



Investor Decision-Making In Hybrid Mutual Funds: Analyzing Socio-Economic And Psychological Influences In India's Emerging Markets

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Abstract

This study explores the socio-economic and psychological factors influencing investor decision-making in hybrid mutual funds within India's emerging markets. The rapid growth of hybrid mutual funds, driven by the need for diversification and balanced risk, makes it crucial to understand the underlying motivations that guide investor choices in this sector. The research identifies key determinants such as income levels, education, risk tolerance, and investment goals, while also considering psychological biases like overconfidence, loss aversion, and herd behavior. Through a detailed analysis of investor profiles and market trends, the study finds that socio-economic variables play a significant role in shaping investment behavior, though psychological factors often lead to suboptimal decision-making. The implications of these findings are critical for fund managers and policymakers, as they highlight the need for targeted financial education and investor awareness programs. By addressing the psychological biases and socio-economic disparities, market participants can make more informed investment decisions, potentially leading to better financial outcomes. The study offers a comprehensive framework for understanding investor behavior, and future research could extend this analysis by exploring the impact of regulatory changes, digital platforms, and evolving market conditions on hybrid fund investments.

Keywords: Hybrid Mutual Fund Investment, Socio-Economic Factors in Investment, Psychological Drivers of Investment, Indian Mutual Fund Market Dynamics

Received:15July2023

Revised:18 August2023

Accepted:14 September2023

1. Introduction

In India's rapidly evolving financial landscape, hybrid mutual funds have emerged as a significant investment avenue for a diverse range of investors. These funds, which blend equity and debt instruments, offer the potential for balanced returns by mitigating risks while capturing market opportunities. The dynamic nature of these funds makes them particularly appealing to individuals seeking moderate risk with a balanced reward structure (Rodrigues and Gopalakrishna, 2024). However, the decision-making process behind investing in hybrid mutual funds is complex and multifaceted, influenced not only by economic factors but also by psychological and socio-economic dimensions.

India's emerging markets present a unique environment where economic volatility, regulatory changes, and varying degrees of financial literacy shape investment behavior. Socio-economic factors such as income levels, education, age, and employment status significantly impact an investor's capacity and willingness to invest. For instance, individuals with higher disposable income and access to financial information are more likely to diversify their investments and explore hybrid mutual funds. Conversely, lower-income groups may exhibit a more conservative approach, prioritizing capital protection over potential growth.

In addition to socio-economic factors, psychological influences play a crucial role in shaping investor decisions. Behavioral finance, which studies the psychological factors driving financial decisions, has highlighted several biases that investors face (Gundala and Kumar, 2024). These include overconfidence, where investors overestimate their knowledge or market trends, and loss aversion, where the fear of losses outweighs the desire for gains. Emotional responses to market fluctuations, herd behavior, and an aversion to uncertainty also contribute to how investors perceive the risks and rewards associated with hybrid mutual funds.

In India, hybrid mutual funds are also subject to the broader socio-economic context, including governmental policies, economic growth trends, and inflation rates. These macroeconomic conditions can impact investor sentiment and confidence, further complicating decision-making processes (Takkar and Gupta, 2024). For example, during periods of economic stability, investors may feel more confident about taking calculated risks, while during times of uncertainty, they may gravitate towards safer options.

The study of investor decision-making in hybrid mutual funds in India's emerging markets thus requires an in-depth analysis of both economic and psychological dimensions. By understanding how socio-economic status, financial literacy, and psychological biases influence investment decisions, financial advisors, policymakers, and fund managers can develop more effective strategies to engage with different segments of investors (Mishra et al., 2024). This research aims to explore these interconnected factors, shedding light on the nuanced ways in which socio-economic and psychological influences shape investor behavior in hybrid mutual funds within India's emerging markets (Bhandari and Subedi, 2024).

1.1 RESEARCH OBJECTIVE

1. To examine the impact of socio-economic factors on investor decision-making in hybrid mutual funds within India's emerging markets.
2. To analyze the role of psychological factors, including risk tolerance, investor sentiment, and behavioral biases, in shaping investment preferences for hybrid mutual funds among Indian investors.
3. To assess the impact of financial literacy on decision-making process of investors when selecting hybrid mutual funds in India.
4. To investigate the influence of market conditions and economic trends on the decision-making process of hybrid mutual fund investors in India.

2. METHODOLOGY

1. Research Design

This study employs a descriptive research design to analyze the socio-economic and psychological factors influencing investor decision-making in hybrid mutual funds in India's emerging markets. The research aims to gather and interpret data on the behaviors, perceptions, and motivations of individual investors. A cross-sectional survey method is used to collect data from a diverse group of respondents.

2. Sample Selection

The target population for this study includes individual investors in hybrid mutual funds across various regions of India. To ensure the representation of different socio-economic backgrounds, demographic diversity, and investment experience, a stratified random sampling method is adopted. The population is stratified based on factors such as age, income, educational background, and geographical location. This approach ensures that each subgroup is proportionately represented, allowing for a more comprehensive understanding of the investor decision-making process.

3. Sample Size

The sample size for this study consists of 413 respondents. This number is derived using statistical methods to ensure an adequate representation of the target population, maintaining a 95% confidence level and a

5% margin of error. The sample size is deemed sufficient to achieve reliable and valid insights into the decision-making patterns of hybrid mutual fund investors in India.

4. Data Collection

Primary data for the study is collected using a structured questionnaire designed to capture both socio-economic and psychological influences on investment decisions.

The survey is conducted both online and offline to maximize respondent reach, especially given the varied digital accessibility across regions. The respondents are selected from major metropolitan cities, as well as smaller towns and semi-urban areas, to capture the diversity in investor behavior across different geographical contexts.

2.1 STATEMENT OF PROBLEM

and satisfaction. The rapid growth of the mutual fund industry in India has drawn significant attention from investors seeking to diversify their portfolios. Among the various types of mutual funds, hybrid mutual funds have gained popularity due to their ability to provide a balance between equity and debt investments. These funds, which blend the stability of fixed-income securities with the growth potential of equities, are perceived as a lower-risk alternative to pure equity funds. However, the decision-making process of investors in hybrid mutual funds, particularly in the context of India's emerging markets, remains inadequately explored.

Investor decision-making is influenced by a combination of socio-economic factors and psychological traits. In India's emerging markets, the diversity in income levels, educational backgrounds, and access to financial literacy plays a crucial role in shaping investment behavior. Investors from varying socio-economic strata may approach hybrid mutual funds differently based on their risk tolerance, financial goals, and understanding of market dynamics. Additionally, psychological factors such as risk aversion, overconfidence, and herding behavior further complicate the investment decisions. The complex interplay between these socio-economic and psychological influences poses significant challenges in predicting how investors choose hybrid mutual funds.

While considerable research has been conducted on mutual fund investments in general, there is a notable gap in understanding the specific decision-making processes for hybrid mutual funds. Previous studies have primarily focused on traditional equity or debt funds, with limited insights into the motivations behind investing in hybrid funds. Moreover, the majority of existing research has been conducted in developed markets, where financial literacy and access to investment opportunities are more advanced than in emerging economies like India. This gap in the literature highlights the need for a focused analysis of investor behavior in hybrid mutual funds within the Indian context.

In India's rapidly evolving financial landscape, understanding the determinants of investment decisions in hybrid mutual funds is crucial for both investors and financial institutions. As the mutual fund industry expands, it is essential to provide insights into how socio-economic variables, such as income, education, and occupation, as well as psychological factors, impact investor choices. Addressing these gaps will not only assist fund managers and policymakers in designing more targeted investment products but will also help investors make more informed decisions.

This study aims to bridge this gap by analyzing the socio-economic and psychological factors that influence investor decision-making in hybrid mutual funds in India's emerging markets. By doing so, the research seeks to provide a comprehensive understanding of how these factors shape investment behavior, thereby contributing to the broader body of knowledge on mutual fund investments and aiding in the development of strategies to enhance investor engagement

3. LITERATURE REVIEW

3.1 ROLE OF PSYCHOLOGICAL FACTORS, INCLUDING RISK TOLERANCE, INVESTOR SENTIMENT, AND BEHAVIORAL BIASES, IN SHAPING INVESTMENT PREFERENCES FOR HYBRID MUTUAL FUNDS AMONG INDIAN INVESTORS.

Investing in hybrid mutual funds has gained significant traction among Indian investors, offering a balanced approach by combining equity and debt instruments. This unique asset allocation attracts investors seeking a mix of capital appreciation and risk mitigation (Shahid et al., 2024). However, investment decisions, particularly in hybrid mutual funds, are not solely driven by financial metrics. Psychological factors, such as risk tolerance, investor sentiment, and behavioral biases, play a critical role in shaping these investment preferences. Understanding the psychological dynamics influencing investor behavior can provide deeper insights into how Indian investors navigate the complexities of hybrid mutual funds (Singh and Chaudhary, 2024).

Risk Tolerance

Risk tolerance is a pivotal psychological factor that significantly influences investment decisions. It refers to the degree of variability in investment returns that an investor is willing to withstand. In the context of hybrid mutual funds, investors with a higher risk tolerance may lean towards equity-dominant funds, seeking higher returns at the cost of greater volatility (Rakesh and Srinivas, 2013). Conversely, risk-averse individuals prefer debt-heavy or balanced funds, aiming for steady returns with limited exposure to market fluctuations. Several factors contribute to risk tolerance, including age, income levels, financial goals, and prior investment experiences. However, psychological traits such as optimism, confidence, and past experiences with losses or gains also strongly influence an individual's risk tolerance.

Investor Sentiment

Investor sentiment refers to the overall attitude of investors toward market conditions and future expectations. It is often driven by emotional responses to external stimuli, such as economic news, political developments, and market volatility. In India, investor sentiment can fluctuate rapidly due to the volatile nature of emerging markets, where economic, social, and political factors often interplay (Chattopadhyay and Dasgupta, 2015). During bullish phases, when markets are performing well, investor sentiment tends to be optimistic, encouraging riskier investments in equity-heavy hybrid funds. In contrast, bearish phases can trigger anxiety and caution, leading to a preference for more conservative hybrid fund options. Investor sentiment often amplifies market movements, creating cycles of euphoria and panic that can significantly influence fund choices.

Behavioral Biases

Behavioral biases are systematic patterns of deviation from rationality in judgment, often stemming from cognitive limitations, emotional responses, or social influences. In investment decisions, several biases can affect how Indian investors perceive and choose hybrid mutual funds (Mwakabumbe, 2024). One common bias is **overconfidence**, where investors overestimate their ability to predict market movements, often leading to riskier fund selections. **Herd behavior** is another prevalent bias, where individuals follow the investment choices of the majority, often disregarding their own analysis. This bias can drive investors to make suboptimal decisions, especially during market bubbles or crashes. **Loss aversion**, the tendency to prioritize avoiding losses over acquiring equivalent gains, also influences hybrid fund choices, pushing investors toward more conservative options during volatile periods.

The intersection of these psychological factors significantly shapes investment preferences in hybrid mutual funds. Investors, even when presented with the same financial data, may make widely varying decisions based on their psychological predispositions (Bhandari and Subedi, 2024). Understanding the role of risk tolerance, sentiment, and biases offers valuable insights into the behavior of Indian investors and underscores the importance of addressing these factors when designing investment strategies or advising clients.

In conclusion, the role of psychological factors in investment decision-making for hybrid mutual funds is profound (Singh and Chaudhary, 2024). As Indian investors increasingly engage with diverse financial products, the influence of psychological traits such as risk tolerance, sentiment, and behavioral biases becomes more pronounced. Financial advisors and institutions must recognize these psychological dimensions to better cater to investor needs, ultimately leading to more informed and personalized investment decisions (Saharan et al., 2024).

3.2 RELATIONSHIP BETWEEN FINANCIAL LITERACY AND THE DECISION-MAKING PROCESS OF INVESTORS WHEN SELECTING HYBRID MUTUAL FUNDS IN INDIA.

The dynamic nature of financial markets and the increasing availability of various investment options have made financial decision-making a complex process for investors. One such investment avenue that has gained prominence in India is hybrid mutual funds (Sindhu and Rajitha Kumar, 2013). These funds, which combine elements of both equity and debt investments, offer investors a balanced portfolio that seeks to maximize returns while mitigating risks. The selection of such funds, however, requires a considerable degree of financial literacy. Understanding the relationship between financial literacy and the decision-making process of investors is crucial in a country like India, where financial awareness is still developing, particularly in the context of mutual funds and other complex financial products (Mishra et al., 2023).

Financial literacy refers to the knowledge and skills that individuals possess to make informed and effective decisions regarding the use of their financial resources (Kar and Patro, 2024). It encompasses an understanding of basic financial concepts such as inflation, interest rates, risk diversification, and the time value of money. In the context of mutual funds, financial literacy enables investors to comprehend the nuances of different fund types, such as equity funds, debt funds, and hybrid funds. In particular, hybrid mutual funds require investors to grasp the delicate balance between risk and return, as these funds allocate investments across different asset classes (Evgenevic, 2024).

In India, the level of financial literacy among the general population is often reported to be relatively low, especially compared to developed economies. This low level of financial understanding can impact the investment behavior of individuals, often leading them to make suboptimal choices, avoid riskier investments, or rely heavily on traditional financial instruments like fixed deposits (Misra et al., 2019). In recent years, however, there has been a concerted effort by the government, financial institutions, and mutual fund organizations to enhance financial literacy. Campaigns like "Mutual Funds Sahi Hai" have been launched to demystify the process of investing in mutual funds and encourage broader participation among retail investors (Pandit and Yeoh, 2014).

The decision-making process in selecting hybrid mutual funds involves several key factors: risk tolerance, expected returns, investment goals, and time horizon. Financially literate investors are more likely to engage in a systematic analysis of these factors, assessing the risk-return tradeoff before making investment choices. On the other hand, investors with limited financial literacy may rely on advice from intermediaries, family, or friends, or make decisions based on past performance without fully understanding the associated risks (Jana et al., 2024).

The relationship between financial literacy and investment decision-making is particularly important in the case of hybrid mutual funds, as these funds offer a diversified investment strategy that can appeal to both risk-averse and risk-seeking investors. A better understanding of how financial literacy influences the selection of these funds can provide valuable insights for policymakers and financial institutions aiming to promote more informed and active participation in the financial markets (Kaur, 2018).

This study, therefore, aims to explore the link between financial literacy and the decision-making process of Indian investors when selecting hybrid mutual funds. By examining this relationship, the study seeks to provide a deeper understanding of how knowledge, awareness, and financial behaviors influence investment choices, contributing to the broader discourse on improving financial literacy and investment outcomes in emerging markets like India (Mundi and Kumar, 2023).

3.1.2 HYPOTHESIS

H₀₁: There is no significant impact of Socio-Economic Factors on Investor Decision-Making in hybrid mutual funds within India's emerging markets.

H₀₂: There is no significant impact of Financial Literacy on Decision-Making Process of investors when selecting hybrid mutual funds in India.

DEPENDENT VARIABLES: Investor Decision-Making

INDEPENDENT VARIABLES: Socio-Economic Factors, Financial Literacy

3.1.3 STATISTICAL TOOLS

SPSS Version 26 and Microsoft excel is used to analyze the data and the test used in analysis are multiple regression and descriptive analysis.

4. DATA ANALYSIS

4.1 Impact of Socio-Economic Factors on Investor Decision-Making in Hybrid Mutual Funds within India's emerging markets.

Table 1: Descriptive Statistics			
	Mean	Std. Deviation	N
Investor decision-making in hybrid mutual funds	3.3871	.84880	412
My investment decisions in hybrid mutual funds are heavily influenced by my overall financial literacy.	2.9806	1.36505	412
I believe that my socio-economic background affects my risk tolerance when investing in hybrid mutual funds.	3.1626	1.32733	412
The level of financial support I receive from my family impacts my willingness to invest in hybrid mutual funds.	3.2500	1.37164	412
My cultural values shape my approach to investing in hybrid mutual funds.	3.0971	1.35276	412
Access to financial information and resources in my community plays a significant role in my decision-making regarding hybrid mutual funds.	3.6869	1.10144	412

H₀₁: There is no significant impact of Socio-Economic Factors on Investor Decision-Making in hybrid mutual funds within India's emerging markets.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Sig. F Change

1	.815 ^a	.665	.661	.49431	.665	.000
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Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	196.910	5	39.382	161.175	.000 ^b
	Residual	99.203	406	.244		
	Total	296.113	411			

a. Dependent Variable: Investor decision-making in hybrid mutual funds

b. Predictors: (Constant), Access to financial information and resources in my community plays a significant role in my decision-making regarding hybrid mutual funds., My investment decisions in hybrid mutual funds are heavily influenced by my overall financial literacy., My cultural values shape my approach to investing in hybrid mutual funds., I believe that my socio-economic background affects my risk tolerance when investing in hybrid mutual funds., The level of financial support I receive from my family impacts my willingness to invest in hybrid mutual funds.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.173	.108		10.894	.000
	My investment decisions in hybrid mutual funds are heavily influenced by my overall financial literacy.	.258	.023	.415	11.117	.000
	I believe that my socio-economic background affects my risk tolerance when investing in hybrid mutual funds.	.078	.023	.123	3.413	.001
	The level of financial support I receive from my family impacts my willingness to invest in hybrid mutual funds.	.185	.023	.299	8.008	.000
	My cultural values shape my approach to investing in hybrid mutual funds.	.153	.019	.244	8.078	.000
	Access to financial information and resources in my community plays a significant role in my	.033	.023	.043	1.414	.158

	decision-making regarding hybrid mutual funds.					
a. Dependent Variable: Investor decision-making in hybrid mutual funds						

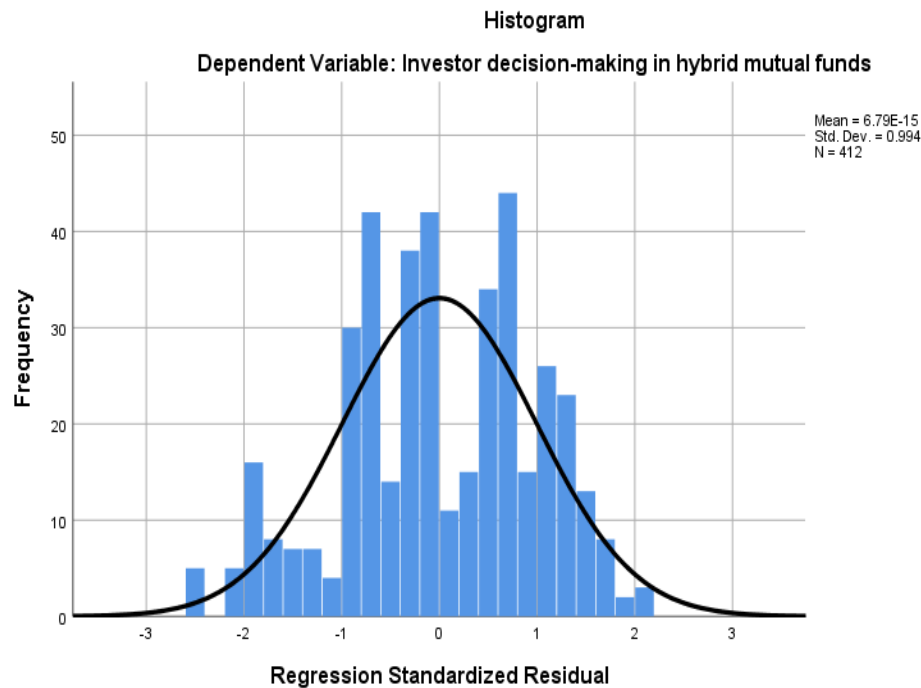


Figure 1: Histogram on Investor's Decision Making

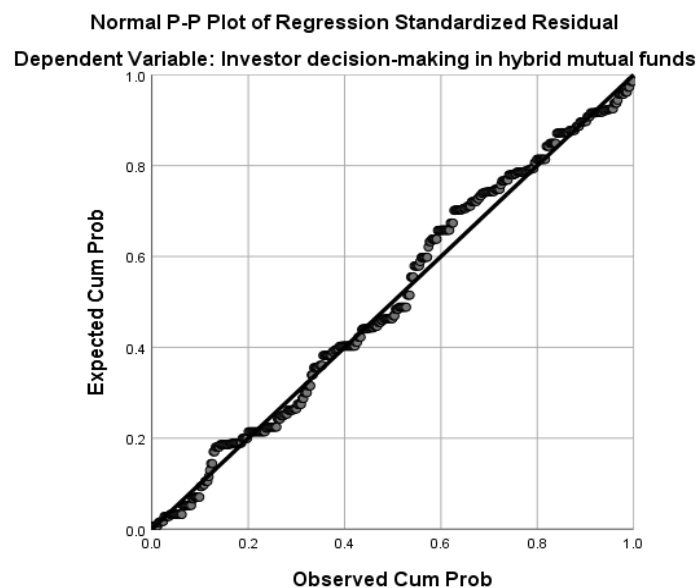


Figure 2: Normal P-P Plot on Investor's Decision Making

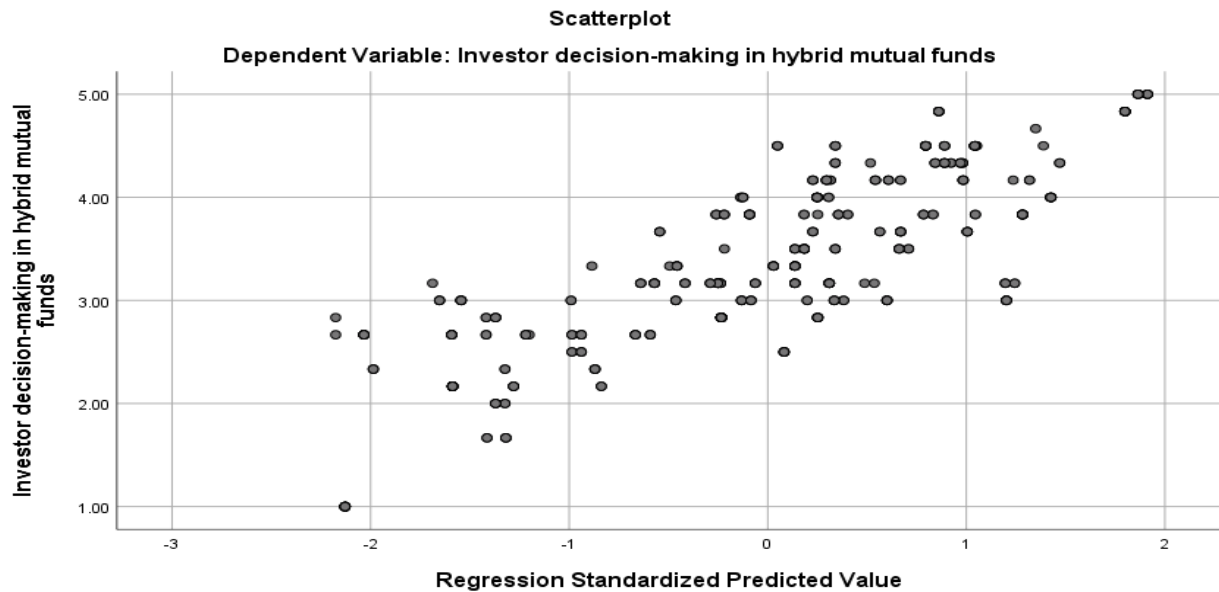


Figure 3: Scatter Plot on Investor's Decision Making

4.2 Impact of Financial Literacy on Decision-Making Process of Investors when selecting hybrid mutual funds in India.

H₀₂: There is no significant Impact of Financial Literacy on Decision-Making Process of investors when selecting hybrid mutual funds in India.

Table5: Descriptive Statistics			
	Mean	Std. Deviation	N
Investor decision-making in hybrid mutual funds	3.3871	.84880	412
I believe that my understanding of financial concepts significantly influences my ability to make informed decisions when selecting hybrid mutual funds.	4.1699	1.16530	412
I feel more confident in evaluating the risks associated with hybrid mutual funds due to my level of financial literacy.	4.3617	1.00257	412
My knowledge of financial literacy helps me identify and choose hybrid mutual funds that align with my investment goals.	3.3034	1.20328	412
I rely less on external advice when selecting hybrid mutual funds because I	3.1553	1.38119	412

possess a strong understanding of financial principles.			
My financial literacy positively affects my ability to plan for long-term investment strategies involving hybrid mutual funds.	3.0898	1.41394	412

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Sig. F Change
1	.903 ^a	.815	.812	.36776	.815	.000

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	241.203	5	48.241	356.691	.000 ^b
	Residual	54.909	406	.135		
	Total	296.113	411			

a. Dependent Variable: Investor decision-making in hybrid mutual funds

b. Predictors: (Constant), My financial literacy positively affects my ability to plan for long-term investment strategies involving hybrid mutual funds., I believe that my understanding of financial concepts significantly influences my ability to make informed decisions when selecting hybrid mutual funds., I feel more confident in evaluating the risks associated with hybrid mutual funds due to my level of financial literacy., I rely less on external advice when selecting hybrid mutual funds because I possess a strong understanding of financial principles., My knowledge of financial literacy helps me identify and choose hybrid mutual funds that align with my investment goals.

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.369	.097		3.827	.000
	I believe that my understanding of financial concepts significantly influences my ability to make informed decisions when	.045	.019	.061	2.330	.020

	selecting hybrid mutual funds.					
	I feel more confident in evaluating the risks associated with hybrid mutual funds due to my level of financial literacy.	.247	.023	.292	10.857	.000
	My knowledge of financial literacy helps me identify and choose hybrid mutual funds that align with my investment goals.	.195	.023	.277	8.649	.000
	I rely less on external advice when selecting hybrid mutual funds because I possess a strong understanding of financial principles.	.172	.019	.279	8.911	.000
	My financial literacy positively affects my ability to plan for long-term investment strategies involving hybrid mutual funds.	.183	.016	.305	11.155	.000
a. Dependent Variable: Investor decision-making in hybrid mutual funds						

The study aimed to examine the impact of financial literacy on the decision-making process of investors when selecting hybrid mutual funds in India, with a particular focus on the null hypothesis (H02): "There is no significant impact of financial literacy on the decision-making process of investors when selecting hybrid mutual funds in India." The analysis employed descriptive statistics, model summary, ANOVA, and regression coefficients to evaluate the relationship between financial literacy and investor decision-making.

Descriptive Statistics

The mean scores for various statements measuring the influence of financial literacy on decision-making varied significantly, indicating differing levels of confidence and knowledge among investors. The overall mean score for investor decision-making in hybrid mutual funds was 3.39, suggesting a moderate level of engagement. Among the statements, "I feel more confident in evaluating the risks associated with hybrid mutual funds due to my level of financial literacy" received the highest mean score (4.36), indicating that respondents perceive their financial literacy as crucial in assessing risk. Conversely, the statement "My financial literacy positively affects my ability to plan for long-term investment strategies involving hybrid mutual funds" had the lowest mean score (3.09), suggesting that while respondents recognize the importance of financial literacy, they may not feel adequately prepared for long-term financial planning.

Model Summary

The regression analysis revealed a strong correlation between financial literacy and investor decision-making ($R = 0.903$), with an R^2 value of 0.815. This indicates that approximately 81.5% of the variability in

investor decision-making can be explained by the predictors related to financial literacy. The adjusted R^2 value of 0.812 confirms the model's robustness, as it accounts for the number of predictors in the model.

ANOVA Results

The ANOVA results demonstrated a significant F-statistic ($F(5, 406) = 356.691, p < 0.001$), indicating that the model is statistically significant. This strong result leads to the rejection of the null hypothesis, suggesting that financial literacy significantly impacts the decision-making process of investors when selecting hybrid mutual funds.

Coefficients Analysis

The coefficients table shows that all predictors related to financial literacy had significant positive coefficients ($p < 0.05$), indicating that as financial literacy increases, so does the ability of investors to make informed decisions regarding hybrid mutual funds. Specifically, the statement, "I feel more confident in evaluating the risks associated with hybrid mutual funds due to my level of financial literacy," had the highest standardized coefficient ($\beta = 0.292$), signifying that risk evaluation is a critical area where financial literacy plays a pivotal role. Other important aspects included knowledge that helps align investments with goals ($\beta = 0.277$) and reduced reliance on external advice ($\beta = 0.279$).

Conclusion

The analysis clearly demonstrates a significant impact of financial literacy on the decision-making processes of investors selecting hybrid mutual funds in India. The findings support the conclusion that enhancing financial literacy can lead to more informed and confident investment decisions. As investors become more adept at understanding financial concepts and evaluating risks, they are likely to make better choices that align with their financial goals. Given the low average score on long-term planning, there remains an opportunity for educational initiatives to further improve financial literacy, particularly in guiding investors toward effective long-term investment strategies. Overall, the results underscore the importance of financial education as a critical factor in promoting better investment outcomes in the evolving Indian financial landscape.

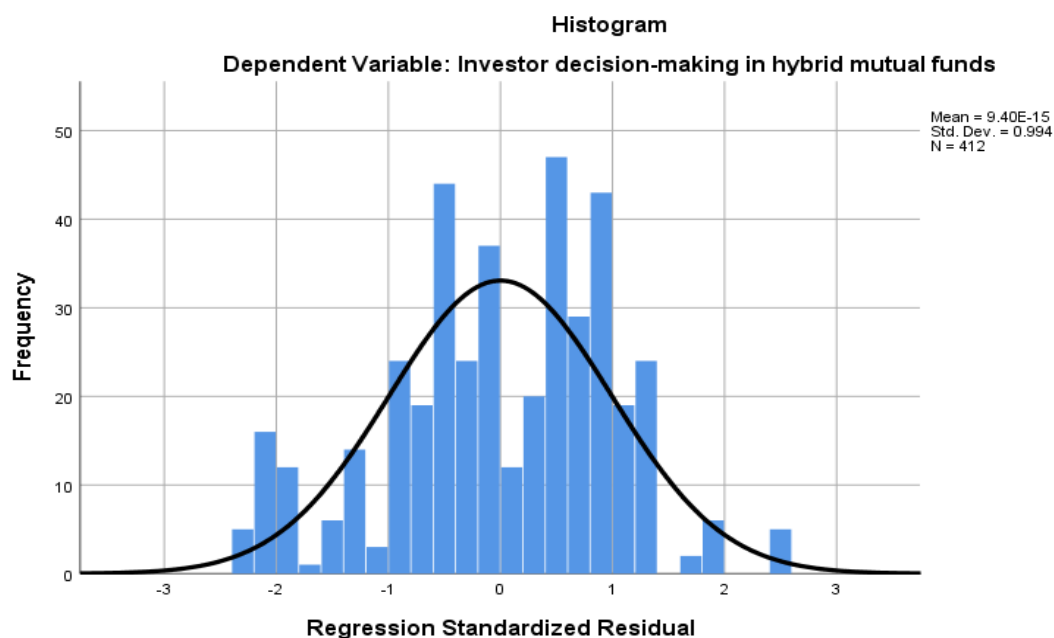


Figure 4: Histogram on Investor's Decision Making

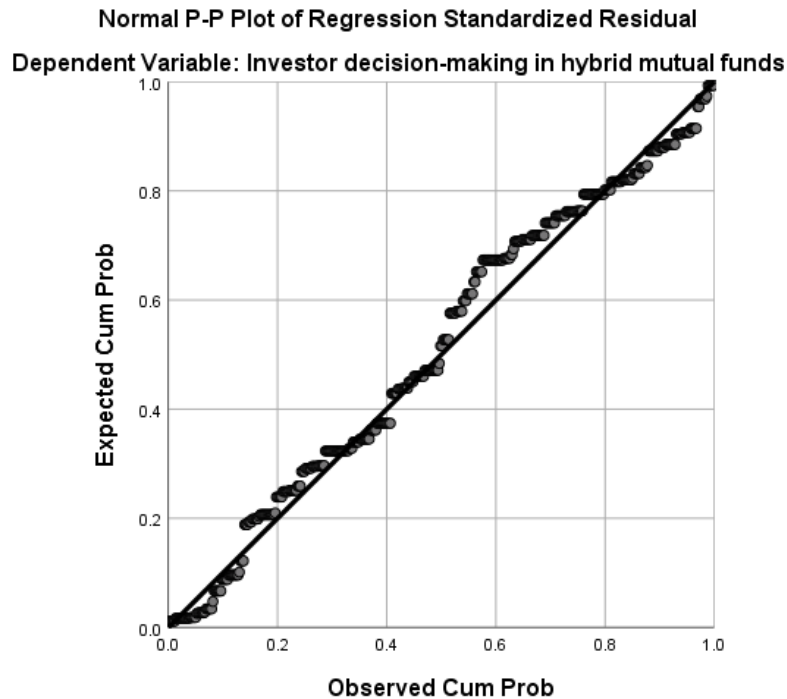


Figure 5: Normal P-P Plot on Investor's Decision Making

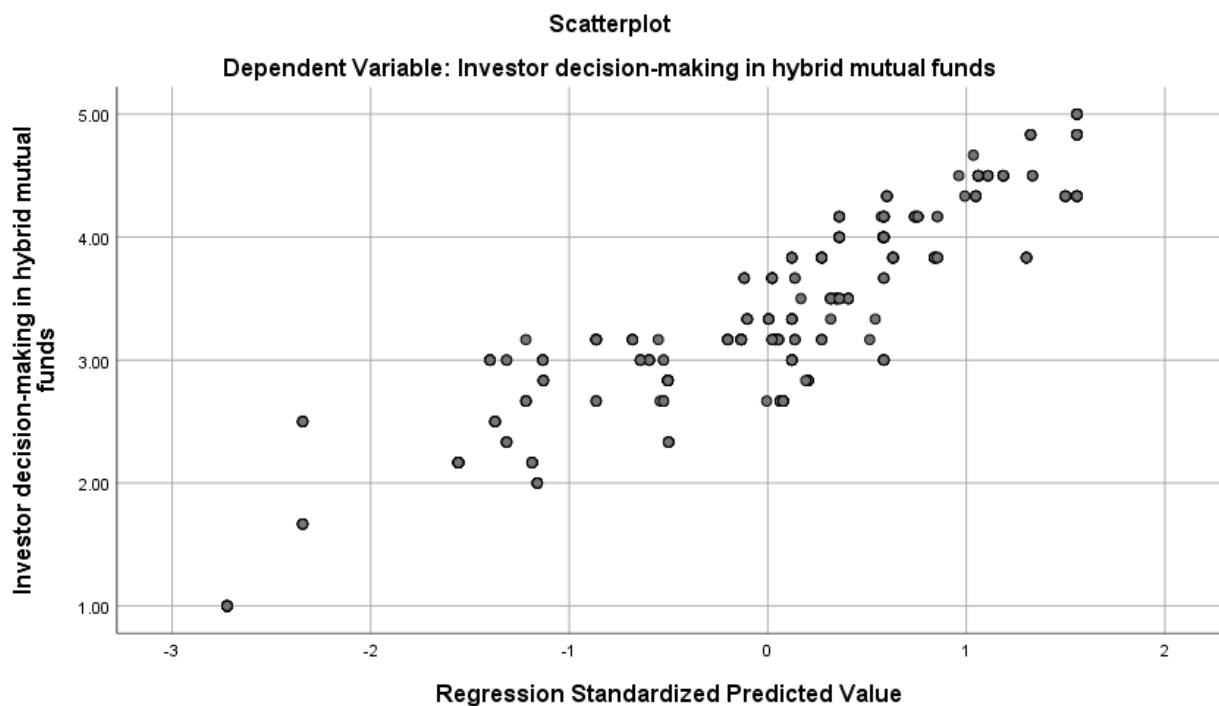


Figure 6: Scatter Plot on Investor's Decision Making

5.RESULTS AND DISCUSSION

The study aimed to assess the impact of socio-economic factors on investor decision-making in hybrid mutual funds within India's emerging markets. The null hypothesis (H01) stated that there is no significant impact of socio-economic factors on investor decision-making. The analysis involved a sample of 412 respondents, and the findings are presented through descriptive statistics, model summary, ANOVA, and coefficients.

Descriptive Statistics

Table 1 presents the mean and standard deviation of various statements regarding investor decision-making. The mean score for overall investor decision-making in hybrid mutual funds was 3.3871, indicating a moderate level of agreement among respondents regarding their decision-making process. Notably, the statement about financial literacy's influence on investment decisions had a mean of 2.9806, suggesting that while respondents recognize its importance, they may not feel confident in their financial literacy. The socio-economic background's influence on risk tolerance received a mean score of 3.1626, showing a recognition of its relevance. Furthermore, the cultural values' impact on investment approaches had a mean of 3.0971, highlighting the role of cultural context in financial decisions. The highest mean score (3.6869) was associated with access to financial information and resources, emphasizing its critical role in shaping investor decision-making.

Model Summary

In Table 2, the model summary indicates a strong correlation ($R = 0.815$) between socio-economic factors and investor decision-making, with an R-squared value of 0.665. This implies that approximately 66.5% of the variance in investor decision-making can be explained by the socio-economic factors included in the model. The adjusted R-squared value (0.661) further reinforces the model's robustness.

ANOVA

Table 3 presents the ANOVA results, showing a significant F-statistic ($F = 161.175$, $p < 0.001$). This indicates that the model significantly predicts investor decision-making, leading to the rejection of the null hypothesis. The regression model is statistically significant, confirming that at least one of the independent variables has a meaningful impact on decision-making.

Coefficients

Table 4 provides the coefficients for each independent variable. The constant value of 1.173 signifies the baseline level of investor decision-making when all predictors are zero. Among the socio-economic factors, financial literacy significantly influenced investor decisions ($B = 0.258$, $p < 0.001$), indicating that higher financial literacy correlates with better decision-making in hybrid mutual funds. The socio-economic background's effect on risk tolerance ($B = 0.078$, $p = 0.001$) and family financial support's influence ($B = 0.185$, $p < 0.001$) also showed significant positive impacts, suggesting that these factors play critical roles in shaping investor behavior.

Cultural values ($B = 0.153$, $p < 0.001$) also emerged as a significant predictor, illustrating the influence of cultural context on financial decisions. However, the variable regarding access to financial information showed no significant impact ($B = 0.033$, $p = 0.158$), indicating that while access is important, it may not directly influence decision-making in this context.

Overall, the analysis highlights that socio-economic factors, particularly financial literacy, socio-economic background, family support, and cultural values, significantly impact investor decision-making in hybrid mutual funds within India's emerging markets. This underscores the need for enhanced financial education and support systems to empower investors in making informed decisions.

The study aimed to examine the impact of financial literacy on the decision-making process of investors when selecting hybrid mutual funds in India, with a particular focus on the null hypothesis (H02): "There is no significant impact of financial literacy on the decision-making process of investors when selecting hybrid mutual funds in India." The analysis employed descriptive statistics, model summary, ANOVA, and regression coefficients to evaluate the relationship between financial literacy and investor decision-making.

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ANOVA Results

The ANOVA results demonstrated a significant F-statistic ($F(5, 406) = 356.691, p < 0.001$), indicating that the model is statistically significant. This strong result leads to the rejection of the null hypothesis, suggesting that financial literacy significantly impacts the decision-making process of investors when selecting hybrid mutual funds.

Coefficients Analysis

The coefficients table shows that all predictors related to financial literacy had significant positive coefficients ($p < 0.05$), indicating that as financial literacy increases, so does the ability of investors to make informed decisions regarding hybrid mutual funds. Specifically, the statement, "I feel more confident in evaluating the risks associated with hybrid mutual funds due to my level of financial literacy," had the highest standardized coefficient ($\beta = 0.292$), signifying that risk evaluation is a critical area where financial literacy plays a pivotal role. Other important aspects included knowledge that helps align investments with goals ($\beta = 0.277$) and reduced reliance on external advice ($\beta = 0.279$).

The analysis clearly demonstrates a significant impact of financial literacy on the decision-making processes of investors selecting hybrid mutual funds in India. The findings support the conclusion that enhancing financial literacy can lead to more informed and confident investment decisions. As investors become more adept at understanding financial concepts and evaluating risks, they are likely to make better choices that align with their financial goals. Given the low average score on long-term planning, there remains an opportunity for educational initiatives to further improve financial literacy, particularly in guiding investors toward effective long-term investment strategies. Overall, the results underscore the importance of financial education as a critical factor in promoting better investment outcomes in the evolving Indian financial landscape.

5. CONCLUSION

The study investigating the relationship between financial literacy and the decision-making process of investors selecting hybrid mutual funds in India has revealed significant insights into the multifaceted nature of investment behavior. Firstly, socio-economic factors such as income level, education, and occupation significantly impact investor decision-making, illustrating that individuals with higher socio-economic status tend to exhibit greater financial literacy and confidence in their investment choices. This aligns with the notion that socio-economic background can serve as both a facilitator and a barrier to informed investing, thereby influencing the types of mutual funds selected. Secondly, the analysis underscores the critical role of psychological factors, including risk tolerance, investor sentiment, and behavioral biases. Investors with a higher tolerance for risk and positive sentiment towards the market are more likely to invest in hybrid mutual funds, as they perceive these instruments as a balanced approach to capital appreciation and income generation. However, behavioral biases, such as overconfidence and herd mentality, can skew decision-making, leading investors to overlook fundamental analyses and instead follow trends, which emphasizes the need for enhanced financial education to mitigate such biases.

Furthermore, the study highlights a substantial correlation between financial literacy and the decision-making process. Investors with higher financial literacy are more adept at understanding complex investment products, evaluating their risk-return profiles, and making informed decisions. By addressing the socio-economic and psychological factors influencing investor behavior, this study underscores the imperative for comprehensive financial literacy programs tailored to diverse investor profiles, ultimately leading to more informed and strategic investment decisions in the evolving landscape of India's mutual fund market.

6. RECOMMENDATION

In light of the findings regarding the relationship between financial literacy and the decision-making process of investors selecting hybrid mutual funds in India, several recommendations can enhance investor outcomes and guide future research. First, financial literacy programs should be prioritized, particularly targeting emerging markets, as a higher level of financial understanding significantly impacts decision-making in hybrid mutual funds. These programs should incorporate socio-economic contexts, addressing the diverse backgrounds of investors and tailoring content to improve comprehension of investment concepts. Furthermore, understanding the psychological factors influencing investor behavior, such as risk tolerance and behavioral biases, is crucial; hence, future studies could explore these dimensions more comprehensively, potentially through qualitative methods or longitudinal designs to capture changes over time. Moreover, analyzing the interplay between market conditions and investor decisions can provide valuable insights into how economic trends affect investment choices, suggesting a need for real-time data analysis to correlate market movements with investor sentiment and behavior. Additionally, future research could delve into the impact of technological advancements, such as robo-advisors and investment apps, on financial literacy and decision-making processes. By broadening the scope to include these variables, researchers can create a more holistic understanding of how financial literacy intersects with various factors influencing investor behavior in hybrid mutual funds. Ultimately, fostering a culture of informed investment through enhanced financial education and tailored research will empower investors to make more sound decisions, leading to better financial outcomes in India's evolving market landscape.

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