School of Postgraduate Studies

# Investment Decision Behaviour and Mutual Fund Retail Investors: A Qualitative Inquiry into the Investment Decision Behaviour of Mutual Fund Retail Investors

A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, UNIVERSITY OF LUSAKA IN PARTIAL FULFILLMENT OF THE AWARD OF THE MASTER OF BUSINESS ADMINISTRATION FINANCE.

**BY**

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## Declaration

I, Engiwe Mvula, hereby declare that the research conducted on the topic " A Qualitative Inquiry into the Investment Decision Behaviour of Mutual Fund Retail Investors" adheres to the highest ethical standards and academic integrity. The study was undertaken with diligence, transparency, and respect for all participants involved. The data collected and analyze are accurate, reliable, and presented truthfully by the research objectives. Throughout the research process, ethical considerations were paramount, and measures were implemented to ensure the confidentiality, anonymity, and informed consent of all participants. Any potential conflicts of interest were disclosed and managed appropriately to maintain the integrity and impartiality of the study. Furthermore, I affirm that the findings and conclusions drawn from this research are based on sound analysis and are free from bias or manipulation. The interpretations and implications presented are grounded in empirical evidence and contribute to the existing body of knowledge in the field.

Author's Signature:

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Date: 05/01/2024

I hereby declare that the presentation and preparation of this dissertation were supervised per the guidelines on supervision set forth by the University of Lusaka.

Supervisor's Signature:

Mr. Floyd Mwansa

Date: 05/01/2024

## Dedication

This research work is dedicated to my beloved son Uchizi Asher Munthali.

## Acknowledgment

First and foremost, I would like to thank my husband for the support rendered during the preparation of this paper. It has not been an easy journey and I would not have come this far without his support in this season.

I would like to acknowledge and thank my supervisor Mr. Lloyd for being a good supervisor. I would like to thank my heavenly father for the provision and sustenance that enabled me to complete this paper. I would also like to thank and honor my dear parents for always being there for me.

**List of Acronyms/Abbreviations**

AMC: Asset Management Company

CFI: Corporate Finance Institute

EMH: Efficient Market Hypothesis

GDP: Growth Domestic Product

IFC: International Finance Corporation

LuSE: Lusaka Securities Exchange Plc

NAV: Net Asset Value

REITs: Real Estate Investment Trusts

SEC: Securities and Exchange Commission

SMEs: Small Medium Enterprises

ZPTF: Zambia Privatization Trust Fund

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# ABSTRACT

This qualitative study investigates the investment decision behaviour of mutual fund retail investors, with a particular focus on the Zambian context. The primary objectives encompass scrutinizing the factors influencing investment decisions, comprehensively evaluating present-day perceptions, and exploring the myriad factors contributing to the augmentation or reduction of investments in mutual funds by retail investors. Structured questionnaires were administered to both fund managers and retail investors of 14-unit trusts and mutual funds operating in Zambia, ensuring a diverse and comprehensive representation of perspectives. The targeted population included both experienced fund managers and retail investors with varying backgrounds, contributing to the richness of the data.

A qualitative phenomenological research design guided the study, allowing for an in-depth exploration of participants' lived experiences and perceptions. Thematic analysis was employed to uncover recurring patterns and themes, providing a comprehensive understanding of the intricate decision-making processes. The study revealed that investor education, risk tolerance, and trust in fund management were pivotal factors influencing retail investors' decision-making. Macro-economic conditions played a significant role in shaping investors' perceptions, showcasing a dynamic interplay between external factors and individual perspectives. The findings also underscored the influence of expert advice on investment decisions, highlighting the delicate balance between individual judgment and external guidance.

The Study's insights carry profound implications for both academia and the financial industry. Policymakers can leverage the findings to design targeted educational initiatives aimed at enhancing investor literacy. Financial institutions may consider strategies to bolster trust and transparency, addressing the identified concerns. Moreover, the study recommends fostering a supportive environment for retail investors, acknowledging the dynamic nature of risk perceptions and providing tailored guidance

# CHAPTER ONE

# INTRODUCTION AND BACKGROUND OF THE STUDY

## 1.1 Introduction

The arena of investment decisions is a dynamic terrain that molds financial paths and ambitions. Within this intricate fabric, mutual funds emerge as vehicles that provide investors with entry to a diversified array of securities, enabling them to engage with the complexities of capital markets (Rajan & Gomatheeswaran, 2013). These investment instruments have garnered worldwide recognition, offering both seasoned and novice investors a route to navigate the intricacies of financial markets. However, while mutual funds have gained prominence globally, the involvement of retail investors in such avenues remains relatively unexplored in the Zambian context.

Despite endeavors to augment financial literacy and the expansion of investment possibilities, the behavioral patterns and decision-making processes of Zambian retail investors in the realm of mutual funds remain less illuminated. Amidst the evolving landscape of investments, deciphering the elements that steer investment preferences and decisions among retail investors holds paramount importance. This Study endeavors to delve into this untrodden domain, with the aim of unraveling the intricate complexities that underscore retail investors' decisions within the domain of mutual funds.

The organization of this chapter is structured as follows: commencing with an Introduction and background of the study, followed by statement of the research problem, followed by the articulation of research objectives, formulation of research questions, exploration of the study's significance, specification of its scope, and the establishment of key terminology to be employed. This organized progression provides a comprehensive framework for the ensuing research exploration.

## 1.2 Background of the Study

The evolution of financial markets over time has introduced an extensive range of financial instruments, including mutual funds, shares, and bonds, catering to diverse investor preferences and financial goals. Among these instruments, mutual funds stand out as a vehicle offering accessibility to financial markets even for investors with limited resources. Mutual funds pool resources from numerous investors to create a collective investment vehicle managed by professional fund managers, enabling diversified portfolios that might otherwise be challenging for individual investors to access and manage (Rajan & Gomatheeswaran, 2013).

Functioning as financial intermediaries, mutual funds bridge the gap between investors and a wide array of securities, such as stocks, bonds, and money market instruments. Structured as either trusts or corporations, mutual funds serve as investment channels that facilitate indirect investment strategies, where resources are aggregated into uniform units investable across various assets. This inclusive approach accommodates investors of all scales, offering them ownership in diversified portfolios managed by the fund (Mbewa & Otieno, 2003).

Globally, there has been significant development in collective investment schemes, including mutual funds, ETFs (Exchange-Traded Funds), and REITs (Real Estate Investment Trusts). As of April 2019, the total value of global assets invested in ETFs reached USD 5.57 trillion, indicating a ten-fold growth since 2005. While developed markets like the USA dominate ETF assets, frontier emerging markets are witnessing nascent activity in ETFs, with countries like Indonesia and Kenya making strides in this asset class (Genesis Analytics and Bourse Consult, 2020).

Similarly, REIT markets have experienced growth, with global market value reaching USD 1.7 trillion in August 2018. Despite being primarily concentrated in developed markets, REIT markets in emerging economies like Brazil and South Africa have shown considerable expansion. The mutual fund market, however, remains the largest among collective investment schemes, with the total value of mutual funds in the USA alone reaching USD 20 trillion in 2018 (Genesis Analytics and Bourse Consult, 2020).

However, within the African context, mutual funds emerge as a nascent concept that holds the potential to foster the growth of capital markets and offer an alternative avenue to reduce reliance on pension packages (Tan, 2015). Globally, studies indicate that while the participation of investors in mutual funds has been on the rise in developed countries, the scenario remains notably different in underdeveloped and developing African countries, including Zambia (Fernando, et al., 2003).

In contrast to the global scene, the prevalence of mutual fund investments in Zambia remains relatively low compared to other African nations. According to FinScope Zambia (2015), only 0.2% of individuals in Zambia invest in mutual funds, significantly lagging behind countries like South Africa and Nigeria. Like Kenya and Mauritius, Zambia's market is still in its infancy, with each country reporting asset levels of less than $1 billion USD. Even if Zambia's peer group has the lowest mutual fund asset pool, it is nevertheless a step in the right direction that this asset class is allowed to exist in the market thanks to the necessary legislative framework. Furthermore, the market for mutual funds in Zambia has expanded recently, with a total asset value increase of 18.7% from 2016 to 2017 (Genesis Analytics and Bourse Consult, 2020). This creates a foundation for potential market expansion even if it is unlikely to surpass that of other frontier counterparts like Kenya or Mauritius in the near future. This underutilization of mutual funds can be attributed to various factors, including a lack of awareness of legitimate low-risk financial investment options, leaving individuals vulnerable to aggressive investment schemes (Finscope Zambia, 2015).

Given the importance of mutual funds in mobilizing savings for economic investment and wealth creation, understanding the factors hindering their adoption in Zambia is crucial. behavioral finance theory suggests that individual psychology plays a significant role in investor decision-making, influenced by factors such as personality traits, past experiences, and cognitive judgments. This research aims to delve into the investment decision behaviour of retail investors towards mutual funds in Zambia, addressing the gap between the potential of mutual funds in wealth creation and their subdued engagement in the Zambian context (Zhang & Massa, 2009).

### 1.3 Statement of the Problem

Despite increased awareness about retail mutual fund investments, there persists a notable reluctance among retail investors to engage in this market. The subscription rates for retail mutual funds have remained subpar, with historical data from the Lusaka Stock Exchange (LuSE) indicating persistently low subscription rates since its establishment in 1993. The subscription rate has marginally improved with recent sensitization efforts from 930 in December 2020 to 1091 in July of 2021 (CMAZ, 2022). However, this sector continues to face under-subscription issues.

Scholarly discourse suggests several reasons for this phenomenon. Some scholars argue that retail investors perceive mutual fund investments as excessively risky, while others attribute the problem to inadequate awareness and sensitization efforts by regulatory authorities. Furthermore, the mutual fund market in Zambia, as indicated by the Mutual Fund assets as a percentage of GDP in 2017 (0.1%), remains relatively small compared to peer nations like Kenya and Mauritius, where asset sizes are below USD 1 billion. Despite this, the Zambian market has shown some growth, with total asset value increasing by 18.7% between 2016 and 2017, as highlighted in the Zambia Capital Markets Development Master Plan of 2020 (Genesis Analytics and Bourse Consult, 2020).

Given these circumstances, there is a pressing need to explore the investment decision behaviour of retail investors regarding mutual fund investments. This research aims to uncover the underlying factors contributing to the reluctance of retail investors, assess the impact of awareness campaigns and regulatory frameworks, and explore potential strategies to enhance retail participation in the mutual fund market in Zambia.

## 1.4 Research Objectives

### 1.4.1 General Objective

The general objective of this study is to examine the investment decision behaviour of retail Investors towards investing in mutual funds**.**

### 1.4.1 Specific objectives

In alignment with the primary aim, the specific objectives of the research are as follows:

i. To identify the specific factors influencing the decision-making process of retail investors in their investment choices within mutual funds.
ii. To assess the current perceptions held by retail investors regarding mutual funds, focusing on their attitudes, beliefs, and sentiments towards these investment vehicles.
iii. To explore the diverse range of factors that lead retail investors to either increase or decrease their investments in mutual funds, including market conditions, risk perceptions, and external influences.
iv. To assess the effect of perceived risk appetite on mutual fund investment.

## 1.5 Research Questions

The research aims are encapsulated in a series of pivotal questions, designed to guide the exploration and investigation:

i. What are the key factors influencing the decision-making process of retail investors when selecting mutual funds for investment?
ii. What are the prevailing perceptions among retail investors regarding mutual funds, and how do these perceptions influence their investment decisions?
iii. What specific factors contribute to retail investors' decisions to either increase or decrease their investments in mutual funds, and how do market conditions and risk perceptions play a role in this decision-making process?
iv. What is the effect of perceived risk appetite on mutual fund investment?

## 1.6 Significance of the Study

This study holds profound significance as it ventures into uncharted territory, seeking to unravel the intricate decision-making processes of retail investors within the dynamic landscape of mutual funds. By delving into this underexplored domain, the research aims to shed light on the complex interplay of factors that guide investment choices. This holds immense value for both academia and practical application.

At a scholarly level, the study contributes to bridging a critical gap in the existing literature. The investment behaviour of retail investors in the context of mutual funds in Zambia remains relatively unexplored. As such, this research has the potential to enrich the academic discourse with fresh insights, offering a nuanced understanding of investor perceptions, preferences, and actions.

Furthermore, the practical implications of this research are noteworthy. Through deciphering the decision-making rationale of both fund managers and retail investors, the study could offer actionable insights for improving investment strategies. Recommendations arising from the study might aid retail investors in enhancing their decision-making process, potentially leading to more informed investment choices. Similarly, fund managers could benefit from understanding the triggers that influence investors to increase their investment levels.

This study significantly contributed to the existing body of knowledge in several ways. Firstly, by exploring the investment behaviour of retail investors in the context of mutual funds in Zambia, the research filled a notable gap in the literature. Despite the growing importance of mutual funds as a vehicle for investment and wealth creation, there was a dearth of empirical research focusing on retail investor behaviour in the Zambian context. Therefore, this study added valuable insights into the decision-making processes, preferences, and motivations of retail investors, thereby enriching our understanding of investor behaviour in emerging market economies.

Secondly, the study advanced our knowledge in the field of behavioral finance by investigating the psychological and behavioral factors that influence investment decisions. By examining the cognitive biases, risk perceptions, and socio-economic factors that shape investor behaviour, the research contributed to a deeper understanding of how individuals make financial decisions in the context of mutual fund investments. This interdisciplinary approach integrated insights from psychology, economics, and finance, thereby offering a comprehensive framework for analyzing investor behaviour.

Ultimately, this research could contribute to the overall development of Zambia's financial market landscape. Through promoting a deeper comprehension of investor behaviour and preferences, the findings might pave the way for targeted interventions and policy enhancements. This could stimulate increased investor participation, potentially leading to a more vibrant and resilient mutual fund ecosystem

## 1.7 Scope of the Study

It is important to acknowledge the limitations that define the scope of this study. The geographical scope was confined to Lusaka Province, an area encompassing the vibrant city of Lusaka, Zambia's capital. While this focus provides an in-depth exploration within a specific region, it also implies that findings may not be fully representative of the broader Zambian context. Additionally, the study centers on 14 mutual fund investment companies operating within Lusaka Province. These include 11 local Collective Investment Schemes, such as Laurence Paul Unit Trust Funds, Madison Assets Management Company Unit Trust, and others. The study also encompasses 3 authorized foreign Collective Investment Schemes: Imara Global Fund, Imara African Opportunity Fund, and Franklin Templeton Investment Funds. However, the exclusivity of this selection limits the generalizability of findings to mutual fund companies beyond this specified list.

According to the Capital Markets Association of Zambia report of 2022, the market shares collective investment schemes fund managers was divided as follows as at June 2021: MPILE held the largest market share, representing approximately 53.3% of the total market size. ABC accounted for approximately 21.0% of the market share. MADISON maintained a stable market share of 14.5%. KUKULA, INTERMARKET, LAURENCE PAUL, and ECR each held a smaller portion of the market, with shares ranging from 1.2% to 2.0%. ALTUS, HOBITTON, and LONGHORN collectively represented the remaining 7.9% of the market share (CMAZ, 2022).

A further delimitation lies in the targeted sample size. The study aimed to engage 30 respondents of which 4 were fund managers and 26 retail investors from the identified mutual fund investment companies. While this selection provides depth and detail to the research, the relatively modest sample size may impact the extent to which findings can be extrapolated to the broader population of fund managers and retail investors in Zambia. In essence, the study's scope is both a strength and a constraint. It enables a comprehensive exploration within a defined context but acknowledges that findings may not be universally applicable.

### 1.8 Organization of the Report

This academic investigation follows a structured framework as outlined below:

Chapter 1 commences with an introduction, laying the foundation for the report. It elaborates on the study's background and expounds upon the statement of the problem. Subsequently, research objectives and questions are articulated, followed by a delineation of the study's scope and significance.

In Chapter 2, a comprehensive literature review is presented, serving as the bedrock for contextualizing the problem. This encompasses an elucidation of empirical evidence, a thorough exploration of theoretical underpinnings, and the articulation of the conceptual framework guiding the study.

Chapter 3 delves into the methodology employed to attain the research objectives. This encompasses a comprehensive exposition of the research approach and design. Moreover, it explicates the definition of the target population and the derived sample size. The tools for data collection are detailed, along with the procedures adopted for sampling. Ethical considerations pertinent to the study are meticulously outlined

Chapter 4 undertakes the presentation of the study's findings, while Chapter 5 engages in an in-depth discussion of these findings. Finally, Chapter 6 encapsulates the culmination of the research journey by offering a summarization of the entire spectrum of findings, concludes the report and offers policy recommendations.

### 1.9 Definition of Key Terms and Concepts

1. **Mutual Funds:** Mutual funds refer to investment vehicles where funds are pooled from multiple investors and managed by professionals. These funds are invested in a diversified

portfolio of securities such as stocks, bonds, and money market instruments. Mutual funds provide individuals with access to a wide range of investments that might otherwise be complex or costly to manage individually (Rajan & Gomatheeswaran, 2013). In the study behaviour will be taken from behaviour finance which is the study of the influence of psychology on the behaviour. Mutual Fund/Unit Trust will be used interchangeably this study.

2. **Retail investors** are individuals who invest their personal funds in various financial instruments, including mutual funds. These investors typically invest smaller amounts compared to institutional investors and often lack the expertise and resources available to professional investors. Retail investors play a significant role in the capital markets and contribute to the overall liquidity and stability of financial markets.
3. **Investment Decision behaviour**: Investment decision behaviour refers to the process by which individuals assess, evaluate, and make choices regarding their investments. It encompasses the factors, motivations, perceptions, and influences that shape an individual's decisions when selecting investment opportunities, such as mutual funds.

## CHAPTER TWO: LITERATURE REVIEW

Within this Chapter, an examination of the literature linked to the conduct influencing the investment decisions of mutual fund investors is undertaken. The commencement involves elucidating the configuration of mutual funds, followed by the presentation of empirical literature that scrutinizes research concentrated on dissecting and comprehending methodologies. Subsequently, a theoretical examination of literature is presented, delving into the fundamental constituents of inquiries regarding behaviour in the realm of finance. The intention behind this discourse is to fathom dimensions of investment behaviour through the lens of theory, with the ultimate purpose of comprehending the research inquiries outlined in this study. Ultimately, the chapter delineates the conceptual framework fashioned from the researcher's perspective.

### 2.1 Structure of Mutual Funds

There are two types of structure of mutual funds closed ended Schemes and Open-ended schemes. Closed ended Schemes have a stipulated maturity period which ranges from 2 to 15 years. Investors can invest directly in the scheme when there are initially issued and can at a later stage buy or sell the units of the scheme on the stock exchanges where they are listed (Carhart, 1997).

One advantage of closed-ended schemes is that they provide a fixed investment duration, allowing investors to plan their investments accordingly. Additionally, the units of closed-ended schemes may trade at a premium or discount to their underlying net asset value (NAV) in the secondary market. This premium or discount arises due to market forces such as supply and demand for the units. Investors who believe in the potential of a closed-ended scheme may be willing to pay a premium for its units, while those with a more cautious outlook may seek to acquire units at a discount (Chen, 2019).

Conversely, within the domain of open-ended mutual funds, investors are granted the capability to perpetually acquire units from the fund and seamlessly vend units back to the fund. This mechanism operates independently from stock markets and transpires through the acquisition of units within the fund itself. Ensuring equity, the sale and purchase processes are executed based on the fair value of the unit. In essence, every share or unit held by an investor possesses a designated value. Since these units substantiate ownership of the fund's assets, the total value of the fund's assets, when divided by the aggregate number of units disseminated by the mutual fund, furnishes the value of each individual unit (Ibid).

It is important to note that while open-ended funds do not involve trading on stock exchanges, the NAV of the units can still fluctuate based on changes in the fund's underlying assets worth. Influences like market conditions, performance of the securities held by the fund, and other economic indicators can impact the NAV per unit. According to the United States SEC. investors should monitor the NAV and consider it in conjunction with other factors when making investment decisions ( (SEC, 2022).

Overall, open-ended mutual funds provide investors with the flexibility to buy and sell units directly from the fund at the NAV per unit. This structure ensures fairness and transparency by valuing each unit based on the fund's total assets divided by the total units issued. Investors can rely on the NAV per unit as a reliable indicator of the fund's value and make investment decisions accordingly. Both closed-ended and open-ended schemes offer distinct advantages and considerations for investors. Closed-ended schemes may appeal to investors seeking a fixed investment duration and the potential for trading units at premiums or discounts. Open-ended schemes, on the other hand, provide greater liquidity and flexibility for investors to enter and exit their investments at the current NAV per unit.

The general structure of the relationship is shown in figure 1. The sponsor of a mutual fund is the entity responsible for setting up the fund and obtaining the necessary regulatory approvals. The sponsor establishes the framework and objectives of the mutual fund. The relationship between the sponsor and the Asset Management Company (AMC) is crucial, as the AMC is appointed by the sponsor to manage the day-to-day operations of the mutual fund. The AMC acts as the investment manager and is responsible for making investment decisions on behalf of the fund, managing the portfolio, and ensuring compliance with regulatory guidelines.

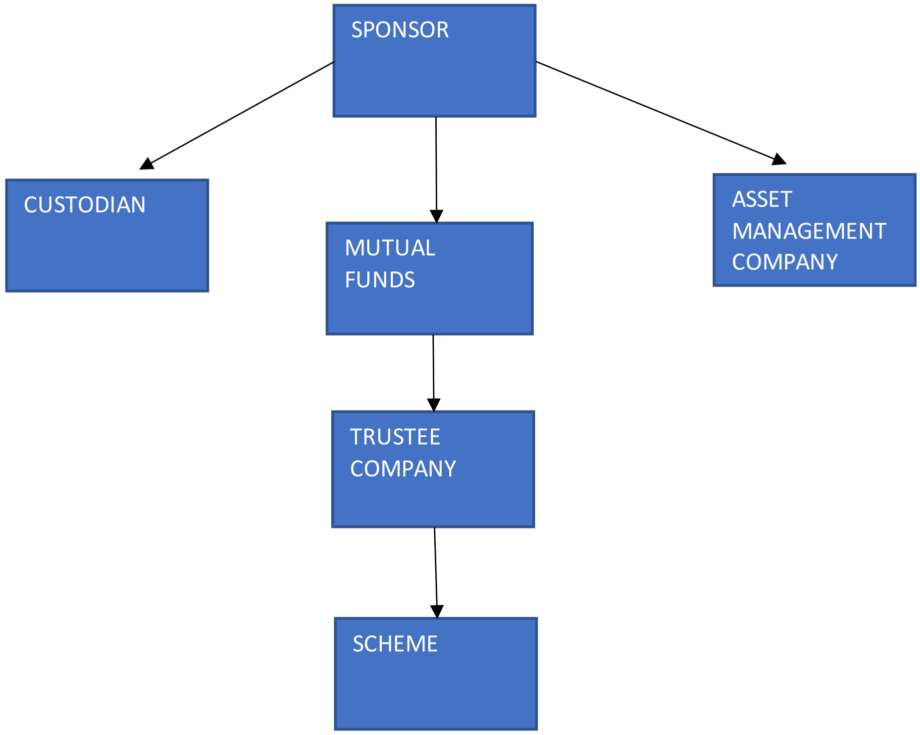
The sponsor has a direct relationship with the mutual fund it establishes. The sponsor provides the initial capital or seed money required to set up the fund and appoints the AMC to manage the fund's assets. The sponsor also plays a role in marketing and promoting the mutual fund to attract investors. The sponsor's objective is to ensure the successful launch and ongoing operation of the mutual fund, while the mutual fund acts as the investment vehicle that holds and manages the assets on behalf of the investors.

Furthermore, the mutual fund appoints a trustee company to act in the best interests of the unit holders (investors) and ensure compliance with applicable regulations. The trustee company is a separate legal entity from the mutual fund and acts as a custodian of the fund's assets. The trustee oversees the activities of the AMC to ensure that they are aligned with the fund's objectives and are carried out in accordance with the fund's offering documents and regulatory requirements. The trustee's primary responsibility is to protect the interests of the investors and act as a fiduciary on their behalf.

In addition, the scheme refers to the specific investment strategy or plan offered by the mutual fund. The trustee has a direct relationship with the scheme and acts as its custodian. The trustee ensures that the scheme's assets are appropriately held and safeguarded. They review the fund's transactions, monitor compliance with regulatory guidelines, and ensure that the fund's activities align with the scheme's objectives and legal requirements. The trustee provides an additional layer of oversight to protect the interests of the investors in the scheme.

Finally, the mutual fund appoints a custodian, typically a bank or financial institution, to hold and safeguard the fund's assets. The custodian maintains the physical custody of the securities, cash, and other assets owned by the mutual fund. They handle settlement of trades, safekeeping of assets, and cash management on behalf of the mutual fund. The custodian's role is critical in ensuring the proper segregation and protection of the fund's assets.

*Figure 1: Structure of Mutual Funds*




### 2.1.1 Fund unit and Company shares

Investing in individual shares denotes holding a proportional stake in a singular company, whereas investing in a mutual fund signifies involvement across a multitude of shares within the market. The constituents of the Fund comprise varied stocks sourced from different companies. A key distinction between equity shares and mutual fund units lies in their resilience to risk—while shares can falter, holders of mutual fund units can withstand risk owing to the inherent diversification within the unit's composition (Mbewa & Otieno, 2003).

Conversely, investment in equity shares is at times utilized as a speculative tool to attain extraordinary profits. However, mutual funds are not positioned for such speculative objectives, as the primary goal for most investors is to realize returns on their investments. Mutual funds remain indifferent to the market's daily fluctuations, standing apart from the realm of speculation. Mutual fund units are unsuited for speculative endeavors and primarily cater to bona fide investors. Despite this distinction, similar to shares, the market assigns a price to mutual fund units. This valuation is shaped by the intrinsic value of the underlying investments held by the fund (Mbewa & Otieno, 2003).

The advantage of investing in a mutual fund lies in the principle of diversification. By owning units in a mutual fund, investors gain access to a wide range of stocks from different companies and sectors. This diversification helps to mitigate the risk associated with investing in a single company's shares. If one company's stock in the mutual fund's portfolio underperforms, the impact on the overall investment is minimized because other stocks within the fund may be performing well. Diversification reduces the concentration risk and provides a more balanced exposure to various market segments (Mbewa & Otieno, 2003).

Furthermore, the units of a mutual fund are typically managed by professional fund managers who conduct in-depth research and analysis to make informed investment decisions. These fund managers actively monitor the performance of the underlying assets and adjust the portfolio composition accordingly. They aim to achieve the fund's investment objective, whether it is capital appreciation, income generation, or a combination of both. The expertise of the fund managers adds value by selecting and managing a diversified portfolio of securities, saving investors the effort and time required for individual stock selection and monitoring (Sundararajan, 2018).

In contrast, owning individual shares in a company exposes investors to higher risks since the performance of that company alone determines the investment's fate. If the company faces financial difficulties or experiences a decline in stock price, the value of the individual share may decrease, potentially resulting in losses for the shareholder. However, when investing in mutual funds, the diversification across multiple stocks reduces the impact of a single stock's poor performance, enhancing the overall stability of the investment (Mbewa & Otieno, 2003).

Investing in equity shares can sometimes attract speculators who aim to capitalize on short-term price fluctuations and make abnormal profits. Speculators often engage in active trading and closely monitor the daily highs and lows of the market. However, mutual funds are not designed for speculative purposes. The primary objective of most mutual fund investors is to achieve a return on their investment over the long term. Mutual funds are managed with a focus on portfolio diversification, risk management, and aligning with the stated investment objective of the fund (Mbewa & Otieno, 2003).

Unlike shares, mutual fund units are not suitable for speculative trading. Mutual fund investments are more aligned with a buy-and-hold strategy, where investors participate in the fund for an extended period to benefit from the growth and income potential of the underlying assets. Mutual funds are managed by professional fund managers who make investment decisions based on thorough analysis and consideration of the fund's investment strategy and objectives. The primary concern for mutual funds is to generate sustainable returns for investors in accordance with the fund's mandate, rather than trying to time the market or exploit short-term price movements (Sundararajan, 2018).

Nevertheless, there is a similarity between shares and mutual funds in terms of their market pricing. Both shares and mutual fund units have market prices that fluctuate based on the value of the underlying investments held by the respective entities. The market price of mutual fund units is influenced by the performance of the securities held within the fund's portfolio. As the value of the underlying investments rises or falls, the market price of the mutual fund units will reflect these changes (Mbewa & Otieno, 2003). It is important for investors to understand the distinction between shares and mutual funds in terms of their suitability for different investment objectives and trading strategies. While shares may attract both genuine investors and speculators, mutual funds are better suited for genuine investors who seek long-term growth, income, and diversification in their investment portfolios.

### 2.1.2 Types of Mutual Fund Schemes

#### Money Market Funds

Mutual funds are commonly delineated in terms of their "advantages, structure, and objectives. Money market funds represent investments in brief-term fixed income instruments such as government bonds, treasury bills, commercial paper, bankers' acceptances, and certificates of deposit" (CFI, 2023). These investments are generally perceived as safer, yet their potential returns are lower when juxtaposed with other categories of mutual funds.

#### Fixed Income funds

Fixed income funds, in contrast, encompass investments that furnish a predetermined rate of return, including government bonds, investment-grade corporate bonds, and high-yield corporate bonds. "The central objective of these funds revolves around consistently accruing revenue, predominantly through the interest earned on these holdings. Notably, high-yield corporate bond funds carry greater risk in comparison to funds predominantly invested in government and investment-grade bonds" (CFI, 2023).

Government bonds are hailed for their comparatively secure nature within the fixed income domain. Issued by governments, they rest on the foundation of the issuing government's unwavering faith and credit. As a consequence, they generally entail lower default risk when contrasted with corporate bonds. Investment-grade corporate bonds, conversely, emerge from companies with robust credit ratings, boasting reduced risk relative to high-yield or junk bonds. The latter, high-yield corporate bond funds, venture into bonds issued by entities with lower credit ratings, compensating for augmented risk with higher yields. Nevertheless, such funds entail higher risk due to the escalated default risk tied to lower-rated corporate bonds (CFI, 2023).

Investors inclined toward a more stable income flow and amenable to accepting lower risk often gravitate toward fixed income funds primarily vested in government bonds and investment-grade corporate bonds. These funds furnish a comparably secure investment avenue when measured against high-yield bond funds, prioritizing the safeguarding of capital and consistent income generation. Conversely, investors open to assuming heightened risk in pursuit of potentially elevated returns may contemplate high-yield corporate bond funds. While these funds offer the potential for augmented income, they arrive hand in hand with an amplified credit risk (CFI, 2023). The endeavor for investors lies in gauging their risk tolerance, income requisites, and investment aspirations when contemplating fixed income funds. By discerning the traits and hazards linked to diverse fixed income instruments, investors can craft enlightened decisions about the sort of fixed income funds that align with their investment aims (CFI, 2023).

**Equity funds**

Equity funds represent investments in stocks, the principal intention being to burgeon at a swifter pace than money market or fixed income funds. This ambitious pursuit makes these funds substantially riskier. There exists an array of equity fund categories, some specializing in growth stocks that abstain from paying dividends, while others—dubbed Income funds—disburse substantial dividends. Additional categories encompass value stocks, large-cap stocks, mid-cap stocks, small-cap stocks, or amalgamations thereof (Ibid).

Diverse categories of equity funds cater to investors, each distinguished by its distinctive investment strategy and focal point. Among these, growth funds emerge as a noteworthy type, dedicated to channeling investments into stocks of enterprises poised for swift earnings expansion. Such funds commonly place a premium on capital appreciation, directing their efforts towards augmenting investment value rather than distributing dividends to shareholders. Growth funds align well with investors who harbor aspirations of enduring capital appreciation over the long term and are prepared to embrace elevated risk thresholds (CFI, 2023).

Another type of equity fund is income funds, which aim to provide regular income to investors through dividends. Income funds invest in stocks of companies that have a track record of paying substantial dividends. These funds appeal to investors who prioritize generating a steady income stream from their investments. Income funds are typically composed of dividend-paying stocks and are suitable for investors who seek a combination of income and potential capital appreciation (CFI, 2023).

Additionally, they are categorized in accordance with the magnitude of the firms they invest in. For example, there are large-cap funds that focus on investing in stocks of large, well-established companies with a market capitalization typically exceeding $10 billion. Mid-cap funds invest in stocks of companies with medium-sized market capitalization, typically ranging from $2 billion to $10 billion. Small-cap funds target stocks of smaller companies with market capitalizations below $2 billion. These different categories of equity funds allow investors to tailor their investments based on their risk tolerance, investment objectives, and preferences (CFI, 2023).

When examining whether to invest in equity funds, investors ought to evaluate their risk tolerance, investing objectives, and time horizon. While equity funds offer the potential for higher returns, they are subject to market fluctuations and volatility. It is advisable for investors to diversify their portfolios and conduct thorough research or seek professional advice when selecting equity funds that align with their investment objectives.

**Balanced funds**

Balanced funds, known as a distinct category, allocate investments across a blend of equities and fixed income securities. Their primary objective revolves around reconciling the pursuit of elevated returns with the inherent risk of potential losses. Often guided by a predetermined formula, these funds distribute funds across various investment types. While they encompass a level of risk surpassing fixed income funds, they remain less volatile than pure equity funds (op-cit).

Within this landscape, aggressive funds opt for a higher ratio of equities in contrast to bonds, whereas conservative funds lean towards fewer equities relative to bonds. The asset allocation within balanced funds can fluctuate contingent on the fund manager's strategy and prevailing market conditions. Aggressive balanced funds incline towards a heightened proportion of equities and a diminished share of fixed income securities. Such funds pivot towards achieving substantial capital appreciation, typically suiting investors with elevated risk acceptance and protracted investment horizons. In contrast, conservative balanced funds allot a larger slice to fixed income securities, juxtaposed with a smaller allocation to equities. These funds prioritize safeguarding capital and engendering income, rendering them a fitting choice for investors yearning for diminished volatility and more predictable returns (CFI, 2023).

The combination of equities and fixed income securities in balanced funds serves several purposes. First, it allows investors to benefit from potential capital appreciation in the equity portion of the fund's portfolio. Equities have historically offered higher long-term returns compared to fixed income securities, although they also come with higher volatility. Second, the inclusion of fixed income securities helps mitigate risk and provide a more stable income stream through interest payments or bond yields. This diversification across asset classes helps reduce the overall risk of the fund while potentially enhancing returns (CFI, 2023).

Investors considering balanced funds should assess their risk tolerance, investment goals, and time horizon. The asset allocation strategy of balanced funds can provide a middle ground for those seeking a balanced approach to risk and return. However, it is important to note that the specific allocation and performance of balanced funds can vary across different fund managers and market conditions. Conducting thorough research, reviewing historical performance, and understanding the fund's investment strategy are essential steps in selecting the appropriate balanced fund for an individual's investment needs.

**Index fund**

Index funds are designed with the objective of mirroring the performance of a distinct index, for instance, the S&P/TSX Composite Index. As the index experiences fluctuations, the value of the mutual fund likewise ascends or descends. In comparison to actively managed mutual funds, index funds entail reduced costs. This cost efficiency is attributed to the fact that the portfolio manager's involvement in making investment decisions is considerably limited (op-cit) (CFI, 2023).

The predominant advantage inherent to index funds resides in their cost-effectiveness. These funds strive to replicate the performance of a particular index, forsaking the active selection of individual securities. Consequently, they boast diminished management fees and expenses in comparison to actively managed mutual funds. This cost disparity arises from the reduced necessity for intensive research, analysis, and trading activities within the realm of index funds. Consequently, investors benefit from lower expense ratios, which can contribute to higher net returns over the long term (CFI, 2023).

Another notable merit attributed to index funds is their capacity to offer extensive market exposure and diversification. Through an investment in an index fund, investors secure access to a diverse array of securities incorporated within the underlying index. This diversification spreads risk across different companies, industries, and sectors, reducing the impact of individual stock performance on the overall fund performance. Index funds offer a passive investment strategy that can be particularly appealing for investors who prefer a more hands-off approach and want to participate in the overall market returns (CFI, 2023).

It is imperative to acknowledge that while the aim of index funds is to replicate index performance, they may not attain precise returns due to variables like tracking error. Tracking error pertains to the variance between the performance exhibited by the index fund and the intended target index it strives to emulate. This can be influenced by various factors such as fund expenses, transaction costs, and sampling techniques employed by the fund (CFI, 2023).

Investors interested in index funds should consider their investment goals, risk tolerance, and desired market exposure. Index funds can be an effective way to gain diversified exposure to a specific market or sector with lower costs compared to actively managed funds. However, it is important to conduct thorough research on the fund's tracking ability, historical performance, and expense structure before making investment decisions.

**Specialty funds**

Specialty funds centre their attention on distinct mandates such as real estate, commodities, or endeavours aligned with socially responsible investing. An illustrative instance would be a socially responsible fund that directs investments towards companies championing environmental conservation, human rights, and diversity, while evading those engaged in activities related to alcohol, tobacco, gambling, weapons, and the military (Ibid).

Real estate funds, on the other hand, channel their efforts into investments within the domain of properties, real estate investment trusts (REITs), or enterprises intertwined with the real estate sector. These funds enable investors to participate in the potential income generation and capital appreciation opportunities offered by the real estate market. They may hold a portfolio of residential, commercial, or industrial properties, and their returns are influenced by factors such as rental income, property values, and real estate market conditions (CFI, 2023).

Commodity funds, on the other hand, invest in physical commodities such as gold, silver, oil, natural gas, or agricultural products. These funds provide exposure to the performance of the underlying commodities and allow investors to diversify their portfolios beyond traditional asset classes like stocks and bonds. Commodity funds can be affected by factors such as supply and demand dynamics, geopolitical events, and commodity market trends, which can impact their returns (CFI, 2023).

Socially responsible funds, also known as sustainable or ethical funds, focus on investing in companies that meet specific environmental, social, and governance (ESG) criteria. These funds seek to generate financial returns while also considering the broader impact of their investments on issues such as climate change, human rights, labour practices, and corporate governance. Socially responsible funds may avoid investing in companies involved in industries such as tobacco, firearms, or fossil fuels, and instead allocate capital to companies that exhibit sustainable practices and positive social impact (CFI, 2023).

Investors interested in specialty funds should carefully assess their investment goals, risk tolerance, and alignment with the specific theme or sector of the fund. It is important to conduct thorough research on the fund's investment strategy, historical performance, and the criteria used to select investments within the specialized area. Additionally, investors ought to consider the possible risks and volatility connected to the specific sector or theme, as well as the fees and expenses associated with the fund (CFI, 2023).

### 2.1.4 Capital markets in Zambia

The establishment of the Lusaka Securities Exchange Plc (LuSE) in 1993 was a collaborative endeavor initiated by the International Finance Corporation (IFC) and the World Bank. “These organizations provided crucial technical support during LuSE's inception, leading to the commencement of its operations on February 21, 1994. The motivation behind LuSE's establishment was integral to the government's economic reform initiatives, aimed at invigorating a vibrant private sector” ( LuSE , 2022). Since its inception, the Lusaka Securities Exchange has effectively expanded the array of financial instruments available in the market, encompassing equities, unit trusts, government, and corporate bonds.

The regulatory oversight and supervision of the securities industry in Zambia are entrusted to the Securities and Exchange Commission (SEC), established in 1993. The creation of SEC was driven by pivotal objectives, including empowering citizens through share ownership and fostering enhanced corporate governance by broadening share ownership. SEC's establishment was geared towards facilitating citizen participation in the burgeoning capital markets of the growing economy. Concurrently, the Zambia Privatization Trust Fund (ZPTF) played a pivotal role in distributing shares of privatized state entities among Zambian citizens. ZPTF aimed to hold shares of privatized companies on behalf of the citizenry, aligning these actions with the prevailing needs and challenges of the financial markets. This regulatory framework was further bolstered by the introduction of the new Act, aimed at enhancing the efficient and effective supervision and enforcement of the market. Notably, SEC introduced investigators tasked with probing complaints emanating from capital market operators (SEC, 2020).

In the context of a nation like Zambia, equity finance assumes[ a crucial role in economic development. Nonetheless, financial instruments such as mutual funds have yet to attract significant participation from a considerable number of retail investors. As the demand for capital market growth and increased investment diversification gains traction in Zambia, it becomes imperative to comprehend the rationale behind investors' decisions to invest in mutual funds.

Investment decisions are intrinsically linked to individual needs. The determinants of an investor's choices often fluctuate based on various factors including personal background, gender, professional experience, qualifications, risk appetite, and other considerations. Globally, mutual funds hold a pivotal place as a financial vehicle sought after by investors. However, they exhibit behavioral traits that do not conform to traditional financial paradigms, aligning more closely with the realm of behavioral finance.

Despite the development of capital markets in Zambia, the participation of retail investors in financial instruments such as mutual funds remain relatively low. Understanding why investors choose to invest in mutual funds is crucial for fostering the growth of the capital markets and promoting investment in different financial instruments. Investment decisions are highly individualized and are influenced by various factors, including an individual's background, gender, work experience, qualifications, and risk appetite. These factors shape investors' preferences and behaviour, and their decision to invest in mutual funds may be driven by a combination of financial goals, risk tolerance, and the desire for diversification.

It is important to note that mutual funds, although widely regarded as an essential financial vehicle globally, can be associated with certain risks and behaviour that may not conform to traditional finance theories and instead fall within the realm of behavioral finance. Understanding the decision-making processes and motivations of retail investors in mutual funds within the Zambian context can provide valuable insights into the factors that drive investment behaviour.

**2.2 Empirical Review**

Shukla (2016) undertook a study in the major cities of Gujarat state, India, investigating "Investor's Preference towards Investment Avenues with Special Reference to Salaried Personnel." This research aimed to discern the investment inclinations of individuals, particularly salaried individuals, within the region. “The study embraced a descriptive research design to foster a comprehensive comprehension of investor behaviors. Employing both primary and secondary data sources, Shukla explored the landscape of investor preferences” (Shukla, 2016).

> The findings of Shukla's study unveiled a prevailing tendency among respondents to allocate their investments based on educational background, with a preference for long-term ventures, such as real estate acquisitions. Safety and low risk emerged as pivotal criteria guiding investment choices, with respondents displaying a predilection for investments that aligned with these parameters. Additionally, the study revealed that individuals of varying genders and educational backgrounds demonstrated proportional investments corresponding to their income levels (Shukla, 2016).

Drawing parallels to Shukla's study, the current research will adopt a similar thematic approach. This methodology is poised to provide valuable insights into the investment behaviour decisions exhibited by retail investors in the realm of mutual funds. By employing a Phenomenological research design, this study endeavors to shed light on the nuanced decision-making patterns of retail investors in mutual funds, contributing to the broader understanding of investment preferences.

Nevertheless, this inquiry aims to delve deeper into the outlay choice behaviour of retail investors in mutual funds by analyzing additional demographic details that may influence their decisions. Through examining aspects like age, occupation, income, and risk tolerance among retail investors, the research can provide a comprehensive understanding of the underlying motivations and decision-making processes. This deeper analysis can contribute valuable insights to the field of mutual fund investment and provide guidance for both investors and financial professionals in understanding and catering to the needs of retail investors. Overall, by building upon the findings of the previous study and incorporating a qualitative approach, this research has the potential to provide a rich understanding of the investment decision behaviour of mutual fund retail investors and contribute to the existing body of knowledge in this field.

Jaiyeoba and Haron (2016) conducted a noteworthy investigation in Malaysia entitled "A qualitative inquiry into the investment decision behaviour of the Malaysian stock market investors." The focal point of this study was to delve into the intricate dynamics of investment decision behaviour among retail investors within the Malaysian stock market. “Jaiyeoba and Haron employed a qualitative approach, leveraging semi-structured interviews as a means to tap into the perspectives of six retail investors regarding their investment decision behaviors in the context of Malaysia” (Jaiyeoba & Haron, 2016).

The methodological approach utilized by Jaiyeoba involved content analysis, which facilitated a nuanced examination of the gathered data. Through this technique, emergent themes were identified and dissected using verbatim texts, leading to comprehensive insights. Notably, the study disclosed a distinctive trait among Malaysian retail investors—an inclination towards patriotism that significantly influenced their investment choices. Rather than relying heavily on quantitative analyses, these investors predominantly based their decisions on comfort and conventional wisdom. Interestingly, they placed greater reliance on personal research compared to the opinions of third parties. The study further illuminated that these investors navigated challenges through experiential learning, firmly believing that a thorough grasp of the nation's financial and economic landscape could substantially enhance their investment decision-making efficacy (Jaiyeoba & Haron, 2016).

In contrast to the aforementioned study, the present research endeavors to scrutinize the investment behaviour of mutual fund investors. While investment decisions within different capital market instruments may exhibit variances, the underlying response patterns from consumers may exhibit similarities. This study aims to discern the investment behaviour exhibited by mutual fund investors, with a specific focus on the context of Zambia. By shifting the spotlight to mutual funds, this research strives to contribute to the broader understanding of investment decision dynamics, specifically within the Zambian context.

While Jaiyeoba and Haron (2016) focused on the Malaysian stock market, this research aims to explore the conduct of retail investors specifically in mutual funds within the Zambian context. By examining the decision-making processes, motivations, and influences of mutual fund retail investors in Zambia, the research can provide valuable insights into their behaviors. It can shed light on whether factors such as national pride, cultural influences, or individual research play a role in their investment decisions.

Furthermore, the research can explore how the unique characteristics of mutual funds impact the decision-making behaviour of retail investors, distinguishing it from stock market investment decisions. When delving into the intricate realm of investment decisions made by mutual fund investors, it becomes crucial to examine studies that have concentrated on deciphering the factors influencing mutual fund performance in various African nations. One such pertinent study was conducted by Adjei et al. (2021) in Ghana, wherein the emphasis was placed on uncovering the macroeconomic determinants driving mutual funds' performance. “In this study, a qualitative research approach was adopted, and the analytical framework employed the Pooled Mean Group (PMG) estimation of the Autoregressive Distributed Lag (ARDL) model” (Adjei, et al., 2021). Through this methodology, Adjei et al. scrutinized the macroeconomic determinants influencing mutual funds in Ghana across the time span of 2007 to 2016. The investigation culminated in the identification of several crucial findings.

The study's results unveiled certain macroeconomic variables, namely exchange rates, inflation, T-Bill rates, and GDP growth, exerted a positively impactful influence on the financial performance of mutual funds. The insights gleaned from this research have the potential to shed light on the potential interplay between macroeconomic indicators and the behaviour and decision-making tendencies of retail investors. The intriguing question arises as to whether the performance trajectories of analogous macroeconomic variables—such as inflation, exchange rates, and GDP growth—within a developing nation like Zambia could also mold the investment behaviour and choices of mutual fund investors (Adjei, et al., 2021).

Through extrapolating the findings of Adjei et al.'s study to the Zambian context, this research aspires to unveil the extent to which macroeconomic conditions might resonate with the investment preferences and actions of mutual fund investors in Zambia. Through this exploration, a deeper understanding of the intricate web connecting macroeconomic dynamics and investment behaviour can be unraveled, potentially offering insights that are invaluable for both investors and policymakers.

Furthermore, this research can investigate whether retail investors in Zambia exhibit similar behaviour and decision-making patterns in response to macroeconomic determinants as observed in the Ghanaian study. By examining the specific context of Zambia, this study explores how the behaviour of mutual fund retail investors is influenced by the macroeconomic conditions and whether there are any unique factors at play in the Zambian market.

The present study aims to delve into additional variables that might wield an influence over the investment decision behaviour of mutual fund investors, employing a thematic method to comprehensively analyze the gathered data. Scholars in sociology, such as Javed, Bagh & Razzaq (2017), assert that an investor's conduct is substantially shaped by their social environment. This insight underscores the pivotal role that external factors play in shaping an individual's investment decisions. Building upon this premise, the current research seeks to unravel an array of variables beyond the scope of social surroundings that potentially contribute to the intricate web of mutual fund investment behaviour (Javed, et al., 2017).

Furthermore, Amunga’ s (2013) study titled "Factors Affecting Performance of Mutual Funds in Kenya" substantiates the interconnectedness between mutual fund returns and an array of significant macroeconomic indicators (Amunga, 2013). This study revealed a constructive correlation between mutual funds' returns, Treasury bill rates, and market interest rates. Among the myriad macroeconomic variables, inflation rate, market interest rates, and GDP growth rate emerged as the most influential factors dictating mutual fund returns. Of particular interest is the study's revelation of a counteractive association between fund performance and the behavioral patterns exhibited by investors. This unique insight underpins the intricate interplay between the dynamics of investor behaviour and mutual fund performance. Through the use of a descriptive research design, encompassing tools like frequencies, percentages, means, and standard deviations, Amunga’ s investigation adroitly captured multifaceted data from 28 fund administrators via meticulously crafted questionnaires.

Drawing inspiration from Amunga’ s approach, the current research endeavors to glean insights into the Zambian context, probing into the realm of mutual fund investors' behaviour and the intricate tapestry of variables that potentially shape their investment decisions. Through an elaborate and rigorous methodology, the study aspires to enrich the understanding of the nuanced factors underpinning the investment behaviour of mutual fund investors in the Zambian landscape.

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### 2.2.1 Gap Analysis

1. **Limited Focus on Retail Investors in Mutual Funds in Zambia:** While existing studies, such as Shukla (2016) and Jaiyeoba and Haron (2016), have investigated investment decision behaviour among retail investors in different contexts, there is a notable gap in the literature regarding the specific behaviour of retail investors in mutual funds within Zambia. These studies have explored investment preferences in various assets but have not specifically delved into the motivations, preferences, and decision-making processes of retail investors in mutual funds in Zambia.

2. **Lack of Examination of Demographic Influences:** While Shukla (2016) and Jaiyeoba and Haron (2016) provide insights into investor behaviour, they do not extensively analyze

how demographic factors such as age, occupation, income, and risk tolerance influence investment decisions. Understanding these demographic influences is crucial for developing targeted strategies to cater to the diverse needs and preferences of retail investors in mutual funds in Zambia.

3. **Limited Understanding of Mutual Fund Investment in Emerging Markets:** While Adjei et al. (2021) examined the macroeconomic determinants of mutual fund performance in Ghana, there is a gap in understanding how similar macroeconomic conditions may influence the investment behaviour of retail investors in mutual funds in Zambia. Additionally, there is a lack of research exploring the interplay between macroeconomic indicators and investor behaviour specifically in the Zambian context.

4. **Need for Comprehensive Analysis of Factors Shaping Investment behaviour:** Existing studies, such as Javed, Bagh & Razzaq (2017) and Amunga (2013), highlight the influence of social surroundings and macroeconomic indicators on investment behaviour. However, there is a gap in comprehensively analysing the multitude of factors that may shape investment decisions among retail investors in mutual funds in Zambia. These factors may include social, economic, psychological, and institutional variables, which collectively contribute to the complex decision-making process.

5. **Limited Exploration of Mutual Fund Investor behaviour in Zambia:** While Amunga (2013) examined factors affecting mutual fund performance in Kenya, there is a lack of research specifically focusing on the behaviour of mutual fund investors in Zambia. Understanding the unique characteristics and preferences of retail investors in the Zambian mutual fund market is essential for designing effective investment strategies and fostering investor confidence and participation.

While the existing studies provide valuable insights into investment decision behaviour and mutual fund performance in various contexts, there is a distinct gap in the literature regarding the behaviour of retail investors in mutual funds within Zambia. Addressing these gaps through empirical research will contribute to a deeper understanding of investor behaviour and inform the development of tailored strategies to enhance investor outcomes and promote financial market development in Zambia.

## 2.3 Theoretical Framework review

### Behavioral finance theory

Behavioral finance theory emphasizes that cognitive biases significantly influence investment decisions. In the context of mutual fund retail investors, understanding these biases is crucial for comprehending their investment behaviour. For example, investors may exhibit biases such as herding behaviour, where they follow the investment decisions of others without conducting independent research. By exploring how cognitive biases affect the decision-making process of mutual fund retail investors, the research can provide valuable insights into their investment choices (Subash, 2012).

Furthermore, behavioral finance theory acknowledges the role of emotions in shaping investment decisions. Mutual fund retail investors may be influenced by emotions such as fear, greed, and euphoria, which can impact their investment choices. For instance, investors may be more likely to invest in mutual funds during periods of market optimism due to feelings of greed, while avoiding them during times of market volatility due to fear. By examining how emotional factors influence the investment decisions of mutual fund retail investors, the research can offer valuable insights into their behaviour in the financial market (Birau, 2012).

Additionally, behavioral finance theory highlights that investors' personality traits play a significant role in shaping their investment choices. Different personality traits, such as risk tolerance and impulsivity, can influence mutual fund investment behaviour. For example, investors with a high tolerance for risk may be more willing to invest in aggressive mutual funds, while those with a low tolerance for risk may prefer conservative options. By exploring how personality traits impact the investment decisions of mutual fund retail investors, the research can provide valuable insights into their investment preferences and risk-taking behaviour (Chen, et al., 2011).

Moreover, behavioral finance theory also considers social and environmental factors that influence investment decisions. Mutual fund retail investors may be influenced by social norms, peer behaviour, and cultural factors when making investment choices. For instance, investors may be more likely to invest in mutual funds recommended by friends or family members. By examining how social and environmental factors impact the investment decisions of mutual fund retail investors, the research can offer valuable insights into their behaviour in the financial market.

Therefore, behavioral finance theory provides a comprehensive framework for understanding the intricacies of investor behaviour, including cognitive biases, emotional factors, personality traits, and social influences. By aligning the research topic with behavioral finance theory, the research can offer valuable insights into the investment decision behaviour of mutual fund retail investors and contribute to a deeper understanding of their behaviour in the financial market.

**Efficient Market Hypothesis**

The Efficient Market Hypothesis (EMH), posits that security prices inherently encompass all publicly accessible information. This theory asserts that trading predicated on insider knowledge is not only illegal but also futile, as the impact of non-public information on overall stock returns would be too insignificant due to the limited number of investors privy to such data. Many contemporary financial products embraced by investors rest on the assumptions of the EMH, with passive investing, diversification, and the utilization of the overall market index as a performance benchmark all rooted in the foundational tenets of this hypothesis (Fama, 1970). In the context of mutual fund retail investors, the EMH suggests that investors perceive security prices to incorporate all publicly available information. Consequently, investors may adopt passive investment strategies, such as investing in index funds or diversified portfolios, under the assumption that attempting to outperform the market through active trading is unlikely to yield consistent returns (Fama, 1970).

The EMH rests on three key assumptions. Firstly, it assumes that all investors have equal access to information and process it in a rational and unbiased manner. This implies that no individual investor possesses an information advantage over others, shaping investors' perceptions of market efficiency and the likelihood of generating excess returns (Fama, 1970). Secondly, the EMH posits that, given equal access to information, no investor can consistently outperform others with the same investment capital. This principle underscores the notion that market-beating strategies are difficult to sustain over time, as any perceived inefficiencies are quickly arbitraged away by informed investors (Fama, 1970). Thirdly, the EMH contends that investors, including professional fund managers, cannot consistently surpass the market's average returns, even with substantial resources and expertise. Any deviations from average market returns are viewed as temporary and attributable to random events, eventually reverting to the market's intrinsic values (Fama, 1970).

Despite its prominence, the EMH has faced criticism and ongoing debate in financial literature. Critics argue that markets may not always operate efficiently, leading to instances of market inefficiencies that create profit opportunities. This criticism has led to the development of alternative investment strategies, such as active management and value investing, which seek to exploit perceived market inefficiencies (Bodie, et al., 2018). Overall, the EMH provides a theoretical framework for understanding how market efficiency influences the investment decision behaviour of mutual fund retail investors. By acknowledging the EMH's assumptions and critiques, the research can explore how investors perceive market information, their attitudes towards risk and return, and their investment strategies within the context of mutual funds (Fama, 1970; Bodie, et al., 2018).

**Classical decision-making theory**

Classical decision-making theory, often associated with rational economic models, has significant implications for understanding the investment decision behaviour of mutual fund retail investors. This theory posits a structured approach to decision-making, emphasizing logical reasoning and systematic evaluation of alternatives (Huczynski & Buchanan, 2001). Within the context of mutual fund investment, classical decision-making theory suggests that investors would carefully assess available information, weigh potential risks and returns, and select investment options that maximize utility.

However, the practical application of classical decision-making theory in the context of mutual fund investment faces several challenges. Firstly, mutual fund investment decisions are often influenced by factors beyond rational assessment, such as emotions, cognitive biases, and social influences (Huczynski & Buchanan, 2001). Investors may be swayed by market sentiment, peer recommendations, or past experiences, deviating from the rational decision-making process outlined by classical theory.

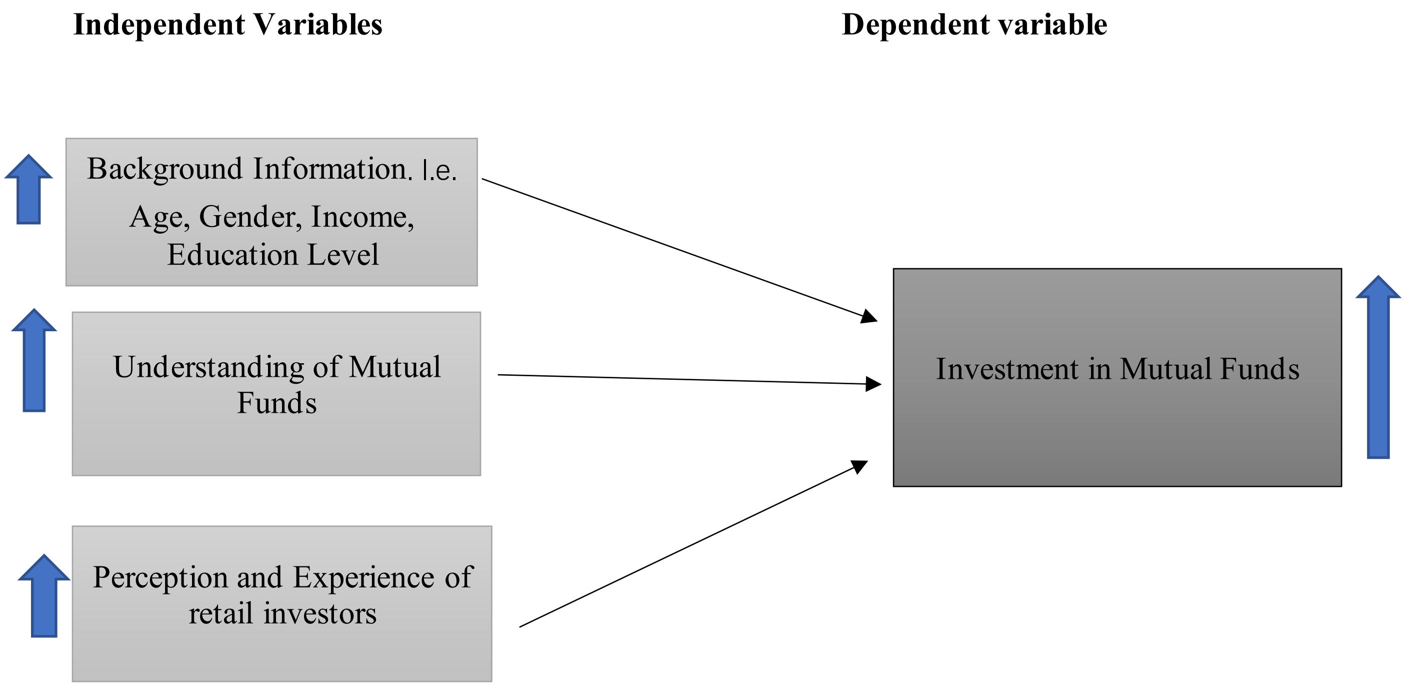
Moreover, the assumption of complete information, a cornerstone of classical decision theory, may not hold in the dynamic and complex landscape of mutual fund investment. Retail investors may have access to vast amounts of information, but processing this information effectively and accurately assessing its relevance to investment decisions poses a significant challenge (Lee et al., 1999). As a result, investors may rely on heuristics or simplified decision rules rather than engaging in comprehensive analysis, leading to deviations from rational decision-making patterns.

Additionally, the time constraints inherent in investment decisions, particularly in fast-paced financial markets, further complicate the application of classical decision theory. Investors may face pressure to make quick decisions in response to market fluctuations, limiting their ability to engage in thorough deliberation and evaluation of alternatives (Lee et al., 1999). This time pressure may exacerbate the influence of cognitive biases and heuristics, potentially leading to suboptimal investment outcomes.

All in all, while classical decision-making theory offers a structured framework for understanding investment decisions, its application to the context of mutual fund investment is limited by the influence of emotions, cognitive biases, incomplete information, and time constraints. A more nuanced approach that integrates insights from behavioral finance and qualitative inquiry may be necessary to fully understand the complexities of investment decision behaviour among mutual fund retail investors.

### 2.4 Conceptual Framework

*Figure 2: conceptual framework*




**Independent Variables**

**Background Information:** The background information variable encompasses societal aspects that can influence investors' behaviours regarding mutual fund investments. This could include demographic details such as age, gender, income, education, and occupation. The premise is that these social determinants may significantly mold investors' choices concerning mutual fund engagement. For instance, different demographic groups may have varying investment preferences and risk tolerances based on their socioeconomic backgrounds. Thus, background information potentially affects the dependent variable, mutual fund investment, by shaping investors' inclinations and attitudes towards this asset class.

**Knowledge of Mutual Funds:** Knowledge of mutual funds pertains to investors' understanding of critical aspects such as investment protection, valuation methods, and grievance resolution mechanisms. Investors with a higher level of knowledge are likely to make more informed decisions and feel confident in their ability to assess mutual fund options. On the contrary, investors with limited understanding may feel uncertain or hesitant, leading them to avoid mutual fund investments. Therefore, knowledge influences the dependent variable by affecting investors' confidence levels and willingness to engage in mutual fund investments.

**Experience of Retail Investor:** The experience variable reflects investors' historical encounters with mutual funds and how these experiences impact their subsequent investment decisions. Positive experiences, such as achieving satisfactory returns or receiving excellent customer service, may instil trust and confidence in mutual funds, leading to increased investment commitment. Conversely, negative experiences, such as losses or poor service, may create apprehension and reluctance towards mutual fund investments. Thus, experiences shape investors' perceptions and attitudes, influencing their likelihood of participating in mutual fund investments.

**Dependent Variable**

**Mutual Fund Investment:** Mutual fund investment represents the outcome of investors' decisions within the conceptual framework. It reflects investors' commitment to engaging in mutual fund investments based on various factors such as background information, knowledge, and experiences. Investors who perceive mutual funds as aligned with their financial goals, risk preferences, and confidence in their understanding of the investment vehicle are more likely to invest in mutual funds. Conversely, investors who lack confidence, knowledge, or have negative experiences may choose alternative investment options or refrain from investing in mutual funds altogether. Therefore, mutual fund investment is influenced by the interplay of independent variables, reflecting investors' preferences and behaviours within the mutual fund domain

# CHAPTER THREE

# METHODOLOGY

The methodology Chapter serves as the blueprint for conducting rigorous research and generating credible findings. It outlines the systematic procedures employed to delve into the investment decision behaviour of mutual fund and unit trusts retail investors. This section occupies a pivotal position within the research framework, acting as the cornerstone upon which the edifice of this study's credibility and rigor is constructed. Through clearly delineating the research approach, design, study population, sample size, sampling techniques, data collection methods, data analysis approach, and study variables, this chapter ensures the research's reliability, validity, and comprehensiveness.

## 3.2 Research Approach

This study adopted a qualitative approach to meet its objectives. The decision to employ a qualitative research approach in this study was driven by several compelling reasons. Firstly, qualitative research is well-suited to unravelling the investment decision behaviour exhibited by mutual fund retail investors. Unlike quantitative methods, which focus on numerical data and statistical analyses, qualitative approaches delve deeper into the underlying motivations, perceptions, and experiential dimensions that shape investors' choices (Smith & Osborn, 2008).

Furthermore, qualitative methods offer a unique lens through which to comprehensively examine the multifaceted landscape of investment decisions. By allowing researchers to explore the fine details of complex human phenomena, qualitative research enables a more nuanced understanding of the factors influencing investors' behaviour (Creswell & Poth, 2017). Additionally, qualitative research facilitates the capture of lived experiences, providing rich insights into the decision-making intricacies of retail investors. Through methods such as interviews, focus groups, and observations, researchers can paint a vivid picture of participants' thoughts, emotions, and contextual influences (Merriam, 2009).

Moreover, qualitative approaches are particularly adept at exploring not only the external factors that influence investment choices but also the internal thought processes and interpretations that drive these decisions (Patton, 2014). This depth of exploration is crucial for gaining a comprehensive understanding of investors' perspectives and motivations.

In essence, qualitative research offers a gateway to in-depth exploration, allowing researchers to traverse the labyrinthine corridors of investors' minds and extract the subtle threads of understanding that may remain obscured in quantitative analyses (Smith & Osborn, 2008). By adopting qualitative methods, this study aims to illuminate the rich tapestry of investment decision behaviour, capturing the essence of investors' perspectives, motivations, and experiences in the realm of mutual funds and unit trusts.

### 3.3 Research Design

This research adopted a qualitative research design, recognizing the inherent value in delving deeply into the experiences and perceptions of retail investors. The choice of a qualitative approach, specifically the phenomenological research design, was motivated by its unique ability to illuminate the very essence of these experiences and perceptions (Moustakas, 1994). Phenomenology, as the chosen type of quantitative research design framework, was well-suited to the task of uncovering the intrinsic meanings that individuals ascribed to their investment decisions. It was adept at peeling back the layers of understanding that underpinned their choices and at revealing the concealed currents of thought processes and factors that converged to shape investors' decisions (Creswell & Poth, 2017).

The phenomenological design operated as a proverbial flashlight, casting a beam of illumination onto the depths of participants' minds (Van Manen, 2014). It accomplished this by unraveling the intricate web of motives, fears, aspirations, and rationalizations that influenced their investment behaviors (Patton, 2014). Through this qualitative approach, the study aimed to transcend the surface and delve into the core of participants' experiences, ultimately contributing to a profound understanding of the phenomena that governed investment decisions (Merriam, 2009). This depth of understanding was crucial in a complex and nuanced field like retail investors' decision-making, where quantitative methods may have fallen short in capturing the richness of individual experiences (Smith, et al., 2009).

### 3.4 Study Population

The study population in this research study encompasses a diverse group of participants, including retail investors from the 14 mutual funds and unit trusts operating in Zambia, as well as the skilled fund managers overseeing these funds. This deliberate selection of participants is not coincidental; rather, it is a strategic choice aimed at capturing a wide spectrum of perspectives within the intricate landscape of mutual fund investments. The 14 mutual funds include Authorized Local Collective Investment Schemes, featuring notable entities such as Laurence Paul Unit Trust Funds, Madison Assets Management Company Unit Trust, Intermarket Unit Trust, Equity Capital Resources Unit Trust, Mpile Unit Trust, Mukuyu Growth Investment Fund, Kukula Capital Fund, BancABC Unit Trust, Patumba Unit Trust, Altus Unit Trust, and Prudential Investment Fund, among others (SEC, 2023). These funds represent pillars of expertise, each contributing a unique facet to the multifaceted realm of mutual fund investments.

Furthermore, the inclusion of Authorized Foreign Collective Investment Schemes, namely the Imara Global Fund, Imara African Opportunity Fund, and Franklin Templeton Investment Funds, adds an international dimension to the study (SEC, 2023). These global participants enrich the research's scope, enabling it to resonate with investment decisions on both local and global stages. Fund managers, akin to conductors orchestrating this financial composition, offer a unique and invaluable perspective for scrutinizing the complexities that underpin the design and stewardship of these investment vehicles. Their cultivated insights and seasoned expertise provide a prismatic lens through which the architecture, strategies, and management intricacies of these funds are illuminated. The contributions of these fund managers function as the guiding beacon, steering the research voyage into the realms of financial strategies, risk assessments, and the dynamic flow of market forces (Creswell & Creswell, 2017). Together, these diverse participants contribute to a comprehensive and holistic understanding of the factors that shape mutual fund investments in both the local and global contexts.

Conversely, the involvement of retail investors, much like individual musicians in an orchestra, adds a symphony of unique perspectives to the exploration. These investors are not mere spectators but active participants in the realm of investment decisions. Each decision they make contributes a distinct element to the overall composition, shaping the overarching narrative. By closely engaging with these investors, the research uncovers the core of investment decision-making, which is a fusion of aspirations, concerns, ambitions, and reasoning that collectively resonate in their financial choices (Smith, et al., 2009). This intentional combination of fund managers and retail investors reveals a wide range of insights, encompassing diverse viewpoints. When examined together, these perspectives offer a profound and multifaceted understanding of the complex factors influencing investment decisions. The interaction between these stakeholders resembles a rhythmic exchange between theory and practice, leading to a synthesis that enhances the study's grasp of the numerous factors that sway investment choices (Patton, 2014).

### 3.5 Sample Size

The determination of the sample size for this study involved a thoughtful and systematic process that considered various factors to ensure the validity and reliability of the research findings. To arrive at the sample size of 30 respondents, several key considerations were considered. Firstly, the principle of data saturation, which is fundamental in qualitative research, played a significant role. Data saturation refers to the point at which new data collection ceases to yield additional insights, indicating that thematic saturation has been achieved (Guest, et al., 2006). As data collection progressed, the researcher observed that similar responses were being provided by participants, indicating that the saturation point had been reached. Therefore, the sample size of 30 was deemed appropriate to ensure that a comprehensive understanding of the research topic could be obtained while avoiding redundancy in data collection.

Additionally, the unavailability of specific data regarding the total number of clients served by mutual funds and unit trusts in Zambia posed a challenge in determining the sample size. Without this information, traditional sampling methods such as random sampling or stratified sampling were not feasible. Therefore, the selection of 30 respondents was a pragmatic decision that balanced the need for diversity in the sample with the practical constraints of data collection. Furthermore, the complexity and richness of the research topic influenced the determination of the sample size. Investment decision behaviour within mutual funds is a multifaceted phenomenon shaped by various factors, including individual preferences, market conditions, and financial literacy levels. A sample size of 30 was deemed sufficient to capture this complexity while allowing for in-depth exploration through qualitative methods.

Therefore, the sample size of 30 respondents was arrived at through a careful consideration of the principles of data saturation, the availability of population data, and the complexity of the research topic. This approach aimed to ensure that the research findings would be robust, comprehensive, and reflective of the diverse perspectives within the target population.

### 3.6 Sampling Design

This Study shall adopt the following sampling designs: purposive sampling for fund managers and random sampling for retail investors. The selection of these sampling designs is based on deliberate considerations aimed at achieving specific research objectives. Purposive sampling for fund managers has been chosen to capture a depth of expertise and experiential insight essential to understanding the complex landscape of mutual fund investments (Patton, 2014). Fund managers are seasoned professionals intimately familiar with the finer details of fund design, management strategies, and market complexities. Their deliberate selection allows the study to tap into this wealth of knowledge, shedding light on the intricacies of investment decision behaviour from a standpoint deeply steeped in industry acumen.

Conversely, the inclusion of random sampling for retail investors is designed to ensure diversity in the study's participant pool (Merriam, 2009). This approach reflects the multifaceted nature of investment choices within the mutual fund arena. Randomly selecting investors from various demographics, backgrounds, and financial aspirations provides a comprehensive and representative view of investment decision behaviors. The diverse voices in this sample contribute to a more comprehensive and generalizable understanding of the study's findings. The rationale behind this strategic combination of purposive and random sampling is to create a holistic perspective on the research topic (Moustakas, 1994). Purposive sampling's precision in capturing expertise complements random sampling's inclusivity in embracing diversity. Together, they provide a nuanced depiction that encapsulates the interplay of factors influencing investment decisions, aligning with the study's overarching goals.

### 3.7 Data Collection

The selection of semi-structured interviews as the primary data collection method is a deliberate choice driven by their unique ability to foster in-depth dialogues while offering a degree of adaptability (Smith & Osborn, 2008). This approach extends an inviting platform for participants to engage in thoughtful conversations, thereby enabling the rich sharing of their thoughts, experiences, and perspectives. By adopting a conversational tone, these interviews pave the way for a comprehensive exploration into the intricate fabric of participants' investment decisions (Creswell & Creswell, 2017).

Moreover, the inherent flexibility of semi-structured interviews provides a nuanced space where participants can elaborate on their unique experiences, offering insights that might be overlooked within a rigidly structured framework. The organic flow of discourse ensures that no stone is left unturned, and participants are encouraged to express themselves authentically, contributing to a well-rounded and holistic portrayal of their investment journeys. In tandem with semi-structured interviews, the inclusion of observations as a data collection strategy adds a layer of contextual richness to the study. Observations transcend the realm of spoken words, capturing participants' behaviors, interactions, and gestures within their natural settings. This immersion into their environments provides a tapestry of contextual cues, offering a deeper understanding of the social, cultural, and situational dynamics that shape investment decision behaviors (Van Manen, 2014 ).

The synergistic combination of semi-structured interviews and observations is akin to a multidimensional lens, allowing researchers to explore both the depths of participants' inner reflections and the breadth of their outward expressions. This comprehensive approach stands as a testament to the research's commitment to capturing the essence of investment decision behaviour from multiple angles, ultimately contributing to a richer and more textured understanding of the phenomena under investigation.

### 3.8 Data Analysis

This study used thematic analysis, a qualitative method, to explore the investment decision behaviour of mutual fund retail investors. Thematic analysis focuses on identifying patterns, themes, and underlying meanings within the collected data (Braun & Clarke, 2006). Unlike quantitative research, where reliability and validity tests are common practice to assess the consistency and accuracy of measurements, qualitative research prioritizes other aspects of rigor, such as credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985).

In qualitative research, the credibility of findings is established through various means, including prolonged engagement with the data, triangulation of data sources, member checking, and peer debriefing (Lincoln & Guba, 1985). These strategies ensure that the interpretations and conclusions drawn from the data are grounded in the participants' perspectives and are consistent with the data collected.

Moreover, the transferability of findings is enhanced through detailed descriptions of the research context, participants, data collection methods, and analytical procedures, allowing readers to assess the relevance and applicability of the findings to other contexts (Lincoln & Guba, 1985). Additionally, the dependability of findings is achieved through transparency in data analysis procedures, documentation of decision-making processes, and reflexivity, whereby researchers critically reflect on their biases and assumptions throughout the research process (Lincoln & Guba, 1985).

Finally, the confirmability of findings is ensured through the audit trail, which documents the researcher's path from data collection to interpretation, enabling external reviewers to trace the analytical process and verify the credibility of the findings (Lincoln & Guba, 1985). while reliability and validity tests are not applicable in thematic analysis, qualitative research maintains rigor and trustworthiness through other means, including credibility, transferability, dependability, and confirmability. The thematic analysis employed in this study adheres to these principles, ensuring that the research findings are robust, credible, and meaningful.

### 3.9 Ethical Consideration

The ethical dimension of this research endeavor was of paramount importance, guiding the course of action in a manner that respected the rights, well-being, and autonomy of all participants involved. As such, several ethical issues were carefully identified and conscientiously addressed throughout the study process.

Informed Consent: Prior to engaging in any data collection activities, participants were provided with comprehensive information about the study's purpose, procedures, potential risks, and benefits. Their informed consent was sought, ensuring that they voluntarily agreed to participate based on a clear understanding of what their involvement entailed.

Confidentiality and Anonymity: The confidentiality of participants' responses and identities was rigorously upheld. All collected data was anonymized, ensuring that individuals' identities remained safeguarded. Pseudonyms were used in reporting findings to further protect participants' confidentiality (Bryman, 2015).

Respect for Autonomy: Participants' autonomy was at the forefront of the research process. They had the right to withdraw from the study at any point without facing any consequences or pressure. Furthermore, their opinions and perspectives were diligently captured and accurately represented, respecting the diversity of voices (Creswell & Poth, 2017).

Minimization of Harm: The research aimed to minimize any potential harm or discomfort experienced by participants. Sensitivity was exercised in discussing potentially sensitive topics, and participants were assured that their contributions would not be used to stigmatize or harm any individual or group (Babbie, 2016).

Avoidance of Coercion: Participants were not coerced or unduly influenced to participate in the study. Their involvement was entirely voluntary, and they were free to decline participation without facing any negative repercussions.

Transparency and Honesty: The research process was transparent and honest, both in terms of its objectives and its findings. The data analysis and interpretation were conducted with rigor and accuracy, ensuring that the results were a truthful representation of participants' contributions.

Approval from Ethical Review Board: Prior to commencing the research, the study design and ethical considerations were submitted to the University ethical review board for approval. Any feedback or recommendations provided by the review board were incorporated into the research design to ensure alignment with ethical standards.

## CHAPTER FOUR

## PRESENTATION AND ANALYSIS OF RESULTS

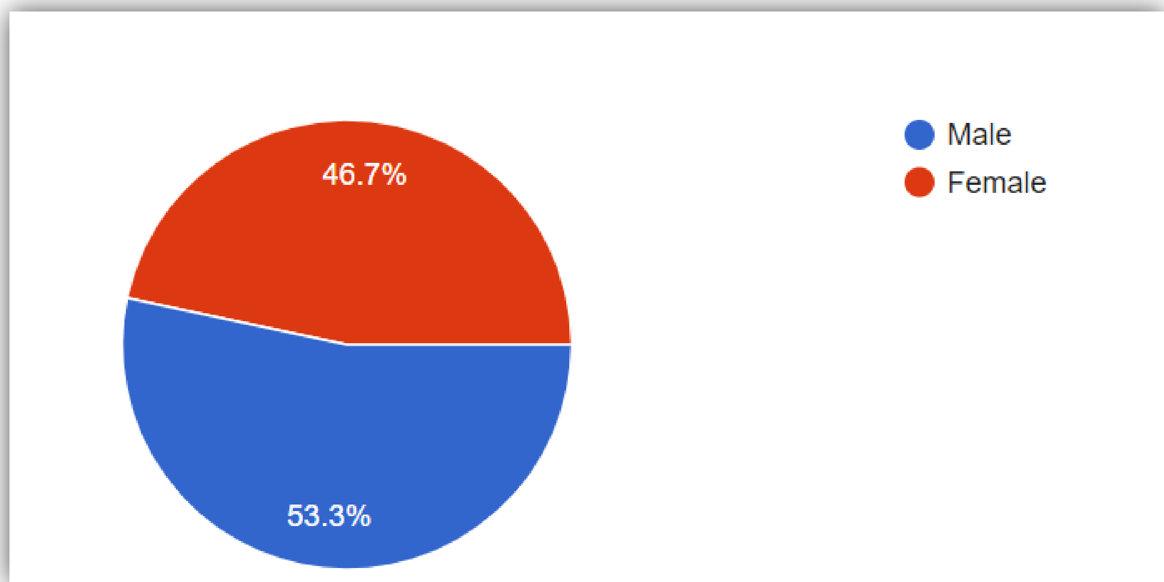
This Chapter provides a comprehensive presentation and analysis of the results obtained from the data collected during the study with 30 respondents based in Lusaka. In addition to highlighting the demographic characteristics of the participants, this chapter delves into the responses provided by these retail investors, shedding light on their investment behaviors, understanding of mutual funds, risk perceptions, and much more. By exploring these findings, the chapter aims to provide a deeper understanding of the complex factors that shape the investment decisions of mutual fund retail investors, offering valuable insights for both practitioners and researchers in the field of finance.

### 4.2 Demographic Information

#### 4.2.1 Gender Distribution

Figure 3 represents the gender distribution of the respondents. The results show that the majority of respondents were male (53.3%), and only 46.7% of the respondents were female.

***Figure 3: Gender Distribution***

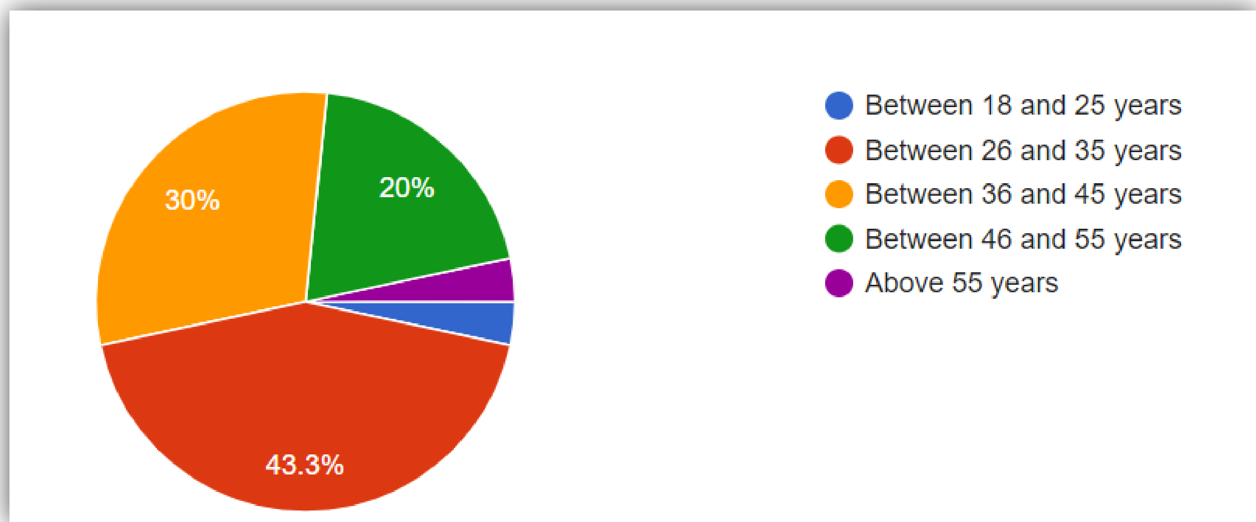



Source: Generated by the Researcher (2023)

### 4.2.2 Age of the Respondent

The results show that the majority of respondents were aged between 26 and 35, followed by those aged between 36 and 45. Only 20% of the respondents were aged between 46 and 55, and those aged between 18 and 25, as well as those aged above 55, were tied at 3.3% each.

***Figure 4: Age of the Respondent***

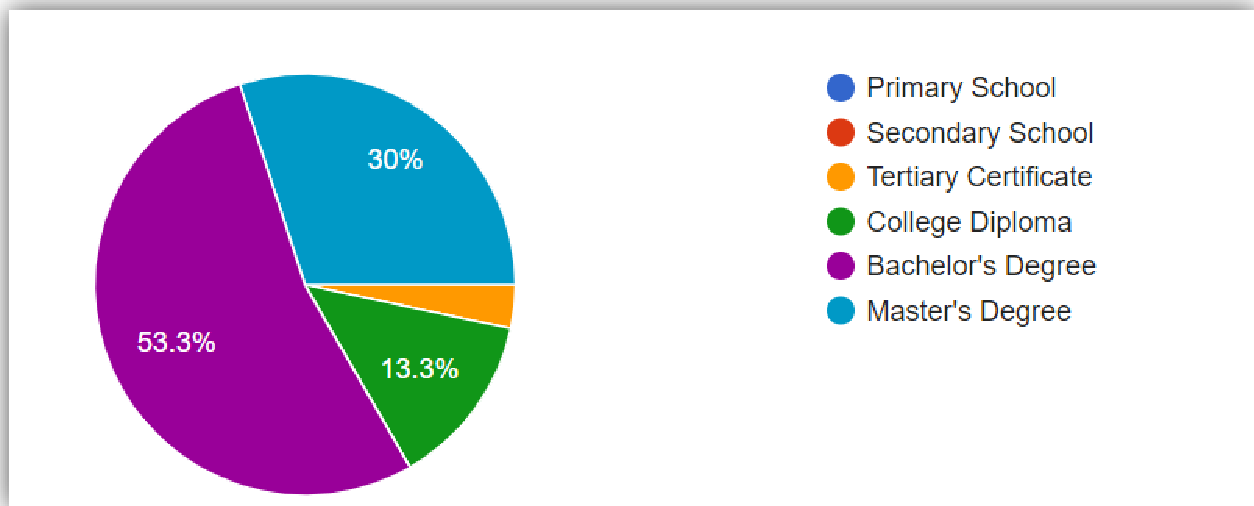



Source: Generated by the Researcher (2023)

### 4.2.3 Level of Education Attained

The majority (53.3%) of respondents attained at least a bachelor's degree, followed by those who attained a master's degree (30%). 13.3% of the respondents attained a college diploma, while 3.3% of the respondents attained a tertiary certificate.

*Figure 5: Level of Education Attained*

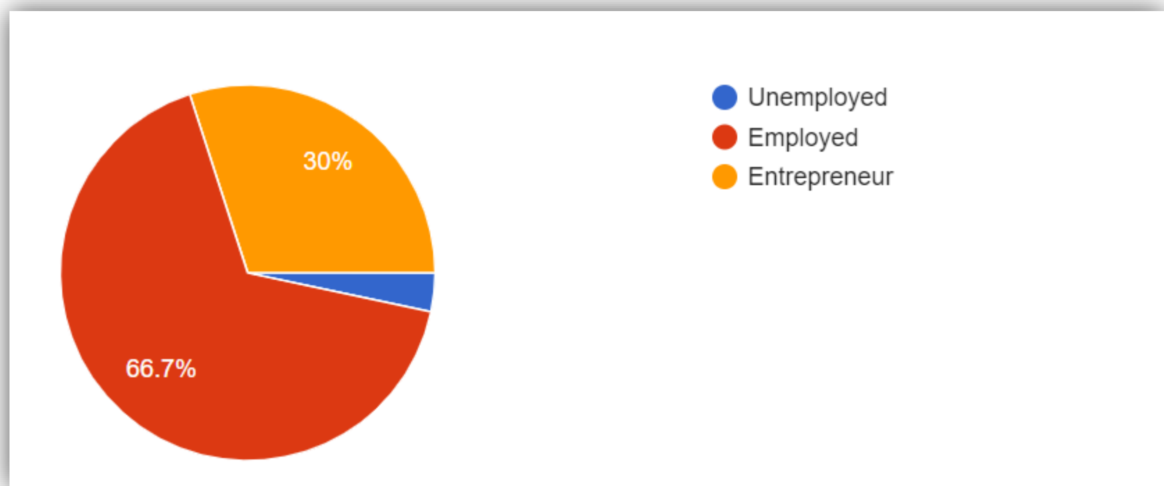



Source: Generated by the Researcher (2023)

### 4.2.4 Occupation of the Respondents

About 66.7% of the respondents were employed, while 30% were entrepreneurs, and only 3.3% were unemployed. Occupation can significantly influence an individual's financial stability, risk tolerance, and investment behaviour. Employed individuals may have a steady income stream and a higher capacity to invest, while entrepreneurs might exhibit different risk-taking tendencies due to the variability of their income. Unemployed individuals may have different financial constraints and investment priorities. Unemployment may occur in the form of frictional unemployment where some respondents were potentially moving from one job to the other at the time of data collection. Understanding the occupation distribution among respondents provides insights into how different occupational groups perceive and engage with mutual fund investments. For instance, employed individuals may prioritize long-term financial planning, while entrepreneurs might seek investment opportunities for wealth diversification.

***Figure 6: Occupation of the Respondents***

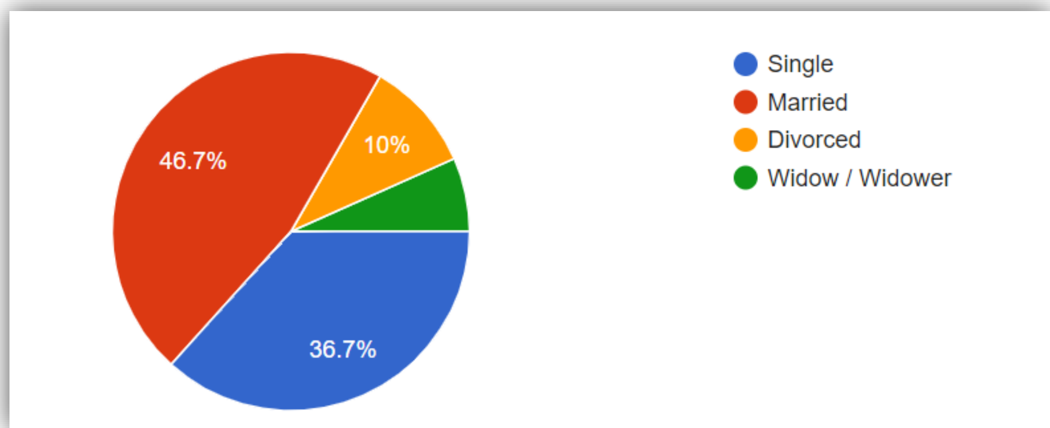



Source: Generated by the Researcher (2023)

**4.2.4 Marital Status of the Respondents**

Only 36.7% of the respondents were single, while the majority (46.7%) were married. 10% were divorced, and 6.7% were either widows or widowers. Marital status can influence financial goals, risk perception, and investment decisions. Married individuals may prioritize family financial security and long-term planning, while single individuals may have more flexibility in their investment strategies. Divorced or widowed individuals may have unique financial challenges and considerations. Analysing the marital status distribution among respondents helps identify patterns in investment behaviour based on relationship status. For example, married individuals may exhibit more conservative investment approaches compared to single individuals who prioritize individual financial goals.

*Figure 7: Marital Status of the Respondents*

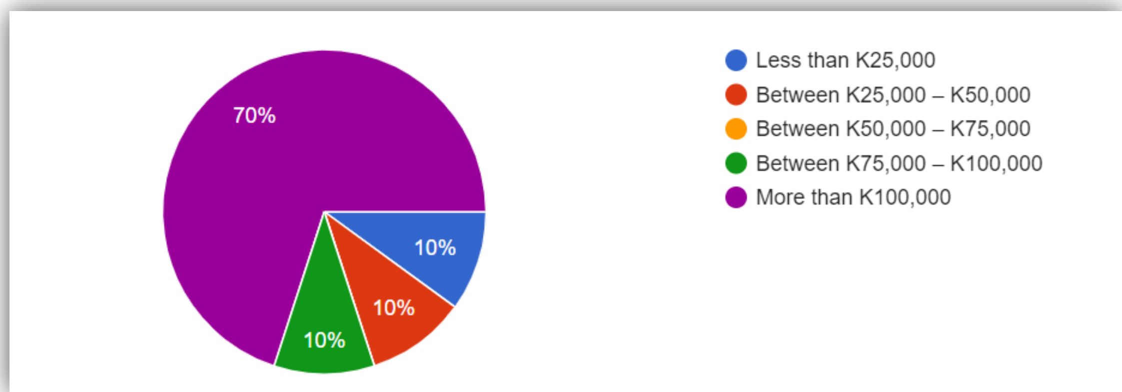



Source: Generated by the Researcher (2023)

### 4.2.5 Annual Household Income

The majority of the respondents earn more than K100,000.00 ZMW, while the remaining 20 percent earn between K50,000 and K100,000.00. Household income serves as a critical determinant of investment capacity, risk tolerance, and financial goals. Higher income levels may afford greater investment opportunities and risk-taking ability, while lower income levels may necessitate more conservative investment strategies. Examining the distribution of annual household income provides insights into the financial demographics of the study population. It allows for the identification of investment preferences and behaviours based on income brackets. For instance, individuals with higher household incomes may be more inclined to invest in mutual funds for wealth accumulation and retirement planning, while those with lower incomes may prioritize stability and liquidity in their investments.

*Figure 8: Annual Household Income*



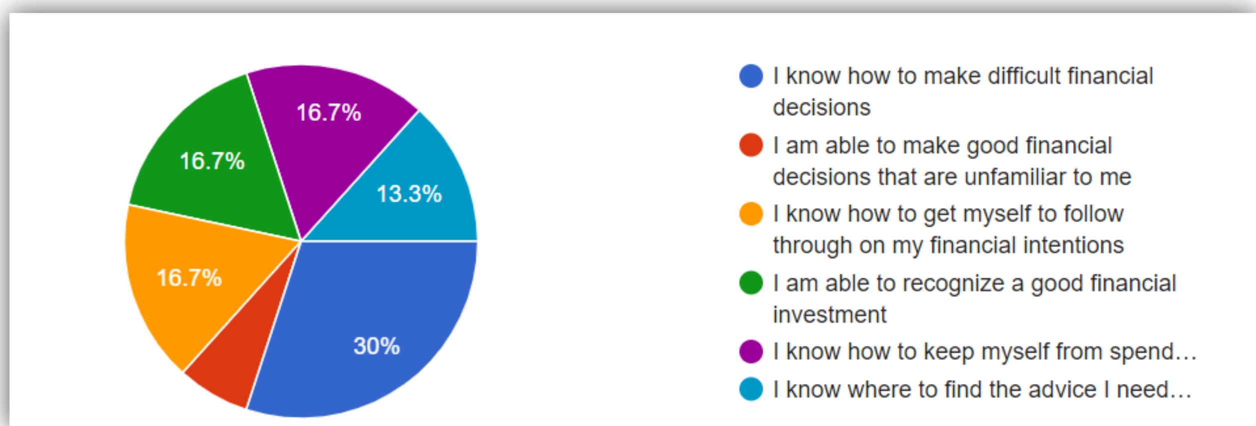

Source: Generated by the Researcher (2023)

### 4.3 Results of the Research Questions

### 4.3.1 Best Investment Decision-Making Process

To describe their best investment decision-making process, the majority (30%) of the participants responded that they know how to make difficult financial decisions, followed by those who are able to recognize good financial investments (16.7%), those who know how to follow through on financial intentions (16.7%), and those who know how to keep themselves from overspending (16.7%).

*Figure 9: Best Investment Decision-Making Process*

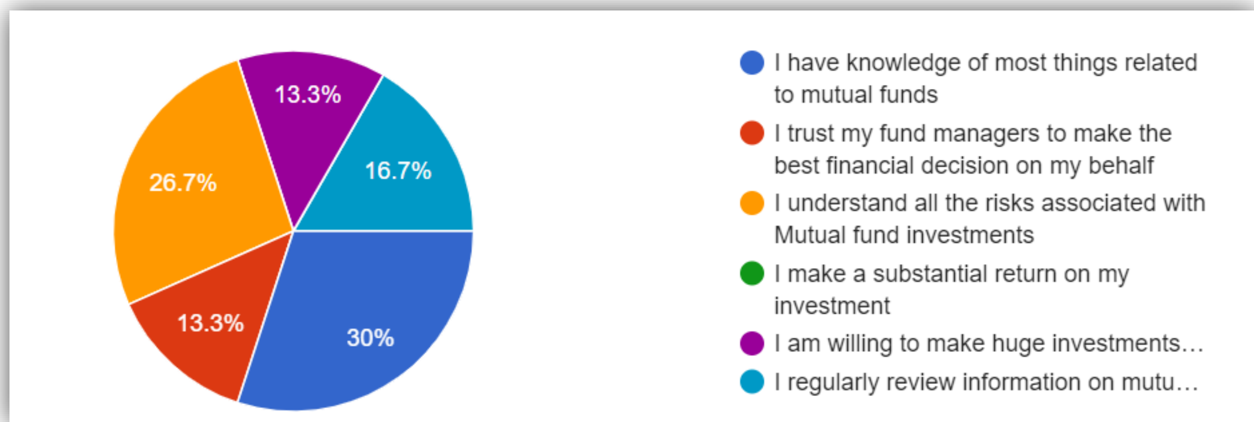


Source: Generated by the Researcher (2023)

### 4.3.2 Understanding of Mutual Funds

About 30% of the respondents have knowledge of most things related to mutual funds, while 26.7% stated that they are aware of the risks associated with mutual funds. Only 16.7% regularly review information on mutual funds. Only 13.3% of the respondents conceded to trusting their fund managers to make the best financial decisions. Similarly, 13.3% were willing to make huge investments in Mutual funds when they have more disposable income.

***Figure 10: Understanding of Mutual Funds***

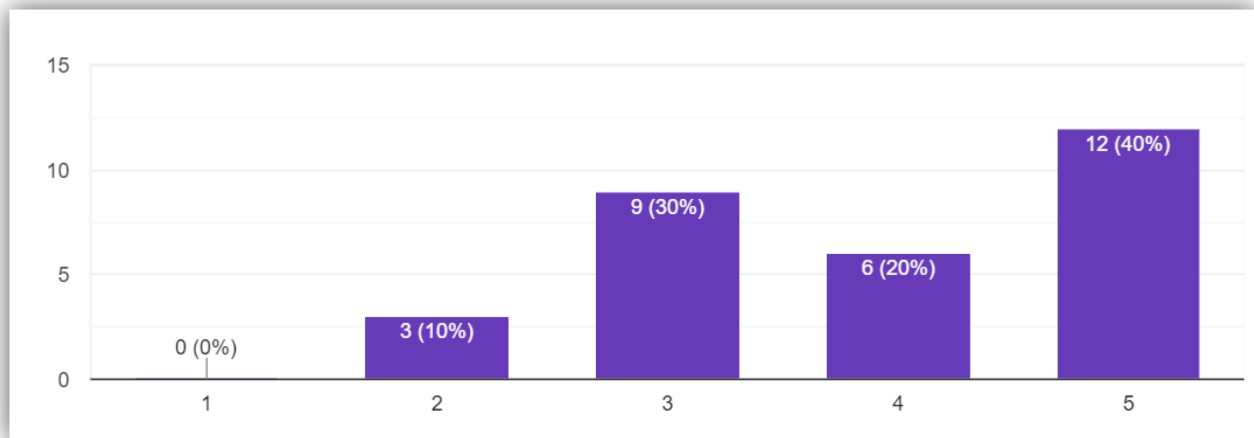



Source: Generated by the Researcher (2023)

### 4.3.3 Ability to Choose the Best Mutual Fund for Investment Goals

About 40% of the respondents were very confident of their ability to choose the best mutual fund for the investment goals, while 30% were indifferent, followed by 20% who were confident enough and 10% who were not confident.

*Figure 11: Ability to Choose the Best Mutual Fund for Investment Goals*

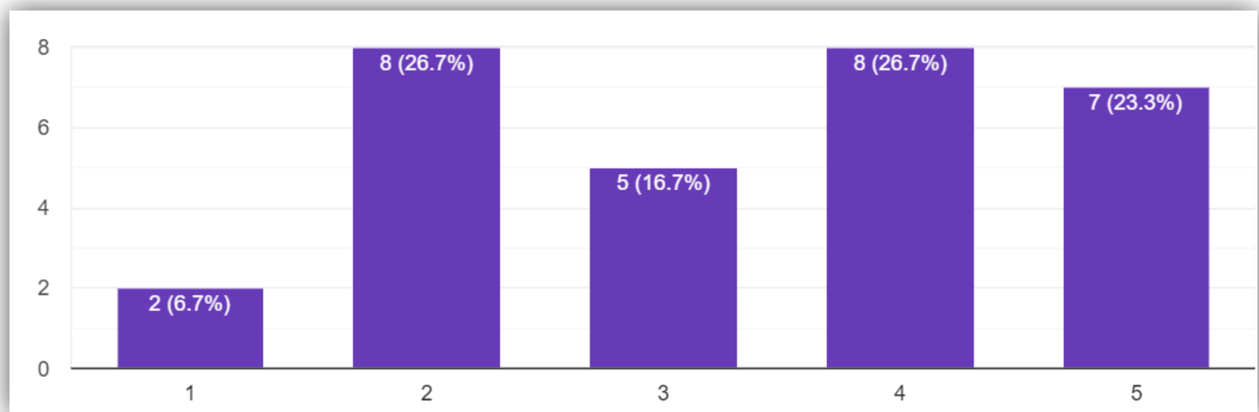



Source: Generated by the Researcher (2023)

#### 4.3.4 Reliance on Expert Advice When Making Investment Decisions About Mutual Funds

Only 23.3% of the respondents always rely on expert advice when making investment decisions about mutual funds. Those that don't rely on expert advice and those who don't always rely on expert advice were tied at 26.7%, and 16.7% were indifferent.

*Figure 32: Reliance on Expert Advice During Investment Decisions Making*

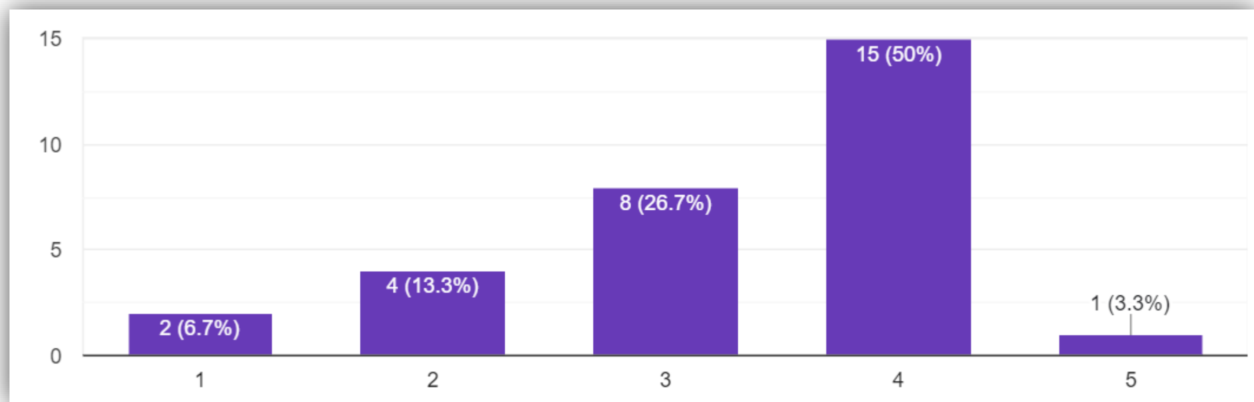



Source: Generated by the Researcher (2023)

#### 4.3.5 Satisfaction with the Performance of Current Mutual Fund Portfolio

Only 53.3% of the respondents were satisfied with the performance of their current mutual fund portfolio, while 26.7% were indifferent, and 20% were not satisfied.

***Figure 13: Satisfaction with the Performance of Current Mutual Fund Portfolio***

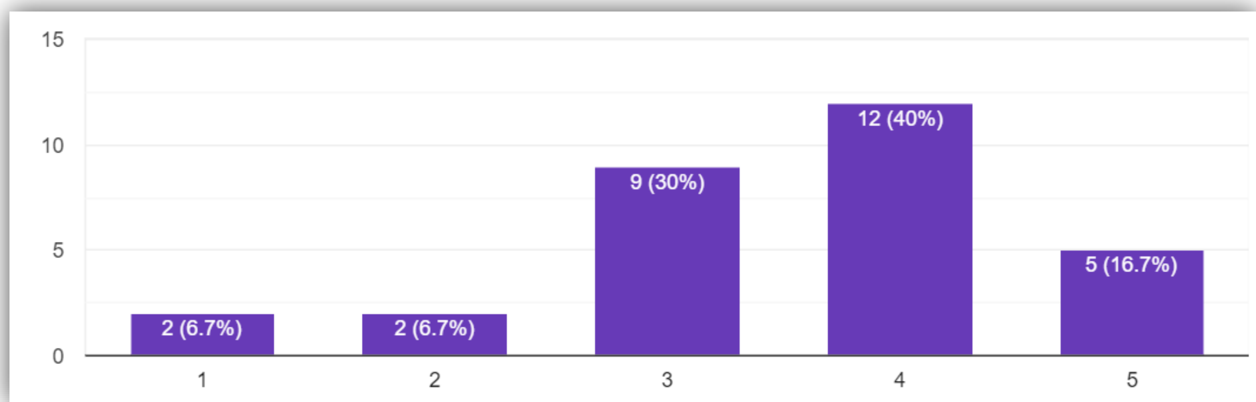



Source: Generated by the Researcher (2023)

### 4.3.6 Consideration of the Environmental, Social, and Governance (ESG) Factors of Mutual Funds Before Investing

16.7% of the respondents always consider the environmental, social, and governance (ESG) factors of mutual funds before investing, while the majority of the respondents (40%) don't always consider the ESG factors of mutual funds before investing, and 30% were indifferent.

***Figure 14: Consideration of ESG Factors of Mutual Funds Before Investing***

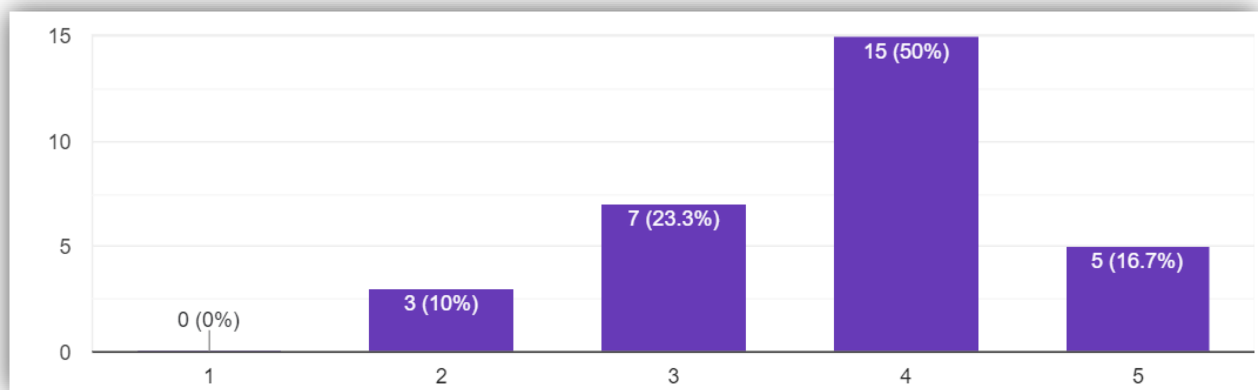



Source: Generated by the Researcher (2023)

### 4.3.7 Willingness to Take on More Risks for Higher Returns

Half of the respondents were almost always willing to take more risks with their mutual fund investments for higher returns, while 16.7% were always willing to take on more risk. 23.3% were indifferent, and 10% never take on more risk for a higher return.

***Figure 15: Willingness to Take on More Risks for Higher Returns***

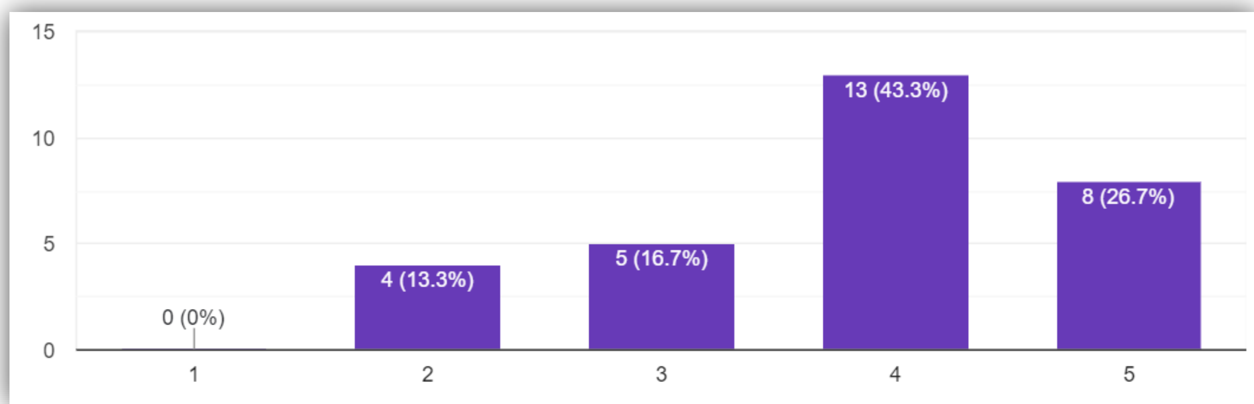



Source: Generated by the Researcher (2023)

### 4.3.8 Monitoring of the Performance of Mutual Fund Investments

About 26.7% of the respondents always monitor the performance of their mutual fund investments and adjust as needed, while the majority (43.3%) of the respondents almost always monitor the performance. 16.7% were indifferent, while 13.3% never monitor the performance.

***Figure 46: Monitoring of the Performance of Mutual Fund Investments***

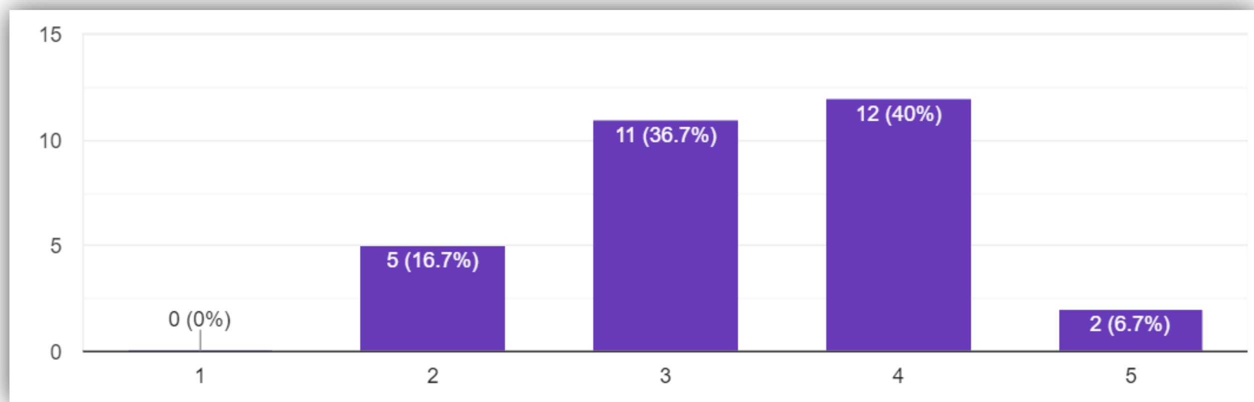



Source: Generated by the Researcher (2023)

### 4.3.9 Level of Trust in the Information Provided by the Mutual Fund Companies

Only 6.7% of the respondents always trust the information provided by mutual fund companies and their agents, while 40% of the respondents mostly trust the mutual funds and 36.7% were indifferent. Finally, 16.7% never trust the information.

***Figure 57: Level of Trust in the Information Provided by the Mutual Fund Companies and Their Agents***

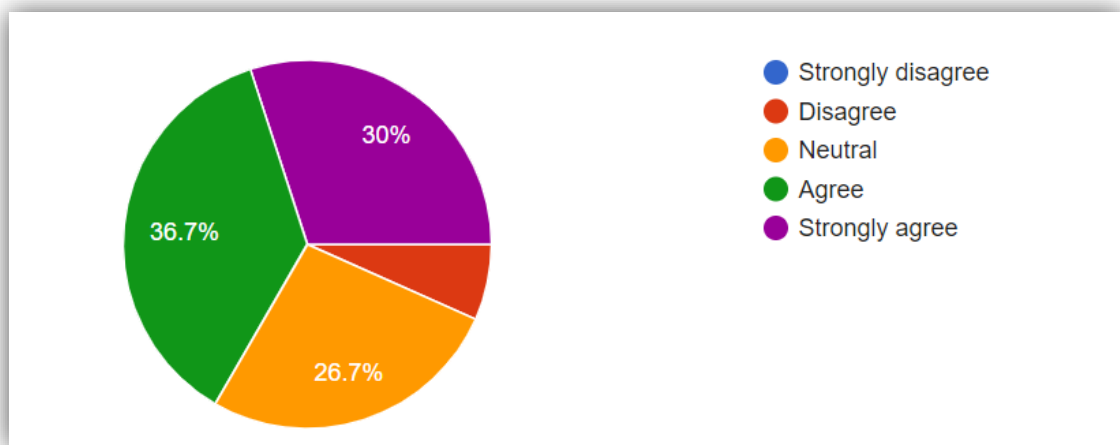



Source: Generated by the Researcher (2023)

### 4.3.10 Understanding of the Fees and Charges Associated of Mutual Funds

The majority (36.7%) of the respondents agreed to having a clear understanding of the fees and charges associated with their mutual fund investments, followed by 30% who strongly agreed, and 26.7% were indifferent. Only 2% disagreed.

***Figure 18: Understanding of the Fees and Charges Associated with Mutual Fund Investments***

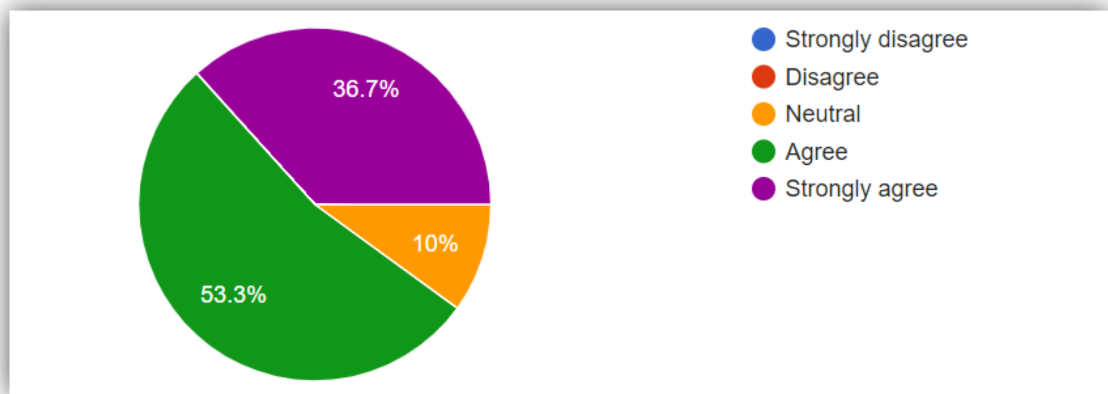



Source: Generated by the Researcher (2023)

### 4.3.11 Awareness of the Risks and Uncertainties Involved in in Mutual Funds

About 53.3% of the respondents agreed to being aware of the risks and uncertainties involved in investing in mutual funds, followed by those who strongly agreed at 36.7%. Only 10% were indifferent.

***Figure 19: Awareness of the Risks and Uncertainties Involved in Investing in Mutual Funds***

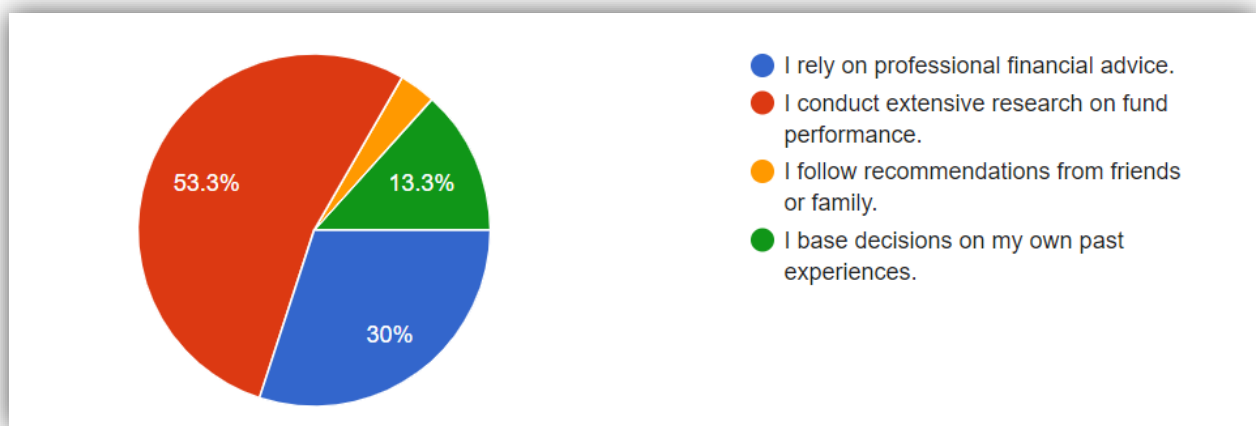



Source: Generated by the Researcher (2023)

### 4.3.12 Description of the Investment Process

About 53.3% of the respondents conduct extensive research on fund performance during their investment process in Mutual Funds, while 30% rely on professional financial advice. 13.3% base their decisions on past experiences, and 3.3% follow recommendations from friends and families.

***Figure 20: Description of the Investment Process***

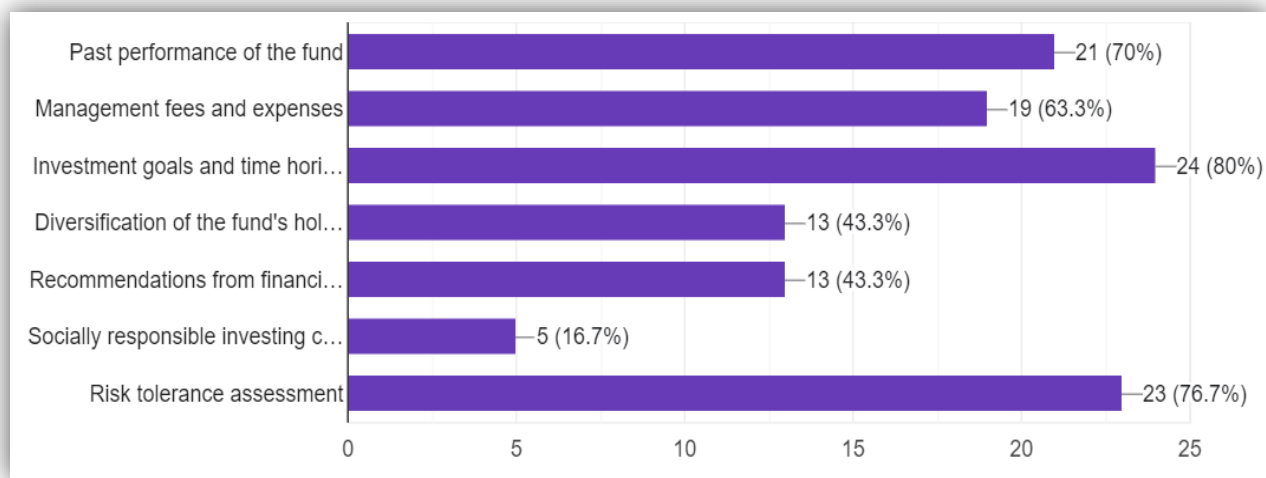


Source: Generated by the Researcher (2023)

### 4.3.13 Considerations Taken Before Investing in Mutual Funds

Among the considerations taken before investing in mutual Funds, Investment goals and time horizon were ranked first, followed by risk tolerance assessment, Past performance of the fund, Management fees and expenses, Diversification of the fund's holdings, Recommendations from financial advisors, and finally, Socially responsible investing criteria.

*Figure 21: Considerations Taken Before Investing in Mutual Funds*

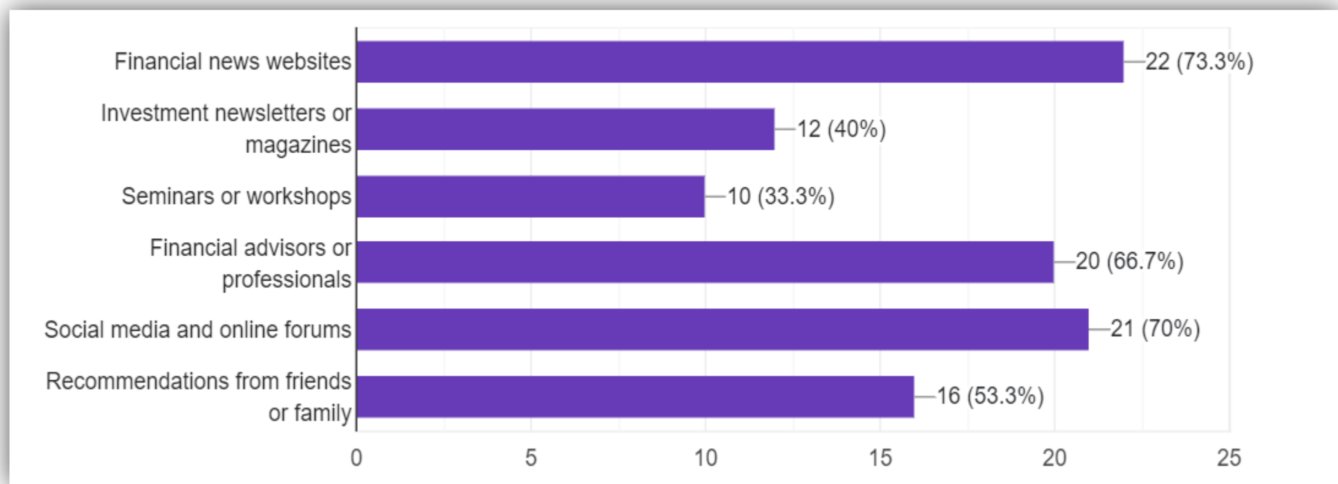



Source: Generated by the Researcher (2023)

### 4.3.14 Sources of Information and Knowledge About Mutual Funds

The majority of the respondents' access information and knowledge about mutual Funds from financial news websites, social media and online forums, financial advisors, recommendations from family and friends, investment newsletters, and workshops.

***Figure 22: Sources of Information and Knowledge About Mutual Funds***

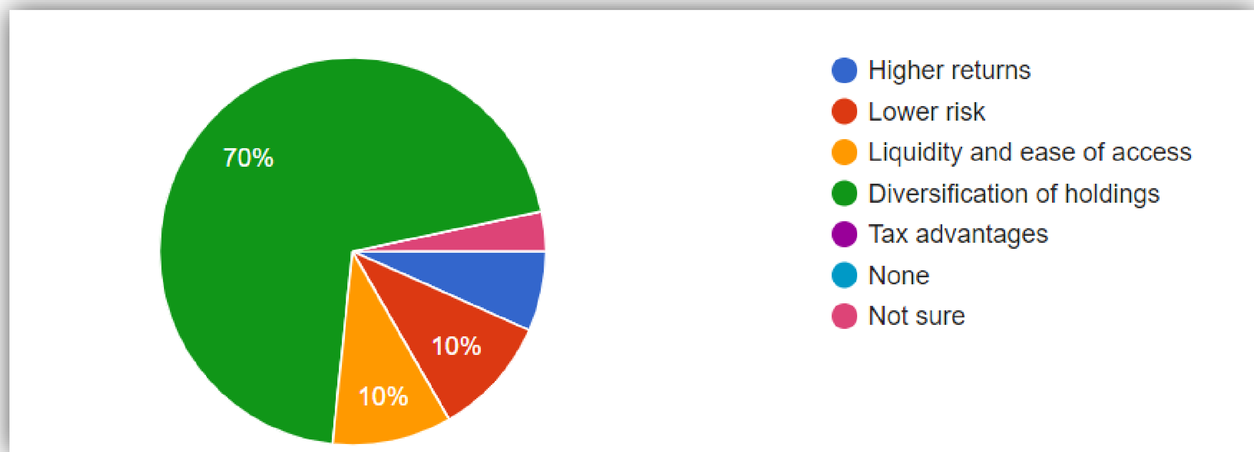



Source: Generated by the Researcher (2023)

**4.3.15 Short-term Benefits of Investing in Mutual Funds**

The majority of the respondents (70) have benefited in the short term from investing in mutual funds in ways of diversification of holdings, followed by those with lower risk (10%), liquidity and ease of access (10%), higher returns (6.7%), and 3.3% were not sure.

***Figure 23: Short-term Benefits of Investing in Mutual Funds***

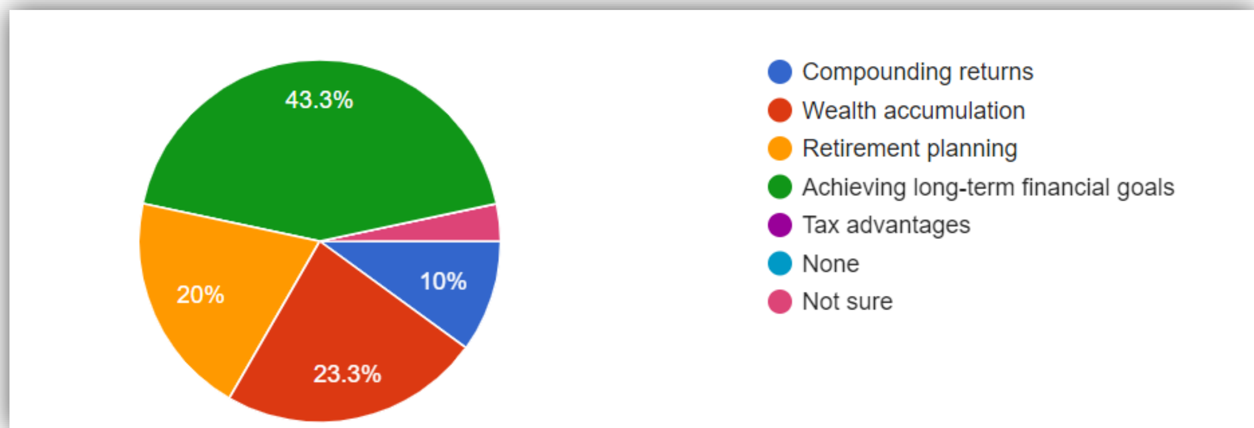



Source: Generated by the Researcher (2023)

#### 4.3.16 Long-term Benefits of Investing in Mutual Funds

The majority of the respondents benefited from mutual funds through the achievement of long-term financial goals (43.3%), wealth accumulation (23.3%), retirement planning (20%), compounding returns (10%), while 3.3% were not sure.

*Figure 24: Long-term Benefits of Investing in Mutual Funds*

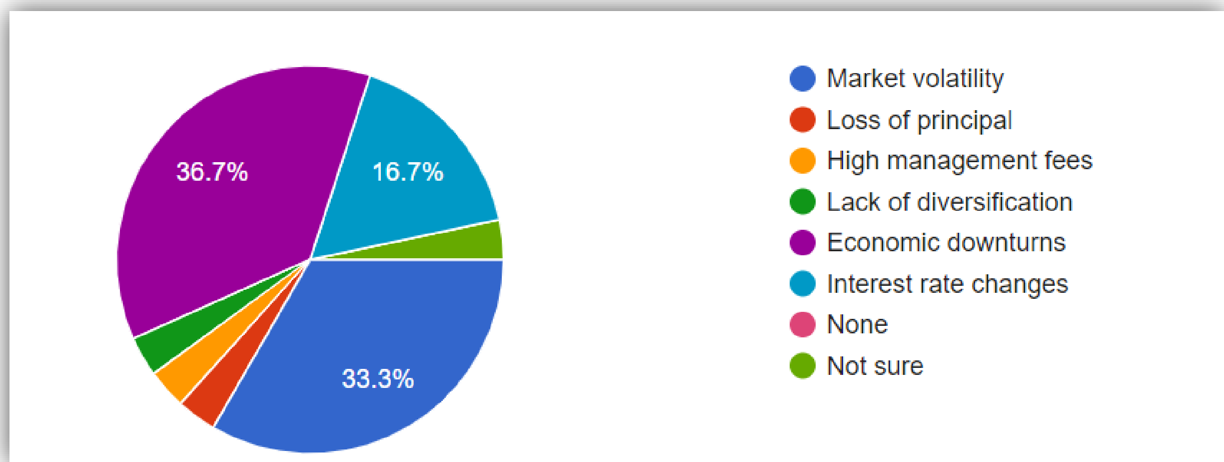



Source: Generated by the Researcher (2023)

#### 4.3.17 Risks Experienced When Making an Investment in Mutual Funds

The majority of the respondents (33.3%) cited overall market volatility as the major risk experienced when making an investment, while 36.7% cited economic downturns, 16.7% cited interest rate changes, and the rest cited loss of principal (3.3%), lack of diversification (3.3%), and loss of principal (3.3%).

***Figure 65: Risks Experienced When Making an Investment in Mutual Funds***

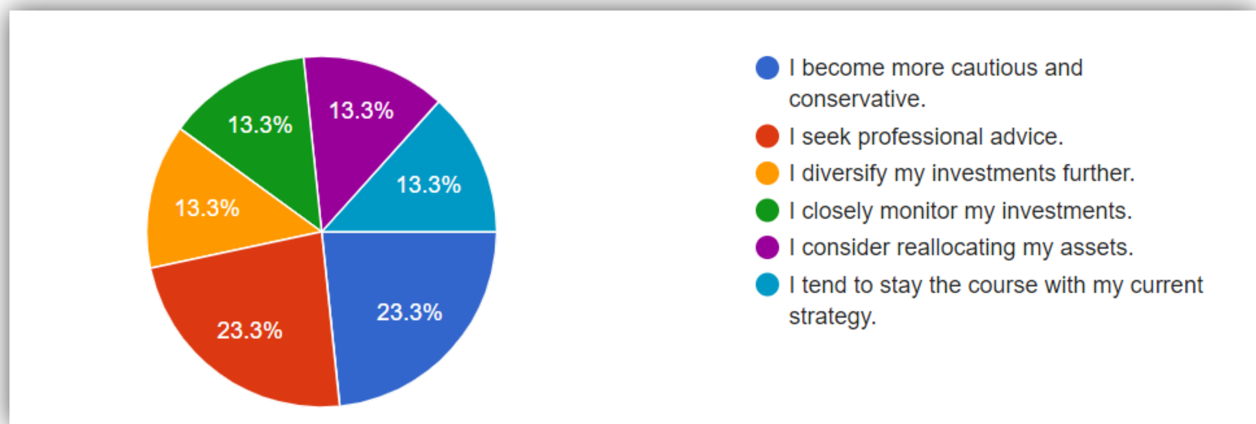



Source: Generated by the Researcher (2023)

#### 4.3.18 How the Perceived Risk Affects Investment Decision

The majority of the respondents (23.3%) became more cautious and conservative due to the perceived risk. Similarly, (23.3%) seek professional advice, while the others diversify their investments further (13.3%), closely monitor their investments (13.3%), consider reallocating assets (13.3%), or tend to stay the course with the current strategy (13.3%).

***Figure 26: How the Perceived Risk Affects Investment Decision***

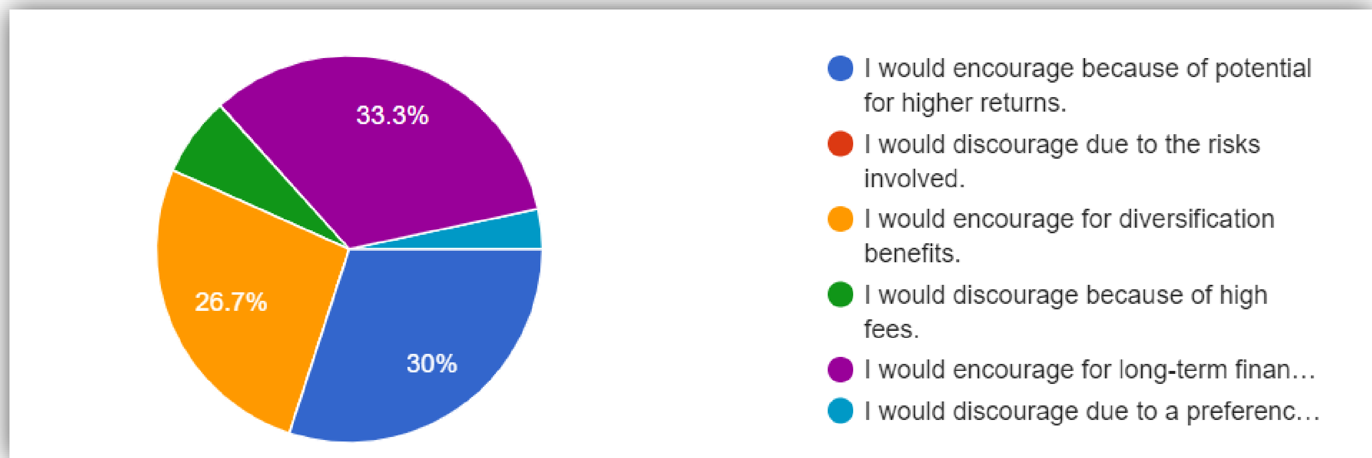



Source: Generated by the Researcher (2023)

### 4.3.19 Encouragement to Others Who Seek to Invest or Not Invest in Mutual Funds

The majority of the respondents encouraged an investment in mutual funds for the attainment of long-term financial goals (33.3%), for potential higher returns (30%), and for diversification benefits (26.7%). While others discouraged the investment because of high fees (6.7%) and 3.3% due to a preference for other investments.

***Figure 277: Encouragement to Others Who Seek to Invest or Not Invest in Mutual Funds***




Source: Generated by the Researcher (2023) ✓

# CHAPTER 5

# DISCUSSION OF FINDINGS

In this Chapter, we discuss the findings of the study in light of relevant theories and empirical studies. The discussion will focus on the key themes that emerged from the analysis, and where applicable, the discussion draws connections to the behavioral Finance Theory, Efficient Market Hypothesis, and Classical Decision-Making Theory.

## 5.2 Demographic Characteristics (4.2.1 to 4.2.6)

The demographic data revealed significant insights into the characteristics of the respondents. A majority of respondents were male (53.3%), with varying age groups represented. Educational attainment was relatively high, with 53.3% of respondents holding at least a bachelor's degree. The majority were employed (66.7%), and most had an annual household income exceeding K100,000.00 ZMW (Figure 6). The demographic characteristics can be associated with various behavioral finance principles. behavioral finance theory suggests that individual demographics, such as gender and education, can influence investment decisions (Subash, 2012). For instance, males may exhibit different risk tolerance levels than females. The educational background of investors can impact their ability to understand complex financial products. In this context, the relevance of these demographic factors to the research topic is paramount. Specifically:

1. Gender: The higher representation of males in the study sample (53.3%) underscores the importance of exploring gender differences in investment behaviour. Behavioral finance theory posits that gender can influence risk tolerance levels and investment preferences (Subash, 2012). Understanding how gender dynamics intersect with investment decisions provides valuable insights into the underlying factors driving investment behaviour.

2. Education: With 53.3% of respondents holding at least a bachelor's degree, educational attainment emerges as a significant factor influencing investment behaviour. Education can impact investors' ability to assess risks, evaluate investment options, and make informed decisions (Subash, 2012). Exploring the relationship between education and investment behaviour contributes to a comprehensive understanding of how knowledge and expertise shape investment decisions.

3. Employment Status and Income: The majority of employed respondents (66.7%) with relatively high household incomes (>K100,000.00 ZMW) highlight the significance of financial stability and investment capacity (Figure 6). Employment status and income levels influence individuals' risk tolerance, investment goals, and financial priorities (Subash, 2012). Examining the interplay between employment status, income, and investment behaviour provides valuable insights into how financial circumstances influence investment decisions.

In essence, the demographic characteristics of the respondents offer insights into the complex nature of investment decision-making within the realm of mutual funds. By considering factors such as gender, education, employment status, and income, the study enhances our understanding of the diverse factors that drive investor behaviour and inform strategic interventions aimed at promoting informed investment decisions.

**5.3 Understanding of Mutual Funds (4.2.7)**

Around 30% of respondents had extensive knowledge of mutual funds, while 26.7% were aware of the risks associated with mutual funds. Only 13.3% trusted their fund managers to make the best financial decisions.

The findings align with the Efficient Market Hypothesis, as they suggest that a significant portion of the respondents may not have an in-depth understanding of mutual funds. The EMH posits that all available information is reflected in security prices, and if investors had perfect information, they would make rational decisions (Fama, 1970). The lack of trust in fund managers may also reflect a degree of scepticism regarding the expertise of financial professionals.

**5.4 Investment Decision-Making (4.2.8 to 4.2.16)**

The study explored various aspects of investment decision-making, such as the ability to choose the best mutual fund, reliance on expert advice, satisfaction with current portfolios, consideration of ESG factors, willingness to take risks, and monitoring of mutual fund investments.

The findings provide insights into classical decision-making theory, which suggests that individuals make decisions based on their utility, risk preferences, and the available information (Huczynski & Buchanan, 2001). For example, respondents who are very confident in choosing the best mutual fund may exhibit a higher level of self-efficacy in financial decision-making. Similarly, those who always rely on expert advice may align with the rational choice model, where they seek to maximize utility through informed decisions.

**5.5 Short-Term and Long-Term Benefits and Risks (4.2.17 to 4.2.20)**

The study examined the perceived short-term and long-term benefits and risks of investing in mutual funds. Diversification and lower risk were seen as short-term benefits, while long-term benefits included wealth accumulation and retirement planning. Risks included market volatility and economic downturns.

These findings support the behavioral Finance Theory, as they reflect the behavioral biases of investors (Birau, 2012). For example, the preference for diversification and lower risk aligns with the behavioral bias of loss aversion, where investors seek to minimize losses in the short term. Similarly, the focus on wealth accumulation and retirement planning reflects long-term investment goals.

**5.6 External Factors (4.2.21)**

The Study suggests that external factors beyond traditional demographic characteristics may influence investment behaviour. These factors may include macroeconomic conditions, social influences, and cultural preferences.

The influence of macroeconomic conditions on investment behaviour is consistent with the findings of Adjei et al. (2021), which revealed the impact of variables like inflation and GDP growth on mutual fund performance (Adjei, et al., 2021). This aligns with the Efficient Market Hypothesis, as it suggests that macroeconomic conditions can affect investment returns.

**5.7 Comparison with Reviewed Empirical Studies**

Comparing the findings to Shukla's (2016) study in India, we find similarities in the emphasis on safety and low risk as pivotal criteria guiding investment choices. This aligns with the behavioral Finance Theory, which suggests that investors may exhibit behavioral biases related to risk aversion. Additionally, the influence of educational background on investment decisions mirrors the findings on educational attainment among respondents.

Jaiyeoba and Haron's (2016) study in Malaysia revealed the influence of patriotism and comfort in investment decisions. While this study focuses on mutual funds in Zambia, we can draw parallels to the influence of cultural and social factors on investment behaviour. The emphasis on personal research and experiential learning in their study aligns with the behavioral Finance Theory's emphasis on behavioral biases and individual decision-making processes.

In conclusion, the findings offer valuable insights into the investment decision behaviour of retail investors in the context of mutual funds in Zambia. These findings can be interpreted through the lenses of behavioral Finance Theory, Efficient Market Hypothesis, and Classical Decision-Making Theory, shedding light on the complex interplay of individual, demographic, and external factors that shape investment decisions. The comparisons to empirical studies underscore the universal nature of certain investment behaviour patterns while highlighting the unique characteristics of the Zambian market.

# CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

This Chapter presents the concluding remarks drawn from the comprehensive analysis of the research findings on the investment decision behaviour of mutual fund retail investors. It encapsulates the key insights gained from the study and provides recommendations for both practitioners and future researchers.

## 6.1 Summary

The qualitative phenomenological research design employed in this study offered a profound exploration of the investment decision behaviour of retail investors in mutual funds. Through in-depth interviews with fund managers and retail investors, the research unfolded multifaceted insights into the factors influencing investment decisions.

The study meticulously scrutinized the factors influencing the decision-making process of retail investors in mutual funds. Specific findings revealed that investor education played a crucial role, with respondents expressing a preference for investments aligned with their financial goals. Risk tolerance emerged as a key determinant, with investors showcasing a spectrum of risk appetites that influenced their fund choices. Trust in fund management was highlighted as paramount, influencing decisions to either augment or reduce investments based on perceived competence and transparency.

The evaluation of present-day perceptions of retail investors regarding mutual funds was achieved through thematic analysis. Findings illuminated recurring patterns in investors' perceptions, emphasizing the significance of trust in fund managers. The study highlighted the impact of macroeconomic conditions, where respondents demonstrated an acute awareness of how external economic factors influenced their views on mutual funds. Additionally, the role of expert advice emerged as a crucial factor shaping investors' perceptions, showcasing the interplay between external guidance and individual perspectives.

The study successfully delved into the myriad factors contributing to the augmentation or reduction of investments in mutual funds. Specific findings included the influence of market conditions, with investors adjusting their portfolios based on the prevailing economic climate. Perceived risks played a pivotal role, with respondents demonstrating a dynamic response to risk perceptions, either increasing or decreasing investments accordingly. The role of expert advice was further highlighted, showing how recommendations from financial professionals influenced investors' decisions to augment or reduce their mutual fund investments.

In essence, the study not only met but exceeded its specific objectives, providing insights into the decision-making behaviour of retail investors in mutual funds. The findings offer valuable contributions to both academic discourse and practical implications for stakeholders in the financial industry, paving the way for future research endeavors and strategic interventions. The thematic analysis facilitated a comprehensive understanding of the factors shaping investment decisions, bringing depth and clarity to the complex world of mutual fund investments.

In conclusion, the qualitative phenomenological research design employed in this study has provided a profound and insightful exploration into the investment decision behaviour of retail investors in mutual funds. Through meticulous examination of factors influencing decision-making processes, this research has uncovered nuanced insights that contribute significantly to our understanding of investor behaviour. Specifically, the study revealed the pivotal role of investor education, risk tolerance, and trust in fund management in shaping investment decisions. Furthermore, the evaluation of present-day perceptions highlighted the influence of macroeconomic conditions and expert advice on investors' attitudes towards mutual funds. By delving into the dynamic responses of investors to market conditions and perceived risks, the study has filled crucial gaps in understanding of mutual fund investment behaviour. These findings not only advance academic discourse but also offer practical implications for stakeholders in the financial industry, providing valuable insights for future research endeavors and strategic interventions. In conclusion, the thematic analysis conducted in this study has shed light on the complex factors influencing investment decisions, enriching our comprehension of the multifaceted landscape of mutual fund investments.

### 6.2 Recommendations

Based on the findings, the following recommendations are proposed:

1. **Financial Education Programs:** Considering the identified gap in financial knowledge among respondents, it is recommended that financial education programs be developed and implemented to enhance investors' understanding of mutual funds and financial products.

2. **Transparency and Communication:** Addressing the lack of trust in fund managers, financial institutions should prioritize transparency in their operations and communications with investors. Regular updates, clear reporting, and accessible channels for inquiries can help build trust and confidence among investors.

3. **Personalized Financial Advice:** Recognizing the reliance on expert advice, financial institutions should offer personalized financial advisory services tailored to investors' needs and preferences. This may involve conducting thorough assessments of investors' financial goals, risk tolerance, and investment preferences to provide targeted guidance.

4. **Diversification and Risk Management:** Encouraging diversification and risk management strategies, investors should be educated on the importance of building diversified portfolios and managing risk effectively. This may involve providing guidance on asset allocation, investment diversification, and risk assessment techniques.

5. **Long-Term Investment Planning:** Emphasizing the importance of long-term investment planning, investors should be encouraged to focus on wealth accumulation and retirement planning goals. Financial institutions can offer educational resources and retirement planning tools to assist investors in making informed decisions for their future financial security.

6. **Monitoring and Reviewing Investments:** Advising investors to regularly monitor and review their investments, financial institutions should promote proactive portfolio management practices. Providing tools and resources for tracking investment performance, evaluating portfolio allocations, and adjusting strategies as needed can empower investors to make informed decisions.

7. **Consideration of External Factors:** Acknowledging the influence of external factors on investment behaviour, financial institutions should provide resources and guidance on navigating macroeconomic conditions, social influences, and cultural preferences. This may involve offering market insights, economic outlook reports, and scenario analysis to help investors make well-informed decisions in dynamic environments.

### 6.3 Areas of Further Research

While this study provides valuable insights, there are avenues for further research:

1. **Comparative Studies:** Conduct comparative studies across different regions or countries to explore cultural influences on investment decision behaviour in mutual funds.

2. **Impact of Macro-Economic Indicators:** Investigate the impact of macroeconomic indicators on the investment decisions of retail investors, drawing on the findings of studies in other regions using regression analysis through quantitative research.

3. **Longitudinal Studies:** Undertake longitudinal studies to observe how investment behaviors in mutual funds evolve over time, considering economic fluctuations and market trends using pooled OLS or Panel analysis.

### 6.4 Limitations of the Study

It is crucial to acknowledge the limitations of this study:

1. **Sample Size:** The study's sample size was relatively small, limiting the generalizability of findings to a broader population.

2. **Geographical Scope:** The research focused on mutual fund investors in Zambia; therefore, findings may not fully capture the diversity of investment behaviour in different regions.

3. **Subjective Nature of Interviews:** The qualitative nature of the study, relying on interviews, introduces subjectivity, and interpretations may vary.

Despite these limitations, the study contributes valuable insights to the understanding of mutual fund investment decisions, paving the way for future research endeavors.

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**APPENDIX**

# Questionnaire

1. What is your Age?

A.20-30

B. 30-40

C. 40-50

D. 50+

2. What is the highest degree or level of education you have completed?

A. Primary School

B. High School

C. Bachelor's Degree

D. Master's Degree

E. Ph.D. or higher

F. Trade School

G. Prefer not to say

3. What is your Gender?

A) Female

B) Male

4. What is your marital status?

A) Single

B) Married

C) Divorced

5. What is your annual household income?

A. Less than K10,000

B. K10,000 – K20,000

C. K20,000 – K30,000

D. K30,000 – K40,000

E. More than K50,000

6. What is your current Occupation?

A. Unemployed
B. Professional
C. Business
D. Government Employee

**PART TWO**

1. **Which of the following best describes your investment decision-making process?**

A. I know how to make difficult financial decisions

B. I am able to make good financial decisions that are unfamiliar to me

C. I know how to get myself to follow through on my financial intentions

D. I am able to recognize a good financial investment

E. I know how to keep myself from spending too much

F. I know where to find the advice I need to make decisions involving money

2. **Which one best describes your current understanding of Mutual Funds**

A. I have knowledge of most things related to mutual funds
B. I trust my fund managers to make the best financial decision on my behalf
C. I understand all the risks associated with Mutual fund investments
D. I make a substantial return on my investment as compare
E. I am willing to make huge investments in Mutual funds when I have disposable income

F. I regularly review information on mutual funds

**Rank the following**

1. I am confident in my ability to choose the best mutual fund for my investment goals.

- Strongly agree

- Agree

- Neither agree nor disagree

- Disagree

- Strongly disagree

2. I rely on expert advice when making investment decisions about mutual funds.

- Always

- Often

- Sometimes

- Rarely

- Never

3. I am satisfied with the performance of my current mutual fund portfolio.

- Very satisfied

- Satisfied

- Neutral

- Dissatisfied

- Very dissatisfied

4. I consider the environmental, social, and governance (ESG) factors of mutual funds before investing in them.

- Extremely important

- Very important

- Moderately important

- Slightly important

- Not important at all

5. I am willing to take more risks with my mutual fund investments for higher returns.

- Definitely yes

- Probably yes

- Not sure

- Probably no

- Definitely no

6. I regularly monitor the performance of my mutual fund investments and adjust as needed.

- Always

- Often

- Sometimes

- Rarely

- Never

7. I trust the information provided by the mutual fund companies and their agents.

- Completely trust

- Mostly trust

- Somewhat trust

- Slightly trust

- Do not trust at all

8. I have a clear understanding of the fees and charges associated with my mutual fund investments.

- Very clear

- Clear

- Somewhat clear

- Not very clear

- Not clear at all

9. I am aware of the risks and uncertainties involved in investing in mutual funds.

- Very aware

- Aware

- Somewhat aware

- Not very aware

- Not aware at all

**PART THREE**

**1. How would you describe your investment process in Mutual Funds?**

- ☐ I rely on professional financial advice.
- ☐ I conduct extensive research on fund performance.
- ☐ I follow recommendations from friends or family.
- ☐ I base decisions on my own past experiences.
- ☐ Other (please specify): _______________

**2. What considerations do you take before investing in mutual Funds?**

- ☐ Risk tolerance assessment
- ☐ Past performance of the fund
- ☐ Management fees and expenses
- ☐ Investment goals and time horizon
- ☐ Diversification of the fund's holdings

- ☐ Recommendations from financial advisors
- ☐ Socially responsible investing criteria
- ☐ Other (please specify): _______________

**3. Where do you access knowledge on mutual Funds?**

- ☐ Financial news websites
- ☐ Investment newsletters or magazines
- ☐ Seminars or workshops
- ☐ Financial advisors or professionals
- ☐ Social media and online forums
- ☐ Recommendations from friends or family
- ☐ Other (please specify): _______________

**4. What have been the short-term benefits of investing in Mutual Funds compared to other forms of investments?**

- ☐ Higher returns
- ☐ Lower risk
- ☐ Liquidity and ease of access
- ☐ Diversification of holdings
- ☐ Tax advantages
- ☐ None
- ☐ Not sure

**5. What have been the long-term benefits of investing in Mutual Funds compared to other forms of investment?**

- ☐ Compounding returns
- ☐ Wealth accumulation

- ☐ Retirement planning
- ☐ Achieving long-term financial goals
- ☐ Tax advantages
- ☐ None
- ☐ Not sure

**6. What are some of the risks you have experienced when you make an investment in mutual funds?**

- ☐ Market volatility
- ☐ Loss of principal
- ☐ High management fees
- ☐ Lack of diversification
- ☐ Economic downturns
- ☐ Interest rate changes
- ☐ None
- ☐ Not sure

**7. How does the perceived risk affect your investment decision?**

- ☐ I become more cautious and conservative.
- ☐ I seek professional advice.
- ☐ I diversify my investments further.
- ☐ I closely monitor my investments.
- ☐ I consider reallocating my assets.
- ☐ I tend to stay the course with my current strategy.
- ☐ Other (please specify): _______________

**8. Why would you encourage others to invest or not invest in mutual funds?**

- ☐ I would encourage because of potential for higher returns.
- ☐ I would discourage due to the risks involved.
- ☐ I would encourage for diversification benefits.
- ☐ I would discourage because of high fees.
- ☐ I would encourage for long-term financial goals.
- ☐ I would discourage due to a preference for other investments.
- ☐ Other (please specify): _______________

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