Enhancing Market Growth through Understanding Investor Behavior: Lessons from India's Mutual Fund Industry

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Abstract

This study investigates investment patterns in emerging economies, particularly focusing on India's mutual fund sector. It utilizes the Stimulus-Organism-Response framework to examine how exposure to mutual fund information shapes investors' intentions. The analysis is based on data from 400 participants in Ranchi, India, using Partial Least Squares Structural Equation Modeling (PLS-SEM) with Smart PLS-3 software, assessing the influence of demographic factors like gender, age, income, and education. The results highlight the significance of factors such as safety, liquidity, tax benefits, and transparency in molding mutual fund returns. To assess the reliability and validity of the constructs, we conducted analyses of Cronbach's alpha, rho alpha, as well as the Average Variance Extracted (AVE) and composite reliability. Notably, gender disparities in investment behavior are identified through ANOVA analysis, indicating differing approaches between male and female investors. However, variations in age, income, and education levels are not found to significantly affect investment decisions. These findings offer practical implications for regulatory bodies such as SEBI and NSE, aiding in the attraction of new investors, fostering market growth, and engaging younger demographics. This research contributes to a better understanding of investor behavior in the mutual fund industry, enhancing decision-making and potentially leading to more effective market strategies.

Keywords: Investment patterns, Investor returns perception, Liquidity, Mutual funds, Safety