
A STUDY ON THE AWARENESS AND ADOPTION OF MUTUAL FUNDS IN MUMBAI SUBURBAN AREA

Mr. Samad Azhar Ali Khan¹ and Mr. Priyansh Sameer Ailawadi²

¹Third Year Student of Academic Year 2025-26 in Department of B. Com (Financial Markets), Thakur College of Science and Commerce, Shyamnarayan Thakur Marg, Thakur Village, Kandivali East, Mumbai – 400101

Email: samadalikhan022@gmail.com

²Third Year student of Academic Year 2025-26 in the Department of B. Com (Financial Markets), Thakur College of Science and Commerce, Shyamnarayan Thakur Marg, Thakur Village, Kandivali East, Mumbai – 400101

Email: ailawadipriyansh@gmail.com

ABSTRACT

This study strives to examine the awareness and adoption of mutual funds among people staying in suburban areas of Mumbai. The study covers the level of financial literacy demonstrated by the respondents, misconceptions that shape their perceptions and investment behavior that influence their decisions regarding mutual fund participation. The data is collected through a survey instrument with a return of 182 respondents from different demographic backgrounds. It is found that while there is a reasonable level of awareness that mutual funds are an investment option, actual adoption remains limited in these areas. Sample respondents have demonstrated an understanding that adopting mutual funds are subject to risk, mistrust of the funds, limited levels of financial knowledge, and preference of other traditional savings instruments. Finally, the study emphasizes the value of improved investor education for investor awareness of mutual fund options, transparency in the fund's operations, financial advisors working to the benefits of obtaining services for their customers, and wealth management education. The study underscores the knowledge of mutual funds and what that means compared to ordinary investment options, importantly bridging the gap between awareness and the adoption of mutual funds.

Keyword: Mutual Funds, Systematic Investment Plans (SIPs), Financial Literacy, Investor Behavior, Traditional Savings, Risk Aversion, Wealth Creation, Financial Inclusion.

INTRODUCTION:

A mutual fund is an investment vehicle that pools funds from many investors, who own shares of the mutual fund. The money is invested in a diversified portfolio of assets (i.e. stocks, bonds, government securities, or other financial assets). The mutual fund is managed by professional fund managers with specific investment objectives. Income and capital gains are distributed to investors based on their ownership shares after all transaction, administration, and advisor fees, etc. These structures give investors access to professional management and diversification while limiting their risk compared to single security investing. The ease and convenience of mutual funds are appealing to novice and experienced investors.

Mutual funds started in the 18th century with a Dutch businessman, Adriaan van Ketwich, who wanted to consider the idea of pooling resources to invest in a wide selection of securities to provide small investors with diversification and risk mitigation. This idea quickly scaled throughout Europe. The first investment trust was established in the UK in 1873 and the first mutual fund in the U.S., Massachusetts Investors Trust, was established in 1924. The Massachusetts Investors Trust introduced the open-end mutual fund structure which allowed investors to purchase and redeem their shares at any time. This structure to this day forms the basis for the first mutual funds.

In India, the mutual fund industry started in 1963 when the Unit Trust of India (UTI) was set up by the government and Reserve Bank of India. The government and UTI's goal was to create a platform to encourage savings and investments by the general public. UTI established and opened its first scheme, the Unit Scheme 1964, which became quite popular. Over the next four decades, the mutual fund industry went through various phases: including the entrance of public sector banks in 1987; the participation of the private sector in 1993; and significant regulatory reforms initiated by the Securities and Exchange Board of India (SEBI). The mutual fund industry has been growing rapidly and recently there have been records for both Assets under Management and investor participation.

REVIEW OF LITERATURE

Kavitha Ranganathan,(23 Jan 2006)

Behavioral finance looks at how people's habits and emotions affect their money decisions, combining ideas from marketing and economics. Usually, financial markets are studied only with numbers and analysis, but in reality, investor behavior also plays a big role. In India, after reforms in industry and the financial sector, mutual funds have become a popular choice for small investors. But the way people pick funds depends a lot on their financial behavior. This study tries to understand how investors in Mumbai select mutual funds, and the findings can help researchers and teachers build deeper knowledge in this area.

CDG Doshi, (2023)

Investing is a concern for everyone, but with so many options, people often struggle to choose the right one for their financial goals. Limited knowledge leads many investors to make mistakes or rely on random advice. To understand this better, a survey was conducted among people aged 18–60 in the Mumbai Metropolitan Region. The study looks at how individuals view mutual fund investments through SIPs and suggests ways to improve awareness and decision-making.

Ratish C Gupta, Dr. Manish MittalProgram, (2015)

The Indian mutual fund industry is growing quickly but still faces low reach compared to its potential. Most savings still go into fixed deposits, gold, or real estate instead of mutual funds. The industry is also heavily concentrated in Tier I cities, where the top 15 cities account for 85% of investments, leaving very little share for smaller cities. This study looks at how investors' decision-making affects the present state of the mutual fund industry.

Sahil Jain, Dr. Aditi Gangopadhyay,(July-Aug, 2012)

In the past decade, India's mutual fund industry has grown rapidly, with assets under management crossing ₹6.8 trillion and over a thousand schemes competing for investors' attention. This paper studies the performance of 45 equity-based mutual fund schemes from 2 private and 2 public sector companies over 15 years (1997–2012), using the risk-return relationship and CAPM model. The findings show that HDFC and ICICI funds performed the best, UTI delivered average results, while LIC underperformed by giving lower-than-expected returns.

Kola Vasista, (Mar 2022)

A commodity exchange is an organized marketplace where futures trading in commodities takes place, ensuring fair competition between buyers and sellers. Unlike local wholesale markets with scattered deals, exchanges provide a single structured platform, often like auctions. This paper also explains the different types of mutual funds and the risks investors face when putting money into them.

OBJECTIVES:

- 1.To study the demographic profile of respondents and its impact on mutual fund awareness.
- 2.To assess awareness and understanding of mutual funds, SIPs, and risks.
- 3.To analyze the effect of knowledge gaps on investment behavior.
- 4.To examine the influence of peers, family, and influencers on investment decisions.
- 5.To compare preferences between traditional savings and mutual funds.
- 6.To identify major information sources guiding investment awareness.

LIMITATIONS:

1. **Area:** The data is limited to the suburban area of Mumbai City, potentially affecting the generalizability of the findings to a broader population.
2. **Time:** Due to time constraints, the research had a limited window for collecting sampling data, potentially impacting the depth and breadth of the study.
3. **Subjective Thinking:** Not every respondent may exercise utmost care in filling out a survey, introducing the possibility of response bias. The survey method may make it challenging to ensure that all respondents dedicate accurate time and attention to the questionnaire, potentially affecting data reliability.

HYPOTHESIS:

H₀₁ : There is no significant relationship between the level of knowledge about mutual funds and the investment behavior of respondents.

H1₁ : There is a significant relationship between the level of knowledge about mutual funds and the investment behavior of respondents.

H0₂: Peer and social influence (friends, family, influencers) has no significant effect on respondents' decisions to invest in mutual funds/SIPs.

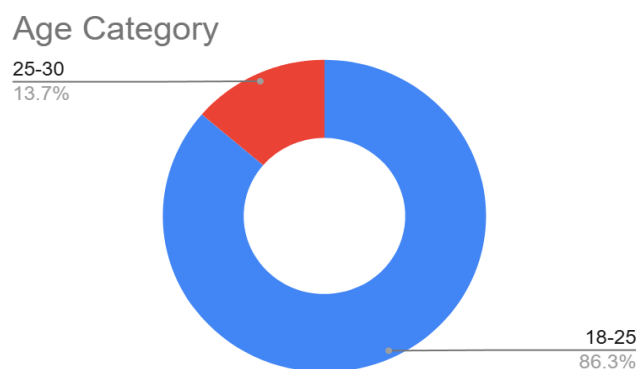
H1₂: Peer and social influence (friends, family, influencers) has a significant effect on respondents' decisions to invest in mutual funds/SIPs.

RESEARCH METHODOLOGY:

1. Research Category: The research conducted is descriptive, focusing on individuals in the suburban area of Mumbai City.
2. Tools and Techniques Applied: Statistical patterns and representations were employed to present primary data in the research paper. The data analysis included frequency and percentages to ensure accuracy.
3. Sampling Method: Simple random sampling was used to gather practical information. Respondents participated by answering a survey conducted through Google Forms, providing a snapshot of the opinions of individuals in the suburban area of Mumbai City. The use of Google Forms facilitated efficient data collection within the constraints of time.
4. Sample Size: The primary data for the research study consisted of 182 responses. This sample size was deemed sufficient for the research objectives while accommodating time limitations.

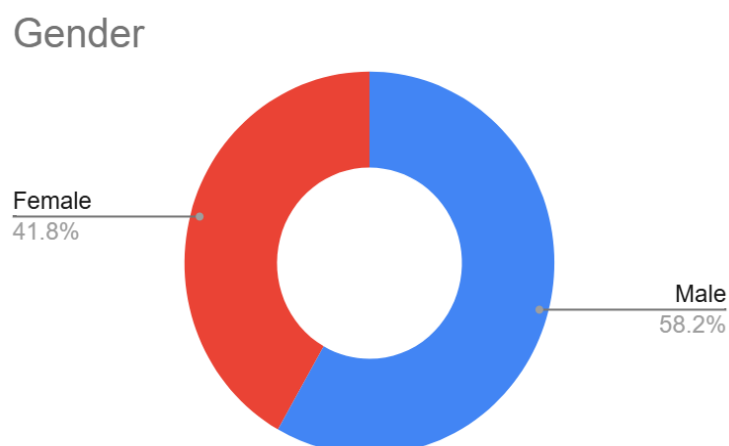
DATA INTERPRETATION AND ANALYSIS:

(Primary Data: Question 1)



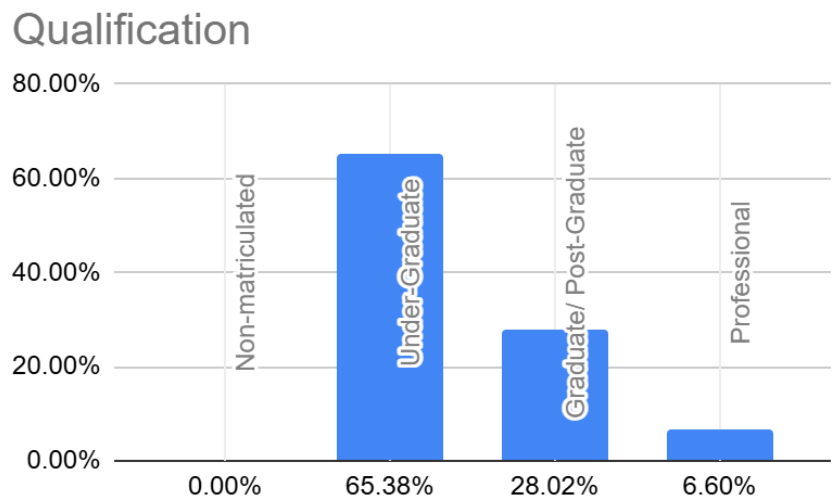
The survey data shows a concentrated age distribution among respondents. The majority fall in the age group of 18–25 years, comprising 86.26% of the total, followed by 25–30 years at 13.74%. There were no respondents from the 30–40 years and 40 years & above categories.

(Primary Data: Question 2)



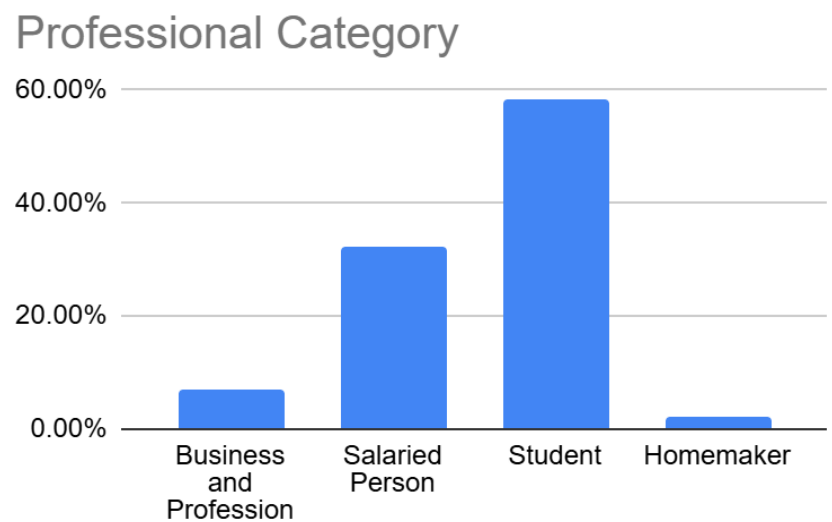
The survey data shows a balanced gender distribution among respondents. The majority are male, comprising 58.24% of the total, followed by female respondents at 41.76%.

(Primary Data: Question 3)



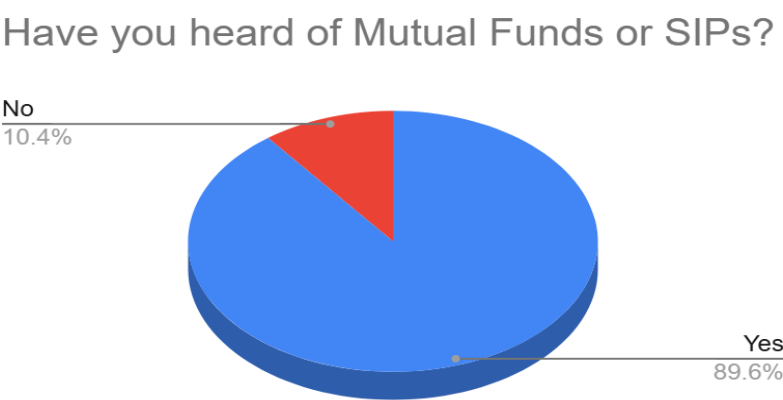
The survey data shows that the majority of respondents are under-graduates, comprising 65.38% of the total. This is followed by graduates/post-graduates at 28.02%, and a smaller proportion of professionals at 6.6%. There were no respondents in the non-matriculated category.

(Primary Data: Question 4)



The survey data shows that the majority of respondents are students, comprising 58.24% of the total. This is followed by salaried persons at 32.42%, while business and profession respondents account for 7.14%. A small proportion of respondents, 2.2%, are homemakers.

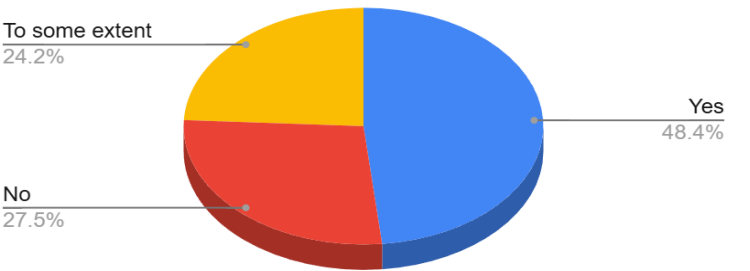
(Primary Data: Question 5)



The survey data shows that the majority of respondents, 89.56%, have heard of Mutual Funds or SIPs, while only 10.44% reported that they have not.

(Primary Data: Question 6)

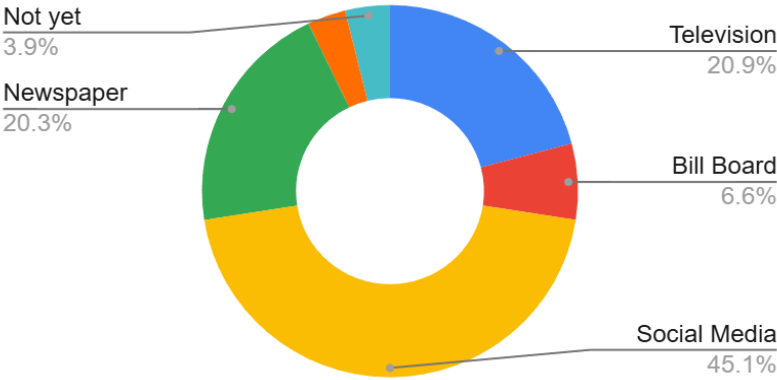
Are you aware about risks and regulatory body associated with mutual fund?



The survey data shows that 48.35% of respondents are aware of the risks and the regulatory body associated with mutual funds. Meanwhile, 27.47% reported they are not aware, and 24.18% indicated that they are aware to some extent.

(Primary Data: Question 7)

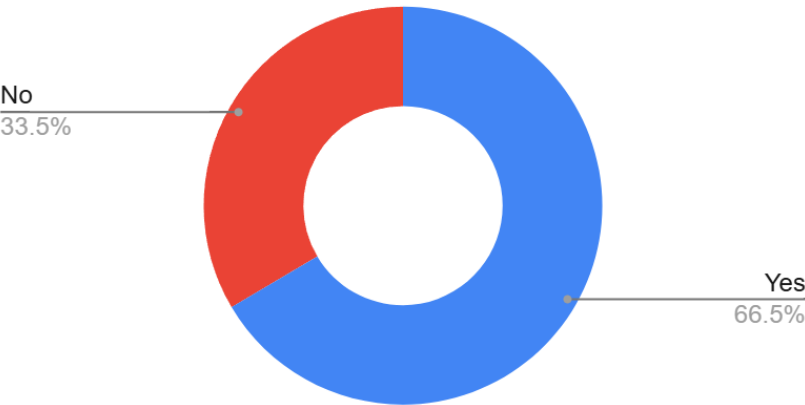
How you get information and ideas to invest in mutual fund , though?



The survey data shows that the majority of respondents, 45.05%, get information and ideas to invest in mutual funds through social media. This is followed by television (20.88%) and newspapers (20.33%) as major sources. Smaller proportions of respondents rely on billboards (6.59%), pamphlets (3.3%), while 3.85% reported that they have not yet sought such information.

(Primary Data: Question 8)

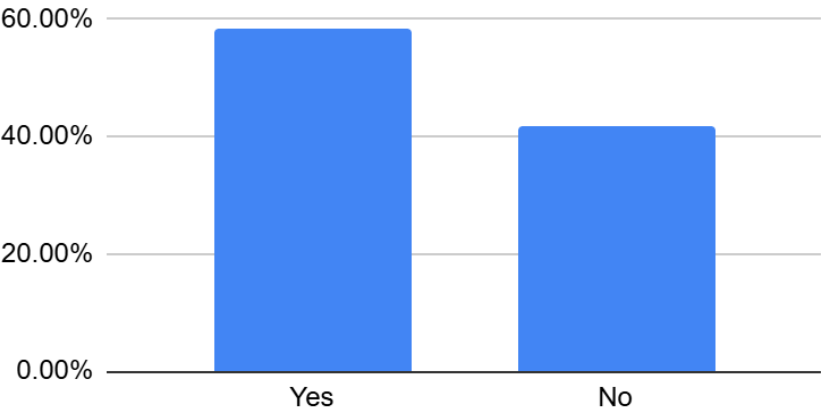
Did lack of proper knowledge ever stop you from investing in mutual funds?



The survey data shows that a majority of respondents, 66.48%, reported that lack of proper knowledge has stopped them from investing in mutual funds, while 33.52% stated that it has not.

(Primary Data: Question 9)

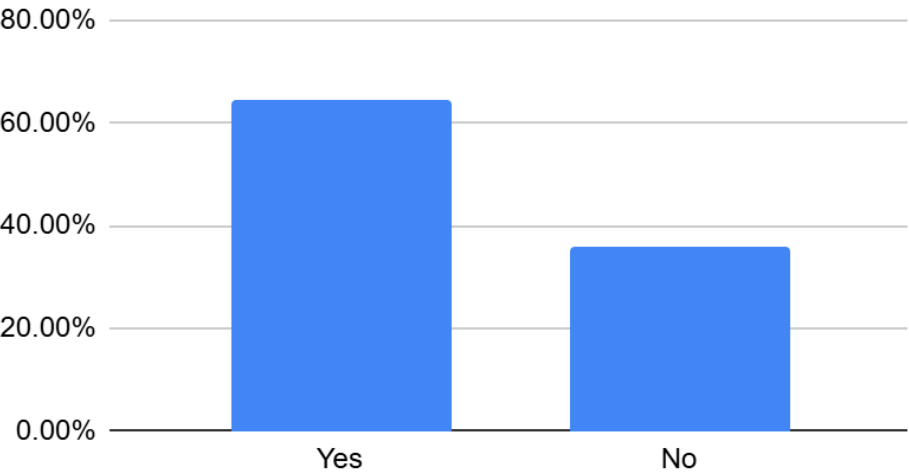
Friends, relatives or fin-influencer influence or affect your mutual fund decision?



The survey data shows that 58.24% of respondents reported that their mutual fund investment decisions are influenced by friends, relatives, or financial influencers, while 41.76% stated that they are not influenced by them.

(Primary Data: Question 10)

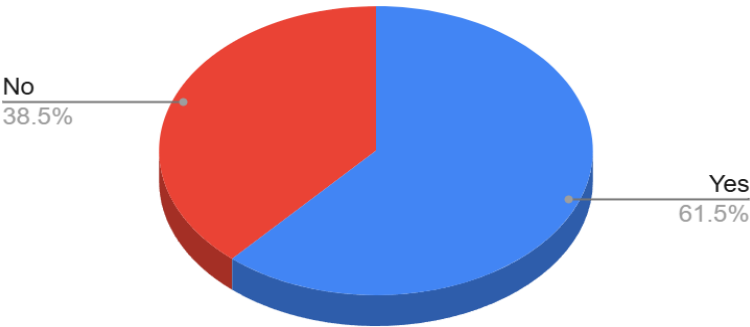
Did you invest in mutual fund or do regular SIPs?



The survey data shows that the majority of respondents, 64.29%, have invested in mutual funds or do regular SIPs, while 35.71% reported that they have not.

(Primary Data: Question 11)

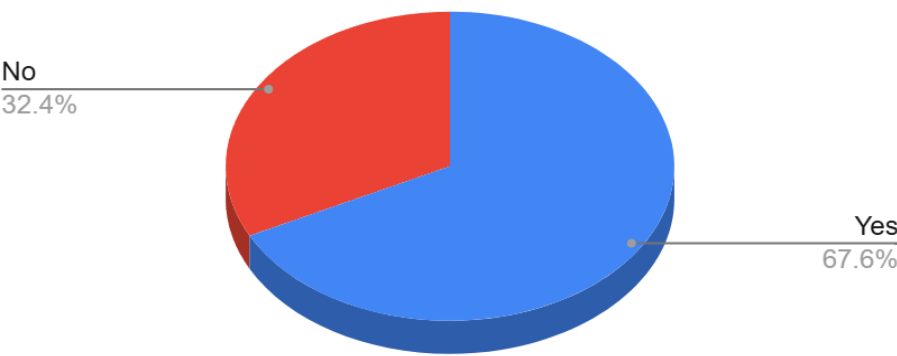
Do you prefer traditional savings options (like FDs or LIC) over mutual funds?



The survey data shows that 61.54% of respondents prefer traditional savings options such as FDs or LIC over mutual funds, while 38.46% indicated that they do not.

(Primary Data: Question 12)

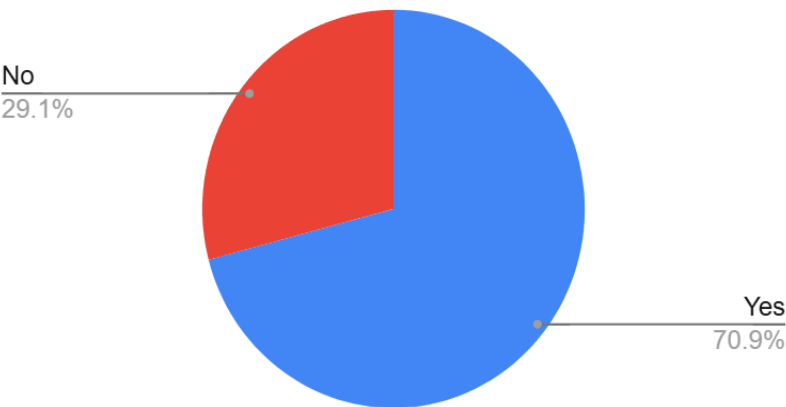
" Have you used any mobile app or online platform to invest in mutual funds?"



The survey data shows that the majority of respondents, 67.58%, have used a mobile app or online platform to invest in mutual funds, while 32.42% reported that they have not.

(Primary Data: Question 13)

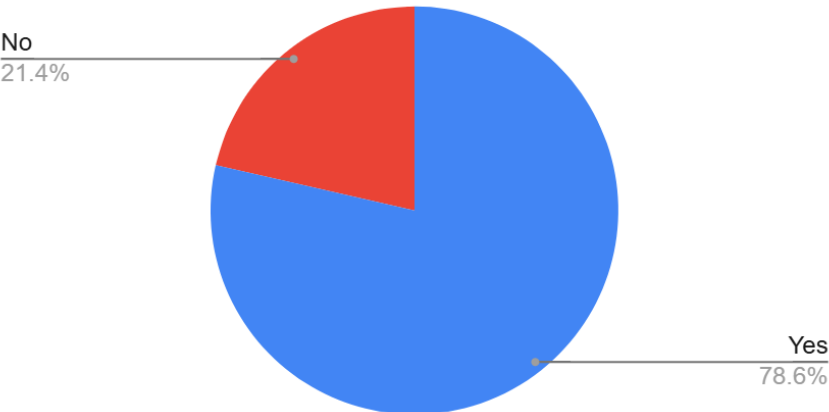
Do you think mutual fund or SIPs is the best way to invest in stock market



The survey data shows that a majority of respondents, 70.88%, believe that mutual funds or SIPs are the best way to invest in the stock market, while 29.12% do not share this view.

(Primary Data: Question 14)

"Do you believe mutual funds are useful for long-term wealth creation?"



The survey data shows that the majority of respondents, 78.57%, believe that mutual funds are useful for long-term wealth creation, while 21.43% stated that they do not.

FINDINGS:**As per the Researcher's Findings: –**

1. The majority of respondents are aged 18 to 25 years (86.26%), followed by 25–30 years (13.74%), with no respondents above 30, showing that awareness and participation in mutual funds is dominated by the younger population.
2. Males slightly outnumber females, comprising 58.24% of respondents compared to 41.76%, indicating a moderately balanced gender distribution.
3. The majority of respondents are undergraduates (65.38%), followed by graduates/postgraduates (28.02%), while professionals make up only 6.6%, reflecting strong student participation in the survey.
4. Students (58.24%) form the largest occupational group, followed by salaried individuals (32.42%), while businesspersons (7.14%) and homemakers (2.2%) represent smaller groups.
5. A very high percentage (89.56%) have heard of Mutual Funds or SIPs, showing strong awareness levels among respondents.
6. Only 48.35% are fully aware of the risks and regulatory bodies associated with mutual funds, while 27.47% are not aware, and 24.18% are aware to some extent, highlighting knowledge gaps.
7. Social media (45.05%) is the most common source of information on mutual funds, followed by television (20.88%) and newspapers (20.33%), indicating a growing digital influence alongside traditional media.
8. Lack of proper knowledge has prevented 66.48% of respondents from investing in mutual funds, reflecting the need for better investor education.
9. Friends, relatives, and financial influencers play a significant role in decision-making, influencing 58.24% of respondents, while 41.76% remain independent.
10. The majority (64.29%) have invested in mutual funds or do regular SIPs, while 35.71% have not yet invested.
11. Traditional savings options such as FDs and LIC are still preferred by 61.54% of respondents, despite rising mutual fund awareness.
12. A majority (67.58%) have used mobile apps or online platforms for mutual fund investments, showing a shift toward digital channels.
13. 70.88% of respondents believe that SIPs and mutual funds are the best way to invest in the stock market, indicating strong trust in systematic investing.
14. The majority (78.57%) believe mutual funds are effective for long-term wealth creation, while 21.43% do not share this view.

ECONOMIC RELEVANCE:

1. **Promotes Financial Accessibility** - Mutual funds provide people opportunities to take part in the stock market by making small, systematic investments. Mutual funds make capital markets available to a larger portion of their populace.
2. **Encourages regular savings** - Making investments through a SIP (Systematic Investment Plan) is a means to develop financial discipline of systematic long-term savings in steady increments while reducing dependence on informal savings.
3. **Supports development of the capital market** – The more Jamaicans use mutual funds, the more liquidity available in the financial market. When mutual fund investing becomes popular, Jamaica will have a better economic base and improve resource allocation.
4. **Wealth creation & Inflation hedge** - When competing against traditional methods of saving such as FD and LIC, Mutual Funds take advantage of generating a higher yield, for and against inflation for households over the long term.
5. **Digital competency** - mutual funds take advantage of the digital economy. There is massive uptake at 67.58% of people using mobile apps or online platforms, to take advantage of government initiatives to generate a cashless economy.

6. **Investor awareness** - the low knowledge base of 66.48% respondents has significant ramifications when it comes to financial literacy initiatives that can impact household economic decision making.
7. **Movement from traditional savings** - While many people still depend on FD/LIC, the movement toward mutual funds will gain this nation economically in a gradual, but strong significant transitional process from an economy of shared profit to one of shared loss.
8. **National role** - All progress from household investing into mutual funds can contribute to productive sectors that support the growth of industry, jobs, and GDP expansion.

CONCLUSION:

The study shows that young, educated middle-class investors in suburban Mumbai are highly aware of mutual funds and SIPs, with participation rising, especially via mobile apps. Social media has become the leading source of investment knowledge, reflecting a digital shift in financial awareness.

a preference for traditional savings highlights cautious and risk-averse behavior. Still, the growing trust in SIPs underlines their potential for long-term wealth creation.

Overall, mutual funds can drive financial inclusion, disciplined savings, and household wealth growth. To boost adoption, stakeholders must focus on simple, low-cost financial literacy programs, awareness campaigns, and stronger investor protection.

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