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A Study on Perception of Mutual Fund Investment

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Abstract: *This study explores the performance, risks, and opportunities associated with mutual fund investments, particularly in the Indian market. It evaluates different mutual fund types, analyzing their historical returns and risk metrics to provide investors with data-driven insights. The research examines the factors influencing mutual fund performance, including market volatility, asset management strategies, and economic conditions. Additionally, the study assesses investor behaviour in response to mutual fund performance, emphasizing the role of financial literacy and risk tolerance. The findings suggest that mutual funds offer a viable investment option for wealth creation, with equity-based funds outperforming others over a long-term horizon. However, market risks remain significant, requiring careful management and strategic investment planning.*

Keywords: Mutual Funds, Risk Management, Investor Behaviour, Asset Management Strategies, Wealth Creation

I. INTRODUCTION

A mutual fund is a financial instrument that pools capital from multiple participants to invest in a diversified portfolio of securities, such as stocks, bonds, and other assets. The primary objective of a mutual fund is to offer individual investors cost-effective access to professionally managed portfolios, helping them achieve specific investment goals like income generation, capital appreciation, or a combination of both. By enabling investors to spread their capital across a variety of assets, mutual funds reduce the risk associated with investing in a single security. Managed either actively by fund managers or passively to track an index, mutual funds cater to different investment strategies. They are categorized into equity funds, which focus on stocks; bond funds, which invest in fixed-income securities; and balanced funds, which combine both stocks and bonds. Additionally, mutual funds offer flexibility with open-end funds, which can be bought or sold at any time, and closed-end funds, which trade on stock exchanges like individual equities. Given their structure and diversity, mutual funds are a popular investment tool for both institutional and individual investors, providing a simplified and effective way to build a diversified portfolio.

Need for the Study

This study investigates how individual investors perceive mutual fund investments, aiming to identify key factors influencing their behaviour. Despite mutual funds' benefits, many investors lack understanding, leading to suboptimal decisions and increased vulnerability to market risks. By analyzing socioeconomic factors, market trends, financial literacy, and personal experiences, this research seeks to inform financial advisors, educators, and policymakers. Its ultimate goal is to empower investors with knowledge, confidence, and better-informed decision-making, contributing to healthier financial markets.

Objectives of the Study

- To evaluate individual investors' overall perception of mutual fund investments.
- To identify the key factors influencing mutual fund investment decisions.
- To examine the connection between actual investment results and perceived risk.

Hypotheses for the study

1. H0: The perception of investing in mutual funds does not significantly correlate with demographic characteristics (age, gender, income, education, and employment).

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H1: The perception of investing in mutual funds is significantly influenced by demographic parameters, including age, gender, income, education, and occupation.

2. H0: There is no significant relationship between an Individuals risk tolerance and their perception of mutual fund investment.

H1: There is a significant relationship between an Individuals risk tolerance and their perception of mutual fund investment.

II. REVIEW OF LITERATURE

Warren Buffet (2000): Pradip Kar, I. Natarajan, and J.P. Singh estimated that only 9% of Indian households invest in shares and 12% in mutual funds. They emphasized the importance of understanding investor needs to convert savings into productive capital. The study highlights the managerial implications and value for policymakers in analyzing investor behaviour.

Jambodekar (1999): This study assessed investor awareness of mutual funds, identifying income and open-ended schemes as preferred choices. It revealed that investors prioritize safety, liquidity, and capital appreciation, with newspapers and magazines as key information sources. Investor service was noted as a major differentiating factor in fund selection.

Kannadashan (2006): The research analyzed retail investor decisions based on factors like gender, age, marital status, income, education, awareness, and risk tolerance. It highlighted the impact of these demographics on investment choices. The study emphasizes how these variables shape investor preferences and behaviour.

Paul & Garodia (2012): They examined how retail investors' expectations shift according to various product aspects and found significant influence from age, gender, occupation, and education on investment patterns. Their 2014 follow-up noted mutual fund companies often fail to meet expectations and identified a communication gap between fund houses and investors.

Sujit Deb & Dr. Ranjit Singh (2016): Their study evaluated Tripuran bank employees' perceptions of mutual fund investment risks. It found an inverse relationship between risk perception and investment volume, concluding that the overall risk perception was moderate among participants.

Research Gap

While emerging areas like India are seeing rapid expansion in the mutual fund business, the majority of studies on mutual funds have been conducted in industrialized nations. In terms of capital raised through Initial Public Offerings (IPOs), trading volumes, market indices, market capitalization, foreign market access, overseas listings, foreign institutional investments, and mutual fund resource mobilization, the Indian capital market has achieved impressive progress in a number of areas. This expansion is a result of the establishment of a strong regulatory environment that guarantees effective and transparent securities transactions. Studies, however, have mostly ignored how investors in mutual funds view their assets. This research will focus on the proliferation of mutual funds in India and assess client perceptions regarding different schemes.

Limitation of the Study

1. The sample size is relatively small comparison to the overall population, which may limit its ability to fully represent the views of the entire population.
2. The geographical range of the study is limited to the opinions of respondents from a particular location, which may not reflect broader perspectives.
3. Some respondents may have provided information based on momentary recollection, which could influenced bias into the collected data.
4. As the study provides a general overview of mutual fund investing, its findings may not be widely applicable or generalized.
5. A few respondents were reluctant to share their specific opinions and insights on their investments, instead offering general views on investment practices.

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Types of Research

Descriptive research is often perceived as straightforward and purely factual, but this is not always the case. In reality, descriptive studies can be quite complex, requiring a high level of scientific expertise from the researcher. These studies are typically well-structured, making it essential for the researcher to carefully consider the formulation of research questions, the types of data to be collected, and the methods to be employed for data collection.

Scope of the Study

- This study aims to explore investor perceptions of mutual funds in India.
- It will focus on a diverse sample of investors across varying age groups, income brackets, and educational backgrounds.
- The study will investigate key factors shaping investor perceptions, including risk, return, fees, and past performance.
- Additionally, it will analyze the information sources investors rely on when making mutual fund investment decisions.
- The research seeks to offer insights into investor preferences and attitudes, while spotlightpotential areas for development within the mutual fund industry.

Sources of Data Collection

- **Primary Data Sources:** Primary data refers to information that is collected firsthand for a specific purpose, making it original and unique. In this study, primary data was gathered through direct personal interviews using both open-ended and close-ended questionnaires.
- **Secondary Data Sources:** Secondary data consists of information that has been previously collected by others. Common root of secondary data include journals, websites, and data initially gathered for other research purposes.

Population and Sampling Unit

Population consist of mutual fund investors through all over the Bangalore and sampling unit consist of respondent considered for the survey is the mutual fund investors.

Sampling Method

Using Snowball Sampling method is adopted for the study to select the sample from the population and to get the best result of this study.

Sample Size

Sample size refer to the number of respondent, here the sample size is 42.

Statistical Tools and Techniques

The collection data is present in the form of table, chart, graphs, and data is analysed through statistical tools like chi-square table, ANOVA, Correlation. SPSS software will be used to analyze the data.

III. DATA ANALYSIS AND INTERPRETATION

Table 1-Shows that Percentage analysis of demographic factors

Factors	Dimensions	No of Respondents	Percentage
Age	Below 20	1	2.4%
	21- 30	29	69%
	31-40	9	21.4%
	40 & above	3	7.1%
Gender	Male	19	45.2%
	Female	23	54.8%
Education	High School	1	2.4%
	Bachelor's Degree	11	26.2%
	Master's Degree	26	61.9%

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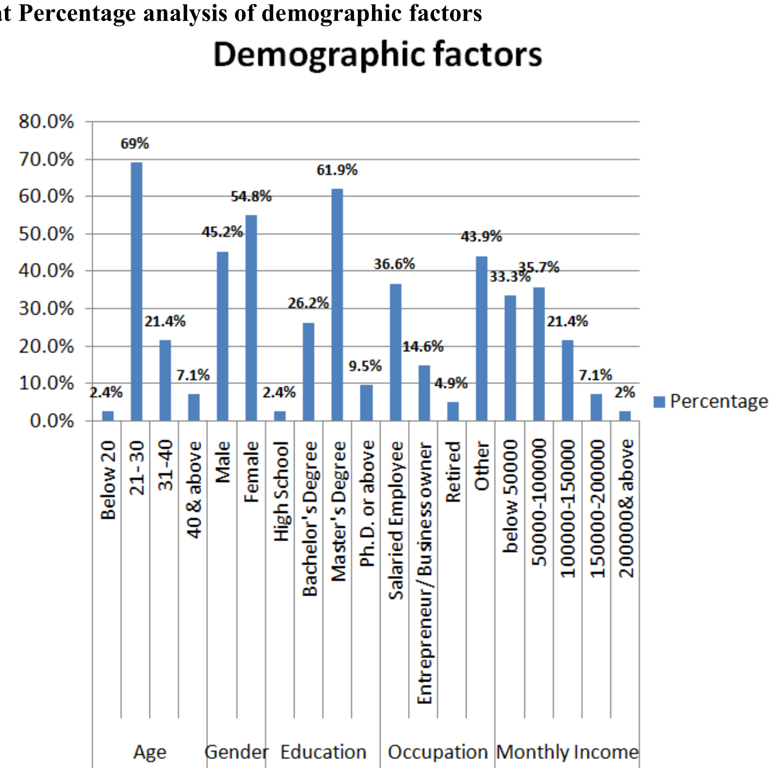
	Ph.D. or above	4	9.5%
Occupation	Salaried Employee	15	36.6%
	Entrepreneur/ Business owner	6	14.6%
	Retired	2	4.9%
	Other	18	43.9%
Monthly Income	below 50000	41	33.3%
	50000-100000	15	35.7%
	100000-150000	9	21.4%
	150000-200000	3	7.1%
	200000& above	1	2.4

Analysis

- **Age:** The majority of respondents (69%) are between 21 and 30 years old, indicating a young participant base. Only a small fraction (2.4%) is below 20, while 28.5% are 31 or older, showing limited representation of older individuals.
- **Gender:** The gender distribution is relatively balanced, with a slight majority of respondents being female (54.8%), compared to 45.2% male.
- **Education:** Most respondents are well-educated, with 61.9% holding a master's degree, and 26.2% holding a bachelor's degree. Only a small percentage have high school (2.4%) or Ph.D. qualifications (9.5%).
- **Occupation:** The respondents are predominantly salaried employees (36.6%) and those categorized as "Other" (43.9%). Entrepreneurs and retired individuals form a smaller proportion (14.6% and 4.9%, respectively).
- **Monthly Income:** A significant portion of respondents (33.3%) earn below ₹50,000 monthly, while 35.7% earn between ₹50,000 and ₹100,000. Only 9.5% earn over ₹150,000, indicating a majority fall within the lower to middle-income brackets.

Graph 1 : Shows that Percentage analysis of demographic factors



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Interpretation: The above graph shows that the majority of participants are young adults, primarily between their twenties and thirties, with very few younger or older individuals represented. There is a relatively balanced gender distribution, with a slight majority of female respondents. Most participants are highly educated, with the majority holding postgraduate qualifications, and only a small number with high school or Ph.D. degrees. In terms of occupation, salaried employees and those in unspecified categories make up the largest groups, with fewer entrepreneurs or retired individuals. The income distribution suggests that most respondents fall within the lower to middle-income range, with only a small portion earning higher monthly incomes.

Table 2 - Shows thatdo you believe mutual funds are better than direct stock investments

Chi-SquareTest

		I believe mutual fund are better than direct stock investment
Monthly income		
Chi-Square	15.857a	17.619b
df	4	3
Asymp. Sig.	0.003	<.001

Interpretation

The above table indicate a significant relationship between monthly income and the belief that mutual funds are better than direct stock investments. With a Chi-Square value of 15.857 ($p = 0.003$) for income and 17.619 ($p < 0.001$) for belief, the p-values are below 0.05, suggesting that the relationship between income levels and this investment belief is statistically significant. Therefore, individuals' income levels influence their preference for mutual funds over direct stock investments.

Table 3 -Shows thatare you influenced by peer recommendations or your social circle when choosing mutual funds

Descriptive Statistics

N		Minimum	Maximum	Mean	Std. Deviation
AGE	42	1	4	2.3333	0.6502
I am influenced by peer recommendations or social circle when choosing mutual Funds.	42	1	5	2.8095	1.13133
Valid N (listwise)	42				

Interpretation

The data indicates that the average age of respondents is 2.33, suggesting that most participants are likely in the 21-30 age group (based on a scale of 1 to 4 for age categories). The mean response for being influenced by peer recommendations or social circles when choosing mutual funds is 2.81, indicating a moderate level of influence, with some variability (standard deviation of 1.13) in how strongly individuals are Influencedby their social circles.

Oneway ANOVA

Education					
Sum of Squares		**df**	**Mean Square**	**F**	**Sig.**
Between Groups	0.192	4	0.048	0.105	0.98
Within Groups	16.879	37	0.456		
Total	17.071	41			

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ANOVA Effect Sizes[a,b]

			95% Confidence Interval	
Point Estimate			Lower	Upper
education	Eta-squared	0.011	0	0
	Epsilon-squared	-0.096	-0.108	-0.108
	Omega-squared Fixed-effect	-0.093	-0.105	-0.105
	Omega-squared Random- effect	-0.022	-0.024	-0.024

V. CONCLUSION

The study on the perception of mutual fund investments reveals that individual investors' attitudes towards mutual funds are influenced by several key factors, including risk tolerance, past performance, financial literacy, and the perceived reliability of fund managers. While mutual funds are considered a convenient investment option due to their diversification and professional management, many investors still exhibit caution due to concerns about market volatility and lack of adequate knowledge. The study also shows that mutual fund investments are increasingly popular among young professionals and middle-income groups who are looking for long-term wealth creation but remain wary of short-term fluctuations. To further enhance investor confidence, financial education and transparent communication from fund managers are critical.

The general population searches for investments that are secure and yield high returns. The purpose of this study was to determine what factors affect investors' perceptions of investing in mutual funds. It is emphasized that middle-class investors concur that consistent income and investment liquidity are essential. There is a perception that investing at great risk yields big profits. The investment's flexibility would result in the funds performing well. Investors of all ages look for a variety of additional criteria outside of those taken into account for the study that can entice them to invest in the mutual fund sector. It is necessary to take action in order to boost investors' self-esteem and confidence. This can be accomplished by teaching investors to invest in mutual funds and raising their level of awareness. They should be provided with appropriate and sensible information via a variety of communication channels so that they are aware of the most recent market trends. Mutual funds continue to be the nation's only financial tool and always will be.

REFERENCES

[1]. Warren Buffet (2000): Pradip Kar, I. Natarajan, J.P. Singh, and others estimated that only 9% of Indian households invest in shares and around 12% in mutual funds.

[2]. Jambodekar (1999): Conducted a study to assess investor awareness of mutual funds, identifying the key information sources influencing buying decisions and factors affecting fund selection.

[3]. Kannadashan (2006): The present research looked at the characteristics that affect the decisions made by retail investors.

[4]. B V M S Kiran (2021): It seeks to comprehend investors' perceptions since, although not everyone is familiar with mutual funds, many nonetheless invest in them in hopes of earning returns.