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INVESTMENT PREFERENCES: A COMPARATIVE STUDY OF MUTUAL FUNDS AND FIXED DEPOSITS

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Research Paper

This paper examines individual investment preferences between mutual funds and fixed deposits, with particular attention to risk tolerance, financial goals, perceived stability, return orientation and demographic considerations. The empirical component is based on the 152-response survey reported in the authors' original draft.

Abstract

Investment decisions increasingly require individuals to balance capital safety, liquidity, return potential and tolerance for uncertainty. Mutual funds and fixed deposits represent two contrasting investment avenues: mutual funds are market-linked and diversified, while fixed deposits are generally perceived as more stable and predictable. This study investigates the investment preferences of individuals between these two avenues and examines the relationship between risk tolerance and investment preference. A descriptive and analytical research design was adopted using primary data from 152 respondents collected through a structured questionnaire and convenience sampling. The analysis reported in the study includes percentage analysis, correlation, regression, factor analysis and Cronbach's alpha. The descriptive results show that 44.1% of respondents prefer fixed deposits only, 30.9% use both fixed deposits and mutual funds, 23.7% reported neither option, and 1.3% reported mutual funds only. Most respondents (54.6%) reported moderate risk-taking ability. Risk tolerance shows a positive relationship with investment preference ($r = 0.262$), while the regression model is statistically significant ($p = 0.002$) and explains 6.9% of the variation in the reported investment-preference measure. The findings indicate that risk tolerance is relevant to investment preference, but the relatively low R^2 suggests that other factors also contribute to investment decisions. The study contributes to understanding the coexistence of traditional and market-linked investment choices and highlights the importance of aligning investment decisions with individual goals, risk capacity and financial awareness.

Keywords: Investment preference; Mutual funds; Fixed deposits; Risk tolerance; Investor behaviour; Risk-return trade-off; Financial goals.

1. Introduction

Investment is an important component of personal financial planning because individuals must decide how to allocate available savings across alternatives with different levels of risk, return, liquidity and stability. In the Indian context, fixed deposits have traditionally been associated with capital preservation and predictable returns, whereas mutual funds provide professionally managed, diversified exposure to market-linked securities. The choice between these avenues therefore reflects more than a simple comparison of returns; it is also influenced by an investor's financial objectives, risk tolerance, time horizon, liquidity requirements and level of financial awareness.

The present study focuses on the preference of common investors between mutual funds and fixed deposits. The original study describes these instruments as representing relatively different approaches to wealth creation and capital safety. The research is particularly relevant because the coexistence of

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both instruments allows investors to adopt either a conservative approach, a market-linked approach, or a combination of the two.

Prior research supports the importance of return, risk and liquidity in investment decisions. Kumar and Elahi's study of investors in Lucknow found return to be a major investment consideration and reported a preference for mutual funds over equity shares among their respondents. cite turn0search0 turn0search2 More recent comparative work has also examined mutual funds and fixed deposits through risk-return measures, while other studies have explored the movement between fixed deposits and debt mutual funds. cite turn0search42 turn1search0

2. Statement of the Problem

Individuals face a continuing choice between instruments that emphasize stability and instruments that offer market-linked growth potential. Although mutual funds have become an important investment avenue, fixed deposits continue to be used by investors who place greater emphasis on predictability and capital protection. The problem addressed in this study is therefore to identify the investment preference of respondents and determine whether risk tolerance is significantly associated with that preference.

3. Objectives of the Study

1. To determine the relationship between investors' financial goals, such as short-term liquidity needs and long-term wealth creation, and their preferred investment avenue.

2. To identify which investment instrument respondents prefer and the reasons associated with that preference.

3. To assess how investors perceive the risk-return trade-off between market-linked mutual funds and relatively predictable fixed deposits.

4. To examine the relationship between risk tolerance and investment preference.

5. To identify broader factors that may influence investment decisions, including return orientation, safety, liquidity and risk perception.

4. Research Questions

1. Which of the two investment avenues is preferred by the respondents?

2. What level of risk tolerance characterizes the respondent group?

3. Is risk tolerance significantly related to investment preference?

4. What investment-related factors emerge as important in the reported factor analysis?

5. What do the findings imply about the coexistence of fixed deposits and mutual funds in personal investment decisions?

5. Hypotheses

H0: There is no significant relationship between risk tolerance and investment preference.

H1: There is a significant relationship between risk tolerance and investment preference.

6. Review of Literature

Author(s) & Year	Focus	Relevant finding / contribution
Kumar & Elahi (2018)	Investor preference in Lucknow	Return was identified as an important investment consideration; the study reported a preference for mutual funds over equity shares and observed differences in risk orientation across age groups. cite turn0search1 turn0search2

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Author(s) & Year	Focus	Relevant finding / contribution
Maheswari (2020)	Performance of selected mutual funds	Evaluated mutual-fund performance using measures including beta, standard deviation, Sharpe ratio and Treynor's measure, highlighting the importance of risk-adjusted evaluation. □cite□turn1search5□
Singh & Singh (2025)	Mutual funds vs fixed deposits	Compared historical risk-return characteristics for 2019–2024 using CAGR, standard deviation and Sharpe ratio; reported the growth potential of mutual funds alongside the stability of fixed deposits. □cite□turn0search42□
Marvaniya & Kansara (2025)	FD/RD vs mutual funds	Examined traditional deposits against mutual-fund routes including lump-sum and SIP investments, focusing on risk-return trade-offs and investor preferences. □cite□turn1search37□
Paikat (2025)	Debt mutual funds vs fixed deposits	Examined factors behind movement from FDs toward debt mutual funds, including liquidity, tax treatment and risk-return considerations, using survey and case-study evidence. □cite□turn1search0□turn1search2□

Literature gap. Existing studies have examined mutual-fund performance, investor preferences and comparisons between market-linked and traditional instruments. However, the present study adds a direct empirical examination of the relationship between reported risk tolerance and investment preference using a 152-respondent survey. It also combines descriptive evidence with correlation, regression, reliability and factor-oriented analysis.

7. Conceptual Framework

The study conceptualizes investment preference as the outcome variable and risk tolerance as the principal explanatory variable. Financial goals, return orientation, safety preference, liquidity considerations, risk perception, age and income are treated as contextual factors that may shape investment decisions.

Independent / explanatory factors	Decision process	Outcome
Risk tolerance	Risk-return evaluation	Investment preference
Financial goals	Liquidity and time-horizon assessment	Mutual funds / Fixed deposits / Both / Neither
Return orientation	Expected wealth-creation assessment	Preference intensity
Safety preference	Capital-stability assessment	Preference for relatively stable instruments
Liquidity considerations	Access-to-funds assessment	Instrument selection
Demographic factors	Individual financial context	Investment behaviour

8. Research Methodology

8.1 Research Design

The study follows a descriptive and analytical research design. The descriptive component summarizes investment preferences and risk-taking ability, while the analytical component examines the relationship between risk tolerance and investment preference.

8.2 Data Source and Sample

The study uses primary data collected through a structured questionnaire. The reported sample consists of 152 respondents selected using convenience sampling from individuals with different demographic backgrounds.

8.3 Variables

Risk tolerance: categorized in the reported data as low, moderate and high. Investment preference: represented through the reported categories of fixed deposits only, both, neither and mutual funds only. The analysis also considers factors such as return orientation, safety, liquidity and risk perception.

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8.4 Statistical Tools

Percentage analysis was used for descriptive interpretation. Correlation analysis was used to examine the relationship between risk tolerance and investment preference. Regression analysis was used to estimate the explanatory contribution of risk tolerance. Factor analysis was reported to organize investment-related factors, and Cronbach's alpha was used to assess internal reliability.

Methodological note: The present manuscript is based on the statistics reported in the supplied draft. The raw respondent-level dataset, questionnaire and full factor-analysis output were not supplied; therefore, the reported statistics have not been independently recomputed. Before journal submission, the authors should verify the statistical output against the original dataset and retain the questionnaire and analysis file as research records.

9. Data Analysis and Interpretation

9.1 Investment Preference

Investment option	Frequency	Percentage
Fixed deposits only	67	44.1%
Both fixed deposits and mutual funds	47	30.9%
Neither	36	23.7%
Mutual funds only	2	1.3%
Total	152	100.0%

The largest reported group consists of respondents who prefer fixed deposits only (44.1%). A further 30.9% use both fixed deposits and mutual funds. Only 1.3% reported mutual funds alone, while 23.7% reported neither. The distribution therefore indicates that fixed deposits have a substantial role in the respondent group and that a mixed approach is also common.

9.2 Risk-Taking Ability

Risk level	Frequency	Percentage
Moderate	83	54.6%
Low	55	36.2%
High	14	9.2%
Total	152	100.0%

Most respondents (54.6%) report moderate risk-taking ability, followed by 36.2% with low risk tolerance and 9.2% with high risk tolerance. This distribution is consistent with a respondent group in which a cautious or balanced approach to investment risk is common.

9.3 Correlation Analysis

Variables	Risk tolerance	Investment preference
Risk tolerance	1.000	0.262
Investment preference	0.262	1.000

The reported correlation coefficient of r = 0.262 indicates a positive relationship between risk tolerance and investment preference. In substantive terms, respondents with higher reported risk tolerance tend to show greater movement toward market-linked investment preference. The magnitude is modest, so risk tolerance alone does not explain investment choice.

9.4 Regression Analysis

Model statistic	Reported value
R	0.263
R^2	0.069
Adjusted R^2	0.062

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Model statistic	Reported value
F	10.34
p-value	0.002

The reported regression model is statistically significant at the 5% level ($p = 0.002$). The R^2 of 0.069 indicates that risk tolerance accounts for 6.9% of the variation in the reported investment-preference measure. This relatively small explanatory proportion is important: it indicates that investment preference is likely shaped by several additional variables beyond risk tolerance.

9.5 Regression Coefficients

Variable	Coefficient (β)	t-value	p-value
Constant	0.365	3.213	0.002
Risk tolerance	0.206	3.215	0.002

The reported coefficient for risk tolerance is positive ($\beta = 0.206$) and statistically significant ($p = 0.002$). Within the reported model, higher risk tolerance is associated with a higher value of the investment-preference measure. The result supports rejection of H0 in favour of H1, subject to verification of the original coding and regression specification.

9.6 Factor-Oriented Analysis

Factor area	Variables / dimensions reported	Relative importance in draft
Risk perception	Market fluctuations; risk awareness	High
Return orientation	Wealth creation; higher returns	Very high
Safety preference	Stability; liquidity	Moderate

The draft identifies return orientation and risk perception as dominant areas influencing investment decisions. Because the supplied manuscript does not contain KMO, Bartlett's test, eigenvalues, communalities or factor loadings, the factor-analysis section is retained as a descriptive factor-oriented summary rather than presented as a fully reproducible exploratory factor analysis.

9.7 Reliability Analysis

Measure	Value	Interpretation
Cronbach's alpha	0.80	Indicates good internal consistency for the reported instrument.

The reported Cronbach's alpha of 0.80 exceeds the commonly used 0.70 benchmark for internal consistency, indicating that the questionnaire items included in the reliability calculation have satisfactory internal consistency. The exact item set used for this calculation should be documented in the final submission.

10. Discussion

The empirical evidence presents a nuanced picture of investment preference. Fixed deposits are the single most selected stand-alone option in the reported sample, while nearly one-third of respondents use both fixed deposits and mutual funds. This suggests that investors need not view the two instruments as mutually exclusive. A combination may reflect different financial goals, time horizons and risk capacities.

The positive correlation and significant regression coefficient indicate that risk tolerance is associated with investment preference. However, the R^2 of 6.9% shows that risk tolerance explains only a limited portion of the variation. This is consistent with the broader investment-behaviour literature, where return expectations, liquidity, financial knowledge, tax considerations, family influence, age, income and investment objectives can also shape decisions.

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The findings can be read alongside earlier research without assuming that all samples will produce the same preference. For example, Kumar and Elahi reported mutual-fund preference over equity shares in Lucknow, while Singh and Singh compared mutual funds and fixed deposits from a risk-return perspective. □cite□turn0search1□turn0search42□ Paikat's later study examined movement from fixed deposits toward debt mutual funds and highlighted liquidity and tax-related considerations. □cite□turn1search0□ The differences across studies reinforce the importance of population, instrument type, time period and research design when interpreting investment-preference findings.

11. Key Findings

1. Among the reported categories, fixed deposits only constitute the largest preference group at 44.1%.

2. 30.9% of respondents report using both fixed deposits and mutual funds, indicating a meaningful mixed-investment approach.

3. Only 1.3% report mutual funds as their sole investment preference within the categories measured.

4. 54.6% of respondents report moderate risk-taking ability, while 36.2% report low and 9.2% high risk tolerance.

5. Risk tolerance has a positive reported correlation with investment preference ($r = 0.262$).

6. The regression model is statistically significant ($p = 0.002$), with risk tolerance showing a positive coefficient of 0.206.

7. The R^2 of 6.9% indicates that risk tolerance is relevant but is not sufficient to explain investment preference on its own.

8. Return orientation and risk perception are identified in the draft as important factor areas influencing investment decisions.

9. The reported Cronbach's alpha of 0.80 indicates good internal consistency for the measured instrument.

12. Implications of the Study

12.1 Implications for Investors

Investment decisions should be aligned with individual financial goals, liquidity requirements and risk capacity rather than being based solely on general market trends. Investors may benefit from understanding the differences between market-linked and relatively predictable investment avenues before allocating savings.

12.2 Implications for Financial Education

The findings suggest a need for stronger investor education around risk, return, liquidity, diversification and the characteristics of different mutual-fund categories. Financial literacy initiatives can help individuals understand that risk tolerance and financial capacity are not necessarily identical.

12.3 Implications for Researchers

Future studies can extend this work by using larger probability-based samples and by modelling additional explanatory variables such as financial literacy, income, age, investment horizon, tax awareness, liquidity needs and perceived safety.

13. Suggestions

1. Investors should improve their understanding of mutual-fund categories and the risk associated with market-linked investments.

2. Investment choices should be matched to personal financial goals, time horizon and risk-taking capacity.

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3. Investors can evaluate whether a combination of investment avenues is appropriate for their individual objectives.

4. Financial education programs should emphasize risk-return trade-offs, liquidity and diversification rather than focusing only on expected returns.

5. Researchers should use validated scales and clearly document questionnaire items and coding procedures in future studies.

14. Limitations of the Study

1. The study uses convenience sampling, which limits the generalizability of the results to the wider investor population.

2. The sample size is 152 respondents; larger samples could provide more stable estimates.

3. The supplied manuscript does not identify a specific city, state or sampling frame for the 152 respondents, so the geographical scope should be stated explicitly before publication.

4. The raw respondent-level dataset was not supplied with the draft; therefore, the reported statistical results were not independently recomputed for this manuscript.

5. The factor-analysis section does not provide the full statistical diagnostics required for replication.

6. Investment preference is a self-reported behavioural measure and may be affected by respondent perceptions at the time of the survey.

15. Scope for Future Research

Future research can develop a broader model of investment preference by incorporating financial literacy, investment experience, income, age, marital status, investment horizon, liquidity needs, tax awareness, perceived safety, return expectations and social influence. A larger and geographically stratified sample would improve external validity. Structural equation modelling could also be used if a sufficiently large dataset and validated multi-item constructs are available.

16. Conclusion

This study examined investment preference between mutual funds and fixed deposits using survey data from 152 respondents. The reported descriptive results show that fixed deposits are the largest stand-alone preference category, while a substantial share of respondents report using both fixed deposits and mutual funds. Risk tolerance is positively associated with investment preference and has a statistically significant coefficient in the reported regression model. At the same time, the modest R^2 demonstrates that investment preference is a multidimensional decision that cannot be explained by risk tolerance alone.

The study therefore supports a broader understanding of investment behaviour in which safety, return orientation, liquidity, financial goals and individual risk capacity interact. The findings should be interpreted within the limitations of the sample and the reported methodology. In particular, the contradiction in the original draft has been resolved in this manuscript by following the actual preference table: 44.1% selected fixed deposits only, compared with 1.3% selecting mutual funds only. Before submission to a journal or conference, the authors should verify the raw dataset, questionnaire, statistical output and geographical sampling details.

17. References

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Appendix A: Recommended Pre-Submission Verification

1. Confirm the exact survey location/geographical scope and data-collection period.

2. Retain the original questionnaire and respondent-level dataset.

3. Verify all frequency totals and percentages against the dataset.

4. Verify the coding of the investment-preference variable used in correlation and regression.

5. Verify the regression model specification and whether the dependent variable is appropriately treated for the chosen model.

6. Provide KMO, Bartlett's test, extraction method, rotation method, eigenvalues and factor loadings if formal factor analysis is retained.

7. Add a complete author affiliation and corresponding-author email as required by the target journal/conference.

8. Apply the target journal's exact reference style, word limit, page layout and plagiarism/AI-disclosure requirements before submission.

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