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Investor's Perception towards Mutual Funds with Special Reference to Coimbatore City

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ABSTRACT: Mutual funds have steadily grown into one of the most accessible and popular investment vehicles for Indian households. Yet, the decision to invest — or not — is deeply shaped by how individuals perceive these instruments. This study explores investor perception towards mutual funds in Coimbatore, focusing on key dimensions such as risk awareness, return expectations, safety, liquidity preferences, and the influence of demographic variables. A structured questionnaire was administered to 115 respondents drawn from diverse occupational and income backgrounds using convenience sampling. The data were analysed through percentage analysis, chi-square tests, and weighted rank analysis. Findings reveal that middle-aged private employees dominate the investor profile, Systematic Investment Plans (SIPs) are overwhelmingly preferred, and internet and social media are the primary channels of financial awareness. Liquidity and returns emerged as the top two factors driving investment decisions. Statistical tests confirmed significant associations between age group and investment objectives, financial literacy and investment horizon, and SIP risk perception and preferred investment mode. The study highlights that while general satisfaction is moderate to positive, lack of knowledge remains the single biggest barrier to deeper mutual fund participation. Recommendations are offered for asset management companies, financial advisors, and policymakers to strengthen investor education, improve transparency, and design products aligned with the life-stage needs of investors.

KEYWORDS: Mutual Funds, Investor Perception, SIP, Financial Literacy, Risk Awareness, Coimbatore, Investment Behaviour, Asset Management Companies

I. INTRODUCTION

Investment decisions in today's world are rarely made on numbers alone. Behind every financial choice lies a web of perceptions, attitudes, past experiences, and emotional responses to risk. Mutual funds, with their promise of professional management and diversification, have become a go-to instrument for millions of Indian investors — but whether someone actually invests, how much they invest, and how long they stay invested depends largely on what they believe about these instruments.

India's mutual fund industry has witnessed remarkable growth over the past decade. The increasing penetration of smartphone-based investment platforms, widespread SIP culture, and heightened media attention on personal finance have all contributed to bringing mutual funds closer to the everyday investor. Yet, significant gaps persist — especially in semi-urban and tier-2 cities like Coimbatore — where financial literacy remains uneven and perceptions are often shaped more by hearsay than by data.

This study was undertaken to understand how investors in Coimbatore perceive mutual funds. Rather than simply measuring how much they invest, the research digs into why they invest, what they fear, what they value, and how their demographic background shapes their attitudes. The study surveyed 115 investors across age groups, income levels, and occupational categories, and used a combination of percentage analysis, chi-square testing, and rank analysis to extract meaningful insights.

The findings of this research are not just academically relevant — they carry practical implications for fund houses, financial advisors, and policymakers who seek to build a more inclusive and informed investment ecosystem. Understanding perception is the first step to changing behaviour, and changing behaviour is ultimately what drives the growth of the mutual fund market.

1.1 Significance of the Study

Investor perception is not static — it evolves with age, income, experience, and exposure to financial information. Recognising how perception differs across demographic groups allows asset management companies to craft communication strategies that resonate with their target audiences. For policymakers and regulators like SEBI, understanding barriers to participation is equally important for designing effective investor awareness campaigns. Coimbatore, as a rapidly growing commercial and industrial hub in Tamil Nadu, presents a particularly interesting case study. Its diverse investor population — ranging from small business owners and private sector employees to students and homemakers — mirrors the broader complexity of India's evolving investment landscape.

II. REVIEW OF LITERATURE

The academic literature on mutual fund investment behaviour spans several decades and draws from behavioural finance, consumer psychology, and classical financial theory. A review of key studies provides a foundation for understanding what is already known and where knowledge gaps remain.

Ramakrishna Mishra (2015) found statistically significant differences between small and large investors regarding return expectations and future outlook, reinforcing the view that investor size itself shapes perception. Gupta (1994), in a comprehensive household investor survey, offered early evidence that investor preferences for mutual funds are heavily tied to policy design and product features — findings that continue to inform how financial products are structured today.

Sikidar and Singh (1996) observed that in the North-Eastern region, salaried and self-employed individuals were the primary mutual fund investors, motivated largely by tax concessions. This early insight — that perceived tax benefits drive participation — remains relevant, as confirmed by multiple subsequent studies. Byrne (2005) demonstrated that past successful investment experience increases an investor's willingness to take on risk, suggesting that confidence builds with experience, not just knowledge.

Kozup et al. (2008) conducted an experimental study showing that graphical information in fund disclosures interacts with financial knowledge to shape fund perceptions — a finding with strong implications for how AMC's communicate performance data. V.P. Singh and Sweta Singh (2024) documented how COVID-19 dramatically reduced monthly SIP contributions by approximately 40%, illustrating the fragility of investor commitment during periods of macroeconomic shock.

More recently, Shivendra Singh et al. (2024), in a structured study across Motihari, Bihar, found that investors expressed confidence in mutual fund returns but harboured persistent concerns about transparency and information disclosure. Swadia (2014), focusing on Ahmedabad, found that while most investors held favourable opinions about mutual funds, a lack of knowledge and security concerns remained key deterrents — a conclusion strikingly consistent with the findings of the present study.

What the existing body of literature collectively reveals is that investor perception is shaped by a complex interplay of financial literacy, demographic variables, product features, and macro-environmental factors. Where it falls short is in providing granular, region-specific insights into how these variables interact in cities like Coimbatore. The present study addresses this gap directly.

III. RESEARCH METHODOLOGY

3.1 Research Design and Strategy

The study adopts a descriptive research design supported by a survey-based strategy. This approach is well-suited to understanding investor opinions, attitudes, and behavioural tendencies without manipulating any variables. A structured questionnaire served as the primary data collection instrument, enabling systematic comparison of responses across diverse demographic groups.

3.2 Sample and Sampling Technique

A total of 115 respondents were surveyed in Coimbatore using convenience sampling. The sample included individual investors from various occupational backgrounds — private employees, business persons, homemakers, students, government employees, and retired individuals. While convenience sampling limits generalisability, it is appropriate for academic research within time and resource constraints, particularly when the goal is descriptive insight rather than population-level inference.

3.3 Analytical Tools

Three primary analytical methods were used. Percentage analysis was applied to understand the distribution and frequency of responses across demographic and behavioural variables. The chi-square test was used to examine associations between categorical variables — specifically between age group and investment objectives, age and educational responsiveness, knowledge level and investment horizon, and SIP risk perception and investment mode. Weighted rank analysis was employed to identify the relative importance of eight investment factors, converting ordinal rankings into meaningful priority scores.

IV. RESULTS AND DISCUSSION

4.1 Demographic Profile of Respondents

The survey captured a wide cross-section of the Coimbatore investor population. Middle-aged individuals between 36 and 45 years formed the largest group (31.30%), followed by those in the 46–60 bracket (26.96%). The 26–35 age group contributed 20.00% of respondents, while younger investors aged 18–25 accounted for 14.78%. Senior citizens above 60 represented just 6.96%.

Gender distribution was nearly balanced — 52.17% female and 47.83% male — reflecting the growing financial independence of women and their increasing participation in investment decision-making. Private sector employees dominated the occupational profile at 46.96%, which is consistent with the regular income and investment capacity of salaried individuals. Business persons (14.78%) and homemakers (10.43%) were the next significant groups.

Income and savings data revealed an important demographic reality: 52.17% of respondents earned below ₹50,000 per month, and 47.83% saved below ₹50,000 annually. Yet, these individuals were actively investing in mutual funds — a testament to the democratising power of SIPs, which allow participation even with small monthly contributions.

Table 1: Key Demographic Distribution of Respondents

Variable	Category (Largest Group)	Percentage
Age Group	36–45 years	31.30%
Gender	Female	52.17%
Occupation	Private Employee	46.96%
Monthly Income	Below ₹50,000	52.17%
Annual Savings	Below ₹50,000	47.83%

4.2 Investment Preferences and Behaviour

Wealth creation emerged as the most commonly stated investment objective (35.65%), followed by regular income (31.30%) and tax saving (17.39%). This distribution reflects a growth-oriented investor base that nonetheless remains practically grounded — with tax efficiency serving as a meaningful secondary motivator.

Equity funds were the most preferred category (39.13%), followed by ELSS at 27.83% and index funds at 13.04%. The preference for equity and ELSS together — accounting for nearly 67% of responses — speaks to a widespread appetite for market-linked growth, even among a sample where income and savings levels are relatively modest.

The investment mode data was particularly revealing. An overwhelming 72.17% of respondents prefer Systematic Investment Plans over lump sum investments. This preference is not just habitual — it reflects a clear understanding of SIP's core advantage: the ability to invest regularly, regardless of market conditions, thereby averaging out the cost of purchase over time. The remaining 17.39% preferred lump sum, while 10.43% used both modes.

In terms of investment horizon, 35.65% prefer the medium term of 3–5 years, and 30.43% favour a horizon of more than 5 years. Together, nearly 66% of respondents have a medium-to-long-term view, which aligns well with equity and hybrid fund investments. Open-ended schemes are overwhelmingly preferred (81.74%), largely because they offer the flexibility to redeem at any time — a feature that naturally complements the liquidity concerns of most investors.

4.3 Awareness and Knowledge

The digital revolution has fundamentally changed how investors access financial information. Internet and social media were cited as the primary awareness source by 53.04% of respondents, with friends and relatives accounting for 19.13% and financial advisors for 16.52%. Traditional media — newspapers, television, and radio — played a much smaller role, reflecting a generational shift in information consumption.

Self-rated knowledge levels presented a nuanced picture. While 36.52% considered themselves moderately informed, a combined 34.78% rated their knowledge as very low or low. Only 33.91% rated their knowledge at high or very high levels. This knowledge gap has direct implications: 40.87% of the sample had less than two years of investment experience, confirming that many are still in the early stages of their financial journey.

Importantly, 76.52% of respondents were aware of the risks associated with mutual fund investments — a reasonably encouraging figure, though the 23.48% who remained unaware represent a significant segment that requires targeted educational outreach. Digital investment platforms were the preferred mode of purchase for 60.87% of respondents, underscoring the role of fintech in expanding market access.

4.4 Satisfaction Levels

Overall investor satisfaction was moderate to positive across most dimensions. For returns earned, 51.31% expressed satisfaction (highly satisfied or satisfied), while 29.57% were neutral and 19.13% were dissatisfied. Satisfaction with liquidity was similarly positive — 50.44% satisfied, 32.17% neutral, and 17.40% dissatisfied. These figures suggest that while mutual funds broadly meet investor expectations, there is meaningful room for improvement.

Cost and charges generated the highest dissatisfaction rate, with 27.82% expressing dissatisfaction. Service quality from AMCs and brokers also drew notable criticism, with 24.34% dissatisfied. On the more positive side, digital platforms received relatively low dissatisfaction scores (14.79%), suggesting that the technology layer of the investment experience is broadly functional — though enhancements in personalisation and portfolio analytics could elevate it further.

Table 2: Investor Satisfaction Across Key Dimensions

Dimension	Satisfied (%)	Neutral (%)	Dissatisfied (%)
Returns Earned	51.31%	29.57%	19.13%
Fund Performance	44.35%	36.52%	19.13%
Liquidity	50.44%	32.17%	17.40%
Safety	53.04%	27.83%	19.13%
Cost & Charges	45.22%	26.96%	27.82%
Service by AMC / Broker	46.08%	29.57%	24.34%
Digital Platforms / Apps	48.70%	36.52%	14.79%

4.5 Chi-Square Test Results

Four chi-square tests were conducted to examine associations between key variables. All four yielded statistically significant results ($p < 0.05$), validating three of the study's core hypotheses.

The first test found a significant association between age group and primary investment objective ($p = 0.0464$). Younger investors (18–25) showed a stronger preference for wealth creation, while middle-aged respondents (36–45 and 46–60) leaned towards regular income — a clear life-stage effect on investment goals.

The second test revealed a significant link between age and the belief that better investor education would increase investment activity ($p = 0.0452$). Younger respondents were more receptive to education-driven behaviour change, while older age groups were more divided — suggesting that educational campaigns will yield the greatest returns when targeted at younger, early-stage investors.

The third test established a significant association between knowledge level and preferred investment horizon ($p = 0.0110$). Investors with lower knowledge showed a marked preference for short-term horizons (less than 1 year), while those with higher financial literacy were more comfortable committing to 3–5 year or longer periods. This finding directly supports H2 — that higher financial literacy increases investment confidence and, by extension, long-term commitment.

The fourth test found a significant relationship between SIP risk perception and preferred investment mode ($p = 0.0464$). Investors who perceived SIPs as a risk-reduction tool were far more likely to adopt SIPs as their primary mode, while those who did not share this perception showed a higher preference for lump sum investment. This underscores the centrality of clear communication about rupee cost averaging in driving SIP adoption.

Table 3: Summary of Chi-Square Test Results

Variables Tested	Relationship	p-Value	Decision
Age vs. Investment Objective	Age → Goal Orientation	0.0464	Reject H ₀
Age vs. Impact of Education	Age → Education Responsiveness	0.0452	Reject H ₀
Knowledge Level vs. Investment Horizon	Literacy → Long-term Commitment	0.0110	Reject H ₀
SIP Risk Perception vs. Investment Mode	Perception → Mode Preference	0.0464	Reject H ₀

4.6 Weighted Rank Analysis of Investment Factors

Respondents were asked to rank eight factors influencing their mutual fund investment decisions from most to least important. Weighted scores were computed and mean values compared. The results revealed a clear hierarchy of investor priorities.

Table 4: Weighted Rank Analysis of Investment Factors

Rank	Factor	Weighted Score	Mean
1	Liquidity	544	4.73
2	Return	538	4.68
3	Diversification	519	4.51
4	Safety and Security	516	4.49
5	Tax Benefits	504	4.38

6	Past Performance	503	4.37
7	Risk	496	4.31
8	Ease of Investment (SIP / Online)	490	4.26

Liquidity ranked first with a weighted mean of 4.73, indicating that investors prize the ability to access their money when needed above all else. This finding is consistent with the strong preference for open-ended schemes and SIPs, both of which offer exit flexibility. Return ranked second (4.68), confirming that while accessibility matters, financial gain remains a core motivator. Diversification (4.51) and Safety & Security (4.49) ranked third and fourth respectively — reflecting a sophisticated awareness that spreading risk across multiple securities is a meaningful advantage of mutual funds over direct equity. Interestingly, Ease of Investment ranked last (4.26), suggesting that digital convenience is now considered a baseline expectation rather than a differentiating value proposition.

V. CONCLUSIONS

This study set out to understand how investors in Coimbatore perceive mutual funds and what drives their investment decisions. What emerged is a portrait of a maturing but still-evolving investor community — one that is increasingly comfortable with digital platforms and SIP-based investing, yet still grappling with knowledge gaps and behavioural biases shaped by market volatility and limited financial education. Middle-aged private employees are the backbone of the current mutual fund investor base in the region, but the growing participation of women, students, and lower-income groups signals a broadening of the market. The dominance of SIPs reflects not just financial prudence but also the success of industry-wide campaigns that have made systematic investing a culturally resonant concept. The chi-square analysis confirmed that investment behaviour is not uniform — it shifts with age, knowledge, and perception. Younger investors need education and encouragement; older investors need product innovation and tailored communication. Knowledge, more than any other factor, determines how confidently and for how long an investor commits to mutual funds. Liquidity is the most valued attribute — a reminder that for most retail investors, the ability to exit is as important as the potential to earn. Lack of knowledge remains the single greatest barrier to increased participation, cited by 33.91% of respondents. Addressing this requires not just awareness campaigns but sustained, accessible financial education delivered through the digital channels that investors already use. The high reinvestment intention (72.17%) and strong recommendation rate (77.39%) confirm that satisfied investors are the industry's most powerful ambassadors — and that investing in investor experience is investing in the industry's own growth. Moving forward, the mutual fund industry in India must resist the temptation to treat investor education as a checkbox exercise. It must instead build a culture of financial confidence — one where investors understand not just the products they hold, but also the principles that should guide their decisions across life's changing financial chapters.

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