermediaries tends to reduce the perceived uncertainty associated with financial decisions, thereby increasing the investor's readiness to tolerate risks. Kim, Ferrin, and Rao (2008) proposed that trust reduces transaction-related concerns and boosts risk-taking behaviour. Gefen et al. (2003) also argued that trust plays a mediating role in mitigating perceived risk, especially in high-involvement decisions like investments.

SM.H5: Perceived value has a positive effect on risk tolerance.

When the perceived value of an investment opportunity is high such as high returns or added benefits investors are more inclined to take risks to achieve that value. Zeithaml (1988) defines perceived value as a consumer's overall assessment of a product based on the benefits received relative to the costs incurred. Sweeney and Soutar (2001) empirically confirmed that higher perceived functional and emotional value positively influences consumers' willingness to accept risk.

SM.H6: Risk tolerance has a positive effect on involvement.

Risk-tolerant investors are more likely to engage actively in the financial decision-making process. Such individuals tend to seek information, compare options, and involve themselves deeply in understanding the nuances of investments. Grable and

Roszkowski (2008) noted that individuals with higher risk tolerance exhibit more proactive involvement in their financial planning. Mittal and Vyas (2008) also associated risk-seeking behaviour with increased investment engagement and behavioural involvement.

SM.H7: Involvement has a positive effect on investment performance.

Involvement refers to the extent of cognitive and emotional engagement an investor displays in decision-making, which can significantly influence the quality and success of those decisions. Zaichkowsky (1985) proposed that greater involvement enhances information processing, leading to better choices. Investors who are highly involved tend to be more informed, less impulsive, and more strategic, all of which contribute to better investment performance (Kahneman & Tversky, 1979).

SM.H8: Investment performance has a positive effect on re-investment decisions.

Positive investment outcomes often increase investor confidence, encouraging them to reinvest in similar or expanded opportunities. Barberis and Thaler (2003) stated that investors are influenced by historical performance when making future investment decisions. Statman, Thorley, and Vorkink (2006) also found that successful past investments significantly predict the likelihood of reinvestment behaviour, supporting the idea that performance builds behavioural momentum.

SM.H9: Investment performance has a positive effect on recommendation intention.

Satisfied investors who experience good returns are more likely to share their positive experiences and recommend the investment products or services to others. Anderson (1998) established that perceived performance directly correlates with word-of-mouth intentions. Reichheld (2003), through the concept of Net Promoter Score, also showed that loyal customers often serve as brand advocates based on their satisfaction levels, which are frequently shaped by past performance.

SM.H10: Re-investment decisions have a positive effect on recommendation intention.

Reinvestment behaviour indicates not just satisfaction but a continued belief in the value and reliability of the investment platform or product, which often leads to

stronger advocacy. Hennig-Thurau et al. (2002) argued that behavioural loyalty (like repeat purchases or reinvestment) is a precursor to recommendation intentions. Similarly, Kumar and Shah (2004) asserted that customers who show high lifetime value are more inclined to recommend services to others.

MD.H11: Perceived Trust as a Mediator

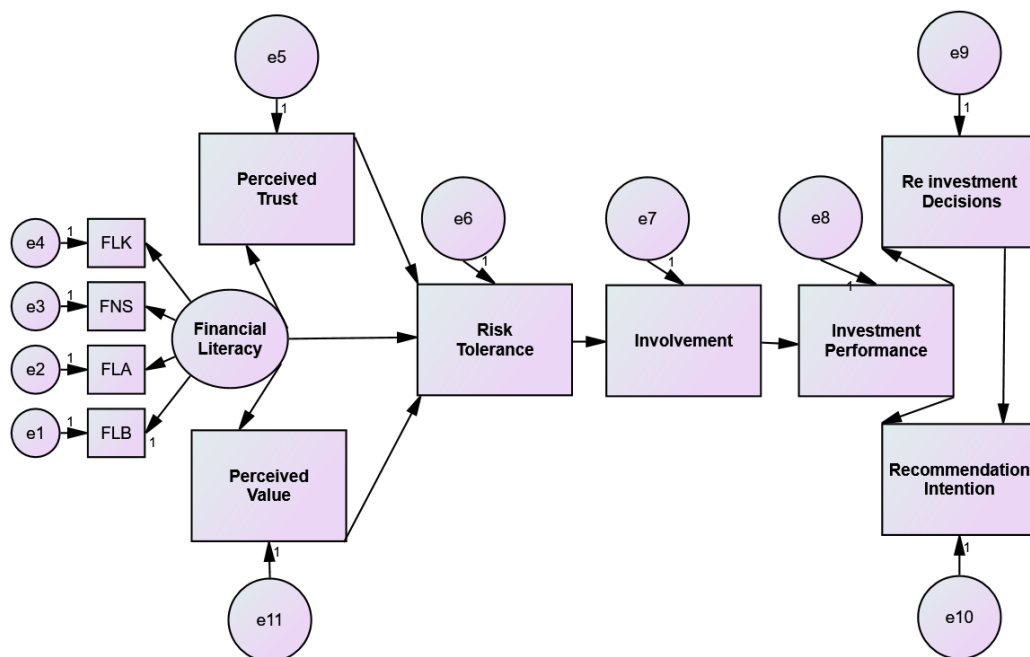
Financial literacy not only equips individuals with knowledge but also builds psychological assurance, particularly in the form of trust toward financial institutions and instruments. According to the Affect-as-Information Theory (Schwarz & Clore, 1983), emotions such as trust serve as heuristic cues in judgment, especially under uncertainty. This suggests that financial literacy may not directly translate into risk-taking unless accompanied by an emotional sense of security. Prior studies have shown that financially literate individuals tend to exhibit greater trust in formal financial systems (Lusardi & Mitchell, 2014), and that such trust significantly reduces perceived risk and enhances confidence in investment decisions (Kim et al., 2008; Johnson & Grayson, 2005). Therefore, this study proposes that perceived trust acts as a mediating mechanism through which financial literacy enhances an investor's willingness to tolerate risk.

MD.H12: Perceived Value as a Mediator

Perceived value plays a crucial role in linking financial literacy to investment behaviour by shaping how individuals assess the benefits of financial products. Drawing on Information Integration Theory (Anderson, 1981), individuals combine various informational cues to evaluate a product's worth, and financial literacy enhances the accuracy of this process. A literate investor is better positioned to recognize long-term benefits, cost structures, and potential returns, all of which contribute to a higher perception of value. Studies by Zeithaml (1988) and Sweeney & Soutar (2001) affirm that increased perceived value positively influences risk-taking behaviour. Similarly, Huston (2010) and Chen & Volpe (1998) argue that financial knowledge improves individuals' ability to evaluate investment utility. Hence, it is hypothesized that perceived value mediates the effect of financial literacy on risk tolerance by providing a cognitive justification for accepting financial risks.

Table 8.1*Summary of hypotheses formulated*

Sl. No.	Hypotheses
SM.H1	Financial literacy has a positive effect on perceived trust.
SM.H2	Financial literacy has a positive effect on perceived value.
SM.H3	Financial literacy has a positive effect on risk tolerance.
SM.H4	Perceived trust has a positive effect on risk tolerance.
SM.H5	Perceived value has a positive effect on risk tolerance.
SM.H6	Risk tolerance has a positive effect on involvement.
SM.H7	Involvement has a positive effect on investment performance.
SM.H8	Investment performance has a positive effect on re-investment decisions.
SM.H9	Investment performance has a positive effect on recommendation intention.
SM.H10	Re-investment decisions have a positive effect on recommendation intention.
MD.H11	Perceived trust mediates in the relationship between financial literacy and risk tolerance
MD.H12	Perceived value mediates in the relationship between financial literacy and risk tolerance

Figure 8.1*Hypothesized conceptual model for mutual fund investors in Kerala*

SECTION – B

8.4 Data Validation Using Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) is a statistical technique used to validate the proposed factor structure of a set of observed indicators. It assesses whether the indicators appropriately reflect the theoretical constructs as intended by the researcher. Unlike Exploratory Factor Analysis (EFA), which identifies patterns and relationships without prior assumptions, CFA is a theory-driven method that tests pre-established relationships between latent variables and their observed measures.

In evaluating a measurement model, several key metrics are used:

1. Composite Reliability (CR):

This measures the degree of internal consistency among items within a construct. A CR value above 0.70 is considered acceptable, while values below 0.60 may indicate poor reliability (Hair et al., 2010).

2. Construct Validity:

(a) *Convergent Validity* is examined through Average Variance Extracted (AVE) and standardized factor loadings. AVE values greater than 0.50 and loadings above 0.50 indicate satisfactory convergence (Hair et al., 2010; Malhotra et al., 2001).

(b) *Discriminant Validity* ensures that constructs are distinct from one another. Using the Fornell and Larcker (1981) criterion, the square root of the AVE for each construct should be higher than its correlations with any other construct.

3. Cronbach's Alpha:

This is a traditional measure of internal consistency and is widely applied in pilot studies and scale development. An alpha value of 0.70 or higher is generally seen as acceptable (Nunnally & Bernstein, 1994).

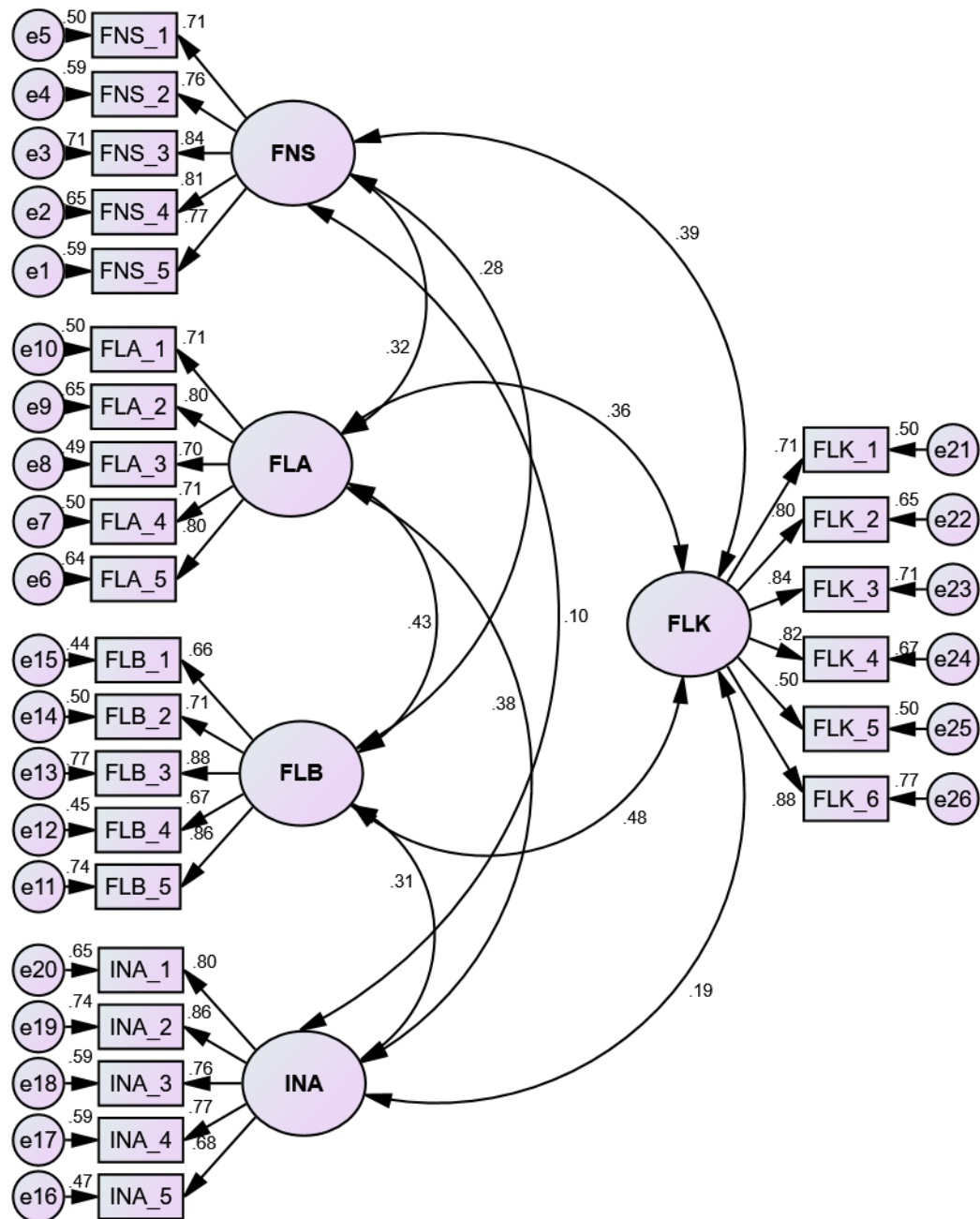
Figure 8.2*Confirmatory Factor Analysis for financial literacy factors*

Table 8.2*Model fit indices for financial literacy factors of CFA model*

ATTRIBUTES	CMIN/DF	P-VALUE	GFI	AGFI	CFI	RMSEA
Study model	3.954	0.000	0.978	0.948	0.992	0.068
Recommended value	Acceptable fit [1-5]	Greater than 0.05	Greater than 0.9	Greater than 0.9	Greater than 0.9	Less than 0.08
Literature support	Hair et al., (1998)	Barrett (2007)	Hair et al. (2006)	Hair et al. (2006)	Hu and Bentler (1999)	Hair et al. (2006)

The study model demonstrates an acceptable overall fit as per the commonly accepted thresholds for structural equation modeling. The Chi-square divided by degrees of freedom (CMIN/DF) is 3.954, which falls within the acceptable range of 1 to 5 (Hair et al., 1998), suggesting a reasonable fit between the hypothesized model and the observed data. Although the p-value is 0.000, which is statistically significant and traditionally indicates model misfit, this is not uncommon in large sample sizes, where even minor deviations can result in significant Chi-square values (Barrett, 2007). Hence, the p-value alone should not be the sole criterion for rejecting the model. Instead, the use of alternative fit indices like GFI (0.978), AGFI (0.948), CFI (0.992), and RMSEA (0.068) — all within their recommended cutoffs (Hair et al., 2006; Hu & Bentler, 1999) — confirms that the model provides an acceptable and adequate fit to the data, justifying its empirical validity despite the significant p-value.

Table 8.3

Final Reliability and Validity of CFA Model of financial literacy and investor apprehension factors

Constructs of financial literacy and investor apprehension	Item Code	Factor loading	Cronbach's Alpha Final	AVE	Composite Reliability
Financial Skills (FNS)	FNS1	0.71**	0.88	0.61	0.89
	FNS2	0.76**			
	FNS3	0.84**			
	FNS4	0.81**			
	FNS5	0.77**			
Financial Awareness (FLA)	FLA1	0.71**	0.85	0.56	0.86
	FLS2	0.80**			
	FLA3	0.70**			
	FLA4	0.71**			
	FLA5	0.80**			
Financial Behaviour (FLB)	FLB1	0.66**	0.84	0.58	0.87
	FLB2	0.71**			
	FLB3	0.88**			
	FLB4	0.67**			
	FLB5	0.86**			
Investor Apprehension (INA)	INA1	0.80**	0.85	0.60	0.88
	INA2	0.86**			
	INA3	0.76**			
	INA4	0.77**			
	INA5	0.68**			
Financial Knowledge (FLK)	FLK1	0.71**	0.87	0.59	0.89
	FLK2	0.80**			
	FLK3	0.84**			
	FLK4	0.82**			
	FLK5	0.50**			
	FLK6	0.88**			

**denotes significant at 1% level

The final CFA model confirms strong reliability and validity across all financial literacy factors FNS, FLA, FLB, INA, and FLK. All item loadings are statistically significant at the 1% level, with most values exceeding 0.70, indicating robust indicator reliability. The Cronbach's Alpha values for FNS (0.88), FLA (0.85), FLB (0.84), INA (0.85), and FLK (0.87) all exceed the accepted threshold of 0.70, confirming internal consistency. The AVE values, ranging from 0.56 to 0.61, meet the minimum requirement of 0.50, establishing convergent validity. Moreover, Composite Reliability scores for all constructs range from 0.86 to 0.89, surpassing the recommended cutoff of 0.70, further affirming the reliability of the model. Together, these metrics validate that the constructs are both reliable and valid for capturing the dimensions of financial literacy.

Table 8.4

Discriminant Validity among the financial literacy and investor apprehension factors

Constructs	FNS	FLA	FLB	INA	FLK
FNS	(0.78)				
FLA	0.32	(0.75)			
FLB	0.28	0.43	(0.76)		
INA	0.10	0.38	0.31	(0.77)	
FLK	0.39	0.36	0.48	0.19	(0.77)

The discriminant validity among the factors—FNS, FLA, FLB, INA, and FLK is well established as per the Fornell-Larcker criterion. The square root of AVE for each construct (shown in parentheses on the diagonal) is greater than the corresponding inter-construct correlations. For instance, the diagonal value for FNS is 0.78, which is higher than its correlations with FLA (0.32), FLB (0.28), INA (0.10), and FLK (0.39). Similar patterns are observed for all other constructs, confirming that each construct shares more variance with its own items than with others. Hence, the model satisfies discriminant validity.

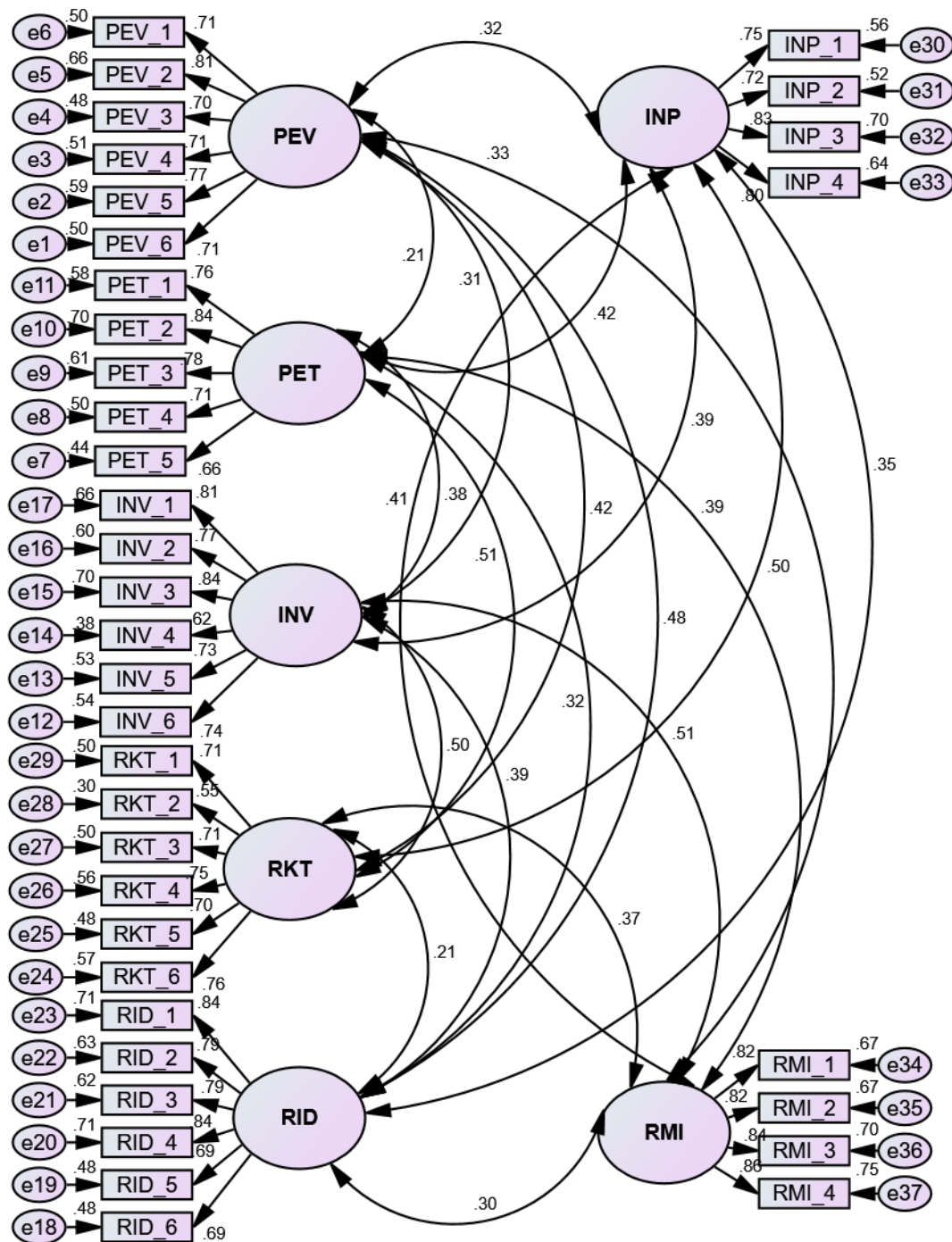
Figure 8.3*Confirmatory Factor Analysis for outcome variables in the model*

Table 8.5

Model fit indices for outcome variables in the CFA model

Attributes	CMIN/DF	P-Value	GFI	AGFI	CFI	RMSEA
Study model	4.158	0.000	0.961	0.932	0.984	0.072
Recommended value	Acceptable fit [1-5]	Greater than 0.05	Greater than 0.9	Greater than 0.9	Greater than 0.9	Less than 0.08
Literature support	Hair et al., (1998)	Barrett (2007)	Hair et al. (2006)	Hair et al. (2006)	Hu and Bentler (1999)	Hair et al. (2006)

The CFA model for outcome variables shows an acceptable model fit based on standard thresholds. The CMIN/DF value is 4.158, which falls within the acceptable range of 1 to 5 (Hair et al., 1998), indicating a reasonable level of fit. Although the p-value is 0.000, which is statistically significant and typically suggests a lack of perfect model fit, this is expected in large samples where even small deviations become significant (Barrett, 2007). Therefore, the p-value should not be solely relied upon. Instead, the other fit indices GFI (0.961), AGFI (0.932), CFI (0.984), and RMSEA (0.072) all meet the recommended thresholds (Hair et al., 2006; Hu & Bentler, 1999), confirming that the model fits the data well and is statistically valid.

Table 8.6

Final Reliability and Validity of outcome variables in the CFA model

Constructs related with outcomes aspects in the model	Item Code	Factor Loading	Cronbach's Alpha Final	AVE	Composite Reliability
Perceived Value (PEV)	PEV1	0.71**	0.84	0.54	0.88
	PEV2	0.81**			
	PEV3	0.70**			
	PEV4	0.71**			
	PEV5	0.77**			
	PEV6	0.71**			

Constructs related with outcomes aspects in the model	Item Code	Factor Loading	Cronbach's Alpha Final	AVE	Composite Reliability
Perceived Trust (PET)	PET1	0.76**	0.86	0.57	0.87
	PET2	0.84**			
	PET3	0.78**			
	PET4	0.71**			
	PET5	0.66**			
Involvement (INV)	INV1	0.81**	0.88	0.57	0.89
	INV2	0.77**			
	INV3	0.84**			
	INV4	0.62**			
	INV5	0.73**			
	INV6	0.74**			
Risk Tolerance (RKT)	RKT1	0.71**	0.83	0.49	0.85
	RKT2	0.55**			
	RKT3	0.71**			
	RKT4	0.75**			
	RKT5	0.70**			
	RKT6	0.76**			
Re-investment Decisions (RID)	RID1	0.84**	0.88	0.60	0.90
	RID2	0.79**			
	RID3	0.79**			
	RID4	0.84**			
	RID5	0.69**			
	RID6	0.69**			
Investment Performance (INP)	INP1	0.75**	0.84	0.60	0.86
	INP2	0.72**			
	INP3	0.83**			
	INP4	0.80**			
Recommendation Intention (RMI)	RMI1	0.82**	0.88	0.70	0.90
	RMI2	0.82**			
	RMI3	0.84**			
	RMI4	0.86**			

**denotes significant at 1% level

The final CFA model for outcome variables confirms robust reliability and validity across all constructs PEV, PET, INV, RKT, RID, INP, and RMI. All item loadings are significant at the 1% level, with most exceeding the threshold of 0.70, indicating strong indicator reliability. The Cronbach's Alpha values range from 0.83 to 0.88, surpassing the recommended minimum of 0.70, demonstrating good internal consistency. The AVE values range from 0.49 (RKT) to 0.70 (RMI), with all but RKT exceeding the 0.50 benchmark, still acceptable as its Composite Reliability (0.85) is adequate. All constructs have Composite Reliability values between 0.85 and 0.90, well above the 0.70 threshold, supporting convergent validity. Overall, the outcome constructs are reliable and valid for inclusion in further structural analysis.

Table 8.7

Discriminant Validity among the outcome variables in the CFA model

Constructs	PEV	PET	INV	RKT	RID	INP	RMI
PEV	(0.73)						
PET	0.21	(0.75)					
INV	0.31	0.38	(0.75)				
RKT	0.42	0.51	0.50	(0.70)			
RID	0.48	0.32	0.39	0.21	(0.77)		
INP	0.32	0.42	0.39	0.50	0.35	(0.77)	
RMI	0.33	0.39	0.51	0.37	0.30	0.41	(0.84)

The discriminant validity among the outcome constructs PEV, PET, INV, RKT, RID, INP, and RMI is supported based on the Fornell-Larcker criterion. The square roots of the AVE values (shown in parentheses on the diagonal) are higher than the inter-construct correlations in the corresponding rows and columns. For example, the diagonal value for PEV is 0.73, which is greater than its correlations with PET (0.21), INV (0.31), RKT (0.42), RID (0.48), INP (0.32), and RMI (0.33). This pattern holds consistently across all constructs, indicating that each construct shares more variance with its own indicators than with other constructs. Hence, the CFA model demonstrates adequate discriminant validity among all outcome variables.

8.5 Model Development

The model presented was developed using Covariance-Based Structural Equation Modeling (CB-SEM) through AMOS 21, aiming to explore the behavioural ripple effects of financial literacy among mutual fund investors in Kerala. Grounded in relevant theoretical constructs and prior empirical studies, the model investigates how financial literacy measured through four observed indicators (FLK, FNS, FLA, and FLB) influences key psychological and behavioural outcomes such as perceived trust, perceived value, and risk tolerance. The model further delineates the cascading effects of risk tolerance on investor involvement, investment performance, and ultimately on re-investment decisions and recommendation intentions. The use of CB-SEM enables rigorous testing of both measurement and structural models, allowing simultaneous estimation of direct, indirect, and mediating effects, thereby offering a comprehensive understanding of the complex interrelationships in investor behaviour within the mutual fund context.

Figure 8.4

Testing of structural model for the mutual fund investors in Kerala

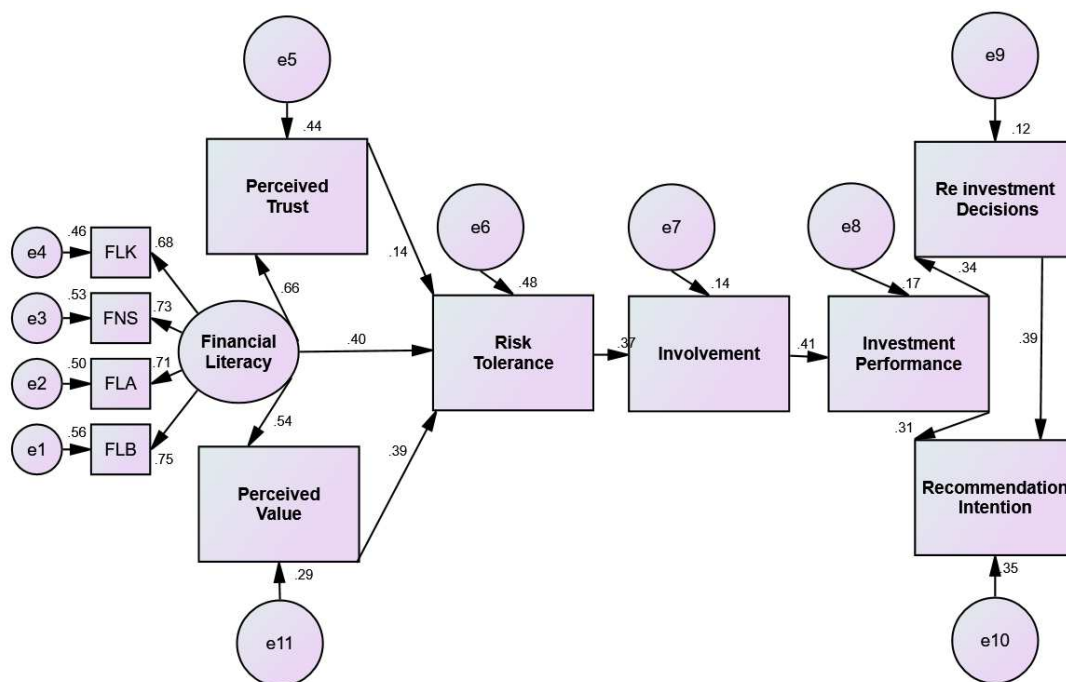


Table 8.8*Indexes of goodness of fit for use in evaluating the structural path model*

Attributes	CMIN/DF	P-Value	GFI	AGFI	CFI	RMSEA
Study model	4.223	0.000	0.989	0.970	0.991	0.058
Recommended value	Acceptable fit [1-5]	Greater than 0.05	Greater than 0.9	Greater than 0.9	Greater than 0.9	Less than 0.08

The structural path model demonstrates an acceptable fit, supported by key indices such as GFI (0.989), AGFI (0.970), CFI (0.991), and RMSEA (0.058), all falling within the recommended thresholds, indicating strong model adequacy. Although the Chi-square statistic yields a significant p-value of 0.000, suggesting a statistically significant discrepancy between the model-implied and observed covariance matrices, this result is not uncommon in SEM due to the Chi-square test's high sensitivity to large sample sizes and complex models. Therefore, the significant p-value does not alone invalidate the model fit. Instead, consistent with SEM reporting standards (Hair et al., 2010; Kline, 2015), greater emphasis is placed on multiple fit indices. The CMIN/DF value of 4.223 also lies within the acceptable range (1 to 5), further supporting the model's practical fit. Hence, despite the significant p-value, the overall fit of the model is considered statistically and practically acceptable based on the convergence of multiple goodness-of-fit measures.

Table 8.9*Path analysis for testing of structural model for the mutual fund investors in Kerala*

Constructs	Path	Constructs	Beta Estimate	R Square value	P value	Result
Financial Literacy	→	Perceived Trust	0.66	0.44	<0.001**	<i>Supported</i>
Financial Literacy	→	Perceived Value	0.54	0.29	<0.001**	<i>Supported</i>
Financial Literacy	→	Risk Tolerance	0.40		<0.001**	<i>Supported</i>
Perceived Trust	→	Risk Tolerance	0.14	0.48	<0.001**	<i>Supported</i>
Perceived Value	→	Risk Tolerance	0.39		<0.001**	<i>Supported</i>
Risk Tolerance	→	Involvement	0.37	0.14	<0.001**	<i>Supported</i>
Involvement	→	Investment Performance	0.41	0.17	<0.001**	<i>Supported</i>
Investment Performance	→	Re-investment Decisions	0.34	0.12	<0.001**	<i>Supported</i>
Investment Performance	→	Recommendation Intention	0.31		<0.001**	<i>Supported</i>
Re-investment Decisions	→	Recommendation Intention	0.39	0.35	<0.001**	<i>Supported</i>

** indicates significant at 1% level

8.6 Path Analysis Using Hypotheses Testing

SM.H1: Financial literacy → Perceived trust ($\beta = 0.66$, $p < 0.001$)

The analysis reveals a strong and statistically significant effect of financial literacy on perceived trust, with a path coefficient of 0.66 ($p < 0.001$). This indicates that as the level of financial literacy increases, the level of trust investors place in mutual fund systems and services also increases considerably. This is among the highest coefficients in the model, highlighting trust as a key outcome of financial competence.

From a practical viewpoint, this implies that increasing financial literacy through investor education programs, simplified fund communication, and accessible digital content can be a strategic means of cultivating investor trust in mutual fund platforms, particularly among first-time or hesitant investors.

This finding supports the cognitive-based trust theory, where trust is formed through knowledge and rational processing (Johnson & Grayson, 2005). As investors become more financially informed, their cognitive evaluation of financial institutions becomes more favorable, reducing uncertainty and enhancing trust.

SM.H2: Financial literacy → Perceived value ($\beta = 0.54$, $p < 0.001$)

With a significant path coefficient of 0.54, this result indicates that financially literate investors perceive greater value in mutual fund offerings. Financial literacy helps them comprehend the costs, benefits, and utility of investment products, resulting in stronger value perceptions.

This has important implications for mutual fund distributors. Simplifying complex investment terms, educating investors about return potential, and using relatable financial scenarios can enhance their perceived value of mutual fund schemes, improving both uptake and retention.

Theoretically, this supports the information integration theory, which holds that value judgments are formed by integrating various informational cues (Anderson, 1981). Financial literacy enhances this integration ability, allowing investors to more accurately assess product utility.

SM.H3: Financial literacy → Risk tolerance ($\beta = 0.40$, $p < 0.001$)

The model identifies a significant positive influence of financial literacy on risk tolerance ($\beta = 0.40$, $p < 0.001$). This means that more literate investors are better equipped to tolerate market risks because they understand the long-term nature of investments and the probabilistic nature of returns.

Practically, mutual fund companies can use this insight to design risk-profile-based financial literacy modules. Educating investors about asset classes, historical return

patterns, and portfolio diversification can shift conservative investors toward more balanced or equity-oriented schemes.

This aligns with the theory of planned behaviour (Ajzen, 1991), which suggests that knowledge influences attitudes and behavioural control. Financially literate investors develop more positive attitudes toward risk and perceive greater control over outcomes, thus increasing risk-taking behaviour.

SM.H4: Perceived trust → Risk tolerance ($\beta = 0.14$, $p < 0.001$)

Although the path coefficient is lower ($\beta = 0.14$), it remains statistically significant, implying that trust in mutual fund providers and systems encourages investors to accept a greater degree of risk. This supports the role of trust as a psychological facilitator in investment decision-making.

Fund houses should recognize that beyond numerical returns, building long-term trust through ethical practices, transparency, and quality client servicing can lower investor anxiety and increase willingness to explore higher-return options.

This relationship is consistent with the affect-as-information model (Schwarz & Clore, 1983), which emphasizes that positive emotional states such as trust can influence risk preferences by reducing perceived uncertainty.

SM.H5: Perceived value → Risk tolerance ($\beta = 0.39$, $p < 0.001$)

This path confirms that higher perceived value leads to greater risk tolerance ($\beta = 0.39$, $p < 0.001$). Investors are more likely to accept risk when they feel that the expected benefit or value of the product justifies it.

Financial advisors can use this to frame risk as a necessary means to unlock greater long-term value. Communicating benefits like inflation-beating returns or tax efficiency can help reframe investor attitudes toward risk in a positive light.

Theoretically, this is supported by prospect theory (Kahneman & Tversky, 1979), where individuals assess risk based on perceived gains or losses. When value is

perceived as high, the pain of potential losses diminishes relative to the anticipated benefit.

SM.H6: Risk tolerance → Involvement ($\beta = 0.37$, $p < 0.001$)

The significant path coefficient ($\beta = 0.37$) indicates that risk-tolerant investors are more involved in monitoring and managing their investments. Risk tolerance, therefore, acts as a precursor to deeper engagement.

This insight can guide firms to promote advanced investor tools and analytics to clients who exhibit risk-seeking behaviour. These investors are more likely to respond positively to personalized dashboards, performance tracking, and rebalancing alerts.

This supports consumer involvement theory (Zaichkowsky, 1985), which suggests that higher personal relevance and perceived consequence increase involvement. Risk-tolerant investors perceive more at stake and hence stay more actively engaged.

SM.H7: Involvement → Investment performance ($\beta = 0.41$, $p < 0.001$)

The model shows that greater involvement positively affects investment performance ($\beta = 0.41$), suggesting that actively engaged investors make more informed and timely decisions, leading to better returns.

From a practical standpoint, increasing investor involvement through digital nudges, education campaigns, or personalized guidance could directly enhance performance outcomes. This, in turn, increases satisfaction and loyalty.

Theoretically, this supports behavioural finance insights where informed decision-making and emotional regulation contribute to rational investment behaviour (Shefrin, 2002). Engaged investors avoid common pitfalls such as panic selling or chasing trends.

SM.H8: Investment performance → Re-investment decisions ($\beta = 0.34$, $p < 0.001$)

The positive and significant path ($\beta = 0.34$) indicates that favorable investment performance encourages investors to make repeat investments. Performance acts as both validation and motivation.

This reinforces the business case for clear and timely communication of performance metrics to clients. Highlighting consistent returns, even in volatile periods, can encourage systematic investing and longer holding periods.

This aligns with the satisfaction-loyalty model (Oliver, 1999), which posits that performance satisfaction leads to continued engagement and behavioural loyalty, including repeat purchases or investments.

SM.H9: Investment performance → Recommendation intention ($\beta = 0.31$, $p < 0.001$)

A path coefficient of 0.31 shows that good investment outcomes encourage investors to recommend mutual funds to others. Positive experiences translate into advocacy behaviour, which can benefit fund houses via word-of-mouth.

Companies should implement structured feedback systems to identify satisfied investors and encourage them to share their experiences. This can take the form of reviews, testimonials, or referral incentives.

This finding is consistent with the theory of customer delight (Kumar et al., 2001), which holds that positive disconfirmation of expectations results in stronger emotional loyalty and intention to recommend.

SM.H10: Re-investment decisions → Recommendation intention ($\beta = 0.39$, $p < 0.001$)

The path from re-investment to recommendation intention is strong ($\beta = 0.39$), indicating that those who continue investing are also more inclined to recommend mutual funds. Continued engagement increases emotional and attitudinal loyalty.

Investor loyalty programs and milestone recognition strategies can be used to reward and further motivate this behaviour. Engaged and loyal investors become powerful ambassadors in their social and professional circles.

This supports the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994), where repeat behaviour strengthens emotional attachment and results in long-term advocacy and promotional intention.

Understanding R-square (R^2) in SEM

R-square, or the coefficient of determination, indicates the proportion of variance in the dependent (endogenous) variable that is explained by its predictor(s) in the structural model. R^2 values range between 0 and 1. Higher values suggest stronger explanatory power of the model. In structural equation modeling (SEM), R^2 provides insight into how well the independent constructs together explain the outcome variable.

Hair et al. (2010) and Henseler et al. (2009) suggest the following benchmarks for interpretation:

- 0.75 and above – substantial
- 0.50 to 0.75 – moderate
- 0.25 to 0.50 – weak
- Below 0.25 – very weak

Now, let us interpret each R-square value from your model:

Perceived Trust ($R^2 = 0.44$)

This indicates that 44% of the variance in perceived trust is explained by financial literacy. The remaining 56% is influenced by other unmeasured factors such as personal experiences, past service quality, or external cues.

Practical usage: This suggests financial literacy is a strong, but not exclusive, factor influencing investor trust. While improving financial knowledge should be a priority, fund providers should also focus on relationship management, credibility, and brand reputation to improve trust further.

Perceived Value ($R^2 = 0.29$)

Here, financial literacy explains 29% of the variance in perceived value. This is a moderate R^2 , implying that while financial knowledge enhances investors' ability to appreciate value, other elements such as product pricing, performance history, or peer influence also play key roles.

Practical usage: Educational interventions should be supplemented with clear, value-driven communication and personalized financial planning to further boost perceived value among investors.

Risk Tolerance ($R^2 = 0.48$)

The constructs—financial literacy, perceived trust, and perceived value—together explain 48% of the variance in risk tolerance. This is a relatively strong result, confirming that both cognitive (knowledge) and affective (trust and value perception) elements shape how much risk an investor is willing to take.

Practical usage: Investor risk profiles can be improved not only through literacy efforts but also by cultivating trust and demonstrating product value. This understanding can refine fund suitability assessments and product recommendations.

Involvement ($R^2 = 0.14$)

Only 14% of the variance in involvement is explained by risk tolerance. This is a low R^2 , indicating that other variables—such as investor motivation, personality, financial goals, or digital engagement—might significantly affect involvement levels.

Practical usage: Platforms must design interactive tools, goal-based features, and gamified dashboards to increase engagement, going beyond risk tolerance to understand behavioural patterns and user interface preferences.

Investment Performance ($R^2 = 0.17$)

Involvement explains 17% of the variance in perceived investment performance. While involvement plays a role, external market forces, fund manager skills, and macroeconomic conditions likely have a larger influence.

Practical usage: This points to the need for investor expectations management. Training investors to distinguish between controllable and uncontrollable factors in performance can help reduce disappointment and build realistic expectations.

Re-investment Decisions ($R^2 = 0.12$)

Investment performance explains 12% of the variance in re-investment decisions. This suggests a relatively small direct effect, indicating that psychological factors like satisfaction, habit formation, and financial goals might play a more substantial role.

Practical usage: To encourage re-investment, fund providers must go beyond performance metrics and focus on behavioural nudges, automatic reinvestment plans, and goal-based investing tools.

Recommendation Intention ($R^2 = 0.35$)

Investment performance and re-investment decisions together explain 35% of the variance in recommendation intention. This shows a reasonably strong influence, suggesting that investors who are satisfied with their performance and continue investing are more likely to recommend mutual funds.

Practical usage: Fund houses can leverage this by identifying promoters through performance tracking and offering them structured referral programs. Building advocacy from within the satisfied investor base can generate organic growth.

8.7 Mediation testing in the model

Table 8.10

Using the bootstrapping method to test mediation in the model (summary of values)

Independent construct	Mediation construct	Dependent construct	Direct effect	Indirect effect (mediation effect)	Mediation Result
Financial Literacy	Perceived Value	Risk Tolerance	0.40	0.09*	<i>Partial mediation</i>
Financial Literacy	Perceived Trust	Risk Tolerance		0.21**	<i>Partial mediation</i>

** stands for a significance level of 1%. Values for indirect effects are estimated using the bootstrapping method with 5,000 replicates of the sample

8.7.1 Mediation hypotheses testing

MD.H11: Perceived Trust Mediates the Relationship Between Financial Literacy and Risk Tolerance

The hypothesis MD.H11 was tested using the bootstrapping method, and the results indicate a statistically significant indirect effect of 0.21 ($p < 0.01$) from financial literacy to risk tolerance through perceived trust. The direct effect of financial literacy on risk tolerance remains significant at 0.40, confirming partial mediation. This implies that financial literacy not only directly influences an investor's risk-taking disposition but also does so indirectly by fostering a sense of trust in financial institutions and systems. Thus, the presence of perceived trust enhances the strength of this relationship and acts as a vital affective channel linking cognitive knowledge to psychological readiness for risk.

From a theoretical standpoint, this finding supports the cognitive-affective model of trust and is aligned with the affect-as-information theory (Schwarz & Clore, 1983), which postulates that emotional states like trust can shape judgment and decision-making under uncertainty. Financially literate individuals are more likely to perceive financial platforms and advisors as credible and reliable, reducing ambiguity in financial decision-making. This reduces perceived transactional risk, making them more comfortable engaging with uncertain or volatile financial products like mutual funds. Thus, trust operates as an emotional filter through which the knowledge acquired via financial literacy is converted into action-oriented risk tolerance.

Practically, this finding emphasizes that mutual fund institutions and policymakers should prioritize trust-building alongside financial literacy. While educational initiatives help investors understand financial concepts, trust-oriented strategies such as transparent disclosures, ethical governance, investor protection mechanisms, and responsive customer service are equally vital. Particularly in a diverse and heterogeneous market like Kerala, where cultural and informational asymmetries exist, emotional assurance through trust can catalyze behavioural change among

conservative or new investors, resulting in broader participation and deeper risk engagement in capital markets.

MD.H12: Perceived Value Mediates the Relationship Between Financial Literacy and Risk Tolerance

In testing the hypothesis MD.H12, the mediation model revealed a significant indirect effect of 0.09 ($p < 0.05$) from financial literacy to risk tolerance through perceived value. Like the previous mediation, this relationship also reflects partial mediation, as the direct effect of financial literacy on risk tolerance remains statistically significant at 0.40. This indicates that investors who are financially literate tend to perceive greater utility, benefits, and returns from mutual fund investments, which in turn elevates their willingness to engage with risk. However, financial literacy also independently influences risk tolerance, suggesting that perceived value is a complementary pathway rather than a sole determinant.

This finding aligns well with the information integration theory (Anderson, 1981), which posits that individuals derive judgments by integrating multiple information cues. In this context, financially literate investors are better equipped to process information related to fund performance, fees, tax advantages, and long-term value creation, thereby forming a stronger perception of investment value. When the perceived benefits outweigh the perceived risks, individuals exhibit a higher tolerance for volatility and uncertainty. Hence, perceived value acts as a cognitive bridge, transforming financial knowledge into rationally grounded confidence in risk-bearing.

From a managerial and policy perspective, the implication is clear: enhancing perceived value must be embedded in investor communication strategies. Fund managers and advisors should go beyond performance metrics to explain the holistic benefits of investing—such as inflation protection, goal-based returns, and diversification. Using visualization tools like future value calculators, risk-return trade-off charts, and personalized portfolio illustrations can help investors, especially those with modest financial literacy, to concretely assess value. Ultimately, a value-

focused approach can activate dormant investors and shift behaviour toward more proactive risk engagement, supporting the long-term vibrancy of the mutual fund ecosystem.

Practical Implications

From a practical standpoint, for mutual fund companies, these results emphasize the importance of educational outreach programs. Educating investors not only increases their understanding of financial instruments but also enhances their perception of value and trust in the product. For instance, when investors understand how mutual funds work, the cost-benefit ratio, and long-term potential, they are more likely to tolerate short-term risks. Hence, fund houses should invest in financial literacy campaigns that focus on both factual information and trust-building narratives such as transparency, historical performance, and ethical management.

For investors, particularly in a diverse financial ecosystem like Kerala, the findings suggest that financial literacy serves as a foundation for psychological readiness to take calculated risks. Enhanced perceived value reflects their belief in the worth of their investments, while perceived trust mirrors their confidence in the integrity and reliability of the fund provider. This dual mediation insight implies that merely being knowledgeable is not sufficient, trust and value perception act as motivational bridges to move from awareness to action in investment behaviour.

In conclusion, mutual fund trading platforms and regulatory authorities such as the Securities and Exchange Board of India (SEBI) can design integrated investor education models that embed emotional factors (like trust) and rational elements (like value perception) into their communication strategies. Doing so can improve market participation and reduce hesitation among new or conservative investors. For research and practice alike, these findings validate the multi-dimensional role of financial literacy, extending beyond knowledge into shaping critical investor traits like risk tolerance.

Table 8.11*Indexes of goodness of fit for use in evaluating the structural model*

Attributes	CMIN/DF	P-Value	GFI	AGFI	CFI	RMSEA
Study model	4.345	0.000	0.987	0.972	0.993	0.051
Recommended value	Acceptable fit [1-5]	Greater than 0.05	Greater than 0.9	Greater than 0.9	Greater than 0.9	Less than 0.08

The structural equation model developed to evaluate the moderated mediation effects demonstrates an overall acceptable and good fit based on key indices. The CMIN/DF value of 4.345 falls within the acceptable range (1–5), indicating a reasonable model complexity-to-fit ratio. Although the chi-square test yields a significant p-value (0.000), this is commonly observed in large sample sizes and does not alone indicate poor fit. The Goodness-of-Fit Index (GFI = 0.987), Adjusted Goodness-of-Fit Index (AGFI = 0.972), and Comparative Fit Index (CFI = 0.993) all exceed the recommended threshold of 0.90, suggesting excellent model fit. Additionally, the Root Mean Square Error of Approximation (RMSEA = 0.051) is well below the cutoff of 0.08, further supporting the model's adequacy. Collectively, these indices confirm that the model is suitable for examining the hypothesized moderated mediation relationships.

8.8 Highlights of the findings and Its Practical Significance

1. Financial Literacy as a Foundational Cognitive Enabler

The study strongly establishes financial literacy as a pivotal construct influencing key psychological and behavioural investment outcomes. Its direct effects on perceived trust ($\beta = 0.66$), perceived value ($\beta = 0.54$), and risk tolerance ($\beta = 0.40$) are statistically significant and practically meaningful. These findings confirm that individuals equipped with financial knowledge are more confident in engaging with mutual fund systems, appreciate investment value propositions more accurately, and are psychologically prepared to accept investment-related risks.

Practical relevance: This underscores the need for mutual fund houses and regulatory authorities to invest in well-structured financial education campaigns. Customizing these programs by investor segment (e.g., age, income level, or risk profile) could maximize impact and deepen market penetration.

2. Mediated Pathways Strengthen Investor Risk Behaviour

The mediation analysis reveals that the relationship between financial literacy and risk tolerance is partially mediated through perceived value (indirect effect = 0.09) and perceived trust (indirect effect = 0.21). These findings highlight that financial literacy not only acts directly but also indirectly fosters risk-taking behaviour by influencing how investors assess value and trustworthiness in mutual fund systems.

Practical implication: Educators and fund managers must simultaneously work on boosting both informational content (value orientation) and emotional assurances (trust-building) in investor communication. Emotional cues, like brand reputation, ethical transparency, and customer testimonials, should complement fact-based education for improved behavioural outcomes.

3. Risk Tolerance as a Psychological Pivot for Behavioural Engagement

Risk tolerance, shaped by both cognitive (literacy) and affective (value and trust) drivers, plays a central role in advancing investor behaviour. It significantly predicts investor involvement ($\beta = 0.37$), which in turn enhances investment performance ($\beta = 0.41$). The ripple effect further extends to increased re-investment intentions ($\beta = 0.34$) and peer recommendation ($\beta = 0.31$), confirming the psychological-behavioural continuum hypothesized in the model.

Practical implication: Mutual fund platforms can adopt dynamic risk profiling tools that integrate behavioural insights with real-time data, allowing for adaptive engagement strategies that foster higher involvement, performance, and retention.

4. Post-Investment Behaviour as a Ripple Outcome

Investment performance positively influences both re-investment decisions ($\beta = 0.34$) and recommendation intentions ($\beta = 0.31$), while re-investment itself enhances recommendation likelihood ($\beta = 0.39$). This demonstrates a virtuous cycle—when performance meets or exceeds expectations, it fuels behavioural loyalty and advocacy. Practical implication: Fund managers should create visibility around consistent performance outcomes and promote behavioural nudges like SIPs (Systematic Investment Plans) and loyalty incentives to foster re-investment and word-of-mouth promotion.

5. Practical Use of R-Square Insights

R-square values revealed varying degrees of explanatory power, with the strongest being in perceived trust ($R^2 = 0.44$) and risk tolerance ($R^2 = 0.48$), while variables such as involvement ($R^2 = 0.14$) and re-investment decisions ($R^2 = 0.12$) showed lower variance explanation.

6. Policy and Educational Recommendations

The findings suggest that improving financial literacy is not just about disseminating knowledge, but about shaping investors' psychological readiness and emotional confidence to participate in the financial market. This supports a multi-level intervention approach:

- ***Micro-level:*** Design investor dashboards that display personalized value metrics and historical performance to boost perceived value.
- ***Meso-level:*** Develop trust-based narratives in investor campaigns that highlight transparency, ethical fund management, and client success stories.
- ***Macro-level:*** Integrate financial literacy into state curricula and public awareness programs, especially in financially diverse regions like Kerala.

7. Theoretical Contribution and Research Utility

This study reinforces existing behavioural finance theories (e.g., Theory of Planned Behaviour, Cognitive Trust Model, Prospect Theory) while offering empirical support for newer conceptual linkages between financial literacy and post-investment behaviours. It validates a comprehensive structural framework for investor behaviour in emerging markets.

8. Implication for further research: Future studies can expand this model by testing additional mediators (e.g., financial self-efficacy, emotional intelligence) or moderators (e.g., digital literacy, financial stress) across different demographic and geographic contexts.

Table 8.12

Summary of the results of path hypotheses testing model.

Sl. NO.	Hypotheses	Results
SM.H1	Financial literacy has a positive effect on perceived trust.	<i>Supported</i>
SM.H2	Financial literacy has a positive effect on perceived value.	<i>Supported</i>
SM.H3	Financial literacy has a positive effect on risk tolerance.	<i>Supported</i>
SM.H4	Perceived trust has a positive effect on risk tolerance.	<i>Supported</i>
SM.H5	Perceived value has a positive effect on risk tolerance.	<i>Supported</i>
SM.H6	Risk tolerance has a positive effect on involvement.	<i>Supported</i>
SM.H7	Involvement has a positive effect on investment performance.	<i>Supported</i>
SM.H8	Investment performance has a positive effect on re-investment decisions.	<i>Supported</i>
SM.H9	Investment performance has a positive effect on recommendation intention.	<i>Supported</i>

SI. NO.	Hypotheses	Results
SM.H10	Re-investment decisions have a positive effect on recommendation intention.	<i>Supported</i>
MD.H11	Perceived trust mediates in the relationship between financial literacy and risk tolerance	<i>Supported</i>
MD.H12	Perceived value mediates in the relationship between financial literacy and risk tolerance	<i>Supported</i>

8.9 Conclusions

The findings of this study confirm that financial literacy serves as a pivotal cognitive driver that significantly influences the psychological readiness of mutual fund investors in Kerala, particularly in terms of risk tolerance. Beyond its direct impact, the study uncovers two meaningful mediating pathways perceived trust and perceived value through which financial literacy indirectly enhances risk-taking behaviour. These mediators represent emotional and rational lenses, respectively, suggesting that effective financial decision-making is shaped by both affective assurance and cognitive assessment. The structural model also traces the behavioural ripple effects initiated by risk tolerance, leading to increased involvement, better perceived investment performance, and subsequent actions such as re-investment and recommendation intentions, thereby highlighting the cascading influence of early psychological variables on later investment behaviours.

From a practical standpoint, the chapter underscores the necessity for a multi-pronged approach to investor education and engagement. Financial service providers and policy-makers should not only disseminate financial knowledge but also build systems that enhance investor trust and communicate the tangible value of mutual fund products. Tools such as personalized financial dashboards, transparent reporting, and trust-building narratives can bridge the gap between knowledge and action.

Ultimately, these insights provide a foundation for designing more holistic investor engagement strategies, aligning cognitive empowerment with behavioural motivation to foster a more resilient and participatory investment ecosystem.

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Chapter 9

MODERATING EFFECT OF INVESTORS INVOLVEMENT ON THE EFFECT OF INVESTOR APPREHENSION, INVESTMENT PERFORMANCE AND RE-INVESTMENT DECISION

9.1	Introduction	355
9.2	Objective	355
9.3	Moderation Analysis: An Overview	356
9.4	Conclusion.....	364
	Reference.....	364

9.1 Introduction

Investment behaviour is a complex interplay of psychological perceptions, market responses, and decision-making patterns. Among these, investors' apprehension marked by uncertainty, fear of loss, and cognitive biases often plays a pivotal role in influencing both the performance of investments and subsequent reinvestment decisions. However, these relationships do not operate in isolation. They are influenced by various contextual and behavioural factors, of which investors' involvement defined by the extent of personal engagement, interest, and active participation in investment processes is increasingly recognized as a potential moderator. Highly involved investors may exhibit more rational and informed responses to apprehensive thoughts, whereas less involved investors might act more impulsively, affecting both performance outcomes and reinvestment behaviour differently.

This chapter aims to examine whether and how investors' involvement moderates the effect of investment apprehension on two key outcomes: investment performance and reinvestment decision-making. By doing so, the study provides insights into the nuanced behavioural mechanisms that operate in financial decision-making environments. Understanding this moderation effect is essential for financial advisors, investment analysts, and policymakers, as it can help in segmenting investors and developing tailored strategies that consider varying levels of involvement and psychological predispositions. Through empirical analysis, the chapter explores whether greater involvement can cushion the negative effects of apprehension or amplify the positive investment experiences that encourage reinvestment.

9.2 Objective

Objective VI: To extract the moderating effect of investors involvement on the effect of investors apprehension and investment performance and reinvestment decision.

9.3 Moderation analysis: An overview

A moderating variable is one that alters the strength or direction of the relationship between an independent variable and a dependent variable. In social science research, moderation refers to the presence of a third variable that influences how or when a particular effect occurs. The term "moderator" has been widely applied to capture the interaction effects that exist between predictors and outcomes, particularly in behavioural finance and psychological models of decision-making. As illustrated by Zainudin (2012), a moderator (denoted as M) in a causal relationship between X (independent variable) and Y (dependent variable) serves to adjust or condition the magnitude or direction of that causal link.

In the present study, Investors' Involvement functions as the moderating variable that potentially reshapes the effect of Investors' Apprehension (X) on two critical outcomes: Investment Performance and Reinvestment Decision (Y). That is, the strength of the relationship between apprehension and financial behaviour outcomes may vary depending on the level of investor involvement (M). Highly involved investors may be better equipped to process financial information, counteract emotional biases, and thus mitigate the adverse effects of apprehension on their investment outcomes. Conversely, for less involved investors, apprehension may translate into risk-averse behaviour or indecision, thereby negatively impacting both investment returns and future reinvestment choices. As such, this study posits Investors' Involvement as a key moderator in understanding differentiated behavioural investment responses in the face of psychological apprehension.

Table 9.1

Hypotheses formulation

Hypotheses No.	Hypotheses statements for moderation analysis
MOH.1	Investors apprehension has a positive effect on investment performance
MOH.2	Investors apprehension has a positive effect on re-investment decisions

Hypotheses No.	Hypotheses statements for moderation analysis
MOH.3	Involvement has a positive effect on investment performance
MOH.4	Involvement has a positive effect on re-investment decisions
MOH.5	Involvement has a moderating effect on the strength of the relationship between Investors apprehension and investment performance
MOH.6	Involvement has a moderating effect on the strength of the relationship between Investors apprehension and Re-investment decisions

Figure 9.1

Unstandardized Regression Coefficients-based Interaction Moderation Model

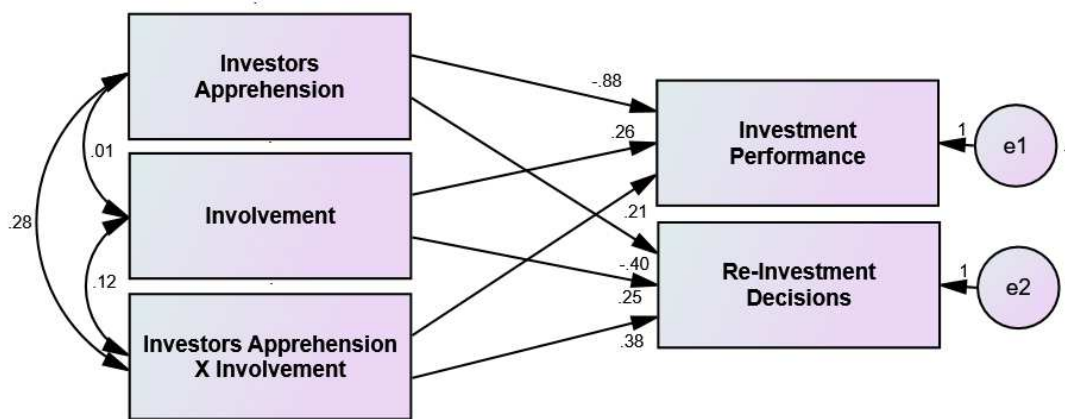


Table 9.2

Model fit indices for examining how independent variable X affects its dependent variable Y through a moderating variable W

Attributes	CMIN/DF	P-Value	GFI	AGFI	CFI	RMSEA
Study model	3.333	0.000	0.989	0.967	0.996	0.045
Recommended value	Acceptable fit [1-5]	Greater than 0.05	Greater than 0.9	Greater than 0.9	Greater than 0.9	Less than 0.08

The model fit indices suggest that the proposed moderation model, examining the effect of Investors Apprehension (X) on Investment Performance and Reinvestment

Decision (Y), moderated by Investors' Involvement (W), demonstrates an overall acceptable fit to the data. Specifically, the CMIN/DF value of 3.333 falls within the acceptable range of 1 to 5, indicating a reasonable level of model parsimony. The Goodness-of-Fit Index (GFI = 0.989), Adjusted GFI (AGFI = 0.967), Comparative Fit Index (CFI = 0.996), all exceed the recommended threshold of 0.9, confirming a very good fit between the hypothesized model and the observed data. The Root Mean Square Error of Approximation (RMSEA = 0.045) is well below the 0.08 cutoff, further supporting the model's adequacy. While the p-value associated with the chi-square test is 0.000, indicating a statistically significant difference between the observed and expected covariance matrices, this result is common in large samples and does not necessarily invalidate the model. In SEM, the chi-square test is highly sensitive to sample size, and even small model misspecifications can yield significant p-values. Therefore, model evaluation should rely on multiple fit indices, not solely the p-value. Given that all other indices meet or exceed recommended thresholds, the model is considered statistically robust and practically acceptable, despite the p-value violation.

Table 9.3

Summary of estimates of the moderation model

Construct	Path	Construct	Estimate	S.E	C. R	P-value
Investors Apprehension	→	Investment Performance	-0.88	0.042	12.77	<0.001**
Investors Apprehension	→	Re-investment Decisions	-0.40	0.29	7.65	<0.001**
Involvement	→	Investment Performance	0.26	0.034	4.62	<0.001**
Involvement	→	Re-investment Decisions	0.25	0.033	4.33	<0.001**
Investors Apprehension X Involvement	→	Investment Performance	0.21	0.031	4.11	<0.001**
Investors Apprehension X Involvement	→	Re-investment Decisions	0.38	0.029	5.77	<0.001**

** denotes 1% significance level

The structural model explores how Investors' Apprehension influences Investment Performance and Reinvestment Decisions, and how this relationship is moderated by Investors' Involvement. The direct path from apprehension to investment performance is significantly negative ($\beta = -0.88, p < 0.001$), indicating that greater apprehension considerably reduces investment returns. Similarly, apprehension also negatively impacts reinvestment decisions ($\beta = -0.40, p < 0.001$). On the other hand, involvement positively affects both outcomes investment performance ($\beta = 0.26, p < 0.001$) and reinvestment decisions ($\beta = 0.25, p < 0.001$) demonstrating that more involved investors tend to perform better and are more likely to reinvest.

The interaction term (Investors' Apprehension $\times$ Involvement) has a significant positive effect on both investment performance ($\beta = 0.21, p < 0.001$) and reinvestment decisions ($\beta = 0.38, p < 0.001$). These results provide strong evidence of a moderating effect, confirming that investor involvement buffers the negative influence of apprehension. This means that while apprehension alone would lower investment performance and discourage reinvestment, high involvement levels counteract these effects, allowing investors to maintain better outcomes. In essence, involvement serves as a protective mechanism, enabling investors to stay more rational and committed despite emotional or psychological uncertainties.

From a practical standpoint, the findings highlight the importance of encouraging deeper involvement among investors. Financial planners, fund managers, and investment platforms can design interactive tools, educational interventions, and personalized advisory services to increase investors' engagement with their portfolios. By doing so, even those prone to apprehension can be guided to make better investment choices. Particularly in volatile or uncertain markets, fostering involvement can lead to more stable financial behaviour, improved performance, and higher reinvestment rates ultimately benefiting both the individual investor and the broader investment ecosystem.

Table 9.4*Summary of moderation effect – I and II*

Construct names			Unstandardized Regression Coefficients		
Independent construct	Moderator	Dependent construct	Independent construct	Moderator	Interaction
Investors Apprehension	Involvement	Investment Performance	-0.88**	0.26**	0.21**
Investors Apprehension	Involvement	Re-investment Decisions	-0.40**	0.25**	0.38**

** denotes 1% significance level; NS denotes Not Significant

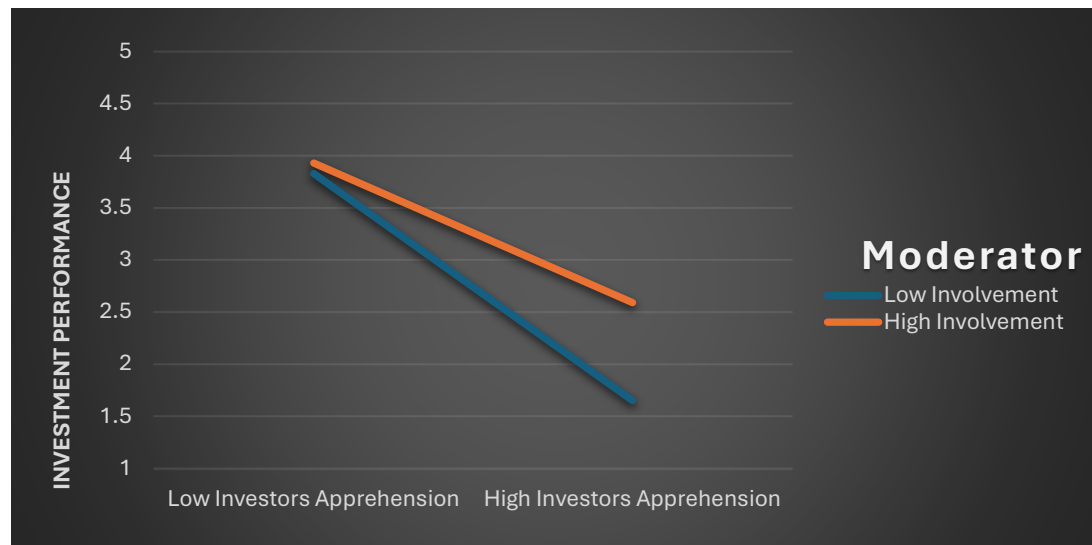
The moderation analysis examines how Investors' Involvement influences the strength and direction of the relationship between Investors' Apprehension (independent variable) and two dependent variables: Investment Performance and Reinvestment Decisions. For the first model, the negative unstandardized coefficient for Investors' Apprehension on Investment Performance (−0.88) indicates that higher apprehension significantly reduces investment returns. However, the positive and significant interaction term (0.21) confirms that involvement acts as a moderator: when involvement is high, the negative effect of apprehension is reduced. Similarly, in the second model predicting Reinvestment Decisions, apprehension again has a negative effect (−0.40), while involvement has a positive direct effect (0.25), and the interaction term is even stronger (0.38). This implies that investors who are more involved are less impacted by their apprehension and are more likely to reinvest.

These results provide meaningful insights for both investors and financial advisors. Investor involvement plays a critical role in mitigating the negative psychological effects of fear, uncertainty, and risk aversion. When investors are more engaged such as by actively tracking investments, seeking information, or consulting advisors they are better able to manage apprehension, leading to improved investment outcomes and greater willingness to reinvest. This has practical implications for financial institutions, which should design programs and tools to increase investor involvement such as digital dashboards, portfolio review sessions, and financial literacy initiatives.

By fostering involvement, institutions can help investors overcome emotional biases and make more confident, long-term investment decisions.

Figure 9.2

Simple slop test of two-way interaction effect for unstandardized variables for moderation effect– I



Interaction Effect 1: Investors' Apprehension × Involvement on Investment Performance

The first interaction graph illustrates how Investors' Involvement moderates the relationship between Investors' Apprehension and Investment Performance. The interaction term is statistically significant ($\beta = 0.21$, $p < 0.01$), indicating that the negative effect of apprehension on investment performance is weaker when investor involvement is high. Graphically, the slope of the line representing low involvement shows a steep negative decline—suggesting that in low involvement conditions, higher apprehension strongly reduces performance. In contrast, the slope under high involvement conditions is flatter, reflecting that even when apprehension is high, investment performance does not decline as sharply. This visual pattern confirms a buffering moderation effect, where involvement neutralizes some of the adverse outcomes associated with investment-related anxiety or uncertainty.

Interaction Effect 2: Investors' Apprehension × Involvement on Reinvestment Decisions

The second interaction graph demonstrates the moderating role of Investors' Involvement in the relationship between Investors' Apprehension and Reinvestment Decisions. The interaction effect here is even stronger ($\beta = 0.38$, $p < 0.01$), and the visual depiction shows two clearly diverging lines. For individuals with low involvement, the line shows a downward trajectory—indicating that greater apprehension leads to significantly reduced willingness to reinvest. However, for those with high involvement, the line shifts upward, suggesting that as apprehension increases, reinvestment decisions are less negatively impacted or even slightly enhanced. This pattern highlights a compensatory effect, where involvement not only mitigates the fear-driven withdrawal but also promotes continued engagement with financial activities. It reinforces the idea that investor involvement transforms apprehension into more constructive decision-making in the context of future investments.

Table 9.5

Summary of hypotheses testing

Hypotheses No.	Hypotheses statements for moderation analysis	Result
MOH.1	Investors apprehension has a positive effect on investment performance	<i>Supported</i>
MOH.2	Investors apprehension has a positive effect on re-investment decisions	<i>Supported</i>
MOH.3	Involvement has a positive effect on investment performance	<i>Supported</i>
MOH.4	Involvement has a positive effect on re-investment decisions	<i>Supported</i>
MOH.5	Involvement has a moderating effect on the strength of the relationship between Investors apprehension and investment performance	<i>Supported</i>
MOH.6	Involvement has a moderating effect on the strength of the relationship between Investors apprehension and Re-investment decisions	<i>Supported</i>

Discussion of moderation effect in the model

The findings from the moderation analysis provide robust evidence that Investors' Involvement plays a significant moderating role in shaping the relationship between Investors' Apprehension and two key financial behaviour outcomes: Investment Performance and Reinvestment Decisions. Across both models, apprehension consistently exhibits a negative direct effect, reflecting that higher levels of psychological discomfort or uncertainty tend to undermine both performance outcomes and the intention to reinvest. However, the presence of statistically significant and positive interaction terms clearly indicates that this adverse relationship is not uniform; rather, it varies depending on the degree of investor involvement.

Specifically, when involvement is high, the strength of the negative relationship between apprehension and outcomes is reduced, highlighting a buffering or compensatory mechanism. This implies that involvement characterized by proactive information seeking, personal engagement, and decision-making ownership empowers investors to manage their fears more effectively, resulting in better performance and a stronger inclination to reinvest. The graphical patterns support this interpretation: investors with low involvement experience sharp declines in performance and reinvestment when apprehension is high, while those with high involvement show flatter or even positive trends.

These insights have theoretical and practical implications. Theoretically, the results align with behavioural finance literature that emphasizes the role of cognitive and affective variables in shaping financial behaviour, particularly under uncertainty. Practically, the study highlights the critical importance of fostering investor involvement through educational initiatives, digital tools, and personalized financial advisory services. By encouraging greater engagement, financial institutions and policymakers can help investors better navigate psychological barriers and make more informed, confident, and consistent investment decisions. Thus, investor involvement not only enhances outcomes directly but also acts as a resilience factor against the

negative influence of apprehension, underscoring its strategic relevance in financial behaviour modelling.

9.4 Conclusion

The results of this chapter provide compelling evidence that investors' involvement plays a crucial moderating role in the relationship between investors' apprehension and their investment performance and reinvestment decisions. The analysis confirms that apprehension, when left unchecked, exerts a negative influence on financial behaviour, reducing both the efficiency of current investments and the likelihood of future reinvestments. However, the presence of high involvement significantly alters this dynamic, acting as a buffer that neutralizes or reduces the adverse impact of apprehension. The significant interaction effects and model fit indices together validate the robustness of the moderation model, revealing that investors who are more engaged in their investment activities are better positioned to overcome psychological resistance and perform better financially.

From a practical standpoint, these findings emphasize the importance of promoting active investor engagement as a strategic tool for mitigating emotional and behavioural barriers in investment decision-making. Financial institutions, advisors, and policy architects should prioritize the development of initiatives such as financial education programs, interactive platforms, and personalized advisory services that enhance investor involvement. Such efforts can empower even apprehensive investors to make rational, future-oriented decisions, thereby improving both individual financial outcomes and the broader stability of the investment ecosystem. Ultimately, the chapter underscores that involvement is not just a behavioural trait but a key enabler of resilience and performance in the face of uncertainty in the financial domain.

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Chapter 10

SUMMARY, FINDINGS AND CONCLUSION

10.1	Introduction	365
10.2	Summary	365
10.3	Major Findings of the Study	376
10.4	Conclusion	387

10.1 Introduction

This summary chapter gives an integrated account of the major themes, objectives, and analytical approaches explored in the study. It revisits the essential constructs, namely Investor Apprehension, Financial literacy, Perceived value, Trust, Involvement, Risk tolerance, Investment performance, and Reinvestment and Recommendation behaviour, forming the foundation of the research on Mutual fund investors in Kerala. By combining theoretical knowledge and empirical evidence, the chapter presents the interaction of the behavioural and cognitive determinants in shaping investor decisions. It also illustrates the methodological approaches that have been used, such as Structural Equation Modeling (SEM) and moderation analysis, to analyse complex relationships among the variables. This final synthesis is used to draw a link between research objectives and principal findings, and provide a coherent understanding of the evolution of investor behaviour in the context of the mutual fund landscape.

10.2 Summary

This study examines the complex mix of behavioural factors that affect the Mutual fund investment decision of investors in Kerala. It is premised on the understanding that not only does investment behaviour involve more than the conventional financial reasoning, but it is also heavily influenced by what the investors know, what they believe, what they feel, and the degree of involvement they have. The main objective is to analyse how Investor Apprehension and Financial literacy function in the behavioural context of investing in mutual funds in the state of Kerala. The research initially measures the patterns of financial literacy and Apprehension of mutual fund investors, recognizing that these building blocks influence how individuals view and interact with investment products. Further, the study examines important cognitive variables such as Perceived value, Perceived trust, Involvement, and Risk tolerance

that play critical roles in determining investment choices. By assessing these constructs, the research can provide insights into the way investors interpret the benefits, risks, and credibility of mutual fund schemes. Attention is also paid to Investment performance and behavioural inclinations, including decision biases, reinvestment propensities, and overall investment behaviour, in order to account for the role of psychological determinants in investment performance. A central focus of the research is to evaluate the role of investor apprehension in influencing mutual fund decision making. The next focus is on the role of financial literacy in facilitating psychological risk tolerance among investors through the mediators of Perceived value and Perceived trust. Structural Equation Modeling (SEM) is utilized to examine the direct, indirect, and sequential pathways linking financial literacy to behavioural and performance outcomes. This approach demonstrates that informed investors derive greater value and trust, which subsequently enhances their risk tolerance, performance, and behavioural competencies. Finally, the study assesses whether Investor involvement moderates the relationship between Investor Apprehension and two important investment outcomes: Investment performance and Reinvestment and Recommendation decisions. Moderation analysis is performed to understand if highly involved people lessen the negative effects of apprehension or if highly involved people have positive behaviour towards investment. Overall, the research offers an all-inclusive behavioural framework that explains how financial literacy, perceptions, trust, emotional responses, risk tolerance, and involvement together influence mutual fund investment choices in Kerala. The findings not only add to a better academic understanding but also have useful implications for policymakers, financial advisors, and asset management companies seeking to increase investor education, build trust, and encourage informed participation in mutual fund market

10.2.1 Statement of the problem

In recent years, Mutual funds have become one of the most popular investment vehicles in India, offering investors a way to gain diversification, professional management, and the potential for long-term creation of wealth. Despite the growing awareness and government-led financial inclusion initiatives, the penetration of

mutual funds in Kerala is still quite low compared to more developed financial markets. Many retail investors still have low involvement, a poor consistency of reinvestments, and a low intention to recommend mutual funds to others. This calls into question the sustainability of investor involvement and trust in the financial system. Existing literature on mutual fund investment has been based mostly on demographic factors or simple investment preferences. However, there is still a large gap in the understanding of the underlying behavioural and psychological constructs, such as investor apprehension, financial literacy, perceived value, perceived trust, and risk tolerance that influence investment performance and future behaviour, such as reinvestment and recommendation intention. Furthermore, Kerala is in a peculiar socio-economic situation, characterized by high literacy, heavy flows of remittances, and a cautious investment culture. Yet, there is scant empirical research based on a structural model to showcase the interrelationships between cognitive and affective factors that determine investment decisions in the states.

10.2.2 Significance of the study

This study is significant because it gives a better understanding of behavioural factors affecting investments in mutual funds among investors in Kerala. By looking at constructs such as investor apprehension, financial literacy, perceived trust, perceived value, and risk tolerance within a structural model, the research provides interesting insights into how these factors influence investor involvement, investment performance, and post-investment behaviours such as reinvestment and recommendation. The findings contribute to the growing field of behavioural finance and provide practical implications to make investors more aware, faithful, and long-term participants in mutual fund investments. This is particularly important in Kerala, which has high levels of financial literacy, but low mutual fund penetration levels, and engagement among investors remains limited.

10.2.3 Research questions

- What is the extent of financial literacy and investor apprehension among mutual fund investors in Kerala, and how do these levels differ across various socio-demographic groups?
- To what extent do mutual fund investors in Kerala exhibit perceived value, trust, involvement, and risk tolerance, and how do these levels vary with socio-demographic characteristics?
- What is the level of investment performance and behavioural inclinations (such as reinvestment and recommendation intentions) among mutual fund investors in Kerala, and how are these levels influenced by socio-demographic factors?
- How does financial literacy enable psychological risk tolerance through the mediating roles of perceived value and trust, and how does this pathway affect downstream outcomes such as investment performance and behavioural intentions among mutual fund investors?
- To what extent does investor involvement moderate the relationship between investor apprehension and key outcomes such as investment performance and reinvestment decisions in the mutual fund context?

10.2.4 Scope of the Study

The present study aims to analyse the behavioural facets of mutual fund investment decisions of retail investors in Kerala. It explores key constructs such as investor apprehension, financial literacy, perceived trust, perceived value, risk tolerance, investor involvement, investment performance, reinvestment decisions and recommendation intention. The scope involves the evaluation of the inter-relationship among these variables in the form of a structural model. The study is limited to investors who live in Kerala and does not include other investment instruments or regions. Data is gathered using a structured questionnaire, and the results are planned to bring in some insights for better participation of investors and influence positive investor behaviour in the state.

10.2.5 Research Objectives

1. To investigate the Apprehension and financial literacy of the Mutual Fund investors in Kerala
2. To examine the Investors' Perceived value, Trust, Involvement and Risk tolerance towards Mutual Fund investment
3. To investigate the Investment performance and Behavioural inclinations of Mutual Fund investors in Kerala.
4. To examine the enabling role of financial literacy in shaping investors' psychological Risk tolerance via Perceived value and Trust and its downstream effect on Investment performance and Behavioural inclinations
5. To extract the moderating effect of investors involvement on the effect of investors apprehension and investment performance and reinvestment decision

10.2.6 Research Hypotheses

Objective 1: To investigate the apprehension and financial literacy of the mutual fund investors in Kerala

H0: There is no significant difference between observed and assumed investor apprehension among the mutual fund investors in Kerala

H0: There is no significant difference between male and female investors with respect to their investor apprehension towards mutual fund investment

H0: There is no significant difference between married and unmarried investors with respect to their investor apprehension towards mutual fund investment

H0: There is no significant difference among various age groups of investors with respect to their apprehension towards mutual fund investment

H0: There is no significant difference among various educational qualifications of investors with respect to their apprehension towards mutual fund investment

H0: There is no significant difference among occupations of investors with respect to their apprehension towards mutual fund investment

H0: There is no significant difference among annual savings of investors with respect to their apprehension towards mutual fund investment

H0: There is no significant difference between observed and assumed financial literacy among the mutual fund investors in Kerala

H0: There is no significant difference between male and female investors with respect to their financial literacy towards mutual fund investment

H0: There is no significant difference between married and unmarried investors with respect to their financial literacy towards mutual fund investment

H0: There is no significant difference among age groups of investors with respect to their financial literacy towards mutual fund investment

H0: There is no significant difference among various educational backgrounds of investors with respect to their financial literacy towards mutual fund investment

H0: There is no significant difference among various occupations of investors with respect to their financial literacy towards mutual fund investment

H0: There is no significant difference among annual savings of investors with respect to their financial literacy towards mutual fund investment

Objective 2: To examine the investors' perceived value, trust, involvement and risk tolerance towards mutual fund investment

H0: There is no significant difference between male and female mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

H0: There is no significant difference among age of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

H0: There is no significant difference among the education of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

H0: There is no significant difference among monthly income of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

H0: There is no significant difference between the occupation of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

H0: There is no significant difference among annual savings of mutual fund investors with respect to their perceived value, trust, involvement and risk tolerance towards mutual fund investment

Objective 3: To investigate the investment performance and motivational inclinations of mutual fund investors in Kerala.

H0: There is no significant difference among the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant association between gender and the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant association between age and the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant association between education and the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant association between monthly income and the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant association between occupation and the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant association between annual savings and the levels of investment performance of mutual fund investors in Kerala

H0: There is no significant difference between assumed and observed behavioural inclinations among mutual fund investors in Kerala

H0: There is no significant difference between behavioural inclinations of male and female mutual fund investors in Kerala

H0: There is no significant difference between behavioural inclinations and age of mutual fund investors in Kerala

H0: There is no significant difference between behavioural inclinations and education of mutual fund investors in Kerala

H0: There is no significant difference between behavioural inclinations and monthly income of mutual fund investors in Kerala

H0: There is no significant difference between behavioural inclinations and occupation of mutual fund investors in Kerala

H0: There is no significant difference between behavioural inclinations and annual savings of mutual fund investors in Kerala

Objective 4: To examine the enabling role of financial literacy in shaping investors' psychological risk tolerance via perceived value and trust and its downstream effect on investment performance and behavioural inclinations

H0: Financial literacy has a positive effect on perceived trust.

H0: Financial literacy has a positive effect on perceived value.

H0: Financial literacy has a positive effect on risk tolerance

H0: Perceived trust has a positive effect on risk tolerance

H0: Perceived value has a positive effect on risk tolerance.

H0: Risk tolerance has a positive effect on involvement

H0: Involvement has a positive effect on investment performance

H0: Investment performance has a positive effect on re-investment decisions

H0: Investment performance has a positive effect on recommendation intention

H0: Re-investment decisions have a positive effect on recommendation intention.

H0: Perceived trust mediates in the relationship between financial literacy and risk tolerance

H0: Perceived value mediates in the relationship between financial literacy and risk tolerance

Objective 5: To extract the moderating effect of investor's involvement on the effect of investor's apprehension and investment performance and reinvestment decision

H0: Investors apprehension has a positive effect on investment performance

H0: Investors apprehension has a positive effect on re-investment decisions

H0: Involvement has a positive effect on investment performance

H0: Involvement has a positive effect on re-investment decisions

H0: Involvement has a moderating effect on the strength of the relationship between Investors apprehension and investment performance

H0: Involvement has a moderating effect on the strength of the relationship between Investors apprehension and Re-investment decisions

10.2.7 Research Methodology

The Research design of the study is descriptive and analytical. The population under research consists of Mutual Fund investors in the state of Kerala. The sample districts selected are Thiruvananthapuram, Kollam, Ernakulam, Thrissur, Kozhikode and Kannur. A Multistage Stratified random sampling technique was used for sample selection. The sample size of the study consists of 502 Mutual fund investors. The

study used primary data. The study gathered primary data using a structured questionnaire. Statistical and mathematical methods were used for the examination of primary data. The data were analyzed by using percentages, descriptive statistics, Levene's Test of Homogeneity of Variance, One-way ANOVA, Tukey HSD Post-hoc Test for Multiple Comparisons, Independent Sample t Test, Confirmatory Factor Analysis and Structural Equation Modelling. Software packages such as IBM SPSS 26.0 and AMOS 23.0 were used for analyzing primary data.

10.2.8 Summary of Chapters

The first chapter explains the Background of the study and it consists of Significance of the study, Statement of the problem, Scope of the study, Research questions, Objectives of the study, Research hypotheses, Research Methodology, Statistical Software Packages and tools for Data analysis and Interpretation, Operational definitions and Measurement scales, Conceptual model, Limitations of the study and Chapter scheme.

The second chapter includes a Review of the related literature of each objective and also discusses the research gap in detail. The literatures were collected based on the themes such as Investors apprehensions, financial literacy, Perceived value, Perceived trust, Involvement, Risk tolerance, Investment performance and Re-investments decisions of the Mutual Fund investors,

The third chapter deals with the introduction of Mutual Funds, Concept of mutual funds, Various definitions, Advantages and Disadvantages of Mutual funds, Evolution of Mutual Funds in India, Growth aspects in Mutual fund industry, Structure of MFs in India, Classification of MFs in India, Mechanism of Investment Pattern in Mutual Funds, SEBI regulations regarding Mutual funds, Role of AMFI, Objectives of AMFI.

The fourth chapter includes an elaborate explanation of Investor Apprehension and its influence on Mutual Fund investment decisions. This segment also explains the various Behavioural determinants such as financial literacy, Perceived value, Perceived trust, Involvement, Risk tolerance, Investment performance and

Reinvestment decisions of the Mutual Fund investors in Kerala. The supporting theories for each of these constructs are also dealt with.

The fifth chapter explores the key factors shaping the Behaviour of Mutual Fund investors in Kerala, with particular emphasis on the Apprehensions they face during the investment decision-making process and financial literacy levels.

The sixth chapter examines the fundamental constructs that shape investors' attitudes toward Mutual Fund investments, with a specific focus on Perceived value, Trust, Involvement, and Risk tolerance. Employing both descriptive and inferential statistical methods, the study offers a comprehensive analysis of these constructs and how they vary across different socio-demographic groups.

The seventh chapter seeks to examine the Investment Performance and Behavioural Inclinations of Mutual Fund investors in Kerala. Behavioural Inclinations include Recommendation intention and Reinvestment decisions.

The eighth chapter uncovers two meaningful mediating pathways, Perceived Trust and Perceived value, through which financial literacy indirectly influences risk-taking behaviour. These mediators represent emotional and rational lenses, respectively, suggesting that effective financial decision-making is shaped by both affective assurance and cognitive assessment.

The ninth chapter investigates the Moderating role of Investor Involvement in the relationship between Investor Apprehension and two critical outcomes: Investment performance and Reinvestment decision-making. Through this analysis, the study proposes valuable insights into the complex behavioural dynamics that influence financial decision-making.

In chapter ten, the summary, Significance of the study, Statement of the problem, Scope of the study, Research questions, Objectives of the study, Research hypotheses, Research Methodology, and Summary of chapters, Major findings and Conclusions are presented.

The eleventh chapter consists of Recommendations, Implications of the study and the Scope for further research.

1. Profile of sample respondents
2. Investor Apprehensions and Financial literacy of mutual fund investors in Kerala
3. Investors' Perceived value, Trust, Involvement, and Risk tolerance towards the Mutual Fund
4. Investment performance and Behavioural Inclinations of Mutual Fund investors in Kerala
5. The enabling role of financial literacy in shaping investors' psychological risk tolerance via perceived value and trust, and its downstream effect on investment performance and behavioural inclinations
6. Moderating effect of Investors Involvement on the effect of Investors Apprehension and Investment Performance and Re-investment decision

10.3.1 Profile of Sample Respondents

1. In terms of gender distribution, male respondents dominate the sample, comprising 368 individuals (73.3%), which is the highest frequency under this category. On the other hand, female respondents account for 134 (26.7%), representing the lowest frequency in gender classification.
2. The age distribution of mutual fund investors in Kerala reveals that the largest number of respondents falls in the 20 to 30 years category, with 180 individuals (35.9%), making it the highest frequency group. This is followed by the 31 to 40 years group with 158 Respondents (31.5%), and the 41 to 50 years group with 92 respondents (18.3%). The smallest group, with the lowest frequency, consists of 72 individuals (14.3%) who are above 50 years of age.
3. When classified based on educational qualifications, the highest number of respondents are those with undergraduate degrees, totalling 206 individuals (41.0%). This is closely followed by 204 postgraduates (40.6%), while the lowest

frequency is observed among respondents with professional qualifications, numbering 92 individuals (18.3%).

4. In terms of monthly income, the ₹50,001 to ₹75,000 income group has the highest number of investors, with 168 respondents (33.5%). This is followed by those earning ₹25,001 to ₹50,000 (128; 25.5%), and up to ₹25,000 (126; 25.1%). The lowest frequency is seen in the above ₹75,000 category, comprising 80 respondents (15.9%).
5. With respect to marital status, unmarried respondents form the majority, with 318 individuals (63.3%), marking the highest frequency in this category. In contrast, married respondents are fewer, totalling 184 individuals (36.7%), and represent the lowest frequency group.
6. The occupational profile shows that private employees form the largest category of mutual fund investors, with 220 individuals (43.8%), making it the highest frequency. This is followed by others (88; 17.5%), government employees (72; 14.3%), businesspersons (66; 13.1%), and the smallest group being professionals, with 56 respondents (11.2%), thus recording the lowest frequency.
7. Regarding annual savings, 192 respondents (38.2%) save less than ₹50,000, representing the highest frequency. The next highest group includes 176 individuals (35.1%) who save above ₹1,00,000 annually. The lowest frequency is found in the group that saves between ₹50,000 and ₹1,00,000, with 134 respondents (26.7%).

10.3.2 Investors Apprehension and Financial Literacy of Mutual Fund Investors in Kerala

1. Mutual fund investors in Kerala experience a noticeably higher level of apprehension or concern regarding their investments than was expected. This heightened apprehension could stem from factors such as market volatility, lack of transparency, limited financial knowledge, or previous negative experiences.

2. Gender does not play a significant role in influencing Investors' Apprehension levels towards mutual fund investments in Kerala. Both male and female investors seem to share similar levels of concern or hesitation, possibly due to shared exposure to market risks, financial awareness levels, or socio-economic factors influencing investment decisions.
3. Marital status does not significantly influence Investor Apprehension regarding Mutual Fund investments. Both married and unmarried individuals appear to express similar concerns or levels of uncertainty, which might be shaped more by common financial challenges, risk perceptions, or investment literacy rather than their personal or family status. Hence, interventions to reduce investment apprehension can be designed uniformly without needing to distinguish based on marital status.
4. Age plays an important role in influencing Investors' Apprehension toward Mutual Fund investments. Younger investors experience more fear, uncertainty, or lack of confidence regarding mutual fund investments. In contrast, older investors have greater exposure to financial products, a longer track record of managing investments, or a more composed attitude towards market fluctuations.
5. Investors' level of education does not significantly influence their level of apprehension toward Mutual Fund investment. This means that individuals, regardless of whether they hold a graduation degree, a postgraduate qualification, or a professional certification, tend to share similar concerns, doubts, or hesitations about investing in mutual funds.
6. Investor Apprehension is generally consistent across different occupational backgrounds. Regardless of whether an individual is employed in the government or private sector, owns a business, works as a professional, or falls into other job categories, their level of concern or hesitation toward mutual fund investment tends to be similar.
7. Investors' levels of Apprehension toward Mutual Fund investments are generally unaffected by how much they save annually. Whether an individual saves a small

or large amount does not significantly change their overall concern or hesitation about mutual funds.

8. Mutual Fund investors in Kerala generally possess above-average financial literacy. Mutual fund investors in Kerala not only understand key financial concepts but also maintain a positive outlook toward financial planning and exhibit responsible financial behaviours, such as saving and goal-setting
9. Both male and female investors in Kerala show comparable levels of financial literacy when it comes to understanding, applying, and managing their mutual fund investments.
10. There is no significant difference between married and unmarried investors in terms of financial literacy, which is partially rejected, as a significant difference exists only in the knowledge component.
11. There is no significant difference among age group investors with respect to their financial literacy. Investors of all age groups, young, middle-aged, or senior, show a fairly consistent level of understanding, skill, and behaviour when it comes to Mutual Fund investments.
12. The null hypothesis, that there is no significant difference in the financial literacy of investors across educational backgrounds, is accepted. Investors' level of formal education does not create a major difference in how financially literate they are when it comes to mutual funds. Whether someone has a graduate, postgraduate, or professional qualification, their understanding, behaviour, and approach toward mutual fund investments remain fairly similar.
13. Financial knowledge and financial skills do show statistically significant differences among various occupations. It indicates that what people do for a living does have an influence on their financial understanding and application, particularly when it comes to knowledge and skills. However, attitude and behaviour are not statistically significant, indicating no meaningful differences in those dimensions across occupational groups.

14. Business people are more financially informed and practically skilled when it comes to Mutual Fund investments compared to both professionals and government employees.
15. A significant difference exists in Financial Knowledge and Skill dimensions and their annual savings. That means the level of annual savings is meaningfully associated with the investors' knowledge and skill component of financial literacy. This suggests that individuals who save more annually may have better financial understanding and analytical skills relevant to mutual fund investment.
16. There is no statistically significant variation in Financial Attitude and Financial behaviour with respect to annual savings. That means their risk tolerance, confidence, frequency of investment, etc., do not differ significantly based on how much they save. Therefore, improving knowledge and skills could potentially enhance saving levels, attitude and behaviour might be influenced more by other factors like personality, past experiences, or external financial guidance.

10.3.3 Investors' Perceived Value, Trust, Involvement, Risk Tolerance towards the Mutual Fund

1. The four constructs Perceived value, Perceived trust, Risk tolerance and Involvement show statistically significant positive mean differences from the test value. This suggests that Mutual Fund investors in the study hold favourable attitudes on all four dimensions, with perceived value being the most influential and involvement being the least.
2. There is no significant gender difference in perceived value and involvement towards Mutual fund investment. However, Perceived trust and Risk tolerance show statistically significant differences, with males reporting higher levels in both constructs compared to females.
3. There is a significant age-wise difference in how investors perceive the value of Mutual Funds. Investors above 50 years have the highest mean score (4.03). This suggests that older investors perceive more value in mutual fund investments than younger investors.

4. There is no significant age-related difference among Perceived Trust, Involvement, and Risk Tolerance. The mean scores are fairly consistent, ranging from 3.70 to 3.82, indicating that trust in mutual funds is relatively uniform across age segments
5. Education level does not significantly influence how investors perceive the value of mutual funds, the trust they place in them, their level of involvement, or their risk tolerance. Investors from graduation, postgraduation, and professional qualification backgrounds display uniform perceptions regarding mutual fund investment.
6. There is a significant relationship between monthly income and level of involvement in Mutual Fund investments. Investors earning ₹75,001 to ₹1,00,000 reported the lowest involvement, while those in the ₹25,001 to ₹50,000 range reported the highest involvement. For Perceived Value, Trust, and Risk Tolerance, the null hypothesis is accepted, meaning income does not significantly influence these perceptions.
7. There is a significant difference in Perceived value across occupational groups. Government employees report the highest perceived value (mean = 3.98), while business persons report the lowest (mean = 3.67).
8. A highly significant difference exists across occupational groups in terms of trust. Trust is highest among government and private sector employees and lowest among business people. It indicates business-class investors may have lower confidence in mutual funds compared to salaried individuals.
9. A statistically significant variation is found in investors' Involvement across different occupations. Professionals show the highest Involvement, while government employees and business people report lower levels. This indicates that professionals are more engaged in Mutual fund-related decisions and processes.
10. There is no significant difference in Risk tolerance across occupations. Risk tolerance levels are fairly consistent, ranging from 3.58 to 3.78, regardless of job type.

11. Annual savings have a significant impact on how mutual fund investors perceive value, trust the system, involve themselves in decision-making, and tolerate risk.
12. Investors with savings above ₹1,00,000 have the highest Perceived value (mean = 3.94), while those with less than ₹50,000 have the lowest (mean = 3.76). This indicates that higher savers tend to value mutual fund investments more.
13. Trust increases with savings from 3.61 (low savers) to 3.84 (high savers). It suggests that trust in mutual funds is positively correlated with savings capacity.
14. Involvement is lowest among those saving less than ₹50,000 (mean = 3.07) and highest among those saving above ₹1,00,000 (mean = 3.32). It indicates that higher annual savers are more actively involved in investment decisions.
15. Risk tolerance increases with savings. This implies that investors with higher annual savings are more open to taking investment risks.

10.3.4 Investment Performance and Behaviour Inclinations of Mutual Fund Investors in Kerala

1. A statistically significant difference exists among the levels of Investment performance of Mutual Fund investors in Kerala.
2. No statistically significant association exists between gender and the levels of Investment performance among Mutual Fund investors in Kerala. Both male and female investors perform similarly in mutual fund investments.
3. There is a significant association between age and levels of Investment performance among Mutual Fund investors in Kerala. Younger investors between the age group 20–30 have the lowest proportion of high performers (42.2%) and the highest proportion of moderate performers (24.4%). Older investors above 50 show better performance, with (58.3%) in the high-performance category and the lowest share (22.2%) in the low-performance category.
4. No significant association exists between educational qualification and levels of Investment performance among Mutual fund investors in Kerala. Investment

performance is consistent across educational levels, suggesting that even individuals with basic graduation or professional degrees perform similarly in mutual funds. Financial literacy, experience, or access to financial advice may have greater influence than formal education in determining investment outcomes.

5. No statistically significant association exists between monthly income and levels of Investment performance among mutual fund investors in Kerala. Investment performance is broadly uniform across income groups, implying that factors other than monthly income (such as financial literacy, investment behaviour, or risk management skills) may play a more important role.
6. There is no significant association between occupation and levels of Investment performance among mutual fund investors in Kerala. Despite some variation in investment performance among occupational groups (e.g., higher performance among government employees and "others"), the differences are not statistically significant. Therefore, occupation does not play a determining role in influencing investment performance.
7. There is a significant difference between the assumed (neutral) and actual behavioural inclinations of mutual fund investors in Kerala. Investors exhibit stronger-than-expected behavioural inclinations, especially in terms of Recommendation Intention and Re-investment Decision. The findings indicate that mutual fund investors in Kerala are highly likely to recommend mutual funds to others and are inclined to reinvest. This reflects a high level of satisfaction and trust, and positive reinforcement of investment behaviour.
8. There is no significant difference between the behavioural inclinations (i.e., re-investment decision and recommendation intention) of male and female Mutual fund investors in Kerala. Gender does not influence motivational tendencies toward reinvesting in mutual funds or recommending them to others.

9. There is no significant difference between the age and behaviour inclinations of Mutual Fund investors in Kerala. Behaviour inclinations toward mutual fund investing including the decision to reinvest and to recommend appear to be consistent across different age groups.
10. No statistically significant difference exists in behaviour inclinations (re-investment decision and recommendation intention) based on education level. Mutual fund investors across all educational backgrounds (graduates, postgraduates, and professionals) show similar levels of motivation to reinvest and recommend mutual funds. Educational qualification does not influence motivational behaviour toward mutual fund investments.
11. There is a significant difference in reinvestment motivation based on monthly income. Investors earning above ₹1,00,000 per month demonstrate notably stronger re-investment motivation compared to those earning slightly less. However, recommendation intentions do not differ significantly across income groups, indicating a consistently positive attitude toward recommending mutual funds, regardless of income.
12. There is a significant difference in behaviour inclinations (re-investment decision and recommendation intention) based on the occupation of Mutual fund investors in Kerala. Professional investors show the highest re-investment motivation while business investors show the lowest. For recommendation intention, business professionals again score the lowest, while government employees score the highest. Professionals, government, and private employees are more positively inclined.
13. A statistically significant difference exists in reinvestment motivation based on annual savings. Investors with higher annual savings above ₹100000 show greater motivation to reinvest in Mutual funds. Stronger intention to recommend Mutual fund products to others. Conversely, those with savings below ₹50,000 are less inclined to reinvest or recommend

14. Investors with higher annual savings greater than ₹1 lakh are significantly more inclined to reinvest in Mutual Funds compared to those with less than ₹50,000 in annual savings. Significant motivational differences exist only between the lowest and highest saving groups. The results show a clear upward trend in motivation (both re-investment and recommendation) with increasing annual savings.

10.3.5 To examine the enabling role of Financial Literacy in shaping Investors Psychological Risk Tolerance Via Perceived Value and Trust and its downstream effect on Investment Performance and Behavioural inclinations

The following findings are developed through CB-SEM analysis.

1. The analysis reveals a strong and statistically significant effect of financial literacy on Perceived trust. This indicates that as the level of financial literacy increases, the level of trust investors place in Mutual fund systems and services also increases considerably
2. The result indicates that financially literate investors perceive greater value in Mutual fund offerings. Financial literacy helps them comprehend the costs, benefits, and utility of investment products, resulting in stronger value perceptions.
3. The results indicate that more literate investors are better equipped to tolerate market risks because they understand the long-term nature of investments and the probabilistic nature of returns.
4. The factor trust in Mutual fund providers and systems encourages investors to accept a greater degree of risk. This supports the role of trust as a psychological facilitator in investment decision-making.

5. It shows that higher Perceived value leads to greater risk tolerance. Investors are more likely to accept risk when they feel that the expected benefit or value of the product justifies it.
6. The significant path coefficient indicates that risk-tolerant investors are more involved in monitoring and managing their investments. Risk tolerance, therefore, acts as a precursor to deeper engagement.
7. The results show that greater involvement positively affects Investment performance, suggesting that actively engaged investors make more informed and timely decisions, leading to better returns.
8. The positive and significant path indicates that favourable Investment performance encourages investors to make repeat investments. Performance acts as both validation and motivation.
9. The results show that good investment outcomes encourage investors to recommend mutual funds to others. Positive experiences translate into advocacy behaviour, which can benefit fund houses via word-of-mouth.
10. Perceived Trust mediates the relationship Between Financial Literacy and Risk Tolerance. Financial literacy not only directly influences an investor's risk-taking disposition but also does so indirectly by fostering a sense of trust in financial institutions and systems. Thus, the presence of perceived trust enhances the strength of this relationship and acts as a vital affective channel linking cognitive knowledge to psychological readiness for risk.
11. Perceived Value mediates the relationship between Financial Literacy and Risk Tolerance. This indicates that investors who are financially literate tend to perceive greater utility, benefits, and returns from Mutual fund investments, which in turn elevates their willingness to engage with risk. However, Financial literacy also independently influences risk tolerance, suggesting that perceived value is a complementary pathway rather than a sole determinant.

10.3.6 Moderating effect of Investors Involvement on the Effect of Investors Apprehension and Investment Performance and Re-Investment Decision

1. The moderation analysis reveals the moderating effect of Investors' Involvement in the relationship between Apprehension and Investment Performance/Reinvestment Decision demonstrates a strong overall fit.
2. Investors' involvement plays a crucial moderating role in the relationship between investors' apprehension and their investment performance and reinvestment decisions.
3. Apprehension, when left unchecked, exerts a negative influence on financial behaviour, reducing both the efficiency of current investments and the likelihood of future reinvestments.
4. The presence of high involvement significantly alters this dynamic, acting as a buffer that neutralizes or reduces the adverse impact of apprehension.
5. Investors who are more engaged in their investment activities are better positioned to overcome psychological resistance and perform better financially. Involvement is not just a behavioural trait but a key enabler of resilience and performance in the face of uncertainty in the financial domain.

10.4 Conclusion

Mutual Funds are a large source of investment in this dynamic economic landscape. Financial literacy and cognitive determinants play a pivotal role in influencing mutual fund decisions of investors. Financial literacy has a positive impact on behavioural elements like perceived value, trust, involvement, apprehension and reinvestment decision. Highly literate investors indicate greater involvement and lesser apprehension, causing good investment performance and subsequent recommendation to others. Investor apprehension is a serious problem which has to be tackled wisely. Higher apprehension can lead to investment avoidance and resistance to reinvestment.

The study's findings reveal that financial literacy and investor involvement can moderate the negative effects of apprehension by increasing investors' confidence. It also enhances the likelihood of reinvestment and recommendations as investors are more emotionally and cognitively inclined with their investments. In short, we can conclude that financial literacy and cognitive determinants form the cornerstone of mutual fund investment behaviour. While financial literacy plays the role of enabler, cognitive factors shape the emotional, evaluative and behavioural responses that influence an individual's interest to invest, reinvest and recommend mutual funds.

Chapter 11

RECOMMENDATIONS, THEORETICAL IMPLICATIONS AND SCOPE FOR FUTURE RESEARCH

11.1	Introduction	389
11.2	Recommendations	389
11.3	Implications of the Study.....	391
11.4	Scope for Future Research	393

11.1 Introduction

This chapter summarises the final observations of the research by making practical suggestions, addressing the theoretical implications of the research findings, and addressing the scope for future research. Building on the empirical evidence and statistical results presented in the preceding chapters, this section translates the analytical results into concrete action strategies for mutual fund stakeholders - including policymakers, fund managers, financial advisors, and investors themselves. The recommendations are directed to improve the investor experience, decrease the psychological barriers (such as apprehension), improve financial literacy, and strengthen engagement and performance in mutual fund investments. The chapter also covers the contributions of the study to what is already known by locating the study's findings within the larger frameworks of behavioural finance, risk perception, and decision-making theories. Finally, acknowledging that no research is without its limitations, this chapter highlights potential areas for further exploration where more depth could be added to an understanding of the research, including emerging investor demographics, the role of technology, and emerging behavioural trends in financial decision making. In the process, it provides a basis for future scholarly research and ongoing enhancement of mutual fund investment practices.

11.2 Recommendations

To enhance the investor competence, financial institutions, AMCs, and SEBI need to enhance focused financial literacy programs for various age groups and income groups. Educational workshops, webinars, and mobile-based learning tools should make mutual fund concepts easy to understand in vernacular languages for better reach at the grassroots level. Incorporation of basic investment and mutual fund education into school and college curricula can foster early financial awareness and lifelong financial ability.

- **Overcoming Investor Apprehensions**

Fund managers and financial advisors must be aggressive about addressing issues pertaining to risk, complexity, transparency, and associated charges. Mutual fund platforms should provide simple and easily digestible summaries of fund strategies, risk profiles, performance, and fees. Incorporating behavioural techniques such as nudges can help overcome fear-based inertia, particularly for first-time or fearful investors.

- **Improving Perceived Value and Trust**

AMCs must take steps to prioritise consistent and transparent communication, including timely disclosures and real-time reporting. Sharing expert commentaries, investor testimonials, and positive success stories can improve perceived value and strengthen trust. Exhibiting consistent fund performance and clearly explaining risk–return trade-offs can further reinforce investors’ confidence in the system.

- **Fostering Positive Investment Performance Perceptions**

Frequent reviewing of performance, benchmark comparisons, and keeping track of the goal updated would help reassure investors about their returns and would remove the performance anxiety. Encouraging diversified portfolios can help to limit the impact of market volatility and provide a sense of confidence in the face of uncertainty.

- **Boosting Investor Involvement**

Usage of Interactive digital tools such as investment calculators, simulations, and comparative dashboards will foster an active engagement of investors. Personalized investor dashboards demonstrating fund performance, goal progress & reinvestment alerts can deepen involvement. The introduction of gamification elements, such as learning rewards or SIP achievement badges, can possibly help to maintain this continuous participation.

- **Strengthening Reinvestment and Recommendation Intentions**

Loyalty programs, reinvestment incentives, or referral benefits can help reinforce positive financial behaviour and encourage long-term engagement. Demonstrating the power of compounding and community benefits, sharing investment knowledge can improve reinvestment and recommendation intentions even further.

- **Demographic-Specific Strategies**

Older investors, especially those who are over 50 years of age, often look for stability and income generation. AMCs should introduce and sell conservative or income-oriented funds for this class. Since occupation and income levels affect the perception and behaviour of investment, engagement strategies should be tailored to these parts of the demographic to better meet relevance and learner resonance.

- **Utilizing Involvement as a Moderator**

Investor involvement should be leveraged as a behavioural tool to reduce the impact of apprehension. Higher levels of involvement tend to counteract fear and uncertainty. Encouraging goal-based investing, linking investments to personal life goals such as retirement, children's education, or home ownership, can naturally increase involvement and improve decision quality.

11.3 Implications of the Study

The results of this study have important implications for several different stakeholders, such as investors, mutual fund companies, financial advisors, regulators, and policymakers. By analyzing the behavioural and cognitive factors that affect investment decisions in mutual funds in Kerala, the study makes a contribution to the academic understanding as well as the practical decision-making concerning the mutual funds.

11.3.1 Theoretical Implications

This study enhances the body of behavioural finance literature by bringing together several theoretical frameworks in one single comprehensive model, including:

Behavioural Finance Theory, Value-Based Adoption Model (VAM), Prospect Theory, Elaboration Likelihood Model (ELM), Risk Perception Theory, Rational Choice Theory, and Theory of Planned Behaviour. The use of Structural Equation Modeling (SEM) illustrates the indirect pathways through which financial literacy has an impact on risk tolerance and performance in investments through perceived value and trust. Furthermore, the identification of investor involvement as a moderating variable moves current theory forward by demonstrating how cognitive engagement may change the effect of apprehension on performance in investment settings. This multidimensional perspective offers a more complex and rich explanation of investor behaviour in emerging markets.

11.3.2. Implication for Investors

The results of this study mean that financial literacy is important in order to minimise apprehension, increase risk tolerance, and improve investment performance. Investors are encouraged to actively seek financial education, have an understanding of risk-return trade-offs, and be more involved with investment decision-making. Increased involvement can help investors overcome fear-based behaviour and make more rational reinvestment and portfolio decisions. The findings highlight the relevance of investing strategies based on long-term investments, like SIPs, being linked to less apprehension and more stable behaviour.

11.3.4 Implications for Mutual Fund Companies & AMC's

For Asset Management Companies (AMCs), the study identifies the importance of moving beyond performance marketing and emphasizing building perceived value and trust. Transparent disclosures, simplified communication, and consistent investor engagement can alleviate apprehension and promote loyalty. As involvement moderates the effect of apprehension, AMCs should structure interactive digital platforms, goal-based dashboards, and educational content to engage investors at a deeper level. Customized communication strategies according to investor literacy and risk profiles can further lead to higher satisfaction and reinvestment intentions.

11.4 Scope for Future Research

While this study has provided meaningful insights into the behavioural dynamics, psychological constructs, and motivational inclinations of mutual fund investors in Kerala, several areas remain open for further exploration. Future research can expand and refine the current understanding in the following ways:

1. Geographic Expansion

The present study is restricted to the investors in Kerala. Future studies can use a comparative perspective across different states or regions in India, in order to examine cultural, economic, and regional differences in investment behaviour.

2. Longitudinal Analysis

A longitudinal study of investor behaviour over a period of time may offer more information about the progression of financial literacy, tolerance for risk, and decisions about reinvestment behaviour in response to market fluctuations and significant life events.

3. Impact of Digital Platforms

Given the rising popularity of digital investment platforms, future research could explore how fintech, robo-advisors, and mobile applications affect investor behaviour, trust, and engagement.

4. Role of Emotions and Behavioural Biases

While the present study focused on the issue of apprehension, trust, and perceived value, future studies could focus on behavioural biases like overconfidence, herding behaviour, mental accounting, and loss aversion, and their impacts on mutual fund investment decisions.

5. Gender-Specific Financial Behaviour

Although gender differences were studied, more in-depth qualitative research may uncover more subtle differences in gender-based investment motivations, confidence levels, and decision-making patterns.

6. Effect of Financial Crises and External Shocks

Future research could examine how economic shocks, such as pandemics or recessions, affect investor apprehension, risk tolerance, and reinvestment behaviour over time.

7. Personalised Interventions and Nudges

Experimental research might measure the apparent effectiveness of specific financial literacy programs, nudges, or behavioural interventions to improve investor outcomes.

8. Integration of Advanced Analytical Models

The application of machine learning or AI models may provide predictive information about investor behaviour, segmentation, or retention strategies.

9. Psychographic and Generational Studies

Future research could divide investors based on psychographic traits, such as personality and values, or generational cohorts, such as Gen Z, Millennials, and Gen X, to create age-specific engagement models.

10. Mutual Funds vs. Other Investment Avenues

Comparative studies of mutual fund investors and those who favour stocks, gold, cryptocurrencies, or real estate might provide some insights into cross-asset investment behaviour.

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APPENDIX

Appendix 1

QUESTIONNAIRE FOR MUTUAL FUND INVESTORS IN KERALA

Section – A: Declaration by the Researcher

I am Aswin Prakash (Research scholar Govt College Madappally). This questionnaire forms the basis for my PhD thesis on the topic "**Investor Apprehension and Behavioural Factors Influencing Mutual Fund Investments in Kerala**". The objective is to obtain authentic and credible insight about Investor apprehension and behavioural factors affecting mutual fund investment decision making in Kerala. Whatever the responses given here will be highly confidential and no part will be disclosed to anyone at any circumstance.

Thank you for your kind cooperation

Section – B: Socio-Demographic and Economic Profile of the Respondent

1. **Age (years):**

- (a) Up to 30 ☐
- (b) 31-40 years ☐
- (c) 41-50 years ☐
- (d) 51-60 years ☐
- (e) Above 60 years ☐

2. **Gender:**

- (a) Male ☐
- (b) Female ☐

3. **Education:**

- (a) Graduation ☐
- (b) Post graduation ☐
- (c) Professional degree ☐

4. **Monthly Income:**

- (a) Up to 25, 000 ☐
- (b) 25,001-50,000 ☐
- (c) 50,001-75,000 ☐
- (d) 75,001-1lakh ☐
- (e) 1 lakh and above ☐

5. **Marital status:**

- (a) Married ☐
- (b) Single ☐

6. **Occupation:**

- (a) Government employee ☐
- (b) Private sector employee ☐
- (c) Business ☐
- (d) Professional ☐
- (e) Others ☐

7. **Annual savings (Rs in approx.):**

- (a) Less than 50,000 ☐
- (b) 50, 001 to 1, 00,000 ☐
- (c) Above 1, 00,000 ☐

Section - C: Factors of Financial Literacy of Mutual Fund Investors in Kerala

(Give tick mark, wherever it is applicable)

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree
FLK 1	I am aware about various financial products and services.				
FLK 2	I have good knowledge about Mutual Fund House And their Mutual Fund offering				
FLK 3	I have the ability to identify and invest in Mutual Funds that can cater to my long-term financial objectives				
FLK 4	I have good knowledge about the range of services that are offered by different Mutual Funds on offer				

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree
FLK 5	I have adequate knowledge of Mutual Fund investments that can help in achieving my long-term financial objectives				
FLK 6	I have full knowledge about the difference between investing in Mutual Funds done either as direct Mutual Fund investment or as Regular Mutual fund Investment				
FNS 1	I can accurately predict the performance and future outcome of my mutual fund investments.				
FNS 2	I can define the following terms: mutual fund, stock, bond, diversification, and risk tolerance.				
FNS 3	I understand the difference between actively managed and passively managed mutual funds.				
FNS 4	I can read and understand a mutual fund prospectus.				
FNS 5	I am comfortable evaluating the fees and expenses of a mutual fund.				
FNS 6	I can assess the risk and return potential of different mutual funds.				
FNS 7	I know how to diversify my mutual fund portfolio.				
FNS 8	I can rebalance my mutual fund portfolio on a regular basis.				
FNS 9	I am familiar with the tax implications of mutual fund investments.				
FLA 1	I know that I am responsible and accountable as an investor in mutual fund investment				

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree
FLA 2	I believe that investing is an important part of financial planning.				
FLA 3	I am confident in my ability to make sound investment decisions.				
FLA 4	I am not afraid to take some risk in order to achieve my investment goals.				
FLA 5	I am patient and willing to invest for the long term.				
FLA 6	I am committed to educating myself about investing				
FLB 1	I study and analyze about mutual fund investment before taking investment decision making.				
FLB 2	I am comfortable with the level of risk associated with my mutual fund investments				
FLB 3	I am comfortable with the level of risk associated with my mutual fund investments				
FLB 4	I am comfortable with the level of risk associated with my mutual fund investments				
FLB 5	I am comfortable with the level of risk associated with my mutual fund investments				
FLB 6	I am comfortable with the level of risk associated with my mutual fund investments				

SECTION – D – INVESTMENT BEHAVIOUR**Investor apprehension****(Give tick mark, wherever it is applicable)**

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
INA 1	I experience some kind of apprehension when making decisions regarding investments in mutual funds.					
INA 2	I am concerned about the complex nature of mutual funds and their investment strategies.					
INA 3	I am worried about the potential risks associated with mutual fund investments, such as market fluctuations					
INA 4	I am apprehensive about the fees and charges involved in mutual fund investments.					
INA 4	I am hesitant to invest in mutual funds due to the lack of transparency and clear information provided by fund managers.					

Perceived Value (PEV)**(Give tick mark, wherever it is applicable)**

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
PEV 1	I feel that investing money in mutual funds is worthwhile.					
PEV 2	Mutual funds provide a convenient and accessible way to invest in a variety of assets.					

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
PEV 3	Mutual funds offer professional management of investment portfolios					
PEV 4	Mutual funds allow investors to diversify their investments and reduce risk					
PEV 5	Mutual funds provide investors with access to a wide range of investment options.					
PEV 6	Mutual funds are a good long-term investment strategy					
PEV 7	The fees associated with mutual funds are reasonable.					
PEV 8	Mutual funds provide investors with regular updates on their investment performance					

Perceived Trust (PET)

(Give tick mark, wherever it is applicable)

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
PET 1	My mutual fund investment experiences have given me a sense of trust.					
PET 2	I believe that mutual funds are a safe and secure way to invest my money.					
PET 3	I trust mutual fund managers to make sound investment decisions on my behalf.					
PET 4	I am comfortable with the fees charged by mutual funds.					

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
PET 5	I feel that mutual funds are transparent and provide me with accurate information about my investments.					
PET 6	I would recommend mutual funds to my friends and family.					

Involvement (INV)

(Give tick mark, wherever it is applicable)

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
INV 1	I am highly involved in mutual fund investment process					
INV 2	I actively seek out information about mutual funds.					
INV 3	I regularly read mutual fund prospectuses and other investment materials.					
INV 4	I discuss my mutual fund investments with friends, family, and financial advisors.					
INV 5	I participate in online forums and other discussions about mutual funds.					
INV 6	I attend mutual fund seminars and other investment workshops.					

Risk Tolerance (RKT)
(Give tick mark, wherever it is applicable)

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
RKT 1	When investing in mutual funds, I'm willing to take risks.					
RKT 2	I am comfortable with the possibility of losing money on my investments.					
RKT 3	I am willing to take some risk in order to achieve my investment goals.					
RKT4	I would not be overly concerned if the value of my investments decreased significantly.					
RKT5	I am more interested in the potential for high returns than in avoiding risk.					
RKT6	I am willing to accept fluctuations in the value of my investments in order to achieve long-term growth.					
RKT7	I am not easily discouraged by short-term market downturns.					
RKT8	I am willing to take on a moderate level of risk in order to potentially achieve higher returns.					
RKT9	I am comfortable with the idea of some short-term losses in exchange for the potential for long-term gains.					
RKT10	I am able to maintain a long-term investment horizon and not panic during market downturns					

Re-investment Decisions (RID)**(Give tick mark, wherever it is applicable)**

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
RID 1	I would like to invest again in mutual fund investments					
RID 2	I automatically reinvest my mutual fund dividends.					
RID 3	I believe that reinvesting dividends is essential for long-term wealth growth.					
RID 4	I carefully consider my reinvestment decisions based on market conditions.					
RID 5	I am comfortable with the risks associated with reinvestment.					
RID 6	I am satisfied with the performance of my mutual funds due to reinvestment.					

Investment Performance**(Give Tick Mark, wherever it is Applicable)**

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
INP 1	The performance of my mutual fund investment shows upward trend.					
INP 2	I am confident that my mutual funds will continue to perform well in the future.					

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
INP 3	My mutual fund returns have exceeded the performance of the overall market					
INP 4	I feel that the fees and expenses associated with my mutual funds are reasonable.					
INP 5	I am satisfied with the risk-adjusted returns of my mutual funds.					

Recommendation Intention

(Give tick mark, wherever it is applicable)

Item code	Statements (Items)	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
INP 1	I would recommend mutual funds to my friends and family.					
INP 2	I would say positive things about mutual fund investment					
INP 3	I will talk about my satisfactions of mutual fund investment with my colleagues/friends/relatives					
INP 4	I will encourage my friends/family member/colleagues for investing in mutual funds					

❖❖❖❖ Thank you ❖❖❖❖