Mutual Funds and Indian Society: A Study of Investors' Behaviour and Investment Trends

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Abstract

In current scenario, Mutual funds have become an essential investment vehicle for individuals and institutions worldwide, very helpful in mobilizing savings and channeling them into productive investments. Mutual funds have emerged as a cornerstone of modern financial systems, providing an accessible and efficient mechanism for individuals and institutions to invest in diversified portfolios. Beyond their financial utility, mutual funds significantly influence societal development in various ways. This paper examines the broad impact of mutual funds on Indian society, focusing on their role in economic development, financial literacy, wealth distribution, investors' behaviour and investment trends. By mobilizing individual and institutional savings, mutual funds contribute to capital formation, market stability, and business expansion, thereby fostering economic growth and job creation. In addition to economic benefits, mutual funds are increasingly aligned with societal priorities, poverty reduction, and inequality. However, the growth of mutual funds is not without challenges. Issues such as market volatility, high management fees, and limited investor awareness can hinder their potential to generate positive societal outcomes. This paper seeks to explore the multifaceted investors' behaviour and investment trends about mutual funds in the Indian society, offering insights into their benefits, challenges, and future prospects.

Keywords: Mutual Funds, Indian Society, Mutual Funds & Indian Society, Investors' Behavior, Investment pattern.

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Introduction:

Mutual funds have become an essential part of the modern financial ecosystem, providing an accessible platform for individuals and institutions to participate in capital markets. AMC receives funds from investors and helping them in building diversified portfolio. AMC provides an accessible and affordable way for individuals to invest in financial markets without needing in-depth knowledge or expertise. The emergence of mutual funds has democratized investing, enabling individuals from diverse socio-economic backgrounds to engage in wealth-building activities. The impact of mutual funds extends far beyond their financial benefits. They play a pivotal role in fostering economic development by mobilizing savings and directing them toward productive investments. This contributes to capital formation, corporate expansion, and infrastructure development, thereby generating employment opportunities and stimulating economic growth.

Another critical aspect of mutual funds is their ability to promote financial inclusion. Products like

Systematic Investment Plans (SIPs) and low-cost index funds have allowed even low-income groups to participate in wealth creation. Mutual funds also contribute to improving financial literacy. Fund houses and regulatory bodies conduct educational campaigns to help individuals understand investment concepts, risk management, and the importance of long-term financial planning. As a result, mutual funds not only facilitate wealth accumulation but also empower investors with knowledge, enabling them to make informed financial decisions. The rise of Environmental, Social, and Governance (ESG) funds signifies a shift toward responsible investing. These funds focus on aligning financial returns with social and environmental goals, channeling investments into sustainable development projects that tackle global challenges such as climate change, poverty, and inequality.

Despite their numerous benefits, mutual funds face several challenges. Market volatility can lead to fluctuations in returns, which may deter risk-averse investors. Additionally, the lack of awareness about mutual funds and their potential advantages remains a significant hurdle, particularly in rural or underserved areas. High management fees in actively managed funds may also erode returns, disproportionately impacting small investors.

The present study is to delve deeper into the impact of mutual funds on Indian society. By analyzing these dimensions, the study aims to highlight how mutual funds serve as a catalyst for societal progress while addressing the various problems.

Review of literature:

Gupta and Sehgal (1998) examined the impact of mutual funds on capital markets and concluded that their consistent investment across economic cycles enhances market liquidity and stability. This aids in price discovery and reduces market volatility. *Malhotra and McLeod (2000)* pointed out that various AMCs are charging very high fees in actively managed funds erode returns, particularly affecting small investors. *Sarkar (2003)* emphasized mutual funds' role in mobilizing savings from households and institutions, directing them toward industries, infrastructure, and new ventures. This capital formation drives economic growth and generates employment. *Singh and Vanitha (2004)* emphasized the lack of awareness and accessibility in rural areas as major obstacles to mutual fund adoption. *Klapper, Sulla, and Vittas (2004)* analyzed emerging markets and found that regulatory inadequacies and limited investor protection deter mutual fund participation in developing economies. *Srivastava (2007)* argued that products like Systematic Investment Plans (SIPs) cultivate disciplined saving habits, empowering low-income groups to accumulate wealth gradually. *Pathak (2011)* noted that mutual funds democratize investment by allowing small investors to participate in diversified portfolios, previously accessible only to high-net-worth individuals and institutions. *Bhushan and Medury (2013)* explored mutual fund adoption in rural areas and found that while these instruments have the potential to enhance financial inclusion, low literacy and accessibility are significant barriers. *Rao and Sharma (2016)* demonstrated that mutual funds provide equity investments that enable businesses to expand and innovate, particularly through access to long-term funding for research and development. *Kaushik and Sharma (2019)* critiqued that urban investors disproportionately benefit due to better access and higher financial literacy, limiting mutual funds' role in addressing systemic wealth inequalities.

Objectives of the study:

- To know the impact of mutual funds investment on Indian society.
- To analyse the various factors influence mutual funds investment.
- To know the awareness level of people towards mutual funds investment.
- To analyse various kinds of risks that most associated in mutual funds investment.

Research Methodology:

This study adopts a descriptive research design to assess the investors' behaviour and investment trends about mutual funds in the Indian society. Primary data was collected from 100 respondents using a structured questionnaire, and secondary from books, journals, SEBI and AMFI reports, and other reliable publications. The study focused on understanding changes in financial awareness, investment habits, and economic behavior due to mutual fund investments.

Data Analysis:

Demographic Profile

Table 1: Demographic Profile

Variables	Profile	No.	Percentage (%)
Gender	Male	68	68.0
	Female	32	32.0
	Total	**100**	**100.0**
Age	Upto 30 Years	72	72.0
	31-40	18	18.0
	41-50	8	8.0
	Above 50 Years	2	2.0
	Total	**100**	**100.0**
Occupation	Student	22	22.0
	Salaried	35	35.0
	Professional	9	9.0
	Self-Employed	16	16.0
	Retired/doing nothing	18	18.0
	Total	**100**	**100.0**

Marital Status	Married	28	28.0
	Unmarried	72	72.0
	Total	**100**	**100.0**
Family Size	Upto 4 Members	81	81.0
	5-8 Members	10	34.0
	More than 8 Members	9	9.0
	Total	**100**	**100.0**
Educational Qualification	Highschool	17	17.0
	Intermediate	26	26.0
	Graduation	32	32.0
	Post-Graduation	19	19.0
	Professional	6	6.0
	Total	**100**	**100.0**
Annual Income	Upto Rs. 2,00,000	67	67.0
	2,00,001-5,00,000	16	16.0
	5,00,001-10,00,000	15	15.0
	More than Rs. 10,00,000	2	2.0
	Total	**100**	**100.0**
Annual Savings	Upto Rs. 50,000	77	77.0
	50,001-1,00,000	11	11.0
	1,00,001-2,00,000	7	7.0
	2,00,001-5,00,000	3	3.0
	More than 5,00,000	1	1.0
	Total	**100**	**100.0**

Source: Primary data

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Investors' Preference towards Mutual Funds Investment.

Table 2 : Investors' Preference towards Mutual Funds Investment.

Investment		Responses		Percent of Cases
		N	Percent	
Investment Alternatives	Bank Deposits	62	33.9%	62.0%
	Post-Office Savings	24	13.1%	24.0%
	MMIs	7	3.8%	7.0%
	MFs	20	10.9%	20.0%
	Direct Equity	3	1.6%	3.0%
	Commodity	3	1.6%	3.0%
	Real Estate	17	9.3%	17.0%
	Govt. Securities	5	2.7%	5.0%
	Bonds/Shares	13	7.1%	13.0%
	Derivatives	2	1.1%	2.0%
	ETFs	3	1.6%	3.0%
	ULIPs	5	2.7%	5.0%
	PPF	7	3.8%	7.0%
	None of the above	12	6.6%	12.0%
Total		**183**	**100.0%**	**183.0%**

Source: Primary data

Time period of your experience in mutual funds.

Table 3: Time period of experience in mutual funds.

Time period		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 Year	54	54.0	54.0	54.0
	1-3 Years	23	23.0	23.0	77.0
	3-5 Years	15	15.0	15.0	89.0
	5-10 Years	7	7.0	7.0	96.0
	More than 10 Years	4	4.0	4.0	100.0
	Total	**100**	**100.0**	**100.0**	

Source: Primary data

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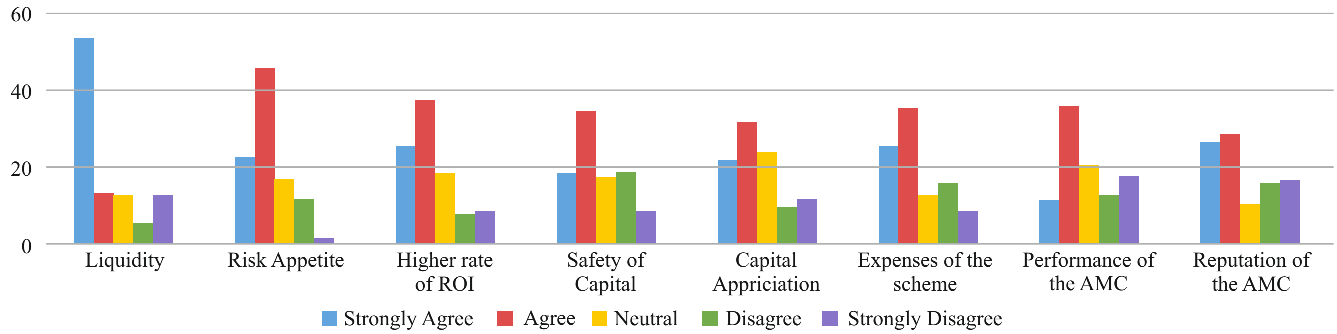
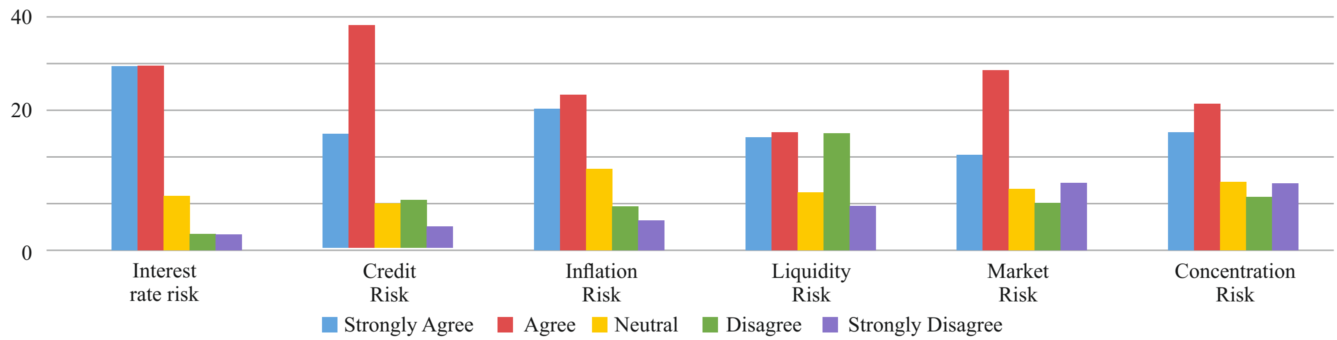
Graph 1: Factor (s) considered most before preferring mutual funds investment.



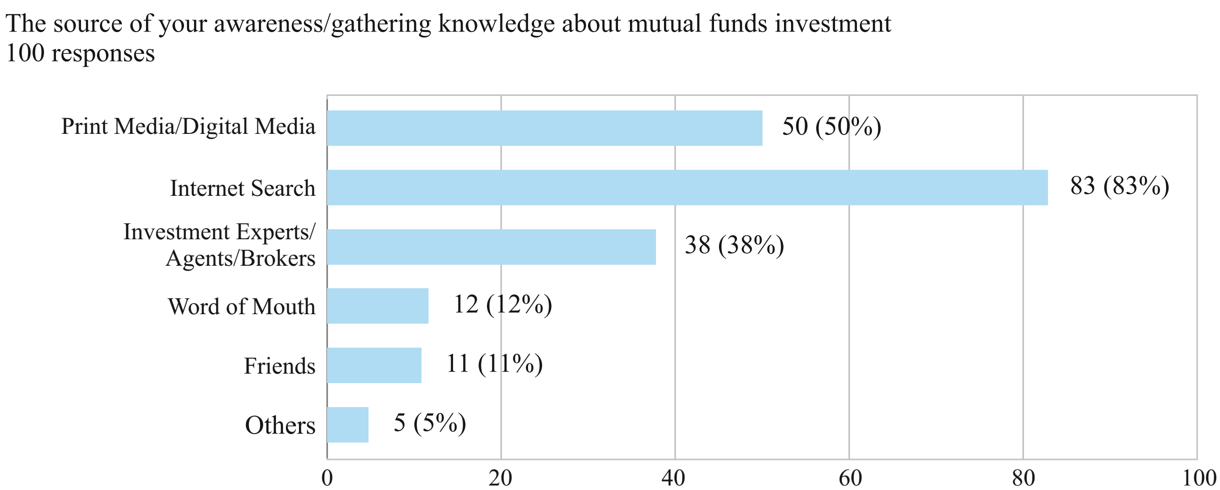
Source: Primary data

Graph 2: Risk faced by investors associated in mutual funds investment



Source: Primary data

Graph3: Investors' Source of Awareness about Mutual Funds Investment.



Findings:

- The table 1 reveals several insights into the profile of mutual fund investors. Male respondents dominate the sample, making up 68%, while females account for 32%. This gender disparity likely reflects societal norms where males are more inclined to make financial decisions or investments in mutual funds, suggesting a need for targeted efforts to get high level of participation of female investors to enhance financial inclusion. Age-wise (72%) come under 30. The 31–40 age group represents 18%, while participation declines significantly in older age brackets, with only 10% being over 40 years and a mere 2% above 50. This underscores a need to address barriers or create targeted products for senior citizens. Occupation-wise, salaried individuals form the largest group at 35%, likely due to their stable income, while students comprise 22%, reflecting their early engagement with financial planning. Other notable groups include retired individuals (18%) and self-employed individuals (16%), each contributing to the diversity of investor profiles. 72% of respondents are unmarried, a factor that potentially correlates with higher disposable income and fewer financial obligations, enabling greater investment flexibility. Family size analysis highlights that 81% of respondents belong to families with up to 4 members. Educational qualifications are another significant driver, with a substantial portion of respondents (32%) holding a Graduation degree, followed by Intermediate (26%) and Post-Graduation (19%). Those with professional degrees (6%) and high school education (17%) form smaller segments. Efforts to target less-educated groups could broaden mutual fund adoption. In terms of financial capacity, 67% of respondents earn below ₹2.5 lakh annually, highlighting that mutual funds are becoming accessible to small investors. However, 16% and 15% of respondents fall into the ₹2.5 lakh–₹5 lakh and ₹5 lakh–₹10 lakh income brackets, respectively, with only 2% earning above ₹10 lakh. Savings patterns further emphasize constraints on investment capacity, with 77% of respondents saving up to ₹50,000 annually. Only a small fraction saves above ₹2 lakh (4%), indicating limited disposable income for investment. To address this, mutual fund products tailored for small, regular investments, such as systematic investment plans (SIPs). This demographic analysis highlights both opportunities and challenges in expanding mutual fund participation, emphasizing the need for inclusivity, targeted financial literacy campaigns.

- The data highlights the distribution of responses across various investment alternatives. Bank Deposits emerged as the most popular choice, with 62 responses accounting for 33.9% of the total and representing 62% of cases. This is followed by Post-Office Savings with 24 responses (13.1% of the total and 24% of cases) and Mutual Funds with 20 responses (10.9% of the total and 20% of cases). Real Estate Bonds/Shares, and Money Market Instruments also received notable attention, with 17, 13, and 7 responses respectively, reflecting their appeal among a smaller segment of investors. Investments such as Unit Linked Insurance Plans, Government Securities, and PPF each garnered 5 to 7 responses, indicating moderate interest. Meanwhile, Direct Equity, Commodities, and Exchange Traded Funds had lower preference levels, with only 3 responses each. Derivatives received the least interest, with just 2 responses (1.1% of the total and 2% of cases). Additionally, 12 respondents opted for "None of the above," representing 6.6% of the total and 12% of cases. Overall, the total number of responses across all categories amounted to 183, reflecting multiple investment preferences per respondent.

- The data illustrates the distribution of investment time periods among respondents, revealing a strong inclination toward short-term commitments. A majority (54%, or 54 respondents) prefer investments with a tenure of up to 1 year, indicating a significant preference for liquidity and flexibility. Medium-term investment horizons, spanning above 1 year up to 3 years, account for 23% of respondents, cumulatively bringing the preference for investments up to 3 years to 77%. Longer-term investments are less favored, with only 15% opting for durations between 3 and 5 years, 7% choosing periods above 5 years up to 10 years, and just 4% committing to investments exceeding 10 years. This trend suggests a conservative outlook, with most investors prioritizing shorter durations to minimize risk and maintain access to funds. Overall, the data highlights a risk-averse and liquidity-focused investment behavior among respondents.

- The chart highlights, the Liquidity emerges as the most critical factor, with nearly 60% strongly agreeing on its importance. Safety of capital and capital appreciation are moderately valued, with about 40-50% recognizing their significance. Factors like performance and reputation of the AMC also hold moderate importance (40%), while expenses of the scheme are less critical.

- The chart shows that interest rate risk and credit risk are the top concerns for respondents. Market risk also stands out, with a similar percentage of respondents expressing concern. Inflation risk and liquidity risk are moderately acknowledged, with 30-40% agreeing, while concentration risk is less prominent but still recognized by some.

- 83% of respondents gather knowledge by internet searches, followed by 50% using print/digital media. Investment experts/agents/brokers are a source for 38%, while 12% rely on word of mouth and 11% on friends. Only 5% use other sources. The data highlights the dominance of online and professional resources in acquiring investment knowledge.

Conclusion:

Investment Preferences:

While mutual funds are gaining popularity, they still represent a minority choice compared to traditional investment avenues like bank deposits (62%) and post-office savings (24%). This reflects a preference for safer, more liquid options among the respondents.

Investment Duration:

The respondents demonstrate a conservative investment behavior, with the majority (54%) preferring short-term investments of up to one year. This suggests that liquidity, and there is a lack of willingness to lock funds in longer-term investments.

Awareness Gap:

The awareness level regarding mutual funds is alarmingly low. While 22% of respondents show a good understanding, 78% either have limited or no knowledge of mutual funds. This underscores a significant gap in financial literacy, such as low-income and rural populations. Awareness campaigns and educational initiatives are crucial to bridging this knowledge gap.

Risk Considerations:

Liquidity, returns on investment (ROI), and risk appetite are considered the most influencing mutual fund choices. The study also highlights interest rate, credit, and market risks as the top concerns for investors, which may influence their hesitancy to commit to mutual fund investments.

Sources of Information:

The internet and professional sources (such as agents or brokers) dominate the avenues through which respondents acquire knowledge about mutual funds. This indicates a growing reliance on digital platforms for financial information.

Recommendations:

Financial Literacy Programs:

It is essential to launch targeted financial literacy campaigns, especially for less-educated groups and rural populations, to enhance understanding and improve adoption of mutual funds.

Product Innovation:

AMCs should consider offering products that cater to shorter investment horizons and address liquidity concerns, as these are the dominant preferences among investors.

Gender Inclusivity:

Efforts to promote mutual fund investments should include strategies to encourage greater participation from women, addressing the existing gender disparity in financial decision-making.

Awareness Campaigns:

To increase awareness, mutual fund companies should use digital platforms, social media, and collaborations with investment experts to promote knowledge about mutual funds and their benefits.

Addressing Risk Concerns:

To ease investors' concerns about risk, AMCs could focus on educating investors about risk management.

Overall, the study highlights that while mutual funds play a growing role in financial markets, there is a clear need for broader outreach, better education, and more tailored products to fully unlock their potential in contributing to societal financial inclusion and wealth creation.

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