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CUSTOMER PERCEPTION ABOUT MUTUAL FUNDS AS AN INVESTMENT OPTION

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ABSTRACT

Mutual funds have emerged as a popular investment vehicle, offering diversification, professional management, and accessibility to a broad range of investors. This study explores customer perception towards mutual funds as an investment option, aiming to understand the key factors influencing investor behavior, preferences, and decision-making. Through a combination of surveys and data analysis, the research examines variables such as risk tolerance, return expectations, financial literacy, and trust in fund management. The findings reveal that while mutual funds are generally perceived as a relatively safe and convenient investment choice, lack of awareness and market volatility remain significant concerns for many investors. The study concludes with recommendations for financial institutions and policymakers to enhance investor confidence and promote informed investment practices.

1. INTRODUCTION

Investment decisions play a crucial role in financial planning, and mutual funds have become a preferred choice for many investors due to their diversified nature and professional management. A mutual fund pools money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other assets, managed by professional fund managers. Despite the growing popularity of mutual funds, many potential investors lack adequate awareness or have misconceptions about their risks and returns. The perception of mutual funds as an investment option varies among investors based on factors such as financial knowledge, risk appetite, market conditions, and past experiences. While some view mutual funds as a safe and efficient investment tool, others perceive them as risky due to market volatility.

2. MATERIAL AND METHODS

2.1 Literature Review

2.1.1 Conceptual Framework

The conceptual framework for this study on "Customer Perception about Mutual Funds as an Investment Option" is based on the idea that several key factors influence how customers perceive mutual funds. These include financial literacy, risk appetite, past investment experience, marketing and awareness efforts, trust in fund managers or institutions, and peer or social media influence. These independent variables shape the customer's attitude toward mutual funds, as well as their perceived benefits—such as diversification, professional management, and liquidity—and perceived risks, such as market volatility and lack of control. Together, these mediating variables affect the overall customer perception, which is the dependent variable in this study. Understanding these relationships helps to identify what drives or hinders customers from choosing mutual funds as a preferred investment option.

2.1.2 Empirical Evidence:

Empirical evidence from various studies suggests that customer perception toward mutual funds is influenced by a combination of financial literacy, risk tolerance, and trust in financial institutions. A study conducted by SEBI (Securities and Exchange Board of India) in 2020 revealed that although awareness of mutual funds has grown significantly, a large section of the population still prefers traditional investment avenues such as fixed deposits and gold due to perceived safety and guaranteed returns. Another survey by AMFI (Association of Mutual Funds in India) found that 63% of investors who chose mutual funds were motivated by the potential for higher returns, while 47% were influenced by the advice of financial advisors. Furthermore, the study indicated that individuals with higher education and income levels showed a more favorable perception of mutual funds, largely due to better understanding of market risks and investment planning. These findings highlight the importance of investor education, transparent fund management, and targeted communication to improve customer perception and participation in mutual fund investments.

3. RESEARCH METHODOLOGY

Research methods refer of the techniques and approaches used to gather and analyze data in a research study. The choice of research methods depends on the research objectives, the type f data needed, and the nature of the research questions here are some common research methods that can be employed in a study focused on consumer perception towards

Samsung smartphones.

3.1 Research Design

Research design is a plan, structure and strategy of investigation to obtain answer to the research questions. Research methodology simply refers to the practical "how" of any given piece of research more specifically it's about how a research systematically designs a study to ensure valid and reliable results that address the research aims and objectives.

3.2 Data Collection

For this study, data were compiled from both primary and secondary sources.

3.2.1 Primary Data

Primary data is collected directly from firsthand sources through questionnaires, and similar methods. In this study, primary data were gathered using a structured questionnaire designed to assess consumer perceptions and behaviors regarding cashless transactions.

3.2.2 Secondary Data

Secondary data consists of information that has already been published. In this study, secondary data were collected from various sources, including internet resources, websites, existing research, and scholarly articles, to support the analysis of cashless payment systems and their impact on financial behavior.

3.3 Sample Design

The sample design for this study consists of a clear plan to obtain a sample from the infinite population, with respondents selected using convenience sampling; the target respondents are the customers of Bank of Baroda and a total sample size of 62 individuals was utilized for the research.

3.4 Tools for Analysis:

Anova Test

The Analysis of Variance (ANOVA) test is a statistical method used to determine whether there are any statistically significant differences between the means of three or more independent groups. It is commonly used when a researcher wants to test the impact of a single or multiple categorical independent variables on a continuous dependent variable. ANOVA works by comparing the variance between group means to the variance within the groups; if the between-group variance is significantly higher, it suggests that at least one group mean is different from the others. The test produces an F-statistic and a corresponding p-value to determine significance.

Regression Analysis

Regression analysis is a statistical technique that evaluates the relationship between a dependent variable and one or more independent variables. This method is instrumental in determining how factors, such as cashless transactions, influence financial behavior, enabling researchers to make predictions based on the identified relationships. By analyzing these interactions, regression analysis contributes to a deeper understanding of the dynamics at play in financial decision-making.

4. RESULTS AND DISCUSSION

4.1 Percentage analysis

Table 1 AGE OF THE RESPONDENTS

Age			
		Frequency	Percent
Valid	18 to 24	33	53.2
	25 to 34	20	32.3
	35 to 44	4	6.5
	45 to 54	5	8.1
	Total	62	100.0

INFERENCE

From the above table out of 62 respondents, 53.2% of people are between 18 to 24 age, 32.3% of people are between 25 to 34 age, 6.5% of people are between 35 to 44 age, 8.1% of people are between 45 to 54 age.

Table 2 MONTHLY INCOME OF THE RESPONDENTS

Monthly income			
		Frequency	Percent
Valid	upto 20,000	7	11.3
	20,001 to 40,000	35	56.5
	40,001 to 60,000	12	19.4
	above 60,000	8	12.9
	Total	62	100.0

INFERENCE

From the above table out of 62 respondents 11.3% of people earning upto 20,000, 56.5% of people are earning from 20,001 to 40,000, 19.4% of people are earning from 40,001 to 60,000, 12.9% of people are earning above 60,000.

Table 3 HOW MANY PEOPLE ATTENDED SEMINARS OR WORKSHOPS

Attended any seminars,workshops or webinars			
		Frequency	Percent
Valid	yes	28	45.2
	no	34	54.8
	Total	62	100.0

INFERENCE

From the above table out of 62 respondents 45.2% of people are attended seminars and 54.8% of people are not attended any seminars.

Anova Test: “Is there a significant relationship between an individual's monthly income and their perception of mutual funds in terms of risk?“

H_0 (Null Hypothesis): There is no significant relationship between an individual's monthly income and their perception of mutual funds in terms of risk.

H_1 (Alternative Hypothesis): There is a significant relationship between an individual's monthly income and their perception of mutual funds in terms of risk.

Table 4 Anova

ANOVA					
Perception of mutual funds in terms of risk					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	**20.119**	**3**	**6.706**	**5.778**	**.002**
Within Groups	**67.317**	**58**	**1.161**		
Total	**87.435**	**61**			

Intepretation:

From the above table, we can find that the significant value is 0.002, which is less than table value 0.05, so the Null hypothesis is rejected and Alternative hypothesis is accepted. Therefore there is a significant difference between an individual's monthly income and their perception of mutual funds in terms of risk.

4.2. Correlation

Does the level of knowledge about mutual funds influence the perception of whether there is enough information available to make an informed investment decision in mutual funds?

H_0 (Null Hypothesis): The level of knowledge about mutual funds does not influence the perception of whether there is enough information available to make an informed investment decision in mutual funds.

H_1 (Alternative Hypothesis): The level of knowledge about mutual funds significantly influences the perception of whether there is enough information available to make an informed investment decision in mutual funds.

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Table 5 Correlation

Correlations			
		Knowledge about mutual funds	**Informed investment decisions in mutual funds**
Knowledge about mutual funds	**Pearson Correlation**	**1**	**.527******
	Sig. (2-tailed)		**<.001**
	N	**62**	**62**
Investment decisions in mutual funds	**Pearson Correlation**	**.527******	**1**
	Sig. (2-tailed)	**<.001**	
	N	**62**	**62**
****. Correlation is significant at the 0.01 level (2-tailed).**			

INTEPRETATION

From the above table we can find the p-value (Sig.) is 0.205, Since the p-value is higher than 0.05, we accept the null hypothesis. Hence there is no relation between knowledge level and investment decision in mutual funds.

5. CONCLUSION

The study clearly reveals that while awareness about mutual funds is growing, especially among the younger population and urban residents, the actual participation in mutual fund investments remains moderate. Many respondents have a basic understanding of mutual funds but lack in-depth knowledge about different types, associated risks, and long-term benefits. With the right educational initiatives and trust-building measures, mutual funds can become a more widely accepted and utilized investment option among the general public. Overall, the study emphasizes the need for continued efforts to educate, motivate, and guide customers to make informed investment decisions through mutual funds.

6. RECOMMENDATIONS

Mutual funds have emerged as one of the most popular investment options for individual investors due to their diversification, professional management, and accessibility. However, despite their growing presence in the financial market, consumer perception about mutual funds varies widely based on factors such as financial literacy, past experiences, risk tolerance, and access to credible information. Understanding how consumers perceive mutual funds is crucial for financial institutions, policymakers, and advisors aiming to promote informed investment decisions. This study aims to explore the awareness, attitudes, and preferences of consumers toward mutual funds as an investment vehicle. It also seeks to identify the factors that influence their decision-making, including trust, perceived risk, expected returns, and marketing communication.

Compliance with ethical standards- Disclosure of conflict of interest No conflict of interest to be disclosed.

7. REFERENCES

[1] Lusardi and mitchell (2014) found that financially literate investors are more likely to invest in mutual funds due to their understanding of diversification and risk management.

[2] Similarly, bhushan and medury (2013) emphasized that lack of awareness about mutual funds leads to lower participation, with many potential investors relying on traditional savings methods instead.

[3] Gennaioli, shleifer, and vishny (2015) noted that investors prefer professionally managed funds when they have confidence in the expertise of fund managers.

[4] Additionally, research by jain and jain (2019) suggests that consistent fund performance builds investor confidence, while poor fund management leads to withdrawals and negative perceptions of mutual funds.

[5] Gupta (1994) highlighted that lack of awareness and misconceptions about mutual funds were major barriers to their adoption in india. Traditional investments like fixed deposits and gold were preferred due to familiarity and perceived safety.

[6] Sathyanarayana & kumar (2018) studied retail investor awareness and found that while many individuals had heard of mutual funds, they lacked knowledge about fund types, risks, and benefits

[7] Bhushan & medury (2013) explored financial literacy and found a direct relationship between financial knowledge and mutual fund investments. They concluded that financially literate individuals were more likely to invest in mutual funds.