Original Research Article

Analyzing Investor Perceptions and Preferences in Mutual Funds: A Case Study of Belagavi City

**Abstract**

*Investment is important aspect to generate wealth, as well as the perception and preference of the investors also plays crucial role in investment decision. Investors prefer mutual funds for investment; diversification, management, convenience, transparency and returns makes it more preferred one. Preferences of the investor’s is depends on investor’s perception like a safe investment, risk, better returns, tax benefits many more. The primary objective of the study is to determine investor’s perception and preference in mutual fund investment, influencing factors and analyze risk tolerance on investor’s awareness and perception of various mutual fund schemes. A study is descriptive in nature and taken 100 samples, used convenience sampling method, and the chi-square test has been used to analyze investor risk tolerance on fund selection. Having this growth, investor’s involvement in mutual funds is inconsistent due to financial literacy, market awareness, lack of experience, and risk tolerance. The researcher suggested that financial institutions and advisors must conduct financial literacy programs, seminars, and awareness campaigns to bridge this knowledge gap and motivate investors to invest in mutual funds.*

***Keywords: Mutual funds, Investors, Perception, Preference, Investment,***

**Introduction**

Investment plays a crucial role in economic development as well as financial planning and wealth creation for an individual. In 18th and 19th centuries in India many investors despite having capital scared to invest in market because of lack of knowledge, trust, risk and many more. The Government of India was first introduced Mutual funds in 1963 through Unit Trust of India. It is regulated by Securities and Exchange Board of India (SEBI). A Mutual fund is pool of funds contributed by multiple investors and invested in accordance to the objectives. In simple it collects money from the investors and invest those money in market by diversifying across different assets such as stocks, bonds and other securities to create returns.

The mutual fund includes Investors, Sponsors, Trustees, Asset Management Company, and Custodian, all are playing an important role in operations. A mutual funds have offered many investment schemes to invest in equity, debt, hybrid, and other schemes. Investment has been done by investors through intermediaries on the bases of physical application, via online mode and mobile app of mutual fund these making mutual fund more accessible. Now mutual funds have gained popularity due to their diversification, management, and returns, as well as mutual fund is playing vital role in economic growth and financial markets development.

Many investors fail to select appropriate fund type, as we know investment decision often influenced by perception. If investors have positive perception by seeing strong financial performance and good future prospectus of a company, investors invest in that company likewise if they have negative perception they might sell their shares. Additionally, most of the investors with low risk prefer debt, whereas investors with high risk prefer equity mutual funds. However, the investor perception is very important to determine fund preference. Whether an investor is investing for tax savings, retirement planning, high returns, and wealth creation, their perception give an idea to align their preference. Despite this growth, investor’s participation in mutual funds remains inconsistent due to risk tolerance, financial literacy, market awareness, lack of experience, and external influence.

The study aims to analyze investor’s perception and preference for mutual funds in Belagavi city. The study promote adoption of mutual fund investment in Belagavi City.

**Literature review**

**Dr. Ravi Vyas (2012):** conducted research on investor’s behaviour and perception on mutual fund, to meet investor’s expectation financial markets trying innovation in mutual funds portfolio. The study highlighted the factors that shows perception of investors about mutual funds. The findings says mutual fund were not famous and investors were not aware about it still investors used invest in banks and post office. Many of the investors were depend upon brokers and agent it’s hard to investors to analyse risk.

**Dr. B.S. Navi, Miss. Pooja Vernekar (2022):** The researcher highlighted that mutual fund is getting popular because of expert management, good returns and reaching investor’s expectations, along with the perception of the investors also play vital role in the investment decision. The main focus of the study is to find out factors that will be considered by the investors while making investment decision. The researcher employed statistical tool for data analysis and focused only on Belagavi city. Overall the study provides good insights, as investors perception can vary so covering multiple cities provide a more understanding of investor behaviour.

**Lavanya V, Dr. Vinoth S (2024):** examined different kind of mutual funds and the researcher explored about the cognitive biases, heuristics, and emotional influence can be influence on investor’s perception. The risk, financial literacy, and investment experience can also impact on perception of investor’s. Overall the study is descriptive in nature, so the study is only restricted to Bangalore male and female investors.

**Dr. Manjusha T. V, Dr. Sunita John R (2025):** the primary focus of the study is to know the factors that influence investor’s decisions and investment pattern. The researcher examined the psychological factors were affecting on investment decision and mutual fund adoption among investors. The study revealed there is differences between investment preferences based on age and education level, it shows the quality of financial education and awareness. The study suggested to financial institution and policy makers to enhance strategies to take actionable insights.

**Statement of the Problem**

Investors do investment to get good returns, and mutual fund become a preferred choice because mutual fund offering diversification, professional management, and potential for wealth creation. Despite many investors are remains inconsistent in participation in mutual funds, mainly cities like Belagavi. Inconsistent arise due to lack of knowledge, risk tolerance, no experience, and no awareness. So the study provide insights to financial institutions, advisors, and policymakers to improve strategies those can help to investors, enhance market, and contribute to growth of the mutual fund in Belagavi city.

**Objective of the study**

* To analyse investors perception and preference regarding investment in mutual funds.
* To identify the key factors influencing investor perception and preference for in mutual fund investment.
* To assess the influence of risk tolerance on investor awareness and perception of various mutual fund schemes.

**Need of the study**

The industry of mutual fund has been growing, and investors are participating more in this investment avenue, for investment the perception and the preference of the investors plays a vital role in decision making process. In mutual fund we can see many factors like a past experience, market awareness, financial literacy, and risk. So these factors influence investor’s perception and preference towards mutual fund, and Belagavi city is the fastest growing city and the behavior of the investors will vary. Hence, understanding perception and preference is important for mutual fund companies, advisors, and policymakers to better investment and boost investor confidence.

**Scope of the study**

The purpose of the study is to analyze investor perceptions and preferences in mutual funds, focusing on Belagavi City. In recent year, mutual funds have gained popularity among investors, for that knowing the factors influencing investment decisions is important for financial institutions, advisors, and policymakers. The study also explores investor’s preference like equity, debt, hybrid and others.

**Research Methodology**

The study is a descriptive in nature to analyse investor perception and preferences in mutual funds in Belagavi city. Primary data was collected through a structured questionnaires and secondary data was from research paper, SEBI guidelines, books, and websites. The sampling technique used by researcher is convenience sampling method to select respondents and the sample size was 100 respondents from Belagavi. Excel used to analyse data and Chi-square test has been applied.

**Hypothesis**

* **H0:** An investor’s risk tolerance does not significantly influence their choice of mutual fund schemes.
* **H1:** An investor’s risk tolerance significantly influence their choice of mutual fund schemes.

**Limitation of the study**

* The study is restricted only to Belagavi city, with a sample size of 100.

**Data analysis and interpretation**

**Table 01**

**Demographic Profile of the Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEMOGRAPHIC VARIABLES** | **CATEGORIES** | **FREQUENCY** | **PERCENTAGE** |
| GENDER | MALE | 56 | 56 |
|  | FEMALE | 44 | 44 |
| AGE | BELOW 25 | 30 | 30 |
|  | 25 – 35 | 28 | 28 |
|  | 36 – 45 | 35 | 35 |
|  | 46 – 55 | 07 | 07 |
|  | ABOVE 55 | 00 | 00 |
| EDUCATION | UG | 26 | 26 |
|  | PG | 55 | 55 |
|  | PROFESSIONAL DEGREE (CA, CFA, CS ETC) | 19 | 19 |
| OCCUPATION | SALARIED | 44 | 44 |
|  | BUSINEES/ENTREPRENEUR | 28 | 28 |
|  | SELF-EMPLOYED | 15 | 15 |
|  | STUDENT | 07 | 07 |
|  | RETIRED | 06 | 06 |
| ANNUAL INCOME | BELOW ₹3,00,000 | 35 | 35 |
|  | ₹3,00,000 – ₹6,00,000 | 40 | 40 |
|  | ₹6,00,000 - ₹10,00,000 | 20 | 20 |
|  | ABOVE ₹10,00,000 | 05 | 05 |
| INVESTMENT EXPERIENCE | BELOW 2 YEARS | 18 | 18 |
|  | 2 – 6 YEARS | 55 | 55 |
|  | 6 – 10 YEARS | 20 | 20 |
|  | ABOVE 10 YEARS | 07 | 07 |

Primary Data

From the table 01, it is clear that out of 100 respondents, 56% are Male and 44% are Female. The majority of the respondents were from age between 36 –45, in terms of education majority of the respondents have qualification PG that is 55% and 26% were from UG, following this 44% respondents are salaried and 28% are from business background, regarding the income level majority of the respondents income falls within ₹3,00,000– ₹6,00,000 that is 40%, many investors have 2-6 years of investment experience.

**Table 02**

**Awareness of mutual fund schemes**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Schemes** | **Highly Aware** | | **Moderately Aware** | | **Not aware** | | **Total** |
| **Frequency** | **Percentage %** | **Frequency** | **Percentage %** | **Frequency** | **Percentage %** |
| Equity funds | 84 | 84 | 14 | 14 | 02 | 02 | 100 |
| Debt funds | 55 | 55 | 35 | 35 | 10 | 10 | 100 |
| Hybrid/Balanced fund | 45 | 45 | 50 | 50 | 05 | 05 | 100 |
| Indexed funds | 45 | 45 | 45 | 45 | 10 | 10 | 100 |
| SIP | 75 | 75 | 24 | 24 | 01 | 01 | 100 |
| ELSS | 65 | 65 | 25 | 25 | 10 | 10 | 100 |

Primary Data

Table 02, which was analyzed using multiple choice grid and it clearly says the 84% of respondents have high awareness of equity funds. While 14% respondents have moderate awareness. Additionally, 55% respondents have awareness about debt funds, 45% are familiar with Hybrid funds and Indexed funds and most of the respondents 75% also says have awareness regarding SIP, 65% respondents are aware about ELSS.

**Table 03**

**Factors influence in mutual fund selection**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Frequency** | **Percentage** |
| Past Performance | 34 | 34 |
| Fund Manager Reputation | 27 | 27 |
| Credit Rating Score | 18 | 18 |
| Tax Benefits | 16 | 16 |
| Brand Name Of Fund House | 05 | 05 |

Primary Data

The data highlighted that factors influencing investor’s decisions while selecting funds so indicates 34% of respondents are influenced by past performance means historical returns, and second most is fund manager reputation with 27%, credit ratings holds 18% of influence on investors, additionally 16% of respondents consider tax benefit also is the key factor, and brand name of funds is with only 05%.

**Table 04**

**Investor’s perception of mutual fund**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Strongly Agree** | **Agree** | **Neutral** | **Disagree** | **Strongly Disagree** | **Total** |
| Safe Investment | 53 | 22 | 18 | 05 | 02 | 100 |
| Better Returns | 68 | 20 | 05 | 07 | 00 | 100 |
| Require Financial Expertise | 45 | 36 | 15 | 04 | 00 | 100 |
| Highly Risky | 88 | 10 | 01 | 00 | 01 | 100 |
| Transparency | 63 | 28 | 06 | 02 | 01 | 100 |
| Tax Benefit | 76 | 20 | 02 | 02 | 00 | 100 |

Primary Data

The perception of the respondents to mutual fund investment was analyzed, majority of the respondents 88% strongly agree that mutual fund carry high risk, following this 76% of investors invest in mutual funds because they want tax benefit. Additionally, 68% considered it offer better returns, 63% of respondents strongly agree that mutual funds investment provide transparency, furthermore, 53% of respondents are strongly agree for safe investment, remaining 45% respondents agree that mutual fund investment require financial expertise.

**Hypothesis Testing**

* **H0:** An investor’s risk tolerance does not significantly influence their choice of mutual fund schemes.
* **H1:** An investor’s risk tolerance significantly influence their choice of mutual fund schemes.

**Chi-square test**

**Observation (O)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Risk Tolerance | Debt | Balanced | Equity | Total |
| Low Risk | 19 | 10 | 25 | 54 |
| Medium Risk | 15 | 01 | 20 | 36 |
| High Risk | 02 | 05 | 03 | 10 |
| Total | 36 | 16 | 48 | 100 |

**Expected (E)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Risk Tolerance | Debt | Balanced | Equity | Total |
| Low Risk | 19.44 | 8.64 | 25.92 | 54 |
| Medium Risk | 12.96 | 5.76 | 17.28 | 36 |
| High Risk | 3.6 | 1.6 | 4.8 | 10 |
| Total | 36 | 16 | 48 | 100 |

**(O - E) 2/E**

|  |  |  |  |
| --- | --- | --- | --- |
| Risk Tolerance | Debt | Balanced | Equity |
| Low Risk | 0.00995885 | 0.21407 | 0.03265 |
| Medium Risk | 0.32111111 | 3.93361 | 0.42815 |
| High Risk | 0.71111111 | 7.225 | 0.675 |

**X2** 13.55066872

**df** 4

**p - value** 0.008876234

Hence, the p – value is 0.8 is less than 5%, so the researcher rejects the null hypothesis. This means an investor’s risk tolerance significantly influence their choice of mutual fund schemes.

**Findings**

* The majority of the respondents are belong to the 36-45 age group
* The most respondents hold a PG qualification i.e. 55%
* The majority of respondents have an annual income between ₹3,00,000– ₹6,00,000.
* Out of total 100 respondents, 84% respondents have high awareness of equity funds and second majority is SIP with 75%.
* Out of the 100 respondents, 34% respondents considered past performance has influenced most.
* A majority 88% of the respondents strongly agree that mutual funds carry high risk and 76% of investors invest in mutual funds for tax benefits.

**Suggestion**

* Most of the investors have a PG qualification, so financial institutions and advisors can conduct advanced financial literacy program to make informed investment decisions.
* Majority if the respondents have an awareness of equity funds is more than the debt, hybrid, and index funds so investment seminars, workshops, and online campaigns should be conducted.
* Financial institutions and advisors should promote awareness of wealth creation, risk adjusted return and diversification.

**Conclusion**

The study highlights the Investor Perceptions and Preferences in Mutual Funds. The perception of the investors is very important for investment, it will guide investors for preference to schemes. Safe investment, Better returns, Risk, Transparency, and Tax benefit these factors influence on investor’s perception and these will help for decision making. Likewise, the mutual funds provide diversification, management, and returns many more have been attracting investors. The study find out that to invest in mutual funds past experience, fund manager reputation and tax benefits influence most to the investors. However, still many investors are not aware about schemes provided by mutual funds they only aware about equity funds, to bridge this gap financial institutions and advisors should conduct seminars, workshops, and online campaigns to explore about mutual funds schemes.

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