

Research Article

Mutual Fund Investor's Behaviour with Application Theory of Planned Behaviour

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Abstract: In this paper, the factors that influence the behavioural intentions related to mutual fund investments have been discussed using the Theory of Planned Behaviour framework. In this case, some key factors such as awareness/financial literacy, attitude towards mutual funds, subjective norms, perceived barriers, and perceived risk have been taken into consideration. The primary data collection process was done by means of a structured questionnaire, and the relationships between the variables were analysed using Structural Equation Modelling (SEM). The results showed that both perceived barriers and perceived risk have a strong positive relationship with behavioural intentions towards mutual funds, which implies that people who are aware of the problems will still invest in mutual funds, and this may be because of their greater involvement and risk-taking nature. Awareness/financial literacy was found to have a weak relationship with behavioural intentions but did not influence the attitude significantly. Surprisingly, contrary to expectations, attitude and subjective norms did not show any significant relationship with behavioural intentions. Perceived risk did not influence attitude towards mutual funds as well. In summary, practical and risk-related factors have a stronger role to play in making investments than psychological and social factors.

Keywords: Mutual Funds, Investor Behaviour, Behavioural Intention, Financial Literacy, Awareness, Attitude, Subjective Norms, Perceived Risk, Perceived Barriers.

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INTRODUCTION

There have been significant trends noticed in the growth of the MF industry in India. There have been record-breaking growths noted in the industry due to a steady shift in the inclination of investors towards market-linked instruments from traditional savings mechanisms like fixed deposits. On March 31, 2026, the industry saw its total AUM touch the mark of ₹73.73 trillion. That represents nearly a six-fold increase in the value from ten years ago. Several reasons for this phenomenal growth are identified, including the active participation of retail investors. The number of investor folios stood at 273.9 million (27.39 crore). This shows that the investor base in the country has expanded considerably. Retail investors constitute a dominant force in the MF space, as 87% of the assets of equity-oriented schemes are managed through them. One prominent trend noted among investors in recent times is their young age. People younger than 35 years form almost 30% of the users of the Systematic Investment Plan (SIP). Besides, their average net inflows have seen steady growth in the recent past. Moreover, the participation of women in MFs has grown considerably, constituting 25% of all investors. Another major driver of growth is the widespread adoption of Systematic Investment Plans (SIPs), which have transformed investing into a disciplined and regular financial practice. Monthly SIP inflows reached an all-time high of ₹32,087 crore in March 2026, reflecting increased investor confidence and long-term investment orientation. Overall, these trends highlight the evolving dynamics of the Indian mutual fund industry, characterized by broader participation, increased financial awareness, and a growing inclination toward systematic and market-linked investment options.

THEORETICAL BACKGROUND OF THE STUDY

From the literature review conducted on mutual fund investor behavior, it is clear that investor's decisions are based on

awareness, financial literacy, attitude, influence from others and demographics. There has been widespread use of Theory of Planned Behavior and Behavioral Finance concepts to explain how mutual fund investors' decision-making is affected. The first important finding that comes out in many literatures on mutual fund investment behaviour is that awareness plays a significant role in explaining investment behaviour. According to Inderpreet Kaur and Kapil Kaushik (2016), awareness, attitudes, and socioeconomic factors are highly related to investment behaviors. From their study, awareness had a highly significant effect on mutual fund investment behavior, while the effect of risk perception was not significant. Besides, there are demographic factors which influence the level of awareness of mutual funds among individuals. The second important finding on mutual fund investment behavior is that financial literacy has positive effect on investor's behavior although the effect was not statistically significant. In addition, there is negative and insignificant effect between mutual fund awareness and investor behavior. Further, Hitesh Thanki, Niranjana Tripathy, and Shivani Shah (2024) applied the Theory of Planned Behavior using structural equation modelling and found that subjective norms, attitude, and financial literacy significantly influence investment intention. Among these, subjective norms had the strongest effect, suggesting that investors often rely on social influence due to limited awareness or confidence. In support of this, Ankit Mishra et al. (2022) demonstrated that awareness and attitude have a strong positive relationship with investment intention. Their findings revealed that attitude is the most influential factor, followed by awareness, while perceived barriers negatively affect investment decisions. This emphasizes the importance of both knowledge and perception in shaping investor behaviour.

The significance of awareness is yet again underscored through research done by Dinesh Ghimire and Madhav Adhikari (2023), which revealed that despite the growing interest in mutual funds, there is an inadequacy in terms of investor awareness. In their study, Ghimire and Adhikari noted that awareness along with mutual fund performance and perceptions regarding risks had a significant influence on investment decisions. Additionally, the issue of behavioural determinants in investing has been discussed extensively by Vishnani et al. (2024), who observed that an individual's attitude towards investing had a positive correlation with their desire to make an investment decision; additionally, emotions and self-efficacy were important factors. Moreover, the same was noted by Amit Ger et al. (2025) and G Manideep & R Chodisetty (2025) who pointed out the significance of financial literacy and investment-related knowledge alongside the ability to manage risks. In fact, the same determinants for mutual fund investments were also identified by Y D and P Venugopal (2023) who revealed that attitude, financial knowledge, and risk tolerance had a positive impact on investment intentions. In their study, they noted that effective communication plays a vital role in facilitating mutual fund investments. While awareness and financial literacy are essential for informed decision-making, attitude and social influence often play a more dominant role in determining actual investment behaviour. The findings collectively suggest that improving investor education, enhancing awareness, and building positive perceptions toward mutual funds are crucial for increasing participation in mutual fund investments.

AWARENESS / FINANCIAL LITERACY

The importance of awareness and financial literacy is vital for mutual fund investment behavior. In finance, financial literacy involves one's capacity to comprehend financial matters, consider investment alternatives, and make well-informed judgments, whereas awareness includes knowledge about mutual funds and their workings. According to studies based on the theory of planned behavior, increased knowledge levels contribute to enhanced behavioral control, resulting in higher probabilities of investing. In a study conducted by Inderpreet Kaur and Kapil Kaushik in 2016, awareness was noted to have a significant impact on mutual fund investment decisions, where those who were more knowledgeable made better investments. Likewise, Ankit Mishra et al., in 2022, observed a significant positive connection between awareness and investment intention. On the other hand, Sadaf Saleem et al., in 2021, observed that although financial literacy positively affects mutual fund investments, its impact can be insignificant at times due to the absence of favorable attitudes towards investing.

ATTITUDE TOWARDS MUTUAL FUNDS

The attitude towards mutual funds is seen to be one of the most important determinants of investment intentions and behavior. The attitude of an individual is formed on the basis of his/her perception and evaluation of mutual fund investment considering the gains and risks involved in terms of returns, safety, liquidity, and professionalism. In line with the Theory of Planned Behavior, attitude exerts direct influence on behavioral intention. Hitesh Thanki et al. (2024) stated that attitude along with subjective norms and financial literacy significantly influences the intentions of investors to invest in mutual funds. Ankit Mishra et al. (2022) reported attitude and awareness as the two dominant factors affecting investors' intentions. Moreover, Y D and P Venugopal (2023) noted the significant effect of a favorable attitude combined with financial knowledge and risk tolerance on investment behavior. Consequently, a favorable attitude towards mutual funds encourages people to invest in them, while negative attitude or myths may become barriers to investment. It is therefore important to foster a positive attitude towards mutual funds through proper communication and financial education.

SUBJECTIVE NORMS

Subjective norms can be defined as the influence of social pressure on an individual's choice to invest in mutual funds.

Under the Theory of Planned Behavior, subjective norms are described as the influence of family members, friends, co-workers, and financial advisors on the intention to invest. Research suggests that most investors depend on advice and suggestions made by their social group when investing, especially when they have insufficient financial literacy or confidence. According to Hitesh Thanki et al. (2024), subjective norms have a substantial effect on investment intention compared to attitude and financial literacy. The study further shows that social influence dominates individual attitudes and literacy and significantly impacts investment intentions. In addition, behavioral finance scholars emphasize that investors behave like sheep, adopting the same practices as other people without analyzing the situation independently. Consequently, social influence will be a crucial factor in driving individuals to invest in mutual funds since they will lack sufficient awareness.

Perceived Barriers

Perceived barriers pertain to the obstacles or constraints preventing an individual from putting money into mutual funds. Such obstacles may include lack of knowledge, perceived complexity of financial instruments, fear of risk, lack of sufficient funds, distrust in financial intermediaries, and other procedural challenges. The perception of barriers is viewed negatively as far as investment intention goes because the latter is characterized by hesitation and uncertainty on the part of the investor. According to Ankit Mishra et al. (2022), for instance, the correlation between perceived barriers and investment intention is negative, meaning that higher levels of perceived barriers result in lower investment intention toward mutual funds. Moreover, limited awareness and low financial literacy tend to exacerbate such barriers, making individuals rely heavily on informal sources of information when it comes to investments. Perceived risk and complexity contribute to reduced investment even more, especially among novice investors.

Perceived Risk

Perceived risk involves the investor's personal judgment about uncertainty and risk involved in mutual fund investments. Perceived risk assumes a critical position when making investment decisions since it helps individuals understand the risk-reward balance involved in the process. In Behavioral Finance, perceived risk is not determined by objective factors alone; rather, it is subject to psychological considerations and previous experiences. According to traditional finance theory, increased levels of perceived risks are likely to reduce investments since individuals prefer lower risks over higher ones. Research conducted in the mutual fund industry provides contradictory findings regarding the effect of perceived risk on investment behavior. Inderpreet Kaur & Kapil Kaushik (2016), for example, found out that perceived risk did not affect investment behavior within the mutual fund industry. Sadaf Saleem et al. (2021) revealed that perceived risk had a negative and insignificant effect on mutual fund investment decisions. Contradictory research findings show that increased perceptions of risk deter investment decisions, particularly for less-informed individuals.

Behavioural Intention

Behavioural intention is the tendency of an individual to invest in mutual funds. This is directly associated with an investor's intention and serves as an indirect determinant of mutual fund investment. As per the Theory of Planned Behaviour, the three factors that determine the behavioural intention are attitudes, subjective norms, and perceived behavioural control (which in turn is strongly associated with financial literacy). The greater the intention, the higher will be the likelihood of investment. Thanki, et al., (2024) identified that subjective norms, attitudes, and financial literacy play a key role in determining the behavioural intention related to mutual funds and social influence has a dominant impact on it. Likewise, Mishra, et al., (2022) emphasized that positive attitudes and increased awareness have positive impacts on investments while the presence of perceived barriers has negative effects on it. Clearly, it can be seen that the behavioural intention serves as an intervening variable between several other variables and mutual fund investments.

RESEARCH METHODOLOGY

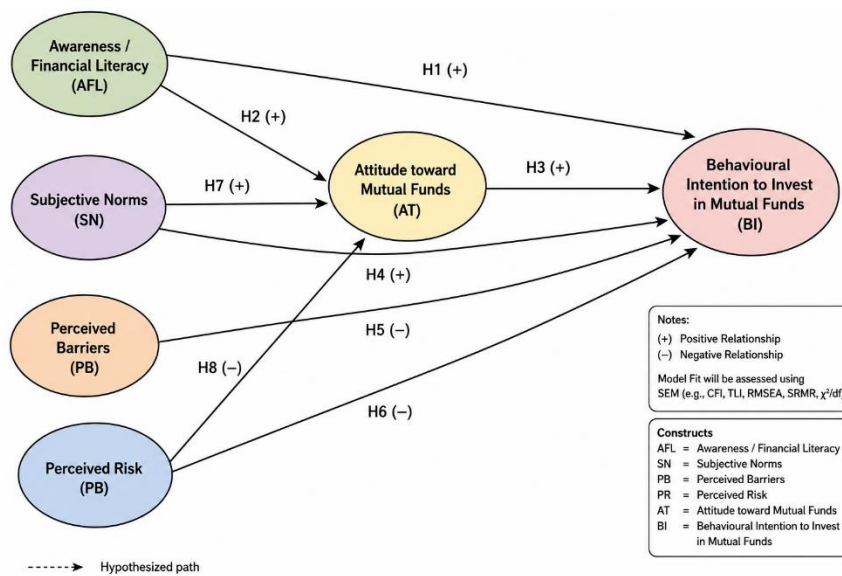
This study adopts a quantitative research approach to analyse the factors influencing behavioural intention toward mutual fund investment, with special reference to Karur District. A descriptive and analytical research design was used to examine the relationships between awareness/financial literacy, attitude, subjective norms, perceived barriers, perceived risk, and behavioural intention. The study is based on primary data collected from mutual fund investors through a structured questionnaire. A total of 250 respondents were selected using simple random sampling, ensuring that each individual had an equal chance of being included in the study. The questionnaire was designed using a Likert scale to measure the perceptions and opinions of respondents regarding mutual fund investments.

For data analysis, Measured Structural Equation Modelling (MSEM) was employed to test the relationships among the variables and validate the proposed hypotheses. Statistical tools such as path coefficients, critical ratio, and p-values were used to interpret the results. Reliability and validity of the data were ensured using appropriate statistical measures. Overall, the methodology provides a systematic approach to understanding investor behaviour toward mutual funds in the selected study area.

Hypotheses of the study

- **H1:** Awareness / financial literacy has a significant positive influence on behavioural intention toward mutual fund investment.
- **H2:** Awareness / financial literacy has a significant positive influence on attitude toward mutual funds.
- **H3:** Attitude toward mutual funds has a significant positive influence on behavioural intention.
- **H4:** Subjective norms have a significant positive influence on behavioural intention toward mutual fund investment.
- **H5:** Perceived barriers have a significant negative influence on behavioural intention toward mutual fund investment.
- **H6:** Perceived risk has a significant negative influence on behavioural intention toward mutual fund investment.
- **H7:** Subjective norms have a significant positive influence on attitude toward mutual funds.
- **H8:** Perceived risk has a significant negative influence on attitude toward mutual funds.

Conceptual design of the study



Table

1: Measured Structural Equation Modelling (MSEM) results

S.No	Endogenous variable		Exogenous variables	Estimate	S.E.	C.R.	P
H1	behavioural intention toward mutual fund investment.	←	Awareness / financial literacy	.094	.048	-1.961	.050
H2	attitude toward mutual funds.	←	Awareness / financial literacy	.085	.049	-1.749	.080
H3	behavioural intention toward mutual fund investment.	←	Attitude toward mutual funds	.003	.050	.054	.957
H4	behavioural intention toward mutual fund investment.	←	Subjective norms	.028	.058	-.493	.622
H5	behavioural intention	←	Perceived barriers	.144	.050	2.885	.004

	toward mutual fund investment.						
H6	behavioural intention toward mutual fund investment.	←	Perceived risk	.122	.041	3.019	.003
H7	behavioural intention toward mutual fund investment.	←	Subjective norms	.107	.073	1.477	.140
H8	attitude toward mutual funds	←	Perceived risk	-.045	.031	1.438	.150

Source : AMOS output

RESULTS AND INTERPRETATION

The present study employed Structural Equation Modelling (SEM) to examine the relationships among awareness/financial literacy, attitude toward mutual funds, subjective norms, perceived barriers, perceived risk, and behavioural intention toward mutual fund investment. The hypotheses were tested using path coefficients, critical ratios (C.R.), and p-values, where a p-value of 0.05 or less indicates statistical significance.

The results indicate that awareness/financial literacy has a marginally significant effect on behavioural intention (H1), with a p-value of 0.050. Therefore, H1 is marginally supported, suggesting that investors with higher financial knowledge and awareness are somewhat more likely to invest in mutual funds. However, the effect is weak, indicating that awareness alone may not strongly drive investment intention. In contrast, awareness/financial literacy does not significantly influence attitude toward mutual funds (H2), as the p-value (0.080) exceeds the acceptable threshold. Hence, H2 is not supported, implying that knowledge about mutual funds does not necessarily translate into a favourable attitude.

Further, the results reveal that attitude toward mutual funds does not have a significant impact on behavioural intention (H3), with a very high p-value (0.957). Thus, H3 is not supported, which contradicts the assumptions of the Theory of Planned Behavior, where attitude is typically considered a strong predictor of intention. Similarly, subjective norms do not significantly influence behavioural intention (H4), as indicated by a p-value of 0.622. Therefore, H4 is not supported, suggesting that social influence from family, friends, or peers does not play a major role in shaping investment decisions in this study.

Interestingly, the findings show that perceived barriers have a significant positive effect on behavioural intention (H5), with a p-value of 0.004. Hence, H5 is supported. This result is contrary to conventional expectations, as perceived barriers are generally expected to discourage investment. The positive relationship may indicate that investors who are aware of barriers such as complexity or procedural issues are still willing to invest, possibly due to better understanding or higher involvement.

Similarly, perceived risk is found to have a significant positive effect on behavioural intention (H6), with a p-value of 0.003. Therefore, H6 is supported. This finding suggests that investors who perceive higher risk may also exhibit greater intention to invest, possibly reflecting a higher risk tolerance or preference for potentially higher returns. This aligns with certain perspectives in Behavioral Finance, where risk-taking behaviour varies among individuals.

The analysis further shows that subjective norms do not significantly influence behavioural intention (H7), with a p-value of 0.140. Thus, H7 is not supported, reinforcing the earlier finding that social influence is not a major determinant in this context. Finally, perceived risk does not significantly affect attitude toward mutual funds (H8), as indicated by a p-value of 0.150. Therefore, H8 is not supported, suggesting that investors' perception of risk does not alter their overall evaluation of mutual fund investments.

Overall, the findings highlight that perceived barriers and perceived risk are the most significant predictors of behavioural intention, while traditional factors such as attitude and subjective norms do not show significant influence. This indicates a shift from purely psychological and social determinants toward more practical and risk-related considerations in mutual fund investment behaviour.

Managerial Suggestions

From the results obtained through the study, the following are some of the practical implications that can be realized by mutual fund firms, investment counselors, and policymakers in improving the investment behavior of potential investors. First, even if there is an insignificant influence of financial awareness and literacy on intention to invest (H1) and attitude towards investing in mutual funds (H2), they are still very important building blocks in any process. This means that mutual fund companies must work on improving their investors' knowledge of investing through making financial literacy accessible in regional languages and using digital mediums such as mobile phones and social media platforms.

In other words, the insignificant correlation between individuals' attitudes towards mutual fund investing and their behavioural intention to do so (H3) shows that only informing people about benefits linked to mutual funds will not make the job done. The implication is that the fund organization needs to focus on acquiring experience of its customers. Third, subjective norms (H4 and H7) turned out to be insignificant. Therefore, we may say that social norms have relatively little effect on investors' decision making. This suggests that marketers should move away from generalized campaigns aimed at peers to those that focus on particular goals and financial planning of individuals. Meanwhile, an important contribution of the research was made by finding a significant correlation between individuals' perception of barriers (H5) and their behavioural intention. Theoretically speaking, this variable should show a negative correlation, but, perhaps, it demonstrates the opposite because aware investors tend to be more engaged in the process of decision-making. Nevertheless, in order to encourage people to become involved in mutual fund investments, AMCs need to eliminate some obstacles to investing. Similarly, perceived risk (H6) was found to significantly influence behavioural intention in a positive manner. This indicates that investors may be willing to accept higher risk for better returns. Therefore, fund managers should design and promote risk-aligned products, clearly communicate risk-return trade-offs, and offer tools such as risk profiling and portfolio simulation to help investors make informed decisions. Finally, since perceived risk does not significantly influence attitude (H8), it is important for managers to differentiate between perception and behaviour. Investors may acknowledge risks but still invest, which highlights the need for continuous communication, reassurance, and performance transparency to maintain confidence.

CONCLUSION

The current research explored the determinants affecting behavioural intention of mutual funds investments by developing a structured model under Theory of Planned Behaviour (TPB). It was observed that the traditional determinants, including attitude and subjective norm, did not significantly affect investment intention, which is quite different from past theoretical assumptions. In contrast, perceived barrier and perceived risk were found to be two major predictors of behavioural intentions towards investing money into mutual funds. In other words, the investors are being affected by more practical motives along with their assessment of the risk return relationship instead of social pressure or individual attitudes. Although awareness and financial literacy can play an important role in influencing investor behaviour, their impact is quite insignificant and shows no strong correlation with behavioural intention. It means that knowledge of the mutual fund market should be supplemented with experience and confidence in order to foster further investment activities. Thus, it can be concluded that investor behaviour is changing, becoming more independent, analytical and risk-taking in the process of making decisions about mutual fund investments. The study contributes to the existing literature by offering new insights into the changing dynamics of investor behaviour and provides a foundation for future research in this domain.

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