

Seed of Security: A Study on Investor Awareness of Children's Mutual Funds.

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Abstract

Just as seeds grow into strong trees with proper care, small and timely investments in children's mutual funds can grow into long-term financial security for a child's future needs such as education, marriage, and career development. Children's mutual funds are specially designed investment schemes that encourage disciplined savings with a long-term perspective. Despite their benefits, investor awareness regarding these schemes remains limited, particularly among small and first-time investors.

The present study aims to examine the level of awareness, perception, and understanding of investors toward children's mutual funds. The study also analyzes the factors influencing investment decisions, perceived benefits, and challenges associated with these schemes. A pilot study approach is adopted to assess the clarity and suitability of the research instrument before conducting a large-scale empirical study. The findings indicate moderate awareness among investors, with education planning emerging as the primary investment objective. However, lack of financial literacy and risk perception act as major barriers. The study highlights the need for effective investor education programs to promote informed investment decisions.

Keywords: Children's Mutual Funds, Investor Awareness, Financial Planning, Education Planning, Pilot Study

1. Introduction

Financial planning for children has become an essential responsibility for parents and guardians in the modern economic environment. Rising costs of education, healthcare, and professional training have increased the importance of long-term investment planning. Children's mutual funds serve as a structured investment option that helps parents accumulate a financial corpus over time.

Children's mutual funds are generally long-term schemes with a lock-in period, encouraging disciplined savings and reducing impulsive withdrawals. These funds are often equity-oriented, offering the potential for higher returns over the long run. However, investing in such schemes requires adequate awareness about market risks, fund features, and investment objectives.

Investor awareness plays a crucial role in determining the adoption and success of children's mutual fund schemes. Awareness includes knowledge about fund structure, benefits, risks, tax implications, and long-term planning advantages. This study focuses on

1.1 Children's Mutual Funds Plans



Figure 1 Child Mutual Funds Plans

Source: Compiled by the researcher using information from AMFI (2024) and scheme information documents of HDFC Children's Gift Fund, ICICI Prudential Child Care Fund, SBI Magnum Children's Benefit Fund, Axis Children's Gift Fund, and Tata Young Citizens' Fund.

A. HDFC Children's Gift Fund

Key Features:

- Designed for long-term goals like education and marriage.
- Offers a lock-in period until the child turns 18 years.
- Helps parents build a stable corpus through systematic investment.
- Balances growth (through equity) and safety (through debt).

Why it is good for child planning?

- Long-term focused
- Moderate risk
- Suitable for SIPs

B. ICICI Prudential Child Care Fund – Gift Plan

Key Features:

- Primarily invests in **equity**, giving higher growth potential.
- Lock-in until the child becomes a major (18 years).
- Designed specifically to support future child education expenses.

Benefits:

- Good for long-term wealth creation
- Suitable for investors ready to take moderate-to-high risk

C. SBI Magnum Children's Benefit Fund – Investment Plan

Key Features:

- Offers both Investment Plan and Savings Plan.

- Investment Plan invests more in equities and is suitable for long-term goals.
- Savings Plan invests more in debt for stability and lower risk.

Benefits:

- Offers flexibility based on parent's risk capacity
- Suitable for both conservative and growth-seeking investors

D. Axis Children's Gift Fund**Key Features:**

- Focuses on equity but maintains stability through debt allocation.
- Lock-in until the child reaches 18 years.
- Ideal for parents planning higher education expenses.

Benefits:

- Good return potential
- Long-term, disciplined investing

E. Tata Young Citizens' Fund**Key Features:**

- One of the oldest child-focused funds in India.
- Offers long-term wealth creation opportunities through equity.
- Balanced with debt securities for reduced volatility.

Benefits:

- Suitable for long-term education planning
- Can be used for gradual SIP investments

1.2 Investing in Children's mutual funds



Figure 2 Investing in Children's Mutual Funds

Source: Adapted by the researcher from Gadder et al. (2022), Rao (2023), Tyson (2016), and financial education articles published in Mint (2024).

1. Medical Emergencies

Children's mutual funds help parents create a financial cushion that can be used during unexpected medical emergencies. Health-related expenses such as hospitalization or long-term treatment can be costly. Investments made early can grow over time and provide financial support without disturbing regular income or taking loans.

2. Tax Efficiency and Benefits

Some children's mutual fund schemes offer tax benefits under the Income Tax Act, depending on the scheme type. Investments made in the child's name may reduce the tax burden of parents. This makes children's mutual funds a tax-efficient tool for long-term financial planning.

3. Inflation Protection

Inflation reduces the purchasing power of money over time. Children's mutual funds, being market-linked, have the potential to generate returns that are higher than inflation. This helps ensure that future expenses such as education or marriage do not become unaffordable due to rising costs.

4. Financial Discipline and Habit Formation

Regular investments through Systematic Investment Plans (SIPs) promote financial discipline among parents. Investing consistently builds a saving habit and ensures that funds are accumulated gradually for the child's future needs without financial stress.

5. Legacy Planning

Children's mutual funds support long-term wealth creation and legacy planning. Parents can build a financial corpus for their children that can be passed on for higher education, business ventures, or other life goals, ensuring financial security across generations.

6. Parental Control and Monitoring

In children's mutual funds, parents or guardians act as custodians and manage the investments until the child becomes a major. This ensures controlled and safe investment decisions, protecting the child's financial interests and avoiding misuse of funds.

7. Effective Risk Management

These funds usually follow a balanced investment approach based on the child's age and time horizon. As the goal approaches, investments may shift from equity to safer options like debt, reducing risk and ensuring capital protection.

8. Market-Linked Growth Opportunities

Children's mutual funds invest in equity and debt markets, offering higher growth potential compared to traditional savings instruments. Long-term exposure to markets allows compounding benefits, helping parents accumulate a substantial fund for future child-related goals.

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1.3 Features of Children's Mutual Funds

Children's Mutual Funds are specially designed investment schemes that help parents build a long-term financial corpus for their child's future needs such as education, higher studies, healthcare, marriage, skill development, and career growth. These funds combine **long-term planning, disciplined investment, and professional management**, making them a popular choice for family financial planning.

Below are the **main features of Children's Mutual Funds:**

1. Goal-Based Investment

Children's Mutual Funds are created to help families achieve future child-related financial goals. These goals include:

- Higher education
- Marriage expenses
- Career training or skill development
- Medical or emergency needs

This goal-based approach encourages regular and systematic savings over many years.

2. Lock-In Period for Disciplined Saving

Most children's mutual funds include a **lock-in period of 5 years** or until the child turns **18 years**. This lock-in:

- Prevents premature withdrawals
- Ensures long-term investment growth
- Promotes disciplined saving
- Helps parents stay committed to the child's future goals

3. Hybrid Structure (Equity + Debt Mix)

Children's funds commonly invest in **equity, debt, and hybrid instruments**.

A hybrid structure provides:

- Growth through equity
- Stability through debt
- Balanced risk for long-term goals

This makes children's mutual funds safer and more stable than pure equity funds, while still offering growth potential.

4. Systematic Investment Plan (SIP) Option

Parents can invest monthly or quarterly through SIP.

Benefits of SIP in children's funds:

- Builds a large corpus with small contributions
- Creates long-term discipline
- Reduces market risk through rupee-cost averaging
- Easy for salaried parents to manage

5. Professional Fund Management

Children's mutual funds are managed by professional fund managers who:

- Select suitable securities
- Balance risk and return
- Adjust asset allocation based on market conditions
- Aim to provide stable long-term growth

This ensures better management compared to traditional saving methods.

6. Tax Benefits

While the fund itself does not offer special tax exemptions, certain benefits apply:

- Tax savings under **Section 80C** if invested through ELSS-style child plans (if available by fund house).
- Long-term capital gains (LTCG) are taxed at a lower rate (10% beyond ₹1 lakh) after one year.
- Debt portion taxed as per debt fund rules.

This makes them more efficient than fixed deposits or child insurance plans.

1.2 Scope of the Study

- The study focuses on parents, guardians, and potential investors in Amravati.
- It covers awareness, understanding, attitudes, and decision-making behavior related to children's mutual funds.

- The research is limited to mutual fund schemes specifically designed for children.

The working **process (operations)** of a Children's Mutual Fund and shows how investments move from parents to final utilization for the child's future needs.



Figure 3 Children's Mutual Funds Operations

Source: Conceptual diagram developed by the researcher based on the mutual fund operational framework explained by Haslem (2010), AMFI (2023), and SEBI investor education material (2022).

1. Parents / Investors

Parents or guardians are the main investors in children's mutual funds. They decide the investment amount, duration, and financial goals such as education, marriage, or career development of the child.

2. Investment in Children's Mutual Fund

Parents invest money in a children's mutual fund scheme specially designed for long-term child-related goals. These funds usually have a lock-in period to ensure disciplined saving.

3. Professional Fund Management

The invested money is managed by professional fund managers. They invest the funds in equity, debt, or hybrid instruments according to the fund's objective to generate optimal returns while managing risk.

4. Portfolio Monitoring and Risk Management

Professional fund managers continuously monitor market conditions and adjust the portfolio when required. As the child grows older and the goal approaches, investments may shift from risky assets to safer instruments.

5. Utilization for Education, Marriage, etc.

When the child reaches the required age or goal period, the accumulated fund is used for important life goals such as higher education, marriage, or career planning.

6. Regular SIP / Lump Sum Contributions

Parents can invest either through:

- **Systematic Investment Plans (SIP)** – regular monthly investments, or
- **Lump-sum investments** – one-time investment.

These regular contributions help in steady wealth creation through compounding.

7. Continuous Investment Cycle

The arrows in the diagram show that the process is continuous. Regular contributions and professional management ensure long-term growth until the fund is finally utilized.

2. Review of Literature

Previous studies on mutual fund investments indicate that investor awareness significantly affects investment decisions and portfolio choices. Researchers have observed that parents primarily invest in children's financial products with objectives such as education funding, marriage expenses, and financial security.

Studies highlight that children's mutual funds offer benefits such as professional fund management, diversification, compounding returns, and tax advantages. However, literature also identifies challenges such as market volatility, lack of transparency, and limited financial literacy among retail investors.

Several researchers have emphasized that awareness levels are higher among urban and educated investors, while rural and semi-urban investors show lower participation due to inadequate information and limited access to financial advisory services. Although existing literature provides insights into mutual fund awareness, specific studies focusing exclusively on children's mutual funds remain limited.

1. **Girija Gadre, Arti Bhargava & Labdh Mehta** — contributors to *What is a children's mutual fund? How does it work?* on the [Economic Times](#) [The Economic Times](#)
2. **Perm Anand** — author of *Children's Mutual Fund Schemes Guide to Investing for Kids* on [Fin cover](#) [Fin cover](#)
3. **Soumya Rao** — author of *Children's Mutual Funds: Meaning & Benefits Guide* for Bajaj AMC's knowledge center. [Bajaj Finserv Asset Management Ltd](#)
4. **hruthi M. P. & T. Manjunatha** — authors of Empirical Testing of Risk and Return in Indian Mutual Fund Children Schemes [aims-internation](#)

3. Objectives

1. To study the awareness level of parents regarding children's mutual funds.
2. To understand the factors influencing investment decisions in children's mutual funds.
3. To analyze whether investor education programs are effective in creating awareness.
4. To suggest measures for improving awareness and participation.
5. To examine the relationship between parents' demographic profile (age, income, education) and their investment in children's mutual funds.

4. Research Methodology

The study adopts a descriptive research design and is based on primary data collected through a pilot survey.

Sample Size: 15 investors

Sampling Technique: Convenience sampling

Data Collection Tool: Structured questionnaire

Scale Used: Five-point Likert scale

Mode of Data Collection: Online and personal interaction

The pilot study was conducted to test the clarity, relevance, and reliability of the questionnaire and to identify potential issues before full-scale data collection.

Parents		Assets Manager Company Representatives	Total
Male	Female		
5	5	5	15

5. Data Source & Data Collection

The data has collected with the help of following two sources

1. Primary Data

Primary data refers to **first-hand information** collected directly from respondents for the specific research objective.

Sources of Primary Data:

- Parents / guardians investing in children's mutual funds
- Prospective investors (parents planning future investments)
- Financial advisors / mutual fund agents
- Bank and AMC relationship managers

Questionnaire Method

- A **structured questionnaire** is prepared to collect information from parents/investors. Awareness of children's mutual funds
- Purpose of investment (education, marriage, career)
- Investment horizon
- Risk perception
- Sources of information
- Satisfaction level
- Factors influencing investment decision

Mode of distribution:

- Online (Google Forms)
- Offline (printed questionnaires)

Interview Method

Personal or telephonic interviews are conducted with:

- Financial advisors
- Mutual fund distributors
- Selected investors

Survey Method

A survey is conducted among parents/guardians to:

- Measure awareness level
- Study attitude and behaviour towards child investment plans

2. Secondary data

Secondary data refers to **already published data** collected from reliable sources.

Sources of Secondary Data:

- Mutual Fund Offer Documents (SID & KIM)
- AMFI (Association of Mutual Funds in India) reports
- SEBI guidelines and circulars
- RBI publications
- Financial newspapers (Economic Times, Business Standard)
- Journals, research papers, and articles
- Company websites of AMCs (SBI MF, HDFC MF, ICICI Prudential MF, etc.)
- Government publications and websites
- Previous dissertations and theses
- Books on investment and mutual funds

Secondary data is collected by **reviewing and analyzing existing literature**.

Methods include:

- Content analysis of reports and articles
- Comparative study of various children's mutual fund schemes
- Analysis of historical performance data
- Review of regulatory framework

Sampling Design (Optional but Recommended)

- **Sampling Unit:** Parents/Guardians
- **Sample Size:** 15 respondents
- **Sampling Technique:** Convenience Sampling / Random Sampling
- **Study Area:** Urban / Semi-urban area

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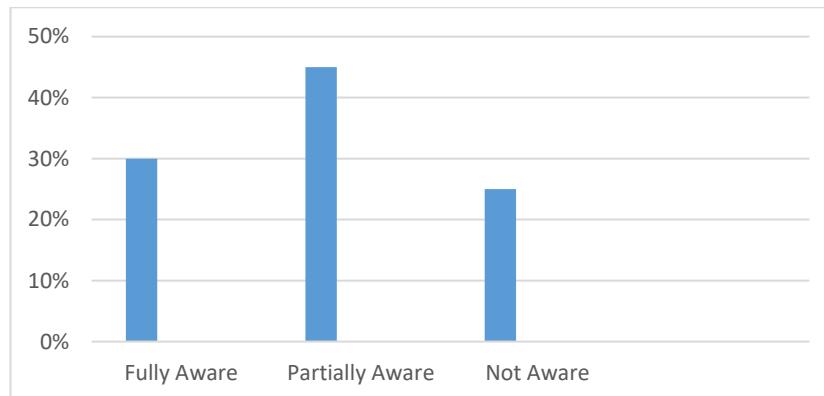
6. Data Analysis and Interpretation

The data after collection has analyzed in accordance with the outline laid down for the purpose at time of developing the research plan. Analysis and interpretation of data in general way involves closely related operation, which are performed with the purpose of summarizing the collected data fulfill the research objective, the primary data collected from the respondent under have been studied with the help of questionnaire do not complete the study itself. For drawing logical conclusion and for giving some concrete suggestions this data have to be analyzed.

Facilitating analysis and interpretation the collected data have been properly tabulated. Interpretation refers to the task drawing inferences from the collected facts after an analytical or experimental study. Interpretation is essential for the simple reason that the usefulness and utility of research finding lie in proper interpretation. For the collection of data there was a good cooperation from the respondents.

6.1 Awareness Level of Parents

- Fully Aware – 30%
- Partially Aware – 45%
- Not Aware – 25%

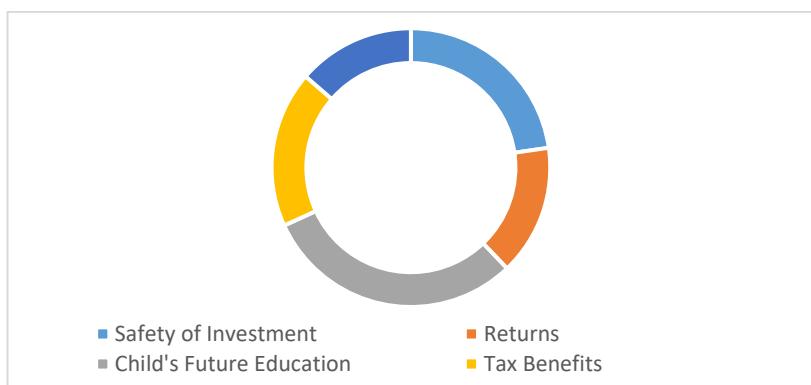


The chart shows that only a small proportion of parents are fully aware of children's mutual fund schemes. A large percentage of parents fall under the partially aware category, indicating that they have basic knowledge but lack detailed understanding.

A significant portion is completely unaware, highlighting the need for improved financial literacy.

6.2 Factors Influencing Investment Decisions

- Safety of Investment
- Returns
- Child's Future Education
- Tax Benefits
- Advice from Financial Advisors



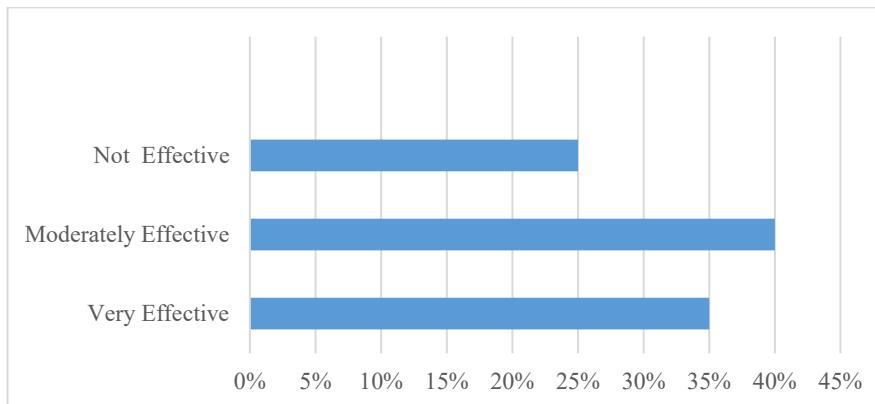
Observation:

- Safety and child's future needs rank highest.
- Tax benefits and advisor recommendations have moderate influence.

The graph indicates that parents primarily invest in children's mutual funds for long-term financial security and education planning. Safety and expected returns are the most influential factors, while tax benefits and professional advice play a supportive role in decision-making.

6.3 Impact of Investor Education Programs

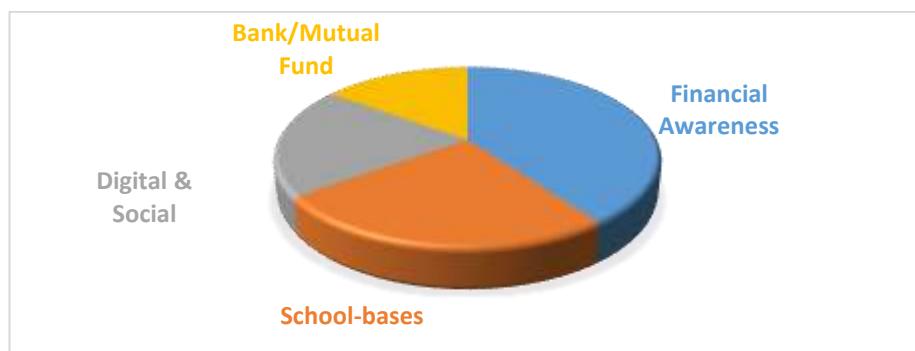
- Very Effective – 35%
- Moderately Effective – 40%
- Not Effective – 25%



The chart reveals that a majority of parents feel investor education programs are effective in improving awareness. However, a notable percentage still finds them ineffective, suggesting that current programs may not be reaching all sections of society or may lack practical clarity.

6.4 Preferred Measures to Improve Awareness

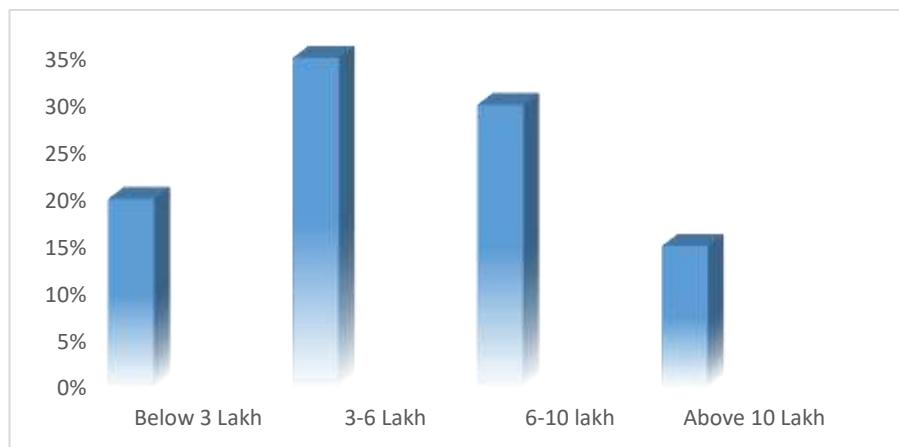
- Financial Awareness Campaigns – 40%
- School-based Financial Programs – 25%
- Digital & Social Media Promotion – 20%
- Bank/Mutual Fund Advisor Guidance – 15%



The bar graph shows that **financial awareness campaigns** are the most preferred measure. Programs conducted in **schools and colleges** can also greatly help parents understand the importance of early investment. Digital media is emerging as an effective modern tool for spreading awareness.

6.5 Income Level vs Investment in Children's Mutual Funds

- Below ₹3 lakh – 20% Investors
- ₹3–6 lakh – 35% Investors
- ₹6–10 lakh – 30% Investors
- Above ₹10 lakh – 15% Investors



The graph shows that **middle-income parents (₹3–6 lakh)** invest the most in children's mutual funds. Lower-income groups invest less due to limited savings, while higher-income groups prefer diversified investment options. This indicates that **income level has a significant impact on investment decisions**.

7. Findings

- Awareness about children's mutual funds is moderate but not sufficient.
- Future security of children is the strongest motivating factor for parents.
- Investor education programs are effective in improving awareness.
- Demographic factors significantly influence investment decisions.
- there is a need to convert awareness into actual participation.

8. Suggestions

- Conduct regular investor education and financial literacy programs.
- Use digital platforms and social media to spread awareness.
- Provide simple, transparent information about children's mutual funds.
- Offer goal-based investment guidance to parents.
- Encourage financial advisors to promote children-specific investment plans.

9. Conclusion

Children's mutual funds act as a financial seed that can grow into strong financial security when nurtured with informed investment decisions and long-term commitment. The study highlights that while investors are generally aware of the existence of children's mutual funds, detailed understanding remains limited. The pilot study validates the research design and questionnaire, providing a strong foundation for future large-scale research. Enhancing investor awareness through education and communication is essential for increasing participation in children's mutual fund schemes and ensuring financial security for future generations.

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