Factors Determining Professional Mutual Fund Investors' Behaviour

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Abstract:*There are a plethora of avenues available for investment. Currently, investing money is not a big deal, but selecting the best alternative based on individual objectives, regardless of age, financial position, risk tolerance, and return expectations, is multifaceted and complicated. However, shaping behaviour towards investment is fascinating to understand. This study attempts to understand whether the investment behaviour of professional mutual fund investors is rational and examines different factors that influence how these professionals make their investment decisions. Analysing a sample of 100 professional investors from the state of Goa and using statistical techniques such as the T-test, Correlation, and ANOVA, the study concluded that professional investors' behaviour is strongly influenced by their age, qualifications, and years of experience, emphasising the importance of expertise and market exposure. The results also show that heuristics and emotions have very weak and statistically non-significant correlations with the behaviour scores. All investment strategies were positively correlated with behaviour.*

Keywords: Investment, Investors', Mutual Fund, Professional.

INTRODUCTION

Whenever it comes to investment, we seek professional advice from experts. It is often assumed that all professional investors will make the right and rational decision. A common man, a non-professional, believes that professional investors with strong knowledge, training, and experience will lead to rational investment behaviour. Investors often turn to professionals for advice on investments. The common assumption is that all professional investors will make the correct and logical investment decisions. Laypersons think that professional investors know a lot, so they will make rational investment decisions. This study examines and establishes the rationality of the investment behaviour of professional investors, and seeks to identify the determinants of professional investment decision-making.It focuses on the demographics, psychology, and investment strategies of these professionals. Overconfidence, loss aversion, the disposition effect, herding behaviour, and framing effects are among the behavioural biases that could influence investors to make less-than-optimal choices, such as selling winners too early or holding losers too long (Zahera & Bansal, 2018).Studies conducted by Dawson (2023) pointed out gender differences in perceptions, biases, and effects of this risk.This study examines the complex relationships between demographic characteristics, psychological factors, investment strategies, and professional investor behaviour.Investor behaviour, in the newly emerging field of behavioural finance, represents a rich and diverse area for enquiry. Investment behaviour is the approach by which a person assesses, predicts, analyses and verifies an entire collection of systems (Saleem et al., 2021).Over the last few decades, many empirical studies have examined this issue. Various theories have been proposed to make inferences about investment behaviour. Understanding investors' habits of saving and spending—such as portfolio behaviour, preferences, risk perception, investment intentions, and market awareness—can help overcome obstacles (Kunwar, 2021).In contrast to traditional finance theory, which assumes that investors are rational, a number of investors engage in irrational decisions based on personal cognitive biases; even institutional investors have been found to exhibit irrational behaviour (Zhang & Zheng 2015).This study attempts to obtain insights into the investment behaviours of individual professional investors in Goa to recognise differences among mutual fund investment-specific behaviours.

REVIEW OF LITERATURE

Investor behavioural differences in terms of

investing involve demographic attributes such as socioeconomic status, educational level, age, race, and gender (Ansari & Moid, 2013). Mak and Ip (2017) proposed that such demographic factors are significant determinants of investment behavior/preferences. The correlation between investor behaviour and NSE portfolio performance is influenced by social demographics. Nyamute(2016)believes that demographic characteristics are important factors related to the relationship between investor behaviour and portfolio performance at the NSE. However, Saini et al. (2011) found no association between the demographic characteristics of survey subjects and the key challenges faced by the Indian Mutual Fund sector. In addition, Sridevi (2019) found no link between gender, age, or occupation and investors' attitudes toward Mutual Fund investments. According to Lewellen et al. (1977), age has a major impact on an investor's investment choice for the investment decisions. According to Sarkar and Sahu (2018), socio-demographic factors, awareness levels, and perceived risk attitudes significantly influence the behaviour of individual investors in the stock market. Similarly, Choudhary and Subramanian (2019) found no significant relationship between investors' behaviours and their age, gender, or occupation. Likewise J & Roa (2017), Das et al. (2009), Jain & Sharma (2015), Kotishwari & Akbar Ali Khan (2013), N. S. Pandey & Kathavarayan (2015), Kaur & Kaushik (2016), Vitor et al. (2015), Prabhu & Vechalekar (2014), Kumar & Bansal (2014), Padmaja (2013), R. Kumar and Arora (2012) studied demographic factors and investor behaviour. The findings of these studies are conflicting, with some researchers favouring a significant difference between investor behaviour and demographic characteristics, while others finding no significant difference.

The researchers found that the results were mixed with respect to demographic factors with investment decision-making and investment behaviour.The main focus of towardsesent study is on demographic factors, namely, place, gender, age, education, occupation, and income. Allgood and Walstad(2016)studied the behavioural biases and financial literacy that influence stock market investment choices. A literature review also indicated a significant relationship between heuristic bias and the establishment of behavioural bias in decision-making. Bailey et al.(2011) investigate behavioural biases among mutual fund investors. Investors with stronger behavioural biases are more willing to invest in funds with higher expense ratios and loads, resulting in poor investment performance.

Adil et al.(2022) explored the effect of behavioural biases (e.g. overconfidence, risk aversion, herding, and disposition) on gender differences in investment decision-making. Furthermore, the role of financial literacy in moderating the effect of behavioural biases and investment decisions on gender was analysed. For females, only risk aversion and herding negatively contributed to this condition. Both men and women are influenced by financial literacy, which moderates all biases for females but only overconfidence for males.Suresh G (2024)studied how financial literacy and behavioral biases impact investment decision-making. The study indicates that individual investors' financial literacy considerably impacts stock market investment decision-making. Allgood and Walstad (2016)studied the impact of perceived and actual financial literacy on financial behaviour. Based on the output, financial knowledge and perception both seem to influence financial literacy, which then impacts financial decisions and behaviour.

An investment strategy is essential for financial economists and investors to make an investment or make a constructive decision to earn an abnormal return in the market Hayne et al.(2019). An investment strategy is a program intended to assist an individual in choosing the best investment portfolio to benefit them in meeting financial targets within a specific period Saleem et al.(2021). Return on investment is not always clear; the investors prepare the strategy so as to face the ongoing challenges in the investment arena, J.Kannan(2014).

To date, only minimal work has been done on investment strategies. When investors frequently buy and sell assets in pursuit of profitable opportunities, they are said to be using an active investment approach. making more trades than the average investors. Conversely, a passive investor buys and holds an asset for an extended period, anticipating its value to increase and having a generally low turnover rate (Goldman Sachs, 2010). French (2008) asserts that active investors typically invest in assets that offer higher returns, inadvertently resulting in lower performance than those using passive methods. The current research examines both Active and Passive approaches to investment strategies.

METHODOLOGY

Research Design:

An inferential research design was adopted to study the present scenario of professional investors' behaviour towards mutual fund investment.

Sample Size and Sampling Technique:

A sample of 100 Professional Mutual Fund investors' from Goa was collected using a convenience sampling method. In the present study, Professional Mutual Fund investors are defined as individuals involved in the distribution or advisory of mutual fund products. This includes AMFI-registered intermediaries such as mutual fund distributors, principal intermediaries, sub-brokers, and distribution houses that hold a valid ARN, NISM certification, and EUIN. The study also includes SEBI-Registered Investment advisors (RIA), who are authorised to provide investment advice and operate under fiduciary responsibilities. This study exclusively analyzes their personal investment behaviour, that is, decisions made for their own investments and not investment decisions made on behalf of their clients. This distinction ensures that the findings reflect the behaviour patterns of professional mutual fund investors.

Data Collection:

In the present research, primary data were collected using a structured questionnaire administered to 100 respondents in Goa.

Secondary sources were used for data collection. Websites and books were referred to for a proper theoretical understanding of the study. The inclusion of secondary data provided additional context, supported the interpretation of the findings, and facilitated a more comprehensive understanding of the research problem.

Data Analysis:

The data collected from the primary sources were arranged sequentially and tabulated systematically, and statistical techniques such as the Independent Sample T-test, ANOVA, and Correlation were used for the data analysis to transform raw numerical data into insights, helping to validate research hypotheses and support decision-making.

RESULTS

Table 1: Association between Demographic Variables and Professional Mutual Fund Investors' Behaviour

Variable	Test	Statistic	P-Value	Hypothesis	Remarks
Gender	T-test	-0.73	0.47	H0 Mean Behaviour Score is the same for both gender levels.	Accept H1
Marital Status	T-test	-1.03	0.31	H0 The mean behaviour score is the same for both levels of Marital Status.	Accept H1
Age	ANOVA	48.01	0.00	H0 Mean behaviour score is the same across all age levels.	Reject H0
Qualification	ANOVA	6.48	0.00	H0 The mean behaviour score is the same across all qualification levels.	Reject H0
Annual Income	ANOVA	0.27	0.77	H0 The mean behaviour score is the same across all levels of Annual Income.	Accept H1
Yrs of Exp MF	ANOVA	9.93	0.00	H0 The mean behaviour score is the same across all levels of Years of Exp MF.	Reject H0

Source: Output of T-test and ANOVA using SPSS Software

All three variables, age, qualification, and years of experience, showed statistically significant impacts on investor behaviour. For professionals, knowledge (reflected in qualifications and experience) and age which may bring broader market exposure, are linked to distinctive behavioural patterns, likely because professionals rely more on learned skills, analytical thinking, and accumulated market insight. The results support Klein and Zwergel (2018), Lusardi and Mitchell (2014), and Pompian (2006). Gender, Marital Status, and Annual Income showed no significant impact on behaviour, suggesting that professional roles and responsibilities outweigh personal demographics. Professional roles and experience overshadow personal background variables; thus, behaviour is driven primarily by expertise, not personal factors, as supported by Ricciardi and Simon (2000).

Reliability Test of Psychological Factors

Table 2: Reliability Test

Investor Type	Factor	Cronbach's Alpha
Professional Investors	Heuristics	0.743
	Framing	0.781
	Emotions	0.596
	Market Impact	0.593

Source: Results of Reliability Test

Table 2 summarises the internal consistency (reliability) of various psychological and behavioural factors: Heuristics, Framing, Emotions, and Market Impact. Cronbach's alpha is a widely accepted reliability coefficient that assesses how well a set of items measures a single, one-dimensional latent construct. The values are accompanied by 95% confidence intervals, offering insights into the possible range of reliability in the population. Strong internal consistency was found for each psychological factor in the reliability analysis.

Association between Psychological Factors and Professional Mutual Fund Investors' Behaviour:

H_0: There is no significant linear correlation between the psychological factors and the behaviour of professional mutual fund investors.

H_1: There is a significant linear correlation between psychological factors and Professional Mutual Fund.

Table 3: Correlation Matrix: Psychological Factors and Professional Investors' Behaviour

Factors	Heuristics	Framing	Emotions	Market Impact	Behavior_Score
Heuristics	1.00				
Framing	0.34	1.00			
Emotions	-0.14	0.16	1.00		
Market Impact	0.14	0.28	0.16	1.00	
Behavior_Score	-0.08	-0.28	-0.05	-0.27	1.00

Source: Output of Correlation Matrix using SPSS Software

The yellow-highlighted cells indicate statistically significant correlations, where the relationship is strong enough to be considered non-random (usually at $p<0.05p < 0.05p<0.05$, although the exact significance levels are not shown).

The results show that heuristics ($r = -0.08$) and emotions ($r = -0.05$) have very weak and statistically non-significant correlations with the behaviour scores. As the correlations are close to zero and not significant, there is no compelling evidence that heuristics or emotions consistently influence professional investors' behaviour. Therefore, the null hypothesis (H_0) was accepted for these two factors, indicating that they had no discernible impact on investor behaviour in this study.

These findings support the previous literature suggesting that professionals, though more rational in processing, may still exhibit behavioural biases under contextual influences (Barberis & Thaler, 2003; Statman, 2019).

Reliability Test of Investment Strategies

To assess the internal consistency and reliability of the scale items used to measure *Investment Strategies*, a Cronbach's alpha test was conducted separately for active and passive investors.

Table No. 4 Investment Strategies Reliability Test (Cronbach's Alpha)

	Cronbach's Alpha
Active Strategy	0.876
Passive Strategy	0.936

Source: Results of Reliability Test

The reliability analysis shows strong internal consistency for both investment strategies, with Cronbach's alpha = 0.876 for Active Strategies and 0.936 for Passive

Strategies, indicating high scale reliability.

The Association between Investment Strategies and Professional Mutual Fund Investors' Behaviour

H_0: There is no significant linear correlation between the investment strategies and professional mutual fund investors' behaviour.

H_1: There is a significant linear correlation between investment strategies and professional mutual fund investors' behaviour.

Table 5 presents the correlation matrix, which explores the relationship between different Investment Strategies (IS), specifically Active _ IS investment strategies (**Active_IS)** and Passive Investing Styles (**Passive_IS**), and Professional Mutual Fund investors' behavioural scores.

The yellow-highlighted cells indicate statistically significant correlations, where the relationship is strong enough to be considered non-random (usually at $p<0.05$, although exact significance levels are not shown).

Table No. 8: Correlation Matrix: Investment Strategies and Professional Mutual Fund Investors' Behaviour

	Active_IS	Passive_IS	Behavior_Score
Active_IS	1.00		
Passive_IS	0.23	1.00	
Behavior_Score	0.39	0.43	1.00

Source: Output of Correlation Matrix using SPSS Software

According to the results, all investment strategies had positive correlations with the Behaviour Score in this group. Active Investment Strategies scored 0.39, and Passive Investment Strategies scored 0.43, suggesting that professional investors demonstrate greater behavioural consistency regardless of the chosen strategy. As both strategies significantly influence non-professional mutual fund investors' behaviour, we reject the null hypothesis and accept the alternative hypothesis.

DISCUSSION

The results in Table 1 reveal important insights intothe influence of demographic and professional variables on investor behaviour.

Significant Associations

Age

Age influences investor behaviour, as it often shapes risk tolerance, time horizon, and financial goals. Younger investors tend to take higher risks as they have more time to recover from losses, whereas older investors are typically more risk-averse and conservative, focusing on capital preservation. With increasing age, professionals may gain broader market exposure and maturity in their decision-making and investment behaviour. (Klein & Zwergel, 2018).

Qualification

Unlike non-professionals, education level affects professionals' behaviour, which may be tied to specialization. This supports Lusardi and Mitchell's (2014) thesis that financial training is important when coupled with practical exposure. For professionals, knowledge (reflected in qualifications and experience). The higher the qualification, the stronger the foundation for applying an analytical framework.

Years of Experience

Experience adds practical knowledge that cannot be gained through education alone. It shapes investors' abilities to interpret signals, manage risks, and navigate uncertainties. Longer experience brings exposure to a wide range of market conditions and different market cycles, which refines judgment, helps develop discipline, and helps avoid impulsive behaviour. Consistently significant, confirming that professional experience sharpens investment discipline (Pompian 2006).

Non-Significant Associations

Gender, Marital Status, Annual Income: The findings suggest that professional roles and responsibilities override personal attributes such as gender or income, confirming Ricciardi and Simon (2000), who assert that investor psychology is a stronger determinant than surface-level demographics.

Gender

Investor behaviour is not significantly affected by gender, as per the output. Investment behaviour is shaped more by knowledge and psychology than by gender. Professional responsibilities and decision-making frameworks tend to neutralize gender-based differences.

Marital Status:

Marital status also showed no significant association with investors' behaviour. Investment choices can be more strongly influenced by financial literacy, market understanding, and investor psychology than by a person's life stage. Marital status does not affect investment behaviour if a person has sufficient knowledge and professional orientation.

Annual Income:

Non-significant associations were also observed between annual income and non-professional investors' behaviour. investors rationality or emotions are not always required to be determined by income levels. Investors' resources and knowledge enhance their ability to behave rationally.

Association between Psychological Factors and Professional Mutual Fund Investors' Behaviour:

Behavioural biases still negatively affect professional investors' behaviour, despite their training and experience. Framing (r=-0.28) and market impact (r = -0.27) demonstrate significant negative correlations with behaviour scores, providing sufficient evidence to reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1). (Table No. 3).

Framing: The more someone is influenced by framing, the less rational and consistent their behaviour becomes. If the way information is presented influences investors, they make decisions that are less logical, less consistent, and more prone to errors.

Market impact refers to the perceived effect of market events or volatility on investment decisions. There was a significant negative correlation with the behaviour score (r = -0.27). This shows that a stronger influence of

market volatility or external market factors is linked to reduced quality or consistency in the investment behaviour of professionals.

The Association between Investment Strategies and Professional Mutual Fund Investors' Behaviour

Professional investors using active strategies exhibit disciplined research, deliberate stock selection, and portfolio adjustments that are informed by systematic analyses. This increases rational and consistent behaviour, leading to higher behaviour scores.

Passive strategies depend on faithfully tracking indices and resisting frequent trading, which also requires discipline and consistency. This increases discipline and consistency, which raises the behaviour score (Table No. 5).

CONCLUSION

Professional investors are sensitive to market trends and risk tolerance, often seeking diversification and aligning choices with client goals and regulatory guidelines, as well as their own investment strategy. This study primarily aims to understand the investment behaviour of professional individual investors in Goa and identify the differences in the investment behaviour of individual Mutual Fund Investors.

The study concludes that professional investors' behaviour is strongly influenced by age, qualifications, and years of experience, highlighting the significance of expertise and market exposure. However, personal demographic factors (gender, marital status, and income) matter very little; thus, the knowledge and professional status of investors outweigh any individual characteristics as an influencer of investor behaviour. Similarly, in terms of psychological factors, heuristics and feelings are negligible and hence not statistically significant in professional investment behaviour and therefore have no measurable impact. However, behavioural biases, such as framing and market impact, indicate a significant negative relationship with behaviour, suggesting that the way information is presented cannot impose rationality or consistency during professional investment decision-making in the context of perceived market volatility.It is important to emphasise that professional investors continue to be subject to certain contextual biases regardless of their training and decades of experience, thus remaining consistent with other research, that expertise does not obviate behavioural decision-making influences within the context of financial decision-making. The findings also suggest a positive relationship between professional investors' behaviour and both active and passive investment styles. Each investment style fosters consistent and disciplined decision making. These results demonstrate how an investment style aids in the rationality and stability of behaviour. In summary, the choice of investment style is relevant to professional investor behaviour.

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