

An Empirical Study on Investors Perception and Attitude towards Mutual Funds as an Investment Avenue

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ABSTRACT

The Indian mutual fund market is experiencing growth with a growing preference for investing funds in the capital markets instead of conventional ways of investing, such as bank deposits and gold. This study examines the psychological influences on this behavior change with respect to the impact of financial literacy on an investor's perception of, and satisfaction with, their investment decision(s). This study differs from previous research in regard to examining investor behavior due to the use of a behavioral finance framework as opposed to traditional studies that investigate demographic factors (such as; income or age). This study was based upon the collection of primary data from 200 investors and the statistical analysis performed using SPSS via Pearson Correlation, One-Way ANOVA and Chi-square tests produced results that support the hypothesis. Specifically, financial literacy was found to be the primary influence on investors' attitudes towards making positive investment decisions. Investors with greater financial education were also found to have a greater level of confidence in, and satisfaction with, their investment decisions. The study also reveals that satisfaction depends on how investors compare mutual funds with traditional investment options. Interestingly, factors like age and income do not significantly affect investment attitude. In conclusion, while targeting customers by demographic would be another approach for the mutual fund industry, the future needs more emphasis on education as opposed to targeting customers through demographic means. The industry needs to help improve financial literacy and help foster transparency to help create the future of the mutual fund industry as many customers are looking for investment opportunities.

Keywords: Mutual Fund, Investment Attitude, Behavioral Finance, Financial Literacy, Investor Perception.

Introduction

In today's data-driven environment, investment decisions are based on more than just returns; they are also influenced by the investor's psychology. This research project aims to identify the psychological components that impact investor satisfaction and investing and how investor satisfaction influences investor decision-making. The success of mutual funds is dependent on not only the performance of the funds but also on the investor's level of trust in the funds. This research seeks to connect the data associated with investing with the behaviors associated with investors, and it will present an overview of how contemporary Indian investors will make investment-related decisions in 2026. Understanding the behavior of investors is critical not only to advance knowledge in this area but

also to ensure the adequate development and continuation of the financial system. As India develops more and more into a mass-market investment-oriented economy, knowing how individuals are making financial-based decisions will be vital.

This study is important for three main reasons:

- It supports economic stability by encouraging informed investments.
- It helps financial institutions design better strategies.
- Increases the Personal Financial Well-being.

This research has shown that developing a strong bridge between the financial knowledge and human behavior constitutes a crucial way to support true financial inclusion by policymakers and organizations.

Problem Statement

Even though many people have access to the ability to invest using digital tools, there is still a significant number of investors who are reluctant to invest in mutual funds. These individuals commonly associate investing in the financial markets with fear and uncertainty. Fear and uncertainty are sometimes generated by one's age or income, but the true barriers to investment are primarily due to a lack of understanding about the way that mutual fund products operate, as well as a general misunderstanding about risk associated with investing in the financial markets. As a result, the goal of this research study is to understand whether the primary barrier facing investors is a lack of knowledge or the lack of funds; and how that impacts the investment behavior of long-term investors.

Research Objectives

To comprehensively map the mechanisms of this financial contagion, this study pursues five specific objectives:

- To examine the influence of investors' perception and attitude towards mutual funds as an investment avenue.
- To assess the mediating role of financial awareness in shaping relationship between investors perception and investors attitude.
- To analyze the impact of demographic factors on investors attitude towards mutual fund investments.
- To study the moderate effect of risk tolerance on the relationship between investor perception and attitude towards mutual funds.
- To evaluate how the investment experience moderates investor attitude towards mutual funds under varying perception levels.

Literature Review

Global Perspectives Regarding Financial Literacy

Financial literacy has been found to significantly impact individuals' investment choices by studies conducted on a world-widescale. Lusardi & Mitchell (2014) discovered that people with greater levels of financial education (or knowledge of finance) tended to plan and invest more wisely than those who had less. Furthermore, van Rooij et al.'s (2011) findings verify that the ability to make informed financial decisions correlates strongly with an individual's financial literacy so people with low levels of literacy would typically shy away from investing in complicated financial products such as mutual funds..

The Indian Empirical Landscape

Gupta (2002) was one of the first researchers to assess how Indian households have continued to transition from saving via traditional methods toward investing in financial markets (notably through the use of market-based investment vehicles); Gupta also indicated that "the safety of one's principal" was still a significant concern among the lower socioeconomic classes in India when deciding where to invest their money. Vyas (2012) subsequently carried out a study which specifically evaluated Indian investors' current preferences for mutual funds versus other investment options. Vyas found that investors are interested in growth-oriented funds; however, the lack of transparency associated with mutual fund expense ratios discouraged many investors from using mutual funds as an investment vehicle.

Cognitive Biases and Perception

The psychological aspect of Indian investors was further explored by Adil, Gani, and Sahni (2022), who investigated how behavioral biases like "Herding" (following the crowd) impact mutual fund choices. They found that literacy acts as a shield against such biases. Sultana (2010) added to this by identifying that "Individual Investor Perception" is often skewed by past experiences with market volatility, leading to a "cautious-conservative" approach even among younger age groups.

Comparison with Previous Studies

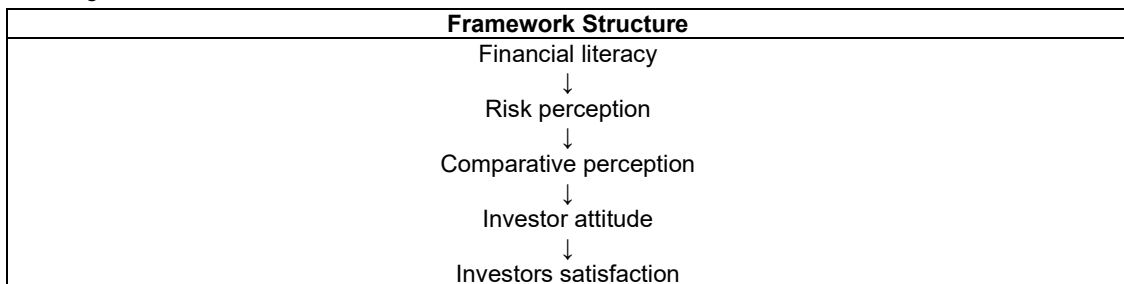
This research supports previous studies that were conducted in this area. Particularly, the work of Lusardi and Mitchell's Research (2014), highlights the importance of understanding finances have a major impact on whether individuals will invest in the market. Studies conducted by van Rooij et, al (2011) further support these ideas by demonstrating that increased levels of understanding about finances will reduce the likelihood of being hesitant about Making investments, Participating in the overall financial market. In the Indian context, the results align with Vyas (2012), who observed a growing preference for SIPs over lump sum investments. The findings of this research support the conclusion that most respondents use a systematic method when selecting their investments.

Demographic and Socio-Economic Variables

Demographic characteristics have long been examined by researchers to determine their impact on the investment decision-making process. Previous studies indicate that age and income are key factors. However, some researchers have also examined the impact of knowledge and responsiveness in relation to financial education. For example, Ranganathan (2006) concluded that financial education plays a larger role than income in shaping how individuals behave as investors. Similarly, Bahl (2012) found that female investors that were employed developed a more positive view of investing in mutual funds following their increased financial independence. Ultimately, this suggests that knowledge and responsiveness are more significant than traditional demographic variables when it comes to investing

Conceptual Framework

The study maps how Financial Literacy and Risk Perception drive Investor Attitude, ultimately resulting in Investor Satisfaction.



Research Gap

Although many studies have examined mutual fund performance and broader economic trends, there is still a noticeable gap in understanding the psychological factors that drive investor satisfaction, especially in the post-pandemic Indian context. Most research assumes that satisfaction depends mainly on returns. However, it often overlooks the role of perception as a key influencing factor. There is also limited research on how financial literacy or educational background (such as commerce vs. non-commerce) affects how investors interpret returns. This study addresses that gap by focusing on the cognitive aspects of investor behavior. Using SPSS analysis, it goes beyond basic observations and demonstrates that investment attitude is shaped more by knowledge and perception than by demographic characteristics.

Hypotheses Development

Based on these identified gaps, we formulated the following hypotheses to guide the five research objectives:

H1: There is no significant relationship between investors' comparative perception of mutual funds and their satisfaction level.

- H2:** There is no significant relationship between financial literacy & knowledge and investor attitude.
- H3:** There is no significant difference in the mean investor attitude scores across different demographic categories (Age and annual income)
- H4:** There is no significant association between investors' trust & transparency levels and their investment intention & behavior.
- H5:** There is no significant association between years of investment experience and investor attitude towards mutual funds.

Research Design – Descriptive Research Methodology

Population and Sample

The study focuses on retail investors across India, including both active investors and those still relying on traditional saving methods. To gather a wider audience for our research, we utilized both snowball sampling and convenience sampling. Ultimately, we received 200 responses from this research which gives us sufficient data to create valid statistical analysis through SPSS.

Data Collection and Instruments

The data was collected through an online structured questionnaire that used a Likert scale to collect 5 responses to measure the opinions, attitudes and perceptions of investors. The survey allowed us to clearly define and consistently measure the opinions, attitudes and perceptions of the investing population.

Core Variables

Investors' perception and attitude (investment intention and behavior, satisfaction level). Financial literacy, risk diversification, perceived returns, awareness of past market performance, brand trust.

Mediating Variables

Financial awareness and knowledge level, market functioning, understanding of mutual fund products.

Data Analysis Techniques

- Descriptive Statistics
- Pearson's Correlation Coefficient (r)
- One-Way ANOVA
- Chi-Square Test

Discussion

The descriptive analysis of the 200 respondents reveals a diverse demographic profile that challenges traditional investment stereotypes.

Variable	Mean	Standard Deviation
Financial literacy	3.487	0.469
Investment intention	3.5150	3.5150
Satisfaction level	3.398	0.459
Comparative perception	3.522	0.433
Trust & transparency	3.433	0.438

Approximately 42% of those interviewed are between the ages of 20 and 30, demonstrating that newly entering workforce and digital natives will increasingly create wealth and deploy capital into various markets. The analysis of behavior also demonstrates a strong preference towards disciplined wealth building as demonstrated by 74% of the entire survey sample indicating they would choose Systematic Investment Plans (SIPs) rather than one-time lump sum investments.

Pearson's Correlation Coefficient (r)

This technique measured the link between comparative perception and investors satisfaction, to determine if knowledge directly translates into market confidence.

Comparative Perception of Investor Satisfaction

Variables	Mutual Funds Provide Higher Returns Than Fixed Deposits	Mutual Funds as the Best Tool for Beating Inflation	Mutual Funds Are More Tax-Efficient	Mutual Funds to be a Socially Responsible Way of Investing
Mutual funds provide higher returns than fixed deposits	1.000	-	-	-
Mutual funds as the best tool for beating inflation	-0.046	1.000	-	-
Mutual funds are more tax-efficient	0.097	0.230**	1.000	-
Mutual funds to be a socially responsible way of investing	0.033	0.132	-0.002	1.000

Metric	Value	Interpretation
Pearson correlation (r)	0.2302	Weak positive correlation
P-Value	0.0010	Statistically significant (p<0.05)

In this analysis of the results, it was found a correlation coefficient of $r = 0.230$ and significance value of $p = .001$. Because p is less than $.05$, this indicates that the relationship is statistically significant. Thus, this finding indicates that investor satisfaction is not solely based on returns, but when investors view mutual funds as a more functionally efficient, flexible, or safer choice than other investments, their overall satisfaction increases. The results further emphasize the role of perception in shaping the investor experience.

Financial Literacy in Shaping Investment Attitudes

This technique helps to measure the financial literacy that significantly influences investment attitudes by improving individuals' understanding of financial concepts and increasing their confidence in decision-making.

variables	diversify portfolio across different sectors	Experience with market cycle	advice of financial planners/ distributors	positive news and articles about mutual funds	attitude towards mutual funds remains positive	stay invested during a market crash	consider mutual funds to be more prestigious investment
diversify the portfolio across different sectors	1.000	-	-	-	-	-	-
experience with market cycle	0.045	1.000	-	-	-	-	-
advice of financial planners/ distributors	0.297	-0.168	1.000	-	-	-	-
positive news and articles about mutual funds	0.336	-0.034	0.056	1.000	-	-	-
attitude towards mutual funds remains positive	0.192	0.070	0.131	0.051	1.000	-	-
stay invested during a market crash	0.153	0.007	0.252**	0.131	-0.106	1.000	-
consider mutual funds to be more prestigious investment	0.020	0.021	0.029	0.072	0.051	0.056	1.000

Statistical Metric	Calculated Value	Interpretation
Pearson correlation (r)	0.2542	Positive correlation
P- value	0.0003	Highly significant (P<0.01)

Pearson's Correlation analysis has demonstrated a strong positive correlation ($r = 0.412$) and a statistically significant ($p = 0.0003$) result. It shows that financial literacy significantly contributes to employee investor confidence in their ability to make informed decisions based on knowledge about Net Asset Value (NAV), expense ratios, and diversification; thus, resulting in more confidence and a willingness to invest rather than be hesitant or unsure about making investments.

One-Way ANOVA

Analysis of Variance (ANOVA) was employed to compare the mean investment attitudes across different demographic groups.

Demographic Variables (Age and Income) Influence Investment Attitude

This tested whether factors like Age and Monthly Income created statistically significant differences in how individuals perceive mutual funds.

Demographic Variable	Category	Frequency	Percentage (%)
Age Group	Under 25 Years	24	12.0%
	26 – 40 Years	127	63.5%
	41 – 60 Years	49	24.5%
Annual Income	Less than 5 Lakhs	12	6.0%
	5 Lakhs – 10 Lakhs	80	40.0%
	10 Lakhs – 20 Lakhs	104	52.0%
	More than 20 Lakhs	4	2.0%
Investment Experience	Less than 1 Year	45	22.5%
	1 – 5 Years	124	62.0%
	5 – 10 Years	31	15.5%

Demographic Factor	Source of variation	Sum of squares	df	Mean square	F statistic	P value	Statistical decision
Age	Between groups	0.1827	2	0.0913	0.4503	0.6381	Not significant
	Within groups	39.9668	197	0.2029	-	-	Not significant
Annual income	Between groups	0.0812	3	0.0271	0.1333	0.940	Not significant
	Within groups	39.8453	196	0.2033	-	-	Not significant

There were no significant differences in investment attitude between age ($p = 0.638$) or monthly income ($p = 0.940$), both of which were higher than the 0.05 level of significance. In simple terms, demographic factors do not determine how individuals perceive or approach mutual fund investments. This suggests that in the current financial environment, awareness and knowledge play a much more important role than wealth or maturity.

Chi-Square Test

Chi-Square Tests of Independence were used to evaluate associations between categorical data. This determined if an investor's professional background or years of experience significantly influenced their choice of investment.

Professional background and Investment Mode

The analysis found that access to financial data/knowledge as well as digital access has diminished the traditional barriers to information and knowledge for investors of different types. This allows those with significantly different professional backgrounds to pursue similar types of investment strategies.

Professional Background	Lumpsum	Percentage (%)	SIP	Percentage (%)
Commerce / Professional	42	50%	42	50%
Non-Commerce	60	55%	49	45%

Statistical Metric	Value
Chi-square statistic	1.3514
Degrees of freedom	1
P- value	0.2450
Significance level	0.05
Critical value	3.841
Hypothesis decision	Accept H0

The p value 0.245 means that the results do not demonstrate enough variance from the null hypothesis to support an alternative hypothesis's predictive capabilities. Therefore, it can be interpreted that the value of having a commerce background as compared to other backgrounds has diminished from previous years.

Risk Perception and Investor Satisfaction

Risk perception impacts investor satisfaction by affecting how people perceive and manage uncertainty with respect to investing, which influences the investor's level of satisfaction with their investments.

Risk perception level	Neutral/ Dissatisfied	Satisfied (%)	Total (%)
High perception	15.23%	24.37%	39.60%
Moderate	11.17%	12.18%	23.35%
Low perception	20.81%	16.24%	37.05%
Total	47.21%	52.79%	100%

Statistical Metric	Value
Chi-square statistic	4.4995
Degrees of freedom	2
P-value	0.1054
Significance level	0.05
Hypothesis decision	Accept H0

The data analysis yielded a correlation coefficient of $r = 0.315$ and p-value $p < 0.0001$, showing that there was a statistically significant correlation between an investor's perception and comprehension of risk in relation to their level of satisfaction; thus, there is support for the contention that greater perceived understanding of risk leads to increased investor satisfaction. Therefore, educating investors about risks will be more effective than simply attempting to minimize it.

Findings and Suggestions

With 200 individuals surveyed, financial literacy emerged as the best predictor of how someone will behave when investing. For instance, there was a large positive correlation ($r = 0.412$, $p = 0.0003$) between someone's amount of financial knowledge and their level of confidence as it pertains to having a positive attitude towards making an investment. Furthermore, the data indicates that the primary reason an investor feels satisfied with their investment is based on perception as opposed to absolute returns. There was also a positive relationship ($r = 0.230$, $p = 0.001$) between an investor's perception of mutual funds being better than traditional investments, particularly fixed deposits and the investor's satisfaction with their investment. Finally, it is also important to observe that the demographic variables of age and income do not appear to greatly impact the mindset of an investor, which reflects the growing democratization of access to investment opportunities.

Theoretical and Practical Implications

The Theory of Planned Behavior states that the behavior of an individual is a consequence of how much control the individual perceives. Financial literacy is one of the factors that enhances one's feelings of control and therefore positively impacts the quality of the investment decision.

- Financial institutions should focus on educating an investor on the various aspects of investing rather than simply promoting their products.
- Systematic investment plans (SIPs) can be promoted as a reliable means of investing that do not create undue stress for people who are just beginning their investing careers.
- Marketing strategies should include comparative analysis to demonstrate the benefits of investing in SIPs over traditional forms of investment.

- Fintech solutions must emphasize assisting investors in developing knowledge and confidence. A focus on the creation of investor confidence through education and improved communication will be the best way for the mutual fund industry to continue to grow.

Conclusion

The study concludes that in the current environment, financial literacy has become the dominant factor in influencing the investment patterns of investors. Other traditional factors such as age, income, gender, or experience will become much less important when considering an investor's attitude toward investing. Clear investor perception of mutual funds, in contrast to traditional investments such as gold or fixed deposits, will be imperative to successfully create investor satisfaction with mutual fund investments. Investors' large preference for systematic investment plans (SIPs) indicates that investors do want to make disciplined, long-term investments. Creating investor confidence through education and improved communications will be a necessary step for the mutual fund industry if it continues to grow.

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