



INVESTORS ATTITUDE TOWARDS MUTUAL FUNDS

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Abstract

An investor is an individual or institution that commits money with the aim of earning returns and meeting goals like retirement savings or long-term wealth building. They use vehicles such as stocks, bonds, mutual funds, commodities, and real estate, and choose among them based on their strategy and risk tolerance. Investors' attitude towards mutual funds reflects their perceptions, beliefs and preferences regarding this investment avenue. Mutual funds have gained prominence due to professional management, diversification benefits and accessibility, making them an important option for individuals seeking balanced risk and return in their investment portfolios. Despite the growth of the mutual fund industry in India, investors in Erode District continue to show varied attitudes towards mutual fund investments due to differences in awareness, risk perception, and financial literacy. Many investors still prefer traditional investment avenues, limiting mutual fund participation. Hence, the study aimed to analyze investors' attitudes towards mutual funds in Erode. A descriptive research approach has been adopted to achieve the objectives of the study. The research is based on both primary and secondary data. The primary information was gathered through a well-structured questionnaire administered to the target individual mutual fund investors, focusing on their socio-economic characteristics and factors influencing their attitude towards mutual fund investments, measured using a five-point Likert scale. Also, the secondary data were sourced from scholarly articles, books, journals, reports and authentic online resources. The study employed a random sampling technique to select 148 mutual fund investors in the study area. The collected data were systematically coded, classified, and tabulated using MS Excel, and subsequently analyzed using SPSS 26.0 with statistical tools namely percentage analysis, mean score, standard deviation and Chi-square test. For the study, the null hypotheses were formulated to examine the association between investors' attitude towards mutual funds and the selected independent variables. This study depicted that maximum level of attitude towards mutual funds is perceived by the respondents who belong to age group of above 50 years, professional qualifications, long-term (above 5 years), obtain information about the mutual funds from financial advisors and above 10 years of investment experience.

Keywords: *Mutual Funds, Investors' Attitude, Risk Perception, Return Expectation, Financial Awareness, Investment Experience, Systematic Investment Plan.*

Introduction

An investor is an individual that puts money into an entity such as a business for a financial return. The main goal of any investor is to minimize risk and maximize return. It is in contrast with a speculator who is willing to invest in a risky asset with the hopes of getting a higher profit. Mutual fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public. Investors' attitude towards mutual funds in India has evolved

significantly over the past decade due to increased financial awareness, regulatory reforms, and the expansion of digital investment platforms. Mutual funds are increasingly perceived as a reliable and professionally managed investment option that offers diversification, liquidity, and potential for long-term wealth creation. Urban and educated investors show a more favorable attitude towards mutual funds, particularly equity and hybrid schemes, while semi-urban and rural investors remain relatively cautious due to risk perception and limited financial literacy. The growth of Systematic Investment Plans (SIPs) has further enhanced investor participation by promoting disciplined and affordable investing. However, challenges such as market volatility, lack of product understanding, and fear of losses continue to affect investor confidence.

Review of Literature

In view of Narnolia and Pareek (2026) noticed that investor-related behavioural and cognitive factors play a significant role in influencing investment in infrastructure mutual funds. In addition, risk perception has a negative association with investment levels, indicating that higher perceived risk discourages participation. Conversely, financial awareness, return expectations, and prior investment experience show a positive and statistically significant relationship with investment behaviour. The study emphasizes that informed, confident, and experienced investors are more inclined to invest in infrastructure-focused mutual fund schemes. The authors Kumar and Kumara (2025) displayed that investors in selected districts of Karnataka exhibit a growing awareness and positive attitude towards mutual fund investments, influenced by demographic, behavioral and technological factors. Also, variables such as age, income, investment experience and place of residence significantly affect investors' attitudes and repeated investment decisions. Moreover, the use of digital platforms, trust in mutual fund companies, and goal-based financial planning play a crucial role in encouraging consistent investments. Regarding the study of Karuppasamy et al. (2024) inferred that mutual fund investments in Tuticorin City are predominantly preferred by middle-income investors due to perceived benefits such as stable returns, lower risk and investment flexibility. It is found that education and gender significantly influence investors' attitude and preference towards mutual funds, with educated individuals showing higher participation. Also, government employees and private-sector workers constitute the major share of investors, particularly those earning above INR 40,000 per month. Despite positive perceptions, investors face challenges such as high management fees, market volatility, and inadequate diversification in their investment portfolios.

The study of Singh et al. (2021) mentioned that bank employees in Tripura possess a generally favorable attitude towards mutual fund investments. The analysis indicated that positive and significant relationship between investors' attitude and the volume of mutual fund investment, indicating that a stronger attitude leads to higher investment levels. The study pointed out that the importance of psychological and behavioral factors in investment decision-making. The author Mittal (2020) measured that demographic and behavioural factors significantly influence investors' behaviour towards mutual fund investments in India. Additionally, it is found that age and educational level play a crucial role in shaping investment decisions, with aged and educated investors preferring safer investment options that offer stable and higher returns. Further, investors generally exhibit risk-averse behaviour while selecting mutual fund schemes. According to Raju et al. (2018) pointed out that mutual funds are perceived as a relatively safe investment avenue, especially by risk-averse investors seeking stable returns. They explored that investors' awareness about mutual funds is generally low, which restricts wider participation, particularly among low-income groups. The results indicate that income level influences investment preference, with low-income investors favoring SIPs and high-income investors showing

greater inclination towards mutual fund schemes. The study also reveals that female investors remain underrepresented, emphasizing the need for targeted awareness and education programmes.

Statement of the Problem

Mutual funds have emerged as one of the most preferred investment avenues in India due to professional management, diversification benefits, and relatively lower risk compared to direct equity investments. Though the quick growth of the mutual fund industry, the level of attitude of investors towards mutual fund investments varies significantly across regions. In semi-urban districts like Erode, investors continue to rely heavily on traditional investment options such as bank deposits, gold and real estate, owing to limited financial literacy and risk aversion. Understanding investors' attitudes is essential for identifying the factors that influence their investment decisions and preferences. Hence, this study aimed to examine the attitude of investors towards mutual funds in Erode District.

Objectives of the Study

1. To explore the demographic profile of the selected investors towards mutual funds in Erode District.
2. To analyze the investors attitude towards mutual funds of selected investors in the study area.

Hypotheses of the Study

1. There is no significant relationship between type of mutual fund of the investors and their attitude towards mutual funds.
2. There is no significant relationship between investment experience of the investors and their attitude towards mutual funds.

Research Design and Technique

This study employed a descriptive research design to examine investors' attitudes towards mutual fund investments in Erode District. To achieve the study objectives, both primary and secondary data sources were used. The study population consisted of individual mutual fund investors residing in Erode District. The primary data were collected through a structured questionnaire incorporating a five-point Likert scale, covering demographic variables and respondents' opinion of mutual fund investments. In this research, a sample of 148 mutual fund investors was selected by using a random sampling method. The collected data were systematically coded and tabulated using MS Excel, and subsequently analyzed with SPSS version 26.0 employing statistical techniques such as percentage analysis, mean score, standard deviation and Chi-square test to test the formulated hypotheses.

Results and Discussion

Demographic Profile of the Respondents: In the following table, the demographic characteristics of the selected investors along with their attitudes towards mutual fund investments are presented.

Table 1: Demographic Profile and Investors Attitude Towards Mutual Funds

S.No.	Variables	No. of Respondents	Percentage	Mean	SD
	Age				
1	Upto 30 years	15	10.1	3.38	0.49
2	31 – 40 years	45	30.4	3.65	0.64
3	41 – 50 years	56	37.9	3.80	0.36
4	Above 50 years	32	21.6	3.83	0.44
	Total	148	100.0		

S.No.	Variables	No. of Respondents	Percentage	Mean	SD
	Educational level				
1	School level	22	14.9	3.65	0.52
2	College level	57	38.5	3.60	0.57
3	Professional	40	27.0	3.68	0.45
4	Others	29	19.6	3.58	0.64
	Total	148	100.0		
	Type of Mutual Fund				
1	Short term (Below 1 year)	50	33.8	3.26	0.53
2	Medium Term (1-5 years)	65	43.9	3.62	0.56
3	Long Term (Above 5 years)	33	22.3	3.80	0.48
	Total	148	100.0		
	Sources of Awareness about Mutual Funds				
1	Family / Friends	54	36.5	3.50	0.55
2	Financial Advisors	29	19.6	3.85	0.50
3	Social media / Online	47	31.8	3.82	0.44
4	Others	18	12.1	3.37	0.63
	Total	148	100.0		
	Investment Experience				
1	Less than 5 years	33	22.3	3.64	0.54
2	5 - 10 years	72	48.6	3.57	0.55
3	Above 10 years	43	29.1	3.70	0.59
	Total	148	100.0		

1. From the above analysis, it is displayed that 10.1% of the respondents belong to the upto 30 years age group, 30.4% of the respondents fall under 31–40 years, 37.9% of the respondents are in the 41–50 years category and 21.6% of the respondents are belong to above 50 years.
2. With respect to educational level, 14.9% of the respondents have school-level education, 38.5% of the respondents possess college-level education, 27.0% of the respondents are professionally qualified and 19.6% of the respondents fall under other educational qualification categories.
3. Regarding the type of mutual fund investment, 33.8% of the respondents prefer short-term investments (below 1 year), 43.9% of the respondents opt for medium-term investments (1–5 years) and 22.3% of the respondents prefer long-term investments (above 5 years).
4. In terms of sources of awareness about mutual funds, 36.5% of the respondents rely on family and friends, 19.6% of the respondents depend on financial advisors, 31.8% of the respondents gain awareness through social media/online sources and 12.1% of the respondents fall under other sources.
5. It is mentioned from the analysis of investment experience, 22.3% of the respondents have less than 5 years of experience, 48.6% of the respondents possess 5–10 years of experience and 29.1% of the respondents have above 10 years of experience.

Investors Attitude towards Mutual Funds

This section has presented that the investors attitude towards mutual funds among the selected investors in Erode. For this study, eight statements have been developed about the investors attitude towards mutual funds and measured by using 5 points Likert’s scaling method.

The Cronbach Alpha value for the statements of investors attitude towards mutual funds is 0.972 whereas the reliability of the investors attitude towards mutual funds is good and fit for analysis. It is showed from the analysis that among the eight categories of investors attitude towards mutual funds, they noticed that ‘mutual funds are suitable for achieving long-term financial goals’ with the mean score and standard deviation of 4.01 and 1.02 respectively followed by ‘mutual fund investment is a safe and reliable investment option’ with the mean score and standard deviation of 3.98 and 1.10 respectively.

Testing Of Hypothesis (Chi-Square Test)

Relationship between Demographic Profile and Investors Attitude towards Mutual Funds

With a view to find the degree of association between demographic profile of the selected investors and their attitude towards mutual funds, a cross-tabulation has been framed. In order to find the relationship between selected independent variables and investors attitude towards mutual funds, hypotheses were developed and analyzed through applying Chi-square test.

Type of Mutual Fund and Investors Attitude towards Mutual Funds

H₀: There is no significant relationship between type of mutual fund of the investors and their attitude towards mutual funds.

Table 2: Type of Mutual Fund and Investors Attitude towards Mutual Funds

S. No	Type of Mutual Fund	Investors Attitude			Total	Chi-Square Value
		Low	Medium	High		
1	Short term (Below 1 year)	10 (20.0%)	20 (40.0%)	20 (40.0%)	50 (100.0%)	56.568 (0.000*)
2	Medium Term (1-5 years)	3 (4.6%)	20 (30.8%)	42 (64.6%)	65 (100.0%)	
3	Long Term (Above 5 years)	23 (69.7%)	7 (21.2%)	3 (9.1%)	33 (100.0%)	
	Total	36	47	65	148	

Note: Parenthesis indicates ‘p’ value; * –Significant at 1% level

It is displayed from the above table that the ‘p’ value is lesser than 0.05 accordingly the null hypothesis is rejected. So, there is a close significant relationship between type of mutual fund of the investors and their attitude towards mutual funds.

Investment Experience and Investors Attitude towards Mutual Funds

H₀: There is no significant relationship between investment experience of the investors and their attitude towards mutual funds.

Table 3: Investment Experience and Investors Attitude towards Mutual Funds

S. No	Investment Experience	Investors Attitude			Total	Chi-Square Value
		Low	Medium	High		
1	Less than 3 years	11 (33.3%)	12 (36.4%)	10 (30.3%)	33 (100.0%)	4.076 (0.396^{NS})
2	3 - 6 years	14 (19.4%)	23 (31.9%)	35 (48.6%)	72 (100.0%)	
3	Above years	11 (25.6%)	12 (27.9%)	20 (46.5%)	43 (100.0%)	
	Total	36	47	65	148	

Note: Parenthesis indicates ‘p’ value; NS – Not Significant

It is mentioned from the above table that the ‘p’ value is greater than 0.05 therefore the null hypothesis is accepted. Hence, there is no significant relationship between investment experience of the investors and their attitude towards mutual funds.

Findings

1. It is indicated that majority (37.9%) of the respondents belong to the 41–50 years age group. Further, the respondents aged above 50 years perceive maximum level of attitude towards mutual funds.
2. The analysis mentioned that most (38.5%) of the respondents are qualified college level. It is measured that respondents with professional qualifications show maximum level of attitude towards mutual funds.
3. From the analysis, it is showed that most (43.9%) of the respondents prefer medium term (1-5 years) of mutual fund. The analysis revealed that the long-term (above 5 years) investors exhibit the maximum level of attitude towards mutual funds.
4. It is divulged from the analysis that most (36.5%) of the respondents are aware about the mutual fund by their family / friends. It is displayed that respondents who obtain information about the mutual funds from financial advisors have the maximum level of attitude towards mutual funds.
5. From the analysis, it is identified that most (48.6%) of the respondents have 5-10 years of experience in mutual fund investment. The analysis confirmed that respondents with above 10 years of investment experience the maximum level of attitude towards mutual fund investments.
6. It is revealed from the mean score test that they noticed that ‘mutual funds are suitable for achieving long-term financial goals’ followed by ‘mutual fund investment is a safe and reliable investment option’ with the mean score of 4.01 and 3.98 respectively.
7. The Chi-square test justified that there is a close significant relationship between type of mutual fund of the investors and their attitude towards mutual funds.
8. It could be observed from the Chi-square test that there is no significant relationship between investment experience of the investors and their attitude towards mutual funds.

Suggestions

1. The study obtained that respondents aged above 50 years have maximum level of attitude towards mutual funds. Hence, it is suggested that mutual fund companies and financial institutions may design age-specific investment products and awareness programmes to motivate younger investors to develop a positive attitude towards mutual fund investments.

2. The findings displayed that respondents with professional qualifications show higher level of attitude towards mutual funds. Therefore, it is recommended that asset management companies may conduct financial literacy and investor education programmes to enhance all the investors understanding and confidence in mutual fund investments.
3. From the study, it is illustrated that long-term investors (above 5 years) possess the maximum level of attitude towards mutual funds. In this context, mutual fund institutions may promote long-term investment benefits, such as wealth creation and tax advantages, to encourage short-term and medium-term investors to adopt a long-term investment perspective.
4. It is divulged from the study that respondents who obtain information from financial advisors demonstrate the highest level of attitude towards mutual funds. Hence, it is suggested that mutual fund companies may strengthen their advisor networks and personalized advisory services to build trust and improve investors' attitudes.
5. The study proved that respondents with above 10 years of investment experience show the maximum level of attitude towards mutual fund investments. Therefore, it is recommended that financial institutions may introduce guided investment support, mentoring programmes, and simplified investment platforms for less-experienced investors to improve their attitude and participation in mutual funds.

Conclusion

This study has been made to analyse the investors attitude towards mutual funds in Erode. Investors' attitude towards mutual funds is generally positive, as they are perceived as a secure, professionally managed, and effective long-term investment avenue for wealth creation. This study justified that there is a close significant relationship between type of mutual fund of the investors and attitude towards mutual funds whereas no significant relationship between investment experience of the investors and their attitude towards mutual funds. This study revealed that mutual fund companies should strengthen investor education, promote long-term investment benefits and enhance professional advisory services to improve investors' attitude towards mutual funds.

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