

## INVESTORS AWARENESS AND PREFERENCES TOWARDS MUTUAL FUND INVESTMENT

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### Abstract

Investment is an economic activity. Recently numerous investment avenues are available for the investors. Selecting an appropriate one is challenging. New and small investor has to consider various factors as they face a difficulty in selecting their investment alternatives due to limited knowledge, lack of experience and concern about the risk associated with various investment options. Mutual fund as a flexible investment vehicle, helps to pool investor's funds and invest in different securities. Thereby reducing the problems faced by new and small investors in choosing the most appropriate investment alternative. This study aims to analyse the investors' knowledge and preferences related to investment in mutual funds as well as the factors influencing their investment decision. The results indicate that although mutual funds are widely accessible, only a considerable portion of investors possess partial awareness of various schemes and their associated benefits. Also, they consider safety for choosing investment options. The study highlights the need for enhanced financial literacy programs and effective awareness campaigns to strengthen the investors' investment decisions. So, it will help to increase the investors' participation in mutual fund investment and improved financial wellbeing.

**Keywords:-** Mutual Fund, Investors Preferences, Investors Perception, Investors Awareness, Investment Avenues.

Mutual fund -the main investment option is gaining attention among small and risk averse investors. As they lack the confidence to enter into capital market and to trade, they require an investment vehicle to pool their resources

and to invest in appropriate investment options. Mutual fund was originated through different phases.

In the first phase mutual fund was setup by UTI in 1964 and they enjoyed the monopoly rights over mutual fund. In the second phase public sector banks

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got the right to setup mutual funds under the banking regulation act. And in the third phase, private sector enters into the mutual fund field. In the fourth phase SEBI, mutual fund regulations 1996 were enacted to protect the interest of investors and they carry out investor's awareness programmes. In the last phase various takeovers and mergers were materialized in the mutual fund industry. Regardless of all this, the growth phase is still continuing.

The knowledge about mutual fund investment is lacking among the investors. Time to time SEBI provide awareness campaigns to various groups of investors. This article studies about the awareness level and inclination of investors towards mutual fund investment and the factors attracting the investors to make mutual fund investment.

## Literature Review

### Investor's Perception

Investor's perception plays a key role in attracting their investment towards mutual funds. Research on investor's perception generally shows a positive attitude because of the financial benefits and demographic features. Investors often view mutual funds favourably because of tax advantages, diversification and reduced risk (Kiran Kumar, 2021). Similarly, (Alamelu & Indhumathi, 2017) also reported that attitudes towards mutual funds are influenced by factors such as age, marital status and employment. (Gandhi, 2019) further identified age, family structure, family size, employment status and investment knowledge as significant predictors of perception, whereas gender, education, marital status

and income show no substantial influence. In contrast, (Srilakshmi & Sekar, 2016) found that despite being aware of mutual funds, many investors still hold negative attitudes, often guided by liquidity and tax considerations and limited knowledge of mutual fund types and benefits. Overall, the literature suggests that while financial advantages contribute to favourable perceptions, demographic factors and knowledge levels continue to shape investor attitudes towards mutual funds.

### Investor's Preferences

The review of early studies identified a range of factors influencing investor's preferences and behaviour towards mutual fund investments. (Rani & Benita, 2022) reported that investors in the Madurai district primarily choose mutual funds for safety and tax benefits, with a notable preference for private sector mutual fund schemes and a generally high level of satisfaction with their investments. (Kohli & Devi, 2022) in their studies they emphasise the need for regulatory and managerial bodies to introduce diverse and innovative investment products that offer high return and safety. They also identified that inadequate professional management and limited market driven valuation as the factors that hinders investors from entering the mutual fund market. (Deo & Jagtap, 2017) in their study of academicians in Indore, found that age and gender have substantial influence on mutual fund selection, whereas marital status appears to have minimal impact. Furthermore (Vijayalakshmi et al., 2018) observed that many investors are inclined to invest in mutual funds due to expectations of

higher returns with relatively low risk exposure. Respondents prefer for safe, liquid and moderately risky investment options. The author also noted the importance of investor education, recommending the mutual fund companies to engage in awareness initiatives to promote better understanding of the advantages of mutual fund investments.

### **Investor's Awareness**

Investor's awareness plays a crucial role in attracting investor's participation in mutual fund investments. Various studies show that although awareness is increasing, the industry still faces difficulties in expanding its investor base due to limited financial literacy (Sunil. A & S, 2023). While many investors hold a positive attitude towards mutual fund, maintaining their confidence requires timely and accurate information along with the introduction of new and relevant schemes (Ramya & Thamilselvan, 2021). Awareness is also influenced by factors such as risk appetite, investment knowledge, information sources, perceptions, objectives and understanding of SEBI regulations, which shape the investor decisions (Satyavathi & Venkateswarlu, 2020). However, awareness does not always result in investment actions as seen in Ahmedabad, where people know about mutual funds but still hesitate to invest (Tripathi, 2020).

### **Statement of the Problem**

Today varieties of investment alternatives are accessible for the prospective and existing investors to park their surplus funds. New and small investors struggle to make appropriate

investment decisions due to lack of experience, limited financial knowledge and the fear of risk. Even though there are numerous advantages are offered by mutual fund, investors are reluctant to make investment in it. This lack of adequate knowledge and clarity results in hesitation, improper scheme selection or underutilization of mutual fund opportunities. So, it becomes essential to examine investor's knowledge, preferences and the key factors that influence their decision to invest in mutual funds.

### **Scope of the Study**

The scope of this study is limited to analysing the investor's awareness, attitudes and preferences towards mutual fund investments. It focuses primarily on new and small investors who face difficulties in choosing and evaluating various investment alternatives. The study covers factors such as financial literacy, risk, accessibility of information and the role of awareness campaigns in shaping investment decisions. The findings aims to provide insight that can help financial institutions, policy makers and mutual fund agencies to design more effective investor education programs and promotional strategies to enhance participation in mutual fund investments.

### **Objectives of the Study**

1. To analyse the association between demographic factors of investors and the level of awareness towards investment in mutual fund.
2. To detect the factors those are highly influencing the investors while making mutual fund investment.

- To know about the level of preference of mutual fund among the investors among other investment avenues.

### Research Methodology

This study adopted a descriptive and analytical approach to study the investor's awareness and preferences towards mutual fund investment. The area of survey was limited to Thiruvananthapuram district. A sampling size of 70 respondents was selected by applying the convenience sampling method. The data required for the study was possessed from both primary and secondary sources. The primary data were collected by using structured questionnaire issued in the Google form. The secondary data were collected from numerous websites and electronic journals. The data collected were analysed using SPSS software. The responses collected were analysed using percentage method, rank and scores method, fisher's exact test to know the importance of various demographic factors on the investors' level of awareness.

### Results and Discussions

The analysis of this study was done by using SPSS. The data for the analysis were obtained over a structured questionnaire.

Table 1 deals with the demographic variables of the investors. A great part of the respondents is male. 60 per cent of investors belong to 31- 40 age category. The most of the respondents hold a graduate degree. And they are working as a professional. The annual income of majority of the respondents falls between

5 lakhs and 10 lakhs. And also, they save more than 25000 rupees annually.

Table 2 deals with cross tabulation between gender and awareness level of investors. It shows that awareness among the male respondents seems to be more than female respondents. The respondents have a limited knowledge about the mutual fund schemes in which they were invested.

Table 2.1 analyse the association between gender and level of awareness of mutual fund investors using Pearson chi-square test in SPSS. It was found that the expected count in certain cells was less than 5. As it violates the assumption of chi-square test, here Fisher's exact test was used to depict the association between the variables.

$H_0$ : There is no association between gender and investors awareness level.

$H_1$ : There is an association between gender and investors awareness level.

**RESULT:** In the analysis the p-value of Fisher's exact test (.189) is greater than the significance level (0.05) and failed to reject the null hypothesis that means there is no association between gender and investors level of awareness.

Table 3 deals with cross tabulation between age classification and awareness level of investors. It shows that awareness among the age classification of 31- 40 seems to be higher than the other age categories. The level of awareness about mutual funds among the age category of 41 and above shows a lesser count. Concentrating on such age group will help to improve the mutual fund investment.

**Table 1**  
**Demographic Variables of the Investors**

Demographic Variables	Description	Frequencies	Percentages
<b>Gender</b>	Male	56	80
	Female	14	20
<b>Age classification</b>	Below 30	14	20.0
	31-40	42	60.0
	41-50	6	8.6
	51-60	2	2.9
	Above 60	6	8.5
<b>Academic qualifications</b>	Graduate	32	45.7
	Post graduate	18	25.7
	Professional degree	20	28.6
<b>Occupation</b>	Business	8	11.4
	Others	2	2.9
	Professionals	34	48.6
	Retired	6	8.6
	Salaried	20	28.5
<b>Annual income</b>	Below 5lakh	24	34.3
	10,00,001-15,00,000	4	5.7
	5,00,001 -10,00,000	24	34.3
	Above15 lakh	18	25.7
<b>Annual savings</b>	Below 10000	14	20.0
	10001-15000	8	11.4
	15001-20000	6	8.6
	Above 25000	42	60.0

*Source: Primary Data*

**Table 2**  
**Cross Tabulation between Gender and Level of awareness**

		Level of Awareness				Total
		Only having knowledge about the scheme	Completely aware	Limited knowledge about mutual fund	Totally illiterate	
<b>Gender</b>	Female	2	4	8	0	14
	Male	20	16	16	4	56
<b>Total</b>		<b>22</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>70</b>

*Source: Primary Data*

Table 2.1

Association between gender and level of awareness of mutual fund investors

	Value	df	Exact sig. (2-sided)	Significant/ not significant
Pearson chi- square	5.303	3	.143	Not Significant
Fisher’s Exact Test	4.499		.189	

Source: Primary Data

Table 3

Cross Tabulation between age classification and Level of awareness

		Level of awareness				Total
		Only having knowledge about the scheme	Completely aware	Limited knowledge about mutual fund	Totally illiterate	
Age classification	Below 30	6	4	4	0	14
	31-40	14	6	18	4	42
	41-50	2	4	0	0	6
	51-60	0	2	0	0	2
	Above 60	0	4	2	0	6
<b>Total</b>		<b>22</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>70</b>

Source: Primary Data

Table 3.1 analyse the association between age classification and awareness level of mutual fund investors using Pearson chi- square test in SPSS. It was found that the expected count in certain cells was less than 5. As it violates the assumption of chi -square test, here Fisher’s exact test was used to depict the association between the variables.

$H_0$ : There is no association between age and investors level of awareness.

$H_1$ : There is an association between age and investors level of awareness.

**RESULT:** In this analysis the p-value of Fisher’s exact test (0.026) is less than the significance level (0.05) and reject the null hypothesis and accepted the alternate

hypothesis, that means there is an association between age and investors level of awareness.

Table 4 deals with cross tabulation between academic qualifications and awareness level of investors. It shows that awareness among the graduate is more than the other categories.

Table 4.1 analyse the association between academic qualifications and level of awareness of mutual fund investors using Pearson chi- square test in SPSS. It was found that the expected count in certain cells was less than 5. As it violates the assumption of chi -square test, here Fisher’s exact test was used to interpret the association between the variables.

**Table 3.1**

**Association between age classification and awareness level of mutual fund investors using Pearson chi- square test**

	Value	df	Exact Sig. (2-sided)	Significant /not significant
<b>Pearson Chi-Square</b>	22.263	12	.033	<b>Significant</b>
<b>Fisher's Exact Test</b>	19.241		.026	

*Source: Primary Data*

**Table 4**

**Cross Tabulation between academic qualifications and Level of awareness**

		Level of awareness				Total
		Only having knowledge about the scheme	Completely aware	Limited knowledge about mutual fund	Totally illiterate	
<b>Academic qualifications</b>	<b>Graduate</b>	14	2	12	4	32
	<b>Post graduate</b>	2	8	8	0	18
	<b>Professional degree</b>	6	10	4	0	20
<b>Total</b>		<b>22</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>70</b>

*Source: Primary Data*

**Table 4.1**

**Association between academic qualifications and level of awareness of mutual fund investors**

	Value	df	Exact Sig. (2-sided)	Significant /not significant
<b>Pearson Chi-Square</b>	20.884	6	.001	<b>Significant</b>
<b>Fisher's Exact Test</b>	20.737		.001	

*Source: Primary Data*

H<sub>0</sub>: There is no association between academic qualifications and investors level of awareness.

H<sub>1</sub>: There is an association between academic qualifications and investors level of awareness.

**RESULT:** In the analysis the p-value of Fisher’s exact test (0.001) is less than

the significance level (0.05) and rejects the null hypothesis and accepted the alternate hypothesis, that means there is an association between academic qualification and investors level of awareness.

Table 5 deals with cross tabulation between occupation and awareness level of investors. It shows that awareness among the professionals and salaried is

more than the other categories of occupation.

Table 5.1 analyse the association between occupation and level of awareness of mutual fund investors using Pearson chi- square test in SPSS. It was found that the expected count in certain cells was less than 5. As it violates the assumption of chi -square test, here Fisher’s exact test was used to interpret the association between the variables.

$H_0$ : There is no association between occupation and investors level of awareness.

$H_1$ : There is an association between occupation and investors level of awareness.

**RESULT:** From the analysis it can be seen that the p-value of Fisher’s exact test (0.074) is greater than the significance level (0.05) and failed to reject the null hypothesis, which means there is no association between occupation and investors level of awareness.

Majority of the investors give first rank to safety factor while investing in mutual funds.

**Findings, Suggestions and Conclusion of the Study**

Based on the findings of the study, several practical recommendations can be suggested to strengthen investor’s participation and improve mutual fund awareness. Since a majority of investors

**Table 5**  
**Cross Tabulation between Occupation and Level of awareness**

		Level of awareness				Total
		Only having knowledge about the scheme	Completely aware	Limited knowledge about mutual fund	Totally illiterate	
Occupation	Business	6	0	2	0	8
	Others	0	0	2	0	2
	Professionals	12	8	12	2	34
	Retired	0	4	2	0	6
	Salaried	4	8	6	2	20
<b>Total</b>		<b>22</b>	<b>20</b>	<b>24</b>	<b>4</b>	<b>70</b>

Source: Primary Data

**Table 5.1**  
**Association between occupation and level of awareness of mutual fund investors**

	Value	df	Exact Sig. (2-sided)	Significant / not significant
Pearson Chi-Square	19.859	12	.066	Not significant
Fisher's Exact Test	16.883		.074	

Source: Primary Data

**Table 6**  
**Ranking and Scoring of Factors Considered by Investors While Making Investment in mutual Funds**

Factors	Ranks And Scores							Total	Ranks
	1	2	3	4	5	6	7		
<b>Liquidity</b>	10 (70)	12 (72)	20 (100)	6 (24)	6 (18)	6 (12)	10 (10)	70 (306)	<b>7</b>
<b>Capital appreciation</b>	14 (98)	10 (60)	14 (70)	14 (56)	2 (6)	8 (16)	8 (8)	70 (314)	<b>5</b>
<b>Safety</b>	26 (182)	14 (84)	10 (50)	6 (24)	8 (24)	2 (4)	4 (4)	70 (372)	<b>1</b>
<b>Regular income</b>	16 (112)	8 (48)	20 (100)	12 (48)	2 (6)	4 (8)	8 (8)	70 (330)	<b>4</b>
<b>Tax benefits</b>	12 (84)	20 (120)	6 (30)	6 (24)	10 (30)	6 (12)	10 (10)	70 (310)	<b>6</b>
<b>Low cost</b>	8 (56)	18 (108)	22 (110)	6 (24)	8 (24)	6 (12)	2 (2)	70 (336)	<b>3</b>
<b>Low risk</b>	32 (224)	2 (12)	8 (40)	4 (16)	10 (30)	6 (12)	8 (8)	70 (342)	<b>2</b>

*Source: Primary Data*

possess only partial awareness of mutual fund schemes, SEBI, AMCs and various financial institutions should carry out various financial literacy programs through simple online/offline tutorial platforms, webinars and easily accessible learning materials. And these awareness programs must also be tailored to specific demographic groups based on age, gender, educational qualifications etc., as they significantly influence the awareness levels. Various certified beginner level investor courses should be introduced to increase the engagement in mutual fund investment. In order to increase the female participation in the mutual fund investments, certain women centric workshop should also be conducted to gear up their low investment percentage. Design women-oriented SIP starter plans

with minimum investment amounts. And to improve the trust and reliability, female investment advisors and ambassadors should be promoted.

Majority of the investors choose safety as the most important factor guiding their investment decisions. So, the mutual fund companies should clearly communicate the role of diversification and risk management in reducing uncertainty, and also offer transparent risk-return comparisons across various schemes. Many investors prefer short term investment period; it is essential to educate them on the benefits of long-term holding periods and also various incentives should be provided for longer holding periods. Certain loyalty rewards should be offered to investors for staying beyond 5 years.

User friendly interfaces, personalised investment tools and clear information should be provided through digital platforms as many investors rely on the internet for investment knowledge. To enhance trust and satisfaction among the investors after-investment support should be provided through regular performance updates, interactive customer services and investor review

sessions. And implement post investment feedback surveys to improve service quality. In order to build a financially informed investor base, financial education should be imparted in to educational institutions and workplaces. All these collective efforts will not only enhance investor's confidence but also support the sustained growth of the mutual fund industry.

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