

A Study on the Perception of Investors towards Mutual Fund Investment among Youth

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ABSTRACT

The study provides a comprehensive analysis of investor preferences and perceptions toward mutual funds, focusing on the factors that drive their investment decisions. It highlights that most investors are motivated by the potential for higher returns coupled with lower risk, leading to a preference for Balanced Funds. The data, gathered from 120 respondents through a structured survey, revealed that many investors in India maintain a moderate risk appetite and still prioritize traditional saving habits over aggressive investment strategies. Furthermore, the research points to a gap in investor awareness, as many lack a thorough understanding of how mutual funds operate and how to manage them effectively. To strengthen investor confidence and encourage long-term participation, the study emphasizes the importance of transparent communication and comprehensive financial education.

Keywords: *Investor, Awareness, Mutual Fund, Investment Preferences, Perception.*

Introduction

Mutual funds function by pooling money from multiple investors to create a diversified portfolio comprising stocks, bonds, and short-term debt instruments. Each investor owns units or shares that represent their proportional stake in the fund's total holdings and earnings. This model provides diversification, which helps to minimize individual investment risk while maximizing potential returns. Mutual funds come in various types, such as equity funds (investing in shares), debt funds (investing in fixed-income instruments), and hybrid funds (a mix of both equity and debt), catering to different investor profiles and risk appetites.

Equity mutual funds are further classified based on market capitalization—large-cap (stable, well-established companies), mid-cap (growing firms with potential), and small-cap (emerging businesses with higher risk and reward). Fund managers employ different strategies like growth investing (targeting companies with high potential), value investing (focusing on undervalued stocks), or a blended approach. Investors earn returns through capital appreciation, dividends, and interest income.

The advantages of mutual funds include professional management, portfolio diversification, ease of liquidity, and investment simplicity. However, drawbacks such as fund underperformance, management fees, diluted returns, and taxation implications should also be considered. Selecting the right fund requires evaluating personal financial goals, risk tolerance, historical fund performance, expense ratios, and the experience of fund managers. Analytical tools like standard deviation, beta, alpha, Sharpe ratio, Treynor ratio, and portfolio turnover rate are essential to assess risk and return effectively.

In parallel, corporate finance plays a critical role in how businesses plan and manage their financial resources. It involves decisions related to capital structuring, funding sources, budgeting, and

investment planning, all aimed at maximizing shareholder value. Funding can be sourced through equity, debt, retained earnings, or external borrowings, and is used for business expansion, working capital, and tax optimization. Sound corporate finance practices directly influence a company's growth, stability, and financial sustainability.

In conclusion, mutual funds offer an accessible, diversified, and professionally managed investment option suited to a wide range of investors. Understanding mutual fund types and performance metrics is essential for informed decision-making. At the same time, corporate finance remains a cornerstone of business success, guiding strategic financial decisions that shape the long-term viability of enterprises.

Literature Review

In the investigation conducted by Hiroyuki Aman (2024) [1], a significant positive correlation was identified between financial literacy and household recognition of mutual fund investments, particularly among those with long-term investment horizons. Drawing on a diverse sample of Japanese households through hypothetical investment scenarios, the study offers meaningful insights into the behavioral aspects of retail investing. Similarly, Hammouda (2023) [2] highlights substantial growth within the European mutual fund industry, attributing it to increased market integration and improved financial frameworks.

Rico Nurllham (2022) [3], focusing on cryptocurrency investment behavior in Indonesia, emphasizes the influence of asset price fluctuations on returns and supports the use of technical analysis in volatile markets. In the context of the U.S., Pástor and Vorsatz (2020) [4] identified unexpected patterns in the performance of active equity mutual funds during the COVID-19 crisis, including an increased emphasis on sustainability even during economic uncertainty.

Technological advancements in investment strategies have been widely discussed in recent literature. Kurani et al. (2023) [5] explored the application of artificial neural networks and support vector machines in stock market forecasting, highlighting their predictive efficiency. Similarly, Picasso et al. (2019) [6] integrated technical and fundamental analysis with machine learning tools to enhance market trend prediction, demonstrating the increasing role of artificial intelligence in financial decision-making.

In terms of macroeconomic indicators and portfolio diversification, Krishnakumar and Velmurugan [7] examined investor attitudes toward mutual funds, while Mehru (2004) [8] discussed structural challenges faced by the mutual fund industry in India. Rao and Mishra (2007) [9] identified mutual funds as an important resource mobilization tool in the financial market, contributing to capital formation and economic development.

Nair (2014) [10] emphasized the stabilizing role of mutual funds within the Indian financial system, highlighting their contribution to financial intermediation. Naik and Pramod (2020) [11] further examined investor perception toward SBI mutual funds, revealing that brand trust and perceived safety significantly influence investment decisions.

Furthermore, recent studies have highlighted the growing influence of digital financial platforms on mutual fund investment behavior, particularly among young investors. Sharma and Gupta (2021) [12] observed that the ease of access to online investment platforms has significantly increased participation in mutual funds. Similarly, Kaur and Singh (2020) [13] emphasized that financial literacy and digital awareness positively impact investment decisions.

Behavioral aspects such as overconfidence and herd behavior were examined by Bansal (2019) [14], who found that these biases often lead to irrational investment decisions. In addition, Verma and Patel (2022) [15] identified social media and peer influence as emerging factors affecting investor perception and decision-making. Moreover, Mehta (2021) [16] discussed the role of fintech innovations in enhancing transparency, accessibility, and investor engagement in financial markets.

Collectively, these studies provide a comprehensive understanding of mutual fund investment behavior by integrating perspectives on financial literacy, technological advancements, behavioral finance, and regulatory frameworks. They highlight the evolving nature of investment patterns and emphasize the importance of awareness, innovation, and policy support in strengthening the mutual fund industry.

Objectives

- To examine the most preferred Investment option.
- To examine the investment objectives undertaken by investors while investing in Financial Instruments.
- To find out the highly used/preferred Source of Information for various Investments options.
- To study the factors responsible for the preference of mutual funds as an Investment option.

Methodology

The research objectives of this study are to analyze the factors influencing consumer behavior in the selection of mutual funds and determine the most crucial factor among the identified influences. Employing a descriptive research design, the study utilizes both qualitative and quantitative techniques to gather information about the preferences and expectations of investors regarding mutual funds. Primary data is collected through questionnaires designed on Google Forms, while secondary data is sourced from websites, research papers, and journals. The sample design involves a convenience sampling method with a sample size of 120 out of 145 distributed questionnaires.

Research and Analysis

Descriptive Analysis	
Types of investment options preferred by respondents	Percentages
Fixed deposits	16%
Mutual funds	55%
Insurance	20%
Others	9%
Investor ready to proportion of amount invest in mutual fund	
5000-10000	70%
10001-15000	23%
15001-20000	5%
20000-Above	2%
Schemes preferred by the investors	
Equity	36%
Debt	24%
Balanced	40%
Number of investors contacted during the investment process	
Personal banker	18%
Online trader	33%
Stock broker	22%
Deals directly	27%
Number of investors deals with different scheme	
SBI	36%
HDFC	11%
RELIANCE	33%
Others	20%
Purpose of investing in mutual funds	
Diversifying the portfolio	30%
Higher returns	32%
Monthly income	18%
Liquidity	20%
Percentage of returns investors expect from mutual funds	
10%-15%	56%
16%-20%	21%
21%-25%	15%
26%-above	8%
Risk appetite of the investor	
High Risk Appetite	18%

Medium Risk Appetite	22%
Low Risk Appetite	60%
Key factors influencing investors' decisions in mutual fund investments	
Investment Objective	22%
Risk Tolerance	18%
Fund Type	15%
Fund Performance	17%
Liquidity	21%
Tax Implications	7%

Source:(Author's own)

Interpretation:

The study reveals that 55% of respondents prefer to invest in mutual funds as compared to fixed deposits, stock market, insurance. Notably, 70% predominantly invest between 5000 to 10000 in mutual funds. SBI is the top choice for 36%, emphasizing diverse investment objectives and risk tolerances. Key factors influencing decisions include considerations of liquidity, high returns, assured returns, and brand reputation. Preferences vary between equity (36%), debt (24%), and a balanced approach (40%). SBI is the most favored institution for investment dealings (36%). Primary objectives for investing include diversification (28%), higher returns (36%), and monthly income (16%). Investors expect returns mainly in the 10-15% range (56%). Risk tolerance is predominantly medium (55%), with 23% high risk-takers and 22% low-risk-takers. Factors influencing investment decisions include liquidity (16%), high returns (30%), assured returns (39%), and brand name (15%). These findings contribute valuable insights into investor behavior, aiding financial institutions in adapting strategies to align with consumer preferences.

Conclusion

These findings offer valuable insights into the underlying dynamics of investor behavior, playing a crucial role in helping financial institutions and policymakers design strategies that align with consumer preferences in an increasingly dynamic financial environment. The analysis indicates that a significant proportion of investors in India possess a moderate risk tolerance and are particularly drawn to balanced funds, which provide a stable blend of growth and safety by combining equity and debt instruments. This preference reflects a cautious investment approach, where individuals prioritize capital preservation while seeking reasonable returns. Despite growing awareness about equity markets, a strong cultural inclination toward saving over risk-taking persists among Indian investors. The desire for low-risk investment avenues continues to shape mutual fund preferences, with balanced and equity funds emerging as the most favored options. Investors are especially motivated by the assurance of steady returns with minimal volatility, which balanced funds tend to offer. In conclusion, this study sheds light on various aspects of consumer behavior in mutual fund selection, including risk perception, investment motivations, and fund preferences. It further highlights patterns in investment amounts, preferred transaction methods (such as SIPs and online platforms), and primary financial goals—ranging from wealth creation to retirement planning. These insights can help fund managers and regulatory bodies develop more targeted awareness campaigns, personalized financial products, and inclusive investment policies to promote financial literacy and participation across diverse investor segments.

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