**A STUDY ON CONSUMER BUYING MUTUAL FUNDS IN INDIA**

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**EXECUTIVE SUMMARY**

This study explores the interplay of risk and market fluctuations in the mutual fund landscape. We examine how diverse risk tolerance levels influence responses to market volatility and subsequent decisions. By analyzing historical data, we uncover patterns in market fluctuations. Our research probes how risk tolerance shapes reactions to market shifts and impacts mutual fund transactions. While providing valuable insights, limitations include sample bias and reliance on self-reported data. Nonetheless, this study contributes to understanding the intricate relationship between risk, markets, and investor choices, offering potential guidance for investors and industry professionals.

**INTRODUCTION**

A mutual fund is like a bridge or a financial intermediary that allows a group of investors to pool in their money together with a pre-determined investment objective and then this gathered money is invested by the fund manager into specific securities (stocks or bonds).

Mutual funds can be considered as one of the best investment avenues because they are very cost efficient and also easy to invest in. Thus, by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own.

A mutual fund is an open-end investment fund that is managed professionally that pools money from many investors to purchase securities. Mutual funds are the major proportion of equity in U.S. corporations. The term is mostly used in the United States of America, Canada, and India, while similar structures like SICAV which is an investment company with variable capital in Europe and open-ended investment company (OEIC) in the UK are found. Mutual fund investors are retail or may be institutional in nature.

Primary structures of mutual funds are open-end funds, unit investment trusts, closed-end funds, and exchange-traded funds (ETFs). Mutual funds are often categorized by their principal investments as money market funds, bond or fixed income funds, stock or equity funds, hybrid funds, or other. Mutual funds can also be categorized as index funds, which are actively managed funds or passively managed funds that match the performance of an index. Hedge funds are not classified as mutual funds because hedge funds cannot be sold to the general public. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.

**OBJECTIVE OF STUDY**

* To comprehensively examine the interplay between risk tolerance and market fluctuations within the context of mutual funds.
* To investigate how varying levels of risk tolerance among investors impact their reactions to market fluctuations and subsequently influence their decisions regarding the purchase and sale of mutual funds.
* To provide valuable insights into the intricate relationship between investor behaviour, risk management, and market performance in the mutual fund domain.

**SCOPE**

* Risk Tolerance and Market Reaction: Explore how varying levels of investor risk tolerance influence their reactions to market fluctuations within the mutual fund context.
* Decision-Making Dynamics: Investigate how investor behaviour driven by risk tolerance impacts their decisions to buy or sell mutual funds during periods of market volatility.
* Performance and Implications: Analyse the performance implications of investor responses to market fluctuations based on risk tolerance, considering both short-term reactions and long-term investment perspectives.

**LIMITATIONS OF THE STUDY**

* Sample is not representative of the broader population of mutual fund investors as it is restricted to only 60.
* This project is limited in scope as the survey is conducted with a shortage of time constraint.
* It is difficult to know if all the respondents have given accurate information: some respondents tend to give misleading information. Some of the respondents were reluctant to share their investment information.

**LITERATURE REVIEW**

Rasheed Haroon, Qadeer Abdul (2012) in their study investigates the performance of survivorship biased twenty five open ended mutual fund schemes in Pakistan and managers ability of stock selection and also measured the diversification. The study revealed that overall performance of the funds remains best as compare to market but mismanagement observed in mutual fund industry during the study period. Further study also revealed that portfolio was not completely diversified and contains unsystematic risk.

(Chaubey, 2015) Friend, et al., (1962) made an extensive and systematic study of 152 mutual funds in USA and found that mutual fund schemes earned an average annual return of 12.4 percent, while their composite benchmark earned a return of 12.6 percent. Their alpha was negative with 20 basis points. Overall results did not suggest widespread inefficiency in the industry. Comparison of fund returns with turnover and expense categories did not reveal a strong relationship.

Nishant Patel (2011) in his study examined fund sensitivity to the market fluctuations in term of Beta and found that the risk and return of mutual funds schemes were not in conformity with their stated investment objectives (tariq zafar, 2012). Further sample schemes were not found to be adequately diversified; Kundu Abhijit (2009) In his study examines the fund manager’s ability to outperform the market and to appraise the schemes in india. The study finds that in the context of ex-post risk, return and diversification and found that over ‘the period’ mutual fund schemes on an average have failed to outperform the market even after taking a risk higher than that of the market and concluded that fund manager though has succeeded to some extent on the diversification front, but failed to earn significant positive returns by selecting miss-valued securities in their portfolios.

Irwin, Brown, FE (1965) analyzed issues relating to investment policy, portfolio turnover rate, performance of mutual funds and its impact on the stock markets in New york. They identified that mutual funds had a significant impact on the price movement in the stock market. They concluded that, on an average, funds did not perform better than the composite markets and there was no persistent relationship between portfolio turnover and fund performance (brown, 1965).

Treynor and Mazuy (1966) evaluated the performance of 57 fund managers in new York in terms of their market timing abilities and found that, fund managers had not successfully outguessed the market. The results suggested that, investors were completely dependent on fluctuations in the market. Improvement in the rates of return was due to the fund managers’ ability to identify underpriced industries and companies. The study adopted Treynor’s (1965) methodology for reviewing the performance of mutual fund (treynor, 1966).

Jensen (1968) developed a composite portfolio evaluation technique concerning risk-adjusted returns. He evaluated the ability of 115 fund managers in selecting securities during the period 1945-66 in New York. Analysis of net returns indicated that, 39 funds had above average returns, while 76 funds yielded abnormally poor returns. Using gross returns, 48 funds showed above average results and 67 funds below average results. Jensen concluded that, there was very little evidence that funds were able to perform significantly better than expected as fund managers were not able to forecast securities price movements (jensen, 1967).

Fama (1972) developed methods to distinguish observed return due to the ability to pick up the best securities at a given level of risk from that of predictions of price movements in the American market. He introduced a multipored model allowing evaluation on a period-by-period and on a cumulative basis. He concluded that, return on a portfolio constitutes of return for security selection and return for bearing risk. His contributions combined the concepts from modern theories of portfolio selection and capital market equilibrium with more traditional concepts of good portfolio management (FAMA, 1972).

Shashikant Uma (1993) critically examined the rationale and relevance of mutual fund operations in Indian Money Markets. She pointed out that money market mutual funds with low-risk and low return offered conservative investors a reliable investment avenue for short-term investment (shashikant, 1993).

Shukla and Singh (1994) attempted to identify whether portfolio manager’s professional education brought out superior performance in India. They found that equity mutual funds managed by professionally qualified managers were riskier but better diversified than the others. Though the performance differences were not statistically significant, the three professionally qualified fund managers reviewed outperformed others (singh, 1994).

Gupta and Sehgal (1997) evaluated investment performance for the period 1992 to 1996 in Vashi, Mumbai. Aspects of Mutual fund such as fund diversification, consistency of performance, consistency between risk measures, fund objectives and risk return relation in general were studied. For the study 80 mutual fund schemes of private and public sector were taken. Out of 80 schemes, 54 were close-ended and the 26 were open-ended. Results showed that income growth schemes were the best performers with mean weekly returns of .0087 against mean weekly returns from income growth schemes of .0021 and .0023 respectively. LIC Dhansahyog, Reliance growth and Birla Income Plus were the best income growth and growth income schemes respectively (Gupta O P and Sehgal, 1998).

**RESEARCH METHODOLOGY**

The questionnaire consists of nine questions and all the questions were made in relevance to Likert scale which is very famous in capturing intention and behavioural studies. The items in the scale are validated using explorative factor analysis.

The scale under the construct risk perception is as follows: “How would you rate your willingness to take financial risks when investing?”.

The measurement on the scale is 5-point Likert scale (1= Very Risk-Averse to 5= Very Risk-Tolerant).

Figure 1: Research Framework

Risk

H1

Buying of Mutual funds

H2

Market Conditions

According to the research framework, we design the questionnaire items for three dimensions: risk, market conditions and buying of mutual funds These items are measured on Likert’s five-point scale, ranging from 1 point to 5 points. We administered the questionnaires to investors living in Mumbai using random sampling from 21st August 2023 to 27th August 2023. A total of 60 responses were collected.

We performed data analysis using python. A chi-square test is used to compare observed results with expected results. The purpose of this test is to determine if a difference between observed data and expected data is due to chance, or if it is due to a relationship between the variables you are studying. In this case, we wanted to determine if there is a relationship between the independent variables (Risk and market conditions) and dependent variables (buying of mutual funds).

**Analysis of results**

Through descriptive statistics analysis in Table 1, we are able to understand the distribution of participants’ basic attributes. The gender data shows 55% of the subjects are male, and 45% are female. The age categories show the main group is 21-30 years old, taking up 80%, followed by the group of 31-40 years old (15%), 41-50 years old (3.3%), and older than 50 years (1.7%). The annual income ranges from 0-5L (68.3%), 6L-10L (20%), and above 10L (11.7%).

Table 1: Descriptive Statistics

|  |  |  |  |
| --- | --- | --- | --- |
| **Variable** | **Category** | **Frequency** | **Percent(%)** |
| **Gender** | Male | 33 | 55 |
|  | Female | 27 | 45 |
| **Age** | 21-30 | 41 | 80 |
|  | 31-40 | 9 | 15 |
|  | 41-50 | 2 | 3.3 |
|  | Above 50 | 1 | 1.7 |
| **Annual Income** | 0 – 5L | 41 | 68.3 |
|  | 6L – 10L | 12 | 20 |
|  | Above 10L | 7 | 11.7 |

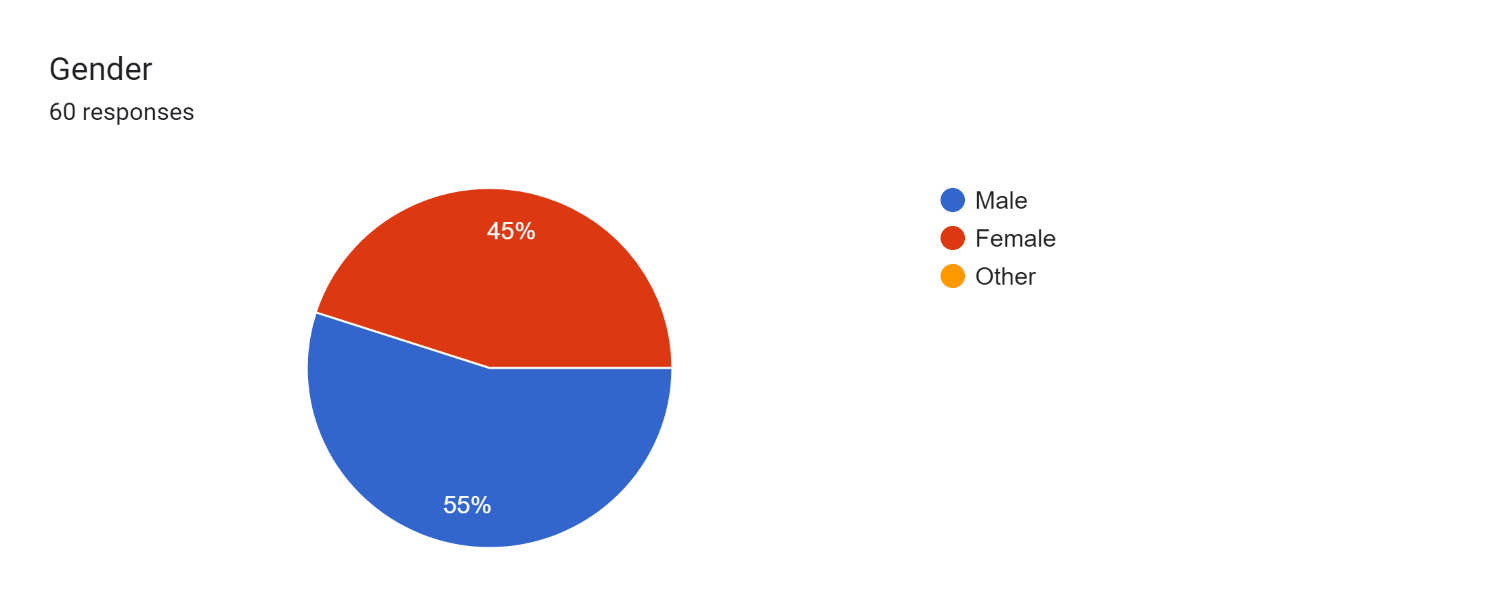
Gender and Age Distribution:

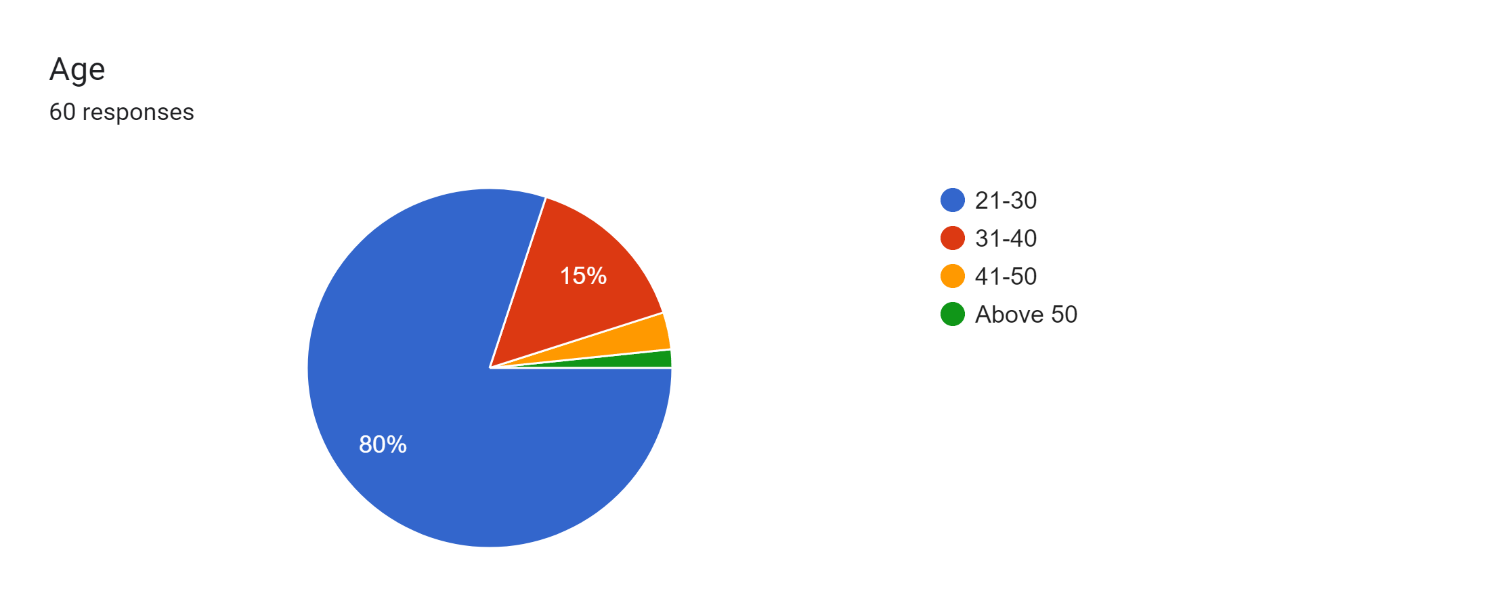
The distribution of gender and age reveals a significant representation of young adults (21-30 years old) among the participants, comprising 80% of the sample. This demographic composition could influence their risk tolerance and investment decisions. Younger individuals may have a longer investment horizon but since they are learning about mutual funds and starting to invest initially they bid on mutual funds with lower or moderate risk, it impacts their mutual fund choices.

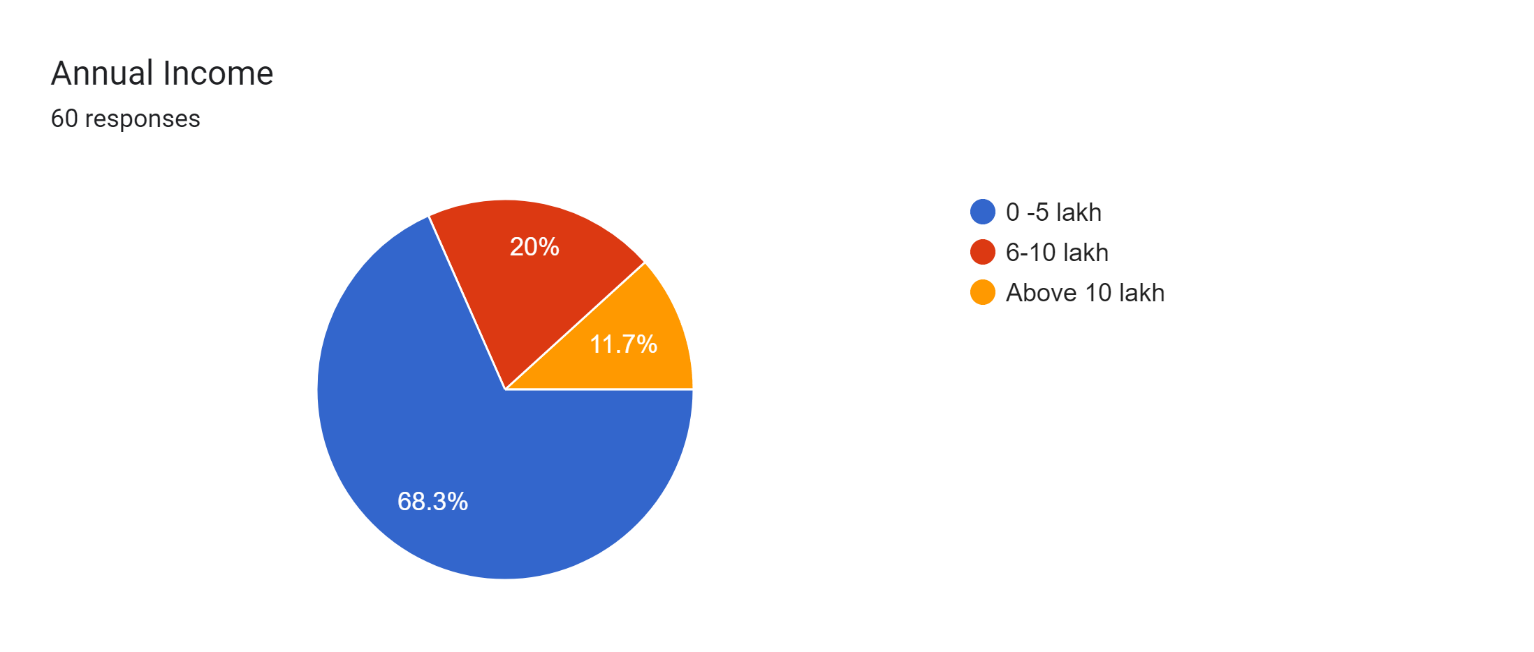
Annual Income Profile:

The distribution of annual income demonstrates that a substantial portion (68.3%) of participants falls within the lower income range (0-5L). This income profile might influence their investment choices and risk tolerance. Participants with higher incomes (6L-10L and above 10L) might have more disposable income for investments and could potentially exhibit different investment behaviours.

**Representation of data**

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**Framing of Research Hypothesis**

**Risk and consumer’s buying mutual funds**

Risk tolerance is defined as “the ability and capacity of an investor to accept and face risks when investing” (Budiarto & Susanti, 2017). Risk tolerance and decision-making regarding investments are both impacted by the behavioural biases of investors (Raheja and Dhiman, 2019). In order to reduce the impact of biases, Muktadir-Al-Mukit (2022) recommended that investors increase their risk tolerance level. Financial risk tolerance was found to be affected by financial knowledge and client-advisor relationship characteristics (Nguyen et al. 2016). Investors who are more willing to take risks are more likely to invest in stocks (Pak and Mahmood, 2015). Risk tolerance measures how much risk a person is willing to accept as a result of their investment decisions (Bahri, 2018). Financial risk tolerance is influenced by both individual characteristics and conditional factors that promote long-term change in risk tolerance (Nguyen et al., 2016). Cui Ling Song et al. (2023) suggested that investors can maximise the benefits of financial knowledge in raising their financial risk tolerance, which leads to sound financial behaviour.

H1: There is a relation between risk and consumers buying mutual funds.

**Market conditions and consumer’s buying mutual funds**

Market conditions and consumer behavior play crucial roles in the buying of mutual funds. Positive economic environments, low volatility, and favorable market trends encourage investments, while high volatility can deter them. Investor risk appetite, demographics, information accessibility, education, and behavioral biases all influence buying decisions. Research indicates that market conditions impact fund flows, with investors favoring equity funds in bullish markets and conservative options during uncertainty. Performance chasing and market timing behaviors are common but can lead to suboptimal outcomes. Investors often seek funds with lower fees.

H2: There is a relation between the market conditions and consumers buying mutual funds

**Measurement Model**

Cronbach's alpha was utilized in order to investigate the validity of the latent constructs' dependability. According to Hair et al. (2019), Cronbach's and composite reliability values that are better than 0.70 are considered acceptable. According to research, Cronbach's reliability value was 0.71181, which suggests that there is a level of dependability among the measurements.

**Hypothesis test results**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Hypothesis** | **Constructs** | **Degree of freedom** | **Chi-square(calculated)** | **Chi-square(tabular)** | **p-value** | **Result** |
| H1 | risk -> Buying of mutual funds | 6 | 27.55852686 | 10.64 | 0.0001 | Rejected |
| H2 | Market conditions -> Buying of mutual funds | 4 | 38.96013 | 9.488 | 7.12E-08 | Rejected |

According to the hypothesis test results, H1: There is a relation between risk and consumers buying mutual funds, was rejected as the calculated chi-square was greater than the tabular chi-square value. Also, the p-value(0.0001137) was less than the level of significance (alpha = 0.05) hence the null hypothesis(H0) was rejected. The alternate hypothesis statement(H1) is accepted that there is a relation between risk and buying of mutual funds.

H2: There is no relation between market conditions and consumers buying mutual funds, was rejected as the calculated chi-square was greater than the tabular chi-square value. Also, the p-value (0.0000000712) was less than the level of significance (alpha = 0.05) hence the null hypothesis(H0) was rejected. The alternate hypothesis(H2) statement is accepted that there is a relation between market conditions and buying of mutual funds.

For analyzing the data, python language has been used to calculate the p-value. Below are the results found for both the hypothesis.

H1:

Chi-square: 27.55852685901947

P-value: 0.00011376305876188376

Degrees of freedom: 6

Expected frequencies:

[[21. 21. 21. 21. ]

[14.5 14.5 14.5 14.5]

[24.5 24.5 24.5 24.5]]

Reject the null hypothesis and accept the alternate hypothesis: There is a relationship between risk and buying of mutual funds.

H2:

Chi-square: 38.95324675324676

P-value: 7.123087575846879e-08 (0.00000007123087575846879)

Degrees of freedom: 4

Expected frequencies:

[[23.33333333 23.33333333 23.33333333]

[18.33333333 18.33333333 18.33333333]

[18.33333333 18.33333333 18.33333333]]

Reject the null hypothesis and accept the alternate hypothesis: There is a relationship between market conditions and buying of mutual funds.

# **RESULTS and INTERPRETATION**

The research aimed to investigate the relationship between risk, market conditions, and consumers' buying behaviour regarding mutual funds. The hypotheses tested were as follows:

**Hypothesis 1** (H1): There is a relation between risk and consumers buying mutual funds.

**Result**: The calculated chi-square value (27.56) for this hypothesis was significantly greater than the tabular chi-square value (10.64), indicating that the null hypothesis (H0) should be rejected. The p-value (0.0001) was much lower than the significance level (alpha = 0.05), further supporting the rejection of the null hypothesis. Therefore, the alternate hypothesis (H1) was accepted, suggesting that there is indeed a relationship between risk and consumers' buying of mutual funds.

**Hypothesis 2** (H2): There is a relation between market conditions and consumers buying mutual funds.

**Result**: The calculated chi-square value (38.96) exceeded the tabular chi-square value (9.488), leading to the rejection of the null hypothesis (H0). The p-value (7.12E-08 or 0.0000000712) was substantially lower than the significance level (alpha = 0.05), further supporting the rejection of the null hypothesis. Thus, the alternate hypothesis (H2) was accepted, indicating that there is a relationship between market conditions and consumers' buying of mutual funds.

Findings and Interpretation:

The study's results suggest that both risk and market conditions have a significant impact on consumers' decisions to buy mutual funds.

Risk and Buying of Mutual Funds:

The research findings imply that consumers' risk tolerance level plays a role in their decision-making regarding mutual fund investments. This aligns with previous studies that have highlighted the influence of risk tolerance on investment choices. As investors become more willing to accept risks, they might be more inclined to invest in mutual funds, particularly those that offer potentially higher returns. This insight could guide financial advisors and fund managers in tailoring investment options to match investors' risk profiles.

Market Conditions and Buying of Mutual Funds:

The study reinforces the idea that market conditions are a crucial determinant of consumers' mutual fund buying behavior. Positive economic environments and favorable market trends encourage investment, while market volatility can lead to more cautious investment decisions. The findings also suggest that investors tend to chase performance during bullish periods and opt for more conservative options during uncertain times. This underscores the significance of understanding investor behavior in relation to market dynamics and tailoring investment strategies accordingly.

In both cases, the study highlights the importance of considering psychological factors, risk appetite, and market conditions when designing investment products and strategies. Furthermore, the research underscores the need for investors to be educated about the impact of these factors on their investment decisions. Financial advisors and market participants should take these findings into account to better guide investors in making informed and rational choices.

Overall, the study contributes to the understanding of how risk tolerance and market conditions intersect to influence consumers' decisions to buy mutual funds. This insight has practical implications for the financial industry and can guide the development of strategies that align with investors' preferences and market realities.

User

Through descriptive statistics analysis in Table 1, we are able to understand the distribution of participants’ basic attributes. The gender data shows 55% of the subjects are male, and 45% are female. The age categories show the main group is 21-30 years old, taking up 80%, followed by the group of 31-40 years old (15%), 41-50 years old (3.3%), and older than 50 years (1.7%). The annual income ranges from 0-5L (68.3%), 6L-10L (20%), and above 10L (11.7%).

Table 1: Descriptive Statistics

Variable Category Frequency Percent(%)

Gender Male 33 55

Female 27 45

Age 21-30 41 80

31-40 9 15

41-50 2 3.3

Above 50 1 1.7

Annual Income 0 – 5L 41 68.3

6L – 10L 12 20

Above 10L 7 11.7

Representation of data

Framing of Research Hypothesis

Risk and consumer’s buying mutual funds

Risk tolerance is defined as “the ability and capacity of an investor to accept and face risks when investing” (Budiarto & Susanti, 2017). Risk tolerance and decision-making regarding investments are both impacted by the behavioural biases of investors (Raheja and Dhiman, 2019). In order to reduce the impact of biases, Muktadir-Al-Mukit (2022) recommended that investors increase their risk tolerance level. Financial risk tolerance was found to be affected by financial knowledge and client-advisor relationship characteristics (Nguyen et al. 2016). Investors who are more willing to take risks are more likely to invest in stocks (Pak and Mahmood, 2015). Risk tolerance measures how much risk a person is willing to accept as a result of their investment decisions (Bahri, 2018). Financial risk tolerance is influenced by both individual characteristics and conditional factors that promote long-term change in risk tolerance (Nguyen et al., 2016). Cui Ling Song et al. (2023) suggested that investors can maximise the benefits of financial knowledge in raising their financial risk tolerance, which leads to sound financial behaviour.

H1: There is a relation between risk and consumers buying mutual funds.

Market conditions and consumer’s buying mutual funds

Market conditions and consumer behavior play crucial roles in the buying of mutual funds. Positive economic environments, low volatility, and favorable market trends encourage investments, while high volatility can deter them. Investor risk appetite, demographics, information accessibility, education, and behavioral biases all influence buying decisions. Research indicates that market conditions impact fund flows, with investors favoring equity funds in bullish markets and conservative options during uncertainty. Performance chasing and market timing behaviors are common but can lead to suboptimal outcomes. Investors often seek funds with lower fees.

H2: There is a relation between the market conditions and consumers buying mutual funds

Measurement Model

Cronbach's alpha was utilized in order to investigate the validity of the latent constructs' dependability. According to Hair et al. (2019), Cronbach's and composite reliability values that are better than 0.70 are considered acceptable. According to research, Cronbach's reliability value was 0.71181, which suggests that there is a level of dependability among the measurements.

Hypothesis test results

Hypothesis Constructs Degree of freedom Chi-square(calculated) Chi-square(tabular) p-value Result

H1 risk -> Buying of mutual funds 6 27.55852686 10.64 0.0001 Rejected

H2 Market conditions -> Buying of mutual funds 4 38.96013 9.488 7.12E-08 Rejected

According to the hypothesis test results, H1: There is a relation between risk and consumers buying mutual funds, was rejected as the calculated chi-square was greater than the tabular chi-square value. Also, the p-value(0.0001137) was less than the level of significance (alpha = 0.05) hence the null hypothesis(H0) was rejected. The alternate hypothesis statement(H1) is accepted that there is a relation between risk and buying of mutual funds.

H2: There is no relation between market conditions and consumers buying mutual funds, was rejected as the calculated chi-square was greater than the tabular chi-square value. Also, the p-value (0.0000000712) was less than the level of significance (alpha = 0.05) hence the null hypothesis(H0) was rejected. The alternate hypothesis(H2) statement is accepted that there is a relation between market conditions and buying of mutual funds.

For analyzing the data, python language has been used to calculate the p-value. Below are the results found for both the hypothesis.

H1:

Chi-square: 27.55852685901947

P-value: 0.00011376305876188376

Degrees of freedom: 6

Expected frequencies:

[[21. 21. 21. 21. ]

[14.5 14.5 14.5 14.5]

[24.5 24.5 24.5 24.5]]

Reject the null hypothesis and accept the alternate hypothesis: There is a relationship between risk and buying of mutual funds.

H2:

Chi-square: 38.95324675324676

P-value: 7.123087575846879e-08 (0.00000007123087575846879)

Degrees of freedom: 4

Expected frequencies:

[[23.33333333 23.33333333 23.33333333]

[18.33333333 18.33333333 18.33333333]

[18.33333333 18.33333333 18.33333333]]

Reject the null hypothesis and accept the alternate hypothesis: There is a relationship between market conditions and buying of mutual funds.

give results,findings and interpretation

ChatGPT

Certainly, based on the information you provided and the data analysis results, let's consolidate the results, findings, and interpretations:

Descriptive Statistics:

Table 1 presents the descriptive statistics of participants' basic attributes. It reveals the following distribution among the participants:

Gender: 55% male, 45% female.

Age Categories: 80% are in the age group of 21-30 years, 15% in 31-40 years, 3.3% in 41-50 years, and 1.7% above 50 years.

Annual Income: 68.3% have an income of 0-5L, 20% have 6L-10L, and 11.7% have above 10L.

Findings and Interpretation:

Gender and Age Distribution:

The distribution of gender and age reveals a significant representation of young adults (21-30 years old) among the participants, comprising 80% of the sample. This demographic composition could influence their risk tolerance and investment decisions. Younger individuals may have a longer investment horizon and potentially higher risk tolerance, impacting their mutual fund choices.

Annual Income Profile:

The distribution of annual income demonstrates that a substantial portion (68.3%) of participants falls within the lower income range (0-5L). This income profile might influence their investment choices and risk tolerance. Participants with higher incomes (6L-10L and above 10L) might have more disposable income for investments and could potentially exhibit different investment behaviors.

Hypothesis Testing and Interpretation:

Hypothesis 1 (H1): There is a relation between risk and consumers buying mutual funds.

The statistical analysis resulted in the rejection of the null hypothesis (H0). This suggests that there is indeed a relationship between risk and consumers' decisions to buy mutual funds. This finding is consistent with the existing literature that highlights how investors' risk tolerance impacts their investment choices. Participants with higher risk tolerance may be more inclined to invest in mutual funds that offer potentially higher returns, aligning with their risk preferences.

Hypothesis 2 (H2): There is a relation between market conditions and consumers buying mutual funds.

The analysis also rejected the null hypothesis (H0) for this hypothesis, indicating a relationship between market conditions and consumers' mutual fund buying behavior. This aligns with the understanding that market dynamics, such as positive economic environments and market trends, can influence investors' decisions. The findings underscore the importance of considering market conditions when designing investment strategies.

Overall Interpretation:

The study's findings suggest that both risk tolerance and market conditions significantly influence consumers' decisions to buy mutual funds. These results provide valuable insights for financial advisors and fund managers to tailor investment options and strategies to match investors' risk preferences and market realities. The dominance of young adults and the income distribution within the sample also imply that targeted strategies catering to different demographic segments might be effective.

In conclusion, the study's descriptive statistics and hypothesis testing outcomes shed light on the interplay between demographic factors, risk tolerance, market conditions, and mutual fund purchasing decisions. These insights can guide investment professionals in better understanding and meeting the needs of different investor segments, ultimately contributing to more informed and effective investment choices.

The study highlights the importance of considering psychological factors, risk appetite, and market conditions when designing investment products and strategies. Furthermore, the research underscores the need for investors to be educated about the impact of these factors on their investment decisions. Financial advisors and market participants should take these findings into account to better guide investors in making informed and rational choices.

Overall, the study contributes to the understanding of how risk tolerance and market conditions intersect to influence consumers' decisions to buy mutual funds. This insight has practical implications for the financial industry and can guide the development of strategies that align with investors' preferences and market realities.

# **CONCLUSION**

"A Study on Consumer Buying Mutual Funds in India" delves into the complex interplay between investor behavior, risk tolerance, and market fluctuations in the context of mutual fund investments. This study aimed to uncover the intricate relationship between these factors and shed light on how they collectively influence investors' decisions in the Indian mutual fund landscape.

In conclusion, this study delved into the intricate relationship between risk tolerance, market fluctuations, and the decision-making process of investors in the realm of mutual funds.

Through a comprehensive analysis of data and findings, it became evident that investors’ risk tolerance significantly shapes their responses to market volatility.

Those with higher risk tolerance demonstrated a greater tendency to withstand market fluctuations, often buying Mutual Funds as ‘opportunities’ rather than triggers for selling. On the contrary investors with lower risk tolerance exhibited a more cautious approach, often opting to hold on to the Mutual Fund for a longer period of time. This underscores the pivotal role which risk tolerance plays in influencing buying decisions, with investors aligning their choices to their individual comfort levels and financial goals.

The study sheds light on the different dynamics that drive investor behavior, underlining the need for tailored investment strategies that consider risk preferences. Moreover, it emphasizes the importance of investor education in enhancing risk perception and decision-making, potentially reducing knee-jerk reactions to market fluctuations.

In a broader context, the study contributes to the field of investment psychology, offering insights that could aid fund managers, financial advisors, and policymakers in crafting strategies that align with investors' risk profiles. By acknowledging and addressing the impact of risk tolerance and market fluctuations on mutual fund trading decisions, stakeholders can work towards a more informed and rational investment landscape that takes into account both market realities and individual preferences.

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# **Annexure**

Age:

Gender: [Male / Female / Other / Prefer not to say]

Income: [0-5L / 6L-10L / 10L above]

1. When selecting mutual funds, which type of funds do you usually prefer?
2. Conservative/low risk (income/money market funds)
3. Balanced/ moderate risk (balanced/ target-date retirement funds)
4. Aggressive/high risk (equity/sector funds)
5. Other (for ex. ESG/impact funds)
6. How would you rate your willingness to take financial risks when investing?
7. Very Risk-Averse
8. Somewhat Risk-Averse
9. Neutral
10. Somewhat Risk-Tolerant
11. Very Risk-Tolerant
12. How do you perceive the current state of the financial markets?
13. Bull Market (rising)
14. Bear Market (falling)
15. Neutral (stable)
16. How long do you intend to hold your investments before considering selling?
17. Short-Term (less than 1 year)
18. Medium-Term (1-5 years)
19. Long-Term (5+ years)
20. What kind of goals do you prefer when investing in mutual funds?
21. Short-term goals (high risk)
22. Medium-term (moderate risk)
23. Long-term (low-risk)
24. Which statement best describes your attitude towards risk?
25. I prefer safe and predictable investments.
26. I am open to some level of risk for potential higher returns.
27. I actively seek out high-risk, high-reward opportunities.
28. Which statement best describes your attitude towards investment goals, in terms of risk?
    1. Safe: I prefer long-term investments that are low-risk and predictable.
    2. Moderate risk: medium duration investments with moderate risk
    3. High risk: High risk with short-term goals
29. How do recent market fluctuations affect your investment decisions?
30. I tend to panic and make impulsive decisions.
31. I monitor the situation but stick to my long-term plan.
32. I see market fluctuations as opportunities and adjust my portfolio accordingly.
33. Is there anything else you would like to share about your approach to investing in mutual funds and your risk tolerance?