



“A STUDY ON AWARENESS AND PERCEPTION OF MUTUAL FUNDS W.R.T PROSPECTIVE INVESTORS”

**K.Preeti Rani, Assistant Professor, Indian Institute of Management and Commerce,
Hyderabad, Research Scholar, JNTU Ananthapur.**

ABSTRACT

Mutual funds have become a popular investment avenue, offering diversification and professional management. However, investor awareness and perception play a crucial role in their adoption. This study aims to evaluate the level of awareness among investors regarding mutual funds and identify key factors that influence their perceptions, such as risk, returns, liquidity, market fluctuations, and financial literacy. By analyzing investor behavior and preferences, the study seeks to uncover challenges that hinder mutual fund investments. The insights gained can help financial institutions, policymakers, and advisors design effective strategies to enhance investor education, build trust, and promote mutual funds as a reliable investment option. This study explores investor awareness and perception of mutual funds as an investment option. It aims to assess the level of knowledge among investors and identify key factors influencing their perceptions, such as risk, returns, market trends, and financial literacy. By analyzing investor behavior and decision-making patterns, the study provides insights into the challenges faced in mutual fund adoption. The findings can help financial institutions and policymakers develop better strategies to enhance awareness and encourage informed investment decisions.

Keywords: Mutual Funds, Investor Awareness, Perception, Investment Decision, Risk and Return, Financial Literacy, Systematic Investment Plan (SIP)

INTRODUCTION

Investment plays a crucial role in personal financial planning by helping individuals meet specific life goals such as retirement planning, education funding, home ownership, or wealth accumulation. Beyond individual benefits, investments contribute to economic development by channeling capital into productive enterprises, infrastructure development, and innovation, creating a symbiotic relationship between personal financial growth and broader economic prosperity. The investment process requires careful consideration of multiple factors including risk tolerance, time horizon, liquidity needs, and financial objectives, all of which influence the selection of appropriate investment vehicles. Understanding these foundational principles of investment provides essential context for exploring specific investment products like mutual funds, which represent one approach to participating in financial markets. Investments broadly fall into three main asset classes: equity, fixed income, and cash equivalents, each serving different roles within a balanced portfolio. Equity investments involve purchasing ownership stakes in companies, typically through stocks, providing investors with growth

potential through capital appreciation and dividend income. These ownership instruments represent claims on a company's assets and earnings, making them potentially lucrative but also subject to market volatility and business performance fluctuations.

REVIEW OF LITERATURE

1. **Shikha Singh (2024)** In this study on consumer awareness and perception towards mutual fund investments, researcher highlights the critical role of the mutual fund industry in financial markets. The research emphasizes the need for targeted financial education programs and simplified communication strategies to bridge the knowledge gap, enhance investor confidence, and increase participation in mutual funds.
2. **Ram Raj G (2023)** In his empirical study on investor awareness and perception in Tamil Nadu, the researcher explores the relationship between demographic factors and mutual fund investment behavior. The study reveals a positive correlation between investor perception and decision-making, with factors such as age, gender, and occupation playing a crucial role in shaping investment attitudes. The research emphasizes the importance of financial literacy in fostering better investment decisions.
3. **Chaturvedi Sharma, Pooja (2022)** The study "Identification of Factors Influencing Investors' Perception Towards Mutual Funds" aims to identify the key factors shaping investor perceptions of mutual funds as a viable investment option. Conducted with a sample of 100 investors from the Delhi/NCR region, the research reveals that factors such as past performance, risk appetite, and transparency significantly influence investor choices. The study suggests that mutual fund companies should focus on these areas to align their offerings with investor expectations.
4. **Dhall, N., Khandelwal, S.K., Malik, R., & Chawla, N. (2021)** carried out a study to explore how investors perceive and understand mutual fund investments. The research, which surveyed 105 participants from the Delhi-NCR region, highlighted several key factors that influence investment decisions, such as tax advantages, security, liquidity, returns, and trustworthiness. Additionally, the study revealed a strong connection between demographic aspects - like age and gender—and investors' views on mutual fund returns and tax benefits.
5. **Ramya (2021)** conducted a study to evaluate investors' awareness of mutual fund investments, with a particular focus on UTI Mutual Fund in Salem. The research aimed to determine how well investors understood mutual funds and to identify the factors that influenced their investment decisions. The findings are designed to provide insights into investor behavior and help improve financial literacy related to mutual fund investments.

RESEARCH GAP

Awareness and perception play a crucial role in the investment decisions of potential investors in investment funds. Despite the growing popularity of investment funds, many potential investors still lack a clear understanding of their benefits, risks and how they work. There is a clear gap in understanding how factors such as financial literacy, accessibility of information and trust in fund institutions influence investor perceptions. The role of demographic factors in developing awareness and attitudes towards investment funds is also under-researched. This study attempts to fill this gap by examining the key elements that influence potential investors' awareness and perceptions.

NEED OF THE STUDY

The aim of this research is to analyse the awareness and perception of mutual funds among investors and to understand the factors that influence their investment decisions. Mutual funds have become a popular investment option due to their benefits such as diversification, professional management and affordability. However, many

potential investors are still reluctant to invest in them due to lack of information, misconceptions about risk and preference for traditional investment options such as fixed deposits, gold and real estate. This study aims to determine the extent to which people are aware of investment funds, their level of confidence in this form of investment and the challenges they face when making investment decisions. By examining investor behavior, this study will shed light on how financial knowledge, risk appetite and access to financial advice affect investment fund investments. Given the increasing importance of digital platforms and online financial education, it is also important to examine how these resources influence investment decisions. The results of this study will help financial institutions, policy makers and asset management companies develop strategies to improve awareness and participation in mutual funds. By identifying key gaps in financial literacy and investor confidence, this study will help promote mutual funds as an accessible and reliable investment option for wealth accumulation.

OBJECTIVES

- 1.To Investigate the investors awareness of investment funds as an investment option.
- 2.Identify the key factors that influence how investors perceive investment funds.

RESEARCH METHODOLOGY

SOURCE OF DATA

PRIMARY DATA

For this study, the primary data is collected through a structured questionnaire (Google form) which was filled by the respondents individually.

SECONDARY DATA

The secondary data was collected through official website, journal, magazines, blogs and articles. The following data have been used in collected information about the project.

Sampling size and technique

For this study convenient sampling technique has been used and sample size is 94.

DATA ANALYSIS & INTERPRETATION

Occupation

Options	No of Responses	Percentage
Student	71	75.5%
Salaried Employee	15	16%
Business Owner	8	8.5%
Retired	-	-
Total	94	100

Source: primary data

Interpretation: The figure shows that most respondents (76%) are students, which indicates a younger, study-oriented group. About 16% are employees and 8.5% are business owners, forming a group of small business owners. There are no retired respondents (0%), i.e. older people are not included in the sample.

Monthly Income

Options	No of Responses	Percentage
Below 25000	57	60.6%
25000-50000	20	21.3%
50000-100000	16	17%
Above 100000	1	1.1%
Total	94	100

Source: primary data

Interpretation: The figure above shows that most respondents (61%) fall into the low to middle income group. 21% earn a medium income, while 17% have a relatively high income. Only 1.30% earn more than 1,00,000, indicating that very few respondents belong to the high income group.

What percentage of your savings do you invest in mutual funds?

Options	No of Responses	Percentage
Less than 10%	25	26.6%
10%-25%	17	18.1%
26%-50%	9	9.6%
More than 50%	12	12.8%
I don't invest in mutual funds	31	33%
Total	94	100

Source: primary data

Interpretation: The figure above shows that the majority of investors (27%) invest a small proportion (<10%) of their savings in investment funds. 18% invest a moderate proportion (10%-25%), and 8.8% invest a significant proportion (26%-50%). 13% are large investors and invest more than half of their savings. However, 33% do not invest in investment funds, possibly due to lack of knowledge or preference.

How do you get knowledge about various investments avenues?

Options	No of Responses	Percentage
Tv/Advertisement	34	36.2%
Friends & Family	48	51.1%
Financial Advisor	23	24.5%
Social media & Online Platforms	40	42.6%
Workplace/Seminars	12	12.8%
Total	94	100

Source: primary data

Interpretation: The figure above shows that most people get their knowledge about investing from friends and family (51%), followed by social media and online platforms (42.6%). Television/advertising also helps (36%), but fewer people rely on financial advisors (24.5%). Only a small group obtain information at work or in seminars (12.8%).

Are you aware of legal & regularity framework of mutual funds?

Options	No of Responses	Percentage
Yes	61	64.9%
No	33	35.1%
Total	94	100

Source: primary data

Interpretation The figure above shows that around 65% of respondents are aware of the legal and regulatory framework of investment funds, which is a moderate level of knowledge. However, 35% of people know nothing about it, indicating that a significant proportion of the population is unaware of the rules and regulations that apply to investing in investment funds.

Which factor influence your investment decision the most?

Options	No of Responses	Percentage
Returns	54	57.4%
Risk Level	40	42.6%
Tax Benefits	30	31.9%
Recommendation	13	13.8%

Maturity	19	20.2%
Liquidity	23	24.5%
Capital Appreciation	21	22.3%
Total	94	100

Interpretation: The chart above shows that several factors influence investment decisions and returns: 57% are influenced by general factors, 42% by risk factors, 32% by taxes, 14% by recommendations, 20% by duration, 25% by liquidity and 22% by capital appreciation. These factors all play a role in investment decisions.

What type of mutual funds do you think is best?

Options	No of Responses	Percentage
Equity Funds	48	51.1%
Debt Funds	14	14.9%
Hybrid Funds	10	10.6%
Not sure	22	23.4%
Total	94	100

Source: primary data

Interpretation: The figure above shows that when asked about the types of investment funds, 51% think of equity funds, 15% of bond funds and 11% of hybrid funds. however, 24% are unsure about the types of investment funds. This shows that many people have a clear preference, while some are still unsure.

Do you take the advice of financial advisor?

Options	No of Responses	Percentage
Yes	55	58.5%
No	39	41.5%
Total	94	100

Source: primary data

Interpretation: The chart above shows that 58% of people prefer to seek the advice of a financial advisor when making investment decisions, while 42% do not. This suggests that a majority value professional advice, while a significant proportion either prefer independent decisions or rely on other sources of information.

Mode of investing do you prefer?

Options	No of Responses	
Lump sum Investment	20	21.3%
Systematic Investment Plan (SIP)	33	35.1%
Both Lump Sum & SIP	16	17%
Direct Investment Through AMC	12	12.8%
Investment Across Broker/Advisor	5	5.3%
Investment Through Online Platform & Apps	8	8.5%
Total	94	100

Source: primary data

The figure above shows that there are many ways to invest money, but 21% of respondents use a one-off investment, 35% use a systematic investment plan, but 17% prefer both. 13% use direct investment through AMC, while 5% invest through a broker and only 9% through online platforms.

Risk & Return combinations that you prefer while investing?

Options	No of Responses	
High Risk & High Return	36	38.3%
Moderate Risk & Moderate Return	51	54.3%
Low Risk & Low Returns	7	7.4%
Total	94	100

Source: primary data

Interpretation: The figure above shows that only 38% of respondents prefer high risk and high returns on investments. A larger group, 55%, prefer moderate risk and moderate returns, while 8% opt for low risk and low returns, suggesting that most investors prefer a balanced approach to risk and return.

How risky do you think mutual funds are as an investment option?

Options	No of Responses	Percentage
Very High Risk	15	16%
High Risk	15	16%
Moderate Risk	56	59.6%
Low Risk	7	7.4%
Very Low Risk	1	1.1%
Total	94	100

Source: primary data

Interpretation: The figure above shows that people have different opinions about the risk in investment funds: 16% consider it a very high risk (16%), the same number consider it a high risk, but 60% consider it a moderate risk. Only 7% consider it a high risk.

What is your biggest concern regarding mutual funds?

Options	No of Responses	Percentage
Market Risk	41	43.6%
Lack of Knowledge	38	40.4%
No Guaranteed Returns	8	8.5%
Complicated process	7	7.4%
Total	94	100

Source: primary data

Interpretation: From the figure above, people are more concerned about market risk (44%) when investing in mutual funds, but also about lack of knowledge (40%), (9%) of people believe there are no guaranteed returns and 7% think it is a complicated process.

FINDINGS

- The level of perceived risk plays a decisive role in influencing investment decisions. This underlines the importance of risk profiling and educating investors about the relationship between risk and return.
- The majority of people preference for investing in equity funds. This indicates a relatively optimistic risk appetite among investors seeking potentially higher returns, even if it means exposing their capital to market volatility.
- A total of 54 respondents stated that they had opted for early withdrawal from investment funds. This could be an indication of unforeseen financial needs, lack of financial planning or dissatisfaction with fund performance.
- Most of the people prefer SIPs. Which underscores the popularity of disciplined, long-term investment strategies that allow for regular deposits and the benefit of rupee-cost averaging.
- 55 respondents stated that they rely on the advice of financial advisors when making investment decisions.
- Respondents generally opted for mutual funds due to their moderate risk and return profile.
- Most investors are focused on long-term financial growth rather than short-term gains or specific goals such as retirement or education.
- Basic legal awareness, protection of investment was found in majority of respondents.
- As investment funds are inherently subject to market volatility, this remains investors' biggest concern, pointing to the need for better communication about risk management and fund stability.

CONCLUSION

The study shows that although interest in investment funds is increasing among young people and low-income groups, awareness remains limited. Respondents mainly rely on informal sources for their investment knowledge, which underlines the need for structured financial education. While equity funds and SIPs are favored for their wealth-building potential, concerns about market risk and premature withdrawals indicate a gap in long-term investment planning. Financial advisors play a key role in advising investors and mutual funds are generally preferred for their moderate risk-return ratio. Better investor education and the promotion of individual, risk-aware investment solutions will be key to increasing the uptake of investment funds.

SUGGESTIONS

- Organize workshops, webinars and college programs to help young adults understand the concepts and benefits of mutual funds and how to get started. Early financial education creates strong, lifelong investment habits.
- Create mutual fund plans with low entry level, minimum SIP amounts and simplified induction. These plans should be geared towards low-income earners' financial goals and ability to save.
- Launch nationwide campaigns at schools, community centers and local events to educate the public. Work with financial institutions to disseminate easy-to-understand educational content.
- Use platforms such as Instagram, YouTube and WhatsApp to distribute bite-sized, engaging financial content. Incentivize satisfied investors to refer and educate their colleagues and families.
- Educate more investors about the legal certainty of investment funds Highlight the regulatory oversight by SEBI and the safeguards in place to protect investors' interests.

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