

**A STUDY ON THE PERCEPTION OF RETAIL MUTUAL FUND INVESTORS TOWARDS SOCIALLY RESPONSIBLE INVESTMENT IN KARNATAKA**

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**Abstract-** In India the rise in popularity for mutual funds as investment instruments have led curiosity to socially responsible investing SRI. The aim of this research is to know the attitude and investment practices of retail mutual fund investors, especially focused to the Karnataka region, towards SRI. Employing a secondary qualitative method via literature review, the study analyzes the elements of investor's SRI notions and how these notions influence investment behavior. Other important theoretical frameworks are also integrated in this study such as The Theory of Planned Behaviour TPB to examine the role of attitudes, subjective norms and perceived behavioural control (PBC) in mediating SRI intention and SRF. The research contributes to clarify the factors of SRI and opens ways for anticipating further demands from the market to SRI decision makers and financial intermediaries regarding SRI.

**Keywords:** Socially Responsible Investment, Mutual Funds, Retail Investors, Karnataka, Perception, Investment Behavior, Theory of Planned Behavior, Attitudes, Subjective Norms, Financial Literacy

**Introduction**

According to recent research, there has been an increasing flow of investments towards mutual funds. In the context of India, new investors can benefit from such investments since they help diversify the risks associated with a retail investor's portfolio. Submersing oneself into the Socially Responsible Investments genre is made easier by many, allowing for a more well-rounded investment approach. The purpose of this paper is to understand the SRIs' perception among retail mutual fund investors in Karnataka, specifically studying how the following variables – attitudes, subjective norms, perceived behavioral control, and financial literacy of individual investors affect their investment in these types of funds. The industry of mutual funds in India is relatively newer as it was started in the 1960s, but the total assets under management have been on the rise. Coupled together, the availability of information, inclusive selling methods, and greater reach due to digital platforms has allowed to make mutual funds ideal for retail investors. However, even with the rise in understanding and popularity of mutual funds, there is still a lack of knowledge when it comes to understanding what socially responsible investment (SRI) is, specifically in areas like Karnataka where it could be influenced by the local culture and economy. This research aims to fill that gap by applying the Theory of Planned Behavior (TPB) and looking into how, and if, the attitudes of investors towards SRI, along with subjective norms and perceived behavioral control, influences investment decisions and, in turn, expands the boundaries of SRI. In doing so, this research also provides perspectives on the new retail environment shaped by SRI, particularly in Karnataka, which is experiencing an upward trend.

**Literature Review**

**Socially Responsible Investment (SRI) and Mutual Funds:** Socially responsible investing (SRI) is an investment strategy that seeks to achieve financial gains with the help of social, ecologic, and political factors. In India, mutual fund companies are now responding to such a trigger through the introduction of ESG-type funds which are in accordance with the growing trend of solicitors who wish to see greater returns alongside social responsibly investments [1]. As it has been established by research, for example Indonesian mutual funds (MI), they have indeed enjoyed the impact of digital innovation in ways that allow investors to conveniently get to the company's mutual fund products.

The expansion of the mutual fund industry within the emerging markets can be credited to the already high numbers of institutional and individual SRI investors booming in the population trend. There is no preponderance of literature that addresses such an important segment of equity markets among SRI, the retail investor in general and the India retail SRI investor in particular. In the Karnataka context where the target investor would be among the vast class of middle-income people, SRI perceptions can be quite a different story due to high differences in financial literacy, exposure to ESG, and other cultural issues [2]. Hence, the need for this study arises from the literature void with regard to how the retail investors in this region construe SRI in multinational funds.

**Theory of Planned Behavior (TPB) and Investment Behavior:** One of the most significant psychological factors related to investment decisions is the Theory of Planned behavior (TPB). According to TPB behavior is the outcome of three determinants: attitude, subjective norms and perceived behavioral control [3]. Attitude refers to an investor's negative and positive evaluation towards SRI (Socially Responsible Investing). Those with a positive attitude towards SRI are more likely to invest in these types of funds. Subjective Norms are defined by social pressure and include family, friends or peers who may push an investor to invest or disinvest in socially responsible ventures. Such norms are particularly important in the case of a collectivist society like India, where such expectations are central to making decisions [4].

**Perceived Behavioral Control** deals with the issues of how easy or difficult it is to take up investment in socially responsible mutual funds. Investors' beliefs about their ability to deal heuristically with the information presented to themselves, for example, the information about the fund performance and ESG ratings also change the investment made. Building on this TPB approach, it has been found that overseas investors with higher information levels are more likely to participate in responsible investment opportunities. With the enhancement of financial literacy, it is expected that the degree of understanding of risks and returns relating to these investment intentions will be enhanced and this will affect individuals' investment intentions. **Herd Behavior in Investment Decision-Making:** Herd behaviour is one such factor that is relevant in investment behavior where an aspect is driven by social norm rather than independent reasoning. Herd behaviour is a common phenomenon among the dealings in the Indian stock market as well as with the mutual fund investments. As per the efforts in attempts to provide understanding through herd behavior on mutual fund decision-making, investors tend to follow either trends or the majority and fail to check the substance of the decision. Within the space of SRI, herd behavior has the capacity to encourage investors or discourage them. For example, in the case where a large number of people from Karnataka practice SRI, it could possibly enhance interest from those who are less interested. The opposite can also happen if many would see socially responsible investments as less profitable or high-risk; that kind of herd behavior could prevent [6] such preferences in the first instance.

**Research Methodology:** This research adopts a secondary qualitative research design that collects, combines, and interprets data from other studies on fiduciary behavior (e.g., SRI and TPB) as well as literature surveys. The research methodology includes conducting research on the documented statistics of the mutual funds industry in Karnataka, primarily the attitude of its investors towards socially responsible investing. The required secondary data will be taken from the literature, such as academic papers, market reviews and behavioral finance case studies, and used to develop a comprehensive account of the subject matter [7].

Moreover, they will highlight demographic variables, income strata and financial educational attainments which that are important from an investment standpoint. Also, the study will analyze the reports of mutual funds shareholders concerning fulfillment which there are supposed to with a profit and their target socially responsible investment.

### Analysis and Findings: Investor Perception Towards Socially Responsible Investment

The situation is the same with immigrants from Karnataka to other regions of the country. SRI opportunities are being made available to a group of investors who have become more conscious of investing in any kind of opportunity. At the same time, their opinion about SRI is not that encouraging, as they treat such funds to be riskier or less profitable as compared to an average mutual fund. This is consistent with the outcomes of research done in other states of India where the existence of such a trade-off of social investment against a financial one has served as an obstacle to the expansion of SRI. The other potential aberrates include demographic factors such as age, education or level of income. The demographic consideration of age is significant as the younger people & those who have higher education and financial literacy. These people tend to positively respond to and have a more positive and favorable attitude towards socially responsible investing. They are more inclined to consider the impact of investments on society and the environment rather than just the returns, even at the cost of providing slightly lower returns. The Role of Attitudes, Subjective Norms, and Perceived Behavioral Control

The 'Attitudes, Subjective Norms, and Perceived Behavioral Control' part of the TPB, studies show, supports the investment behaviour of investors with regard to SRI as the variable that best explains Investment behaviour. Positive attitude towards SRI leads to the willingness to invest in such funds because the retail investors in Karnataka see it as a way of merging their finances and values. In addition, subjective norms, and specifically, the solicited norm from relatives and peers, is one of the major factors influencing the investment choices. It is common in a collectivist culture that the opinion of family and friends are more preferred over self-exploration or pursuit of investment [9].

Adolescents' Perceived Behavioral Control is also a variable which has a weight on investment decision making. The same retail investors in Karnataka manifest, lower levels of financial literacy lead to the perception of high complexity or difficulty involved in selection of socially responsible mutual funds. This perception of discrimination may provide a reason of 'non-investment' in such funds hence the appeal for better awareness and education of investors.

**Impact of Herd Behavior:** In Karnataka, herd behavior tendencies exist which can be easily observed in retail investors. Socially responsible investment may have a growing community among big investors, who, despite their individual beliefs or knowledge, may influence the majority [10]. If, on the other hand, SRI is viewed as a niche or less successful investment type, the same herd mentality can cause timidity in taking up such investment approaches.

**Conclusion:** This research is helpful in understanding the feelings that retail investors who are members of mutual funds in Karnataka have towards socially responsible investing. The study went a step further to relate the motivations to the presence of attitudes, subjective norms and perceived behavioral control. Knowledge of finance is increasingly becoming crucial in determining the investors' willingness to invest in socially responsible investments. Mutual fund providers and other financial institutions should therefore focus on investors' education to enhance the capacity of the proponents of SRI and to expand the SRI community, overcoming the challenges of balancing financial returns and social change.

Considering herding behavior's tendencies in making investment decisions, instigating the rise of SRI through marketing avenues boasting about 'the practice among peers or top-tier investors' could address the harm factors positively and lure more retail market participants to include Socially Responsible Mutual Funds into their investment portfolios.

### Recommendations

1. **Educational Campaigns:** Retail investors should be engaged by financial institutions through educational activities on the financial and social advantages of SRI, through seminars, webinars, and informational content.
2. **Improved Transparency:** Mutual funds investors should be adequately informed about the ESG parameters and the respective social funds' performance to counter balance views that SRI would lead to low returns [11].
3. **Leveraging Technology:** The search for SRI approaches as well as their evaluation for the social impact of mutual funds' performance should be made through online platforms without difficulties.

With the implementation of these factors, the mutual fund industry in Karnataka will be able to engender socially responsible investing in conformity with the worldwide developments as well as the requirements and principles of retail clients.

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