

Role of Investor Awareness in Rural Areas – in Mutual Funds Industry

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ABSTRACT

The Indian mutual fund industry has experienced remarkable growth in recent years. However, rural participation continues to lag significantly behind. This study investigates the role investor awareness plays in bridging this gap. Using a sample of 350 rural respondents across five states—Uttar Pradesh, Maharashtra, Tamil Nadu, Odisha, and Rajasthan—the study highlights how demographic factors, education, and access to information shape investment behaviors in rural areas. Findings indicate an awareness-action gap, with high levels of interest but limited actual investment. The study emphasizes that localized awareness campaigns, digital access, and trust-building measures are crucial for expanding mutual fund adoption in rural India.

Keywords: Rural area, mutual fund investment

I. INTRODUCTION

India's vast rural population—nearly 65% of its 1.4 billion people—has traditionally relied on physical assets like gold, land, and fixed deposits for savings. Despite the growing popularity of mutual funds in urban areas, rural investment in these instruments remains limited due to low awareness, financial illiteracy, and trust issues.

Government and regulatory bodies like SEBI have introduced initiatives such as simplified KYC, investor education programs, and incentives for distributors targeting B30 cities (beyond top 30 urban centers). Yet the penetration remains modest. FinTech platforms have further enabled rural access via mobile and UPI integration, allowing investments as low as ₹100.

This paper explores how increasing investor awareness could transform rural investment behavior, enhance financial inclusion, and contribute to national economic development.

A Study of Rural India; Journal: International Journal of Financial Management, 9(1), 34–42: This study found that a lack of investor education in rural areas leads to limited participation in mutual fund schemes. It emphasizes that awareness campaigns and simplified financial communication significantly improve rural investors' trust and willingness to invest in mutual funds.

2. SEBI (Securities and Exchange Board of India) Report (2020); Title: Investor Survey on Mutual Fund Awareness and Penetration in Rural India: SEBI's survey reveals that although mutual fund penetration has increased in Tier-II and Tier-III towns, rural investors still face challenges like financial illiteracy, mistrust, and digital gaps. Awareness programs like "Mutual Funds Sahi Hai" have started to build confidence, especially among younger rural populations.

3. Chaturvedi, M., & Khare, V. (2017); Title: Awareness and Investment Preferences of Rural Investors Towards Mutual Funds in India; Journal: International Journal of Commerce and Management Research, 3(5), 45–49: The research highlights the role of financial influencers, such as local bank staff and insurance agents, in shaping rural

II. LITERATURE REVIEW

1. Agarwal, S., & Panwar, J. S. (2019); Title: Investor Awareness and Investment Decision in Mutual Funds –

investment decisions. It concludes that targeted investor awareness and trust-building efforts directly contribute to greater adoption of mutual funds in rural areas.

4. Mishra, A., & Ranjan, R. (2021); Title: Barriers to Mutual Fund Investments in Rural India: A Behavioral Perspective; Journal: Indian Journal of Finance, 15(3), 22–29: The study explores psychological and cultural barriers that limit mutual fund adoption in rural India. Findings indicate that financial awareness—when delivered in regional languages and through trusted community sources—enhances investor participation by reducing misconceptions and perceived risks.

5. Sinha, S. K. (2022); Title: Digital Financial Literacy and Mutual Fund Adoption in Rural India; Journal: Journal of Rural Development and Finance, 10(2), 60–68: This paper links digital financial literacy with mutual fund penetration in rural zones. The research underscores that investor education through mobile apps, WhatsApp campaigns, and vernacular video content has positively influenced investment behavior in areas with internet access

- SEBI Investor Survey (2020): Reported less than 10% awareness among rural investors, with many perceiving mutual funds as risky.
- NCAER Study (2017): Found education and media exposure critical in shaping investment behavior.
- Gupta & Jain (2021): Highlighted strong familial and cultural influence on rural savings patterns.
- Sinha & Gupta (2021): Suggested vernacular outreach and community-based financial education.
- AMFI (2023): Noted limited success of the “Mutual Funds Sahi Hai” campaign in deeply rural areas. The literature underlines a consistent need for simplified, accessible, and culturally relevant financial education.

III. RESEARCH METHODOLOGY

- Type: Quantitative and descriptive
- Tools: Structured questionnaire via Google Forms, meta forms, and field volunteers
- Sample Size: 350 rural respondents across five states
- Sampling Technique: Random sampling
- Data Sources: Primary survey and secondary sources like SEBI, AMFI, RBI, NABARD, and government reports

Hypothesis:

- H_1 : Investor awareness significantly impacts mutual fund investment in rural areas.
- H_0 : Investor awareness does not significantly impact mutual fund investment in rural areas.

Variables:

- Independent: Age, education, occupation, income, information source
- Dependent: Awareness, willingness to invest, actual investment

IV. DATA ANALYSIS AND INTERPRETATION

Key Findings:

- Awareness Level: 65% have heard of mutual funds, yet only 30% have invested.
- Preferred Investments: 45% prefer FDs, 30% gold, 20% land, and only 30% mutual funds.
- SIP Awareness: Only 30% are aware of Systematic Investment Plans.
- Information Sources: Family (30%), agents (30%), friends/media (20% each).
- Risk Appetite: 60% are risk-averse.
- Savings: 50% save between ₹1,000–₹5,000 per month—suitable for SIPs.
- Learning Readiness: 85% would attend financial literacy sessions.
- Education Level: Over 60% have higher secondary or above education.

These insights show strong potential for mutual fund growth if awareness barriers are addressed.

V. CHALLENGES IDENTIFIED

1. Awareness–Action Gap: Knowing about mutual funds does not equate to investing.
2. Cultural Bias: Traditional assets are trusted over market-linked instruments.
3. Lack of SIP Understanding: SIPs, a key tool for small investors, remain underutilized.
4. Informal Advice Channels: Reliance on agents and family leads to misinformation.
5. High Risk Aversion: Fear of loss limits participation in higher-return options.

VI. SUGGESTION & RECOMMENDATIONS

“3E Strategy”: Educate, Engage, Empower

1. Educate:
 - o Use local-language videos, animations, and audio clips.
 - o Explain concepts like SIPs using relatable examples (e.g., a farmer saving ₹500/month).

- o Conduct awareness through schools, Anganwadis, SHGs.

2. Engage:

- o Organize village-level workshops and quizzes.
- o Share success stories of local investors.
- o Demonstrate app-based investing in live settings.

3. Empower:

- o Train SHGs and NGO workers to assist in onboarding.
- o Use digital tools like Aadhaar-eKYC for instant SIP activation.
- o Set up mutual fund help kiosks in villages during haats (local markets).

VII. CONCLUSION

This research validates the hypothesis that investor awareness directly influences mutual fund investment in rural India. While infrastructure and digital access have improved, awareness and trust remain the main barriers. Encouraging signs include a high willingness to learn and savings potential among rural populations.

Policy makers, financial institutions, and FinTech players must now collaborate to provide hyper-local, easy-to-understand financial education supported by digital tools and community engagement. This shift can drive financial inclusion, stabilize capital markets, and empower rural households toward long-term wealth creation.

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