



INVESTOR PERCEPTION TOWARDS MUTUAL FUNDS

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ABSTRACT

Mutual Funds provide a financial avenue to the investors wherein they can participate and invest their funds in the capital market and utilise the benefits of professional expertise. The growth of Indian Mutual fund industry is characterised by the increase in Asset under management of all mutual funds in the country. Investors are still not aware of the pros and cons of investing in Mutual funds. The present study attempts to identify various parameters impacting the investors' perception towards mutual fund investment. Safety, liquidity, tax benefits, less risk and higher returns are the key parameters that influence the investment decision of the investors. Most investors prefer Equity based schemes over debt-based schemes.

Keywords: *Asset Under Management, Awareness, Investors, Mutual Funds, Perception*



INTRODUCTION

“Mutual funds, in today’s volatile market environment, serve as key investment avenues for investors by providing them with a safe and transparent platform to apportion their investible funds in various securities and markets”¹.

The Mutual fund industry in India is more than six decades old. “The year 1964 saw the birth of the first asset management company (AMC) in India: Unit Trust of India (UTI). Unit Scheme 1964 (US-64) was the first scheme launched by UTI in 1964 followed by Mastershare in 1986.”²

The objective of this research is to evaluate the perception of investors towards investment in mutual funds. The study attempts to identify the parameters or focus areas impacting the investors’ decisions while making investments.

The research focuses on establishing relationship, if any, between investment decisions and factors namely liquidity, financial awareness and geographical location and thus, identifying investors' perception towards investment in mutual funds.

REVIEW OF LITERATURE:

The role of the Indian mutual fund industry, as stated by **Kothari, P. P., & Mindargi, S. C. (2013)** in their study, as significant financial service in the financial market has really been noteworthy. “In fact, the mutual fund industry has emerged as an important segment of the financial market of India, especially in channelizing the savings of millions of individuals into the investment in equity and debt instruments. Mutual funds are seemingly the easiest and the least stressful way to invest in the stock market. This study analyzes the impact of different demographic variables on the attitude of investors towards mutual funds. Apart from this, it also focuses on the benefits delivered by mutual funds to investors. To this end, 200 respondents of Solapur City, having different demographic profiles were surveyed. The study

¹ Sehgal, S., & Babbar, S. (2017)

² Babbar, S., & Sehgal, S. (2018)



reveals that the majority of investors have still not formed any attitude towards mutual fund investments.”

Prabhu, G., & Vechalekar, N. M. (2014) state that “Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. It has been observed that most of the investors are not aware of the benefits of investment in mutual funds. This is reflected from the study conducted in this research paper. This paper makes an attempt to identify various factors affecting perception of investors regarding investment in Mutual funds. The findings will help mutual fund companies to identify the areas required for improvement in order to create greater awareness among investors regarding investment in mutual funds.”

Arathy B, Aswathy A Nair, Anju Sai P ,Pravitha N R, (2015): In their study, authors state that “Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. This project aims at finding out the factors affecting investment decisions on mutual funds and its preference over retail investors. This project also aims at finding the factors that prevent the people from investing in mutual funds. The findings will help mutual fund companies to identify the areas required for improvement and can also improve their marketing strategies. It will help the MF companies to create new and innovative product according to the orientation of investors.”

Sharma, D. P. C. (2019): “Mutual funds have opened new vistas to millions of investors by virtually taking investment to their doorstep. In India, retail investors in general rely on the information which neither provides a hedge against inflation nor have positive real returns. He finds himself to be an odd man out in the investment game. Mutual funds have come, as a much needed help to these investors. Thus, the success of mutual funds is in essence the outcome of the collective endeavors of proficient fund managers and vigilant investors. Therefore, in the present circumstances, it is imperative to recognize the requirements of mutual funds investors along with their inclination for mutual funds schemes and their performance evaluation. This research study has an objective to analyze the perception of investors towards mutual funds as



an investment avenue. The survey was undertaken on 100 educated investors of Delhi/NCR and the findings revealed that the major factors that influence buying behavior of mutual funds investors are fund characteristics, creditability, convenience, success factors, and fund family. The study will be enormously valuable for academics, AMC's, brokers, distributors and other potential investors”.

Ghimire, D. M., & Adhikari, M. (2023): “The research findings revealed that while there was a growing interest in mutual fund investments among Nepalese investors, there was a lack of awareness and understanding about these investment vehicles. The paper found that investor awareness level, fund manager qualities, risk perceptions, and fund performance positively affected mutual fund investment decisions in Nepal. These factors played an important role in determining investors’ preferences and choices. The regression model demonstrated a good fit for the data, explaining 55.8% of the variation in investment decisions. The study also emphasized the significance of effective selection and monitoring processes for mutual fund schemes, including evaluating fund managers’ performance and assessing the risk-return profile of different options”

Palesta, P. K., & Paramita, V. S. (2024): “Generation Z is a generation that grew up in the digital era, where technology and social media have become an important part of their lives. Based on survey results, most of generation Z have expenses that are greater than their income. This shows that they are less wise in financial management and less able to carry out long-term financial planning. On the other hand, current technological advances present various choices and convenience for making financial investments. There are various types of investment products available for short and long term, which have low risk to high risk. For beginner investors, investing in mutual funds is highly recommended. This is because investing in mutual funds in Indonesia can be started with low fund, diversified funds, managed by professional investment management, thereby providing better return opportunities. This research aims to determine the influence of financial technology, financial literacy, and risk perception on generation Z mutual fund investment decisions in West Java. This research method uses quantitative methods with descriptive and associative approaches. The infinite population in this research is Generation Z in West Java who have invested in mutual funds. Respondents have addresses in various cities in West Java. The sample was determined using simple random sampling with a sample size of 80. The results of this study explain that



Financial Technology and Risk Perception do not influence Generation Z's mutual fund investment decisions. On the other hand, financial literacy influences Generation Z's mutual fund investment decisions in West Java.”

Iyer, S. G., Sharma, M., Rajeshkumar, L., & Lodha, D. (2025): “The study seeks to provide valuable insights for both academicians and financial practitioners to improve investment decision-making processes and outcomes. Despite the increasing popularity of mutual funds as investment vehicles, academicians, like many investors, are susceptible to behavioral biases that can impede rational decision-making. The author concluded that addressing these implications has the potential to foster more informed and effective investment decision-making processes, benefiting academicians and the broader investor community alike”

MATERIAL AND METHODOLOGY

Research Design:

For obtaining complete and accurate information, descriptive research is chosen. Descriptive research includes surveys and fact-finding enquiries of different kinds. The approach adopted in this study is a survey based approach. The research instrument used in the study is Questionnaire and Personal Interview. The questionnaire consists of multiple-choice questions.

Data Source:

The data used for the study is Primary data. Primary data is the data collected for the purpose of study by the samples taken. The primary data was collected by preparing a structured questionnaire and collecting the information through Google Forms as well as through personal interviews from both investors as well as potential investors. The sample size of the study is limited to 50 respondents living in Delhi.

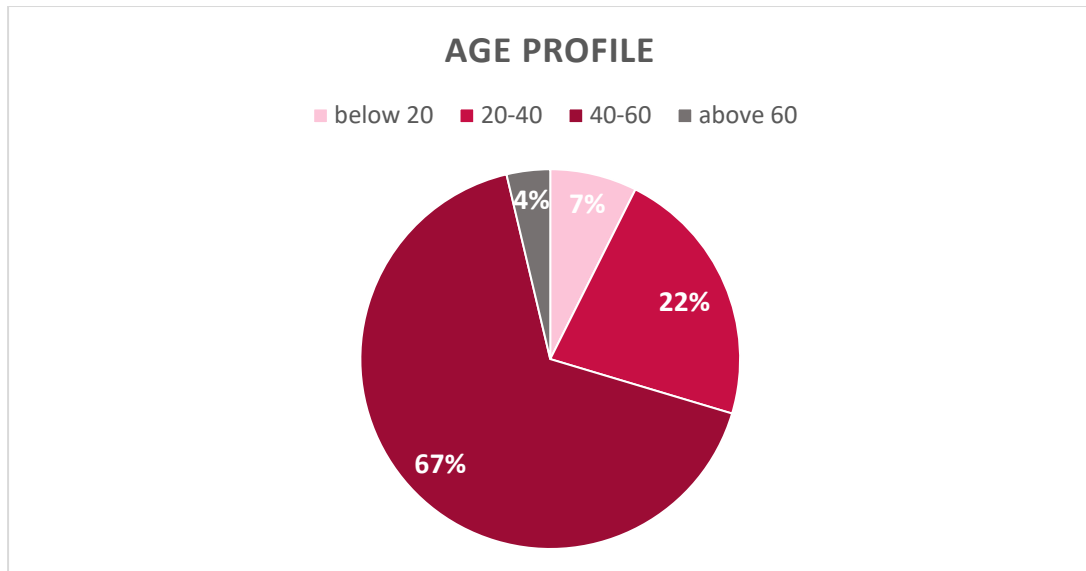
Sampling Procedure:

The sampling procedure used in this study is Random sampling. A simple random sample is a subset of individuals chosen from a larger set. Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process.



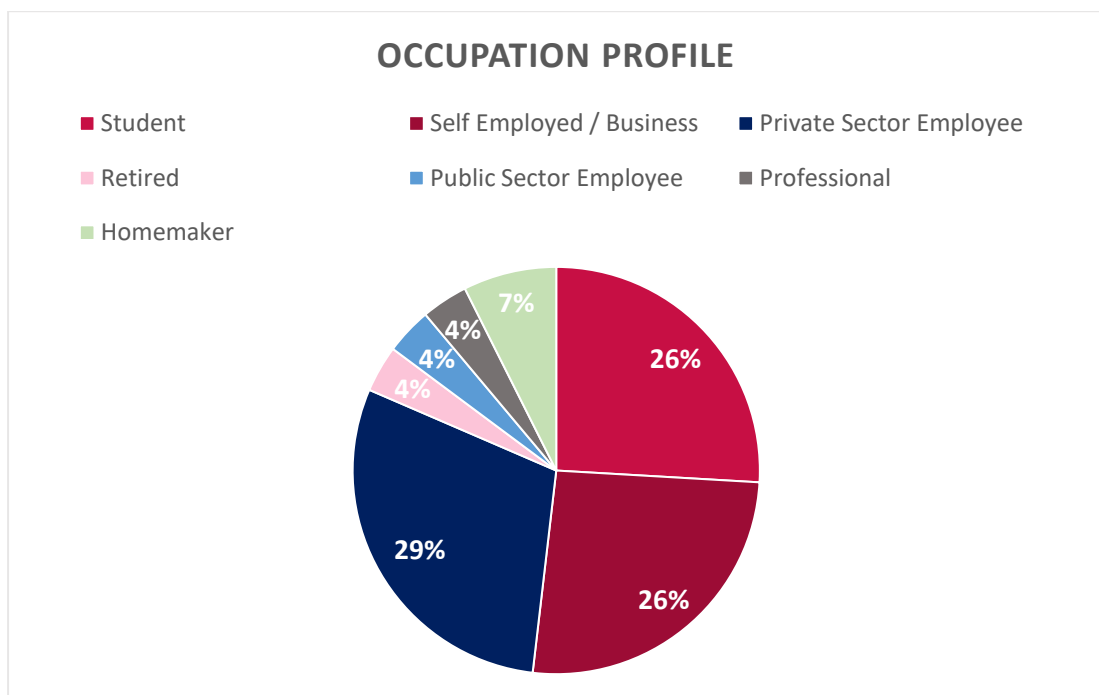
DATA ANALYSIS AND FINDINGS

1. Age profile



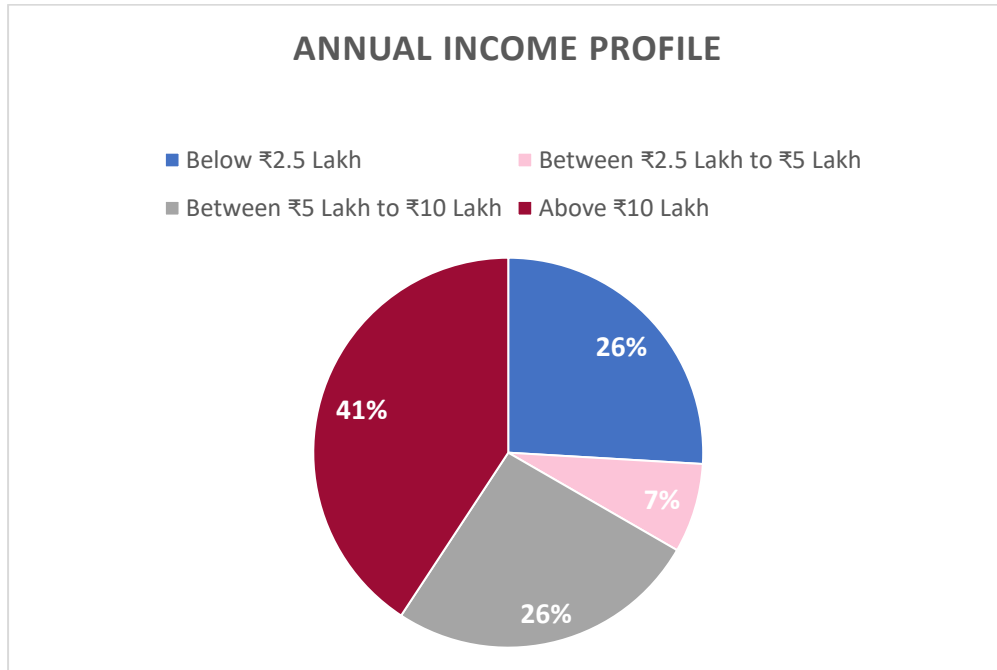
Most of the respondents belong to the age group of 40 to 60 years followed by those belonging to the age group of 20 to 40 years. The age range of 40 to 60 years signifies that these people would assign proper weights to savings and investment.

2. Occupation Profile



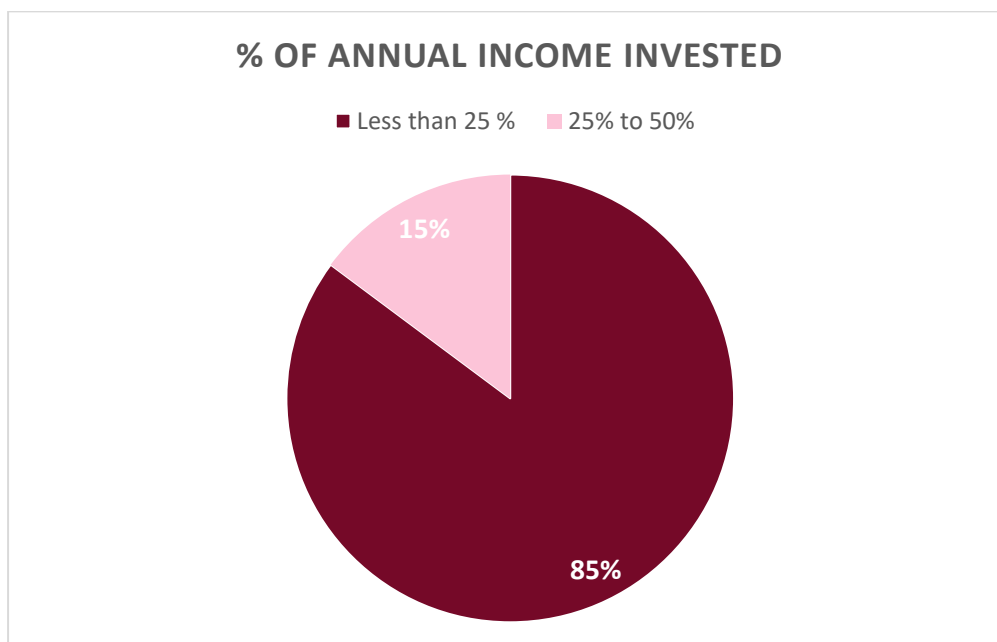
Respondents majorly belong to the Private Sector and self-employed/ business category.

3. Annual Income Profile



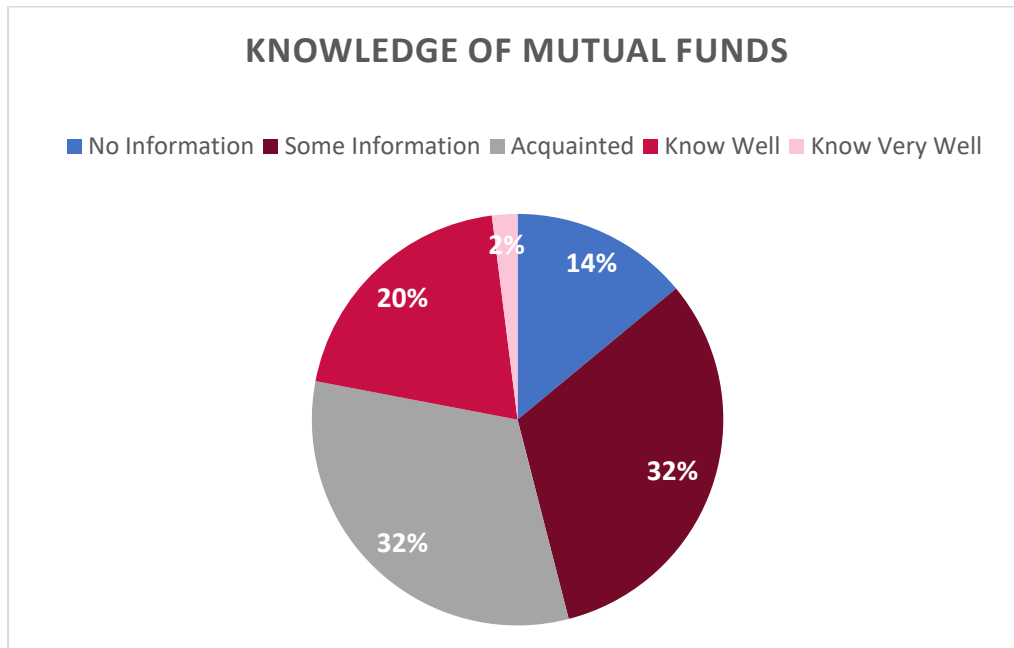
41% of respondents belong to the annual income range of ₹10 Lakh and above

4. Percentage of income invested in Mutual Funds



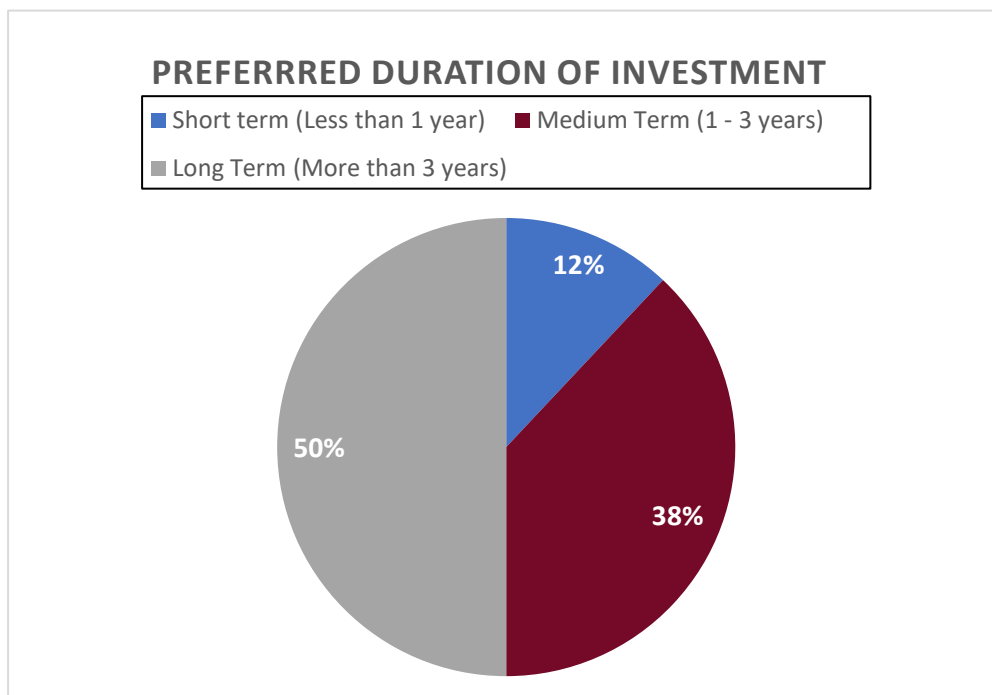
According to the survey, 85 % of respondents aim to invest less than 1/4th of their annual income in Mutual Funds.

5. Knowledge of Mutual Funds



Majority of respondents are acquainted with no or some information about Mutual Funds while only a small percentage of respondents are well aware about mutual funds reiterating that the awareness programmes about mutual funds would help tapping the large segment of potential investors.

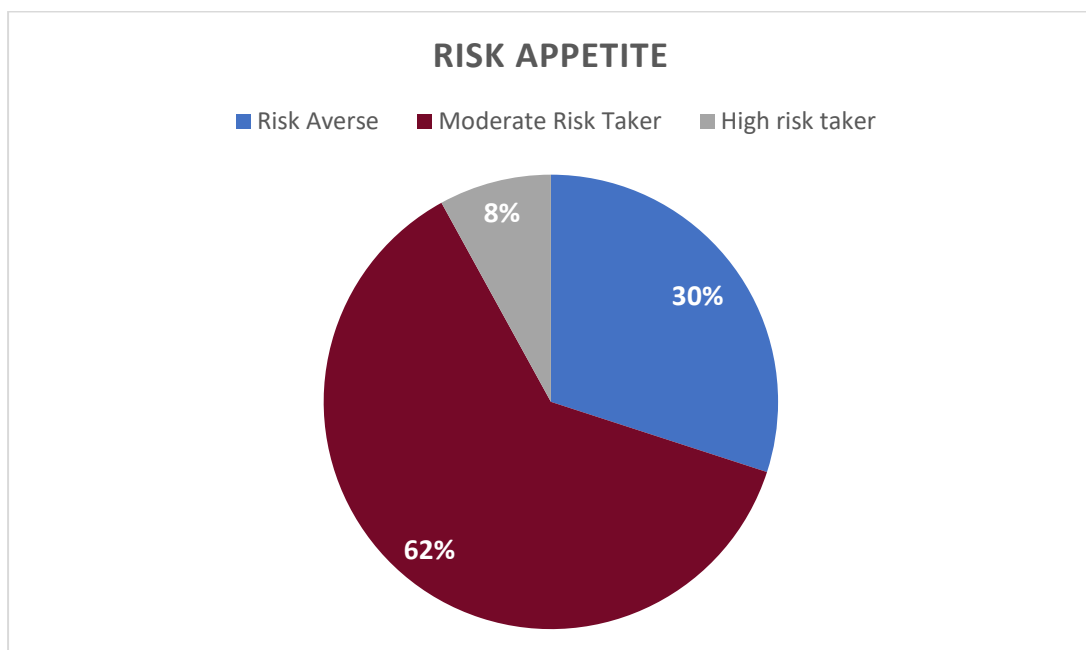
6. What duration do you like to invest for?





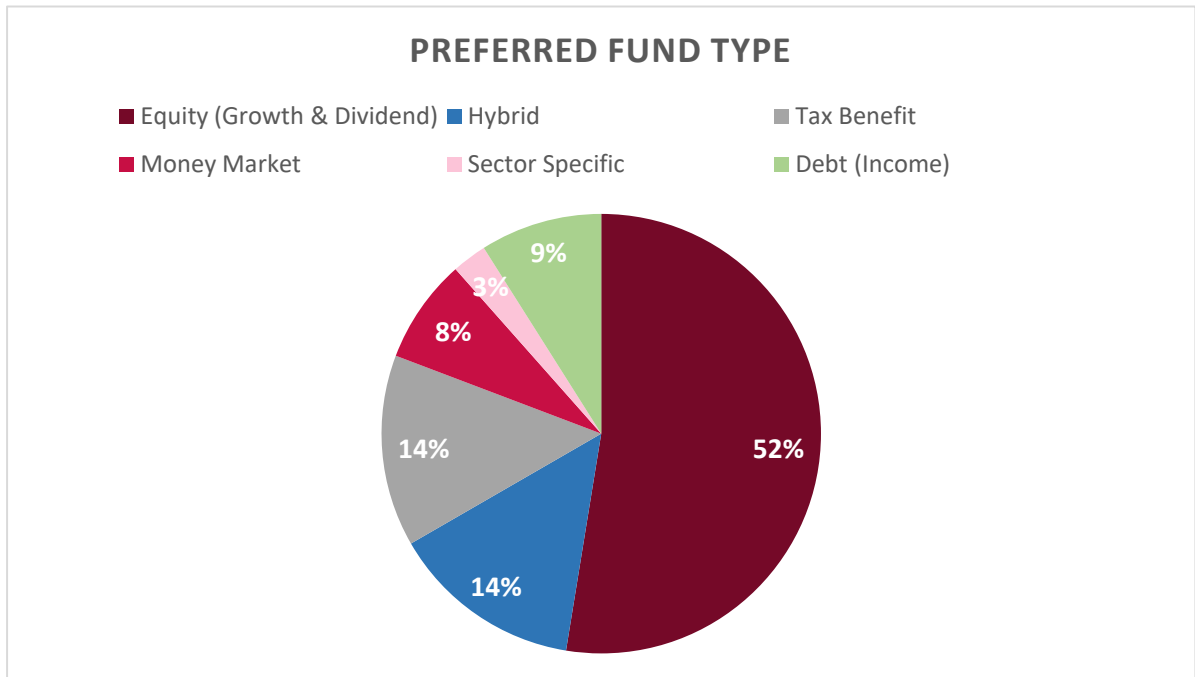
50 % of Respondents prefer to invest for a period of more than 3 years to realise the gains of capital appreciation and high returns. The respondents know the importance of buy and hold strategy. They want to remain invested in the market for a long term and reap the benefits from the growth of capital invested.

7. What kind of investor are you?



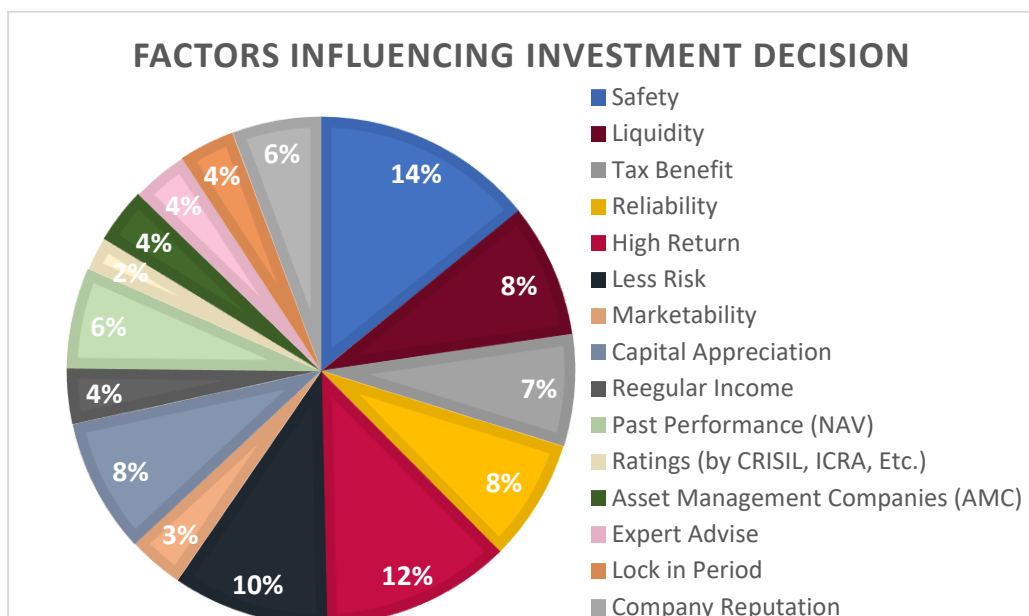
A majority of respondents are either moderate risk takers or risk averse while only a small percentage (8%) of respondents are high risk takers.

8. Which type of mutual funds do you prefer most?



Equity (growth and dividend) based schemes are preferred by the majority of respondents (50%). The second preference for the respondents is Hybrid Mutual Funds followed by Tax saving schemes such as the Equity Linked Saving Scheme (ELSS), Debt Funds, Money Market Funds & Sector Specific Funds. Sector Specific Funds are least preferred by respondents.

9. What is your most preferred basis that you consider important while investing into any Mutual Fund Scheme?

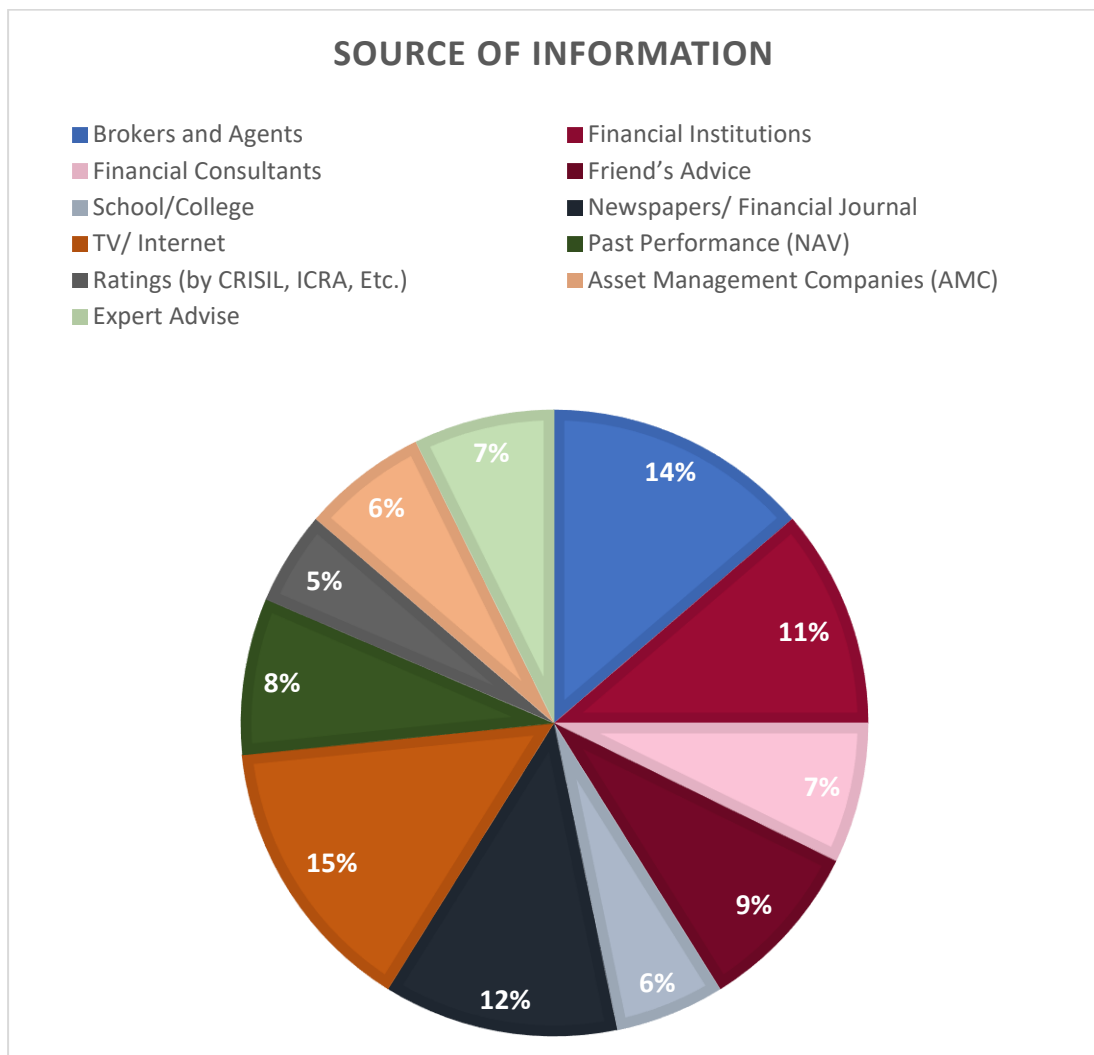




Respondents suggest they invest in mutual funds primarily because of safety of funds, tax benefits, high returns and less risk.

Liquidity, reliability and marketability of funds, capital appreciation, past performance (NAV) of funds as well as company reputation among others also influence the decision of the respondents.

10. Where do you gather information about different mutual fund schemes?





Investors majorly rely on Asset Management Companies (AMCs), financial consultants, brokers and agents, Internet sources for gathering information about the performance of various mutual funds.

Prospective investors rely on expert's word and advice while making their investment decisions.

Investors also pay heed to the ratings decided by ICRA, CRISIL etc. while making investment decisions. For others, the past performance analysis is equally important. Analysing the Net Asset Value (NAV) or Assets Under Management (AUM) held by Asset Management Company (AMC) is a significant factor.

11. What has been your experience with returns expected from investment in Mutual Funds?



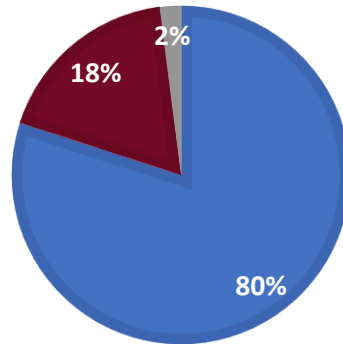
The level of satisfaction amongst respondents with respect to expectations of returns from mutual funds ranges from average to satisfactory. A very low percentage of respondents state that they had high satisfaction.

12. Is there a need for creating awareness among the public about the benefits of investing in Mutual Funds?



NEED FOR CREATING AWARENESS ABOUT MUTUAL FUNDS

■ Agree ■ Neutral ■ Disagree

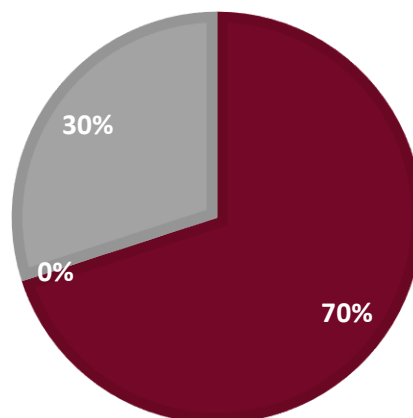


According to the survey, 80 % of the respondents agree to the need for creating awareness among the public about the benefits of investing in Mutual Funds suggesting that some promotional programmes must be undertaken by the Mutual fund Houses and Government to acquaint and make aware the public about the existence and benefits of mutual fund schemes.

13. Do you accept the fact that Investing in Mutual Funds will lead to economic development?

DOES INVESTMENT IN MUTUAL FUNDS LEAD TO ECONOMIC DEVELOPMENT

■ Yes ■ No ■ Maybe





Most respondents collectively accept that investing in Mutual Funds leads to economic development while some remain uncertain in their opinion. Micro level contributions made by investors in mutual funds lead to a corpus at a macro level which assists the companies to climb up the growth trajectory. The growth of the companies in-turn results in development of the economy.

CONCLUSION

The study conducted shows that 54% of the respondents have invested in mutual funds and most of them belong to the age group of 40-60 years and earn above Rs. 5 Lakh.

The major factors associated with mutual funds influencing the decision of the investors are safety, liquidity, tax benefits, less risk and higher returns. Most investors prefer Equity based schemes

There is still a lack of knowledge amongst the investors as well as potential investors. The awareness about the benefits of investing in mutual funds is limited. Only the middle- and high-income households are aware about the advantage of the mutual funds. There is a need to substantiate the awareness programs about Mutual Funds amongst the public. It is important to make them realise the power of investing in mutual funds and in turn its contribution towards economic development of the country. The mutual fund industry needs to take this into account and work towards creating awareness and substantiating economic growth in our country. Mutual fund investments have the potential to become an integral part of our economy, provided mutual fund houses, fund managers, and investors themselves work in harmony towards creating a stable and efficient market.



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