



Cover Page



A STUDY ON INDIVIDUAL INVESTORS' AWARENESS OF MUTUALFUNDS WITH SPECIAL REFERENCE TO HYDERABAD CITY

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Abstract

Mutual Funds serve as vital channels for individuals to participate in Capital Markets, offering benefits like professional management, diversification and potentially attractive returns. Despite the growing popularity of mutual funds, particularly evident in the surge of SIP accounts and retail investor participation, studies highlight a significant gap between general recognition and a detailed understanding of Mutual Funds. The study conducted shows that most of the investors are aware of Mutual Funds. The industry is also highly regulated by SEBI and transparent which reduces the scope for malpractices. Mutual Fund companies should not judge the performance of mutual funds just by comparing their return from some benchmark but must also identify the schemes that are not performing efficiently. Mutual Fund companies should focus on reducing their expenses and management fee. Investors invest most of their money in real estate, FDs, Shares and Investment in Mutual Funds is lower than these options. This shows that investors are not confident enough for this investment avenue.

Key Words: Mutual Funds, Awareness of Investors, Funds Investment, Postal Savings, Consumer Awareness.

Statement of the Problem

Mutual Funds serve as vital channels for individuals to participate in capital markets, offering benefits like professional management, diversification and potentially attractive returns. As the Indian financial sector evolves, studies increasingly focus on investor knowledge, behaviour and the factors influencing their investment choices. Despite the growing popularity of mutual funds, particularly evident in the surge of SIP (Systematic Investment Plan) accounts and retail investor participation, studies highlight a significant gap between general recognition and a detailed understanding of mutual funds. Many investors may know about mutual funds but lack comprehension of their mechanisms, risks and benefits. The limited awareness can lead to suboptimal decisions, missed opportunities and continued reliance on traditional investment avenues.

Therefore, examining investor awareness helps identify where knowledge gaps exist, guiding efforts to enhance financial literacy and trust in mutual fund industry. By understanding investor behaviour and their information sources, mutual fund companies and regulators can develop more effective strategies to educate and attract a broader base of investors, particularly in untapped markets like smaller towns and rural areas.

Need for the Study

Mutual fund is a retail product designed to target small investors, salaried people and others who are intimidated by the mysteries of stock market but, nevertheless like to reap the benefits of stock market investing. The research mainly aims to make a broad examination of investors awareness of mutual funds.



Cover Page



Scope of the Study

1. To study the awareness of investors towards investment in mutual funds
2. To study the factors effecting mutual fund investments.

Objectives of the Study

1. To examine the awareness level of mutual fund investors.
2. To study the objective of the investor in making mutual fund investments.
3. To examine the level of satisfaction of the investor.

Research Methodology

The research focuses on studying investor awareness of the mutual funds. Both primary and secondary data are used in the study. For collecting primary and secondary data a questionnaire was administered to 200 investors in Hyderabad city. Convenience method of sampling was adopted for collecting data. Secondary data was collected from variety of sources like Magazines, News Papers, RBI Reports, SEBI Annual Reports etc.,

Limitations of the Study

1. The study is on investors in Hyderabad. Therefore, conclusions and recommendations drawn from this study cannot be applied to the whole population.
2. The sample size of 200 is quite small and insufficient for examining the country's investor awareness.
3. While convenience sampling is a convenient procedure, personal bias may arise. Therefore, a perfect outcome is unattainable.

Review of Literature

1. MS Misba Fatima and Prof. Moula Hussain K (Dec. 2024) - The study brings out that the awareness level of mutual funds with respect to the citizens of our country is really low. The vague knowledge of the same has forced many to stay away or even opt out from such mode of investment. The study has brought out the awareness level of mutual funds among the investing population in India by suggesting remedies to familiarize them among the population.
2. Akshaya S. Das and Sumanthy Mohan (2023) - The literature on mutual fund awareness studies reveals a keen interest in understanding public knowledge and investment behaviours regarding these financial vehicles.
3. Mihir Dash and Rita S (2022) This Study examines the immediate impacts of portfolio allocation on mutual fund performance, Concentrating on both debt and equity funds. The research identifies crucial factors affecting fund performance, notably the influence of allocation in particular instruments and sectors.
4. Pirakatheeswari P (2021) - This article suggests that its important to look at how much risk you are taking compared to the returns you might get. Large Cap Funds, which invest in big companies, have been studied a lot. Typically, they outperform the broader market and can serve as a favourable option for individuals seeking to invest in established companies. This research helps investors, fund managers and analysts decide where to put their money.
5. Shohom Pal (2020) – The paper discusses the growth phases of the industry over decades and compares fund mobilization across different states and major cities, Overall, the expanding reach of mutual funds in India is perceived as advantageous for economic progress.



Cover Page



Data Analysis

TABLE 1
GENDER OF RESPONDENTS

Gender	No. Of Respondents	Percentage
Male	158	79
Female	42	21
Total	200	100

Interpretation :

From the above table it is interpreted that 79% of the respondents are male and 21% of the respondents are female.

Inference:

Majority (79%) of the respondents are Male.

TABLE 2
AGE GROUP OF RESPONDENTS

AGE GROUP	NO. OF RESPONDENTS	PERCENTAGE
Less than 20	0	0
20 – 40	60	30
40 – 60	108	54
60 and above	32	16
Total	200	100

Interpretation

From the above table it is interpreted that 54% of the respondents fall in the age category of 40-60 years, 30% in 20-40 years, 16% in 60 and above years.

Inference:

Majority (54%) of the respondents are in 40-60 years age group.

TABLE 3
HIGHEST QUALIFICATION OF RESPONDENTS

QUALIFICATION	NO OF RESPONDENTS	PERCENTAGE
Graduation/PG	184	92
Under Graduation	16	8
Total	200	100

Interpretation

From the above table it is interpreted that 92% of the respondents have Graduation/PG as qualification and 8% are undergraduates.



Cover Page



Inference:

Majority (92%) of the respondents are Graduates/ PG.

TABLE 4
OCCUPATION OF THE RESPONDENTS

OCCUPATION	NO. OF RESPONDENTS	PERCENTAGE
Govt. employee	26	13
Private employee	82	41
Business	68	34
Other (retired and agriculture etc)	24	12
Total	200	100

Interpretation:

From the above table it is interpreted that 41% respondents are private employees, 34% in Business, 18% in Government service and 12% in other (Retired, Agriculture etc.,)

Inference:

Majority (41) of the respondents are Private Employees.

TABLE 5
MONTHLY INCOME OF THE RESPONDENTS

MONTHLY INCOME	NO. OF RESPONDENTS	PERCENTAGE
Less than 50,000	52	26
50,000 to 1,00,000	80	40
More than 1,00,000	68	34
Total	200	100

Interpretation:

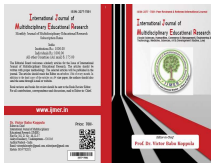
From the above table it is interpreted that 40% of the respondents fall in the monthly income category of Rs. 50,000 – Rs. 1,00,000, 34% in more than Rs.1,00,000 and 26% in less than Rs. 50,000.

Inference:

Majority (40%) of the respondents fall in the income category of Rs. 50,000 – Rs. 1,00,000.

TABLE 6
WHICH OF THE FOLLOWING YOU ARE INTERESTED TO INVEST IN?

INVESTMENT	NO. OF RESPONDENTS	PERCENTAGE
Mutual Fund	92	46
Share Market	32	16
Both	40	20
Not Interested in above	36	18
Total	200	100



Cover Page



Interpretation

From the above table it is clear that 46% are interested to invest in Mutual Funds. 20% are interested to invest in Mutual funds and Share Market. Only Share Market is 16% and not interested are 18%.

INFERENCE:

Majority (46%) of the respondents are interested in investing in Mutual fund since it gives them fore return and it is less risky.

TABLE 7
HOW MUCH ARE YOU AWARE OF MUTUAL FUNDS

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
Fully aware	40	20
Partial Knowledge of Mutual Funds	122	61
No Idea	38	19
Total	200	100

Interpretation:

From the above table, it can be interpreted that majority 61% have partial knowledge of mutual funds. 20% are fully aware and 19% have no idea.

Inference:

Majority 61% of the respondents have partial knowledge about mutual funds since it is a concept that has become popular recently.

TABLE 8
HOW DO YOU KNOW ABOUT MUTUAL FUNDS

KNOWLEDGE OF MUTUAL FUNDS	NO. OF RESPONDENTS	% OF RESPONDENTS
Advertisements	70	35
Distributors	24	12
Friends' referrals	66	33
Internet	40	20
Total	200	100

Interpretation:

From the above table it is clear that 35% of the respondents know about mutual funds through advertisements, 33% through friends referrals, 20% through internet and 12% through Distributors.

Inference:

Majority (35%) know about Mutual Funds through Advertisements.



Cover Page



TABLE 9
HAVE YOU INVESTED MUTUAL FUNDS BEFORE?

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
Invested before	108	54
Invested for the first time	92	46
Total	200	100

Interpretation

From the above table it is clear that 54% of the respondents have invested in Mutual Funds before and 46% invested in Mutual Funds for the First Time.

Inference

Majority (54%) invested in Mutual funds before. This shows that Advertisement for Mutual Funds is catching up.

TABLE 10
TYPE OF FUNDS YOU PREFER TO INVEST

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
Equity fund	130	65
Debt Fund	46	23
Hybrid	24	12
Total	200	100

Interpretation:

From the above table it is clear that 65% of the respondents prefer Equity Fund, 23% of the respondents prefer Debt Fund and 12% prefer Hybrid Model.

Inference:

Majority (65%) of the respondents prefer equity fund as it gives them more returns with more risk.

TABLE 11
IF NO, WHAT IS THE REASON FOR NOT INVESTING IN MUTUAL FUNDS

PARTICULARS	NO. OF RESPONDENTS	% OF RESPONDENTS
Lack of Guidance	80	40
Lack of Knowledge	70	35
No Particular reason	50	25
Total	200	100

Interpretation:

From the above table it is clear that the reason for not investing in Mutual Funds before is lack of guidance (40%), Lack of Knowledge (35%) and no particular reason (25%)



Cover Page



Inference:

Majority (40%) have not invested in Mutual Funds before due to lack of guidance.

TABLE 12
REASON FOR INVESTING IN MUTUAL FUNDS

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
High Returns	140	70
Liquidity	120	60
Safety	90	45
Tax exemption	104	52
Total	200	100

Interpretation:

From the above table it is clear that the reason for investing in Mutual Funds is High Returns (70%), Liquidity (60%), Tax Exemption (52%) and Safety (45%)

Interference:

Majority (70%) of them invest in Mutual Funds for high returns.

TABLE 13
OBJECTIVE OF INVESTMENT

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
To provide for retirement	52	24
Tax benefit	40	20
For children education	8	4
For purchase of assets	20	10
Savings	80	40

Interpretation:

From the above table it is clear that most of the people objective of investment in mutual funds is Savings 40%, to provide for retirement 26%, for purchase of assets 10% and for children's education 4%.

Inference:

Majority (40%) of the respondents invest in Mutual Funds with saving as the main objective

TABLE 14
MODE OF INVESTMENT

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
SIP	162	81
Lumpsum	38	19
Total	200	100



Cover Page



Interpretation:

From the above table it can be interpreted that 81% of the investors invest through SIP and 19% through Lumpsum

Inference:

Majority (81%) of the respondents invest in Mutual Funds through SIP. One of the reasons for this could be the study covers more people in the middle class with income between Rs. 50,000 – Rs. 1,00,000 per month.

TABLE 15
MODE OF PURCHASE OF MUTUAL FUNDS

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
Online	142	71
Through Distributors	48	24
Through bank branches	10	5

Interpretation:

From the above table it can be interpreted that 71% of the respondents make Mutual Fund investments online 24% through distributors and 5% through Bank Branches.

Inference:

Majority (71%) of the respondents make Mutual Fund investments Online.

TABLE 16
PREFERENCE OF SAVINGS AVENUES

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
Bank Deposits	150	75
Chits	20	10
Gold	140	70
Insurance	90	45
Mutual fund	122	61
Postal Savings	110	55
Real Estate	60	30
Shares	70	35

Interpretation:

From the above table it is clear that majority of them still prefer bank deposits as first preference (75%), Gold second preference (70%), Mutual Funds third preference (61%) Postal Savings forth preference (55%), Insurance fifth preference (45%), Investing in Stock Market sixth preference (35%) Real Estate seventh preference (30%) Chits eight preference (10%)



Cover Page



Inference:

Majority (75%) have bank deposits as first preference with Mutual Funds as third preference (61%).

TABLE 17
WHAT IS YOUR PERCEPTION OF RISK WHILE INVESTING IN MUTUAL FUNDS?

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
Low risk	96	48
Moderate risk	66	33
High risk	38	19
Total	200	100

Interpretation:

From the above table, it is clear that most of the respondent's perception on risk while investing in Mutual Funds is Low Risk 48%, Balanced Risk 33% and High Risk 19%.

Inference:

Majority (48%) of the respondents feel that investing in Mutual funds is low risk.

TABLE 18
LEVEL OF SATISFATION TOWARDS INVESTMENT IN MUTUAL FUND

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
Very Satisfied	110	55
Satisfied	88	44
Dissatisfied	2	1
Total	200	100

Interpretation:

From the above table, it is clear that the Level of satisfaction towards Mutual Fund is Very Satisfied 55%, Satisfied 44% and Dissatisfied 1%

Inference:

Majority (55%) of the respondents are very satisfied with Mutual Fund investment.

TABLE 19
PERFORMANCE OF FUND MANAGERS

RESPONSE	NO. OF RESPONDENTS	PERCENTAGE
Most Important	110	55
Important	78	39
Less Important	12	6
Total	200	100



Cover Page



Interpretation:

From the above table it is clear that in the opinion of respondents the performance of fund manager is most important 55%, important 39% and less important 6%.

Inference:

Majority (55) of the respondents feel the performance of fund manager is most important for success of Mutual Fund Investment.

What Need to be done?

The study found that Gender and Education significantly influence investment choices, with educated individuals showing preference for Mutual Funds. Private Employees (41%) and people doing Business (34%) seem to show more interest towards Mutual Fund Investment. The study found that people in the middle-income group (Rs. 50,000 – Rs. 1,00,000 per month) are attracted towards Mutual Funds due to steady return, lower risk and flexibility. 61% of the investors have partial knowledge of Mutual Funds. Advertisements and Information given by Friends and Relatives guide the investors in making Mutual Fund investments. 54% of the investors have invested in Mutual Funds before only 46% are investing in Mutual Funds for the First time. One reason as to why people have not invested in Mutual Funds all these years has been due to lack of guidance and lack of knowledge. The investors who have invested before seem to prefer equity funds where risk and return is moderately high.

High returns, Liquidity and Tax exemption seem to be encouraging investors to invest in Mutual Fund in relation to other modes of investment like Bank Deposits, Postal Savings and Insurance. Majority of the investors (40%) say that savings is the main objective of investment in Mutual Fund. Since most of the investors (81%) are from middle class Systematic Investment Plan (SIP) seem to be their preferred mode of investment. Only 19% prefer lumpsum investment mode. Majority (71%) seem to make investment in Mutual Fund units Online. Majority (55%) of the respondents feel that the success of a particular Mutual Fund largely depends on the performance of the Fund Manager. To conclude we can say that majority (55%) of the Investors are highly satisfied with their investment in Mutual Fund.

SUGGESTIONS

The study conducted shows that most of the investors are aware of Mutual Funds. The Mutual Fund investors mainly belong to the age group of 20 years to 60 years and fall in the income group of around 1 lakh per month. Better return and security of portfolio and tax benefit are the main factors of Mutual Fund that allure the investors. Not many people are fully aware of Mutual Funds and its benefits, they have some knowledge about the subject matter. In the past one year or so, we see that there has been an effort to increase investor awareness about Mutual Funds thorough Advertisements in T.V., News Papers, Hoardings at major metro stations. There are websites to guide people who invest on their own rather than contacting a financial advisor.

Summing up:

The industry is also highly regulated by SEBI and transparent which reduces the scope for malpractices. Also, another factor which is attracting people to invest in Mutual Fund industry is its affordability. People can invest a minimum sum of Rs. 500 through Systematic Investment Plan (SIP). Mutual fund companies should not judge the performance of Mutual Funds just by comparing their return from some benchmark but must also identify the schemes that are not performing efficiently. Mutual Fund companies should focus on reducing their expenses and management fee. Investors invest most of their money in real estate, gold, FDs and shares and investment in Mutual Funds is lower than these options.



Cover Page



This shows that investors are not confident enough for this investment avenue. People still consider investment in Fixed Deposits and Public provident funds as safer options when compared to investment in Mutual Fund.

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