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

**Abstract**

*A significant part of creating wealth is investing, and decisions are heavily influenced by the opinions and tastes of investors. This study investigates the reasons behind investors' preference for mutual funds, highlighting elements including prospective returns, convenience, transparency, management, and diversification. Analysing investor preferences and perceptions, determining important influencing factors, and evaluating the relationship between risk tolerance and investor awareness of different mutual fund schemes are the main goals. Convenience sampling was used to gather 100 samples using a descriptive methodology, and the chi-square test was used to analyse the results. The results show that even while mutual funds have grown, investor involvement is still uneven because of issues with experience, market awareness, and financial literacy. To close the knowledge gap and promote mutual fund investing, financial institutions are advised to implement financial literacy initiatives and awareness campaigns.*

***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 the 18th and 19th centuries in India, many investors despite having capital were scared to invest in the market because of a lack of knowledge, trust, risk and many more. The Government of India first introduced Mutual funds in 1963 through Unit Trust of India. It is regulated by the Securities and Exchange Board of India (SEBI). A mutual fund is a pool of funds contributed by multiple investors and invested in accordance with the objectives. In simple terms it collects money from the investors and invest that money in the 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 of whom are playing an important role in operations. A mutual fund has offered many investment schemes to invest in equity, debt, hybrid, and other schemes. Investment has been done by investors through intermediaries on the basis of physical application, via online mode and mobile app of mutual funds making mutual funds 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 the appropriate fund type, as we know investment decision are often influenced by perception. If investors have a positive perception by seeing strong financial performance and a good future prospectus of a company investors invest in that company; likewise, if they have a 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 gives 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 promotes adoption of mutual fund investment in Belagavi City.

**Literature review**

**Dr. Ravi Vyas (2012):** conducted research on investor’s behaviour and perception of mutual funds, to meet investor’s expectation of financial markets trying innovation in mutual funds portfolios. The study highlighted the factors that show the perception of investors about mutual funds. The findings say mutual funds were not famous, and investors were not aware of them still investors used to invest in banks and post offices. Many of the investors were dependent upon brokers and agents; it’s hard for investors to analyse risk. However, the study does not critically give how these factors have evolved in recent years with increased financial literacy and digital investment stages, making the findings somewhat outdated (Vyas, 2012).

**Dr. B.S. Navi, Miss. Pooja Vernekar (2022):** The researcher highlighted that mutual funds are getting popular because of expert management, good returns and reaching investor’s expectations, along with the perception of the investors also playing a 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 decisions. The researcher employed a statistical tool for data analysis and focused only on Belagavi city. Overall, the study provides good insights, as investors perceptions can vary, so covering multiple cities provides a better understanding of investor behaviour.

**Lavanya V, Dr. Vinoth S (2024):** examined different kinds of mutual funds, and the researcher explored the cognitive biases, heuristics, and emotional influences that can be influenced on investor’s perceptions. The risk, financial literacy, and investment knowledge can also impact the perception of investor’s. While the study provides valuable psychological insights, it was limited to male and female investors in Bangalore, reducing its applicability to a larger population.

**Dr. Manjusha T. V, Dr. Sunita John R (2025):** the primary focus of the study is to recognise the factors that influence investor’s decisions and investment patterns. The researcher examined the psychological factors that were affecting investment decisions 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 institutions and policymakers to enhance strategies to take actionable insights. While the study is recent and relevant, it could be strengthened by integrating comparisons with previous studies to highlight trends over time.

**Statement of the Problem**

Investors do investments to get good returns, and mutual funds become a preferred choice because mutual fund offers diversification, professional management, and the potential for wealth creation. Despite many investors are remaining inconsistent in participation in mutual funds, mainly in cities like Belagavi. Inconsistencies are arise due to lack of knowledge, risk tolerance, no experience, and no awareness. So the study provides insights to financial institutions, advisors, and policymakers to improve strategies that can help investors, enhance the market, and contribute to the 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 funds has been growing, and investors are participating more in this investment avenue. For investment the perception and the preference of the investors play a vital role in the decision making process. In mutual funds we can see many factors, like past experience, market awareness, financial literacy, and risk. So these factors influence investor’s perceptions and preferences towards mutual funds, and Belagavi city is the fastest growing city and the behaviour of the investors will vary. Hence, understanding perception and preference is important for mutual fund companies, advisors, and policymakers to make better investments 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. The study is limited to Belagavi City, Belagavi has a unique demographic profile and is the fastest growing city in Karnataka. In recent years, we have seen mutual funds have gained popularity among investors, especially in Belagavi city among middle income and educated individuals. The study focuses on individuals from Belagavi who have already invested. This study focused on providing localized insights that contribute to existing literature.

**Research Methodology**

The study adopts descriptive research to analyse investor perception and preferences in mutual funds in Belagavi city. Primary data was collected through a structured questionnaire containing both close ended and Likert scale questions, designed to capture the awareness level and perception of investors on mutual funds. Secondary data was from research papers, SEBI guidelines, textbooks, and websites.

The sampling technique used by the researcher is the convenience sampling method, due to time and accessibility constraints.

The sample size was 100 respondents from Belagavi.

Microsoft Excel was used to analyse the data, and a Chi-square test was applied to examine associations between variables.

**Hypothesis**

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

**Limitation of the study**

* The study is restricted only to Belagavi city, the research was conducted with small size of 100 respondents, so which may not be sufficient.
* The data is collected based on the questionnaire, and the results of the study would be varying according to the opinions of individuals.

**Result and Discussion:**

**Table 1: 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

Fig 1: Bar graph of demographic Profile of the Respondents

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, these all were covered first objective of the study. 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%, this one is covered second and third objectives. Many investors have 2-6 years of investment experience, this one followed third objective.

**Table 2: 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

Fig 2: Bar graph of Awareness of mutual fund schemes

Table 2, 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 3: 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

Fig 3: Bar graph of factors influence in mutual fund selection

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 4: 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

Fig 4: Bar graph of Investor’s perception of mutual fund

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:**

To analyze the Investor’s risk tolerance and their choice of mutual fund schemes, a Chi – square test was conducted using Microsoft excel.

Significant level 5%

And the observed data were shown in the below table.

**Observation (O)**

**Table 5: Observation Data**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 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):**

Expected frequencies were calculated using this Formula

**E = (Row Total \* Column Total) / Grand Total**

**Table 6: Expected Data**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 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 |

**X2 = ∑ (O - E)2 /E** were calculated using this formula,

Table 7: Calculated Data

|  |  |  |  |
| --- | --- | --- | --- |
| 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 (0.00995885+0.21407+0.03265+0.32111111+3.93361+0.42815+0.71111111+7.225+0.675)

**df** 4 (No. of Rows – 1 \* No. of Columns – 1)

**p – value** 0.008876234 or 0.8% (CHISQ.TEST)

**Interpretation:**

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. The investors with different levels of risk tolerance choose different mutual fund schemes. This test calculated by using Microsoft Excel.

**Findings:**

* The majority of the respondents are belong to the 36-45 age group, it shows investors in Belagavi are relatively well educated.
* 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%. However, awareness of debt or index remains low.
* 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. Says that having awareness, there is a lingering perception of risk.

**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 high awareness of equity funds and SIPs more than the debt, hybrid, and index funds. Hence, AMCs and financial advisors should conduct seminars, workshops, and online campaigns should be conducted.
* Past performance is most influenced factor, so fund houses must present transparent, easy to understand performance reports and tools that allows investors to compare schemes.
* A most respondents said mutual funds as high risk, it is necessary to educate investors on portfolio diversification, risk adjusted returns and concept of systematic investing.

**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 investor’s perceptions and these will help for decision making. Likewise, the mutual funds provide diversification, management, and returns many more have been attracting investors. The study finds 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 of schemes provided by mutual funds they only aware of equity funds. To bridge this gap financial institutions and advisors should conduct seminars, workshops, and online campaigns to explore about mutual funds schemes.

**Disclaimer (Artificial intelligence)**

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Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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Details of the AI usage are given below:

1.

2.

3.

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