A Study on Awareness and Adoption of Mutual Funds Among Young Investors

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Abstract

Mutual funds have emerged as one of the fastest-growing investment avenues in India, thanks to digitization, low-ticket SIPs and pro-investment initiatives by SEBI and AMFI. However, younger investors (18-35 years) face a mixed adoption scenario. The study explores the level of awareness of mutual funds among young investors, factors influencing adoption, and examines the moderating role of demographic variables, financial literacy and investment behavior. Primary data were collected and analyzed through 35-item structured questionnaire from 150 respondents (convenience sampling). Descriptive, chi-square test, one-way ANOVA, Pearson's correlation and multiple linear regression analysis were performed.

90% respondents had heard of mutual funds and the mean knowledge score was 6.49 on a 10-point scale, yet only 48% invested. Awareness level exhibited a significant association with adoption, $\chi Z(2) = 10.24$, $p = .006$, Cramér's $V = .26$; the proportion of investors increased from 24.1% in the low-awareness category to 60.7% in the high-awareness category. Knowledge score was positively correlated with adoption ($r = .27$, $p < .001$). Gender and income were unrelated to awareness ($p = .600$ and p

$= .673$) and perceived risk, return expectation, and digital convenience did not significantly explain the investment intention ($RZ = .028$, $p = .238$). The study offers valuable insights that can benefit asset management companies, regulators and financial educators.

Keywords: Mutual funds, Financial literacy, Young investors, SIP, Investment awareness, Adoption behaviour

1. Introduction

Household savings in India have traditionally gravitated towards cash deposits, gold, and real estate. The past decade has witnessed a shift toward financial assets, particularly mutual funds. The rise of SIP, mobile apps and paperless KYC have lowered the entry barriers, enabling younger earner to kickstart their investment journey with a low ticket size.

However, awareness does not always translate into adoption. Many young investors are aware of the term "mutual fund" but have limited understanding of NAV, expense ratio, risk categories and taxation. Others are under misconceptions; for instance, that mutual funds guarantee returns or should only be invested in by the wealthy. The discrepancy between awareness and adoption forms the basis of this study.

2. Review of Literature

Financial literacy and investment decisions. Lusardi and Mitchell (2014) show that financial literacy significantly influences saving, retirement planning and the propensities to participate in financial markets. Klapper, Lusardi, and van Oudheusden (2015) report that financial literacy is low globally, with India far below several comparable economies. Agarwalla et al. (2013) reveal that young working adults in India have limited financial knowledge; particularly about inflation, risk diversification and compounding.

Behavioural influences. Kahneman and Tversky (1979) present the prospect theory, which explains that investors put significantly more weight on losses than gains, affecting their investment decisions, particularly young investors who are susceptible to loss aversion.

Theoretical frameworks for adoption. Ajzen's (1991) Theory of Planned Behaviour posits that attitude, subjective norms,

and perceived behavioural control directly influence investment intentions. Davis's (1989) Technology Acceptance Model asserts that an individual's perception of the usefulness and ease of use of a technology will dictate its adoption. This is relevant to mutual funds because their digitization has made them more accessible to younger investors through apps.

Mutual fund performance and perception. Early performance studies by Sharpe (1966) and Jensen (1968) set the framework for evaluating mutual fund performance based on the risk-adjusted return. Jensen (1968) showed that actively-managed funds typically failed to overcome the drag of expenses, a key consideration for investor education.

Research gap. Previous studies have focused on a broad audience rather than young investors; they have also explored generic financial literacy, not specifically the awareness-adoption nexus.

3. Objectives of the Study

1. To assess the level of awareness of mutual funds among young investors.
2. To identify the source of information relied upon by young investors.
3. To examine the factors influencing the decision to invest in mutual funds.
4. To analyse the relationship between awareness, financial literacy and adoption.
5. To identify the barriers to investing in mutual funds among young investors.

4. Hypotheses

For each relationship, a null hypothesis (H0) (no effect or no association) is tested against an alternative hypothesis (H1, that there is an effect or association). The null hypothesis is rejected when $p < 0.05$.

- H01 (null): There is no significant association between gender and awareness of mutual funds.
- H11 (alternative): There is a significant association between gender and awareness of mutual funds.
- H02 (null): There is no significant difference in awareness across income groups.
- H12 (alternative): There is a significant difference in awareness across at least one pair of income groups.
- H03 (null): There is no significant relationship between financial literacy and mutual fund adoption.
- H13 (alternative): There is a significant relationship between financial literacy and mutual fund adoption.
- H04 (null): Perceived risk, return expectation, and digital convenience have no significant effect on investment intention.
- H14 (alternative): Perceived risk, return expectation, and digital convenience have a significant effect on investment intention.
- H05 (null, supplementary): There is no significant association between awareness level and current investing in mutual funds.
- H15 (alternative, supplementary): There is a significant association between awareness level and current investing in mutual funds.Research Methodology

Table 1: Research design summary

Component	Description
Research design	Descriptive and analytical
Data source	Primary data via structured questionnaire; secondary data from AMFI, SEBI, and journals
Population	Young investors aged 18-35
Sample size	150 respondents
Sampling technique	Convenience sampling

Data collection tool	Structured 35-item questionnaire (Google Forms), shared through WhatsApp, email, and campus networks
Scale	Five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) for Q19-Q35
Reliability	Cronbach's alpha for the adoption-factor and barrier constructs
Tools and tests	Microsoft Excel (COUNTIF, CHIDIST, FDIST, LINEST); percentage analysis, chi-square, one-way ANOVA, Pearson correlation, multiple linear regression
Significance level	5 per cent ($\alpha = 0.05$)
Limitations	Non-probability sampling, limited geography, self-reported data; synthetic dataset (see data note)

1.1 Questionnaire structure

The questionnaire has six sections (Table 2). Section A captures demographics, Section B awareness, Section C adoption behaviour, Sections D and E the Likert-scaled adoption factors and barriers, and Section F satisfaction, intention, and advocacy.

Table 2: Structure of the questionnaire

Section	Items	Content	Format
A. Demographic profile	Q1-Q6	Age, gender, education, occupation, income, savings	Single choice
B. Awareness	Q7-Q12	Heard of funds, self-rated knowledge, source, terms understood, true/false statements	Mixed
C. Adoption	Q13-Q18	Current investing, duration, fund type, mode, platform, share of savings	Single choice
D. Adoption factors	Q19-Q26	Returns, low SIP amount, professional management, tax benefits, diversification, apps, social influence, past performance	Likert 1-5
E. Barriers	Q27-Q32	Lack of knowledge, fear of loss, distrust, complicated procedures, insufficient income, preference for other assets	Likert 1-5
F. Satisfaction and intention	Q33-Q35	Satisfaction, investment intention, recommendation to peers	Likert 1-5

1.2 Variable construction

Four composite measures were derived from the responses. The knowledge score (0-10) adds one point each for having heard of mutual funds (Q7), correctly rejecting that returns are guaranteed (Q11), and correctly affirming that funds are subject to market risk (Q12), plus the number of the seven listed terms the respondent understands (Q10). Respondents were grouped into three awareness levels: low (0-4), moderate (5-7), and high (8-10). Adoption is coded 1 for respondents who currently invest (Q13) and 0 otherwise. The adoption-factor score is the mean of Q19-Q26 and the barrier score is the mean of Q27-Q32. Investment intention (Q34) is the dependent variable in the regression.

2. Data Analysis and Interpretation

2.1 Demographic profile

Table 3: Demographic profile of respondents (n = 150)

Variable	Category	Frequency	%
Gender	Male	77	51.3
	Female	71	47.3
	Other	2	1.3
Age (years)	18-21	46	30.7
	22-25	58	38.7
	26-30	32	21.3
	31-35	14	9.3
Education	Undergraduate	82	54.7
	Postgraduate	38	25.3
	Professional	26	17.3
	Other	4	2.7
Occupation	Student	63	42.0
	Salaried	55	36.7
	Self-employed	25	16.7
	Other	7	4.7
Monthly income (₹)	Below 10,000	54	36.0
	10,001-25,000	58	38.7
	25,001-50,000	28	18.7
	Above 50,000	10	6.7
Monthly savings	Below 10%	48	32.0
	10-20%	60	40.0
	20-30%	34	22.7
	Above 30%	8	5.3

Source: Survey data. Percentages may not total 100 because of rounding.

Of the 150 respondents, 51.3 per cent were male and 47.3 per cent female, with the largest group (38.7 per cent) aged 22-25 years. More than half (54.7 per cent) were undergraduates, and students (42.0 per cent) and salaried respondents (36.7 per cent) formed the bulk of the sample. Three-quarters (74.7 per cent) reported a monthly income or pocket money of up to ₹25,000, and 72.0 per cent saved less than 20 per cent of it.

2.2 Level of awareness

Table 4: Awareness of mutual funds (n = 150)

Measure	Result
Have heard of mutual funds (Q7)	135 respondents (90.0%)
Measure	**Result**
Self-rated knowledge (Q8), mean on 1-5 scale	3.59 (rated 4 or 5 by 52.7%; rated 1 or 2 by 9.3%)
Terms understood (Q10), mean out of 7	4.33; 47.3% understand five or more

"Returns are guaranteed" (Q11)	False (correct): 102 (68.0%); Don't know: 48 (32.0%); True: 0
"Subject to market risk" (Q12)	True (correct): 87 (58.0%); Don't know: 63 (42.0%)
Knowledge score (0-10)	Mean 6.49, SD 2.20, range 1-10
Awareness level	Low (0-4): 29 (19.3%); Moderate (5-7): 65 (43.3%); High (8-10): 56 (37.3%)

Awareness of the term is nearly universal, but understanding is shallower. Nobody endorsed the belief that returns are guaranteed, yet about one in three respondents could not say so, and 42 per cent were unsure whether mutual funds carry market risk. The mean knowledge score of 6.49 out of 10 places the typical respondent in the moderate band.

2.3 Sources of information

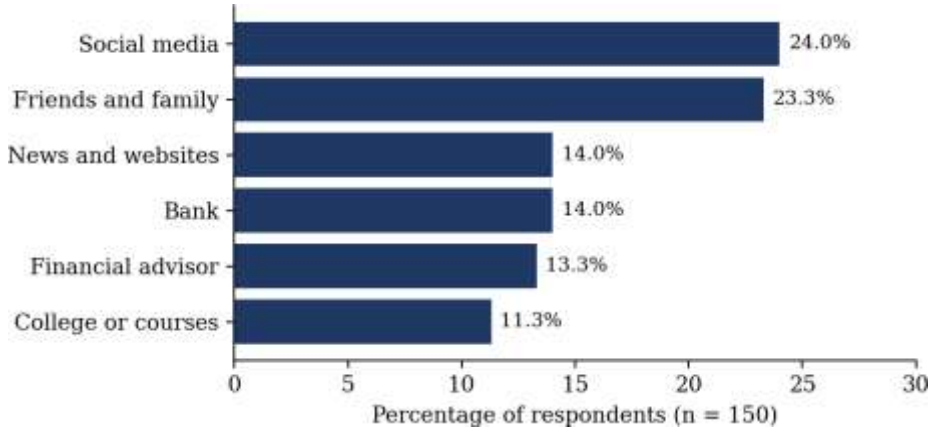


Figure 1: Main source of information about mutual funds

Social media (24.0 per cent) and friends and family (23.3 per cent) together account for nearly half of respondents. Formal channels, namely banks (14.0 per cent), financial advisors (13.3 per cent), and college courses (11.3 per cent), are each cited by a smaller share, and news and websites account for another 14.0 per cent.

2.4 Adoption behaviour

Table 5: Investment behaviour of current investors (n = 72)

Aspect	Distribution
Share of respondents who invest (Q13)	72 of 150 (48.0%)
Duration (Q14)	Under 1 year 52.8%; 1-3 years 36.1%; over 3 years 11.1%
Fund type (Q15)	Equity 43.1%; Index 18.1%; Hybrid 12.5%; ELSS 11.1%; Debt 9.7%; Others 5.6%
Mode (Q16)	SIP 59.7%; Both SIP and lump sum 31.9%; Lump sum 8.3%
Platform (Q17)	Investment app 65.3%; Agent or advisor 13.9%; Fund house website 11.1%; Bank 9.7%
Share of savings invested (Q18)	Under 10% 47.2%; 10-25% 37.5%; 25-50% 12.5%; over 50% 2.8%
Satisfaction (Q33), mean on 1-5 scale	4.50 (agree or strongly agree: 91.7%)

Participation is recent and modest in size. More than half of investors started within the past year, and 84.7 per cent put less than a quarter of their savings into funds. Equity funds dominate, SIPs are the preferred mode (91.7 per cent use SIPs alone or with lump sums), and two-thirds invest through apps. Satisfaction among investors is high.

2.5 Reliability

Table 6: Reliability of the scaled constructs

Construct	Items	Cronbach's alpha	Interpretation
Adoption factors (Q19-Q26)	8	0.260	Low; items are distinct drivers
Barriers (Q27-Q32)	6	0.746	Acceptable (≥ 0.70)

The barrier items form a reliable scale. The adoption-factor items do not: they measure different motives (returns, tax savings, apps, social influence) rather than a single latent trait, so alpha is low. The factors are therefore interpreted item by item, and the composite is used only as a descriptive summary.

2.6 Factors influencing adoption and barriers

Table 7: Mean ratings of adoption factors and barriers (1-5 scale)

Adoption factor	Mean	SD	Barrier	Mean	SD
Professional management (Q21)	4.31	0.68	Fear of loss (Q28)	3.18	0.98
Low minimum / SIP (Q20)	3.98	0.82	Insufficient income (Q31)	3.09	1.00
Investment apps (Q24)	3.96	0.77	Preference for other assets (Q32)	3.06	1.04
Diversification (Q23)	3.88	0.90	Distrust (Q29)	3.03	1.06
Expected returns (Q19)	3.86	0.84	Lack of knowledge (Q27)	2.99	0.98
Past performance (Q26)	3.71	0.94	Complicated procedures (Q30)	2.97	0.98
Social influence (Q25)	3.63	0.99			
Tax benefits (Q22)	2.97	0.89			
Overall factors	**3.79**	**0.35**	**Overall barriers**	**3.05**	**0.67**

Professional fund management is the strongest driver of confidence (4.31), followed by low minimum investments and the convenience of apps. Tax benefits are rated lowest (2.97). Barriers are rated close to the scale midpoint, with fear of loss the most pronounced (3.18). Investment intention (Q34) averaged
3.91 and willingness to recommend funds to peers (Q35) averaged 4.05, which indicates favourable attitudes despite moderate barriers.

2.7 Chi-square tests

Gender and awareness (H01). Respondents identifying as "Other" (n = 2) were excluded because of their small number, leaving 148 cases.

Table 8: Gender and awareness level (n = 148)

Gender	Low (0-4)	Moderate (5-7)	High (8-10)	Total
Male	13 (16.9%)	33 (42.9%)	31 (40.3%)	77
Female	16 (22.5%)	31 (43.7%)	24 (33.8%)	71
Total	29	64	55	148

$\chi^2(2) = 1.022$, $p = .600$; Cramér's $V = .083$. All expected counts exceed 5 (minimum 13.9).

The p-value exceeds 0.05, so the null hypothesis H01 is not rejected and the alternative H11 is not supported. Male and female respondents show statistically similar awareness profiles; men are slightly more represented in the high-awareness group, but the difference could easily arise by chance.

Awareness level and adoption. The relationship between awareness and current investing is tested in Table 9 and shown in Figure 2.

Table 9: Awareness level and current investing (n = 150)

Awareness level	Invests	Does not invest	Total	% investing
Low (0-4)	7	22	29	24.1
Moderate (5-7)	31	34	65	47.7
High (8-10)	34	22	56	60.7
Total	**72**	**78**	**150**	**48.0**

$\chi^2(2) = 10.245$, $p = .006$; Cramér's $V = .261$. Minimum expected count = 13.9.

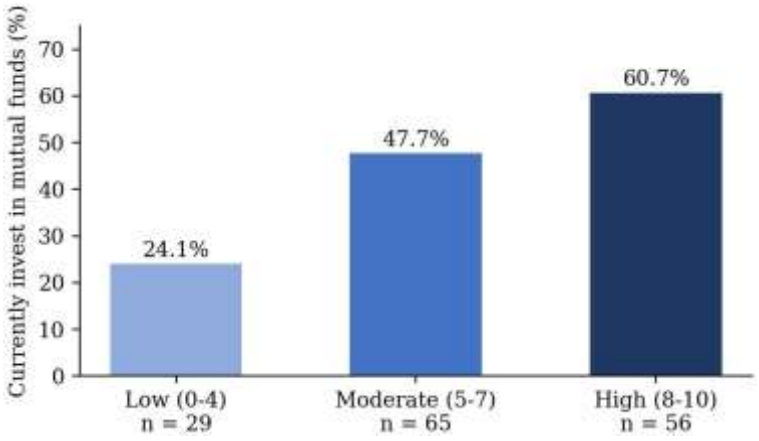


Figure 2: Adoption rate by awareness level

The association is statistically significant, so the null hypothesis H05 is rejected and H15 is accepted; the effect is moderate in strength. Adoption rises steadily with awareness: respondents in the high band are about two and a half times as likely to invest as those in the low band. Awareness, in other words, is closely linked to the decision to invest.

2.8 One-way ANOVA: income groups and awareness (H02)

Table 10: Knowledge score by monthly income

Income group (₹)	n	Mean	SD
Below 10,000	54	6.26	2.33
10,001-25,000	58	6.52	2.05
25,001-50,000	28	6.89	2.42
Above 50,000	10	6.40	1.71

Table 11: ANOVA summary

Source	SS	df	MS	F	p
Between groups	7.54	3	2.51	0.514	.673
Within groups	713.93	146	4.89		
Total	721.47	149			

Eta squared = .010. Supplementary one-way ANOVAs on the same score: age group $F(3, 146) = 0.112$, $p = .953$; occupation $F(3, 146) = 0.577$, $p = .631$.

Mean knowledge scores do not vary markedly across the income groups (6.26 to 6.89) and the difference is far from being significant, F(3, 146) = 0.514, p = .673. Thus, H02 was not rejected and neither was H12. As the income predicts roughly 1 per cent of the variance of the awareness, the post-hoc analysis was not required. Age and occupation do not show significant differences, either.

2.9 Correlation: financial literacy and adoption (H03)

The financial literacy was represented by the knowledge score and the adoption was operationalized by the current investing (0/1), hence the Pearson coefficient is a point-biserial correlation. The latter was equal to r = .274 (t(148) = 3.460, p
< .001). The mean score of the current investors was 7.11 while that of the non-investors was only 5.91. Therefore, H03 was rejected and H13 was accepted: the higher the financial literacy is, the more probable it is to invest (adoption), though the effect size is modest (rZ = .075).

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2.10 Multiple linear regression (H04)

The investment intention (Q34) was regressed on the perceived risk (Q28, fear of loss), return expectation (Q19) and digital convenience (Q24).Table 12: Regression of investment intention (n = 150)

Predictor	B	SE	β	t	p
Constant	3.004	0.497		6.045	< .001
Perceived risk (Q28)	0.022	0.067	.027	0.322	.748
Return expectation (Q19)	0.140	0.078	.148	1.804	.073
Digital convenience (Q24)	0.074	0.085	.071	0.870	.386

R^2 = .028; adjusted R^2 = .008; F(3, 146) = 1.424, p = .238. Dependent variable: investment intention (Q34).

The model is not statistically significant and explains only 2.8 per cent of the variance in intention. No individual predictor reaches the 5 per cent level; return expectation is closest (β = .148, p = .073) and carries a positive sign, while the coefficients for perceived risk and digital convenience are near zero. H04 is therefore not rejected and H14 is not supported. A supplementary model using the composite barrier score, adoption-factor score, and knowledge score as predictors was also non-significant (RZ
= .025, F(3, 146) = 1.233, p = .300), so the result does not depend on how the predictors are specified.

2.9 Summary of hypothesis tests

Table 13: Hypothesis test results

Hypothesis	Test	Statistic	p-value	Decision
H01 Gender and awareness	Chi-square	χZ(2) = 1.022	.600	H01 not rejected
H02 Income and awareness	One-way ANOVA	F(3, 146) = 0.514	.673	H02 not rejected

H03 Literacy and adoption	Pearson r	r = .274	< .001	H03 rejected; H13 accepted
H04 Risk, return, digital and intention	Linear regression	F(3, 146) = 1.424	.238	H04 not rejected
Awareness level and adoption (H05)	Chi-square	χZ(2) = 10.245	.006	H05 rejected; H15 accepted

3. Findings

1. Awareness is high (90%), but the mean knowledge score is only 6.49 out of 10, with 32% and 42%, respectively, unsure about guaranteed returns and market risk.

2. Social media (24.0%) and friends and family (23.3%) are the main sources of information, followed by banks, advisors, and college courses.

3. Professional management (mean 4.31), low SIP (3.98), and investment apps (3.96) lead the adoption drivers; tax benefits have the lowest mean score (2.97).

4. Fear of loss (3.18) is the highest-rated barrier, but overall barriers mean is at the scale midpoint (3.05).

5. Gender (p = .600) and income (p = .673) are not associated with awareness; the lack of relationship holds across demographic categories.

6. Awareness translates into adoption: the % of investors increases from 24.1% (low awareness) to 60.7% (high awareness), χZ(2) = 10.24, p = .006, and the knowledge score is positively correlated with adoption (r = .27, p < .001).

7. Perceived risk, return expectation, and digital convenience jointly explain little of investment intention (RZ = .028, p = .238).

4. Suggestions

1. Mutual fund and personal finance modules should be introduced in college curricula; the strong awareness-adoption link suggests educational interventions as the most direct route to higher participation.

2. AMCs should create simple, regional-language content and short-form videos to engage with young people on social media (the top source of information).

3. Regulators and platforms should draw attention to the risk-o-meter, costs, and direct-plan option to fill the knowledge gaps about market risk.

4. Encourage SIP habits with small-ticket and goal-based products; investors value the low minimums and onboarding via apps.

5. Counter misinformation from unregulated social media "finfluencers" with verified advisors and educators.

6. Most investors are new and invest less than a quarter of their savings; platforms should guide them towards allocating more as they gain experience.

5. Conclusion

This study examined the awareness and adoption of mutual funds among 150 young respondents. While awareness of the term is close to universal, the depth of understanding varies, and that variation is associated with investment likelihood – the more one knows, the more likely one is to invest. Gender and income are not linked to awareness, and similar patterns emerge across demographic categories, suggesting that awareness-building efforts do not need to be differentiated by gender or income. The combination of perceived risk, return expectation, and digital convenience does not explain investment intention; future research should explore other variables such as trust, peer norms, and goal-setting in the context of the Theory of Planned Behaviour.

The study is limited by the convenience sample, self-reported data, and the low internal consistency of the adoption-factor scale used. The dataset analysed is synthetic, and the quantitative results are indicative; future studies can use a

larger real-world survey, employ longitudinal designs, and compare states.

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