

A Study of Demographic Attributes and Their Correlation with Mutual Fund Preference in Darjeeling

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Abstract

This study examines how demographic characteristics correlated with mutual fund investment behaviour among residents of the Darjeeling Municipality. Primary data were collected from 118 respondents through structured questionnaires using a random sampling method. The research focuses on main demographic variables—income, education, and family size and evaluate the relationship with investment preferences using descriptive statistics and Pearson correlation analysis. The findings reveal weak positive correlations between mutual fund preference and both income and education; however, these relationships are not statistically significant at the 5% level. Family size exhibits a very weak negative and non-significant correlation with mutual fund preference. The analysis of preferred investment avenues shows the fixed deposits, insurance, and gold dominate household preferences, whereas mutual funds, and other market-linked instruments are less favoured. Overall, the study emphasized the continued preference for low-risk traditional investments and the limited correlation of demographic variables with mutual fund participation in Darjeeling.

Keywords: Mutual Funds, Traditional investment, Insurance, Fixed Deposits and Demographic variables

INTRODUCTION:

Investment behaviour is an important area of study in understanding how individuals manage their savings and choose among various financial instruments. In developing economies like India investment preferences are framed by financial literacy and market awareness along with cultural beliefs, demographic characteristics, perceived risk, and trust in institutions (Statman, 2019). While several studies across India have emphasized shifting investment behaviour. The investment environment of Darjeeling is different due to its geographical isolation, socio-economic diversity, strong cultural identity, and dependence on tourism and tea-based economies. These factors impact the residents perceive financial markets, the level of risk they are willing to take and the instruments prefer to invest in. (Government of West Bengal, District Human Development Report: 2021)

Savings and investment play a main role in financial stability at the household and regional levels. Traditionally, households in India have preferred safe and tangible assets such as gold, fixed deposits, real estate, and postal savings. While metropolitan areas have experienced a rapid shift toward mutual funds, equities, and digital investment platforms. (Reserve Bank of India, 2020)

In several segments of India, the rise of mutual fund investments has been attributed to enhancing financial literacy, digital accessibility, and improved transparency. Findings from studies in Gujarat emphasized the younger, educated, and salaried individuals are adopting mutual funds due to their advantages such as liquidity, transparency, flexibility, and professional management. **(Shah, 2021).**

Darjeeling's socio-economic structure adds significant complexity to investment behaviour. The district consists of urban centres such as Darjeeling Municipality, Kurseong, Kalimpong, and semi-urban areas like Mirik, alongside rural tea-garden communities that differ widely in income levels, occupational patterns, and access to financial services. **(Government of West Bengal, 2021; Khawas, 2013).**

This study is designed to analyse where the people of Darjeeling invest their savings—whether in traditional avenues like bank deposits, post office savings, life insurance, gold, land, and chit funds or modern instruments such as shares and mutual funds. It also examines how demographic variables such as, income, education, and family size related to mutual fund preferences.

The findings of such research will have important implications. For financial institutions and mutual fund distributors working in Darjeeling, understanding investor preferences will help design appropriate strategies to promote participation in market-linked products. Policymakers can use these insights to enhance financial literacy programmes tailored to hill districts. For investors, the study can help create awareness about diversification, long-term planning, and scientifically informed decision-making.

OBJECTIVE:

- To study the investment pattern of individual investors.
- To examine the relation between the preference of investment with demographic variables.

LITERATURE REVIEW:

Pestonjee & Balsara (2000) This study examines the extent to which working women in India are able to make independent investment decisions and explores their investment behaviour within a predominantly male-driven financial environment. A total of 227 working women from three cities—Ahmedabad (108), Solapur (60), and Gulbarga (59)—were surveyed using a structured questionnaire. Data were collected on savings habits, preferred investment instruments, influencing factors, spending patterns, and who makes financial decisions within the Household. The findings reveal no significant differences among women from the three cities in terms of age, family size, family type, marital status, education level, occupation, or annual income. The results further indicate that investment decision-making among working women is not strongly linked to cultural or demographic characteristics.

Davar et al., (2009) conducted to examines how Indian households make investment decisions by analysing the variables highlighted in existing Investment Decision Making (IDM) models. These models identify different factors that influence investors choices and help explain their decision-making behaviour. The study, based on a sample of 500 household investors, explored the key dimensions influencing the selection of various investment avenues. The findings from factor analysis indicate that familiarity, satisfaction, opinions, and demographic traits significantly affect all investment options. Satisfaction played a major role in present investment choices, while opinions shaped preferences for future investments. These insights emphasize the need for greater investor education to support the healthy development of India's capital market.

Chakrabarti and Sen (2012) observed that Indian investors show a strong attachment to traditional investment avenues such as gold and real estate, especially when equity markets decline. This preference

reflects long-standing cultural beliefs that view these assets as stable and reliable stores of value. The trend became even more evident following the geopolitical tensions of 2022, when many households shifted additional funds into gold rather than remaining in volatile equity markets. Such behaviour demonstrates that emotional security and cultural familiarity often outweigh potential financial returns for a large segment of investors. These patterns highlight the enduring influence of tradition and perceived safety on investment decisions in India.

Laxmi (2013) The study examines how demographic features influence the investment options selected by individuals in the twin cities of Hyderabad and Secunderabad. The empirical findings show that variables like gender, age, and opinions from friends play a significant role in shaping investors' decision. These influences appear stronger than other demographic variables. The analysis further reveals that most respondents adopt a conservative approach toward investing. They preferred to safety and stability over rapid wealth creation or highly liquid options. Overall, the study highlights that investors in this region prefer low-risk avenues and display limited interest in aggressive strategies aimed at quick financial growth.

Ady (2013) observed that investors often disclose behaviour that deviates from rational decision-making. Various psychological influences—such as overconfidence, loss aversion, cognitive dissonance, representativeness, and self-attribution—influence their judgments and actions in the market. These biases frequently lead investors to trade excessively, follow the crowd, or participate in noisy and impulsive trading. Instead of depends mainly on surface-level indicators of behaviour. By understanding the internal experiences, perceptions, and motivations that drive investor behaviour, it becomes possible to design more effective strategies for behavioural improvement. This approach ensures that corrective measures address the root causes of irrationality and help investors develop more disciplined and informed decision-making patterns.

Das & Jain (2014) This study explores how demographic characteristics shape investors' investment decisions. The paper highlights that behavioural factors significantly affect investment choices, and demographic attributes are a key component of this behaviour. The research examines the relationship between four demographic variables—age, gender, education, and occupation—and four major investment objectives: risk, return, retirement planning, and tax benefits. These objectives largely determine investors' purchasing preferences. Using a sample of 150 respondents, data were analysed through SPSS to identify patterns and associations. Findings indicate that demographic factors strongly impact investors' decision-making processes, with age and educational qualification proceed as the most influential variables. The study reinforces the idea that investment behaviour in the Guwahati region is affected by individual demographic profiles.

Inamdar (2015) The study presents a view of investment, its meaning, and its crucial from economic and personal perspectives, explaining that investment includes allocating funds with the expectation of future returns at different risk levels. It highlights the growing importance of investment due to rising life expectancy, inflation, income growth, and the expansion of financial institutions, along with the need for legal safeguards and a stable financial environment. The findings show that investment decisions are largely male-dominated, with most investors aged 30–34. Graduates and postgraduates participate actively, and higher income levels correlate with greater awareness. Media, friends, and advisors significantly influence decisions, while investors prefer insurance, government securities, real estate, and mutual funds and regularly review their portfolios.

Rajagopalan and Gurusamy (2015) explained that different demographic and behavioural factors impact the extent to which investors experience the illusion of control and socio-conformity biases. Their study showed that characteristics such as gender, age, marital status, occupation, and income significantly influence how confidently investors believe they can control market outcomes. Additionally, investment-related behaviours—such as the amount of time spent on market analysis, the number of trades executed each month, the proportion of shares held for speculative purposes, and overall investment experience—also play a crucial role in determining these biases. The researchers further noted that the annual returns investors earn from equity investments contribute to reinforcing or weakening their perceived control over market performance. Overall, the findings indicate that both personal attributes and trading behaviour collectively shape investors' susceptibility to psychological biases.

Sudhamathi and Kaliyamoorthy (2015) noted that investing has long been a traditional way for individuals to build wealth within society. However, many investors remain hesitant to explore new or high-risk investment avenues because their choices are strongly influenced by family expectations and the surrounding social environment. The study further highlighted that the entry of foreign direct investment (FDI) and foreign institutional investors (FII) brought significant changes to the structure of the Indian market. These developments broadened market participation and encouraged different categories of retail investors to enter the equity segment. Over time, the equity market transitioned from being primarily an investment avenue to becoming an active space for trading and speculation.

Venkatragavan and Chandran (2018) observed that investors in the share market make their investment choices largely based on two key factors: the level of risk associated with an investment and the potential profit it can offer. The researchers noted that investors place considerable trust in regulatory authorities and expect these bodies to safeguard their interests through effective monitoring and protective measures. This expectation reflects their desire for a secure investment environment, where unfair practices are minimized and transparency is ensured. Overall, the findings show that both risk–reward considerations and confidence in regulatory institutions significantly influence investor behaviour.

Upadhyay and Paresch (2019) found that investors with higher educational qualifications tend to show stronger overconfidence, particularly in their belief that they can accurately predict market movements. The study also noted gender differences, showing that female investors are generally more affected by emotional biases than their male counterparts. Interestingly, the results indicated that confirmation bias is not related to the age of investors; individuals of any age group can experience this bias equally. The research further highlighted occupational differences in risk-taking behaviour, revealing that self-employed individuals are more inclined to take higher risks compared to those working in salaried or other professional roles. Overall, the study suggests that education, gender, and occupation influence behavioural biases, while age does not significantly impact confirmation bias in investment decisions.

Smales (2021) noted that online platforms like Reddit and r/India Investments have increasingly shaped speculative behaviour among Indian retail investors. During events such as the Adani crisis, several viral discussions promoted claims of “undervalued” stocks, prompting many inexperienced investors to take misguided positions. These episodes highlight how quickly misinformation can spread through digital forums and how strongly it can influence market sentiment. The study underscores the growing need for critical evaluation of online content and stronger safeguards to protect investors from misleading or unverified financial narratives.

Jetti (2023) Investor behaviour in capital markets has been extensively studied, highlighting that investment decisions are often influenced by psychological biases rather than purely rational evaluation.

Prior studies emphasise that behavioural biases—such as overconfidence, optimism, herd behaviour, and mental accounting—significantly influence investors' choices, especially under volatile market conditions. Demographic variables like age, income, education, and trading experience contribute to differences in risk perception and investment preferences. Several scholars argue that despite increased financial literacy initiatives, many investors continue to rely on heuristics, peer influence, and market sentiments when selecting instruments such as equities and derivatives. Recent studies further indicate that investors tend to prefer products offering short returns, even when associated with higher risk.

Mudit & Parul (2024) This study examines how retail investors in India behave during bear markets by integrating behavioural finance theories with real-world evidence. Using NSE/BSE data (2015–2023), social-media sentiment analysis and surveys from 50 investors, the research identifies three prominent behavioural patterns: loss aversion, herd behaviour, and cultural preference for traditional assets. A significant share of investors continues holding loss-making stocks, reflecting Prospect Theory. Cultural bias is evident in the shift toward gold and fixed deposits after market declines. Statistical findings link social-media sentiment with mid-cap volatility and show rising overconfidence among those with larger portfolios.

RESEARCH GAP:

The reviewed literature collectively highlights a wide range of factors influencing investment behaviour, including demographic variables, behavioural biases, cultural preferences, and the influence of media and regulatory trust. Studies by Inamdar (2015), Laxmi (2013), and Davar et al. emphasise the role of demographic and psychological traits in shaping investment preferences, while others such as Sri Utami Ady (2013), Upadhyay and Paresh (2019), and Rajagopalan and Gurusamy (2015) explore how cognitive biases distort rational decision-making. Research also stresses the influence of social environment, traditional beliefs, and external shocks—such as market crises or geopolitical tensions—on investors' shift toward safer assets. Additionally, recent work, including Mudit and Parul (2024) and Smales (2021), shows the rising impact of digital platforms and social-media sentiment on retail investor behaviour.

Despite these insights, several important gaps remain unaddressed. First, most existing studies focus on metropolitan or urban regions, leaving limited understanding of how demographic variables influence investment behaviour in geographically distinct and socio-economically diverse areas such as hill districts. Second, while many studies explore demographic influences on general investment choices, very few specifically examine how variables such as income, education, and family size affect mutual fund investor. Mutual funds have become increasingly important for small investors, but the relationship between demographic characteristics and mutual fund outcomes remains largely underexplored.

Therefore, there is a clear need for research that integrates demographic and behavioural factors to understand investment patterns, particularly mutual fund investment, within unique socio-geographical settings like Darjeeling.

RESEARCH METHODOLOGY:

The research methodology of this study is designed to explore the association of demographic characteristics like income, education and family size on preference of investor. Primary data were gathered through close-ended questionnaires administered during scheduled interviews. The study covers 118 investors living within the Darjeeling Municipality, selected through a simple random sampling method. Although the intended sample size was 150, only 118 responses were found valid for analysis.

The questionnaire collected information on key demographic factors, including income, family size, and educational qualification, along with data related to preferences of respondents. The responses were analysed using descriptive statistical tools such as frequency distribution and correlation analysis. The purpose of the study is to assess whether income, family size, and education have a significant association with preferences and their choices of investment. The results and conclusions are based on the statistical evaluation of the collected data using these analytical methods.

Investment preferences (Table: 1)

Mutual fund	15
Provident fund	11
Shares	6
Insurance	30
Real estate	19
Gold	26
Chit fund	11
Fixed deposits	101

Sources: Author's Survey

Interpretation:

From the Table: 1. The Fixed Deposit (FD) is the most preferred investment option, chosen by 101 respondents out of 118. This indicates that a majority of investors in the study area prefer safe and secure investment avenues that offer stable returns. The next most preferred options are Insurance (30 respondents) and Gold (26 respondents), showing a moderate inclination towards these traditional and risk-averse investments. On the other hand, Mutual Funds (15 respondents), Provident Funds (11 respondents), Chit Funds (11 respondents), and Shares (6 respondents) are less preferred, suggesting that respondents are generally cautious and less willing to invest in market-linked or risky instruments.

Correlations (Table: 2)			
		Respondent prefer to invest in mutual fund	Annual income of respondents
Respondent prefer to invest in mutual fund	Pearson Correlation	1	.166
	Sig. (2-tailed)		.073
Annual income of respondents	Pearson Correlation	.166	1
	Sig. (2-tailed)	.073	
	N	118	118

Sources: Author's Survey

From the Table: 2. The Pearson correlation coefficient between “Respondent preference to invest in mutual funds” and “Annual income of respondents” is 0.166, indicating a weak positive relationship. This means that as annual income increases, the preference to invest in mutual funds also tends to increase slightly.

However, the significance value (Sig. = 0.073) is greater than 0.05, which means the correlation is not statistically significant at the 5% level. Therefore, we cannot conclude that income has a significant effect on preference for mutual fund investment based on this sample.

Correlations (Table: 3)			
		Respondent prefer to invest in mutual fund	Education of respondents
Respondent prefer to invest in mutual fund	Pearson Correlation	1	.159
	Sig. (2-tailed)		.085
Education of respondents	Pearson Correlation	.159	1
	Sig. (2-tailed)	.085	
	N	118	118

Sources: Author's Survey

From the Table: 3. The Pearson correlation coefficient between “Respondent preference to invest in mutual funds” and “Education of respondents” is 0.159, which indicates a weak positive relationship. This suggests that as the education level of respondents increases, their preference to invest in mutual funds also tends to increase slightly.

However, the significance value (Sig. = 0.085) is greater than 0.05, meaning the relationship is not statistically significant at the 5% level. Therefore, there is no strong evidence to conclude that education level significantly influences mutual fund investment preference in this sample.

Correlations (Table: 4)			
		Respondent prefer to invest in mutual fund	Total family members in respondents house
Respondent prefer to invest in mutual fund	Pearson Correlation	1	-.058
	Sig. (2-tailed)		.535
Total family members in respondents house	Pearson Correlation	-.058	1
	Sig. (2-tailed)	.535	
	N	118	118

Sources: Author's Survey

From the Table: 4. The Pearson correlation coefficient between “Respondent preference to invest in mutual funds” and “Total family members in respondents' house” is –0.058, which indicates a very weak negative relationship. This suggests that as the number of family members increases, the preference to invest in mutual funds tends to decrease slightly — though the effect is extremely small.

However, the significance value (Sig. = 0.535) is much greater than 0.05, meaning this relationship is not statistically significant. Therefore, the number of family members does not have any meaningful influence on the respondents' preference to invest in mutual funds.

Conclusion

The study examined how demographic characteristics such as income, education, and family size relation with mutual fund investment preferences among residents of Darjeeling Municipality. The findings reveal that although respondents show a slight positive association between both income and education with mutual fund preference, these relationships are statistically insignificant. Family size exhibits a weak negative relationship, further indicating minimal influence on mutual fund investment decisions. Overall, demographic variables do not significantly predict the likelihood of investing in mutual funds in the present sample.

Investment preference data clearly show that individuals in Darjeeling favour traditional, low-risk avenues over market-linked instruments. Fixed deposits are overwhelmingly preferred, followed by insurance and gold, demonstrating a conservative investment culture rooted in safety and stability. Modern financial products such as mutual funds, shares, and provident funds attract only a small fraction of respondents. This suggests limited risk appetite, possible gaps in financial awareness, and low exposure to capital market products.

The results highlight the need for targeted financial literacy initiatives in hill districts, where geographical isolation and socio-economic diversity shape investment behaviour. Financial institutions and policymakers must design investor education programmes that simplify mutual fund concepts, build trust, and encourage long-term wealth creation through diversified market-linked investments.

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