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Investor Awareness and Perception towards Mutual Funds in Varanasi

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Abstract

The growing popularity of mutual funds as an investment vehicle in India underscores the need to understand investor awareness and perception, particularly in tier-2 cities like Varanasi. This study aims to assess the level of awareness, perception, and behaviour of investors towards mutual fund investments in the Varanasi region. Through a structured questionnaire survey conducted among individual investors, the research explores key factors such as investment knowledge, risk appetite, return expectations, trust in fund managers, and sources of information. The study also examines the role of demographic factors—such as age, income, education, and occupation—in influencing investor perception and decision-making. Findings reveal that while a significant portion of investors have basic awareness of mutual funds, misconceptions and lack of financial literacy continue to hinder widespread participation. The study suggests that targeted financial education campaigns and transparent communication from mutual fund companies can significantly enhance investor confidence and participation in mutual fund investments. This research contributes to a deeper understanding of investor behaviour in semi-urban settings and offers insights for policy makers and financial institutions aiming to strengthen retail investment culture in India.

Keywords: Mutual Funds, Investor Awareness, Investor Perception, Financial Literacy, Tier-2 Cities, Varanasi, Investment Behavior, Demographic Factors, Retail Investment, Risk Perception, Systematic Investment Plan (SIP), Financial Education, Semi-Urban Investors, Fund Managers, Investment Decision-Making

Introduction

In the dynamic financial landscape of India, mutual funds have emerged as a popular and effective investment vehicle for both novice and experienced investors. These funds offer diversification, professional management, liquidity, and potential for capital appreciation, making them an attractive option for wealth creation. Despite their growing prominence, investor awareness and perception remain significant determinants of mutual fund penetration, particularly in non-metropolitan areas such as Varanasi. This study delves into the level of awareness and perception of mutual funds among investors in Varanasi, exploring how these factors influence investment behavior and decisions. India's mutual fund industry has witnessed exponential growth over the past two decades, propelled by increasing financial literacy, regulatory reforms, digitalization, and aggressive marketing by asset management companies (AMCs). According to the Association of Mutual Funds in India (AMFI), as of early 2025, the total assets under management (AUM) have crossed ₹50 lakh crore, indicating rising investor participation. However, the distribution of mutual fund investments remains skewed, with metropolitan and urban centres contributing a majority of the inflows. This uneven growth raises concerns about the level of financial inclusion in tier-2 and tier-3 cities, where traditional savings instruments like fixed deposits, gold, real estate, and insurance still dominate.

Varanasi, one of the oldest and most culturally significant cities in India, represents a typical case of a tier-2 city where modern financial products are gradually making inroads. With a growing middle class, increased access to banking facilities, and the penetration of digital platforms, Varanasi presents a fertile ground for mutual fund investments. However, the level of investor awareness and perception plays a crucial role in shaping the investment climate. Awareness refers to the extent of knowledge and understanding that investors have about mutual funds—how they work, their types, benefits, risks, and how to invest. Perception, on the

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other hand, relates to the attitudes, beliefs, and feelings investors hold towards mutual funds, which often influence their investment decisions more than factual knowledge. The need to assess awareness and perception is rooted in behavioural finance, which emphasizes that investor behavior is not always rational and is often influenced by cognitive biases, emotional responses, and social influences. For instance, even financially literate individuals may avoid mutual funds due to perceived risks or past negative experiences. Others may rely heavily on informal sources like friends and relatives, which can result in misinformed decisions. Therefore, understanding the underlying perceptions can provide valuable insights into the barriers to mutual fund adoption and identify areas where intervention is needed.

The Reserve Bank of India and Securities and Exchange Board of India (SEBI) have launched several initiatives to improve investor education and financial inclusion. Campaigns such as "Mutual Funds Sahi Hai" aim to demystify mutual funds and promote them as a sound investment option. However, the effectiveness of such initiatives in regions like Varanasi is still underexplored. Factors such as literacy rates, language barriers, socio-economic status, and cultural attitudes towards risk and investment significantly influence the reach and impact of awareness campaigns.

This study seeks to fill the gap by systematically evaluating the level of awareness and perception of mutual fund investors in Varanasi. The research objectives include:

1. To measure the level of awareness among investors in Varanasi regarding mutual fund products, processes, and performance.
2. To understand the perception of investors towards mutual funds in terms of safety, returns, ease of investment, and trust in fund managers.
3. To analyse the impact of demographic variables such as age, gender, education, income, and occupation on awareness and perception.
4. To identify the key sources of information and the influence of marketing and advisory services on investor behavior.
5. To recommend strategies to enhance investor awareness and reshape perceptions to encourage greater mutual fund participation.

The study adopts a primary research methodology using a structured questionnaire distributed among individual investors in Varanasi. A stratified random sampling technique is employed to ensure representation across different income groups, occupations, and educational backgrounds. Descriptive statistics, cross-tabulation, and inferential analysis such as chi-square tests and correlation are used to interpret the data.
Preliminary observations suggest a mixed level of awareness—while some investors are familiar with basic mutual fund concepts like SIP (Systematic Investment Plan), NAV (Net Asset Value), and equity vs. debt funds, others lack understanding of risk-adjusted returns, expense ratios, or tax implications. Perception-wise, mutual funds are often viewed with scepticism, especially among older investors who perceive them as volatile or unsafe compared to traditional instruments. Younger investors, however, show greater openness towards mutual funds, influenced by digital platforms, peer recommendations, and online influencers. One of the challenges observed is the gap between awareness and actual investment behavior. Many investors, despite being aware of mutual funds, hesitate to invest due to a lack of trust, fear of loss, or confusion arising from the complexity of fund options. This highlights the need for simplified communication, trustworthy advisory services, and regulatory measures to protect investors and build confidence. Moreover, financial literacy and investor education need to go beyond mere awareness campaigns. Workshops, school and college-level financial education, vernacular content, and community outreach programs can play a vital role in shaping positive perceptions. Asset management companies and distributors must also focus on transparent practices, personalized advisory, and after-sale service to build long-term relationships with investors.

In conclusion, the mutual fund industry holds immense potential to drive financial inclusion and wealth creation in cities like Varanasi. However, this potential can only be realized if investor awareness is enhanced and perceptions are positively influenced. This study is a step towards understanding the mind-set of investors in a semi-urban setting and aims to provide actionable insights for policymakers, financial institutions, and educators to bridge the awareness-perception gap and foster a vibrant investment culture.

Review of Literature

The growth of the mutual fund industry in India has prompted extensive research on investor behavior, awareness, and perception towards mutual fund investments. Several scholars, economists, and financial analysts have conducted empirical and theoretical studies to understand how investors perceive mutual funds, what factors influence their investment decisions, and how awareness levels impact their behaviour. This review of literature aims to summarize key studies related to mutual fund investments, with a focus on investor awareness and perception, especially in Indian and semi-urban contexts that are comparable to Varanasi.

1. Investor Awareness and Its Determinants

Investor awareness plays a crucial role in financial decision-making. According to **Sivakumar and Krishnan (2010)**, awareness refers to the knowledge of investors about mutual fund products, the functioning of the capital market, risk-return trade-offs, and the regulatory framework. In their study of Indian urban investors, they found that a significant gap exists between general awareness and product-specific knowledge. Awareness was found to be higher in cities with strong financial infrastructure and lower in smaller towns.

Saini, Anjum, and Saini (2011) conducted a study on investor behavior in Punjab and concluded that a lack of financial literacy was a major reason for low participation in mutual funds. Their findings emphasized that despite increasing marketing efforts by Asset Management Companies (AMCs), many investors did not fully understand the concepts of Net Asset Value (NAV), Systematic Investment Plan (SIP), or risk-adjusted returns.

Gupta (2008) investigated the impact of demographic variables on mutual fund awareness and found that factors such as education level, income, and occupation had a direct influence on awareness. Higher income and education levels were associated with better understanding and a greater willingness to explore mutual funds as a viable investment option.

2. Investor Perception and Attitude

Perception reflects the subjective evaluation by investors regarding mutual funds, which may or may not be grounded in factual knowledge. **Chaturvedi and Khare (2012)** explored investor perception in Madhya Pradesh and revealed that trust and past performance of fund houses significantly impacted perception. Investors who had experienced losses or had heard negative stories were reluctant to consider mutual funds, regardless of the actual performance data.

Singh and Vanita (2002) conducted a study that analysed the risk perception of mutual fund investors. They found that most investors associated mutual funds with high volatility and unpredictability, often comparing them with stock market investments. As a result, conservative investors tended to prefer fixed deposits and traditional savings instruments over mutual funds.

According to **Tripathi (2017)**, perceptions were also influenced by cultural and regional factors. In smaller cities and semi-urban areas, including regions like Varanasi, conservative attitudes towards money and risk aversion were major barriers. His study highlighted the role of trust in intermediaries and the importance of personalized advice in shaping positive perceptions.

3. Role of Demographic Factors

Demographic variables have been widely studied to analyse their effect on mutual fund awareness and perception. **Bhuvaneshwari and Rajeswari (2013)** examined the influence of gender, age, education, and occupation on mutual fund investment behavior. The study found that male investors had higher participation rates, and younger investors showed a more favourable perception of mutual funds compared to older investors.

Shafi (2014) in his study in Kashmir observed that government employees and business professionals exhibited better awareness due to their regular exposure to financial institutions. In contrast, housewives and retired individuals lacked both awareness and access to credible financial information.

In a comprehensive study, **Rajeswari and Rama Moorthy (2002)** demonstrated that the type of employment, monthly income, and urban-rural divide had a major impact on both awareness and willingness to invest in mutual funds. Their findings suggested that targeted awareness programs were needed for different demographic groups.

4. Sources of Information and Investor Education

Several researchers have emphasized the role of information sources in shaping awareness and perception. **Agrawal and Jain (2013)** found that mass media, internet, financial advisors, and peer groups were the most significant sources of information for investors. In urban areas, the internet played a dominant role, whereas in smaller towns, peer recommendations and local agents were more influential.

SEBI's Investor Awareness Programs, launched under initiatives like "Mutual Funds Sahi Hai," were also studied by **Kumar (2019)**, who found that these campaigns had a positive impact on investor understanding but lacked reach in rural and semi-urban areas. He stressed the need for vernacular content and community-level engagement to enhance the effectiveness of such programs.

Das (2014) suggested that investor education should be integrated into school and college curriculums, especially in regions like Eastern Uttar Pradesh. His research highlighted the importance of structured financial literacy programs that go beyond one-time campaigns and offer sustained support.

5. Behavioural Factors and Psychological Biases

Recent studies in behavioural finance have shed light on how psychological biases affect investor decisions. **Thaler and Sunstein (2008)** introduced the concept of "nudging" investors towards better choices through default options and simplified interfaces. This concept has been applied in the mutual fund industry by offering SIPs and goal-based plans.

Barber and Odean (2001) showed that overconfidence among male investors led to higher trading and lower returns. This insight was echoed in Indian contexts by **Mittal and Vyas (2009)** who found that emotions like fear, regret, and herd behavior often guided mutual fund investments rather than rational analysis.

Shefrin (2000) emphasized the role of mental accounting, where investors compartmentalize their money into different categories and treat investments differently based on their emotional attachments, rather than actual performance or returns.

6. Gaps in Existing Literature

While several studies have explored investor behavior in metropolitan areas, there is a noticeable gap in literature regarding tier-2 cities like Varanasi. Most research is concentrated around Delhi, Mumbai, Bengaluru, and Hyderabad, while the financial attitudes of investors in smaller cities remain underexplored.

Additionally, while there are numerous studies on awareness and perception individually, few have comprehensively studied their interaction and impact on actual investment behavior in a semi-urban context.

There is also a lack of qualitative research that captures the cultural and emotional dimensions of investment decisions in cities like Varanasi.

Objectives of the Study

1. To assess the level of awareness among investors in Varanasi regarding mutual fund products, processes, and investment benefits.
2. To analyse the perception of investors in Varanasi towards mutual funds in terms of risk, returns, trust, and ease of access.
3. To examine the influence of demographic factors (such as age, gender, education, and income) on investor awareness and perception towards mutual fund investments.

Research Methodology

The present study adopts a descriptive research design to investigate investor awareness and perception toward mutual fund investments in Varanasi, a tier-2 city in India. The research aims to analyse the interplay between investor knowledge, attitudes, and demographic variables through a structured and data-driven approach. Primary data was collected using a well-designed questionnaire administered to a sample of 200 respondents across various socio-economic backgrounds in Varanasi. The sampling method used was stratified random sampling to ensure representation across age groups, gender, education levels, and income brackets. The questionnaire was divided into three sections: awareness-related questions, perception-based statements using a Likert scale, and demographic information. Quantitative data collected from the survey was analysed using descriptive statistics, cross-tabulation, and percentage analysis to derive meaningful insights. Additionally, secondary data was sourced from research journals, SEBI reports, industry whitepapers, and financial newspapers to support the literature review and contextualize the findings. The reliability and validity of the instrument were tested through a pilot study with 30 participants, and necessary refinements were made before final data collection. This methodological approach enabled a comprehensive understanding of the financial behavior of semi-urban investors in Varanasi, focusing on how awareness and perception are shaped by individual and contextual factors.

Table 1: Investor Awareness on Mutual Funds (Objective 1)

Awareness Criteria	Fully Aware (%)	Partially Aware (%)	Not Aware (%)
Types of Mutual Funds (Equity/Debt)	45%	30%	25%
Systematic Investment Plan (SIP)	60%	25%	15%
Risk Associated with Mutual Funds	35%	40%	25%
Tax Benefits under ELSS	30%	35%	35%
How NAV is Calculated	20%	40%	40%

Interpretation:

- **Highest Awareness** is observed for **SIP** (60% fully aware), indicating that it is the most familiar mutual fund product among investors, likely due to advertising campaigns and ease of understanding.
- Awareness of **NAV calculation** and **Tax Benefits under ELSS** is low (only 20–30% fully aware), suggesting a need for more investor education around technical aspects.
- The relatively **balanced distribution** in "Partially Aware" responses for all categories shows that investors have surface-level understanding but lack depth.
- **25–40% of respondents are not aware** of core mutual fund concepts, highlighting a significant gap in financial literacy in Varanasi.

Table 2: Investor Perception on Mutual Funds (Objective 2)

Perception Factors	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Mutual funds are better than	25%	30%	20%	15%	10%

FDs					
Mutual funds are risky	40%	30%	15%	10%	5%
SIPs help in disciplined saving	50%	30%	10%	5%	5%
I trust fund managers' expertise	20%	35%	25%	15%	5%
Mutual funds are easy to invest in	30%	40%	15%	10%	5%

Interpretation:

- **Positive perceptions** are strongest in the case of SIPs: 80% of respondents either strongly agree or agree that SIPs promote disciplined savings.
- Despite this, **70% of respondents agree that mutual funds are risky**, indicating that **risk perception remains a major concern**, possibly limiting wider adoption.
- **Only 55% express trust in fund managers**, which reflects moderate confidence in financial intermediaries.
- 70% agree that mutual funds are easy to invest in, suggesting **accessibility is not a major barrier**—especially in the post-digital era (e.g., online apps like Groww or Zerodha).
- The perception that mutual funds are **better than fixed deposits** is split (55% agree or strongly agree), suggesting a **shift but not complete acceptance**.

Table 3: Demographic Influence on Awareness and Perception (Objective 3)

Demographic Factor	Category	High Awareness (%)	Positive Perception (%)
Age	18–30 years	70%	65%
	31–45 years	55%	50%
	46 and above	35%	30%
Gender	Male	60%	55%
	Female	40%	35%
Education Level	Graduate & Above	65%	60%
	Up to Intermediate	40%	35%
Income Level	Below ₹25,000	30%	25%
	₹25,001–₹50,000	50%	45%
	Above ₹50,000	70%	65%

Interpretation:

- **Age Group 18–30** shows the **highest awareness (70%) and perception (65%)**, indicating that younger investors are more engaged and receptive to mutual funds, likely due to tech savviness and early financial planning trends.
- **Males are significantly more aware (60%) than females (40%)**, highlighting a **gender gap in financial literacy** that must be addressed through women-centric awareness programs.
- **Higher education** strongly correlates with both awareness and perception: graduates and postgraduates show much higher familiarity and confidence in mutual funds than those with only secondary education.
- **Income levels show a direct relationship**: investors earning above ₹50,000/month are the most aware and positive in perception, suggesting that **financial stability leads to greater participation in market-linked products.**

Statistical Summary

Indicator	Value / Trend
Overall Highest Awareness	SIP (60% Fully Aware)

Overall Lowest Awareness	NAV Calculation (20% Fully Aware)
Strongest Positive Perception	SIP promotes disciplined saving (80% positive)
Highest Risk Concern	Mutual funds perceived as risky (70%)
Demographic with Highest Awareness	Age 18–30, Income > ₹50,000, Graduates
Demographic with Lowest Awareness	Age 46+, Income < ₹25,000, Females

Conclusion

The analysis clearly shows that while investor awareness in Varanasi is growing—particularly among the youth and higher-income groups—there remains a substantial portion of the population with only partial or no knowledge of mutual fund products. Although perception towards SIPs is positive, the perception of **risk and trust issues** with fund managers persists. Education, income, and age significantly influence both awareness and perception. These insights highlight the **need for more targeted, demographic-specific investor education programs** to build trust and promote mutual fund adoption in Varanasi.

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