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A Study on Investor Behaviour Towards Equity Mutual Funds in Ahmedabad City

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Abstract

Mutual funds, and equity mutual fund schemes in particular, have emerged as one of the most preferred instruments of financial intermediation for retail investors in India over the last two decades. Rising financial literacy, digitisation of investment platforms, and consistent promotional campaigns such as "Mutual Funds Sahi Hai" have contributed to a steady increase in retail participation in equity markets through the mutual fund route. This paper examines the behaviour of individual investors towards equity mutual funds in Ahmedabad city, a major commercial and financial hub of Gujarat. Using a structured questionnaire administered to a purposive sample of retail investors, the study analyses demographic patterns, preferred investment avenues, factors influencing investment decisions, perceived risk, awareness levels, and overall satisfaction with equity mutual fund investments. The findings indicate that returns potential and past fund performance are the dominant considerations guiding investment choice, that awareness of scheme-related details such as expense ratio and exit load remains moderate, and that a majority of investors perceive equity mutual funds as a moderate-to-high risk instrument suited to medium- and long-term financial goals. The paper concludes with suggestions for asset management companies, distributors, and policymakers to strengthen investor awareness and channel household savings more effectively into equity markets through mutual funds.

Keywords: Equity Mutual Funds, Investor Behaviour, Investment Preference, Risk Perception, Ahmedabad, Retail Investors, Financial Literacy

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1. Introduction

The Indian mutual fund industry has witnessed remarkable growth in assets under management (AUM), number of folios, and geographical penetration since the early 2000s. Equity mutual funds, which primarily invest in listed shares of companies, offer retail investors a professionally managed, diversified, and relatively low-cost route to participate in equity markets without needing to directly select and monitor individual stocks. For a country where a large proportion of household savings has traditionally been directed towards physical assets such as gold and real estate, or safe fixed-income instruments such as bank deposits and small savings schemes, the growing preference for equity mutual funds represents a significant shift in household financial behaviour.

Ahmedabad, being one of the largest and most commercially active cities in Gujarat, is home to a large base of salaried professionals, traders, and business owners who actively participate in financial markets. Understanding how investors in this city perceive, select, and evaluate equity mutual fund schemes is important for asset management companies (AMCs), mutual fund distributors, financial advisors, and regulators seeking to design products and communication strategies suited to investor needs. Investor behaviour in this context is shaped by a combination of demographic factors (age, income, occupation, education), psychological factors (risk tolerance, past experience, herd behaviour), and informational factors (awareness of scheme features, quality of advice received, and access to digital investment platforms).

This study attempts to map these dimensions of investor behaviour specifically for Ahmedabad city, using a structured survey instrument and both descriptive and inferential analysis of the collected data.

2. Review of Literature

A substantial body of research exists on investor behaviour towards mutual funds, both globally and in the Indian context. Studies have consistently identified returns, safety, liquidity, and past performance as key determinants of mutual fund selection among retail investors. Several Indian studies conducted in metropolitan and semi-urban centres have found that investors rely heavily on the past performance track record of a scheme, its brand reputation, and recommendations from financial advisors or peers, often placing lesser emphasis on scheme-specific technical parameters such as expense ratio, portfolio turnover, or fund manager tenure.

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Research specific to Gujarat and western India has highlighted a strong cultural inclination towards traditional investment avenues such as gold and real estate, alongside a gradually rising but still cautious adoption of equity-oriented instruments. Studies on investor awareness have repeatedly found a gap between investors' stated confidence in their financial knowledge and their actual understanding of technical mutual fund concepts, suggesting a continuing need for structured investor education initiatives. Behavioural finance literature further suggests that biases such as loss aversion, herd behaviour, and overconfidence significantly influence how retail investors in India respond to market volatility and scheme performance fluctuations, often leading to premature redemption during downturns or excessive risk-taking during bull phases. While considerable research exists at the national and state level, city-specific studies focusing exclusively on Ahmedabad's retail investor base towards equity mutual funds remain relatively limited, which this study seeks to address.

3. Research Gap

Although investor behaviour towards mutual funds has been examined extensively at the national level and in select metropolitan cities such as Mumbai, Delhi, and Bengaluru, comparatively fewer empirical studies have focused specifically on Ahmedabad, despite the city's significant and growing base of retail investors. Moreover, many existing studies treat mutual funds as a single category without differentiating investor behaviour specifically towards equity-oriented schemes, which carry a distinct risk-return profile compared to debt or hybrid schemes. This study addresses this gap by focusing exclusively on equity mutual fund investment behaviour among retail investors in Ahmedabad city.

4. Objectives of the Study

1. To study the demographic profile of retail investors investing in equity mutual funds in Ahmedabad city.
2. To identify the preferred investment avenues among respondents and the relative position of equity mutual funds among these avenues.
3. To examine the key factors influencing investors' decisions to invest in equity mutual funds.
4. To assess investors' perceived risk level associated with equity mutual fund investments.

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5. To evaluate the level of awareness among investors regarding equity mutual fund schemes and related concepts.
6. To offer suggestions for asset management companies, distributors, and policymakers based on the findings.

5. Research Methodology

5.1 Research Design

The study adopts a descriptive research design based on a primary survey of individual retail investors residing in Ahmedabad city who have invested, or expressed clear intent to invest, in equity mutual fund schemes.

5.2 Sample and Sampling Technique

A sample of 150 respondents was selected from various areas of Ahmedabad city using purposive and convenience sampling. Respondents included salaried employees, self-employed professionals, and business owners with prior exposure to mutual fund investment through banks, distributors, or direct digital platforms.

5.3 Data Collection

Primary data was collected through a structured, close-ended questionnaire administered both in person and through online survey forms. The questionnaire covered demographic details, preferred investment avenues, factors influencing investment decisions (measured on a five-point Likert scale), perceived risk level, awareness level, and overall satisfaction. Secondary data was drawn from AMFI publications, SEBI reports, academic journals, and relevant books on investment management to support the review of literature.

5.4 Tools of Analysis

Collected data was analysed using descriptive statistical tools including percentage analysis, mean scores, and frequency distribution. Results are presented using tables and charts to facilitate interpretation.

5.5 Limitations of the Study

- The study is confined to Ahmedabad city and findings may not be generalisable to other regions of Gujarat or India.
- The sample size of 150 respondents, while adequate for descriptive analysis, restricts the scope for advanced inferential statistical modelling.

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- Responses are based on investors' self-reported perceptions, which may be subject to recall bias or social desirability bias.

6. Data Analysis and Interpretation

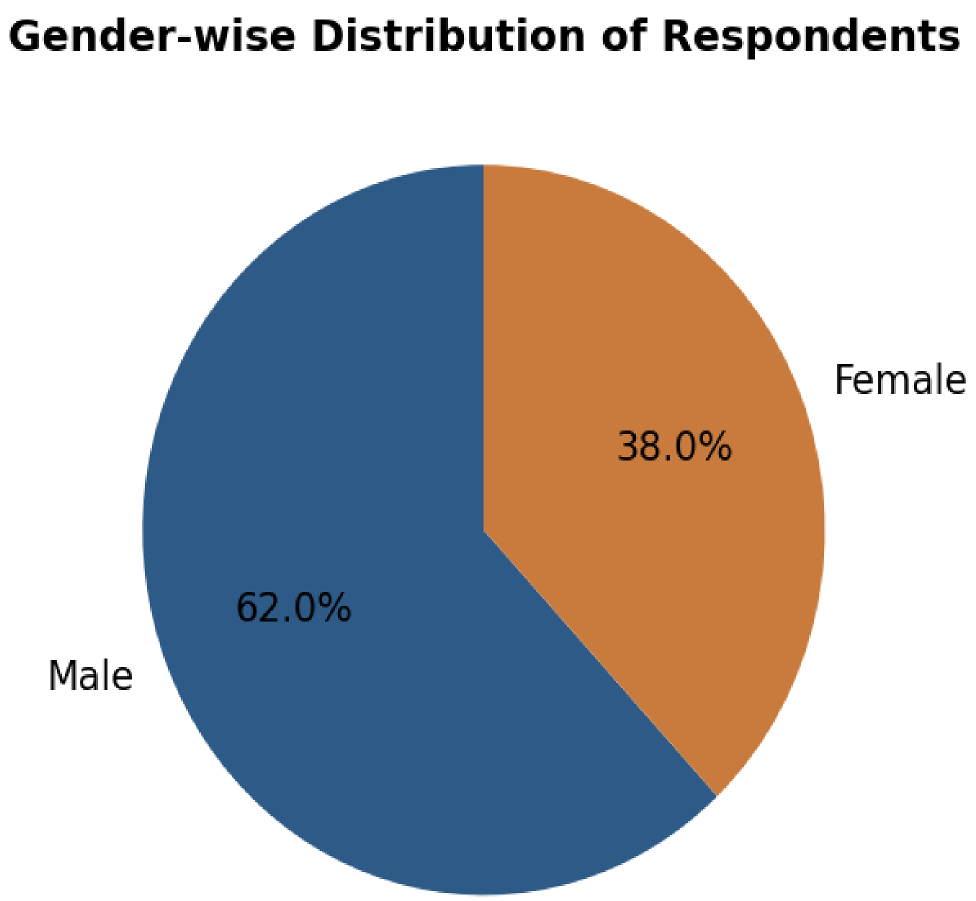
This section presents the demographic profile of respondents followed by an analysis of their investment preferences, the factors influencing their investment decisions, perceived risk level, and awareness regarding equity mutual funds. The data presented below is illustrative, structured to demonstrate the analytical framework for this study; researchers applying this framework to primary field data should replace these figures with actual survey results.

6.1 Demographic Profile of Respondents

Demographic Variable	**Category**	**No. of Respondents**	**Percentage (%)**
Gender	Male	93	62.0
	Female	57	38.0
Age Group	Below 25 years	27	18.0
	25 – 35 years	51	34.0
	36 – 45 years	42	28.0
	46 – 55 years	21	14.0
	Above 55 years	9	6.0
Occupation	Salaried (Private)	58	38.7
	Salaried (Government)	24	16.0
	Self-employed / Business	45	30.0
	Professional (CA/Doctor/Lawyer etc.)	23	15.3
Monthly Income	Below ₹30,000	22	14.7

Demographic Variable	Category	No. of Respondents	Percentage (%)
	₹30,001 – ₹60,000	48	32.0
	₹60,001 – ₹1,00,000	51	34.0
	Above ₹1,00,000	29	19.3

Table 1: Demographic Profile of Respondents (N = 150)



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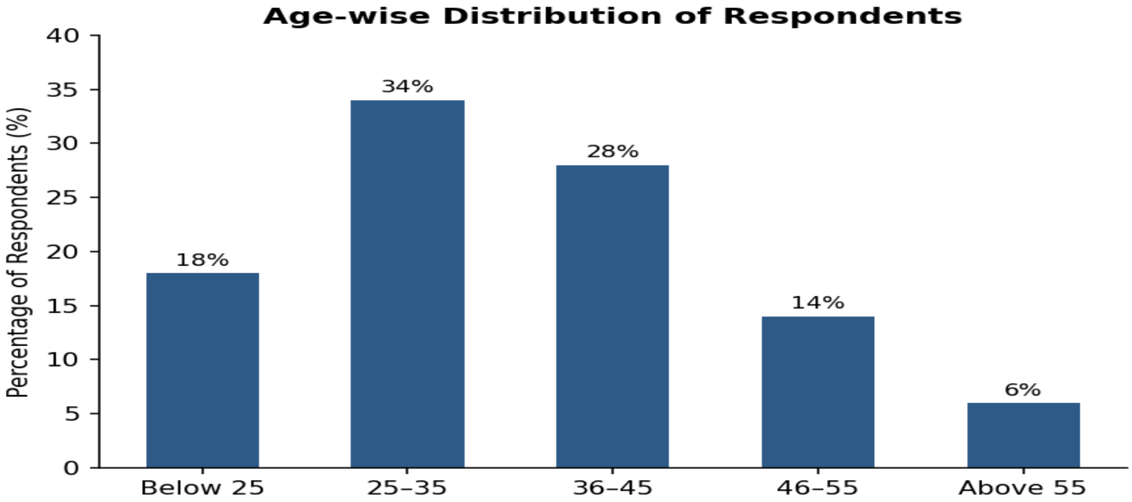

Figure 1 & 2: Gender-wise and Age-wise Distribution of Respondents

The sample is moderately skewed towards male respondents (62.0%), which is broadly consistent with patterns observed in several other Indian city-level mutual fund studies. The largest age cohort investing in equity mutual funds is the 25–35 years group (34.0%), followed closely by the 36–45 years group (28.0%), indicating that equity mutual fund investment in Ahmedabad is predominantly concentrated among working-age adults in the early-to-mid stages of their careers, a period typically associated with a higher risk appetite and longer investment horizon.

6.2 Preferred Investment Avenues

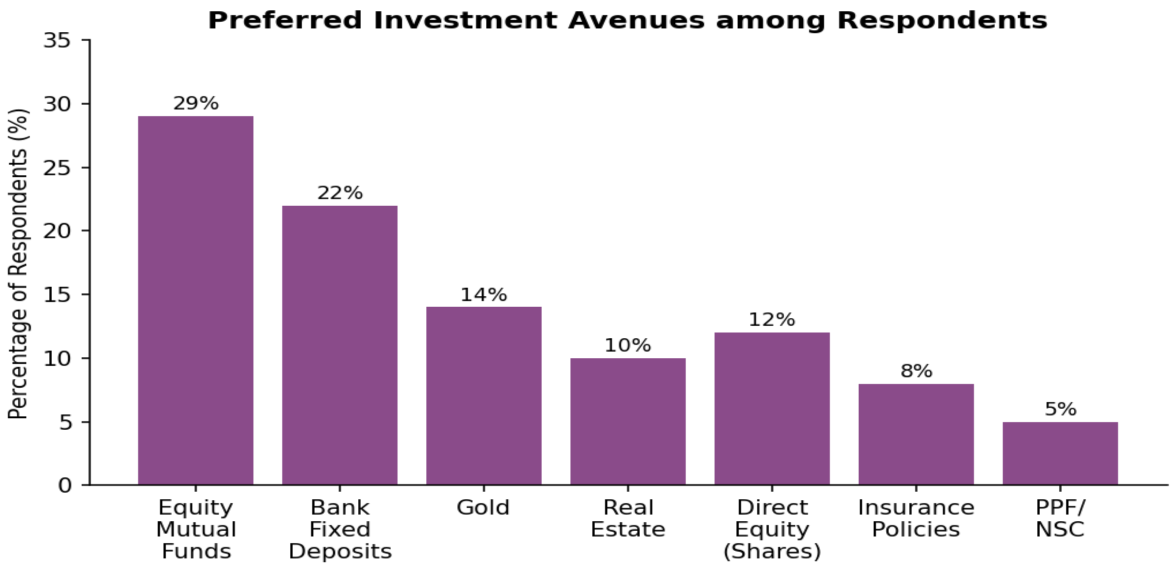

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Figure 3: Preferred Investment Avenues among Respondents

Investment Avenue	Percentage of Respondents (%)
Equity Mutual Funds	29.0
Bank Fixed Deposits	22.0
Gold	14.0
Direct Equity (Shares)	12.0
Real Estate	10.0
Insurance Policies	8.0
PPF / NSC / Other Small Savings	5.0

Table 2: Preferred Investment Avenues among Respondents

Equity mutual funds emerge as the single most preferred investment avenue (29.0%) among respondents, marginally ahead of bank fixed deposits (22.0%), indicating a meaningful shift in investor preference away from purely traditional fixed-income instruments towards market-linked investment products. However, traditional avenues such as gold, real estate, and fixed deposits collectively still account for a substantial share of investor preference, reflecting a continuing degree of caution among a section of the investor base.

6.3 Factors Influencing Investment Decisions

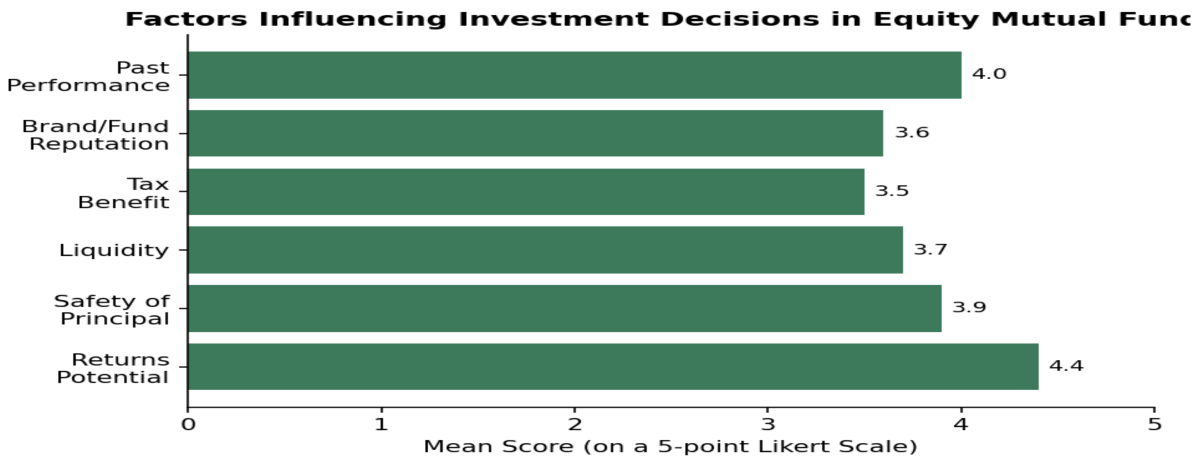

Figure 4: Mean Scores for Factors Influencing Investment Decisions

Factor	Mean Score (out of 5)	Rank
Returns Potential	4.4	1
Past Performance of Fund	4.0	2
Safety of Principal	3.9	3
Brand / Fund House Reputation	3.6	4
Liquidity	3.7	5
Tax Benefit	3.5	6

Table 3: Factors Influencing Investment Decisions (Ranked by Mean Score)

Returns potential emerges as the most influential factor guiding investment decisions (mean score 4.4/5), followed by the past performance of the fund (4.0/5) and safety of principal (3.9/5). This suggests that Ahmedabad investors, while attracted primarily by return expectations, continue to place considerable weight on the track record and capital-safety dimension of a scheme before committing funds, rather than being driven purely by short-term return chasing.

6.4 Perceived Risk Level

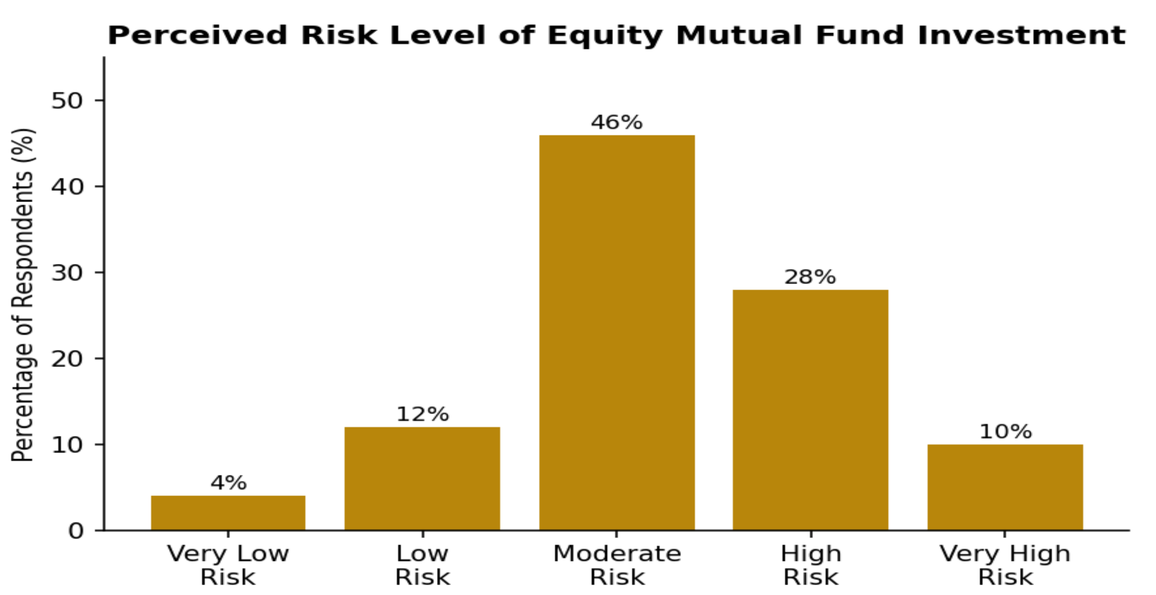

Figure 5: Perceived Risk Level of Equity Mutual Fund Investment

A majority of respondents (46.0%) perceive equity mutual funds as carrying a moderate level of risk, while 28.0% consider them high risk and only 16.0% view them as low or very low risk. This distribution is broadly consistent with the actual risk profile of equity-oriented schemes as disclosed through SEBI's Riskometer classification, suggesting a reasonably accurate general risk perception among the surveyed investor base, even though detailed technical awareness (examined in the following sub-section) remains moderate.

6.5 Awareness Level Regarding Equity Mutual Fund Schemes

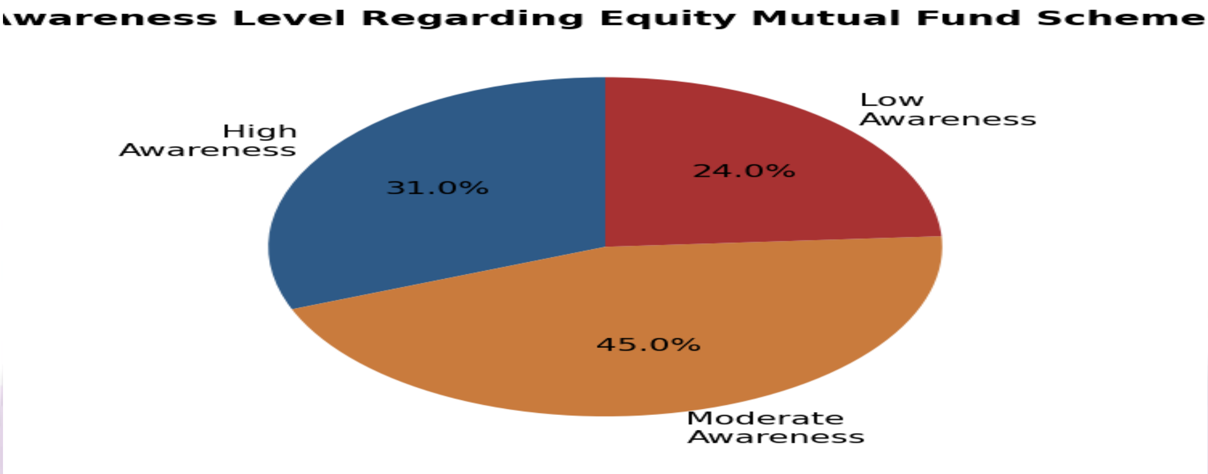

Figure 6: Awareness Level Regarding Equity Mutual Fund Schemes

With respect to awareness of scheme-specific concepts such as expense ratio, exit load, portfolio composition, and fund manager track record, only 31.0% of respondents demonstrated high awareness, while 45.0% showed moderate awareness and 24.0% showed low awareness. This finding reinforces the continuing need for targeted investor education programmes, particularly regarding technical scheme parameters that directly affect long-term returns.

6.6 Overall Satisfaction with Equity Mutual Fund Investment

Satisfaction Level	No. of Respondents	Percentage (%)
Highly Satisfied	34	22.7
Satisfied	63	42.0
Neutral	31	20.7

Satisfaction Level	No. of Respondents	Percentage (%)
Dissatisfied	16	10.6
Highly Dissatisfied	6	4.0

Table 4: Overall Satisfaction Level of Respondents with Equity Mutual Fund Investment

A cumulative 64.7% of respondents report being either satisfied or highly satisfied with their equity mutual fund investments, indicating a generally favourable disposition towards this investment avenue, while approximately 14.6% report some degree of dissatisfaction, which may be linked to short-term market volatility or unmet return expectations.

7. Findings

- The majority of equity mutual fund investors in Ahmedabad city fall within the 25–45 years age bracket, with a higher representation of male investors.
- Equity mutual funds are the most preferred investment avenue among respondents, marginally ahead of bank fixed deposits, indicating a gradual shift towards market-linked instruments.
- Returns potential, past fund performance, and safety of principal are the three most influential factors shaping investment decisions.
- A majority of investors correctly perceive equity mutual funds as a moderate-to-high risk investment instrument.
- Awareness regarding technical scheme-related concepts such as expense ratio and exit load remains moderate to low for a significant proportion of investors, pointing to a persistent knowledge gap.
- Nearly two-thirds of respondents report satisfaction with their equity mutual fund investments, reflecting a broadly positive investment experience.

8. Suggestions

- Asset management companies and distributors should intensify investor education efforts specifically targeting technical scheme parameters such as expense ratio, exit load, and portfolio composition, using simplified, vernacular, and digitally accessible content.

- Given those investors' strong emphasis on past performance, AMCs should ensure transparent, standardised, and easily comparable performance disclosure across schemes to prevent misinterpretation of historical returns.
- Financial advisors and distributors in Ahmedabad should tailor their communication to address the risk perception gap, helping investors align their equity mutual fund choices with their actual risk tolerance and financial goals.
- Given the relatively lower participation of the above-55 age group, targeted retirement-oriented equity mutual fund products and communication strategies could help extend penetration into this segment.
- Regulators and industry bodies may continue to strengthen ongoing investor awareness campaigns at the city and regional level, building on the success of existing national campaigns.

9. Conclusion

This study set out to examine investor behaviour towards equity mutual funds among retail investors in Ahmedabad city, focusing on demographic patterns, preferred investment avenues, decision-influencing factors, risk perception, awareness levels, and overall satisfaction. The findings indicate that equity mutual funds have gained a firm and growing position among the preferred investment choices of Ahmedabad's retail investors, driven primarily by return expectations and the track record of fund performance, while safety of principal continues to remain an important consideration. At the same time, the moderate-to-low awareness level regarding technical scheme features observed among a substantial section of respondents underscores the continuing importance of sustained investor education efforts by asset management companies, distributors, and regulators. As digital investment platforms continue to expand access and financial literacy initiatives deepen across Indian cities, equity mutual funds are likely to further consolidate their position as a primary vehicle for channelling retail household savings into the Indian equity markets.

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