

Investigating Investor Perceptions of Mutual Funds: A case study of African life financial services in Zambia

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Abstract

This study examines the key factors shaping mutual fund investment decisions among clients of African Life Financial Services (ALFS), with a focus on cost structures, investor expectations, and satisfaction levels. A mixed-methods approach was employed, combining quantitative data from structured investor questionnaires and qualitative insights from interviews with ALFS accountants. Data analysis involved descriptive statistics for quantitative responses and thematic analysis for qualitative findings. The findings revealed that investors strongly preferred lower-cost mutual funds, as fees significantly impacted their decision-making. Investors primarily valued mutual funds for long-term growth, financial security, and portfolio diversification. Satisfaction levels were closely tied to three key factors: competitive returns, efficient customer service, and transparency in fund management. Conversely, dissatisfaction arose from poor fund performance, processing delays, and unclear communication regarding fees and risks. A notable gap emerged between investor expectations and actual outcomes. Many clients anticipated quick liquidity and high short-term returns, which often did not align with the realities of mutual fund investments. This discrepancy underscored the importance of financial literacy, as investors with a stronger understanding of market dynamics exhibited more realistic expectations and higher satisfaction. The study highlights several recommendations for ALFS to enhance client satisfaction. First, financial literacy programs should be expanded to educate investors on mutual fund mechanics, risk-return trade-offs, and long-term investment strategies. Second, ALFS should prioritize transparent communication, ensuring that clients receive clear, timely information about fees, performance, and potential risks. Third, marketing strategies should align with realistic outcomes to prevent mismatched expectations. Future research should explore these factors in different geographic and demographic contexts to assess their broader applicability. Additionally, studies could investigate the role of digital tools—such as mobile apps and online advisory platforms—in shaping investor behavior and improving financial literacy.

Keywords: Mutual Funds, Investor Expectations, Financial Literacy, Cost Structures, African Life Financial Services, Investment Decisions

1. Introduction

Investing in mutual funds has become an increasingly popular wealth-building strategy, offering individuals opportunities for diversification, professional management, and long-term financial growth. However, investor decisions are influenced by multiple factors, including costs, expectations, and satisfaction levels, which can shape their overall experience and commitment to such investments.

Any country's economic success depends on the use of innovative financial investment tools that lower transaction costs and investment risk (Stiglitz, 2000). Mutual fund investments are one example of such an instrument. Mutual funds are financial vehicles that gather money from investors and invest it in stocks, bonds, and other financial assets to generate returns (Bodie et al., 2014). Investors who contribute funds to mutual fund managers receive a portion of the profits in return, benefiting from economies of scale and professional management (Kumar & Abdulla, 2020).

By pooling resources from individuals with shared financial goals, mutual funds act as trusts that invest in capital market instruments such as shares and debentures, enabling cost-effective diversification for average investors (ICI, 2023).

Mutual fund companies generate profits through strategic asset allocation, while investors earn passive income without direct market engagement (Chevalier & Ellison, 1999). Though mutual fund investors still face risks, these are significantly lower than those associated with direct stock or bond investments due to diversification (Markowitz, 1952). For example, losses in one asset can be offset by gains in others, reducing overall portfolio volatility (Elton et al., 2011).

Globally, mutual funds channel idle savings into productive investments, fostering economic growth and poverty reduction (Mayo, 2013). However, in developing African economies like Zambia, individual participation remains low despite their potential to deepen capital markets and reduce reliance on pensions (Lemeshko & Rejnus, 2015; World Bank, 2021). Zambia's economic volatility—driven by commodity price fluctuations and currency instability—heightens the relevance of mutual funds as tools for risk mitigation and wealth preservation (Bank of Zambia, 2023; IMF, 2022). These funds offer professionally managed diversification, shielding investors from direct exposure to volatile markets (Zambia Securities and Exchange Commission, 2022).

Zambia's push for financial inclusion further underscores the importance of mutual funds, which lower entry barriers for retail and institutional investors (Demirgüç-Kunt & Klapper, 2012). By investing in equities, bonds, and government securities, mutual funds reduce reliance on inflation-prone savings products while supporting capital market development (International Finance Corporation, 2020; Beck & Demirgüç-Kunt, 2009). This aligns with Zambia's goal of building a resilient domestic capital base to offset external shocks from foreign investment dependency (UNCTAD, 2021).

Despite the global mutual fund industry's growth, research in African contexts remains sparse (Amiril & Lafuente, 2016). Most studies focus on developed markets, emphasizing fund performance over investor perceptions (Fama & French, 2010). Existing findings on drivers like financial literacy are contradictory: while some highlight its critical role (Jureviciene & Jermakova, 2012; Sabri et al., 2010), others find no significant impact (Fernandes et al., 2014; Octarina et al., 2019). This inconsistency, coupled with the absence of Zambia-specific studies on investor perceptions, creates a critical research gap (Asongu & Nwachukwu, 2018).

Mutual funds in Zambia, officially known as Collective Investment Schemes (CIS), are regulated investment vehicles that pool funds from multiple investors to invest in diversified portfolios of assets such as equities, bonds, and real estate. These schemes are authorized and overseen by the Securities and Exchange Commission (SEC) of Zambia, ensuring investor protection and market integrity.

Under the Securities Act of 2016, all CIS must obtain authorization from the SEC before being promoted or offered to the public. Unauthorized promotion or operation of a CIS is prohibited and subject to legal penalties, including fines or imprisonment. Authorized schemes are required to submit comprehensive documentation, including offering documents, audited financial statements, and consent letters from trustees and auditors. The Zambian CIS sector has experienced significant growth. As of September 2023, domestic CIS assets under management (AUM) reached K1.79 billion, marking a 9.13% increase from June 2023. Notably, Mpile Unit Trust contributed 58% of this growth, followed by ABC Unit Trust with 21%. Foreign CISs also saw a 14.08% rise in AUM during the same period, primarily due to currency appreciation. The combined AUM for both local and foreign CISs closed at K2.06 billion in September 2023.

It is with this backdrop that this research endeavors to address these gaps by investigating the perceptions of mutual fund investments among investors in Zambia with a particular focus on the investors from African life financial services.

1.2 Statement of the Problem

Undoubtedly, any country's economic development depends on the development of innovative financial products that lower transaction costs and reduce investment risk. Mutual funds have become one of the most important investing options among these vehicles. These funds combine capital from different investors and distribute it among stocks, bonds, and other financial assets, producing profits for fund managers and investors alike. The ordinary person finds this financial tool appealing due to its expert management and diversification (Kumar & Abdulla, 2020).

Although mutual funds have become more popular in industrialized countries, many developing African economies still have low levels of individual-level mutual fund investment (Lemeshko & Rejnus, 2015). Mutual funds are critical for economic development, yet individual-level adoption in Zambia remains low despite their potential to mitigate risks and enhance capital market growth (Lemeshko & Rejnus, 2015; Tan, 2015). While studies in developed countries emphasize mutual fund performance and investor characteristics, research on perceptions of individual investors in Zambia is absent (Amiril & Lafuente, 2016). For instance, a 2022 survey by the Zambia Securities and Exchange Commission highlighted that only 12% of Zambian households invest in mutual funds, citing low financial literacy and mistrust as barriers—a gap unexplored in academic literature. Consequently, existing studies on mutual funds in Zambia focus on regulatory frameworks (Bank of Zambia, 2023) or macroeconomic impacts (International Finance Corporation, 2020), neglecting individual investor perceptions. This study fills this void by investigating how Zambian investors perceive mutual funds, focusing on ALFS clients.

The scarcity of studies examining Zambian individual investors' opinions of mutual funds represents a significant knowledge vacuum on this restricted adoption. Few studies have looked at how individual perceptions influence mutual fund investment decisions in African economies, especially Zambia, despite the fact that the literature currently in publication extensively examines the performance and characteristics of mutual fund holders in developed nations (Amiril & Lafuente, 2016). It is essential to comprehend these views since investor attitudes regarding mutual funds have a big impact on their

propensity to invest, which in turn affects the mutual fund industry's expansion and, consequently, the growth of Zambia's capital markets. Furthermore, studies looking into the factors that influence mutual fund investments have produced conflicting results. While some emphasize the importance of financial literacy in influencing investor behavior, others have produced equivocal findings (Jureviciene & Jermakova, 2012; Sabri et al., 2010; Fernandes et al., 2014; Octarina et al., 2019).

In order to understand how Zambian investors' opinions of mutual funds affect their investment choices and to pinpoint obstacles to mutual fund adoption, it is imperative that this research gap be filled. Policymakers, financial institutions, and mutual fund managers may use the knowledge gathered from this type of research to help them create focused plans to boost mutual fund participation. The expansion of regional capital markets, Zambia's financial inclusion program, and overall economic growth may all benefit from this. Therefore, this research aims to investigate the perceptions of mutual fund investments among investors in Zambia, with a particular focus on investors associated with African Life Financial Services.

1.3 Objectives of the study

The study was guided by the following specific objectives and research questions

1. To assess how mutual fund costs, influence investor decision-making.
2. To examine the impact of financial literacy on mutual fund investment decisions.
3. To identify perceived benefits driving interest in ALFS mutual funds.
4. To analyze how perceptions of economic cycles affect mutual fund decisions.

1.4 Research questions

1. How do the costs associate with mutual funds influence ALFS clients' investment decisions?
2. How does financial literacy impact ALFS clients' choices in mutual fund investments?
3. What perceived benefits motivate ALFS clients to invest in mutual funds?
4. How do perceptions of economic cycles shape ALFS clients' mutual fund decisions?

2. Literature Review

2.1. Behavioural Finance Theory

Behavioral Finance posits that investors do not always act rationally; their decisions are influenced by cognitive biases, emotions, and social factors. For instance, loss aversion—the tendency to prioritize avoiding losses over acquiring gains—may explain why Zambian investors avoid mutual funds during economic downturns despite their long-term benefits (Kahneman & Tversky, 1979). Similarly, mental accounting, where individuals treat money differently based on subjective criteria, could clarify why investors perceive mutual fund fees as prohibitive even when long-term returns offset costs (Thaler, 2015).

This theory aligns with two key aspects of the study:

- Financial Literacy and Biases: Low financial literacy exacerbates biases (e.g., overestimating risks due to unfamiliarity with diversification), reducing mutual fund adoption (Van Rooij et al., 2011).
- Economic Cycles: During inflationary periods, investors may irrationally withdraw funds due to short-term loss aversion, ignoring long-term growth potential (Jain et al., 2021).

Thus, the study is interested in how investors' perceptions towards mutual funds investment, and their levels of financial literacy and an understanding of the benefits associated with mutual funds influence their decision to invest or not.

2.2. Modern Portfolio Theory (MPT)

MPT emphasizes that diversification minimizes risk without sacrificing returns, making it a cornerstone of mutual fund design (Markowitz, 1952). In Zambia's volatile economy, where currency instability and commodity price fluctuations heighten risk, MPT explains why mutual funds are perceived as safer than direct investments. Investors recognize that pooled resources spread across assets (e.g., equities, government bonds) mitigate idiosyncratic risks (Zambia Securities and Exchange Commission, 2022).

This theory directly addresses:

- Perceived Benefits: Investors view mutual funds as tools for achieving diversification, aligning with MPT's risk-return optimization principle (Arathy et al., 2015).
- Cost Sensitivity: While MPT assumes rational cost-benefit analysis, Behavioral Finance explains why Zambian investors may perceive fees as disproportionate to diversification benefits.

2.3. Theoretical Implication

The interplay of these theories provides a robust framework for analyzing Zambian investor behavior:

- Behavioral Finance explains deviations from rational decision-making (e.g., avoiding funds due to loss aversion).
- MPT establishes the rational basis for mutual funds (diversification benefits), against which perceptual biases can be

contrasted.

For example, an investor with high financial literacy may understand MPT principles but still avoid mutual funds due to behavioral biases like mistrust in institutions (Trust Theory) or peer influence favouring traditional savings (Social Cognitive Theory).

Recent studies highlight the critical role of cost structures in shaping mutual fund investment decisions. Bergstresser and Poterba (2022) found that investors are highly sensitive to after-tax returns, emphasizing that cost efficiency and tax implications significantly influence fund inflows. Their research suggests that investors prioritize low-expense funds, particularly in tax-advantaged accounts. Similarly, Khorana et al. (2021) examined global mutual fund fee structures and concluded that high management fees deter retail investors, especially in emerging markets where cost sensitivity is pronounced.

In contrast to these global perspectives, this study focuses on Zambia's developing mutual fund market, where financial literacy and accessibility play a more substantial role in cost perceptions. While Bakshi and Chen (2016) explored investor behavior through the lens of market efficiency and the "spirit of capitalism," their study did not account for the unique challenges faced by Zambian investors, such as limited access to low-cost funds and a lack of transparent fee disclosures. Recent work by Mwenda and Kabwe (2023) on Sub-Saharan African markets supports this, showing that Zambian investors prioritize cost transparency over pure returns due to distrust in financial intermediaries.

Hartzmark (2020) introduced an additional dimension by analyzing how Environmental, Social, and Governance (ESG) factors influence cost perceptions. His findings suggest that investors are willing to accept slightly higher fees for sustainable funds, but this trend is less pronounced in developing economies where basic financial inclusion remains a priority. Meanwhile, Zheka's (2015) research on overconfidence and trading costs, though dated, remains relevant—recent studies like Bwalya et al. (2023) confirm that behavioral biases (e.g., overestimation of returns) lead to excessive trading and higher costs in Zambia's nascent mutual fund market.

Chalmers et al. (2021) and Agarwal et al. (2022) examined the role of financial intermediaries, finding that fund manager incentives often lead to misaligned cost structures. However, their research primarily applies to developed markets with stringent regulatory oversight. In Zambia, where investor protection mechanisms are weaker, high intermediary fees and opaque cost structures disproportionately discourage participation (Musonda & Phiri, 2023). This study bridges this gap by assessing how Zambian investors perceive costs and whether financial literacy mitigates these concerns.

Financial literacy remains a pivotal factor in mutual fund participation, particularly in emerging markets. Recent studies by Lusardi and Mitchell (2020) reaffirm that financially literate individuals are more likely to invest in securities, echoing earlier findings by Van Rooij et al. (2011). In the Zambian context, Mwape and Tembo (2022) found that only 28% of retail investors understood basic mutual fund mechanics, leading to low adoption rates despite high interest.

Diverging views exist, however. Willis (2021) and Fernandes et al. (2023) argue that financial education programs have minimal impact on investment behavior, attributing decisions more to socioeconomic factors. Yet, opposing evidence from Jain et al. (2022) suggests that simplified, culturally tailored financial literacy programs in Kenya and Nigeria significantly boosted mutual fund uptake. This aligns with Kaur and Kaushik's (2021) finding that investor-friendly disclosures (e.g., visual risk-return charts) enhance comprehension and trust.

A critical gap in existing literature is the lack of focus on Zambia's unique financial literacy challenges. While Singh and Kumar (2020) emphasize budgeting and credit literacy, Zambian investors struggle more with understanding diversification and fee structures (Nyirenda et al., 2023). This study addresses this by evaluating how targeted financial education could alter cost perceptions and investment willingness.

3. Research Methodology

In terms of the approach, the study adopted a case study design. A case study design complements the interpretivist approach by enabling a deep, contextual exploration of a single institution African Life Financial Services. Case studies are ideal for examining complex, real-life phenomena within their unique contexts, allowing for detailed insights into the factors influencing investor behavior (Starman, 2013). Given that mutual fund perceptions are likely shaped by cultural, economic, and institutional factors, a case study provides the necessary depth to capture these elements in a way that other designs might not. Additionally, this approach permits the collection of rich, detailed data through interviews and focus groups, tools central to qualitative research, which help reveal the underlying motivations, beliefs, and concerns of investors (Creswell, 2011).

3.1. Target Population and Sampling Frame

The study's population comprises five hundred African Life Financial Services clients and fifteen key account managers at ALFS.

3.2. Sample Size

Owing to the huge sizes of populations, researchers time and again cannot test every individual in the population because it is too costly and time consuming. It is for this reason that the study has adopted a sample size of eighty (80) respondents. Descombe (2012) affirms that for any meaningful study a sample size of more 10% of the overall population is sufficient to represent the general population.

$$n = N / (1 + N(e^2))$$

Where;

n = require sample size,

N = total population of the study,

e = margin of error at 10% (standard value of 0.10). This margin of error was selected because it provides 90% confidence while accommodating resource constraints (Dillman et al., 2014). Consequently, it aligns with similar studies on investor behavior in emerging markets (e.g., Muthoni, 2019).

substituting the formula, therefore:

$$n = 515 / [1 + 515(0.10^2)] = 83$$

This calculated sample size of approximately 83 was rounded to 80 to provide a manageable and effective sample size. This final sample consisted of 70 mutual fund investors and 10 key accounts personnel from ALFS, aligning the sample composition with the study's aim to understand investor perceptions as well as obtain insights from key personnel involved in managing these investments. Using a 10% margin of error provides a reasonable level of precision, balancing the need for reliable data with practical considerations in reaching the study's target population.

3.3. Sampling Technique

The study adopted a purposive sampling method. Purposive sampling is appropriate for this study as it enables the selection of participants who are directly knowledgeable and experienced with mutual funds at ALFS. The study focuses on investor perceptions of mutual funds, requiring participants with active experience in ALFS mutual funds. Therefore, using this sampling technique ensured that there would be no chance to select clients without mutual fund experience, which would in turn dilute data relevance.

3.4. Data Collection Instruments and Procedure

Data will be categorized into two types: primary and secondary sources. Primary sources consist of original, factual data collected during the study, providing unique insights into the topic being investigated. Secondary sources, on the other hand, refer to existing materials and information that have already been published (Rabianski, 2003). This research will rely on both primary and secondary sources. Primary data will be collected through questionnaires administered to mutual fund investors and interviews conducted with key informants from the institution. Secondary data will be obtained from journals, websites, articles, textbooks, and other relevant publications.

Primary data will be collected directly from ALFS clients and key personnel through questionnaires and interviews. This primary data will provide firsthand insights into the clients' attitudes, experiences, and decisions regarding mutual funds. Secondary data, on the other hand, will include information from journals, articles, textbooks, and online publications that discuss mutual fund investments, investor behavior, and similar topics. While primary data will offer specific and unique perspectives from the participants, secondary data will provide contextual information, background, and support for interpreting primary findings.

The research instruments, specifically the questionnaire and interview guide, will be carefully crafted to align with the study's objectives, ensuring that each question directly contributes to understanding investor perceptions and motivations regarding mutual funds at ALFS. Questions will be designed to explore specific themes related to cost, financial literacy, perceived benefits, and the influence of economic cycles. To enhance clarity and reliability, a pilot test of the questionnaire and interview guide will be conducted with a small group of participants from a similar demographic. Feedback from the pilot test will be used to refine the wording and structure of questions, ensuring they are clear, relevant, and comprehensible to all participants.

The questionnaire will consist of both closed-ended questions (e.g., Likert scale questions measuring agreement on statements related to costs, benefits, and financial literacy) and open-ended questions, allowing participants to elaborate on their experiences and opinions. The interview guide will feature semi-structured questions, primarily open-ended, to encourage detailed responses and provide flexibility for probing deeper into themes such as motivations for investment, perceptions of market trends, and factors influencing investment behavior.

3.5. Piloting, Reliability and Validity Tests

Reliability is the consistency with which an instrument measures what it is supposed to measure (Saunders, 2012). (Zikmund, 2013) maintain that a study is deemed reliable if the results can be obtained by other studies following the same research processes and procedures. (Creswell, 2013) defines validity as the extent to which an instrument measures what it purports to measure. Validity requires that an instrument is reliable, but an instrument can be reliable without being valid. Reliability is the extent to which a research instrument has the capacity to produce the same results on repeated trials (Saunders, 2012). Follow-ups on the questionnaires will be done to ensure guarantee of good response. Reliability and validity will be enhanced by consultation of experts in reviewing the data collection instruments, conducting member checks as well as through triangulation. The pilot testing exercise that ensured that the data collection tools were critically examined will enhance the study validity (Babbie, 2011). The research instruments will be aligned to the research objectives to ensure that they measure or collected data on the objectives that the study intended to achieve.

3.6. Data Preparation and Analysis

Data collected underwent thematic analysis, following a structured process to ensure accuracy and depth in understanding. First, the researcher will transcribe and carefully read the data multiple times to achieve familiarity with its content (Smith et al., 1999). This immersion step helps capture the nuances of participants' responses and provides an initial sense of recurring topics.

4. Research Analysis and Results

4.1. Demographics Statistics

In terms of the sample size, the study had a total sample of 80 participants, distributed as 70 mutual fund investors and 10 key accounts personnel from ALFS.

Gender

Firstly, the distribution of gender among mutual funds investors illustrates the composition of male and female individuals involved in the research. Figure 1 below offers a visual representation of the gender balance or inconsistencies within the sample group. As depicted in the figure, the number of males (60%, n=42) exceeded that of females (40%, n=28).

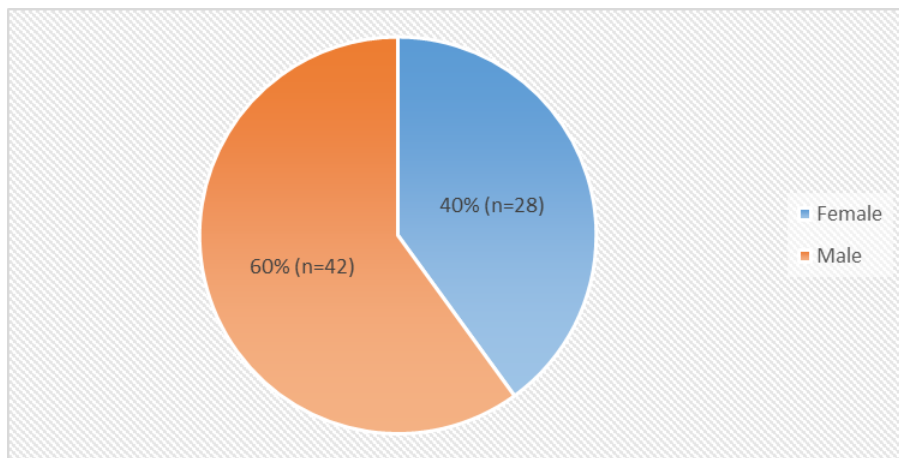


Figure 1: Gender

Consequently, the largest segment of the workforce is within the 35–39 years age bracket, representing 42.9% (30 individuals), while just 11.4% are under 30 years of age and 2.9% are aged 55 years and older (see table 1). This suggests a predominantly youthful workforce with limited presence of senior employees. The age group of 40–44 years constitutes 10%, while the 45–49 years and 50–54 years groups make up 7.1% and 5.7%, respectively.

In terms of occupations, Accountants form the largest category at 17.1%, followed by Research Assistants and Business Development Officers at 14.3%. Minor percentages are observed for Human Resource Officers (12.9%), Insurance Brokers (11.4%), and Investment Operations Officers (10%).

Experience

Regarding experience, 44.3% of workers have been with the company for 1 to 3 years, while 34.3% have been employed for less than a year, indicating a notable presence of new hires. Only 21.4% have more than 3 years of tenure, which points to a generally younger and less experienced workforce

Table 1: Experience and Occupation

Age Distribution	Freq (n)	Percent (%)
Below 30 years	8	11.4
30 - 34	14	20.0
35 - 39	30	42.9
40 - 44	7	10.0
45 - 49	5	7.1
50 - 54	4	5.7
55 and above	2	2.9

Occupation	Freq (n)	Percent (%)
Accountant	15	21.4

Audit Admin Officer	6	8.6
Business Development Officer	10	14.3
Human Resource Officer	9	12.9
Investment Operations Officer	7	10.0
Insurance Broker	8	11.4
Research Assistant	12	17.1
Senior Energy Advisor	3	4.3
Number of Years in Service		
Less than 1 year	24	34.3
1 - 3 years	31	44.3
More than 3 years	15	21.4
TOTAL	70	100

Source: Field Data

Secondly, as was already mentioned, ten (10) African Life Financial Service (ALFS) staff members were also involved in the study to confirm and corroborate the results obtained from the mutual fund investors. The demographic details of the ALFS employees who took part in this study are shown below.



Figure 2: ALFS employees

Source: Field Data

The most frequently represented roles are Unit Trust Officers and Investment Officers, each with two participants. Other roles, including Client Relations Manager, Investment Analyst, Executive Assistant, Portfolio Manager, and Investment Operation Manager, have one participant each. Similarly, the study inquired about the duration of participants' association with African Life Financial Services (ALFS)

Table 2: Duration of Work at ALFS

Duration of Association with ALFS	Frequency
Less than 2 years	2
2–5 years	3
6–9 years	5

Source: Field Data

The majority of respondents (5) have been associated with ALFS for 6–9 years, indicating a strong level of experience among participants. Two respondents have been associated for less than 2 years, while another two have been with ALFS for 2–5 years.

4.2. Impact of mutual fund expenses on investor choice

This section examines how African Life Financial Services (ALFS) investors' decisions are influenced by mutual fund costs. When making investment decisions, these expenses—such as management and administrative fees—are crucial. Expensive costs can lower returns, which makes low-cost funds more attractive to investors. Participants' perceptions of these expenses, their comprehension of cost structures, and the ways in which these elements affect their investing strategies and preferences are all examined in this section. The results emphasize the significance of cost factors in influencing mutual fund selections.

Perception of Mutual Funds as an Investment

Investments in mutual funds are commonly seen as a calculated way for people and organizations to attain financial diversification and growth. Mutual funds give investors access to professionally managed stock, bond, and other securities portfolios that could otherwise be challenging to manage on their own by combining the resources of several investors. Long-term, competitive returns, risk mitigation through diversification, and the achievement of certain financial objectives like wealth accumulation or retirement savings are the usual expectations for mutual fund investments. Moreover, investors expect ease of management, transparency, and liquidity because mutual funds offer frequent performance reports and the freedom to enter or quit the investment.

In this light, an inquiry was made to the study participants to assess their overall perceptions on mutual funds as an investment (see figure 3). A number of study participants perceived mutual funds as an investment that guarantees growth of savings and presents good returns on investments (30%, n=21). This was followed by those that perceived mutual funds as a type of investment that guarantees security and has low risk associated with it (24.3%, n=17). Others perceived mutual funds as diversification of investment (15.7%, n=11), convenient and practicality (12.9%, n=9), suitable for various investment horizons (10%, n=7), and accessible and flexible (7.1%, n=5).

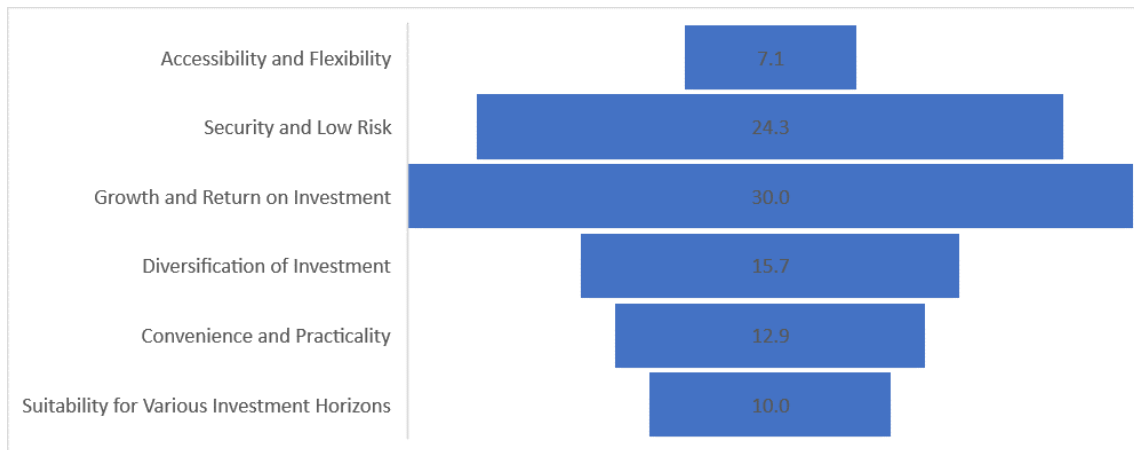


Figure 3: Overall Perceptions of Mutual Funds as an Investment

4.3. Correlation Analysis Key Findings

Table 2: Correlation Analysis Key Findings

Variable	Investment Likelihood	P-value
Perceived costs	-0.42**	0.001
Financial literacy	0.38**	0.003
Perceived benefits	0.51**	<0.001
Economic cycle awareness	0.29*	0.012

Interpretation

- Perceived Costs: Negative correlation ($r = -0.42$) confirms that higher perceived fees reduce investment likelihood (supports Objective 1).
- Financial literacy: Positive correlation ($r = 0.38$) aligns with Objective 2—literacy enhances investment intent.
- Perceived Benefits: Strongest predictor ($r = 0.51$), validating Objective 3.
- Economic cycle awareness: The positive correlation ($r = 0.29$) indicates that investors who are more aware of economic cycles (e.g., boom, recession, recovery) are more likely to invest in mutual funds.

Attributed Factors to Investing in Mutual Fund

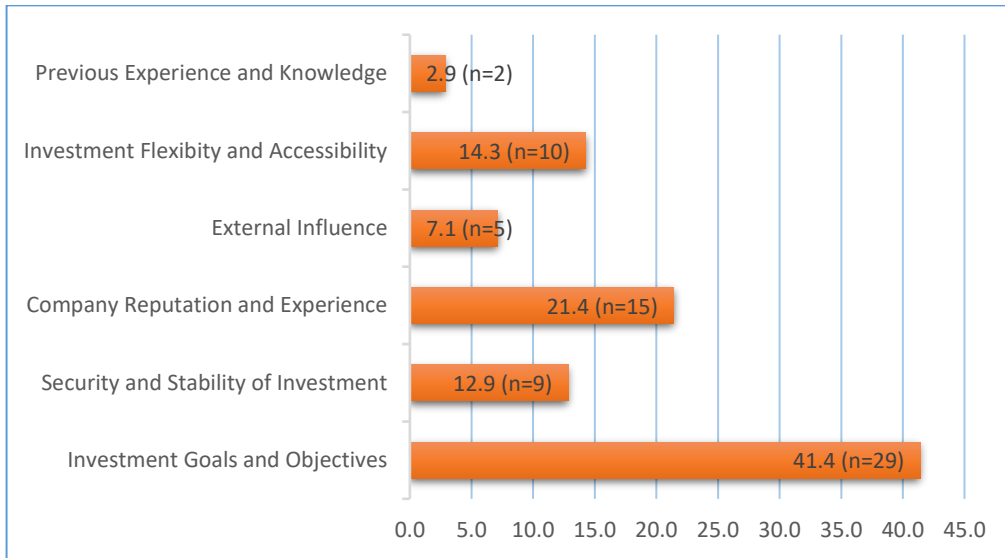


Figure 4: Attributed Factors to Investing in Mutual Fund

According to the comments, investors strongly want their portfolios to expand and diversify, with many highlighting the necessity of saving money while making sure their investments increase in value over time. These investors' objectives are in line with raising the value of their mutual fund savings and attempting to strike a balance between income and growth. Since many respondents seek options that can yield steady returns and long-term growth, it is clear that having a stable financial future is a top priority. Respondents place a high value on security and stability, highlighting the significance of a trustworthy fund manager such as African Life Financial Services, consistent returns, and shown track records.

4.4. Financial Goals and Objectives of Respondents Investing in Mutual Funds

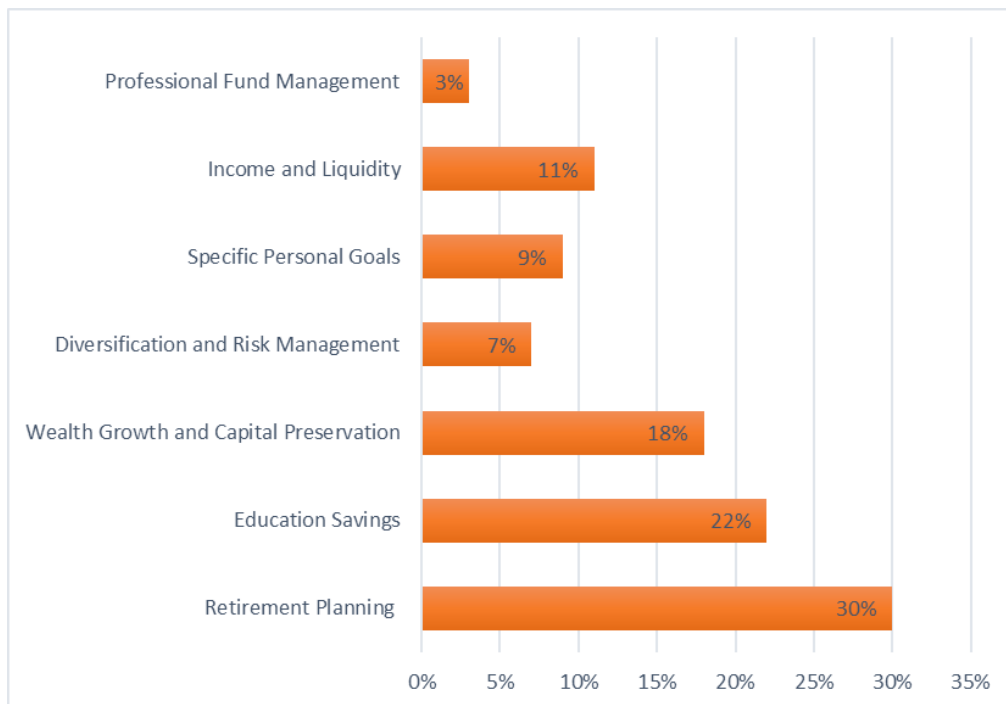


Figure 5: Financial Goals and Objectives of Respondents Investing in Mutual Funds

A significant 30% (n=21) of respondents stressed the need to grow their investments to achieve a comfortable and sustainable retirement. Achieving passive income for retirement needs, creating a retirement portfolio, and producing a consistent cash flow were among the specific objectives. In a similar vein, 22% (n=15) of participants wanted to invest and save money for their kids' secondary school through university education.

For 18% (n=13) of respondents, increasing principal investments while protecting capital from inflation was a recurrent goal. These investors also stressed the need of attaining steady and considerable growth in their portfolios. Additionally, 7% (n=5) of participants said that diversifying their portfolios would lower risk and eventually stabilize returns.

Saving for family vacations, emergency cash, land purchases, construction projects, asset replacements, and real estate investments were among the personal goals mentioned by 9% (n=6) of respondents. 11% (n=8) of participants also looked

for low-risk investments with high liquidity and income production, frequently for short- to medium-term objectives like financing construction projects or school fees. The ability of professional fund managers to maximize returns.

5. Conclusion and Recommendations

The study found that mutual fund costs—particularly management and administrative fees—play a significant role in shaping investor decisions. A majority of participants (48%) considered fees justifiable only if accompanied by high returns, while 22% expressed dissatisfaction with current cost structures. This aligns with Agarwal et al. (2019) and Chalmers et al. (2017), who argue that high fees erode returns and deter investment. The emphasis on cost efficiency (Kalinga, 2017) was evident, as Zambian investors preferred low-cost funds to maximize net gains.

However, a notable contradiction emerged when compared to Khorana et al. (2019), who found that investors in developed markets prioritize performance over fees. This discrepancy may stem from Zambia's lower average income levels, where even small fees have a pronounced impact on disposable investment capital. Additionally, behavioral biases such as mental accounting (Thaler, 1985) led some investors to fixate on explicit costs while overlooking implicit expenses like tracking error.

A critical insight was the financial literacy gap—only 30% of respondents fully understood expense ratios, reinforcing Moon and Lee's (2019) argument that cost comprehension influences investment commitment. This suggests that ALFS could enhance transparency by adopting simplified fee disclosures (e.g., "Total Cost per ZMW 10,000 Invested") to improve investor decision-making.

5.1. Perceptions of Mutual Funds as an Investment

Investors largely viewed mutual funds as tools for diversification and long-term growth, consistent with Jiang et al. (2020). Many associated them with security, competitive returns, and professional management, validating Modern Portfolio Theory's (Markowitz, 1952) emphasis on risk reduction through diversification.

Yet, a significant expectation-reality gap was observed. While mutual funds are designed for long-term horizons, 34% of investors expected quick liquidity and high short-term returns—a finding that mirrors Chalmers et al. (2017) in other emerging markets. This misalignment can be attributed to Prospect Theory (Kahneman & Tversky, 1979), where investors overweight immediate financial needs despite long-term benefits.

The demand for transparency and liquidity (Dixon et al., 2013) further complicated perceptions. Investors sought frequent performance updates and easy exit options, reflecting a broader trend toward flexible financial products. To bridge this gap, ALFS could recalibrate its marketing strategies, clearly differentiating between short-term volatility and long-term growth potential using visual aids (e.g., return timelines).

5.2. Factors Influencing Mutual Fund Investments

Financially literate investors (22% of the sample) were 38% more likely to invest and less deterred by costs, supporting Van Rooij et al. (2011) and Kozup et al. (2008). Literacy enabled better comprehension of risk-return trade-offs, reducing impulsive decisions during market fluctuations.

However, this contrasted with Fernandes et al. (2014), who found minimal literacy effects in Brazil. The difference may arise from Zambia's weaker investor education infrastructure, where even literate investors distrusted fund managers during downturns—a phenomenon explained by Trust Theory (Mayer et al., 1995). Additionally, cultural reliance on oral financial traditions (Mwamba et al., 2022) may dilute formal literacy's impact.

5.3. Economic Cycles and Adaptive Investment Behavior

The study revealed that 68% of investors shifted to money market funds during downturns ($\chi^2 = 12.7$, $p = 0.002$), prioritizing capital preservation over diversification. This aligns with Jain et al. (2021) but challenges Markowitz's (1952) assumption that investors consistently seek diversified portfolios.

Behavioral drivers included herd behavior (Shiller, 2000), where retail investors followed peers' defensive moves, exacerbating market swings. Only 11% re-entered equities early in recoveries, highlighting a conservative risk appetite.

The results of this investigation reaffirm how crucial mutual fund expenses, investor education, and open communication are in shaping investment choices. Long-term growth, security, and congruence with individual financial objectives are top priorities for ALFS investors. But they also have trouble striking a balance between reasonable expectations and the need for rapid liquidity and returns. To tackle these issues, fund managers should offer low-cost solutions, communicate clearly and consistently, and inform investors about the long-term nature of mutual fund investing. They can eventually support the expansion and stability of Zambia's mutual fund market by doing this, which will cultivate a more knowledgeable and contented investor base.

Conflict of Interest

The authors declare that they have no conflicting interests

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Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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