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Mutual Fund Literacy among Teachers: What are its Determinants?

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Abstract:

A mutual fund is neither risk-free nor guaranteed to pay a stable return, even though it does not require direct portfolio formulation. Hence, the investor requires adequate knowledge of mutual funds to analyse the various alternatives. This study examines the level of Mutual Fund Literacy (MFL) and explores the factors affecting it among university teachers at The University of Burdwan. Primary data were collected from 63 University teachers and analysed using statistical tools and techniques. The study's outcome suggests a moderate level of MFL among the selected teachers. The Censored-Tobit regression model suggests that factors such as age, gender, marital status, discipline, and designation are key drivers that determine MFL. However, factors such as investment tenure and investment mode failed to determine the MFL of university teachers. The study will make a positive contribution to policy-making by helping policymakers and the government identify the key factors that require more attention.

Keywords: Mutual Fund, Mutual Fund Literacy, Financial Literacy, Investment Decision, Stock Market Participation.

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Introduction

In this rapidly changing financial World, where inflation perpetually bites the economy, setting a long-term goal for individual financial stabilisation as well as future financial security is a prominent issue (Agénor & Da Silva, 2013). The future financial stability or future financial security mainly depends on the current saving decisions, investment decisions, and money management tactics (Moridu, 2023), which are the key outcomes of financial literacy and financial attitude (Jappelli & Padula, 2013; Shih & Ke, 2014; Hasanuh & Putra, 2020). The propensity to save and invest increases when people are motivated and confident in the available financial investment alternatives (Avdeenko et al., 2019), subject to their financial literacy, risk preferences, and present bias, which influences their asset allocation, savings, and investment habits (Bajtelsmit & Coats, 2023). The financial system offers a wide range of investment alternatives with varying risk and return requirements that should be analysed before making an investment decision (Dsouza et al., 2024). Generally, investments in financial assets such as equities, commodities, high-yield bonds, real estate, and currencies tend to be high-risk, which requires knowledge of portfolio management (Agarwal & Singh, 2008; Menounos et al., 2019). Portfolio management is a strategic decision that enables individuals to select a collection of financial securities, balancing risk and return (Gambeta & Kwon, 2020; Sarkar, 2023). However, people without adequate financial expertise might face hurdles in formulating an effective portfolio that generates a higher return subject to specific risk or has a minimal risk subject to specific return (Glaser & Weber, 2007). In such circumstances, they mostly rely on the suggestions of the financial advisors and set their portfolio accordingly.

On the other hand, some investors prefer not to invest directly in equity instruments; instead, they opt for an indirect channel by providing their money and resources to an asset management company, which then invests their resources in equity instruments (Mobius, 2007). The asset management company accumulates funds from investors, breaks them down into smaller portions, and collectively invests in equity instruments. This type of investment alternative is known as a Mutual Fund Investment, which pools money from multiple investors and is managed by professionals who invest in various assets, including equity, debt, money market instruments, and gold, among others (Prabhu & Vechalekar, 2014). The net asset value of the units purchased by investors increases or decreases depending on whether the investment made by the asset management company grows or shrinks (Tripathi & Shukla, 2013).

Therefore, it is also essential to analyse the performance of the asset management company of a Mutual Fund and its investment strategy in various financial assets before purchasing any Mutual Fund units (Mathew, 2017). MFL, a component of Advanced Financial Literacy, encompasses a

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set of skills, knowledge, awareness, and understanding of an individual about Mutual Funds, including their nature, functioning, risks, and benefits. It is a component of financial literacy, specifically concerning investment in a Mutual Fund. A person with good knowledge of mutual funds should be able to understand basic mutual fund terminology, compare various types of mutual funds, comprehend the functioning of mutual funds, and be aware of the risks associated with them. In addition, MFL helps individuals select investment plans such as SIP and Lump Sum, as well as choose the appropriate mutual fund based on their goals, risk profile, and time horizon (Scholl & Fontes, 2022). Therefore, the significance of MFL in making effective investment decisions can never be undermined. Against this backdrop, the present study focuses on assessing MFL among university educators in the district of Burdwan. The study has also tried to explore the antecedents of such MFL amongst selected university educators. The outcome of the study suggests the prevalence of low levels of MFL amongst the University teachers, and age, gender, marital status, discipline, and designation are the major demographic and socioeconomic factors that influence MFL among the university teachers.

Review of Literature

There is a dearth of research on MFL in the existing literature. The study has searched related articles that have been published earlier using the 'Google Scholar' search engine. Several keywords relating to the domain MFL such as "Mutual Fund Literacy", "Mutual Fund Knowledge", "Mutual Fund Skills", "Mutual Fund Education", "Mutual Fund Competencies", "Mutual Fund Awareness", "Determinants of Mutual Fund Literacy", "Antecedents of Mutual Fund Literacy", and so on has been entered. Such searching results revealed a lack of significant literature that emphasises the identification and measurement of MFL. Hence, the present study has also included financial literacy literature in its review, which is a broad spectrum of financial competencies and financial decision-making, including investment appraisal. The review of literature sections of this study comprehensively highlights the level of financial literacy, and its various demographic as well as socioeconomic antecedents, which makes it more insightful in analysing the existing research gap.

Concentrating on the literature of MFL, a poor level of MFL has been noticed amongst individuals in the USA (Scholl & Fontes, 2022). Moreover, the authors of this research have demonstrated the concept of MFL as an integral part of the overall financial literacy, which is a significant key driver in boosting financial wellbeing. This outcome is aligned with the study in the exiting financial literacy literature, reporting a poor financial literacy amongst the people in various region of the globe (Lusardi & Mitchell, 2011; van et al., 2011; Sekita, 2011; Klapper et al., 2015; Gangwar & Singh, 2018; Rai et al., 2019; Klapper & Lusardi, 2020; Sharma, 2021).

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The study of standard and poor's survey has also articulated a dismal state of financial literacy around the World considering the survey reports across 148 countries across the globe (Klapper et al., 2015), which is further substantiated by the outcomes of the study carried out by Klapper and Lusardi, (2020) depicting low financial literacy amongst the participants from 148 countries of the World. In contrast to these, some of the research has pointed out a high (Brown & Graf, 2013; Rasoaisi & Kalebe, 2015; Clark et al., 2017) or moderate level of financial literacy (Potrich et al., 2016; Kumar, 2019; Kadoya & Khan, 2020).

Sociodemographic antecedents of financial literacy are well evidenced from the existing literature (Lusardi & Mitchell, 2011; van et al., 2011; Sekita, 2011; Brown & Graf, 2013; Klapper et al., 2015; Rasoaisi & Kalebe, 2015; Potrich et al., 2016; Lusardi & Mitchell, 2017; Boisclair et al., 2017; Gangwar & Singh, 2018; Clark et al., 2017; Kumar, 2019; Rai et al., 2019; Klapper & Lusardi, 2020; Kadoya & Khan, 2020; Sharma, 2021). The important demographic and socioeconomic factors which significantly determines the financial literacy are observed to be age, gender, education, marital status, financial condition, nature of employment, location (Hossain & Maji, 2021; Lusardi & Mitchell, 2011), whereas, van et al. (2011) in their research has highlighted five significant determinants such as education, age, gender, income and wealth. Again, the study conducted by Sekita (2011) reported age, marital status, education, home ownership, employment status and retirement planning. The authors included retirement planning as a determinant of financial literacy, which is quite contradictory to the study where retirement planning is being considered as an outcome of financial literacy (Lusardi & Mitchell, 2011; Agnew et al., 2012; Lusardi & Mitchell, 2017). In a similar fashion, Sharma (2021) considered savings-related practices and community, apart from the other demographic and socioeconomic factors, whereas Rai et al. (2019) mentioned age, education, marital status, income, and type of organisation are the significant factors that influence the financial literacy amongst the working women in India. Another study of Gangwar and Singh (2018) concluded that gender, age, income, educational attainment and wealth are determinants of financial literacy amongst Indian individuals. Brown and Graf (2013) reported age, gender, education, income and employment status. Klapper et al. (2015) summarised the nature of the economy, age, gender, financial condition, and income. Rasoaisi and Kalebe (2015) have mentioned gender, location, branches of study and age.

Potrich et al. (2016) concluded that gender, age, marital status, income, and occupation of the parents are important determinants of financial literacy.

After carefully reviewing the literature, it is found that some research has been carried out to examine the level of financial literacy at the national and international levels for diverse regions, societies or groups of individuals. But to the best of our knowledge, a dearth of research exists

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that assesses the MFL amongst university teachers. The present study intends to bridge this gap in a holistic manner.

Objectives of the Study

After analysing the review of the existing literature and consequently identifying the research gap, the present study has set the objective of assessing the MFL amongst the University teachers of the University of Burdwan. In addition, the study has also tried to unveil the demographic as well as the socioeconomic factors affecting such MFL amongst the University teachers. In this prelude, the specific objectives of the study are as follows:

a) To examine the mutual fund literacy amongst University teachers.

b) To unearth the antecedents of such mutual fund literacy amongst University teachers.

Methodology of the Study

For data analysis, general statistical tools such as frequency distribution and measures of central tendency were employed. In addition, the regression analysis and non-parametric test statistics have also been used in the present study. The methodology of the study has been classified into three subsections such as data source, methods for computation of MFL scores and level, and methods for identification of the determinants of MFL, which are highlighted as follows:

Data Source

The present study has used primary survey data amongst the teachers of different faculties of the University of Burdwan. In this regard, the structured questionnaire consisting of questions relating to the dimension of the concept of mutual fund and its functioning has been developed and distributed amongst the University teachers. The questionnaire consists of 22 questions focusing on unveiling the ability of participant regarding the various aspects of mutual fund operation, including the risk-return analysis proficiency, and thereby providing greater insight into their awareness.

Methods for computation of MFL Score and level

The present study is analytical in nature. In order to ascertain the MFL scores, the responses of the respondents regarding the 22 questions have been analysed and assigned scores. For this purpose, the respondents are given a score of one for every correct response given by them and otherwise zero. MFL scores have been computed by clubbing the scores of individual dimensions. Since the total number of questions is 22, the MFL scores are laid within the range of zero to 22. Furthermore, the study also computed three levels of MFL such as low, moderate,

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and high. A score of 75% or more was categorised as a high level, while a score between 50% and 75% was considered a moderate level, and a score below 50% was classified as a low level of financial literacy.

Methods for the computation of the antecedents of MFL

The impact of the demographic and socioeconomic factors on MFL was explored employing the Censored-Tobit regression model using STATA version 14. In this regard, the MFL scores were considered as a dependent variable, and the demographic and socioeconomic variables were treated as independent variables. Dummy variables have been created for the independent variables Discipline, Designation, and Investment Mode. In the case of variable discipline, teachers of the Arts subjects have been considered as the reference group, whereas, in the case of designation, assistant professors were treated as the reference group. Again, in the case of investment mode, the dummy variable has been created based on the group who are not an investor. The description of the variables is highlighted in Table A1 in the appendix.

The underlying reason for using the Censored-Tobit regression model was that the scores of the dependent variable are bounded, ranging from zero to the maximum possible score. The following empirical model has been used in this research.

$$MFL\_SC_i = \delta_0 + \delta_1 Age_i + \delta_2 Gen_i + \delta_3 Sci_i + \delta_4 Busi\_Stu_i + \delta_5 Asso\_Prof_i + \delta_6 Prof_i + \delta_7 Inv\_Ten_i + \delta_8 Sip_i + \delta_9 Lump\_sum_i + \delta_{10} Mar\_Sta_i + \varepsilon_i$$

(Where, *MFL_SC* is MFL, δ_0 is the constant, *age* is age in years, *Gen* is the Gender, *Sci* is the science faculty, *Busi_Stu* is the business studies faculty, *Asso_Prof* is the associate professor, Prof is the professor, Inv_Ten is the investment tenure, Sip is the SIP, Lump_Sum is the lump sum, Mar_Sta is the marital status, and ε_i is the error term).

Furthermore, the study also used the non-parametric tests, such as the Wilcoxon Rank-Sum test and the Kruskal-Wallis test, to evaluate the demographic and socioeconomic attributes-wise variation in MFL using SPSS, which is presented in Table A2 in the appendix.

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Analysis & Discussion

Table 1: Demographic and Socioeconomic profile of the respondents

Variable	Description	Frequency	Valid Percent	Cumulative Percent
Age Group	30 to 40	10	15.9	15.9
	40 to 50	24	38.1	54
	50 to 60	24	38.1	92.1
	Above 60	5	7.9	100
Gender	Female	9	14.3	14.3
	Male	54	85.7	100
Discipline	Arts	19	30.20	30.20
	Science	26	41.30	71.40
	Business studies	18	28.60	100
Designation	Assistant Professor	24	38.1	38.1
	Associate Professor	8	12.7	50.8
	Professor	31	49.2	100
Investment mode	Not an investor	25	39.7	39.7
	Lump sum	14	22.2	61.9
	Sip	24	38.1	100
Marital status	Married	58	92.1	92.1
	Unmarried	5	7.9	100
Investment Tenures	Up to 5 years	37	58.7	58.7
	6 to 10 years	11	17.5	76.2
	More than 10 years	15	23.8	100

Source: Author's own computation from the Primary survey

Table 1 presents the demographic and socioeconomic profile of the respondents selected for the study. From the analysis of the Table, it can be observed that out of a total of 63 respondents, 15.9% were between 30 and 40 years old, 38.1% were between 40 and 50 years old, 38.1% were between 50 and 60 years old, and the remaining 7.9% were above 60 years old. Furthermore, the analysis of Table 1 depicted that out of the 63 selected samples, a large portion of the respondents were male (85.7%), and only 14.3% were female.

Approximately 30.2% of the total respondents declared that they were from the Arts faculty, 41.3% were from the Science faculty, and 28.6% were from the Faculty of Business Studies. Furthermore, the analysis of the Table also revealed that 38.1% were assistant professors, 12.7% were associate professors, and 49.2% of the samples were professors. As far as the mode of investment is concerned, the observation of Table 1 showed that 38.1% have invested in SIP,

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22.2% have made a lump sum investment, and 31.7% of the respondents reported that they did not make any investment. Out of the total of 63 respondents, a large portion, about 92.1% was married, and a small fraction, only 7.9% was single. Finally, the analysis of the Table revealed that 58.70% of the respondents had investment experience of 5 years or less, 17.50% had experience between 5 and 10 years, and 23.8% of the respondents had investment experience of over 10 years.

Table 2: Demographic and socioeconomic attributes-wise variation in MFL

Variable		**Wilcoxon Rank Sum test outcome**		
		MFL Score	Mean Rank	Z-value
Gender	Female	5.44	24.56	-1.324 (0.186)
	Male	9.13	33.24	
Marital Status	Single	9.00	34.30	-0.294 (0.777)
	Married	8.57	31.80	
		Kruskal-Wallis test outcome		
		MFL Score	Mean Rank	χ^2-value
Age	30 to 40	8.10	31.00	0.802 (0.849)
	41 to 50	7.83	29.98	
	51 to 60	9.08	33.48	
	Above 60	11.00	36.60	
Discipline	Arts	8.11	31.55	17.085 (0.000)
	Science	4.54	22.75	
	Business Studies	15.00	45.83	
Designation	Assistant Professor	6.29	25.60	9.511 (0.009)
	Associate Professor	4.00	23.44	
	Professor	11.58	39.16	
Investment tenure	Not an investor	6.18	25.71	5.963 (0.113)
	Up to 5 years	7.80	30.35	
	5 to 10 years	8.27	32.27	
	More than 10 years	12.67	41.13	
Investment Mode	Not an investor	5.48	23.88	9.933 (0.007)
	SIP	9.38	34.40	
	Lamp sum	12.86	42.39	

Source: Author's own computation from primary survey.

Table 2 illustrates the variation in mutual fund literacy by demographic and socioeconomic attributes using non-parametric tests, including the Wilcoxon Rank Sum test and the Kruskal-Wallis test. The outcomes of the Wilcoxon Rank Sum test clearly indicated that the chi-square associated with the variables of gender and marital status was insignificant, suggesting that there

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is no significant variation in the MFL among respondents based on their gender and marital status. However, the mean rank as well as the average MFL scores are observed to be greater for both male and single respondents than for female and married respondents. Similarly, the Kruskal-Wallis test outcome reported an insignificant chi-square associated with the variables age and investment tenure, endorsing the absence of significant variation in the MFL of the sample respondents in terms of their age and tenure of their investment in mutual funds. Moreover, the analysis of Table 2 showed a higher mean rank, as well as higher average MFL scores, associated with higher age and longer investment tenure. The significant variation in MFL has been found based on the designation, discipline, and mode of investment of the respondents. The outcome of the Kruskal-Wallis test reported a greater mean rank and average MFL scores for the teacher of business studies faculties, followed by arts and science faculties. Similarly, the mean rank and average MFL scores of the professors have been observed to be higher, followed by those of the assistant professors and associate professors. Finally, respondents investing in the lump sum mode have associated with a higher mean rank and a higher average MFL score, followed by respondents investing in the SIP mode and those who are not investors at all.

Table 3: Determinants of MFL

Variables	Coefficient	Std. Err.	t- value	p- Value
Age	-0.39941	0.183724	-2.17	0.034
Gender	7.67055	3.01165	2.55	0.014
Science	-4.69775	2.19014	-2.14	0.037
Business studies	4.904557	2.672278	1.84	0.072
Associate professor	1.171219	3.336063	0.35	0.727
Professor	7.675243	3.155169	2.43	0.018
Investment tenure	0.256523	0.158131	1.62	0.111
Sip	-0.52557	2.361529	-0.22	0.825
Lump sum	2.568703	2.191777	1.17	0.246
Married	-8.67156	3.750541	-2.31	0.025
Constant	22.99462	8.041125	2.86	0.006
Pseudo R^2 = 0.1089	0.1089	N = 63	LR chi^2 = 42.03	

Source: Author's own computation from primary survey

In Table 3, a modest effort has been made to explore the determinants of MFL among university teachers. From the analysis of the Table, it can be observed that the coefficient associated with age is found to be negative, which suggests that as the level of age increases, the MFL decreases. Generally, cognitive ability in people is found to decline after reaching a specific age bracket

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(Hossain & Maji, 2021), which in turn negatively affects their decision-making abilities (Okamoto & Komamura, 2021). It is also evident from the financial literacy literature, which revealed an inverse relationship between age and financial literacy (Finke et al., 2017; Hossain & Maji, 2021). The study's outcome is statistically significant.

A significant gender gap in financial literacy has been well-documented in the existing literature. Most highly cited research has articulated that male individuals are more financially literate than females (Potrich et al., 2018; Hossain & Maji, 2021; Okamoto & Komamura, 2021). In this study, a positive and statistically significant coefficient was also observed for the gender of the respondents, suggesting a notable gender gap, where male respondents hold better MFL than female respondents.

Regarding the discipline or faculty of the respondents, the outcome of Table 3 confirms significant variation in MFL by faculty. Considering the respondents from the arts faculties as the base group, the study's outcome depicted a positive coefficient associated with the business studies faculty; however, when compared with the science faculty, an astonishingly negative coefficient was computed. This implies that respondents from the business studies faculty had greater mutual financial literacy than those from the arts and science faculties. On the other hand, the MFL of the arts faculty is, although less than that of the business studies faculty, still greater than that of the science faculty. The existing literature on financial literacy suggests that business studies faculties or students exhibit greater financial literacy, as indicated by their performance (Belousova et al., 2019; Sentsho & Mudau, 2023).

Moreover, the observation in Table 3 indicates that the coefficient associated with both professors and associate professors is positive, considering the assistant professor as the reference group. Additionally, the coefficient value for the professor is higher and statistically significant. However, the coefficient associated with the associate professor is found to be insignificant. It indicates that the MFL of professors was higher than that of associate professors and assistant professors. However, no statistically significant empirical evidence has been found to support the variation between assistant professors and associate professors.

In terms of the investment tenure, the Tobit regression revealed a positive coefficient, indicating an increase in MFL with longer investment tenures.

The observation of Table 3 also describes the effect of the mode of investment on the MFL. Considering non-investors as a reference group, the analysis demonstrated a positive coefficient associated with a lump sum investment but a negative coefficient associated with a systematic investment plan (SIP). It implies that MFL is greater amongst people who made a lump sum

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investment. On the other hand, the respondents who made SIP held the lowest MFL. However, these variations in investment modes are not statistically proven.

The observation in Table 3 revealed a negative and statistically significant coefficient associated with the marital status of the respondents, which suggests that the MFL among single individuals is greater than that of their married counterparts. It is quite the opposite of the traditionally held beliefs that marriage brings substantial and explicit financial responsibilities for both partners, and such responsibilities are encountered when making joint financial decisions (Hitczenko, 2024). It enhances savings and investment habits, controls impulsive buying behaviours, and thereby improves financial satisfaction (Kruger et al., 2023; Chakraborty & Chopra, 2024). Moreover, a higher level of financial literacy among married individuals is evident in the existing literature (Hossain & Maji, 2021; Mejía et al., 2022), which further complicates these results.

Conclusion

The significance of investing in a mutual fund cannot be overstated. It facilitates even the most cautious investors to invest their money in a variety of stocks proportionately, which minimises risk. However, the mutual fund does not guarantee a return, as its market value depends on and varies with the market price of the shares in which the fund is invested. Hence, investors must possess the basic competencies to evaluate the mutual fund's performance, their investment pattern in the company's stock, and its functioning before investing in a unit of a mutual fund. In addition, investors must analyse the net asset value, including both performing and non-performing assets of the asset management company, as well as their pattern of previous returns, to be fully aware of the competencies of a mutual fund. Therefore, possessing a sound and deeper understanding of mutual funds is crucial in selecting the appropriate and suitable mutual fund to invest in. With this backdrop, the present study has examined the MFL among stable salaried earners, i.e., university teachers selected from the University of Burdwan in the state of West Bengal.

The study's outcome reveals a low level of MFL among the sample respondents, with an overall mean score of 8.60 out of 22, indicating a deplorable state of MFL among the participants. Moreover, the study's outcome also indicated that the demographic variable of age has a negative and significant impact on determining MFL. The study results have also reported a significant gender gap and variation in marital status among the sample respondents selected for this study. Moreover, single male teachers had higher mutual financial literacy compared to female and married teachers. Furthermore, the higher designations and faculties of business studies, such as commerce, economics, and management, have proven to be more literate in terms of the mutual

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fund. However, the socioeconomic factors, such as investment tenure and mode of investment, were found to have no significant effect and hence failed to determine the MFL of the teachers belonging to the University of Burdwan.

Policy implication

As part of financial literacy, research on mutual fund literacy is prominent in shaping the policy framework. As the existing literature on financial literacy has consistently demonstrated, the positive impact of financial literacy on informed stock market participation and investment decisions is evident. Therefore, policymakers should adopt effective strategies to promote the spread of financial literacy across various segments of the population. Furthermore, policymakers should give special attention to individuals from vulnerable sections of society to enhance their financial literacy levels and thereby improve investment decisions.

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Appendix

Table A1: Description of the variable

Variables	Description
Age	Age in years
Gender	Female = 0 Male = 1
Discipline	Arts = 0 Science = 1
	Arts = 0 Business Studies = 1
Designation	Assistant Professor = 0 Associate Professor= 1
	Assistant Professor = 0 Professor = 1
Investment tenure	No of years
Investment Mode	Not an investor = 0 SIP = 1
	Not an investors = 0 Lump sum = 1
Marital status	Single = 0 Married = 1

Source: Author's own compilation