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Impact of Demographics on Risk and Scheme Preferences of Mutual Fund Investors in Shimla, Himachal Pradesh

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Abstract

Mutual fund investments are growing rapidly. A mutual fund is a type of collective investment vehicle that pools and collects money from many individual investors and employs that money to earn returns by investing in government securities, money market instruments, bonds, and stocks. Mutual fund, on the whole, professionally manages the money pooled from the investors and offers various advantages like economies of scale, diversification of risk, lower trading cost, convenience, liquidity, and so on. Despite these advantages, mutual fund involves various investment risks, such as settlement risk, liquidity risk, trading volumes, and so on, as well as macroeconomic risks like changes in currency exchange rates, changes in interest rates, changes in government policies, political, economic, taxation, or other developments, increased volatility in the stock and bond markets, and so on. This paper tried to evaluate the risk perceptions and scheme preferences of mutual fund investors based on demographic variables. For studying investors' viewpoints regarding mutual funds, primary data has been collected from a sample of 110 investors within the city of Shimla, Himachal Pradesh, known as the largest city in terms of ease of living index. The collected data has been analysed with the help of statistical and mathematical tools. Therefore, it may be concluded that investors want to get decent returns, but are uncomfortable taking on a high level of market risk; instead, they want to bear moderate risk. It is concluded from the study that a majority of the respondents of all groups of demographics prefer to invest in equity schemes compared to the debt and hybrid schemes.

Keywords: Demographic Variables, Individual Investors, Mutual Funds, Risk Perceptions, Scheme Preferences

JEL Classification: G11, G40, G41

Introduction

An investor has two options for investing: directly in individual stocks or indirectly through a financial intermediary. Globally, mutual funds have established themselves as the investment vehicle for individual investors. A mutual fund is a trust that receives deposits from investors with similar financial goals and uses those funds to invest in a variety of asset classes in accordance with investors' investment objectives (Bhowal & Paul, 2012). Mutual fund, on the whole, professionally manages the money pooled from the investors, and offers various advantages like economies of scale, diversification of risk, lower trading cost, convenience, liquidity, and so on, over the security market (Ramesh & Dhume, 2014; Mishkin & Eakins, 2012; Chaudhary, 2017). Despite these numerous advantages, mutual funds do not offer guaranteed or assured returns, because purchasing mutual fund units entails many investment risks, such as those related to trading volume, settlement risk, liquidity risk, and default risk. The value of an investment in a mutual fund scheme may increase or decrease as a result of changes in the price, value, or interest rates of the securities in which the scheme invests. The (net asset value) NAV of the schemes may change with movements in the larger equity and bond markets, and may be influenced by macroeconomic

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factors like changes in governmental policies, changes in currency exchange rates, changes in interest rate, taxation, political, economic, or other factors. These factors may also have an impact on the value of individual investments in the scheme (Association of Mutual Funds of India, 2022). Because of the risk factor involved in the concept of mutual funds, the AMFI came up with the punch line "Mutual fund investments are subject to market risks, read all scheme-related documents carefully". There are various types of mutual fund schemes available in the market for investment, e.g. equity, debt, and hybrid. Equity schemes invest in the equity/stocks of the companies, so they are considered high risk, but also tend to earn high returns. Debt schemes are considered the safest investment, as they provide fixed returns to investors by investing in company debenture, government bonds, and other fixed income assets. Hybrid schemes invest in a mix of asset class equity and debt schemes. As on 31 March 2021, there were 1,018 open-ended Indian mutual funds schemes in operation (AMFI Monthly, 2021). However, choosing the right mutual fund scheme can be a difficult task for retail investors due to the wide array of options available (Groww). Very few investors can accurately assess a company's performance and evaluate the company's schemes in light of risks and rewards, to make sound decisions (Bhavani & Shetty, 2017). As a result of prior studies, demographic profile and risk perceptions are crucial factors when choosing an investment (Su et al., 2022). In developed and developing markets, the studies of risk perception and scheme preferences have been well-researched for a while. By examining the impact of demographic factors on the risk perception and scheme preferences of mutual fund investors in Shimla, Himachal Pradesh, this study will build on earlier research. Shimla is ranked top in terms of the ease of living index that comprises four parameters – economic ability, quality of life, citizen's perception survey, and sustainability (Ministry of Housing & Urban Affairs, 2021). Shimla is a developing city with various investment opportunities. This is why this study is conducted to examine the impact of demographics on the factors that affect risk perception and scheme preferences in this region.

The remainder of this study is organised as follows: the next section provides a detailed review of the literature; section 3 describes data and research methodology, followed by the analysis and findings. The last section concludes the study.

Review of Literature

Numerous studies have been conducted to investigate the attitudes of the investors and the mutual fund scheme preferences of investors in relation to their gender, age, education, occupation, and income, among other factors, in developed and undeveloped economies. Kiran and Walia (2009) studied how investors see the risk and returns of mutual funds in comparison to other financial options, as well as their accessibility, disclosure policies, and transparency. The important findings revealed that individuals saw mutual funds as a less risky investment option and also placed mutual fund investing as better in terms of returns, compared to other financial avenues. Varadharajan and Vikkraman (2011) analysed investor perspectives about stock market investing decisions and discovered that the mutual fund sector is dominated by male investors. Despite the somewhat fewer number of females, there was no difference in the gender groups' reliance on returns. Similarly, other factors such as age, educational background, and years of experience in the equities market demonstrated their independence from the results attained. Singh (2012) used a sample of 250 investors to research the effects of various demographic variables on investors' perceptions of mutual funds in Ranchi. The chi-square test was used to analyse the data that was gathered. According to this study, investors' attitudes regarding mutual funds are significantly influenced by their gender, income, and educational attainment. However, it has not been discovered that demographic parameters like age and employment have an impact on investors' attitudes about mutual funds. These findings were also supported by Bajracharya and Bilas (2017), which show that investors' decisions regarding their investments are influenced by the information they get from sources such as brokers, prospectuses, annual reports, newspapers, and magazines. Most consumers highly rely on brokers when making investing decisions. According to Sachsea et al. (2012), there was a substantial inverse relationship between perceived risk and age. However, Bashir et al. (2014) discovered that age had a positively significant relationship with risk perception. In their empirical investigation of investor attitudes regarding mutual funds, Mindargi and Kothari (2013) discovered that the decision to move funds within a fund family is influenced by the investor's attitude towards return potential, risk, low cost, and simple administration.

Additionally, it was shown that members of the medium-income group actively participate in mutual funds and are willing to take on risk, which leads them to favour closed-end investments. Charles and Kasilingam (2013) observed that demographic factors such as age, gender, education, employment, and income directly affect behavioural biases. They also particularly emphasised that age plays a crucial role in the behaviour and may determine the success of the investment decisions. Furthermore, Sindhu and Kumar (2014) explored the relationship between individual investors' perceptions of risk and their choice in investing in mutual funds. They discovered that investors frequently believe that, on average, taking on more risk will result in larger returns. Those that invest in mutual funds tend to concur that risk will be reduced by diverse portfolios. Apan and Ayvali (2015) conducted research to identify patterns of distinctions between men's and women's risk-taking behaviours. Their research confirmed the finding that women considerably vary from men in terms of their investment behaviours. The study by Alamelu and Indhumathi (2017) also showed that the female market is not completely exploited and that there is less focus on those in the higher income brackets. Fund managers should thus take action to reach out to the female and upper-income group segments to increase investment in mutual funds, which would significantly aid the industry's growth. Furthermore, Baghani and Sedaghat (2016) discovered that investors' decisions are directly and favourably impacted by their perception of risk and their level of risk tolerance. According to Athira and Kakkakunnan (2020), the demographic characteristics of investors, such as gender, employment, and monthly income, significantly influence their ability to assume risk. Jagtap (2017) discovered that single people do not make significant investments in mutual funds since they do not have any obligations beyond their basic requirements. In addition, the study discovered that male investors are more knowledgeable and sensitive about investing in mutual funds than female investors. More recently, Kumar et al. (2019) concluded that middle-class investors think regular income and income liquidity play a significant role in investing decisions. The study also showed that investors' confidence may be increased via appropriate communication and information about mutual funds. Further, Mishra (2019) concluded that gender is not an investment criterion when investing in mutual funds and that those between the ages of 25 and 50 are more likely to invest due to their better financial understanding.

The Objective of the Study

- To evaluate the relationship between demographic factors and risk perceptions of mutual fund investors.
- To measure the relationship between demographic factors and scheme preferences of mutual fund investors.
- To examine the investors' preferences for adopting particular mutual funds based on the source of information.

Research Hypothesis

H01: There is no significant difference in the risk perception of investors about the mutual funds with respect to their demographic profile.

H02: There is no significant difference in mutual fund scheme preference of investors with respect to their demographic profile.

H03: There is no significant difference in mutual fund purchase source preference of investors with respect to their demographic profile.

Research Methodology

Sample Selection

For studying investors' viewpoints regarding mutual funds, primary data has been collected from a sample of 110 investors within the city of Shimla. The main reason for choosing Shimla for the present research was that the city is ranked top in terms of the ease of living index that comprises four parameters – economic ability, sustainability, quality of life, and citizen's perception survey (Ministry of Housing & Urban Affairs, 2021). According to the investment perspective, Shimla is appropriate for this study. Only those individual investors who have presently invested their money in mutual funds are considered in the sample. Initially, it was decided to select the sample on a random basis, but due to the non-availability of a sampling framework, the research plan was modified, and it was decided to adopt convenience sampling.

Data Collection

The required data for the present study were gathered from both primary and secondary sources. For the collection of the primary data, various tools like questionnaires, informal discussions, and observations have been used. The questionnaire was the main tool of data collection in this study. It consists of questions printed in a definite order. The primary data has been undertaken from June to July 2021. Secondary data have been used mainly for reference purposes. It has also been used as a supporting factor to the primary data, for making the study more relevant. A bunch of secondary data has been mobilised from standard textbooks, journals, reports, and official websites of SEBI, AMFI, RBI, and so on.

Tools of Analysis

The collected information was presented using descriptive statistics, a frequency table, and non-parametric tests. Descriptive statistics enable the generalisation of the data to explain the structure or features of the population as represented by the sample. Mathematical tools (i.e. percentage) and statistical tools (i.e. arithmetic mean and chi-square test) were used for the analysis of the data.

Analysis and Findings

Demographic Profile of Investors: An Overview

The traits or qualities of individuals are gathered and used as demographic variables to describe the sample. In other words, these factors characterise the research sample and establish whether the sample is representative of the relevant population. To create a clear and complete picture of the characteristics of the sample respondents, the present study comprises gender, age, educational qualification, occupation, annual income, and investment experience as the demographic variables. The profile of these demographic variables is presented in Table 1.

Table 1: Demographic Profile of Respondents

Gender of Respondents	*Frequency*	*Percentage*
Male	75	68.2
Female	35	31.8
Total	110	100.0
Age of Respondents		
Below 30	45	40.9
30-40	48	43.6
40-50	08	7.3
Above 50	09	8.2
Total	110	100.0
Education Qualification of Respondents		
Graduate	41	37.3
Post-Graduate	44	40.0
Professional Degree	25	22.7
Total	110	100.0
Occupation of Respondents		
Business	08	7.3
Professional	10	9.1
Govt. Employees	66	60.0
Private Employees	26	23.6
Total	110	100.0
Income of Respondents (in Rupees)		
Below 3,00,000	25	22.7
3,00,000-5,00,000	33	30.0
Above 5,00,000	52	47.3
Total	110	100.0
Investment Experience of Respondents (in Years)		
Up to 1	27	24.5
1-2	13	11.8
2-3	13	11.8
3-4	11	10.0
4-5	12	10.9
5 and more	34	30.9
Total	110	100.0

Source: Primary Data.

The total number of respondents for the study was 110, of which a majority (68%) were male and 32% were female. Respondents have been divided into four categories according to age, i.e. below 30 years, 30-40 years, 40-50 years, and above 50 years; most of the investors fell in the age group category 30-40 years, followed by those below 30 years. As we can see from Table 1, a majority of the respondents in the sample were post-graduates, followed by graduates and professional degree holders. A majority of the respondents were govt. employees, followed by private employees and professionals. Annual-income wise, the respondents have been divided into three categories, i.e. below 3,00,000, 3,00,000-5,00,000, and above 5,00,000. Table 1 indicates that more than 47%

of the respondents had an annual income of more than 5 lakh rupees, followed by investors who fell in the income category 3,00,000-5,00,000. Finally, the last section of the table presents the year-wise investment experience of the respondents; 31% of the respondents had investment experience of more than five years followed, by investors with investment experience of less than one year.

Risk Perceptions of Mutual Fund Investors based on Demographics

In this section, risk perceptions of investors towards mutual funds have been studied based on respondents' gender, age, educational qualifications, occupation, annual income, and their experience of investment in mutual funds.

Table 2: Risk Perception of Investors Regarding Mutual Funds (Gender-Wise Distribution)

Gender	*Risk Perception*			*Respondents*
	Low	*Moderate*	*High*	
Male	09 (12.0)	57 (76.0)	9 (12.0)	75 (100)
Female	03 (8.6)	32 (91.4)	0 (0)	35 (100)
Total	12 (10.9)	89 (80.9)	9 (8.2)	110 (100)
Test Statistics				
χ^2	5.159			
P-Value	.076			

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

Analysis of the relationship between the risk perceptions of investors about mutual funds with respect to gender is made in Table 2. It is clear from the table that a vast majority of respondents, irrespective of their gender, perceive mutual funds as a moderate-risk investment option. There is a very low proportion of males and females who consider mutual funds as a low- or high-risk investment option. On applying the chi-square test (test of independence), the result reflects that the two variables mentioned show an insignificant relationship, as the p-value is insignificant at 5% level of significance. Thus, the findings convey that insignificant differences were found among males and females with respect to risk perceptions of investors regarding mutual funds.

Table 3: Risk Perception of Investors regarding Mutual Funds (Age-Wise Distribution)

Age	*Risk Perception*			*Respondents*
	Low	*Moderate*	*High*	
Below 30	02 (4.4)	40 (88.9)	3 (6.7)	45 (100)
31-40	09 (18.8)	35 (72.9)	4 (8.3)	48 (100)
41-50	0 (0)	07 (87.5)	1 (12.5)	08 (100)
Above 50	01 (11.1)	07 (77.8)	1 (11.1)	09 (100)
Total	12 (10.9)	89 (80.9)	9 (8.2)	110 (100)
Test Statistics				
χ^2	6.493			
P-Value	.370			

Source: Primary data.

Table 3 depicts the analysis of the relationship between the risk perceptions of investors about mutual funds with respect to different age groups. It is evident that a vast majority of respondents, irrespective of their age groups, perceive mutual funds as a moderate-risk investment option. By applying the chi-square test (test of independence), p-value is found insignificant at 5% level of significance, which indicates insignificant differences among age groups of investors with respect to risk perceptions of investors regarding mutual funds.

Table 4: Risk Perception of Investors Regarding Mutual Fund (Educational Qualification-Wise Distribution)

Educational Qualifications	*Risk Perception*			*Respondents*
	Low	*Moderate*	*High*	
Graduate	04 (9.8)	31 (75.6)	6 (14.6)	41 (100)
Post-Graduate	02 (4.5)	40 (90.9)	2 (4.5)	44 (100)
Professional Degree	06 (24.0)	18 (72.0)	1 (4.0)	25 (100)
Total	12 (10.9)	89 (80.9)	9 (8.2)	110 (100)
Test Statistics				
χ^2	9.874			
P-Value	.043			

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

Table 4 depicts the relationship of educational qualifications with the risk perceptions of investors about mutual funds. A majority of the respondents prefer to take moderate risks in the market. Findings convey significant differences among educational qualifications of investors with respect to risk perceptions of investors regarding mutual funds, by checking the p-value of the chi-square test at a 5% level of significance.

Table 5: Risk Perception of Investors Regarding Mutual Funds (Occupation-Wise Distribution)

Occupation	*Risk Perception*			*Respondents*
	Low	*Moderate*	*High*	
Business	0 (0)	07 (87.5)	01 (12.5)	08 (100)
Professional	0 (0)	09 (90.0)	01 (10.0)	10 (100)
Govt. Employee	09 (13.6)	52 (78.8)	05 (7.6)	66 (100)
Private Employee	03 (11.5)	21 (80.0)	02 (7.7)	26 (100)
Total	12 (10.9)	89 (80.9)	09 (8.2)	110 (100)
Test Statistics				
χ^2	2.865			
P-Value	.826			

Note: 1. Figures in parenthesis denote percentage.
2. Source: Primary data

Table 5 depicts the occupation-wise distribution; a very low proportion of investors consider mutual funds as a low- or high-risk investment option. A majority of the respondents, from all the occupation categories, prefer to take moderate risk. The result reflects that the two mentioned variables show an insignificant relationship, as the p-value is insignificant at 5% level of significance.

Table 6: Risk Perception of Investors Regarding Mutual Funds (Income-Wise Distribution)

Annual Income (Year-Wise)	*Risk Perception*			*Respondents*
	Low	*Moderate*	*High*	
Below 3,00,000	1 (4.0)	22 (88.0)	2 (8.0)	25 (100)
3,00,000-5,00,000	2 (6.1)	29 (87.9)	2 (6.1)	33 (100)
Above 5,00,000	9 (17.3)	38 (73.1)	5 (9.6)	52 (100)
Total	12 (10.9)	89 (80.9)	9 (8.2)	110 (100)
Test Statistics				
χ^2	4.817			
P-Value	.307			

Note: 1. Figures in parenthesis denote percentage.
2. Source: Primary data

Analysis of the relationship between the risk perceptions of investors about mutual funds with respect to their annual income is made in Table 6. It is clear from the table that a vast majority of respondents, irrespective of their occupation, perceive mutual funds as a moderate-risk investment option. The p-value is insignificant at 5% level of significance, indicating insignificant differences among different income categories of investors with respect to risk perceptions of investors regarding mutual funds.

Table 7: Risk Perception of Investors Regarding Mutual Funds (Investment Experience-Wise Distribution)

Investment Experience (in Years)	*Risk Perception*			*Respondents*
	Low	*Moderate*	*High*	
Up to 1	4 (14.8)	22 (81.5)	1 (3.7)	27 (100)
1-2	0 (0)	10 (76.9)	3 (23.1)	13 (100)
2-3	0 (0)	13 (100.0)	0 (0)	13 (100)
3-4	2 (18.2)	06 (54.5)	3 (27.3)	11 (100)
4-5	0 (0)	12 (100.0)	0 (0)	12 (100)
5 and more	6 (17.6)	26 (76.5)	2 (5.9)	34 (100)
Total	12 (10.9)	89 (80.9)	9 (8.2)	110 (100)
Test Statistics				
χ^2	20.004			
P-Value	.029			

Note: 1. Figures in parenthesis denote percentage.
2. Source: Primary data

Table 7 indicates that a majority of the respondents (approx. 80.9 per cent) prefer to take moderate risks. All the investors, with an investment experience of 2-3 and 4-5 years, perceive mutual funds as a moderate-risk investment option. By applying the chi-square test, the p-value indicates significant differences among investment experiences of investors with respect to risk perceptions of investors regarding mutual funds at a 5% level of significance.

Scheme Preferences of Mutual Fund Investors based on Demographics

In this section, scheme preferences of investors towards mutual funds have been studied, based on the respondents' gender, age, educational qualifications, occupation,

annual income, and their experience of investment in mutual funds.

Table 8: Mutual Fund Scheme Preferences (Gender-Wise Distribution)

Gender	*Mutual Fund Schemes*			*Respondents*
	Equity Fund	*Debt Fund*	*Hybrid Fund*	
Male	43 (57.3)	4 (5.3)	28 (37.3)	75 (100)
Female	17 (48.6)	4 (11.4)	14 (40.0)	35 (100)
Total	60 (54.5)	8 (7.3)	42 (38.2)	110 (100)
Test Statistics				
$\chi 2$	1.599			
P-Value	.449			

Note: 1. Figures in parenthesis denote percentage.
2. Source: Primary data.

Table 8 shows the results of the relationship between mutual fund scheme preferences with respect to the gender of the investors. As we can see in the table, a majority of the investors, irrespective of their gender, have invested in equity fund schemes, followed by hybrid fund schemes. Very few investors have invested their money in debt-oriented mutual fund schemes. The results of the chi-square test indicate the insignificant difference between gender and mutual fund scheme preferences.

Table 9: Mutual Fund Scheme Preferences (Age-Wise Distribution)

Age	*Mutual Fund Schemes*			*Respondents*
	Equity Fund	*Debt Fund*	*Hybrid Fund*	
Below 30	29 (64.4)	0 (0)	16 (35.6)	45 (100)
31-40	24 (50.0)	4 (8.3)	20 (41.7)	48 (100)
41-50	3 (37.5)	2 (25.0)	3 (37.5)	08 (100)
Above 50	4 (44.4)	2 (22.2)	3 (33.3)	09 (100)
Total	60 (54.5)	8 (7.3)	42 (38.2)	110 (100)
Test Statistics				
χ^2	11.445			
P-Value	.076			

Note: 1. Figures in parenthesis denote percentage.
2. Source: Primary data.

Table 9 depicts the relationship between the age of the respondents and their mutual fund scheme preferences. As we can see in the table, a majority of the investors, irrespective of their age, have invested in equity fund schemes, followed by hybrid fund schemes, except for those investors who fall in the age group 41-50 years. In the age group 41-50 years, 37.5% of the investors have invested in each of the equity and hybrid fund schemes. None of the investors below 30 years invested in debt fund schemes. Further, debt fund schemes were popular among investors over 40 years of age compared to young investors. Findings of the chi-square test convey insignificant differences among different age groups of the investors with respect to mutual fund scheme preferences.

Table 10: Mutual Fund Scheme Preferences (Educational Qualification-Wise Distribution)

Educational Qualifications	*Mutual Fund Schemes*			*Respondents*
	Equity Fund	*Debt Fund*	*Hybrid Fund*	
Graduate	22 (53.7)	4 (9.8)	15 (36.6)	44 (100)
Post-Graduate	29 (65.9)	2 (4.5)	13 (29.5)	44 (100)
Professional Degree	09 (36.0)	2 (8.0)	14 (56.0)	25 (100)
Total	60 (54.5)	8 (7.3)	42 (38.2)	110 (100)
Test Statistics				
$\chi 2$	6.405			
P-Value	.171			

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

With respect to education qualification, mutual fund scheme preferences of the investors is shown in Table 10. As we can clearly see in the table, a majority of the investors, irrespective of their educational qualifications, invested in equity fund schemes, followed by hybrid fund schemes, except professional degree holder investors. Investors who have professional degrees preferred hybrid fund schemes over equity fund schemes. Very few investors, irrespective of their educational qualifications, invested their money in debt-oriented mutual fund schemes. The p-value of the chi-square test is insignificant at 5% level of significance, which indicates the insignificant differences between educational qualifications of the investors and mutual fund scheme preferences.

Table 11: Mutual Fund Scheme Preferences (Occupation-Wise Distribution)

Occupation	*Mutual Fund Schemes*			*Respondents*
	Equity Fund	*Debt Fund*	*Hybrid Fund*	
Business	02 (25.0)	0 (0)	06 (75.0)	08 (100)
Professional	06 (60.0)	0 (0)	04 (40.0)	10 (100)
Govt. Employee	35 (53.0)	8 (12.1)	23 (34.8)	66 (100)
Private Employee	17 (65.4)	0 (0)	09 (34.6)	26 (100)
Total	60 (54.5)	8 (7.3)	42 (38.2)	110 (100)
Test Statistics				
χ^2	10.384			
P-Value	.109			

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

Table 11 depicts that a majority of professionals, government employees, and private employees prefer equity fund schemes. Around 75% of businesspeople invested in the hybrid fund schemes, followed by equity fund schemes. In the survey, all the investors who have invested in debt fund schemes are government employees. The p-value is insignificant at 5% level of significance, conveying that insignificant differences were found among occupation of the investors with respect to mutual fund scheme preferences.

Table 12: Mutual Fund Scheme Preferences (Income-Wise Distribution)

Annual Income (in Rupees)	*Mutual Fund Schemes*			*Respondents*
	Equity Fund	*Debt Fund*	*Hybrid Fund*	
Below 3,00,000	16 (64.0)	2 (8.0)	07 (28.0)	21 (100)
3,00,000-5,00,000	19 (57.6)	2 (6.1)	12 (36.4)	33 (100)
Above 5,00,000	25 (48.1)	4 (7.7)	23 (44.2)	52 (100)
Total	60 (54.5)	8 (7.3)	42 (38.2)	110 (100)
Test Statistics				
$\chi 2$	2.167			
P-Value	.705			

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

As we can see in Table 12, a majority of the investors, irrespective of their annual income, invested in equity fund schemes, followed by hybrid fund schemes. Very few investors, irrespective of their annual incomes, preferred debt-oriented mutual funds. On applying the chi-square test (test of independence), the result reflects that the two variables mentioned show an insignificant relationship, as the p-value is insignificant at 5% level of significance.

Table 13: Mutual Fund Scheme Preferences (Investment Experience-Wise Distribution)

Investment Experience (in Years)	*Mutual Fund Schemes*			*Respondents*
	Equity Fund	*Debt Fund*	*Hybrid Fund*	
Up to 1	15 (55.6)	2 (7.4)	10 (37.0)	27 (100)
1-2	09 (69.2)	0 (0)	04 (30.8)	13 (100)
2-3	09 (69.2)	2 (15.4)	02 (15.4)	13 (100)
3-4	05 (45.5)	2 (18.2)	04 (36.4)	11 (100)
4-5	04 (33.3)	0 (0)	08 (66.7)	12 (100)
More than 5	18 (52.9)	2 (5.9)	14 (41.2)	34 (100)
Total	60 (54.5)	8 (7.3)	42 (38.2)	110 (100)
Test Statistics				
χ^2	11.696			
P-Value	.306			

Note: 1. Figures in parenthesis denote percentage.
2. Source: Primary data.

Table 13 shows that a majority of the investors, irrespective of their investment experience, invested in equity fund schemes, followed by hybrid fund schemes, except for investors with an investment experience of 4-5 years. Around 66.7% of the investors with an investment experience of 4-5 years, prefer hybrid fund schemes, followed by equity fund schemes. Very few investors, irrespective of their investment experience, invested their money in debt-oriented mutual fund schemes. On applying the chi-square test (test of independence), the result reflects that the two variables mentioned show an insignificant relationship, as the p-value is insignificant at 5% level of significance.

Purchase Influencing Source of Information based on Income and Investment Experience

This section provides an analysis of purchase influencing source of information in relation to income and investment experience.

Table 14: Purchase Influencing Source of Information (Income-Wise Distribution)

Annual Income (in Rupees)	*Information Sources*					*Respondents*
	Advertisement	*Peer Group*	*Banks*	*FinancialAdvisors*	*Self-Decision*	
Below 3,00,000	06 (24.0)	2 (8.0)	11 (44.0)	02 (8.0)	04 (16.0)	25 (100)
3,00,000-5,00,000	02 (6.1)	2 (6.1)	14 (42.4)	13 (39.4)	02 (6.1)	33 (100)
Above 5,00,000	06 (11.5)	4 (7.7)	16 (30.8)	18 (34.6)	08 (15.4)	52 (100)
Total	14 (12.7)	8 (7.3)	41 (37.3)	33 (30.0)	14 (12.7)	110 (100)
Test Statistics						
χ^2	11.957					
P-Value	.153					

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

Table 14 shows that a majority of the investors with and annual income below 5 lakhs were influenced by banks to invest in mutual funds. Around 34.5% of the investors with an annual income of more than 5 lakhs were influenced by financial advisors to make purchase decisions in mutual funds, followed by banks (30.8%), self-decision (15.4%), and advertisements (11.5%). Thus, the findings convey that insignificant differences were found among the annual income of investors with respect to purchase influencing sources of information.

Table 15: Purchase Influencing Source of Information (Investment Experience-Wise Distribution)

Investment Experience (in Years)	*Information Sources*					*Respondents*
	Advertisement	*Peer Group*	*Banks*	*Financial Advisors*	*Self-Decision*	
Up to 1	06 (22.2)	4 (14.8)	08 (29.6)	06 (22.2)	03 (11.1)	24 (100)
1-2	02 (15.4)	2 (15.4)	09 (69.2)	0 (0)	0 (0)	13 (100)
2-3	0 (0)	0 (0)	05 (38.5)	05 (38.5)	03 (23.1)	13 (100)
3-4	0 (0)	0 (0)	06 (54.5)	02 (18.2)	03 (27.3)	11 (100)
4-5	0 (0)	0 (0)	04 (33.3)	08 (66.7)	0 (0)	12 (100)
5 and more	06 (17.6)	2 (5.9)	09 (26.5)	12 (35.3)	05 (14.7)	34 (100)
Total	14 (12.7)	8 (7.3)	41 (37.3)	33 (30.0)	14 (12.7)	110 (100)
Test Statistics						
χ^2	36.422					
P-Value	.014					

Note: 1. Figures in parenthesis denote percentage.

2. Source: Primary data.

The relationship between the purchase influencing sources of information with respect to the investment experience of the investors in mutual funds is shown in Table 15. Here as well, when it comes to the most influential source of information responsible for the purchase decision, a majority of the responses are divided into two information sources – banks and financial advisors. On applying the chi-square test (test of independence), the result reflects that the two variables mentioned show a significant relationship, as the p-value is significant at 5% level of significance. Thus, the findings convey that significant differences were found in the investment experience of investors with mutual funds with respect to purchase influencing sources of information.

Conclusion and Recommendations

Mutual fund investment is growing rapidly. Investing in mutual funds is a middle ground strategy where returns are greater than risk-free assets, but lower than high-risk investments like the stock market. However, choosing the right mutual fund scheme can be a difficult task for

retail investors due to the wide array of options available. Very few investors can accurately assess a company's performance and evaluate the company's schemes in terms of risks and rewards to make sound decisions. As a result of prior studies, demographic profile and risk perceptions are crucial factors when choosing an investment. This paper tried to evaluate the risk perceptions and scheme preferences of mutual fund investors based on demographic variables. For studying investors' viewpoints regarding mutual funds, primary data has been collected from a sample of 110 investors within the city of Shimla, Himachal Pradesh, known as the largest city in terms of ease of living index. Only those individual investors who have presently invested their money in mutual funds are taken in the sample. The collected data has been analysed with the help of mathematical, as well as statistical tools. It is evident that a vast majority of respondents, irrespective of their age groups, income level, occupation, education qualifications, and investment experience, perceive mutual funds as a moderate-risk investment option. It is also found that a majority of respondents of all groups of demographics prefer to invest in equity schemes compared to debt and hybrid schemes. Therefore, it may be concluded that investors want to get decent returns, but are uncomfortable taking on a high level of market risk; instead, they want to bear moderate risk. In addition, it is concluded that banks and financial advisors are the most prominent factors affecting the purchase decision of investors. Based on these findings, it is recommended to mutual fund companies that they should offer clear explanations of technical and fundamental analysis of a company's operations and market movement in simple language, as well as valuable information about schemes of mutual funds, to improve investors' perceptions. Only those residents of Shimla, Himachal Pradesh, who have invested in mutual funds were included in this research while collecting data. Therefore, any additional expansion beyond these restrictions may be a subject for future research.

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