

## A STUDY ON THE AWARENESS OF MUTUAL FUNDS INVESTMENT WITH SPECIAL REFERENCE TO TUMKUR

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### ABSTRACT

This study explores individuals' awareness and understanding of mutual fund investments through surveys and interviews across diverse demographics. The findings indicate a widespread recognition of mutual funds, but a limited grasp of their various types, risks, fees, and benefits. Higher awareness is observed among younger, more educated individuals, while older, less educated individuals show lower levels of understanding. Primary information sources include digital media, financial advisors, and peer recommendations, with barriers to awareness identified as financial literacy, information complexity, and perceived risks. The study emphasizes the need for improved financial education and clearer communication from financial institutions to bridge the awareness gap, offering actionable insights to enhance mutual fund literacy and support informed investment decisions.

**Key words:** Investment, Risk, Return, Awareness.

### 1. INTRODUCTION

In the ever-evolving landscape of personal finance, mutual funds have emerged as a vital investment vehicle, offering individuals a more accessible and diversified gateway into financial markets. By pooling money from numerous investors, these funds allow for investment in a wide array of stocks, bonds, and other securities, managed by professional fund managers. This approach not only mitigates risk through diversification but also enables individuals to invest smaller amounts of capital than would be needed to construct a similar portfolio on their own. Despite these benefits, public awareness and understanding of mutual funds vary greatly, influenced by factors such as financial literacy, access to financial advice, and cultural attitudes toward investing. In many regions, mutual funds are less favoured compared to traditional savings instruments like fixed deposits, real estate, and gold, especially among conservative investors who focus on capital preservation. The significance of awareness in mutual fund investments cannot be overstated, as informed investors are more likely to make prudent decisions, align their investments with financial goals, and adeptly navigate market complexities. Conversely, a lack of awareness can lead to misconceptions, suboptimal investment choices, and missed opportunities for wealth creation. This study aims to evaluate the current level of awareness regarding mutual fund investments among different demographic groups, examining variables such as age, income, education, and geographic location to identify trends and gaps in knowledge that may influence investment behaviour. Furthermore, it will explore the sources of information that investors depend on, including financial advisors, media, and digital platforms, to understand how these channels impact awareness and decision-making. Understanding the degree of awareness and the contributing factors is crucial for policymakers, financial institutions, and educators, as increased awareness can empower individuals to effectively utilize mutual funds for their financial well-being, thereby promoting broader economic growth and stability. As the financial ecosystem continues to change, fostering a well-informed investor base will be key to ensuring that mutual funds remain a robust and advantageous investment option for a diverse population.

### 2. METHODOLOGY

#### STATEMENT OF THE PROBLEM

Mutual fund investment awareness in Tumkur is notably lacking, resulting in its limited use for wealth creation. This study seeks to evaluate the existing levels of awareness and identify obstacles that hinder broader acceptance among residents of Tumkur.

#### OBJECTIVES

- To Investigate the awareness of mutual funds relative to age, income, and education levels.
- To Analyze the motivations behind investing in mutual funds.
- To Understand preferences for investing in mutual funds compared to other investment options.

## SCOPE OF THE STUDY

- **Demographic Focus:** Examining awareness differences across ages, economic levels, education.
- **Awareness Levels:** Assessing potential investors' current awareness of mutual funds, including their types, benefits, risks, and returns.
- **Factors Influencing Awareness:** Identifying the factors that influence awareness, such as education, financial literacy, professional guidance, media, and cultural attitudes.
- **Comparison with Other Investments:** Comparing mutual fund awareness to that of other investment options such as equities, bonds, and real estate.

## 3. LITERATURE REVIEW

### Shivam Tripathi (2020)

Although the mutual fund business in India is growing and offers benefits including as diversification and expert management, a survey performed in Ahmedabad found that, despite some awareness, a sizable section of the population is still unwilling to engage in mutual funds. This highlights the significance of undertaking more study on investor behavior and adopting measures to improve financial literacy and encourage increased involvement in mutual fund investing.

### Dr. M Sumathy (2022)

Mutual fund awareness study uses surveys and interviews to investigate how investors perceive, behave towards, and understand mutual funds. These studies investigate how demographic variables such as income, education, age, and risk tolerance influence investment decisions. The findings underline the need of financial literacy initiatives in raising awareness, particularly among underrepresented groups like women and rural people.

### Dr. Neelam Dhall (2021)

The study delves into the growth of India's mutual fund industry and its critical role in channelling savings. It emphasizes the importance of investor awareness and perception on the industry's overall viability. According to research, investors are lured to mutual funds primarily for tax advantages, security, liquidity, and prospective rewards. Furthermore, studies indicate a link between investor demographics and attitudes toward mutual funds, shedding light on differing perceptions among demographic groups.

## 4. RESEARCH DESIGN

- **Sample size:** 50 respondents
- **Tools for data collection:** Gathered primary data through a questionnaire and complemented it with secondary data sourced from scientific publications, journals, and reports.
- **Data analysis, interpretation and suggestion:**

74 percent of the respondents are Male and 26 percent of the respondent are female.

66 percent of the respondent are belonging to the age group of 20-30 years, 20 percent of the respondent are belonging to the age group of 31-40 years.

42 percent of the respondents are having the income of 20k-40k, 28 percent of the respondent are having their income of 40k-60k, 16 percent of the respondent are having their income of less than 20k.

42 percent of respondents are self-employed, 38 percent respondents are employed and 18 percent respondents are students.

### Mutual Funds Awareness and Personal Learning:

88%, of respondents possess knowledge about mutual funds, while 12% do not. This suggests a broad awareness and understanding among the surveyed group regarding mutual funds' role as investment tools. The data highlights that many individuals grasp the essential principles, advantages, and risks associated with mutual funds, indicating a readiness among them to potentially incorporate mutual funds into their investment strategies.

The majority of people first acquire knowledge about mutual funds from friends (42%) and the internet (34%), emphasizing their dependence on personal connections and digital resources for financial insights. Although television (10%) and financial advisors (8%) also play significant roles, their influence is slightly less pronounced, showcasing a mix of traditional media and professional guidance in financial education. This trend underscores the critical impact of social interactions and the increasing dominance of online platforms in shaping individuals' comprehension of mutual funds and their financial choices.

### Long-Term Benefits of Mutual Funds Compared to Other Investment Opportunities

92% of people believe mutual funds are beneficial, while only 8% disagree. This strong majority suggests that many investors appreciate mutual funds for their diversification, professional management, and potential for higher returns. Overall, mutual funds are seen as a valuable investment by most people.

The majority of investors plan to keep their mutual fund investments for a moderate duration, with 36% targeting 1-3 years and 32% aiming for 3-5 years. Only 8% intend to hold their investments for over 5 years, while 24% prefer to invest for less than a year. This reflects a clear preference for medium-term investment horizons among mutual fund investors, with fewer choosing either long-term or very short-term commitments.

Investors have a favourable view of mutual funds compared to other investment options. 54% respondents rate mutual funds as "better" and 22% as "much better," while 22% consider them "about the same." Significantly, no investors rated mutual funds as "worse" or "much worse," indicating strong overall confidence in them.

### Investment Performance Analysis and Risk Tolerance Assessment

The expected returns indicate a strategy focused on balanced risk and growth. A significant portion, 60%, targets moderate gains between 10% and 30%, reflecting a balanced approach to investing. About 30% aim for steady, lower-risk returns below 10%, providing stability. The remaining 10% of investments are geared towards higher returns above 30%, suggesting a selective approach to riskier opportunities. Overall, this distribution underscores a strategy that seeks growth while effectively managing investment risks.

Most of the people are okay with moderate risk (46%), suggesting they're comfortable taking some chances in their decisions or investments. A good chunk prefers lower risk (26% low, 24% very low), playing it safer. Fewer seemed interested in high or very high risk, possibly because they prefer more conservative approaches. Overall, it shows a mix of risk preferences, but moderate risk-taking is the most popular choice among respondents.

### Investment Preferences and Satisfaction

Most people tend to invest a good chunk of their income in mutual funds, with nearly half (48%) putting away between 11% and 20%, and another 28% investing even more, between 21% and 40%. A smaller group (22%) opts for more conservative investments, allocating between 0% and 10% of their income to mutual funds. Very few (just 2%) go all-in, investing 41% or more. This breakdown shows that while many are comfortable with moderate investments in mutual funds, fewer take on higher risk with larger portions of their income.

The majority of investors, 56%, prioritize higher returns when choosing mutual funds. Lower fees and improved customer service are also significant factors for 12% of investors each. About 10% seek more information about mutual funds, whereas recommendations from financial advisors and tax benefits carry less weight, each influencing only 4% of decisions. In essence, performance and understanding are crucial considerations shaping mutual fund investment decisions.

Most of the people prefer stocks (38%) for potential high returns despite risks. Real estate (26%) is also popular for stability and appreciation. Bonds (14%) offer steady income with lower risk, while savings accounts (12%) appeal to those prioritizing safety and liquidity. The remaining 10% chose "other," indicating a variety of alternative investments. Overall, the choices reflect different preferences for risk and growth potential among investors.

The majority of people (74%) are satisfied with their mutual fund experience, with another 26% expressing neutrality. Specific levels of dissatisfaction were not detailed, suggesting a generally positive outlook overall.

### HYPOTHESIS

**H0: Reason for not investing in mutual fund.**

**H1: Reason for investing in mutual funds.**

SL. NO	Particulars	Number of Respondents	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	Retirement planning	8	-17	289	11.56
2	Saving for major purchase	20	-5	25	1
3	children education	3	-22	484	19.36
4	Wealth accumulation	10	-15	225	9
5	Tax benefit	4	-21	441	17.64
6	Other	5	-20	400	16
<b>Total</b>		<b>50</b>			<b>74.56</b>

$$E = 50/2 = 25$$

$$n = 6$$

$$\text{Degree of freedom} = [n-1]$$

$$[6-1] = 5$$

Critical values of the Chi-square distribution with $d$ degrees of freedom							
Probability of exceeding the critical value							
$d$	0.05	0.01	0.001	$d$	0.05	0.01	0.001
1	3.841	6.635	10.828	11	19.675	24.725	31.264
2	5.991	9.210	13.816	12	21.026	26.217	32.910
3	7.815	11.345	16.266	13	22.362	27.688	34.528
4	9.488	13.277	18.467	14	23.685	29.141	36.123
5	11.070	15.086	20.515	15	24.996	30.578	37.697
6	12.592	16.812	22.458	16	26.296	32.000	39.252
7	14.067	18.475	24.322	17	27.587	33.409	40.790
8	15.507	20.090	26.125	18	28.869	34.805	42.312
9	16.919	21.666	27.877	19	30.144	36.191	43.820
10	18.307	23.209	29.588	20	31.410	37.566	45.315

For 5% degree of freedom the value from the table at degree of freedom 5 is 15.086 and the value calculated is 74.56. Hence calculated value is greater than the table value hence the null hypothesis formulated is rejected.

## 5. SUGGESTIONS

Prioritizing financial literacy programs for older and less educated individuals is essential, utilizing digital media, workshops, and community seminars to demystify mutual funds. Partnerships between financial institutions and local educational bodies can offer more accessible and relatable information. Additionally, promoting personalized financial advice through certified advisors can increase trust and understanding among cautious investors. Highlighting the long-term benefits and moderate risks of mutual funds could encourage a shift from traditional savings instruments. Lastly, clear communication about fees, risks, and returns can dispel misconceptions, build confidence, and create a well-informed investor base, ultimately supporting broader economic growth.

## 6. SUMMARY AND CONCLUSION

The study on mutual fund awareness in Tumkur reveals a widespread general awareness, yet a limited depth of understanding across different demographic groups. Younger, more educated individuals exhibit higher awareness, while older, less educated groups show significantly lower awareness levels. Key sources of information include digital media, financial advisors, and peer recommendations, with barriers to awareness identified as low financial literacy, complex information, and perceived risks. The findings highlight the need for improved financial education, clearer communication from financial institutions, and personalized financial advice to bridge the awareness gap. By effectively communicating the benefits and managing the risks of mutual funds, investor preferences could shift from traditional savings instruments to mutual funds, fostering a well-informed investor base and supporting economic growth.

## 7. REFERENCE

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