An Investigation towards identifying the dimensions influencing Investment in Mutual Fund schemes in Bangalore city

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Abstract

The mutual fund industry in India originated in 1963 with the establishment of the Unit Trust of India (UTI) by the Reserve Bank of India and the Government of India. As of May 31, 2022, the total assets under management (AUM) of the Indian mutual fund industry amounted to Rs. 37,22,010 crore. This study aims to identify the key factors influencing investment decisions in mutual fund schemes, taking into account the recent growth of the mutual fund industry. Employing a descriptive and exploratory research design, the study involved the participation of 385 investors selected through convenience sampling. The internal consistency and reliability of the questionnaire items were assessed using Cronbach's alpha. The results indicate that transparency in mutual funds and the perception of mutual fund factors significantly predict investment decisions, with an F-value of 44.945 and $p < .05$, yielding an R-squared value of .560. These findings provide valuable insights for investors to enhance their understanding and decision-making process in selecting mutual funds.The findings shed light on investors' preferencesand factors that shape their investment choices. The insights obtained from this research can assist mutual fund companies and financial institutions in devising strategies to attract and retain investors in this dynamic market.

Keywords:Investors, Mutual Fund Awareness, Financial Literacy, Past Performance, Perception of Mutual Fund, Investment decision.

1. Introduction

Mutual funds serve as vehicles for pooled investments, uniting groups of investors who share a common financial objective. The responsibility of managing these investment trusts falls upon Asset Management Companies (AMCs) which allocate the pooled funds into a diverse range of financial instruments including securities, debt instruments, bonds, and other such assets (Bindal et al., 2019). In return, a portion of the earnings generated from these investments is distributed among the members in accordance with their respective investment amounts. By investing in securities, individuals gain exposure to a broad spectrum of industries and sectors, thus achieving risk diversification as not all stocks move in proportionate directions (Khanuja&Tahalyani, 2017). Mutual funds offer several advantages, such as diversification, professional management, low investment costs, liquidity, and tax benefits, indirectly facilitating participation in the financial market (Chawla, 2014). The number of units received by an investor is determined by the amount of money they invest, and these individuals are referred to as unitholders. The profits or losses incurred are distributed among the unitholders based on their investments. Mutual funds typically launch multiple investment schemes with varying objectives at different intervals. To gather funds from the public, mutual funds are required to register with SEBI (the Securities and Exchange Board of India) (Singh & Jha, 2009).

2. Indian mutual fund industry

For an economy to develop, it is essential to have a strong financial market with broad participation. Unit Trust of India (UTI) was the first mutual fund established in India in 1963 by the Reserve Bank of India and the Government of India (Das &Shil, 2017). Investing in the Corporation will encourage savings and investment, and the dividends, profits, and all shareholders will share gains accruing to the Corporation. MF has grown significantly over the last few years. There are five distinct phases in the history of Mutual Funds in India.

Phase-1 (1964-1987): inception phase

In India, the introduction of mutual funds can be traced back to 1963 through an Act of Parliament, which led to the establishment of the Unit Trust of India (UTI) under the regulation of the Reserve Bank of India (RBI). The primary objective of UTI, apart from introducing mutual funds in the country, was to create a fund for supporting national development initiatives (Agrawal, 2011). To incentivize small Indian investors, various income-tax rebates were incorporated into the UTI schemes. In 1978, UTI was separated from the regulatory oversight of RBI, and the Industrial Development Bank of India (IDBI) assumed the responsibility for regulatory and administrative control (Iqbal, 2011). UTI launched its inaugural scheme, known as the Unit Scheme 1964, in 1964. By the end of 1988, UTI had assets under management (AUM) amounting to 6,700 crores.

Phase-2 (1987-1993): entry into public sector phase

By 1988, the mutual fund sector had gained a distinct identity within the Indian financial landscape. In 1987, the government explored the feasibility of public sector banks launching their own mutual funds. As a result, the State Bank of India became the first non-UTI entity to establish an asset management fund in November 1987 (Ahmad, 2018). Following this development, several other banks followed suit, with Canara Bank establishing their Asset Management Companies (AMCs) in December 1987, followed by Life Insurance Corporation of India (LIC) in December 1989, Punjab National Bank in August 1989, and the General Insurance Corporation of India (GIC) launching its mutual fund in December 1990 (Alekhya, 2016). At the end of 1993, the mutual fund industry managed assets worth 47,004 crores. Industry experts noted that not only did this second phase witness an expansion in the market base, but it also led to investors allocating a higher proportion of their savings towards mutual funds. These developments indicated a promising trajectory for the growth of the Indian mutual fund industry.

Phase-3 (1993-2003): entry into the private sector phase

The Indian government recognized the crucial need to liberalize the country's economy and implement reforms in the financial sector. In order to revitalize the Indian economy, the active involvement of the private sector was imperative. Acknowledging this, the government initiated measures to permit private investments in mutual funds. A significant milestone towards strengthening the securities market in India was the establishment of the Securities and Exchange

Board of India (SEBI) in April 1992. SEBI was entrusted with the responsibility of safeguarding investor interests, as well as promoting and regulating the securities market (Sabarinathan, 2010). In 1993, SEBI Mutual Fund Regulations were enforced for all mutual funds, excluding UTIs. Among the early private sector investment funds registered in July 1993 was Kothari Pioneer, which is now known as Franklin Templeton MF (Thakuria& Kashyap, 2017). The entry of private sector funds in 1993 marked the beginning of a new era for India's mutual fund industry, offering a diverse range of investment opportunities for Indian investors. While the initial MF Regulations were issued by SEBI in 1993, they were subsequently revised and replaced by the comprehensive SEBI (Mutual Fund) Regulations, 1996 (Kamble, 2013). Over the years, numerous foreign sponsors have established mutual funds in India, leading to an increase in the number of mutual funds available. International players responded positively to this development and gained significant market share in India. Furthermore, several mergers and acquisitions took place in the mutual fund industry during this period. In the same year, eleven private players collaborated with foreign entities to launch their asset management funds. As of January 2003, the assets under management (AUM) of 33 mutual funds amounted to 1,21,805 crores, while UTI had an AUM of $44,541 crores.

Phase-4 (2003-2014): consolidation phase

As a result of the repeal of the original Unit Trust of India Act of 1963, the Unit Trust of India was split into two separate entities in February 2003. The UTI Mutual Fund (regulated by SEBI for MFs) and the Specified Undertaking of the Unit Trust of India (SUUTI) were separate entities (Baral et al., 2016). Because of this split between UTIs and numerous mergers among private sector firms, the mutual fund industry has entered a phase of consolidation. The Indian market was no exception to the international financial market's downturn after the global recession in 2009 (Banulatha, 2019). Almost all investors who invested at the peak of the market lost a lot of money. Because of this, many investors lost confidence in MF products. As a result of these hardships, Indian Mutual Funds tried to restructure and recover over the next two years. In the aftermath of SEBI's abolishment of entry loads and the lingering effects of the global economic crisis, the situation became more difficult. From 2010 to 2013, the Indian MF industry's total assets under management (AUM) increased slowly (Pandow, 2017).

Phase-5 (2014-present): steady growth and development phase

SEBI launched several progressive measures in September 2012 due to the lack of mutual fund penetration in India, particularly in tier II and tier III cities (Singh, 2021). These measures were intended to increase transparency and security for stakeholder interests. SEBI intends to increase mutual fund investments overall in India by revitalizing the industry. In due course, the measures successfully reversed the negative trend that had developed after the global meltdown and has improved significantly since the new Government took office. In September 2012, SEBI reinvigorated the mutual fund industry by taking regulatory measures and expanding the retail base, contributing to the industry's growth (Goundgawe& Shinde, 2016). Distributors of mutual funds enable investors to invest in appropriate funds and assist them in staying on course during a volatile market, helping them reap the benefits of investing in mutual funds. The distributors of mutual funds have also played a major role in increasing the popularity of Systematic Investment Plans (SIPs) (Maheshwari, 2014). By May 31, 2022, the Indian mutual fund industry had assets under management (AUM) of Rs. 37,22,010 crore. More than fivefold growth in 10 years has been recorded by the Indian MF Industry, which had a market value of $6.99 trillion on May 31, 2012, and $3.722 trillion on May 31, 2022 (AMFI, 2022). The MF industry's AUM increased twofold in 5 years, from 19 trillion on May 31, 2017, to 37 trillion on May 31, 2022.

3. Problem Statement

The present study addresses the relatively lower popularity of mutual funds compared to other financial assets, particularly fixed deposits, in the city of Bangalore. Although mutual fund schemes offer advantages such as tax benefits and dividends, investors exhibit a preference for investing in shares over mutual funds (Sindhu & Kumar, 2013; Ranganathan, 2006). Despite the existence of previous studies conducted in various Indian states, limited empirical research has been conducted to identify the factors that influence individual investors' decisions to invest in mutual funds specifically in Bangalore. The Amendments to the Mutual Fund Regulations Act (2010) have broadened the scope for insurance companies and other financial institutions to offer mutual fund schemes, leading to increased competition and growth within the mutual fund industry (Pathak, 2010). Given the current investor aversion towards mutual funds, there is a significant risk associated with attracting and satisfying potential investors. Consequently, it is crucial to conduct a comprehensive study to investigate the factors that influence investment

decisions in mutual fund schemes in Bangalore. This research aims to identify and analyze these factors in order to develop tailored schemes that effectively attract specific investor segments.

4. Objectives

The study's key objective is to identify the factors influencing individual investors to invest in Mutual Funds in Bangalore. The secondary objectives of this study are as follows:

- To investigate the demographic characteristics of investors investing in mutual fund schemes.
- To investigate the impact of identified factors on investment decisions in mutual fund schemes.

5. Literature Review

Any investment is primarily motivated by earning a target rate of returns, so mutual fund performance indicators are a crucial information resource for investors. According to D'silva et al. (2012), investors are motivated to earn monetary returns for their investments. A study conducted by Capon et al. (1996) found that investors also consider factors such as fund manager qualities, ease of investment, and mutual fund schemes in selecting mutual funds and fund performance. There is enormous potential for future growth for the mutual fund sector in the Indian economy, one of the fastest-growing sectors. Savings and investments are made easier and more affordable with mutual funds. Mutual funds protect investors by ensuring a strict regulatory environment and full disclosure while providing various capabilities that include diversification, variety, liquidity, affordability, convenience, and ease of recordkeeping. A mutual fund offers several investment advantages, such as liquidity, timely returns, diversification, extensive analysis, and the ability to see how funds are allocated. Financial markets offer a variety of investment products. However, all these investment instruments must meet the expectations of an investor? The implication of mutual funds must be examined from a unique perspective to understand the investor's perception and expectations. Using mutual funds as a case study, Sahoo (2020) discusses various factors that affect people's perceptions of them. Findings indicate that individuals prefer to invest in traditional investment options than mutual funds.

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It is not uncommon for investors to invest based on perceived performance rather than actual performance. An individual is susceptible to prejudice based on their experience and perception. According to Singal and Manrai (2018), investors invest in mutual funds based on their perception of the mutual fund sector rather than conducting a proper analysis. Alamelu and Indhumathi (2017) found that few investors perceive mutual fund investments as secondary investments and refrain from investing in them unless they have enough funds. In addition, investors may base their investment decisions on their performance rather than their actual performance due to a distinction between actual and perceived performance. Dhar et al. (2017) state that to promote and attract investors selected mutual fund schemes that are easy to invest in and have low entry and exit barriers are paramount. For this reason, ease of investment is an important factor that investors consider when selecting funds.Fund managers are accountable for the performance and actions of the investment. When investing in a fund, investors look at their qualities, experience, ratings, and image. Most individual investors sought expert advice and relied on credit ratings to select funds (Arathy&Aswathy, 2015). Investors compared mutual funds associated with reputed financial institutions with other mutual funds based on the fund sponsor's image and the fund manager's association (Nihar &Bhamidipati, 2012). While investing in mutual funds, investors also consider factors such as the cost-effectiveness of the fund manager, the manager's experience, and the funds' safety and security. There are various factors to consider when selecting a mutual fund, including the fund managers, which could be explored further. Hence, several factors can influence an investor's investment decision, including the ratings, reputation, experience in managing funds, and the past performance of the funds (Bajracharya& Mathema, 2018). Many investors prefer investing in mutual funds to obtain high returns with reduced risk and high safety and liquidity. Due to the changing nature of the investment world, investors' preferences toward investment patterns have also evolved. Mutual fund companies need to provide awareness programs to attract more investors and assurances about the safety and security of mutual fund investments in this changing market environment. The following are the hypothesis formulated after conducting literature reviews of existing journals:

- H_1: Transparency in mutual funds has a significant impact on the investment decision of an investor

- H_2: Fund management qualities have a significant impact on the investment decision of an investor

- H_3: Ease of investment has a significant impact on the investment decision of an investor

- H_4: Perception of mutual funds has a significant impact investment decision of an investor

6. Research method

This study employs a descriptive and exploratory research design to investigate the preferences of investors towards mutual fund investments. Exploratory research serves as a means to connect ideas and understand their relationships (Swedberg, 2020). Meanwhile, the descriptive research design aims to depict the characteristics of mutual fund investors and their perceptions of mutual funds (Lambert & Lambert, 2012). A comprehensive literature review reveals that several factors exert a positive influence on investment decisions in mutual fund schemes. These factors were further examined and categorized into four distinct dimensions: transparency in mutual funds, fund management qualities, ease of investment, and perception of the mutual fund. The study focuses on exploring the factors that influence individual investors to invest in Mutual Funds specifically in Bangalore. By adopting a quantitative approach, the study utilizes statistical analysis to provide a rigorous analysis of the collected responses from the target respondents, while qualitative research contributes to the compilation of empirical evidence derived from the study (Brannen, 2017; Heale& Twycross, 2015).

A total of 385 investors were selected as participants for this research study using the Krejcie and Morgan formula to determine the sample size (Chaokromthong&Sintao, 2021). The study employed a convenience sampling approach to select the participants. To achieve the research objective, a meticulously designed questionnaire was constructed to collect data from individual investors in Mutual Funds. The respondents provided their responses using multiple-choice options and a 5-point Likert Scale. The Statistical Package for the Social Sciences (SPSS) software was utilized for the analysis of the survey data. The data obtained from the questionnaire were appropriately organized to facilitate the study's objectives. Cronbach's alpha coefficient was calculated to assess the internal consistency and reliability of the questionnaire items (Tavakol&Dennick, 2011). Frequency, percentage, factor, and correlation analyses were

employed to describe and examine the relationships between the identified independent and dependent variables. Furthermore, the multiple linear regression method was utilized to analyze the impact of the independent variables on investment decisions, with the following equation representing the multiple linear regression model (Williams et al., 2010):

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + u$$

Where,

- β_0 = Constant term
- β_1 = Coefficient
- β_2 = Coefficient
- X_1 = Independent variable
- X_2 = Independent variable
- u = Error term
- Y = Dependent variable

7. Dataanalysis and discussion

7.1. Demographic details

A total of 385 responses were gathered from mutual fund investors, and the demographic characteristics of the respondents are summarized in Table 1. The data reveals that male investors (61.82%) outnumber female investors (38.18%), indicating a higher level of engagement by male investors in investment and financial activities. Furthermore, the age group of investors between 20-30 years (52.99%) is the most prevalent, indicating a greater level of involvement by young investors in investment and financial-related activities.

Table 1. Demographic Details of Respondents

Constructs	Classification of Constructs	Frequency (N)	Percentage (%)
Gender	Male	238	61.82
	Female	147	38.18
Age	20-30 years	204	52.99
	30-40 years	115	29.87
	40-50 years	30	7.79
	Above 50 years	36	9.35
Education	Graduate	46	11.95

	Post-Graduate	288	74.81
	Professional Degree	51	13.25
Occupation	Business	63	16.36
	Government	14	3.64
	Private Sector	308	80.00
Annual Income	Less than Rs.200000 per annum	104	27.01
	Rs.200000 to Rs.500000 lakhs per annum	117	30.39
	Rs.500000 to Rs.800000 lakhs per annum	80	20.78
	Rs.800000 lakhs to Rs.1000000 lakhs per annum	27	7.01
	More than Rs.1000000 lakhs per annum	57	14.81
Annual Savings	Less than Rs.10000	96	24.94
	Rs.10000 to Rs.50000	130	33.77
	Rs.50000 to Rs.100000	73	18.96
	More than Rs.100000	86	22.34
Investment Time Horizon	Less than 5 Years	221	57.40
	6-10 Years	101	26.23
	11-15 Years	43	11.17
	Above 15 Years	20	5.19
Investment Plan	One time investment	119	30.91
	Systematic investment plan	266	69.09

The majority (74.81%) of the investors were post-graduates. Private sector employees (80%) had the highest participation rate in the survey, followed by Business owners (16.36%). The investors belonging to the income category of Less than Rs.200000 per annum (27.01%), Rs.200000 to Rs.500000 lakhs per annum (30.39 %), Rs.500000 to Rs.800000 lakhs per annum (20.78%), Rs.800000 lakhs to Rs.1000000 lakhs per annum (7.01%) and More than Rs.1000000 lakhs per annum (14.81%) respectively. The selected investors had annual savings of Less than Rs.10000 (24.94%), Rs.10000 to Rs.50000 (33.77%), Rs.50000 to Rs.100000 (18.96%) and More than Rs.100000 (22.34%). Most investors (57.40%) prefer less than five years of investment time

horizon. A systematic investment plan (69.09%) is preferred compared to a one-time investment plan (30.91%).

7.2. Reliability Analysis

A high value of Cronbach's alpha exhibits good internal consistency of the items in the scale. Table 2 exhibits the Cronbach alpha value of 0.871 for all the items (14 items) included in the questionnaire, which was above the acceptable limit of 0.7. Hence, the data has good internal consistency and reliability for further analysis.

Table 2. Reliability Statistics Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.871	14

7.3. Factor analysis

The study carries out Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity for sampling adequacy (Mishra et al., 2017). The numerical outcome of the sampling adequacy test is shown in Table 3, which highlights KMO and Bartlett's test outcome, where the value of the KMO test is found to be 0.868, which is more than the standard value of 0.60 (Mishra et al., 2017). This numerical outcome supports superior validity (as it is more than 0.60), thereby ensuring sampling adequacy for factor analysis. The significance value of Bartlett's sphericity test is 0.00, technically less than the standard value of 0.05. This value infers that there is no identity matrix in the given data set and hence has the required statistics for factor analysis.

Table 3. Test of Sampling Adequacy

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.868
Bartlett's Test of Sphericity	Approx. Chi-Square	890.305

	df	78
	Sig.	.000

Principal Component Analysis (PCA) was used to extract the components and factor rotation, which was applied using the Varimax Rotation. This method is the most frequently used when there is a need for a non-orthogonal solution. One of the advantages of this technique is that it is independent of a maximum number of variables that form a combination of a linear variables, which is good enough for analyzing the internal validity of the given sample of the study.

Table 4. Total variance explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.19	39.922	39.922	2.494	19.184	19.184
2	1.246	9.588	49.509	2.306	17.737	36.921
3	1.029	7.917	57.426	1.957	15.057	51.979
4	0.935	7.195	64.621	1.644	12.642	64.621
5	0.792	6.09	70.711			
6	0.675	5.192	75.902			
7	0.566	4.353	80.255			
8	0.546	4.202	84.458			
9	0.493	3.792	88.25			
10	0.48	3.689	91.939			
11	0.383	2.944	94.883			
12	0.376	2.893	97.775			

13	0.289	2.225	100			
Extraction Method: Principal Component Analysis.						

Eigenvalues are the variances of the factors. The total variance explained is shown in Table 4, highlighting that four factors are retained out of the initial 13 factors, which explains 64.62% of the variance. Thus, four components are effective enough in representing all the characteristics or components highlighted by the stated 13 variables.
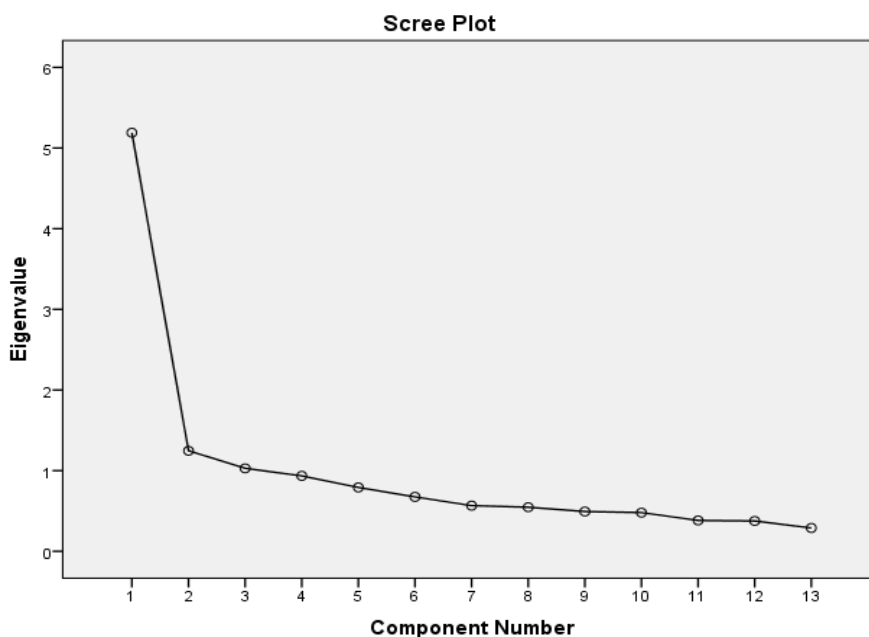

Figure 1. Scree Plot

Figure 1 highlights the scree plot of the eigenvalues against all the factors. A Scree plot is beneficial for determining the number of factors to retain. In order to check the number of factors to be retained, it should be analyzed where the curve starts to flatten. From the above graphical representation, it can be identified that the curve begins to flatten after factor 4. Factor 5 onwards has an eigenvalue of less than 1, so only four factors have been retained.

Table 5. Rotated component matrix

Item	Component			
	1	2	3	4

Invest in Mutual Fund due to its Past Performance and Dividend History		.760		
Investment in Mutual Fund due to the Return & Capital Gain	.612			
Management by experts		.640		
Rating by external rating agency		.637		
Advice from advisor to invest in mutual fund			.601	
Declaration of all Material Information in a timely Manner	.798			
Adoption of Investment Strategy as per Scheme's Prospectus	.666			
Compliance to SEBI Guidelines and Directives	.671			
Several banks provide loans to investors against certain specific mutual fund units held by schemes			.827	
Apart from direct investors and distribution companies, can purchase units through individual financial advisor and National distributors			.700	
Earning returns through equity scheme are tax free if investor holding more than a year				.605
Mutual fund is an indirect route to invest in stock market, bond market, short-term money market and other securities				.785
Mutual fund serves both objectives of capital growth and regular income				.517
Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalization				

Table 5 highlights the rotated factor component that exhibits the correlation between the factors and the items indicating that constructs. The idea of rotation is to reduce the number of factors (dimensions) on which the variables under investigation have high loadings. Table 5 shows that 13 items were grouped into four factors, which were further used as variables in the multiple regression analysis to find the impact of the identified factors on the study's dependent variable (Investment decision).

The four independent variables identified from the factor analysis:

- Transparency in Mutual Fund
- Fund Management Qualities

- Ease of Investment
- Perception of Mutual Fund

7.4. Inferential analysis

Table 6 exhibits the relationship between the identified factors. Transparency in the mutual fund was positively and significantly correlated ($p = 0.05$) to fund management qualities, ease of investment, and perception of the mutual fund. The fund management qualities are significantly and positively correlated with all three other factors. Ease of investment had a significant and positive relationship with all three factors. Perception of the mutual fund factor had a significant and positive correlation with all the other three factors.

Table 6. Correlation analysis

		X_1	X_2	X_3	X_4	Y
X_1	Pearson Correlation	1	.615**	.475**	.519**	.538**
	Sig. (2-tailed)		.000	.000	.000	.000
X_2	Pearson Correlation	.615**	1	.478**	.494**	.323**
	Sig. (2-tailed)	.000		.000	.000	.000
X_3	Pearson Correlation	.475**	.478**	1	.520**	.321**
	Sig. (2-tailed)	.000	.000		.000	.000
X_4	Pearson Correlation	.519**	.494**	.520**	1	.412**
	Sig. (2-tailed)	.000	.000	.000		.000
Y	Pearson Correlation	.538**	.323**	.321**	.412**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).						

Where,

X_1 = Transparency in Mutual Fund

X_2 = Fund Management Qualities

X_3 = Ease of Investment

X_4 = Perception of Mutual Fund

Y = Investment Decision

7.5 Multiple regression analysis

A multiple regression model was carried out considering the four independent variables identified from the factor analysis. Fund management qualities and Ease of investment factor were insignificant at a p = 0.05 significance level. These two insignificant factors were removed from the model, forming a regression model with two independent variables.

Table 7. Multiple regression analysis

Model	B	T-Value	P-Value	Tolerance	VIF
(Constant)	1.611	6.497	0.000		
Transparency	0.433	6.425	0.000	.731	1.369
Perception	0.159	2.625	0.009	.731	1.369
R-Squared	.560ª				
Adjusted R-Square	0.313				
Durbin-Watson Statistics	1.763				
F	44.945				
P-Value	0.000				

Table 8 summarizes the multiple regression model performance with relevant analysis. In the analysis, R-value was found to be 0.560, which indicates that the independent variables explain 56% of the variability of the dependent variable. Durbin-Watson's value is 1.763. The independence of residual assumption is not violated because the Durbin-Watson value is very close to 2 (Tillman, 1975). Therefore, the outliers do not influence the regression model. In terms of multi-collinearity, the tolerance value for each independent variable is more significant than 0.1 (.731), and all variance inflation factor (VIF) factors are less than 10 (1.369), which indicates a low correlation exists among the variables.The positive constant coefficient indicates that general investment in Mutual Funds is desired. The model coefficients were used to construct the linear regression equation as follows:

$$Y = 1.611 + 0.433\ X_1 + 0.159\ X_4$$

Where,

X_1 = Transparency in Mutual Fund

X_4 = Perception of Mutual Fund

Therefore, multiple regression statistics were run to predict Investment decisions from transparency in a mutual fund, fund management qualities, ease of investment, and perception of the mutual fund. Transparency in mutual funds and perception of mutual fund factors significantly predicted Investment decisions, $F = 44.945$, $p < .05$, $R^2 = .560$.

Regarding Investment decisions in mutual funds, transparency in mutual funds and perception of the mutual fund was found to be significant at 0.05 levels with a strong relationship; hence, the two null hypotheses, H_1 and H_4, were accepted. Similarly, ease of investment and perception of the mutual fund were insignificant. Thus, H_2 and H_3 were rejected.

8. Conclusion

The primary aim of this study is to ascertain the factors that motivate individual investors to invest in Mutual Funds specifically in Bangalore. A convenience sampling method was employed to select a sample of 385 investors for the research study. A carefully designed questionnaire was utilized to collect responses from the investors. Through factor analysis, four key factors were identified that influence individual investors in their decision to invest in Mutual Fund schemes. Furthermore, a correlation analysis was conducted to examine the relationship between these factors and investment decisions in mutual funds. The obtained Pearson Correlation Coefficient values for all the factors were below 0.7, indicating a moderately low association between these factors and investment decisions in mutual funds. However, it is important to note that all the identified factors exhibited statistically significant positive correlations with investment decisions in mutual funds. A multiple regression model was employed to analyze the relationship between four independent factors identified through factor analysis. The results of the study indicate that mutual fund transparency and perception exert a significant influence on investment decisions pertaining to mutual fund schemes. Conversely, the factors of ease of investment and fund manager's qualities did not demonstrate a significant impact on investment decisions within mutual fund schemes. While the primary objective of investments is typically to generate returns, the study reveals that the importance attributed to

mutual fund performance was lower compared to the significance placed on transparency within mutual fund schemes. This suggests that monetary benefits may not be the predominant factor for investors. The implications of these findings extend to investors, mutual fund managers, and policymakers. Investors can benefit from the study's results by gaining a better understanding of the mutual fund selection process and enhancing their decision-making in this regard.Mutual fund managers can leverage the findings of this study to optimize transparency, enhance performance, and attract investors through the design, targeting, and marketing of mutual fund schemes. Consequently, it is imperative for fund managers to carefully consider these factors during the development of mutual fund schemes, while ensuring alignment with investors' financial objectives. Despite being owners of the funds, mutual fund investors lack substantial decision-making authority. Thus, the involvement of policymakers and regulators becomes crucial in safeguarding the financial interests of unit holders. By comprehending the investment factors that hold significance for investors, policymakers and regulators can implement mechanisms and policies that safeguard investors' interests. This, in turn, would foster a greater and more active participation of investors in mutual funds.

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