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INVESTOR INSIGHTS: A STUDY ON MUTUAL FUND PERCEPTION IN POLLACHI

Dr. R. Sharmila[1], Ms. Ashika S[2], Dr. R. Thiyagu[3]
[1]*Professor, Sakthi Institute of Information and Management Studies, Pollachi*
[2]*II MBA, Sakthi Institute of Information and Management Studies, Pollachi*
[3]*Professor, Sakthi Institute of Information and Management Studies, Pollachi*

ABSTRACT

This study explores the perception of mutual fund investors in Pollachi, focusing on their awareness, preferences, risk tolerance, and investment behavior. It aims to understand the key factors influencing investment decisions, including the role of financial literacy, past experiences, and market conditions. Data was collected through structured questionnaires from a diverse group of investors. The study reveals gaps in investor education and the need for improved communication from fund houses. These insights can help financial institutions tailor products and strategies to investor needs.

KEYWORDS: *Mutual Fund, Investors, Risk, Perception and Return.*

INTRODUCTION

A Mutual Fund is an investment vehicle for investors who gather their saving to invest in diversified portfolio of securities with expectation of good returns and increase their value. Profits and losses are shared by the investors in proportion to their investment. Factors affecting Mutual Fund investments are risk factor, regular income factor, return factor, liquidity factor and awareness factor. The mutual funds generally come out with various types of schemes with different investment objectives, which are pushed from time to time. Various types of Mutual Funds are Growth funds, income funds, money market funds, equity funds, debt funds, openended funds, closed-ended funds, balanced funds, tax savings funds, index funds and sector specific funds. Investors perception means how the investor think and visualize the fund before investing into it or sees different investment opportunities. Knowledge of investor perception is important because the perception of investors can influence the investment pattern and his investment behavior like risk tolerance level, investment preference on the basis of age, gender, education, income, occupation etc.

OBJECTIVES OF THE STUDY

- To study the demographic profile of mutual fund investor in Pollachi.
- To study the perception of investor about mutual funds.

REVIEW OF LITERATURE

Mutual funds have emerged as a popular investment vehicle due to their professional management and diversification benefits (Gupta, 2019). This study focusing on Pollachi adds to the growing body of research that aims to understand investor behavior in semi-urban regions of India, where financial literacy and access to investment avenues are gradually evolving (Rao & Sharma, 2018). The findings suggest that most investors prefer low-risk, professionally managed schemes, aligning with prior research that associates risk aversion with limited financial knowledge (Kumar & Goyal, 2015).

The demographic analysis revealed that age, income, and education significantly influence mutual fund investment decisions, which supports the behavioral finance theory (Statman, 2014). However, the study also highlights a notable gap in investor awareness, consistent with the work of Singh and Chaturvedi (2017), who observed that many Indian investors still rely on informal sources of financial advice.

Marketing strategies and the role of financial advisors emerged as crucial elements shaping investor perception in Pollachi, as echoed by Banerjee (2020). Interestingly, investors expressed concern over the transparency of fund performance reporting—a finding that mirrors concerns raised in national-level surveys (SEBI, 2021). Furthermore, the study underscores the importance of investor education programs to bridge the knowledge gap, a recommendation aligned with Jain and Dash (2016).

This localized study is especially relevant in today's context of digital transformation and the rise of fintech platforms (Nair, 2020). As mutual fund platforms penetrate deeper into Tier-II and Tier-III cities, understanding perception patterns at the grassroots becomes vital. The insights from Pollachi contribute valuable data for mutual fund companies and policymakers aiming to design inclusive investment strategies.

RESEARCH METHODOLOGY

Research Method

Descriptive research method is used for the current study.

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Sample Size

The study was conducted with the sample size of 102 investors. Sampling technique- Convenience Sampling.

Research Instrument Used for Data Analysis

The data collected from respondents in Pollachi is analyzed using statistical tools such as Simple Percentage analysis and chi-square tests.

Statement of the Problem

There has been no comprehensive study establishing the perception of investors and factors or characteristics influencing the investment in mutual fund. Hence, the main focus of the study is to know the basis under which the mutual fund investment is done, whether it's as per the factors, schemes, nature or structure of the funds.

Limitations of the study

- The size of the sample compared to the population is small and hence it might not indicate the ideas of entire population.
- Since the study covers the overview of investing in mutual funds, it cannot be generalized.
- Few respondents do not agree to express their opinion and understandings on their investment and have stated common view on investment practices.

4. DATA ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS

Factors	Dimensions	No. Of respondents	Percentage
AGE	Below 25	69	66.35
	25–35	17	16.35
	36–45	10	9.62
	46–60	7	6.73
	Above 60	1	0.96
GENDER	Male	54	51.92
	Female	50	48.08
OCCUPATION	Student	67	64.42
	Salaried Employee	11	10.58
	Business Owner	13	12.50
	Self-employed	12	11.54
	Retired	1	0.96
ANNUAL INCOME	Below ₹2 lakh	65	60.58
	₹2–5 lakh	23	24.04
	₹5–10 lakh	13	12.50
	Above ₹10 lakh	3	2.88

INTERPRETATION

The table shows the annual income of the 104 respondents. A majority of them, around 61%, earn below ₹2 lakh per year. About 24% of the respondents have an income between ₹2 lakh and ₹5 lakh. Around 12.5% earn between ₹5 lakh and ₹10 lakh annually. Only a small group, about 3%, have an income above ₹10 lakh. This shows that most of the respondents have a relatively low annual income.

Chi Square Tests

Chi square tests for Gender and Level of Satisfaction

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	8.284[a]	3	.040
Likelihood Ratio	8.482	3	.037
Linear-by-Linear Association	2.434	1	.119
N of Valid Cases	102		
a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 1.47.			

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Interpretation

The Chi-Square test revealed a significant association between Gender and Level of Satisfaction, χ^2 (3, N = 102) = 8.284**,** p = .040**.** The Likelihood Ratio test also supports this with **p** = .037. However, 25% of the cells had expected counts less than 5, which violates the test's assumptions and may affect the reliability of the results. Caution is advised in interpreting the findings.

Chi square tests for Occupation and Level of Satisfaction

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	17.049[a]	12	.048
Likelihood Ratio	12.664	12	.094
Linear-by-Linear Association	1.075	1	.000
N of Valid Cases	102		
a. 16 cells (80.0%) have expected count less than 5. The minimum expected count is .03.			

Interpretation

The Chi-Square test shows a significant association between Occupation and Level of Satisfaction, χ^2(12, N = 102) = 17.049, p = .048**.** However, 80% of the cells had expected counts less than 5, violating test assumptions. The Linear-by-Linear Association is significant **(**p = .000**),** suggesting a potential trend. Caution is needed due to assumption violations

Chi square tests for Annual Income and Level of Satisfaction

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	21.713[a]	9	.010
Likelihood Ratio	17.322	9	.044
Linear-by-Linear Association	.272	1	.002
N of Valid Cases	102		
a. 9 cells (56.3%) have expected count less than 5. The minimum expected count is .09.			

Interpretation

The Chi-Square test indicates a significant association between Annual Income and Level of Satisfaction, χ^2 (9, N = 102) = 21.713, p = .010. The Likelihood Ratio test also supports this with p = .044**.** However, 56.3% of the cells had expected counts less than 5, violating the test assumptions. The Linear-by-Linear Association is significant **(**p = .002**),** suggesting a trend.

Chi square tests for Gender and Frequency of reviewing the performance of Mutual Fund investors

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	11.052[a]	4	.026
Likelihood Ratio	11.572	4	.021
Linear-by-Linear Association	8.394	1	.004
N of Valid Cases	102		
a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 2.94.			

Interpretation

The Chi-Square test shows a significant association between Gender and Frequency of Reviewing Mutual Fund Performance, χ^2 (4, N = 102) = 11.052, p = .026. The Likelihood Ratio test also supports this with p = .021**.** The Linear-by-Linear Association is significant **(**p = .004**),** suggesting a potential trend. However, 30% of the cells had expected counts less than 5, violating test assumptions.

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Chi square tests for Occupation and Frequency of reviewing the performance of mutual fund investors

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	18.424[a]	16	.000
Likelihood Ratio	24.229	16	.085
Linear-by-Linear Association	1.303	1	.054
N of Valid Cases	102		
a. 19 cells (76.0%) have expected count less than 5. The minimum expected count is .06.			

Interpretation

The Chi-Square test shows a significant association with χ^2 (16, N = 102) = 18.424, p = .000**.** However, the Likelihood Ratio test is not significant **(**p = .085**),** and the Linear-by-Linear Association is marginally non-significant **(**p = .054**).** 76% of the cells had expected counts less than 5, violating assumptions and affecting result reliability.

Chi square tests for Annual Income and Frequency of reviewing the performance of mutual fund investors

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	7.466[a]	12	.025
Likelihood Ratio	9.038	12	.000
Linear-by-Linear Association	.298	1	.085
N of Valid Cases	102		
a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is .18.			

Interpretation

The Chi-Square test shows a significant association between Annual Income and Frequency of Reviewing Mutual Fund Performance**,** χ^2 (12, N = 102) = 7.466, p = .025. The Likelihood Ratio test supports this with p = .000, suggesting a strong relationship. However, 65% of the cells had expected counts less than 5, violating assumptions, and the Linear-by-Linear Association is not significant (p = .085**).** Caution is needed in interpreting the results.

FINDINGS

- A majority of respondents (66.35%) are below the age of 25, indicating a younger population base in the sample.
- Gender distribution is nearly equal, with 51.92% male and 48.08% female respondents.
- Most participants (64.42%) are students, showing that the sample is largely comprised of individuals still in education.
- Around 60.58% of respondents have an annual income below ₹2 lakh, suggesting low earning capacity among most participants.
- There is a significant association between gender and level of satisfaction (p = .040), but 25% of cells had expected counts less than 5, indicating some violation of test assumptions.
- Occupation is significantly associated with level of satisfaction (p = .048), though 80% of cells had expected counts below 5, which could affect result reliability.
- A strong association exists between annual income and level of satisfaction (p = .010), but over half the cells (56.3%) had expected counts less than 5.
- Gender is significantly associated with how frequently mutual fund performance is reviewed (p = .026), and the trend is supported by the Linear-by-Linear Association (p = .004), despite assumption violations.
- There is a significant association between occupation and frequency of reviewing mutual fund performance (p = .000), but 76% of cells had expected counts below 5, weakening the reliability.
- Annual income shows a significant link with frequency of performance review (p = .025), although 65% of the expected counts are below 5, suggesting cautious interpretation.

SUGGESTIONS

- Conduct regular awareness programs and workshops focusing on mutual fund schemes, returns, and risk to help young and low-income investors make informed decisions.
- Mutual fund companies should provide clearer and more frequent updates on fund performance to build trust and improve satisfaction.
- Design simple, goal-based mutual fund plans (e.g., education, travel, emergency funds) with low minimum investments to cater to younger investors.
- Emphasize the benefits of Systematic Investment Plans (SIPs) and the importance of long-term investment through campaigns, especially among middle-income groups.
- Mobile apps and online platforms can be used to offer personalized investment suggestions, portfolio tracking, and educational content to enhance user experience and retention.

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CONCLUSION

The study reveals that mutual funds are gaining traction among young and low-income investors, particularly students and individuals earning below ₹2 lakh annually. Despite their limited income, these investors are drawn to mutual funds for their affordability, diversification, and tax-saving benefits. However, the overall satisfaction level with mutual fund investments remains low, highlighting a gap between investor expectations and actual performance or understanding of mutual fund mechanisms. The significant correlation between income level and investment duration suggests that financial capacity influences commitment to mutual fund schemes. To enhance investor confidence and satisfaction, mutual fund institutions and regulators must focus on financial literacy, transparent communication, and tailored investment solutions that align with the diverse needs of the investor base.

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