

# An Analysis on Conception and Opinion of Investors towards Mutual Fund

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**Abstract:** *This paper examines investors' conceptions & opinions toward mutual funds identifying key determinants of perception, preference patterns & role of financial literacy. Using a mixed-methods approach, we analyze awareness, risk attitudes, sources of information and behavioural biases affecting mutual fund adoption. Results show moderate awareness but varied trust across demographic groups; fund performance, transparency & advisor recommendation are strongest drivers of selection. Policy implications include targeted financial education & enhanced transparency to broaden participation.*

**Keywords:** Mutual funds, Investor perception, Risk attitude, Behavioural bias & Investment preference

## I. INTRODUCTION

Mutual funds have emerged as a vital investment instrument offering individual investors an opportunity to participate in diversified financial portfolios managed by professional fund managers. Direct equity investments, mutual funds pool resources from multiple investors, enabling risk diversification, liquidity & access to sophisticated investment strategies that would be difficult for an individual to implement independently. In recent years, mutual funds have gained prominence in India & globally due to increasing financial literacy, digital access & government incentives such as tax benefits under retirement & long-term investment schemes.

Investor perception & opinion towards mutual funds vary considerably. Factors as financial literacy, trust in fund houses, perceived risks, prior investment experience & influence of advisors significantly shape investor decisions. Many investors remain apprehensive due to concerns over market volatility, fees & transparency of operations which may limit participation or affect satisfaction levels. Behavioural biases including overconfidence, herding & anchoring further influence mutual fund adoption & scheme selection. Understanding investor conception & opinion is therefore essential for fund houses, financial advisors and policymakers. Insights into awareness levels, trust & decision-making patterns can inform design of targeted educational initiatives improve communication strategies enhance investor confidence. This study aims to analyze conception, preferences & factors influencing investor opinions toward mutual funds providing actionable recommendations to strengthen retail participation and foster informed investment behavior.

## II. LITERATURE REVIEWS

Ganapathi, R. (2015) Investor perception studies highlight that awareness & trust are primary determinants of mutual fund participation; distribution channels & local advisors play strong roles in shaping opinion. Demographic variables shape preferences. Findings provide insights for fund managers to design investor-centric products and emphasize need for transparent communication to enhance investor confidence and informed decision-making.

Joshi, P. & Rao, D. (2015) analyzes investor awareness of mutual funds and its impact on investment behavior. Awareness levels significantly influence both intentions to invest & choice of schemes. Sources of information including advisors, media & peers play a critical role in shaping perception. Findings underscore structured financial literacy programs, targeted investor education & transparent communication by fund houses to improve awareness, reduce misconceptions & enhance participation in mutual fund investments.

Patel, M. (2016) examines investor preferences for Systematic Investment Plans (SIPs) in mutual funds. Survey results indicate that retail investors favor SIPs due to disciplined investing, risk averaging & long-term wealth accumulation benefits while lack of awareness and understanding of compounding effects restrict participation. Study highlights

demographic influences with younger and middle-income groups more likely to invest via SIPs. Recommendations include focused educational campaigns, digital enrollment facilitation & simplified communication of benefits to increase adoption, improve financial literacy & encourage sustainable investment behavior.

Singh, R. (2017) explores influence of behavioral biases on mutual fund investment behavior. Using empirical survey methods, study identifies overconfidence, herding, anchoring & loss aversion as significant factors shaping investors' decision-making processes. Investors often prioritize recent performance trends follow peer recommendations rather than suboptimal fund selection. This also finds that demographic factors like age & experience moderate impact of biases. These insights underscore need for behavioral-awareness programs and advisory interventions to mitigate cognitive errors helping investors make more rational decisions & promoting long-term engagement with mutual funds.

Rao, L. (2019) investigates the determinants influencing mutual fund selection among retail investors. Using empirical survey data, research identifies factors as historical fund performance, risk-return perception, expense ratios & fund manager reputation as critical drivers of investment decisions. Analysis reveals that investors weigh past performance & professional expertise heavily when selecting schemes while marketing & promotional campaigns have limited impact.

Sharma, V. & Joshi, A. (2020) examines role of financial literacy in mutual fund investment decisions. Through survey analysis of retail investors, it demonstrates that individuals with higher financial knowledge are more likely to understand fund options, assess risk & make rational investment choices. Financial literacy positively correlates with awareness of fees, tax benefits & performance metrics leading to better scheme selection and long-term commitment.

Bhattacharya, N. & Sinha, K. (2021) investigates comparative influence of advisors versus digital channels on retail mutual fund investors. Survey & observational data reveal that personal advice remains dominant source of guidance with advisors significantly impacting fund selection & investment frequency. Digital platforms while growing in importance primarily supplement awareness rather than replace interpersonal influence. Trust, clarity of information & perceived expertise of advisors are key determinants of their effectiveness.

Verma, G. & Kaur, H. (2022) explores the effect of transparency on trust in mutual funds among retail investors. Using survey-based analysis, it finds that clarity in fee structures, disclosure of portfolio holdings & accessible performance reporting significantly enhances investor trust. Lack of transparency creates skepticism, limiting participation & retention. Findings suggest that fund houses can improve investor confidence by combining clear reporting, regulatory compliance & interactive digital communication, ultimately promoting informed decision-making & long-term commitment to mutual fund investments.

Annapurna, R. (2024) examines emotional intelligence & behavioural biases among retail investors showing that biases herding overconfidence materially influence investment choices in managed products. These emphasize for fund houses to integrate digital & personal advisory strategies, ensuring consistent messaging, transparency & accessibility to strengthen investor confidence and facilitate informed decision-making.

Hamurcu, Ç. (2025) Cross-country evidence demonstrates that financial capability and investor education significantly affect mutual fund uptake in emerging markets. Low literacy increases reliance on advisors or social networks. This highlights the importance of targeted investor education programs & digital tools to improve understanding reduce misconceptions & enhance confidence in mutual fund investments.

### **III. METHODOLOGY**

A mixed-methods design was employed: a quantitative cross-sectional survey to capture broad patterns & qualitative focus-group interviews to understand motivations and perceptions in depth.

#### **Sampling & population**

Population: Retail investors aged 21–65 who have considered or invested in mutual funds at least once.

Sampling: Stratified sampling across three metropolitan regions & two semi-urban districts. Survey sample size = 420 respondents (calculated for 95% confidence, 5% margin of error & expected response variability).

Focus groups: 4 groups of 8–10 participants each.

**Data collection instruments**

Questionnaire: Sections on demographics, financial literacy (10-item scale), investment experience, risk tolerance (Likert scale), sources of information, trust in institutions & mutual fund-specific perceptions (fees, returns, liquidity).

Focus groups: Semi-structured guide exploring reasons for choosing mutual funds, barriers to investing & reactions to disclosure and fee information.

**Variables & measures**

Dependent variables: Intention to invest (binary/scale) satisfaction with mutual funds & product preference (equity/debt/hybrid).

Independent variables: Financial literacy score, risk tolerance score, prior investment experience, advisor influence & perceived transparency.

Control variables: Age, gender, education & income bracket.

**IV. DATA ANALYSIS**

Quantitative: Descriptive statistics, chi-square tests for categorical associations, t-tests for mean comparisons & logistic regression to model intention to invest. Reliability of multi-item scales checked via Cronbach’s alpha.

Qualitative: Thematic analysis of focus-group transcripts to identify recurring themes and illustrative quotes.

**V. RESULT & DISCUSSION**

These findings underscore the need for enhanced transparency, credible communication & targeted financial education to convert awareness into informed investment decisions. Analysis of factors influencing mutual fund scheme selection revealed that investors prioritize performance-based and managerial attributes over promotional factors.

Table 1: Awareness, trust & primary information source

| Measure                         | High/Agree (%) | Moderate (%) | Low/Disagree (%) |
|---------------------------------|----------------|--------------|------------------|
| Basic awareness of mutual funds | 78.6           | 12.4         | 9.0              |
| Trust in fund houses            | 46.7           | 30.0         | 23.3             |
| Primary info source             | 35             | 28           | 22               |

Results indicate that while basic awareness of mutual funds is relatively high (78.6%) trust in fund houses is considerably lower, with only 46.7% expressing strong confidence. This gap suggests that awareness alone does not translate into investor confidence or active participation. Analysis of primary information sources shows that advisors remain most relied-upon channel (35%), followed by internet (28%) & friends or family (22%), highlighting the continued importance of interpersonal guidance alongside digital resources.

Table 2: Factors ranked by importance for scheme selection (mean score out of 5)

| Factor                   | Mean score |
|--------------------------|------------|
| Historical performance   | 4.3        |
| Fund manager reputation  | 4.0        |
| Expense ratio (fees)     | 3.6        |
| Liquidity / exit options | 3.4        |
| Tax benefits             | 3.1        |
| Brand / marketing        | 2.7        |

Historical performance received highest mean score (4.3) indicating that past returns strongly shape investor trust & decision-making. Fund manager reputation (4.0) ranked second, reflecting perceived importance of professional expertise in managing funds. Expense ratio (3.6) and liquidity (3.4) followed showing growing investor awareness of cost efficiency and ease of withdrawal. Tax benefits (3.1) had moderate importance while brand and marketing (2.7) were least influential suggesting that investors value tangible performance metrics over promotional appeals.

Table 3: Logistic regression: predictors of intention to invest

| Predictor                      | Coefficient ( $\beta$ ) | Std. Error | Odds Ratio | p-value |
|--------------------------------|-------------------------|------------|------------|---------|
| Financial literacy (per point) | 0.28                    | 0.06       | 1.32       | <0.001  |
| Trust in fund houses (scale)   | 0.45                    | 0.12       | 1.57       | 0.002   |
| Advisor recommendation (yes=1) | 0.63                    | 0.18       | 1.88       | 0.001   |
| Risk-tolerance (per point)     | 0.12                    | 0.05       | 1.13       | 0.015   |
| Constant                       | -2.10                   | 0.40       | —          | <0.001  |

logistic regression analysis identified key predictors influencing investors' intention to invest in mutual funds. Financial literacy ( $\beta = 0.28$ ,  $p < 0.001$ ) significantly increased likelihood of investment indicating that better-informed investors are more confident in decision-making. Trust in fund houses ( $\beta = 0.45$ ,  $p = 0.002$ ) also played a crucial role emphasizing importance of credibility & transparency. Advisor recommendation ( $\beta = 0.63$ ,  $p = 0.001$ ) showed strongest effect nearly doubling investment odds reflecting high influence of interpersonal advice. Risk tolerance ( $\beta = 0.12$ ,  $p = 0.015$ ) further supported that investors with higher risk appetite exhibit stronger investment intentions.

## VI. CONCLUSION

This finds that investor opinion toward mutual funds is shaped principally by awareness depth, trust in fund houses, financial literacy & advice from trusted intermediaries. While basic awareness is common, many potential investors lack nuanced understanding necessary for confident decision-making. These recommendations include expanding investor education programs simplifying disclosure formats to improve perceived transparency & leveraging trusted advisory channels to communicate product benefits. Fund houses should prioritize transparent fee disclosures and provide interactive digital tools that demystify risk-return trade-offs to foster sustained retail engagement.

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