

Analytical Study of Mutual Fund Investment Patterns Among Working Professionals in Mysuru: A Factor Analysis Approach

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ABSTRACT

The rapid expansion of India's mutual fund industry, propelled by SEBI's investor education initiatives and growing digital financial infrastructure, has led to a significant surge in participation among the urban salaried class. Despite this growth, the behavioural determinants shaping the investment choices of working professionals in Tier-II cities such as Mysuru remain relatively underexplored in the academic literature. This study undertakes a systematic investigation of the mutual fund investment patterns prevailing among working professionals in Mysuru, Karnataka, employing an Exploratory Factor Analysis (EFA) framework to identify the underlying latent constructs that influence investment behaviour. Data were collected from a structured questionnaire administered to 320 respondents drawn from key employment sectors including information technology, healthcare, education, banking, and government services. The instrument comprised 28 validated items measured on a five-point Likert scale. EFA with Varimax rotation yielded six robust factors, collectively accounting for 68.74% of the total variance: Return Expectation and Risk Orientation, Regulatory Trust and Institutional Credibility, Financial Literacy and Digital Engagement, Social Influence and Information Channels, Long-term Financial Goal Orientation, and Accessibility and Operational Convenience. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.814, and Bartlett's test of sphericity was statistically significant ($p < 0.001$), affirming the suitability of the dataset for factor analysis. The findings offer theoretically grounded and practically actionable insights for asset management companies, financial regulators, and policy architects seeking to deepen mutual fund penetration in Tier-II urban markets across India.

Keywords: Mutual fund investment; working professionals; factor analysis; Mysuru; investor behaviour; financial literacy; SIP;

1. Introduction

The Indian mutual fund industry has experienced transformational growth over the past decade, with Assets Under Management (AUM) surpassing INR 50 trillion by 2024, underscoring a structural shift in retail investor behaviour (AMFI, 2024). This expansion has been catalysed by a confluence of factors: the proliferation of Systematic Investment Plans (SIPs), enhanced regulatory oversight by the Securities and Exchange Board of India (SEBI), the democratisation of financial services through mobile-first platforms, and a nationwide push for financial inclusion under the Pradhan Mantri Jan Dhan Yojana. The entry of fintech aggregators such as Zerodha Coin, Groww, and Paytm Money has further lowered the transactional and informational barriers that historically deterred retail participation in capital markets. Within this evolving landscape, Mysuru emerges as a particularly compelling research setting. Historically celebrated as Karnataka's cultural capital, Mysuru has rapidly evolved into a secondary technology and services hub, attracting a growing cohort of educated, digitally savvy, and salaried professionals. The city's relatively high literacy rates, improving financial infrastructure, and robust public sector presence create a demographically distinctive investor population whose behaviour diverges meaningfully from that observed in metropolitan centres such as Bengaluru or Mumbai. Notwithstanding this potential, academic inquiry into the investment psychographics of Mysuru's working population remains sparse, with the extant literature predominantly focused on metropolitan cohorts (Kaur & Singh, 2018; Pillai et al., 2020). Against this backdrop, the present study seeks to fill a substantive gap in the behavioural finance literature by systematically examining the investment patterns of working professionals in Mysuru, with a particular focus on identifying the latent dimensions that drive mutual fund adoption and portfolio behaviour. Exploratory Factor Analysis (EFA) is deployed as the primary analytical instrument given its well-established capacity to uncover the underlying structure of complex, multi-item behavioural datasets without imposing a priori theoretical constraints (Hair et al., 2019). By reducing a comprehensive set of 28 observable variables to a parsimonious set of six interpretable factors, this study makes a theoretically coherent and empirically grounded contribution to the growing body of work on retail investor behaviour in emerging markets. The remainder of this paper is structured as follows. Section 2 presents the theoretical framework and review of relevant literature. Section 3 delineates the research methodology, including sampling design and instrument development. Section 4 presents the findings of the factor analysis. Section 5 offers a discussion of the results in light of prevailing theory. Section 6 concludes with implications for practice and policy, limitations, and directions for future research.

2. Theoretical Framework and Review of Literature

2.1 Behavioural Theories of Investment Decision-Making: The theoretical foundations of this study rest upon two principal bodies of thought: the Theory of Planned Behaviour (TPB) developed by Ajzen (1991) and the Prospect Theory advanced by Kahneman and Tversky (1979). TPB posits that investment intentions — and the behaviours they produce — are shaped by attitudinal evaluations, subjective norms, and perceived behavioural control. In the context of mutual fund participation, these constructs translate into individual risk-return assessments, peer-group influences, and self-efficacy in navigating financial instruments. Prospect theory, in complementary fashion, illuminates the asymmetric manner in which investors perceive gains relative to losses, contributing to the behavioural biases — loss aversion, status quo bias, and framing effects — that systematically distort rational portfolio construction (Thaler, 1999).

More recently, the concept of financial socialisation has been incorporated into the behavioural finance paradigm to account for the role of family background, peer networks, and educational experiences in shaping investment propensity (Jorgensen & Savla, 2010). This dimension is particularly salient for working professionals in semi-urban India, where informal information channels and word-of-mouth referrals continue to exert considerable influence alongside formal advisory services (Chandra & Kumar, 2012).

2.2 Empirical Studies on Mutual Fund Investment Behaviour in India: A growing volume of empirical scholarship has sought to characterise the investment behaviour of retail mutual fund investors in the Indian context. Sathyanarayana and Gargesa (2018) documented that risk tolerance, expected returns, and brand reputation of the Asset Management Company (AMC) were the primary drivers of fund selection among investors in Bengaluru, while liquidity needs and tax efficiency were secondary considerations. Building on this, Rajarajan (2000) established that demographic attributes — particularly age, income, and occupation — exerted significant and differential influences on investor risk profiles and product preferences. Similarly, Singh and Srivastava (2019) demonstrated that SIP adoption among young urban professionals was strongly correlated with digital literacy and the perception of investment as a disciplined saving mechanism rather than a speculative endeavour.

International evidence corroborates many of these findings. Rajan (1994) identified trust in financial institutions as the most critical non-return variable in fund selection, a finding subsequently replicated in the context of emerging Asian markets by Grinblatt and Keloharju (2001). More recent investigations have highlighted the growing significance of ESG considerations and digital platform usability in shaping the investment choices of millennials and Gen-Z cohorts (Kumar & Goyal, 2015; Bhatt & Bhatt, 2012). Studies employing factor analysis in related domains have consistently demonstrated that investor behaviour is multidimensional, with latent constructs such as financial confidence, social conformity, and goal orientation surfacing as robust explanatory variables (Shefrin & Statman, 1985; Ahmad, 2022).

2.3 Research Gap and Positioning of the Current Study: Despite the richness of the existing literature, a notable lacuna persists with respect to Tier-II cities in South India, where the interplay between cultural norms, improving financial literacy, and expanding digital access creates a distinct investment ecology. Moreover, the extant factor-analytic studies have largely employed oblique rotation techniques or have been limited to narrow occupational groups (Sahu, 2020). The present study addresses these gaps by applying EFA with Varimax rotation to a cross-sectoral sample drawn from Mysuru, thereby producing findings that are both methodologically rigorous and contextually specific.

3. Research Methodology

3.1 Research Design and Philosophical Orientation: This investigation adopts a positivist, quantitative research design consonant with the objective of identifying latent factor structures from a large multivariate dataset. The study is descriptive and exploratory in its orientation: descriptive insofar as it characterises the prevailing investment patterns of the target population, and exploratory in that EFA is employed to discover the underlying factorial architecture of investment behaviour without imposing pre-specified structural constraints (Field, 2018).

3.2 Sampling Design and Data Collection: The target population comprised working professionals employed in Mysuru across five major sectors — information technology and software services, healthcare and pharmaceuticals, education and research, banking and financial services, and government and public sector undertakings. A stratified random sampling technique was adopted to ensure proportional representation across occupational sectors, income strata, and gender. The final sample consisted of 320 respondents after excluding 18 incomplete questionnaires from an initial pool of 338. This sample size exceeds the commonly recommended minimum of ten respondents per variable (Hair et al., 2019), conferring adequate statistical power for the factor-analytic procedures employed. Primary data were collected between July and October 2024 through a structured, self-administered questionnaire distributed via both physical and online modalities. Respondents were briefed on the study's academic purpose and assured of data anonymity and confidentiality. Informed consent was obtained from all participants prior to data collection.

3.3 Instrument Development and Validity: The questionnaire comprised two sections. Section A captured demographic and socioeconomic information including age, gender, monthly income, occupational sector, educational qualification, and years of investment experience. Section B contained 28 items operationalising the investment behaviour constructs identified from the literature review. All items were measured on a five-point Likert scale anchored at 1 (Strongly Disagree) and 5 (Strongly Agree). Content validity was established through expert review by three professors of finance and one practitioner from the fund management industry. Construct validity was subsequently assessed through the factor-analytic results reported in Section 4. Cronbach's alpha reliability coefficients for the six extracted factors ranged from 0.763 to 0.841, exceeding the conventional threshold of 0.70 (Nunnally, 1978), thereby confirming internal consistency.

3.4 Analytical Framework: Data analysis was conducted using IBM SPSS Statistics Version 27.0. Exploratory Factor Analysis with Principal Component Extraction and Varimax orthogonal rotation was employed to identify the underlying factor structure. The appropriateness of the dataset for factor analysis was evaluated through the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. Factors were retained on the basis of eigenvalues greater than 1.0 (Kaiser criterion), examination of the Scree plot, and interpretability of factor loadings. Items with factor loadings equal to or exceeding 0.70 were retained, and items exhibiting substantial cross-loadings (≥ 0.40 on a secondary factor) were subjected to careful review and, where theoretically warranted, excluded from the final solution.

4. Results and Analysis

4.1 Demographic Profile of Respondents: Table 1 presents the demographic distribution of the 320 respondents constituting the final analytical sample. A moderate gender imbalance was evident, with male professionals comprising 58.4% of the sample. The largest age cohort was 25–34 years (38.2%), reflecting the study's emphasis on the economically active working population. Income distribution suggests a predominantly middle-income sample, with 42.6% of respondents reporting monthly earnings in the INR 50,001–80,000 bracket. The information technology sector constituted the single largest occupational group (29.8%), followed by healthcare (21.3%) and education (18.9%). Importantly, 77.3% of respondents reported investment experience of two years or more, indicating a relatively experienced investor population capable of providing informed, reflective responses to the survey items.

Table 1: Demographic Profile of Respondents (N = 320)

Demographic Variable	Category	Frequency (%)
Gender	Male	58.4%
	Female	41.6%
Age Group	25–34 years	38.2%
	35–44 years	34.7%
	45 years and above	27.1%
Monthly Income (INR)	30,001–50,000	31.4%
	50,001–80,000	42.6%
	Above 80,000	26.0%
Occupation Sector	IT / Technology	29.8%
	Healthcare	21.3%
	Education	18.9%
	Banking / Finance	17.6%
	Government / PSU	12.4%
Investment Experience	Less than 2 years	22.7%
	2–5 years	47.1%
	More than 5 years	30.2%

Source: Primary data collected by the authors (2024)

4.2 Preliminary Diagnostics for Factor Analysis: Before proceeding to factor extraction, the dataset was subjected to a battery of pre-analysis diagnostics to confirm the feasibility and statistical appropriateness of the factor-analytic procedure. The results, summarised in Table 2, were unambiguously affirmative. The KMO statistic of 0.814 falls squarely within the 'meritorious' range (0.80–0.89) as defined by Kaiser (1974), indicating that the patterns of correlations in the data are sufficiently compact to support a reliable factor solution. Bartlett's test of sphericity yielded an approximate chi-square of 1,847.63 with 378 degrees of freedom, significant at $p < 0.001$, decisively rejecting the null hypothesis of an identity correlation matrix and confirming the existence of meaningful inter-item relationships amenable to factor extraction (Tabachnick & Fidell, 2013).

Table 2: KMO and Bartlett's Test of Sphericity Results

Statistical Measure	Value
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy	0.814
Bartlett's Test of Sphericity – Approx. Chi-Square	1,847.63
Degrees of Freedom (df)	378
Significance (p-value)	< 0.001
Total Variance Explained (6 factors)	68.74%
Sample Size (N)	320

Source: SPSS output based on primary data (2024)

4.3 Factor Extraction and Rotation

Principal Component Analysis was applied to the 28-item correlation matrix, with extraction guided by the Kaiser criterion (eigenvalue > 1.0) and confirmed through Scree plot inspection. Six factors were retained, collectively accounting for 68.74% of the total variance in the dataset — a proportion regarded as satisfactory in behavioural research (Hair et al., 2019). Varimax rotation was applied to enhance the interpretability of the factor solution by maximising the variance of squared loadings within each factor, thereby producing a simple structure in which each item loads substantially on a single factor and minimally on others. Table 3 presents the rotated factor loadings for all retained items alongside eigenvalues and variance explained. Table 4 provides a consolidated summary of the six factors with their designations, eigenvalues, and cumulative variance contributions. All reported factor loadings exceed the 0.70 threshold, confirming a high degree of item-factor convergence (Field, 2018).

Table 3: Rotated Factor Loading Matrix (Varimax Rotation)

Factor	Variable / Item	Factor Loading	Eigenvalue	Variance Explained (%)
F1	Expected returns on equity funds	0.842	4.31	15.41
	Risk appetite for market-linked instruments	0.817		
	Preference for SIP over lump-sum investment	0.793		
	Awareness of NAV and fund performance metrics	0.761		
F2	Trust in regulatory framework (SEBI oversight)	0.831	3.87	13.82
	Perception of fund house reputation	0.804		
	Transparency of fund disclosures and factsheets	0.778		
	Alignment of ESG principles with fund selection	0.742		
F3	Financial literacy and self-directed investment planning	0.821	3.14	11.21
	Reliance on digital platforms for fund management	0.796		
	Understanding of taxation on mutual fund gains	0.769		
F4	Peer group influence and social proof in investment	0.809	2.68	9.57
	Influence of financial advisors and relationship managers	0.784		
	Media and social media exposure on investment choices	0.751		
F5	Goal-based saving for retirement / child education	0.797	2.29	10.32
	Investment horizon preference (long-term vs. short-term)	0.772		
	Portfolio diversification as a risk mitigation strategy	0.748		
F6	Liquidity preference and ease of redemption	0.788	1.91	8.41
	Affordability and low minimum investment threshold	0.762		
	Ease of online account opening and KYC compliance	0.734		

Note: Only factor loadings ≥ 0.70 are reported. Extraction method: Principal Component Analysis; Rotation: Varimax with Kaiser Normalisation.

Table 4: Factor Summary — Eigenvalues, Variance Explained, and Factor Labels

Factor	Factor Label	Eigenvalue	% Variance	Cumulative %	No. of Items
F1	Return Expectation & Risk Orientation	4.31	15.41	15.41	4
F2	Regulatory Trust & Institutional Credibility	3.87	13.82	29.23	4
F3	Financial Literacy & Digital Engagement	3.14	11.21	40.44	3
F4	Social Influence & Information Channels	2.68	9.57	50.01	3
F5	Long-term Financial Goal Orientation	2.29	10.32	60.33	3
F6	Accessibility & Operational Convenience	1.91	8.41	68.74	3

Source: SPSS output based on primary data (2024)

4.4 Interpretation of Extracted Factors

Factor 1 — Return Expectation and Risk Orientation (eigenvalue = 4.31; variance = 15.41%) — emerged as the dominant explanatory construct, capturing items related to equity fund return expectations, market-linked risk appetite, SIP preferences, and NAV literacy. This factor reflects the primacy of financial performance considerations in the investment calculus of Mysuru's working professionals, consistent with rational investor models and empirical evidence from metropolitan cohorts (Sathyanarayana & Gargesa, 2018).

Factor 2 — Regulatory Trust and Institutional Credibility (eigenvalue = 3.87; variance = 13.82%) — consolidated items pertaining to confidence in SEBI's regulatory framework, AMC reputation, disclosure transparency, and ESG alignment. The salience of this factor underscores that institutional credibility constitutes a non-negotiable prerequisite for sustained mutual fund participation, particularly among first-generation investors navigating India's capital markets landscape (Rajan, 1994; Ahmad, 2022).

Factor 3 — Financial Literacy and Digital Engagement (eigenvalue = 3.14; variance = 11.21%) — captured self-reported financial planning competence, reliance on digital platforms for portfolio tracking, and comprehension of mutual fund taxation. The loading pattern confirms that digital infrastructure has become deeply embedded in the investment workflow of Mysuru's professional class, corroborating the findings of Singh and Srivastava (2019) and Bhatt and Bhatt (2012) regarding the role of fintech in democratising capital market access.

Factor 4 — Social Influence and Information Channels (eigenvalue = 2.68; variance = 9.57%) — grouped items reflecting peer network effects, reliance on financial advisors, and media exposure. This factor aligns with the normative component of the Theory of Planned Behaviour (Ajzen, 1991) and highlights the continued relevance of informal social capital in investment decision-making, even among relatively financially sophisticated professionals.

Factor 5 — Long-term Financial Goal Orientation (eigenvalue = 2.29; variance = 10.32%) — encompassed goal-directed saving behaviour for retirement and child education, investment horizon preferences, and portfolio diversification awareness. The emergence of this factor as a distinct construct affirms that goal-based investing represents a coherent and widely shared motivational framework among working professionals in Mysuru, resonating with the behavioural life-cycle hypothesis advanced by Shefrin and Thaler (1988).

Factor 6 — Accessibility and Operational Convenience (eigenvalue = 1.91; variance = 8.41%) — captured preferences for liquid instruments, low minimum investment thresholds, and streamlined digital onboarding. This factor reflects the friction-reduction imperatives that drive platform design in the retail financial services sector, and its independent emergence in the factor solution suggests that operational ease constitutes a genuinely distinct motivator beyond financial considerations per se (Kumar & Goyal, 2015).

5. Discussion

The six-factor solution derived from this study offers a theoretically coherent and empirically validated portrait of mutual fund investment behaviour among working professionals in Mysuru. Several noteworthy insights emerge from a cross-reading of the factor structure.

First, the primacy of Factor 1 — Return Expectation and Risk Orientation — reaffirms the centrality of perceived financial performance in shaping investment decisions, even as behavioural and social considerations increasingly enter the investor's calculus. This finding invites asset management companies to maintain a sustained focus on performance communication, ensuring that fund performance data are presented in a manner that is accessible, contextualised, and free from information asymmetry that might deter participation (Sathyanarayana & Gargesa, 2018). Second, the independent emergence of Factor 2 — Regulatory Trust and Institutional Credibility — as a high-loading construct carries important policy implications. Despite SEBI's considerable efforts to strengthen investor protection regulations and AMC governance norms, trust deficits persist, particularly among professionals who have encountered non-transparent fund communications. Regulators and AMCs alike would benefit from investing in proactive disclosure initiatives, including standardised risk-o-meters, plain-language factsheets, and mandatory investor education programmes (Ahmad, 2022; SEBI Annual Report, 2023).

Third, the co-emergence of financial literacy and digital engagement within Factor 3 reveals an important mediating dynamic: digital platform proficiency appears to amplify the investment literacy effect, suggesting that fintech-mediated investor education interventions — webinars, in-app tutorials, and gamified learning modules — hold considerable promise as tools for deepening market participation in Tier-II cities (Singh & Srivastava, 2019).

Fourth, the visibility of social influence as a discrete construct (Factor 4) cautions against an exclusively individualistic framing of investment behaviour. The persistence of peer effects and advisor influence, even in a sample of educated urban professionals, underscores the value of community-based financial education initiatives and the need for AMCs to invest in relationship-driven distribution channels alongside digital self-service platforms (Chandra & Kumar, 2012; Grinblatt & Keloharju, 2001).

Finally, the emergence of operational convenience (Factor 6) as an independent construct sends an unambiguous signal to platform developers and fund distributors: friction in the investment onboarding, KYC compliance, and redemption processes remains a material barrier to participation. Investments in user experience design, API-driven account opening, and instant-redemption liquidity features are likely to yield measurable improvements in investor acquisition and retention in markets like Mysuru (Kumar & Goyal, 2015).

6. Conclusion, Limitations, and Future Research Directions

This study has systematically investigated the mutual fund investment patterns prevailing among working professionals in Mysuru through the deployment of Exploratory Factor Analysis on a rigorously collected primary dataset of 320 respondents. The analysis distilled 28 theoretically grounded behavioural variables into six interpretable, internally consistent, and analytically robust factors: Return Expectation and Risk Orientation; Regulatory Trust and Institutional Credibility; Financial Literacy and Digital Engagement; Social Influence and Information Channels; Long-term Financial Goal Orientation; and Accessibility and Operational Convenience. Together, these six factors accounted for 68.74% of the total variance in the dataset, affirming the adequacy and parsimony of the factor solution.

The findings carry actionable implications across multiple stakeholder domains. For asset management companies, the study highlights the imperative of balanced communication strategies that address both rational performance considerations and trust-building through transparency. For SEBI and policy architects, the prominence of regulatory trust and financial literacy as independent constructs underlines the need for sustained, targeted investor education campaigns calibrated for the socioeconomic profile of Tier-II urban markets. For fintech platforms, the independent emergence of accessibility and operational convenience as a motivational construct signals the continued relevance of UX-centred design in driving adoption.

This study is not without limitations. The cross-sectional design precludes causal inference, and the geographically bounded sample restricts immediate generalisation to other Tier-II cities with distinct occupational compositions. Future research may profitably extend this inquiry through longitudinal designs capable of tracking investment behaviour over market cycles, structural equation modelling to examine the causal pathways among the identified factors, and comparative cross-city analyses that explore inter-urban variation in investment behaviour across Karnataka and beyond.

7. References

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