

Investor Perception and Investment Decision-Making Towards Public and Private Mutual Funds: An Empirical Study in Jaipur District

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Abstract

The mutual fund industry is one of the most prominent sector in the Indian financial market which provides diversified investment opportunities to both retail and institutional investors. Mutual fund has grown due to rising financial literacy, technology and professional investment management. Investor perception is an important factor that determines investment decisions, especially public and private sector mutual funds. This study involves an analysis of the perception and decision making of investors regarding mutual funds in Jaipur district (public and private). The research analyzes factors such as risk perception, expected returns, trust, service quality, transparency, and brand image that influence investors' choices. The result revealed preference of private sector mutual funds over public sector mutual funds for higher return and better service while public sector mutual funds are preferred for safety and credibility. The study gives some insights into the investor's behaviour and some suggestions for the companies of mutual funds and the policy makers to increase the investor participation and satisfaction.

Keywords: Investor Perception, Investment Decision-Making, Public Mutual Funds, Private Mutual Funds, Mutual Fund Industry, Jaipur District, Financial Behavior.

1. Introduction

One of the biggest financial choices that individuals make is their investment decision. With the current economic landscape, investors are looking for ways to invest that balance the risk and return. The diversification, professional management, liquidity and affordability are just some of the reasons that make mutual funds one of the most preferred investment options.

A mutual fund is a financial investment firm that brings together the money of numerous investors and uses it to purchase a diversified set of securities, including stocks, bonds, and money market products. Mutual funds have professional fund managers who have to lower risks and boost returns.

Indian mutual fund industry has both public and private sector fund houses. Public sector mutual funds are sponsored by government owned institutions and they are generally considered as safe and reliable. Some of the examples would be SBI Mutual Fund and UTI Mutual Fund. The private sector mutual funds like HDFC Mutual Fund, ICICI Prudential Mutual Fund, Axis Mutual Fund and Nippon India Mutual Fund are more innovative, market responsive and high return potential.

Investor perception implies the attitude, beliefs, opinions and expectations investors have about investment products. Such perceptions have a significant impact on investment decisions. Investors' behavior is influenced by the risk tolerance, the return expectation, the trust of the investors, their financial literacy, service quality, and market condition. In the case of Jaipur district as one of the prominent economic and educational hub of Rajasthan, the proportion of participation in mutual fund investment has been rising. Rising income levels, urbanization, and digital financial services have contributed to the growth of mutual fund investments in the region. Thus, the study of the perception and decision making of investors on public and private mutual funds in Jaipur District gives us a better understanding of the trends of the investors and financial behavior.

2. Review of Literature

Numerous studies have explored investor behavior and mutual fund preferences.

1. Mukherjee, Dwivedi, & Gupta (2025) The study shows Indian mutual funds present balanced risk-return choices and remains an important investment choice. Their performance showed investor returns are dependent on selecting the right funds and knowledge of the market.
2. Arjun (2024) The study shows that a majority of investors view mutual funds as a secure and rewarding investment choice. Levels of income, years of investment experience, and readiness to invest all had a positive relationship to the perceptions and preferences of the investors.
3. Thanki, Tripathy, & Shah (2024) The study shows that financial literacy, subjective norms, and attitudes of the investors all affected the intentions of the investors to a high degree. The strongest of these was subjective norms.
4. Tiwari, Kaakandikar, Bhosale, Nirmala, & Kasar (2024) The study shows that emotions, perception of risk, overconfidence, and cognitive biases all have a major effect on the decisions of investors to invest in mutual funds and other financial products

3. Objectives of the Study

The main aims of the study are:

1. To explore the perception of investors regarding Public/Private Mutual Funds in Jaipur District.
2. To determine the factors, which affect the investment decisions in the case of mutual funds.
3. To analyze the preference of the investors towards public sector and private sector mutual fund.
4. For analysing the influence of risk, return, trust and service quality on the selection of mutual funds.
5. To make recommendations to improve the participation and satisfaction of investors.

4. Research Methodology

Study type was descriptive and empirical research design that was used to analyze investors perception and investment behavior towards the mutual fund. The data sources used for the study were primary and secondary sources. Structured questionnaires were used to gather primary data from the investors of mutual fund in Jaipur District and secondary data was collected from various sources like SEBI Reports, AMFI publications, Research journals, books on investment management, financial magazines and financial websites. The convenient sampling method was used to select a sample of 100 investors from Jaipur District for the study because of ease and time constraint. The collected data were analysed using the following methods: Percentage analysis, Mean score analysis, Comparative analysis and Tabular interpretation, for deriving meaningful findings and conclusions about the investors' perception and investment behaviour.

5. Data Analysis and Interpretation

5.1 Demographic Profile of Respondents

Demographic Variable	Percentage
Male	60%
Female	40%
Age 21–35 Years	46%
Age 36–50 Years	34%
Above 50 Years	20%
Salaried Employees	50%
Business Persons	30%
Others	20%

Most of the respondents are in the economically active age group and have regular income sources.

5.2 Preference for Public and Private Mutual Funds

Type of Mutual Fund	Percentage
Public Sector Mutual Funds	42%
Private Sector Mutual Funds	58%

The results suggest that investors are more inclined towards investing in private sector mutual funds of Jaipur District.

5.3 Factors Influencing Investment Decisions

Factor	Importance Score (Out of 5)
Expected Return	4.8
Risk Level	4.5
Trust and Reputation	4.3
Service Quality	4.1
Transparency	4.0
Brand Image	3.9
Recommendation by Advisors	3.8

It can be seen that expected return is the most important factor in decision making about investments.

5.4 Investor Perception Towards Public Mutual Funds

Parameter	Average Score
Safety	4.6
Trustworthiness	4.5
Transparency	4.2
Return Potential	3.6
Service Quality	3.5

Public sector mutual funds are seen as safe and trustworthy but not very attractive in terms of returns and service quality by the investors.

5.5 Investor Perception Towards Private Mutual Funds

Parameter	Average Score
Return Potential	4.7
Service Quality	4.6
Innovation	4.5
Transparency	4.3
Safety	3.8

The private sector mutual funds are seen favourably in terms of returns, innovation, and customer service.

5.6 Sources of Investment Information

Source	Percentage
Financial Advisors	35%
Internet and Mobile Applications	30%

Friends and Relatives	20%
Newspapers and Magazines	10%
Television	5%

Investors get the information from the financial advisors and digital platforms.

6. Discussion of Findings

The findings illustrate a clear distinction for the public and private mutual funds.

Risk and Safety Perception

As public sector mutual funds are linked to funds associated with the government, their public sector schemes are perceived to be safe and secure. Investors with a preference for the preservation of capital choose these schemes.

Investment in private sector mutual funds is perceived to be riskier as they invest in schemes with a greater degree of loss. But investors are attracted to private sector mutual funds.

Return Expectations and Investment Decisions

Return expectation is the dominant element influencing an individual's decision to make an investment. Private sector mutual funds have the reputation of providing better returns, because compared to public sector mutual funds, they have active management, are better diversified, and have the ability to respond to changes in the market.

Trust and Reputation

Trust is one of the most important factors when deciding to make an investment. Public sector mutual funds have an advantage due to their longstanding reputation and their association with the government, which boosts the confidence of investors.

Private sector mutual funds gain trust through good performance, right the first time operations, and good communication with customers.

Service Quality

The convenience of transactions and the level of digital engagement has led private sector mutual funds to be rated higher than their public sector counterparts with respect to customer service. There is a marked improvement in customer satisfaction due to the application of new technologies.

Financial Literacy and Private Sector Mutual Funds

The results of the study show that investors with a high level of financial literacy are more inclined towards investing in private sector mutual funds because they emphasize performance and the risk-return trade-off rather than the institutional reputation.

7. Major Findings

In the study, key observations include:

1. 58% selected Private Sector Mutual Funds as their preferred option.
2. There is a higher perception of safety and trust in Public Sector Mutual Funds.
3. Private Sector Mutual Funds are seen as having greater returns and better service.
4. The expected return is the greatest factor when making investment decisions.
5. The perception of risk affects the selection of funds.
6. The main sources of investment information are financial advisors and online resources.
7. A preference for Private Sector Mutual Funds is greater among the younger demographic.
8. The older demographic tends to favor Public Sector Mutual Funds due to the greater safety concern.
9. Satisfaction as an investor is enhanced by greater transparency and service.

10. Greater financial literacy allows for better and more rational investment decisions.
11. Suggestions and Recommendations

For Public Sector Mutual Funds

1. Improve the performance of funds by better management of the underlying assets.
2. Develop fully digital means of investing, including mobile apps.
3. Improve the service and communication to customers.
4. Develop services to help educate and thus bring in younger investors.
5. Create new services that are newer and more focused to help and grow investors.

For Private Sector Mutual Funds

1. Provide services that help investors understand the risks and serve them better.
2. Provide services with a high degree of transparency.
3. Add new services that help more risk averse investors.
4. Shift focus to developing long-term relationships with investors instead of focusing on short-term service to many investors.

For Investors

1. Establish a clear understanding of your financial goals prior to selecting a mutual fund.
2. Ensure you do a proper investment allocation and that your investments are across multiple funds.
3. Ensure you take into account the associated risk and return before making any investment decisions.
4. Ensure you do a proper allocation when investing.
5. Seek professional financial advice when needed.

For Policymakers and Regulators

1. Expand financial literacy programs in urban and rural locations.
2. Establish incentive programs for transparency and disclosure.
3. Introduce measures for improved investor protection.
4. Back initiatives for Digital Financial Inclusion.
5. Fund access to mutual fund investments marketing initiatives.

7.CONCLUSION

Investors in India highly value the flexibility, choice, and diversification offered by mutual funds. For this reason, they are among the most popular investment products in India. The current analysis focuses on the investment decisions and perceptions of the residents of Jaipur about public and private mutual funds.

According to the results, multiple aspects of mutual funds influence the decision of an investor. These include the anticipated reward, risk, and level of trust. Generally, private sector mutual funds are more attractive due to convenience, innovation, and customer service. Conversely, the services of public sector mutual funds are perceived to be safe and reliable, thus, usually, more trusted by investors.

Investors should improve their financial literacy and the decisions they make regarding mutual funds. In making these decisions, investors should consider their objectives and financial state as well as the risk they are willing to take. To attract more investors to the industry and deepen market participation, mutual fund companies will need to improve their transparency and customer service as well as educate their clients.

In the years to come, understanding the perceptions of customers regarding mutual funds will be especially important for fund managers and other market players as the industry is expected to grow rapidly due to increased financial literacy and the digital distribution of mutual funds. This growth is especially anticipated in Jaipur.

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