International Journal of Research and Development
A Management Review
ISSN: 2319 - 5479
Volume 15 Issue 02 (2026) | Pages: 117-121

Study Of Behavioural Finance on Investment Decision of Mutual Fund

S. A. Buche[1], S. V. Rajguru[2], A. Changle[3], A. Erande[4], S. Sainkar[5]

[1,2,3,4,5]Department of MBA, MES'IMCC, Pune
[1]sab.imccmba@mespune.in, [2]Shrawaniraj2603@gmail.com, [3]animeshchangle01@gmail.com, [4]abhishekherande2501@gmail.com, [5]shreyassainkar@gmail.com

Peer Review Information

Type: *Article*
Received: *26 March 2026*
Revised: *23 April 2026*
Accepted: *09 May 2026*
Published: *01 June 2026*

Abstract

Behavioural finance is a very important subject that explores the influence of psychology on financial decisions. The purpose of this research is to examine the effect of investor behavior on mutual fund investments.
Traditional theories of finance presuppose the rational behavior of investors; however, under practical conditions, the emotional aspect, such as fear, greed, or over-confidence, plays a significant role in decision making. In this regard, this research highlights behavioral aspects such as herd mentality, loss aversion, anchoring, and mental accounting.
It uses primary sources in the form of questionnaire to explore the relationship between behavioral factors and investment decisions. The findings suggest that psychology is an important factor that affects investor behavior.

Keywords: Behavioural Finance; Mutual Fund Investments; Investor Behaviour; Financial Psychology; Herd Mentality; Loss Aversion.

How to Cite This Article

Buche, S. A., Rajguru, S. V., Changle, A., Erande, A., & Sainkar, S. (2026). Study of behavioural finance on investment decision of mutual fund. *International Journal of Research and Development: A Management Review, 15*(2), 117–121.

Introduction

Investment is one of the most important activities for attaining financial stability and wealth creation in the future. Various options are available for making investments; among all mutual funds are very popular due to several reasons.

However, this does not imply that investors make logical choices in all their financial transactions. Their decisions are mostly impacted by emotional considerations and irrational thought processes. The discipline of behavioural finance tries to comprehend these irrational behaviour patterns and their implications for financial decision-making.

The main purpose of this study is to find out how various behavioural factors affect mutual funds investment decisions of investors.

Literature Review

Kahneman D and Tversky A (1979): They have formulated a theory known as Prospect Theory. According to them, people react to losses more intensely than gains.

Barber B and Odean T (2001): Overconfident investors trade too much thereby causing them to earn lower profits.

Shiller R J (2003): Market activities are dominated more by psychological and emotional issues than rational ones.

Securities and Exchange Board of India Reports: Stressing on the need for investor awareness and behavioural aspects in the Indian stock market.

Previous studies indicate that psychological biases play a critical role in investment decisions.

Research Gap

There is a scarcity of studies specifically focused on behavioural finance in the Indian mutual fund sector. Limited research has been conducted on the behavioural patterns of young investors.

Many studies rely on secondary data, with insufficient emphasis on primary data collection. There is a need for more detailed analysis of investor psychology and its practical implications.

Objectives of the Study

- To evaluate the investment patterns and preferences related to mutual funds.
- To explore the psychological factors that shape investor behaviour.
- To analyze the connection between investor behaviour and financial decision-making.

Type of Research

This study adopts a descriptive research design, which focuses on systematically describing the characteristics, behaviour, and attitudes of investors towards mutual fund investments. It helps in understanding patterns and relationships without manipulating any variables.

Data Collection

Primary Data: Questionnaire

Secondary Data: Journals, articles, websites

Sample Size

100 Respondents

Tools Used

Percentage Analysis

Chi-Square Test

Data Analysis Objective

To analyze the relationship between behavioural bias and investment decision.

Hypothesis

H0: No significant relationship

H1: Significant relationship exists

Sample Data

Table 1: Respondent Profile

R1	20—30	Male	Student	<1 year
R2	30—40	Female	Private Job	1—3 years
R3	40—50	Male	Business	3—5 years
R4	20—30	Female	Student	<1 year
R5	30—40	Male	Govt Job	1—3 years
R6	50+	Male	Retired	5+ years
R7	20—30	Female	Private Job	<1 year
R8	30—40	Male	Business	3—5 years
R9	40—50	Female	Govt Job	5+ years
R10	20—30	Male	Student	<1 year

Table 2: Behavioural Bias Responses (Likert Scale: 1—5)

(1 — Strongly Disagree, 5 — Strongly Agree)

Respondent ID	**Overconfidence**	**Herd Behaviour**	**Loss Aversion**	**Anchoring**	**Regret Aversion**
R1	4	5	5	3	4
R2	3	4	4	4	3
R3	5	3	4	4	4
R4	4	5	5	3	5
R5	3	4	4	3	3
R6	2	3	5	4	4
R7	4	5	4	3	4
R8	5	4	3	5	3
R9	3	3	5	4	5
R10	4	5	4	3	4

Table 3: Investment Behaviour

Respondent ID	**Investment Type**	**Decision Influence**	**Risk Preference**	**Reaction to Loss**
R1	SIP	Friends	Medium	Hold
R2	Lump Sum	Advisor	Low	Sell
R3	SIP	Self	High	Hold
R4	SIP	Friends	Medium	Panic Sell
R5	Lump Sum	Advisor	Low	Hold

R6	SIP	Self	Low	Hold
R7	SIP	Friends	Medium	Panic Sell
R8	Lump Sum	Self	High	Hold
R9	SIP	Advisor	Low	Sell
R10	SIP	Friends	Medium	Hold

Table 4. Summary (Calculated for Analysis)

Behavioural Bias	**Average Score**
Overconfidence	3.7
Herd Behaviour	4.1
Loss Aversion	4.3
Anchoring	3.6
Regret Aversion	3.9

Interpretation

From the above results, it becomes clear that the phenomenon of loss aversion is the most prominent one for investors. Another key behavioural trait in this context is the effect of social influence, where many people choose to follow what others decide to do rather than make their own analysis. It is evident from the results obtained above that the decision-making process for investment is generally driven by emotions rather than logical thinking. The basic concepts of behavioural finance indicate that investors do not always behave rationally and logically.

Other prominent behavioural traits are herd behaviour and regret aversion. It shows that fear of losses and social influence exert a much greater impact than logic. In addition, investors rely upon past experience, emotional response, and social surroundings for financial decisions. In this regard, it would be useful for investors to understand these behavioural traits to help them make well-informed decisions.

Findings

- A large percentage of investors base their decisions on emotional considerations.
- Herd behaviour is common amongst mutual fund investors.
- Investors consider loss aversion more important than gain maximization.
- Overconfidence often leads investors to invest in risky options.
- Mutual fund investing is increasingly becoming known to investors.

Results & Discussion

Fear of potential losses often leads to cautious or conservative investment strategies, whereas overconfidence may result in excessive risk-taking. However, improved financial literacy and awareness can help reduce the impact of such biases. Overall, the findings confirm that psychological and social factors have a stronger influence on investment behaviour than purely rational analysis. Recognizing these biases is essential for making better financial decisions and achieving long-term investment goals.

Implications

For Investors:

- Enhances the ability to make informed and rational decisions
- Increases awareness of behavioural biases
- Supports better financial planning and portfolio management

For Society:

- Fosters increased financial literacy levels

- Promotes discipline in investing
- Facilitates economic growth

In addition, the research underscores the significance of comprehending the impact of behavioural finance in improving investment decisions and creating a stable financial atmosphere.

Recommendations

- Do not base investment decisions on emotional impulses
- Concentrate on achieving long-term financial goals
- Keep enhancing your financial literacy levels
- Maintain a disciplined and rational investment approach
- Consult financial professionals when required

Summary

The current study, "A Study of Behavioural Finance on Investment Decisions of Mutual Fund Investors," stresses the significance of psychological aspects in determining investor behaviour. It is apparent from the results obtained that investors are not always rational in their financial decisions. Investment decisions in mutual funds can be affected by several types of biases, such as overconfidence, herding, loss aversion, anchoring, and regret avoidance. Out of all these biases, loss aversion is found to be the most prevalent one, considering that investors tend to lose money more than gaining an equal amount. Prospect theory provides support to this phenomenon.

Moreover, the study indicates that investors tend to seek outside influence for help from friends, family members, and financial experts, resulting in herding. The research underlines the importance of behavioural finance in understanding real-world financial behaviour, highlighting that emotional and psychological factors often outweigh traditional rational models.

In conclusion, increasing investor awareness about behavioural biases is essential for improving decision-making. Adopting disciplined strategies such as long-term investment planning and systematic investment plans (SIPs) can help minimize the effects of these biases. Overall, recognizing and managing behavioural biases can lead to more rational investment decisions, improved portfolio performance, and greater financial stability for investors.

References

1. Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica, 47*(2), 263–291.
2. Barber, B. M., & Odean, T. (2001). Boys will be boys: Gender, overconfidence, and common stock investment. *Quarterly Journal of Economics, 116*(1), 261–292.
3. Shiller, R. J. (2003). From efficient markets theory to behavioral finance. *Journal of Economic Perspectives, 17*(1), 83–104.
4. Securities and Exchange Board of India. (2023). *Mutual fund reports and investor awareness publications*. Securities and Exchange Board of India. https://www.sebi.gov.in
5. ResearchGate. (n.d.). *Publications on behavioural finance and investment decision-making*. https://www.researchgate.net