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A Study on Investors' Perception and Selection Behaviour Regarding Mutual Fund

Dr. Prathap B N[1], Ms. Nagashree N[2], Mr. Nagesh T[3], Ms. Manjula4
[1]*Associate professor, Department of MBA, Shridevi Institute of Engineering and Technology, Tumkur, Karnataka, India*
[2, 3, 4]*2nd year MBA Student, Department of MBA, Shridevi Institute of Engineering and Technology, Tumkur,*

Abstract: Investment choices are largely influenced by how investors perceive the market, their level of risk tolerance, and their financial knowledge. In India, mutual funds have emerged as a popular investment option because they offer advantages like diversification, expert fund management, and easy liquidity. This study explores how investors view mutual funds and the factors guiding their selection decisions. The results show that investors give high importance to expected returns, risk involved, past performance of the fund, and tax-related benefits when choosing a scheme. Demographic aspects such as age, income, and educational background also significantly affect their investment behaviour. The study further reveals that although many investors are familiar with Systematic Investment Plans (SIPs), awareness of specific products like index funds and ELSS is still low. Overall, the research emphasizes the need for stronger financial literacy programs and clearer communication from asset management companies to boost investor trust and increase participation in the mutual fund industry.
Keywords: Investment perception, Selection behaviour, Mutual funds, Investor awareness.

I. INTRODUCTION

Investment is an important aspect of financial planning, where individuals allocate their savings to generate future returns. Among the different investment avenues available, mutual funds have gained the wide popularity due to their flexibility, diversification, and professional management. Investors, however, differ in their perception and behaviour depending on their risk appetite, awareness, and financial goals. Mutual funds offer options ranging from equity to debt and hybrid schemes, allowing investors to match products with their preferences. The perception of safety, return potential, and liquidity often drives selection decisions. Demographic factors such as age, income, and education also plays a important role in shaping these choices. Understanding investor behaviour helps asset management companies design suitable schemes and build greater trust in the financial system.

II. METHODOLOGY

A. *Statement Of The Problem*

In the recent years mutual funds has emerged as a significant investment option due to their diversification, professional management, and accessibility. The growth of the mutual fund industry still faces challenges because investor perception and selection behaviour vary widely. Many individuals remain uncertain about risk levels, returns, and the suitability of different schemes. Demographic factors such as age, income, occupation, and education further influence investment decisions, often creating gaps in participation. Limited awareness about specific schemes like ELSS, index funds, or debt-oriented plans also restricts wider adoption. Understanding the how investors can influence to mutual funds and what factors drive their selection behaviour for designing strategies that enhance investor confidence and strengthen participation in the financial market.

B. *Objectives*

1) To understand the perception of investors towards mutual fund
2) To satisfy the factors influencing the selection of mutual fund schemes
3) To analyse the investment behaviour of different demographic groups
4) To provide suggestions to enhance investor confidence and mutual fund participation

C. *Scope Of The Study*

1) The research aims to study how investors perceive mutual fund schemes and what factors guide their selection decisions.
2) It also explores how demographic variables—such as age, income level, occupation, and educational background—affect their investment choices.

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3) The study focuses only on individual investors and uses information gathered from primary as well as secondary sources.
4) The results are expected to offer meaningful insights for Asset Management Companies (AMCs) to improve investor awareness and motivate wider participation in mutual fund investments

D. Limitation

The present study is limited to individual investors and does not cover institutional or foreign investors. The data is collected from a specific sample size, which may not fully represent the entire population of mutual fund investors. Responses are based on self-reported information, which can involve personal bias or lack of complete awareness about all mutual fund schemes. The study is also confined to selected demographic factors, leaving out other possible influences on investment behaviour. Moreover, market fluctuations and regulatory changes during the study period may affect investor perception and selection behaviour, which are beyond the researcher's control.

III. LITERATURE REVIEW

A. Renu & Goel (2024)

This study explored how risk perception and performance evaluation affect investors' mutual fund choices. Findings showed that understanding investor behaviour helps asset managers design better schemes and communication strategies.

B. Upadhayay (2021)

The study examined factors influence to the investor perception towards mutual funds, highlighting risk tolerance, return expectations, and fund reputation. Investors preferred safety and liquidity, often choosing debt and hybrid funds. The research emphasized the scope of the financial education to improve mutual fund adoption.

IV. RESERCH DESIGN

1) Sample size: 50 respondents
2) Tools for data collection: Primary data was collected by a questionnaire, and secondary data was gathered from various scholarly articles, reports and journals.

V. DATA ANALYSIS, INTERPRETATION AND SUGGESTION

75% of the respondents are belongs to age group of below 25 years ,16 % of the respondents are belongs to age group of 25-35 years and 6 % of the respondents are belongs to the age group of 36-45 years.
60% of the respondents are private employee,30% respondents are belonging to the students.

A. Often usage of Preferred Investment

A survey shows half of respondents (50%) prefer short-term investments under a year, prioritizing quick liquidity. About 24% opt for investments lasting one to three years, balancing risk and returns. The remaining 26% favour long-term investments, showing confidence in stability and growth. This highlights diverse investment behaviours driven by varying risk tolerance and financial goals.

B. The Factors Consider While Selecting A Mutual Fund Scheme

The table shows that investors give maximum importance to investment objectives (30%) followed by past performance (20%). Fund manager expertise and brand reputation are significant, accounting for 16% each. Low charges (13%) and tax benefits (16%) influence decisions moderately, while investment objectives dominate the selection process with the highest weightage.

C. Seeking Professional Advice Before Selecting Mutual Fund

The table shows that investors give maximum importance to investment objectives (30%) followed by past performance (20%). Fund manager expertise and brand reputation are also significant, accounting for 16% each. Low charges (13%) and tax benefits (16%) influence decisions moderately, while investment objectives dominate the selection process with the highest weightage.

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Table 1: Table showing the perception of mutual fund as an investment option

SL NO.	FACTOR	NO. OF RESPONDENTS	PERCENTAGE
01	Very positive	15	30
02	Positive	25	50
03	Neutral	9	18
04	Negative	1	4
05	Very negative	0	0
	Total	50	100

Table 2: Hypothesis

H0: Mutual fund will not concern towards investments.

H1: Mutual fund will concern towards investments

SI .NO	FACTORS	NO. OF RESPONDENTS	O-E	$(O-E)^2$	$(O-E)^2/E$
1	Risk of loss	11	1	1	0.1
2	Lack of knowledge	24	14	196	19.6
3	Unclear returns	10	0	0	0
4	Trust in fund managers	1	-9	81	8.1
5	Market volatility	4	-6	36	3.6
	Total	50			31.4

E=50/5=10

Degree of freedom= n-1

Degree of freedom= [5-1] = 4

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

INTRODUCTION TO POPULATION GENETICS, Table D.1

For 4% degree of freedom, the value from the table at the degree of freedom 4 is 9.488 and the value calculated is 31.4, here calculated value is greater than the table value. Hence the null hypothesis formulated is rejected.

VI. SUGGESTION

Investors should be provided with clear and simplified information about the various mutual fund schemes to enhanced the awareness. Asset Management Companies (AMCs) can organize financial literacy programs to improve understanding of risk, return, and tax benefits. Tailored schemes should be designed to match different demographic needs and risk profiles. Digital platforms and mobile apps can be promoted for easier access and convenience. Regular updates on fund performance and the transparent communication will helps to build investor confidence and encourage wider participation.

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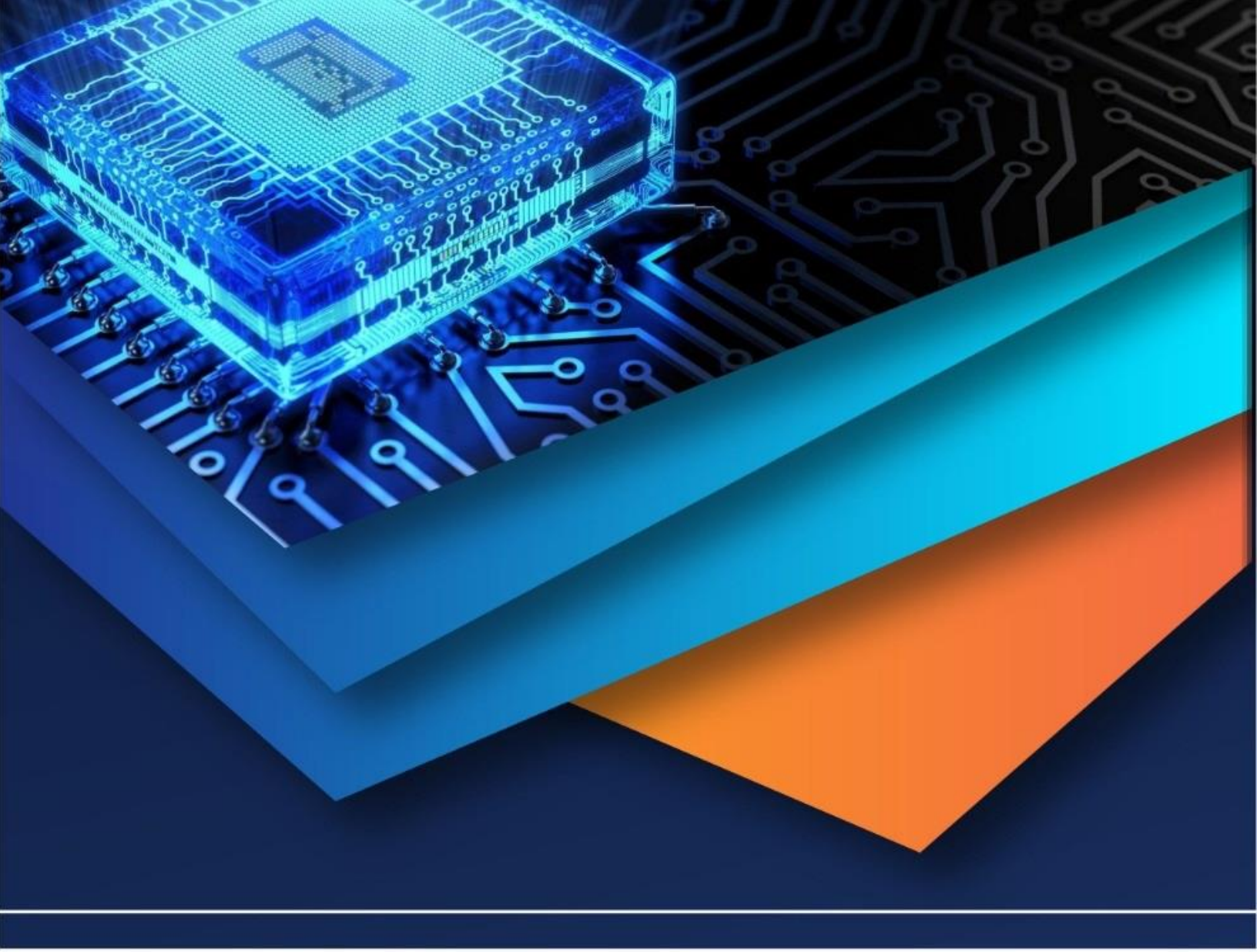
VII. SUMMARY AND CONCLUSION

The study examined investors' perception and selection behaviour towards the mutual funds, highlighting the influence of risk, return, liquidity, and demographic factors. Findings reveals that while awareness of common schemes like SIPs is high, knowledge about specialized funds remains limited. Investor decisions are strongly shaped by fund performance, reputation, and financial literacy. The study emphasizes that the need for the improved education, transparent communication, and tailored investment options to boost confidence and participation in mutual funds. Overall, understanding investor behaviour can help AMCs design better strategies and enhance market growth.

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