What Drives Individual Investors to Invest in Mutual Funds in a Developing Economy

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ARTICLE DETAILS

ABSTRACT

Purpose: The aim of this study is to investigate factors that influence investment in mutual funds by individual investors in a developing economy. Drawing insights from the theory of planned behaviour, the study identified and tested the effect of awareness, attitude, financial literacy and preference for other competing investments on intention to invest in mutual funds by individual investors.

Design/Methodology/Approach: Data was collected from 280 respondents in Zambia. Data was analysed using correlations and hierarchical regression models.

Findings: The study reveals that awareness and attitude towards mutual funds significantly influence intention to invest in mutual funds. Surprisingly, financial literacy and preference for other investments do not significantly affect an individual investor’s intention to invest in mutual funds.

Implications/Originality/Value: This study contributes to the financial services marketing literature by increasing understanding of individual investors’ investment decisions and drivers that influence intention to invest in mutual funds in Zambia. The study recommends that mutual funds marketers should invest more in building awareness and positive attitude towards investment in mutual funds in order to develop retail demand. Also, investment companies and financial services marketing policy makers should carefully consider their financial literacy programmes as the study reveals that financial literacy and competing investments are not significant drivers.

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Introduction

Innovative financial investment instruments which reduce investment risk and minimize transaction costs are critical to the economic development of any nation. One such instrument is the investment in mutual funds. Mutual funds are companies that pool resources from institutional and/or individual investors and invest the resources in stocks, bonds and other money market securities on behalf of investors (Kacperczyk et al., 2005; Sialm and Tham, 2016). Investment in mutual funds has become popular world over as it offers investors an opportunity to invest their funds at a relatively lower risk and cost in a diversified and professionally managed securities basket
(Fernando et al., 2003; Mayo, 2013). Scholars agree that mutual funds play a significant role in channelling and optimally investing idle savings available in an economy of both individual and institutional investors and as such, have a powerful influence on economic development and poverty alleviation (Demirgüç-Kunt et al., 2012; Mayo, 2013; Kumar and Abdulla, 2020).

However, while there has been an increasing number of investors in mutual funds in developed countries, investment in mutual funds at an individual level remains under-developed and under-utilised in most developing African economies (Bauer et al. 2007; Klapper et al., 2004; Lemeshko and Rejnus, 2015). Yet, as an emerging concept in Africa, mutual funds could be a necessary vehicle that can enhance the development of capital markets and also provide an alternative to high dependency on pension packages (Tan, 2015; Hoepner et al., 2011; Adjasi and Yartey, 2007). Also, with the increased fluctuation of inflation rates experienced in most African countries, it should be prudent for individuals to participate in capital markets, which have the potential to provide returns that can beat inflation. The fact that one does not need to have huge investment volumes or be a financial expert to invest, as an investor can indirectly invest in capital markets using mutual funds, means that investment in mutual funds offers investors high financial stability. It is therefore imperative that an enquiry into the drivers of demand in investment in mutual funds in developing African economies is undertaken to understand and explain the low demand. A study on this kind of saving vehicle is very important because having an adequate supply of domestic savings is a core national policy objective, both because of its direct growth effect and also due to the fact that a high national savings ratio in line with an economy’s investment needs reduces the economy’s exposure to fluctuations in international capital flows (Jagadeesh, 2015). As Tang and Ch'ng (2012) posit, one of the most fundamental strategies for long term economic growth and development is mobilization of savings so as to generate enough capital for investments. In other words, increased investments can be financed domestically through an increase in the domestic savings level and this can be achieved through the use of mutual funds (Lewis, 1955; Tan, 2015).

Globally, the significant growth in the mutual fund industry has attracted interest by scholars and practitioners in this area (Lemeshko and Rejnus, 2015). However, a critical review of the literature indicates that studies on mutual funds have largely be conducted in developed countries, focusing on mutual funds holder characteristics and performance. There is little research in both the marketing and financial economics worlds that investigates the behaviour of individual mutual funds investors in developing countries and factors that influence their investment decisions (Amiril and Lafuente, 2016; Adjasi and Yartey, 2007). In addition, findings on the few available studies on drivers of mutual funds investment remain largely inconclusive with positive, negative and non-significant effects being reported. For example, while studies by Jureviciene and Jermakova (2012) and Sabri et al. (2010), found that financial literacy is an important factor in determining the saving and investment behavior of individuals, more recent studies by Fernandes et al. (2014) and Octarina et al. (2019) indicate that financial literacy has no significant effect on investment decisions. As such, we know very little about mutual funds investment, individual mutual fund investor behavior and factors that influence mutual fund investment decisions in developing African economies.

Accordingly, this study attempts to fill these voids by investigating factors that influence investment in mutual funds among individual investors in Zambia, a developing Sub-Saharan African country. By so doing, the study is a timely response to appeals to scholars to advance the understanding of investor behavior in the under-researched African markets with massive business opportunities and have attracted interests from both researchers and business practitioners yet very little is known (Bauer et al., 2007; George et al., 2016). Furthermore, the study fosters evidence-based decision making with regards to the drivers of mutual funds investment demand. It informs policymakers, researchers, mutual funds investment companies, investors and business leaders in Africa and the world on appropriate strategies to devise to improve demand for investment in mutual funds in an African market.

**Theoretical Background and Hypotheses Development**

To better understand possible antecedents of intentional behavior, the study draws insights from the theory of planned behavior (TPB). The TPB incorporates three variables, namely; the attitudinal belief, normative belief and control belief as antecedents of behavior. The theory has been widely used by many researchers studying investor
behavior in different avenues (e.g., Buchan, 2005; Carpenter and Reimers, 2005; Raut, 2020). With specific regard to investment in mutual funds, Schmidt (2010) and Ali, Zani and Kasim (2014) draw insight from the theory to study investor willingness to invest in mutual funds. Consistent with the aforementioned studies, this research draws from the theory of planned behavior to better understand factors that explain individual investor mutual fund investment decisions. Just like the behavior towards any other commodity, we postulate that investment in mutual funds is influenced by attitudinal belief, normative belief and control belief and the influence can be positive, negative or even not significant at all.

While there are a number of factors that influence investment in mutual funds identified in the literature, this study focuses on awareness, attitude towards investment, financial literacy and preference for other investment vehicles as potential drivers of intention to invest in mutual funds. The selection of these factors is informed by theory and a review of the literature. So, in line with extant financial investment and marketing literature and in following the decomposed theory of planned behaviour, our conceptual model in figure 1 below proposes that awareness, attitude, financial literacy and preference for other investments will affect a person’s intention to invest in mutual funds.

**Investor’s Awareness of Investment in Mutual Funds and Intention to Invest in Mutual Funds**

There is consensus in the literature that awareness has a positive influence on investment decisions of individuals. According to Moon and Lee (2019), as long as one is ignorant about an investment alternative, it becomes difficult to invest in it. In line with this thought, a study by Design et al. (2006) found that investors are generally hesitant to invest in mutual funds due to their lack of knowledge and awareness regarding investment protection, procedure of making investment, valuation of investment and reporting grievances when they have investment related problems. Kozup et al. (2008) also show that if potential investors are provided with sufficient information the desire to invest in a mutual fund can increase. In fact, a study by Kaur and Kaushik (2016) found that better awareness of the different aspects of mutual funds had a positive effect on investment intentions. Finally, A more recent study by Jain, V., Kumar, A., & Kansal, A. (2021) argued that once Mutual fund information is published in investor friendly language and style by including risk, return and tax, investment is stimulated. Therefore, the following hypothesis is proposed;

**Hi:** There is a positive relationship between awareness of investment in mutual funds opportunities and intention to invest in Mutual Funds

**Attitudes Towards Unit Trusts and Effect on Intention to Invest in Mutual Funds**

Alleyne and Broome (2010) define attitudes toward behavior as the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question. Attitudes of an investor are very influential to the
investment intentions of an investor (Ajzen, 1991). The relationship between investor attitudes and intention to invest has been widely investigated (e.g., Ramayah et al., 2009; Ali, 2011; Ajzen, 2015; Ajzen, 1991). Corter and Chen (2006) assert that individuals’ risk attitudes predict their comfort level with different investment strategies, and perhaps their level of happiness with investment outcomes. Drawing from the decomposed theory of planned behavior, findings by Sudarsono (2015) show that attitudes toward investment and subjective norms have a significant influence on intention to invest.

Listyarti and Suryani (2014) study on individual investors’ behaviour in decision making on securities investment in Indonesia’s Stock Exchange found that subjective norms positively affect the investment intentions and is consistent with Ali et al’s (2014) findings that attitude was one of the most important factors in influencing investors’ intention to invest in Islamic unit trust funds. It is also consisted with (Kumar, & Abdulla, 2020) who found that investors who made profits from mutual fund investments developed a positive attitude leading to reinvestment and influencing others to invest in Unit trusts. Although relatively more studies indicate relationship between attitude and intention to invest, results remain ambiguous. For example, a more recent study by Sivaramakrishnan et al. (2017) found attitude had a negative effect on intention to invest in the equity markets. However, drawing insights from the theory of planned behaviour, we expect individuals with a positive attitude towards mutual funds to have high intentions to invest in the funds. Thus, we hypothesise that:

\[ H_2: \text{There is a positive relationship between attitude towards investment risk and intention to investing mutual funds} \]

Financial Literacy and Intention to Invest In Mutual Funds
Financial literacy, defined by Servon and Kaestner (2008) as a person’s ability to understand and make use of financial concepts, has been found to have a strong link with savings and investment behavior. De Bondt (2008), for example, shows that households with higher levels of financial literacy are more likely to plan for retirement, invest in securities and that planners arrive at retirement with substantially more assets than non-planners. A study by Van Rooij et al. (2011) established that individuals with low financial literacy are less likely to participate in stock market. In fact, more recent studies by Mouna and Anis (2015), Sivaramakrishnan et al. (2017) and Hsiao and Tsai (2018) indicate that financial literacy is an important prerequisite for stock market participation and mutual fund investment. In addition, (Jiang et al., 2020) found that advanced literacy has a significantly larger impact on investment performance than basic literacy.

In contrast to the above literature, however, Willis (2009) and Fernandes et al. (2014) contend that financial education programmes have less effect on improving consumer financial decision making. A similar conclusion was made in a more recent study by Octarina et al. (2019) which found that financial knowledge has no significant effect on the intention to invest. Despite these ambiguous findings, this study finds it reasonable to argue that financial literacy is positively related with intention in mutual funds. Our reasoning is in line with findings of a study on mutual funds in developing economy markets by the Divakaran et al. (2015) which points out that if financial literacy and awareness are low, there may be decreased retail interest in mutual funds. Therefore we expect that respondents who are financially literate would be able to understand the benefits of investing in mutual funds and as such be more willing to invest in mutual funds. Thus, the following hypothesis is proposed

\[ H_3: \text{There is a positive relationship between financial literacy and intention to invest in mutual funds} \]

Preference for Other Investments and Intention to Invest in Mutual Funds
A study by Divakaran et al. (2015) on mutual funds in developing economy markets indicates that the amount of investment in mutual funds can be affected by competition from other saving and investment vehicles such as mandatory pension fund savings and bank deposits. Although Rathnamani (2013) and Singh and Jha (2009) found that consumers actually prefer investment in mutual funds due to return potential, liquidity and safety, we argue that competition from other savings and investments negatively affects investment in mutual funds. The logic is that since different kinds of investment avenues are available to investors, it is more likely for an investor to prefer investing in an avenue that offers the most in terms of balancing the benefits and shortcomings (Agrawal and Jain, 2013). Thus, an investor who perceives investment in mutual funds not to be more beneficial than investment in
other avenues is not likely to invest in mutual funds. Our argument is consistent with Sahoo (2020) study which found that investors relied on traditional pattern of investment like investment in banks and real estates and as such investment in mutual funds was not preferred. Therefore, the following hypothesis is proposed:

**H4:** There is a negative relationship between investment preference in other investment vehicles and investment in mutual funds

**Methods**

**Sample and Data Collection**

To assess factors affecting intention to invest in mutual funds by individual investors in the under-researched developing African economy context, data were collected from Zambia, a developing Sub-Saharan African country. The development of collective investment vehicles such as mutual funds (Unit trusts) is important in Zambia as it offers individual investors the opportunity to invest in a less risky diversified and professionally managed portfolio at relatively minimal costs and so has potential to contribute to investor base broadening by including the unbanked small-scale investors and lead to an increase in capital formation (Vajja and White, 2008). Despite these benefits, the Finscope Zambia (2015) shows that the number of individuals putting their money in mutual funds in Zambia were low at 0.2%. Further, when compared to other African countries such as South Africa (18%) and Nigeria (24%) (Divakaran et al., 2015), the size of investments in mutual fund is very low in Zambia. Therefore, an enquiry into factors that influence individual investors intention to invest in mutual fund becomes cardinal in Zambia and as such Zambia makes a useful case to study investment decisions by individual investors.

The study targeted individual potential investors in the middle to upper class because this class is believed to have adequate income and financial knowledge to plan for the future and make different forms of investments. The data was collected from Kitwe district, Copperbelt province. This target area was chosen because it is the second largest town in Zambia with high economic activities behind Lusaka (MCTI, 2018). A structured questionnaire was administered to potential investors that met the following requirements: (1) they were of middle to upper class as indicated by their level of income of not less than 5,000 Zambian Kwacha (Shebo, 2013), (2) they were financial literate as indicated by their level and type (business training) of education; and (3) the respondents were aware of investment opportunities in mutual funds. A total of 350 questionnaires were face-to-face administered. However, 280 useable questionnaires were collected and used in the analysis, representing an impressive response rate of 80%. The response rate confirms Saunders and Lewis’ (2012) claim that the face-to-face approach is usually associated with high response rate. The Table 1 gives the sample profile.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>185</td>
<td>66.1</td>
</tr>
<tr>
<td>Female</td>
<td>95</td>
<td>33.9</td>
</tr>
<tr>
<td>Age range</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30 years</td>
<td>73</td>
<td>26</td>
</tr>
<tr>
<td>31-40 years</td>
<td>120</td>
<td>43</td>
</tr>
<tr>
<td>41-50 years</td>
<td>76</td>
<td>27</td>
</tr>
<tr>
<td>Over 50 years</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grade 12 Certificate</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>College Certificate</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Diploma</td>
<td>85</td>
<td>30</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>103</td>
<td>37</td>
</tr>
<tr>
<td>Post graduate</td>
<td>76</td>
<td>27</td>
</tr>
<tr>
<td>Income Range</td>
<td></td>
<td></td>
</tr>
<tr>
<td>K5,000 –K9,000</td>
<td>197</td>
<td>70</td>
</tr>
<tr>
<td>K10,000-K19,000</td>
<td>67</td>
<td>24</td>
</tr>
<tr>
<td>K20,000 and above</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>Rating of aware of opportunity to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>invest in mutual funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>82</td>
<td>30</td>
</tr>
<tr>
<td>Good</td>
<td>74</td>
<td>26</td>
</tr>
<tr>
<td>Very Good</td>
<td>124</td>
<td>44</td>
</tr>
</tbody>
</table>

**Authors’ compilation**

Table 1. Sample Profile
Measures
Multi-item measures anchored on five point Likert-type scales were used for all constructs. The dependent variable, intention to invest was adapted from East (1993) and Buchan (2005) and captures respondent’s own assessment of their intention to invest in mutual funds. Specifically, respondents rated their intention to invest in terms of whether they plan to invest in mutual funds in the future given the availability of money or other opportunities. Each item was measured on a five-point scale with 1 = “below average,” and 5 = “above average”.

The scale for awareness captured the extent to which individuals were aware of the opportunity to invest in mutual funds and was adopted from Kaur and Kaushik (2016). Respondents were asked to rate the extent to which: mutual funds are advertised, they know the benefits and risks of investing in mutual funds. Attitude in this study refers to respondents’ perception of the extent to which they perceive investment in mutual funds to be pleasant, rewarding and whether it should be encouraged. The scale on attitude was adopted from East (1993) and Ajzen (1991) and had four items.

Financial literacy refers to how well an individual understands and uses personal finance-related information. The scale for financial literacy was adopted from Van Rooij et al. (2011). The scale had five items capturing the extent to which an individual has gone through some financial investment training and chooses financial products after gathering information. Preference for other competing investments captures a respondent’s preference to invest in other investments other than mutual fund. Respondents were asked to indicate the extent to which they perceive the risk involved in investment in mutual funds relative to investment in real estate, financial assets, Savings account, Farming and Others. Statements on individual investor preference were adopted from Du and Budescu (2005).

Control Variables
Previous studies indicate that demographic factors such as age, gender and income can affect investment in mutual funds. For example, Ramanujam and Devi (2012) and Chavali and Mohanraj (2016) provide evidence that income, age and education are important drivers of investment behavior in mutual funds. In line with these previous studies, it seemed prudent to control for age and income, which have the potential to influence investment behaviour. A natural logarithm transformation was taken for the two variables to normalise the data as recommended by Osborne and Waters (2002).

Measure Assessment and Purification
Measure purification and analysis was done using Principal Component Analysis (PCA) with Varimax rotation in SPSS. One item of intention to invest variable: “I will invest in mutual funds if I have more money was deleted as it cross-loaded on awareness. Results after the deletion show that all the remaining scale items were generally adequate for measuring the latent variables. For example, the KMO test of sample adequacy of 0.845 was above the minimum 0.50 threshold (Pallant, 2020) and bartlett’s test of sphericity was significant (approx. chi-square = 3,291.307, df = 157, sig. <0.0005). This is a good indication that the item sample was adequate. Also, commonalities for all items have scores higher than 0.4 and all five factors with eigenvalues above 1.0 were extracted, consistent with the number of the main variables in the conceptual model. These factors together explained 78% of the variance in the model. The factor loadings of the variable on each of the factors were greater than the 0.6 recommended threshold (Osborne et al., 2008). Furthermore, all the scales showed discriminant validity since each scale item loaded on the respective factor and there were no cross loadings apart from one item which was deleted as earlier mentioned. The scales also showed reliability based on the Cronbach’s alpha values that were all above 0.7 satisfying Bagozzi and Yi’s (2012) threshold. Table 1 shows results of the factor analysis.

<table>
<thead>
<tr>
<th>Table 1: Results of the Factor and Reliability Analyses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Awareness 1</td>
</tr>
<tr>
<td>Awareness 2</td>
</tr>
<tr>
<td>Awareness 3</td>
</tr>
<tr>
<td>Awareness 4</td>
</tr>
</tbody>
</table>
Table 2 presents the means, standard deviations and correlations among all the variables in the study. From the table, it can be seen that all the independent variables, awareness, attitude, financial literacy and other investments are positively correlated to intention to invest in mutual funds, ranging from 0.144 to 0.668, p < 0.001. Of the two control variables, age is positively correlated with intention to invest while income is not significantly correlated. In summary, the correlation results suggest a strong relationship among the main variables in the study.

### Table 2: Descriptive statistics and correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Dev.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to invest</td>
<td>3.96</td>
<td>.88</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>awareness</td>
<td>3.95</td>
<td>.92</td>
<td>.668**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitude</td>
<td>3.46</td>
<td>.93</td>
<td>.249**</td>
<td>.144**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial literacy</td>
<td>4.10</td>
<td>.77</td>
<td>.580**</td>
<td>.839**</td>
<td>.090</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td>3.35</td>
<td>.97</td>
<td>.185**</td>
<td>.169**</td>
<td>.499**</td>
<td>.232**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>3.1</td>
<td>.83</td>
<td>.140**</td>
<td>.130**</td>
<td>.392**</td>
<td>.133**</td>
<td>.608**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>1.7</td>
<td>.80</td>
<td>-.094</td>
<td>-.063</td>
<td>-.042</td>
<td>.062</td>
<td>.015</td>
<td>-.019</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Notes: *, **Correlation is significant at 0.05 and 0.01 level, respectively (2-tailed)

### Regression Results

Hierarchical linear regression using the SPSS version 23 was used to test the four hypotheses. First, the effect of control variables, age and income, on intention to invest in mutual funds were estimated in model 1 and the model explains 15.2 percent of the variance in the dependent variable ($R^2 = 0.023, F(2.186), p < .05$). Then all the four independent variables plus the control variables were added and their effects estimated in model 2. Results in model 2 indicate that control variables (age and income) are not significantly related to intention to invest. In terms of the main variables, model 2 indicates that awareness has a positive significant effect on intention to invest in mutual funds ($\beta = 0.537, p <0.05$). Therefore H$_1$ is supported and accepted. H$_2$ is also accepted as a significant positive relationship is established between attitude and the intention to invest in mutual funds ($\beta = 0.157, p <0.05$). However, financial literacy is not positively significantly related with the intention to invest in mutual funds ($\beta = 0.119, p > 0.05$) and so H$_3$ is not supported. H$_4$ is also not supported as preference for other investments...
is not significantly related to intention to invest in mutual funds ($\beta = -0.013, p > 0.05$).

Overall, model 2 explains 68.9% of the variance in intention to invest in mutual funds and is statistically significant ($R^2 = 0.474, F (35.081), p < .05$). While awareness and attitude towards investment in mutual funds significantly affect intention to invest, financial literacy and preference for other competition investments do not significantly affect intention to invest in mutual funds or not. Table 3 below shows a summary of the regression results of the hypotheses tests.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Model 1 Beta (t-values)</th>
<th>Model 2 Beta (t-values)</th>
<th>Hypothesis supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>.415 (.2171)</td>
<td>-.004 (.024)</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.128 (-.068)</td>
<td>-.091 (-.012)</td>
<td></td>
</tr>
<tr>
<td>Awareness</td>
<td>-.517 (6.667)**</td>
<td>H1 supported</td>
<td></td>
</tr>
<tr>
<td>Attitude</td>
<td>.157 (3.197)**</td>
<td>H2 supported</td>
<td></td>
</tr>
<tr>
<td>Financial Literacy</td>
<td>.119 (1.230)</td>
<td>H3 not supported</td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td>-.013 (-.245)</td>
<td>H4 not supported</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>.152</td>
<td>.689</td>
<td></td>
</tr>
<tr>
<td>R Square</td>
<td>.023</td>
<td>.474</td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.013</td>
<td>.461</td>
<td></td>
</tr>
<tr>
<td>F- Statistic</td>
<td>2.186</td>
<td>35.081</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** Dependent variable = Intention to invest in mutual funds; **$p < 0.001$; *$p < 0.05$

Authors’ compilation

**Discussion**

Investment in mutual fund remains under-developed in most developing economies in spite of the favourable investment returns that this instrument avails. The two main objectives of this paper were to examine intention to invest in mutual funds by individual investors and factors affecting this in a developing economy. The study was conducted in Zambia because of the relatively low investment in this investment avenue compared to other countries. Drawing insights from the decomposed theory of planned behaviour, the effects of awareness, attitude, financial literacy and preference for other investments on intention to invest were examined. Findings of this study reveal that individual investors have high intentions to invest in mutual funds and that this decision is affected by awareness and attitude toward mutual funds. Surprisingly, financial literacy and preference for other investments do not have a significant effect on intention to invest in mutual funds.

The study confirms H1 that there is a positive relationship between awareness and intention to invest in a mutual fund. This means that an investor who is aware of the operations of a mutual fund is likely to invest in this avenue. This finding is consistent with findings of similar studies by Deb and Singh (2018) and Kaur and Kaushik (2016) and provides evidence that the mutual fund business had the potential to grow if only investors were well informed about them. A more recent study by (Jain., Kumar., & Kansal, A, 2021) also agrees with the finding by stating that Mutual fund information should be published in investor friendly language and style and should concentrate on risk, return and tax in order to stimulate investment. The present study also confirms H2 that there exist a positive relationship between attitude and investment in mutual funds. This implies that depending on referent groups and beliefs about potential obstacles and opportunities, an individual investor will develop a positive or negative attitude, which in turn affects the interest to invest in mutual funds. This finding is contrary to Sivaramakrishnan et al. (2017) but resonates with findings of (Kumar, & Abdulla, 2020), who found that attitude was quite important when it comes to investment behaviour. This is so because in the absence of financial experts’ information on returns from investing in mutual funds, investors tend to consult referent groups and beliefs about potential obstacles and opportunities (Ajzen, 1991). The attitude that is formed thereafter will be utilized for the investment decision.

The study does not find support for H3 that financial literacy does have a significant effect on intention to invest in mutual funds. This finding is surprising and is contrary to findings of Sabri et al. (2010), Chen and Volpe (1998) and Siva Ramakrishnan et al. (2017) studies of a positive significant relationship between financial literacy and intention to invest. However, our finding finds support in a more recent study by Cuccinelli et al. (2016) who
indicate that financial literacy does not have significant effect on the intention to purchase medium-high risk financial investment. Finally, H₄, which postulates that investor investment preference of other investments negatively affects intention to invest in mutual funds, is not supported in this study. The study shows that individual investors’ preference of other investments does not significantly predict individual investor intention to invest in mutual funds in Zambia. This finding contradicts the findings of the Divakaran et al. (2015) and (Sahoo, 2020) who found that amount of investment in mutual funds can be affected by competition from other saving/investment media such as bank deposits, real estate and others. However, the finding is in line with a study by Kumar and Bansal (2014) who indicated that reliance on traditional pattern of investment was because mutual funds were unknown to investors and not because of competition among the alternatives. The study raises serious theoretical, managerial and policy implications which are discussed in the next section.

Managerial and Policy Implications

Overall, this study contributes to the financial services marketing literature by helping to clarify individual investors’ intention to invest in mutual funds in a developing economy. Considering the poor economic status of most developing countries, the study reveals that individual investors investigated in this study do have intentions to exploit this investment pathway. More importantly, this study helps to expand our understanding of factors that influence investment in mutual funds by providing evidence that awareness and attitude towards mutual funds are key drivers while financial literacy and preference for other investments do not significantly affect investment in mutual funds in this study setting. The study thus challenges findings of earlier studies of a significant link between financial literacy and preference for other investments and cautions that the findings cannot be generalised as the effects could be contextual. This study extends the theory of financial services marketing and contributes to the body of existing literature by presenting an in-depth consideration of the drivers of investor behaviour in a developing economy context that is largely under-researched.

Considering the fact that investment in mutual funds remains low in most developing economies in general and Zambia in particular, investment companies are encouraged to invest more in increasing awareness and building positive attitude towards investment in mutual funds in order to build retail demand. Mutual fund companies should come up with appropriate promotion and advertisement strategies to boost awareness of investment in mutual funds. The finding that financial literacy is not significantly related to intention to invest in mutual funds raises serious policy implications. There is need for training institutions to critically reconsider the composition and structure of financial trainings so as to come up with more relevant ones that encourage the public to consider investing in mutual funds. The result that preference for other investments do not significantly affect intention to invest in mutual funds means that investment companies and policy makers should focus more on policies and support mechanisms that promote diversified investments including investment in mutual funds. As there is a pressing need to improve the economic growth, in view of the increasing instability of the financial world, the study informs investment policy makers, especially from developing economies like Zambia, that one way to achieve economic development is to invest in more awareness programs that encourage individuals to invest in mutual funds.

Limitations and Future Research

Like any other research, this study has some limitations that could be avenues for future research. First is the fact that the study used a cross-sectional research design in a developing economy context. While the study unleashes from a context that is largely under-researched, generalising the findings to other countries should be done with care. Future research should aim at conducting a longitudinal study to replicate and extend the research scope on the study constructs in order to study the relationships over a longer period of time to provide well-grounded results. Second, studies on the mechanisms through which these factors influence or how the factors interact to affect intention to invest in mutual funds is another avenue for future research. The fact that financial literacy and preference of other investments were not significant drivers could be that these factors work with or through other factors to affect investment in mutual funds. Also, this study focused on responses from individual investors. There are many other factors that affect intention to invest in mutual funds that were not examined in this study. Future studies could look at factors such as tax benefit, past experience, and convenience influence intention to invest in mutual funds. Another study can be done to look at institutional investors’ investment and their impact on the
growth of the mutual fund industry.

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