

Investors Perception and Attitude Towards Mutual Fund as an Investment Option in Salem District

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Abstract: Mutual funds have emerged as one of the most significant and accessible investment avenues for retail investors, offering professional management, diversification, and comparatively lower risk. This study examines the perception and attitude of investors towards mutual funds as an investment option in Salem District. The research focuses on identifying the factors influencing investment decisions, including demographic characteristics, awareness levels, investment preferences, and sources of information. Primary data were collected from 120 respondents using a structured questionnaire and analyzed using descriptive statistical tools such as percentage analysis, ranking, and chi-square tests. The findings reveal that brand image, safety, returns, and professional management play a crucial role in shaping investor perception. Debt funds are found to be the most preferred investment option, and a significant proportion of investors prefer investing in the government sector. The study also highlights that demographic variables such as age, income, and occupation significantly influence investment behavior. Despite the growing popularity of mutual funds, lack of awareness and limited financial literacy remain key barriers to wider adoption. The study suggests that increased investor education programs, awareness campaigns, and improved transparency by fund managers can enhance investor confidence and participation. The results provide valuable insights for asset management companies, financial advisors, and policymakers to design strategies that better align with investor expectations and promote mutual fund investments.

Keywords: Mutual Fund Investment, Investor Perception, Investment Behaviour, Behavioral Finance, Risk and Return, Demographic Factors, Fund Selection Criteria, Investment Awareness, Retail Investors, Financial Decision Making.

I.INTRODUCTION

From its inception the growth of mutual funds is very slow and it took really long years to evolve the modern day mutual funds. Mutual Funds emerged for the first time in Netherlands in the 18th century and then got introduced to Switzerland, Scotland and then to United States in the 19th century [1]. The main motive behind mutual fund investments is to deliver a form of diversified investment solution. Over the years the idea developed and people received more and more choices of diversified investment portfolio through the mutual funds. In India, the mutual fund concept emerged in 1960[2]. The credit goes to UTI for introducing the first mutual fund in India. Monetary Fund's benefited a lot from the mutual funds. Earlier investors used to invest directly in the stock market and many times suffered from loss due to wrong speculation. But with the coming up of mutual funds, which were handled by efficient fund managers, the investment risks were lowered by a great extent [3] [4]. The diversified investment structure of mutual funds and diversified risk contributed tremendously in the growth of mutual funds. With the passage of time many new mutual funds emerged. Not only this, the methods and ways of selling these funds also changed with time. But, the growth of mutual funds has not stopped. It is continuing to evolve to a better future, where the investors will get newer opportunities. In this era of globalization and competition, the success of an industry is determined by the market performance of its stock. The investors too like to invest only in the stock of those companies from which they can get maximum gains. In early years of growth of mutual fund industry, investors were available only

with few investment avenues to invest their money [5]. But with the passage of time a lot of opportunities are available to the investors for investing their money in different investment channels. One such channel is to invest in mutual funds along with effective financial management. Mutual funds have seen a tremendous growth in the last few years. This is the result of combined efforts of the brokerage houses and the fund managers who come to one's rescue by educating the investors and making them aware of the mutual fund schemes by different modes of promotion [6].

In recent years, mutual funds have become an important component of the Indian financial system by offering diversified investment opportunities to small and medium investors. However, despite the rapid growth of the mutual fund industry, many investors still lack adequate awareness, knowledge, and confidence to invest in mutual fund schemes. Investment decisions are often influenced by psychological, social, and demographic factors rather than rational financial planning [7][8]. In Salem District, many individuals continue to rely on traditional investment avenues such as bank deposits, gold, and real estate due to perceived safety and familiarity. This limited awareness and understanding of mutual funds restricts their wider acceptance and utilization. Therefore, it becomes essential to examine investor perception, preferences, and attitudes towards mutual funds to understand the factors influencing their investment behavior and to identify the barriers that prevent investors from choosing mutual funds as a preferred investment option [9].

The main objective of this study is to analyze the perception and attitude of investors towards mutual funds as an investment option in Salem District. The specific objectives are:

- To examine the influence of demographic factors such as age, income, education, and occupation on investment decisions.
- To identify the key factors that motivate investors to invest in mutual funds.
- To study the level of awareness and knowledge among investors regarding mutual fund schemes.
- To analyze investor preferences towards different types of mutual fund schemes.

- To evaluate the role of brand image, financial advisors, and information sources in shaping investor perception.
- To provide suggestions to improve investor participation and confidence in mutual fund investments.

This paper is organized into several sections to provide a systematic understanding of the study. The introduction section presents the background, importance, and need for the study along with the problem statement and objectives. The review of literature section highlights previous research related to investor behavior and mutual fund investment. The research methodology section explains the data collection methods, sampling design, and analytical tools used in the study. The analysis and interpretation section presents the findings derived from primary data through tables and statistical techniques. This is followed by the findings and suggestions section, which provides insights and recommendations based on the results. Finally, the paper concludes with a summary of key outcomes and implications for investors, fund managers, and policymakers.

II. RELATED WORKS

Anjan Chakarabarti and Harsh Rungta (2000) stressed the importance of brand effect in determining the competitive position of the AMCs. Their study reveals that brand image factor, though cannot be easily captured by computable performance measures, influences the investor's perception and hence his fund/ scheme selection [10]. Shanmugham (2000) conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions [11] [12]. Hirshleifer (2001) categorized different types of cognitive errors that investors make i.e. self-deception, occur because people tend to think that they are better than they really are; heuristic simplification, which occurs because individuals have limited attention, memory and processing capabilities; disposition effect, individuals are prone to sell their winners too quickly and hold on to their losers too long [13] [14].

III. INVESTORS PERCEPTION & ATTITUDE

Consumer behavior from the marketing world and financial economics have come together to bring to surface an exciting area for study and research in the form of Behavioral Finance and it has been gaining importance over the recent years. With reforms in financial sector and the developments in the Indian financial markets, Mutual Funds (MFs) have emerged to be an important investment avenue for retail (small) investors[15] [16]. The investment habit of the small investors particularly has undergone a sea change. Increasing number of players from public as well as private sectors has entered in to the market with innovative schemes to cater to the requirements of the investors in India and abroad. For all investors, particularly the small Consumer behavior from the marketing world and financial economics have come together to bring to surface an exciting area for study and research in the form of Behavioral Finance and it has been gaining importance over the recent years[17] [18] [19]. With reforms in financial sector and the developments in the Indian financial markets, Mutual Funds (MFs) have emerged to be an important investment avenue for retail (small) investors. The investment habit of the small investors particularly has undergone a sea change. Increasing number of players from public as well as private sectors has entered in to the market with innovative schemes to cater to the requirements of the investors in India and abroad[16]. For all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise- based equity investments to all types of investors. So in this scenario where many schemes are flooded in to market, it is important to analyze needs of consumers and to find out which factors affects consumers' needs the most[20] [21].

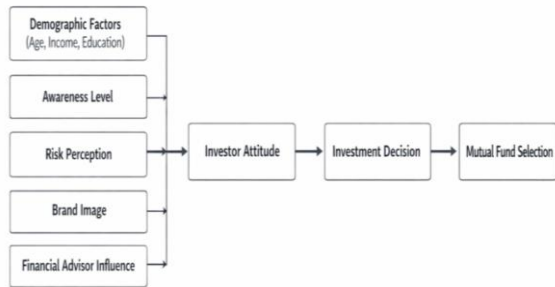


Figure 1: Conceptual Framework of Factors Influencing Investor Perception Towards Mutual Funds

IV. RESEARCH METHODOLOGY

Structured questionnaire is used for measuring various data, Primary data was collected from respondents of Salem through a questionnaire designed for a sample of 50 respondents Random sampling method was adopted by the researcher and selected the samples from Salem representing both the genders, different age groups, education level, marital status and monthly income. The data collected from the respondents are coded, tabulated and analyzed into logical statements. The Questionnaire method was chosen for its versatility, speed and cost benefits. Descriptive statistical tool- Rank and Chi –Square is used to arrive at findings and conclusion. The study has been carried out keeping in mind the following primary objectives: a) To analysis the impact of demographic factors in influencing buyers decision. b) To identify the intensity of various factors that positively and adversely affect buyer’s decision.

AGE WISE CLASSIFICATION

S. N	AGE	NO OF RESPONDENTS	%
1.	20-30	45	37.52
2.	31-45	58	48.33
3.	46-60	10	8.33
4.	More than 60	7	5.83
	Total	120	100

AVERAGE INVESTMENT PERIOD

S. N	AVERAGE INVESTMENT PERIOD	NO OF RESPONDENTS	%
1.	Less than 6 months	13	10.83
2.	6 to 12 months	45	37.5
3.	12 months to 2 years	34	28.33
4.	More than 2 years	28	23.33
	Total	120	100

ANALYSIS PREFERENCE IN SECTORS

S. N	SECTORS	NO OF RESPONDENTS	%
1.	Private Sector	51	42.5
2.	Government Sector	69	57.5
	Total	120	100

PREFERENCE OF GROWTH IN INVESTMENT

S. N	GROWTH OF INVESTMENT	NO OF RESPONDENTS	%
1.	Fast	44	36.67
2.	At an average rate	48	40
3.	Steadily	28	23.33
	Total	120	100

ANALYSIS SUITABLE MUTUAL FUNDS TYPES LEVEL

S. N	MUTUAL FUNDS TYPE	NO OF RESPONDENTS	%
1.	Equity fund	34	28.33
2.	Debt. Fund	40	33.33
3.	Balance fund	18	15
4.	Equity linked saving Scheme	20	16.67
5.	Others	8	6.67
	Total	120	100

The entire above table Sources: From Primary data

Findings: The study reveals that the brand image of mutual funds strongly influences investors’ buying behavior, whereas factors such as liquidity and tax benefits are found to be the least effective in influencing their investment decisions. It is observed that 33.33% of the respondents prefer debt funds as the most suitable type of mutual fund for investment. Around 40% of the investors show interest in maintaining their investments at an average growth rate. A majority of 57.5% of the respondents prefer to invest in the government sector compared to the private sector. Regarding the investment period, 37.5% of the respondents prefer an average investment duration of 6 to 12 months. The age-wise classification indicates that 48.3% of the respondents belong to the 31–45 age group, which forms the largest segment of mutual fund investors. The study also highlights that lack of awareness has a negative impact on buying behavior, while concerns about security are found to be less significant in influencing investment decisions. Mutual funds are identified as the most preferred investment avenue, followed by real estate, commodities, shares, debentures, bonds, bank deposits, and NSCs. It is further observed that the annual investment pattern largely depends on the income level of investors. Additionally, the study finds that the sources of mutual fund information do not significantly affect the knowledge level of investors.

Suggestions: The study suggests that a significant number of customers are not adequately aware of mutual funds, and therefore their awareness levels need to be improved. Since many respondents formed their opinions based on the explanations provided during the survey, it indicates a clear gap in financial knowledge and exposure. To address this issue, different campaigns should be organized to educate

people about mutual fund investments, and more awareness programs should be conducted at the local level. Investors should also be informed that the past performance of a fund does not guarantee future returns, and they must carefully consider both the investment objectives and the style of the fund before making investment decisions. Increasing awareness, providing proper financial guidance, and improving communication strategies can help in enhancing investor confidence and participation in mutual fund investments.

V.CONCLUSION

It is concluded that the MFs business in Salem is still in an embryonic stage. So, concerted Efforts are needed for its success. The success depends upon high returns, professional competence of Fund managers, a MF brings together a group of people and invests their money in stocks, bonds and other securities, it has many advantages such as professional Management, economics of scale. The MF should be easy to buy and sell through broker or directly in the market. It also has some drawbacks such as low awareness, too many formalities, difficult to select. MFs have emerged as an important segment of financial markets and so far have delivered value to the investors. The study reveals that the investors’ perception is dependent on the demographic profile and assesses that the investor’s age, marital status and occupation has direct impact on the investors’ choice of investment. The study further reveals that the female segment is not fully tapped and even there is low target on higher income group people. Hence, fund managers should take steps to tap the female segment and higher income group segment to enhance more investment in MF Investment Avenue which would really help the industry to flourish. Further, the findings of the research were on the factors influencing investor’s perception on public private MF’s. It reveals that liquidity, flexibility, tax savings, service quality and transparency etc. are the factors which have a higher impact on perception of investors. These factors give them the required boosting in the investment process. Therefore, it becomes imperative on part of the fund managers to enhance these features for attracting more investors and also to retain the trust, the investors have in them.

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