

FINANCIAL LITERACY AND INVESTMENT FOR MUTUAL FUND INVESTORS

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ABSTRACT

Financial literacy plays an important role in helping individuals make informed investment decisions. Mutual funds have become a popular investment option due to their diversification, professional management, and potential returns. This study analyzes the level of financial literacy and its influence on the investment behavior of mutual fund investors. Primary data was collected through structured questionnaires and analyzed using percentage analysis. The study highlights the importance of financial knowledge in encouraging better investment decisions and increasing participation in mutual fund investments.

Keywords: *Financial Literacy, Mutual Funds, Investment, Investor Awareness.*

INTRODUCTION

In today's dynamic economic environment, financial decision-making has become more complex as individuals are exposed to a wide range of financial products and investment options. Financial literacy plays an important role in helping individuals understand financial concepts and make informed financial decisions. It includes knowledge of basic principles such as risk and return, inflation, diversification, and investment planning. Among the various investment avenues available in the financial market, mutual funds have emerged as a popular and accessible option for individual investors. Mutual funds provide benefits such as diversification, professional management, liquidity, and affordability. However, the level of financial literacy among investors greatly influences their understanding of mutual fund schemes, risk perception, and investment decisions. Investors with higher financial literacy are more likely to evaluate fund performance, compare investment options, and make better long-term financial decisions. Therefore, understanding the relationship between financial literacy and mutual fund investment is important for promoting informed investment behavior and encouraging greater participation in financial markets.

STATEMENT OF THE PROBLEM

Mutual funds have become one of the most popular investment options among individual investors due to their diversification and professional management. However, many investors lack sufficient financial literacy to understand important concepts such as risk, return, and systematic investment plans (SIPs). This lack of financial knowledge may lead to poor investment decisions and unrealistic expectations. Therefore, this study aims to examine the level of financial literacy among mutual fund investors and analyze how it influences their investment behaviour and decision-making.

OBJECTIVE OF THE STUDY

- To assess the level of financial literacy among mutual fund investors.
- To analyze investors' awareness about mutual fund products and schemes.
- To examine the relationship between financial literacy and investment decisions.

SCOPE OF THE STUDY

This study focuses on the level of financial literacy and its influence on mutual fund investment decisions among individual investors. It examines investors' awareness of financial concepts such as risk, return, and diversification, as well as their knowledge of mutual fund schemes. The study also analyzes how financial literacy affects investment behaviour and decision-making. The findings will help understand the importance of financial knowledge in promoting informed mutual fund investment decisions.

RESEARCH METHODOLOGY

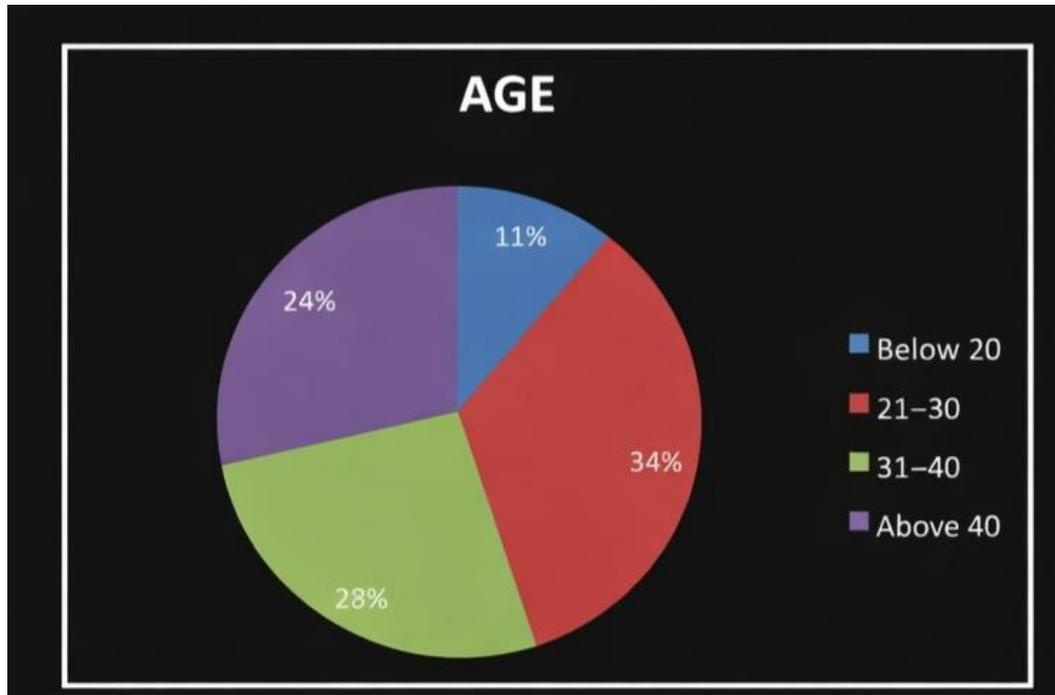
This study adopts a descriptive research design to analyze the level of financial literacy and its influence on mutual fund investment decisions among individual investors. The study focuses on understanding investors' awareness of financial concepts such as risk, return, diversification, and their knowledge about mutual fund schemes and investment strategies. Primary data for the study was collected through structured questionnaires distributed to mutual fund investors through direct interaction and online platforms such as Google Forms. Secondary data was collected from books, research journals, financial websites, and related articles on financial literacy and mutual fund investments. A convenience sampling method was used to select the respondents, and the sample size consists of 100 respondents. Statistical tools such as percentage analysis were used to analyze and interpret the collected data.

REVIEW OF LITERATURE

Several studies have examined the relationship between financial literacy and investment behaviour. Lusardi (2008, 2014) found that financial literacy significantly influences retirement planning, stock market participation, and wealth accumulation. Mitchell (2008) emphasized that individuals with higher financial literacy are more likely to invest in diversified financial products such as mutual funds. Van Rooij, Lusardi, and Alessie (2011) observed that financially knowledgeable investors are more likely to participate in financial markets and maintain diversified portfolios. Chen and Volpe (1998) highlighted that many individuals lack adequate financial knowledge, which affects their investment decisions. Bhushan and Medury (2013) found that financial literacy positively influences awareness and participation in mutual fund investments in India. Similarly, Aren and Zengin (2016) reported that financially literate investors have better risk assessment ability and make more rational investment decisions. These studies indicate that financial literacy plays a crucial role in shaping investors' behaviour and promoting informed investment in mutual funds.

DATA ANALYSIS AND INTERPRETATION

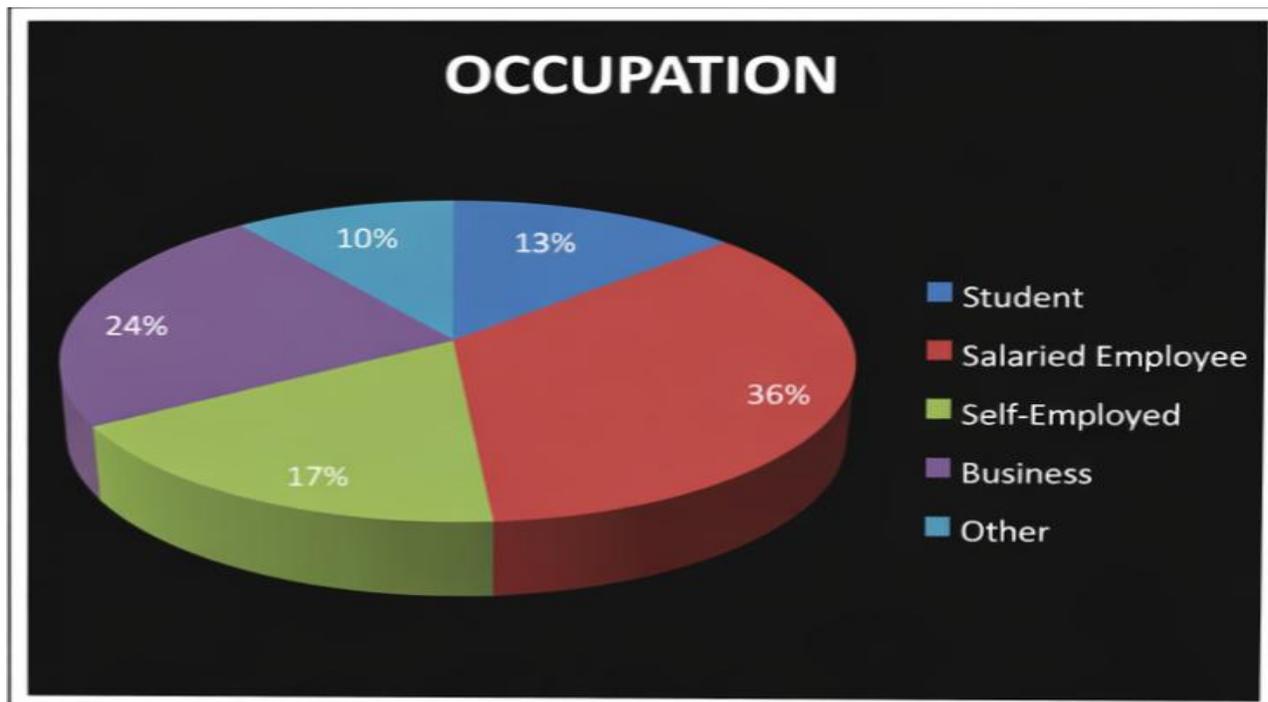
AGE OF THE RESPONDENTS



INTERPRETATION

The majority of respondents (34%) belong to the 21–30 age group, indicating that young adults are more actively involved in mutual fund investments. The 31–40 age group accounts for 27%, while 28% are above 40 years, showing participation from experienced investors. Only 11% are below 20 years, suggesting lower investment involvement among teenagers.

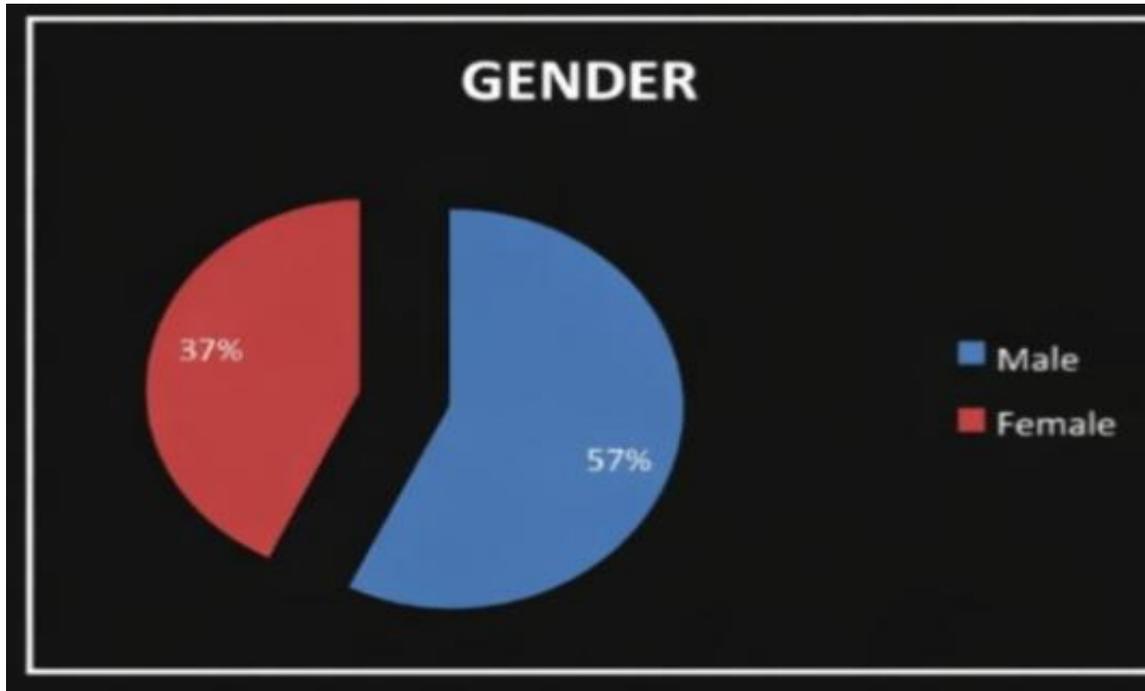
OCCUPATION OF THE RESPONDENT



INTERPRETATION

Most respondents (36%) are salaried employees, indicating that individuals with regular income prefer investing in mutual funds. Business persons constitute 24%, followed by self employed individuals at 17%. Students account for 13%, while 10% belong to other occupations.

GENDER OF THE RESPONDENTS



INTERPRETATION

The majority of respondents are male (57%), while 43% are female. This indicates slightly higher participation of male investors in mutual fund investments compared to female investors.

CONCLUSION

The present study on Financial Literacy and Investment in Mutual Funds highlights the importance of financial awareness in shaping investment behaviour. The findings show that mutual fund investment is increasingly popular, especially among young adults aged 21–30, indicating growing financial awareness at an early stage. Educational qualification also influences investment decisions, as most respondents are graduates and postgraduates. The study reveals that while many investors understand basic financial concepts and compare risk and return before investing, some still lack sufficient knowledge, indicating the need for improved financial literacy programs. Most investors prefer moderate risk levels and choose equity or hybrid funds, mainly for wealth creation, retirement planning, and tax savings.

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