

An Empirical Study on Awareness and Acceptability of Mutual Funds with Special Reference to Tapi District: Focus on Vyara and Uchhal

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Abstract:

This research paper presents a comprehensive empirical study on mutual fund awareness and acceptability in Tapi District, Gujarat, with particular emphasis on Vyara and Uchhal talukas. Based on primary data collected from 2,209 respondents across seven talukas through stratified random sampling, the study reveals significant insights into the financial behavior patterns of rural and semi-urban populations. The findings indicate critically low mutual fund awareness (67% completely unaware) despite growing potential for adoption. The research identifies key barriers including insufficient income (100% of non-investors), lack of knowledge (80.5%), and strong preference for traditional investments (66.6%). The study provides actionable recommendations for policymakers, financial institutions, and regulators to enhance financial inclusion in emerging markets.

1. Introduction

The Indian mutual fund industry has witnessed remarkable transformation since economic liberalization in 1991, evolving from a monopolistic structure to a competitive ecosystem with over 44 Asset Management Companies managing assets exceeding ₹65 trillion as of 2025. However, this growth remains geographically concentrated, with metropolitan and Tier-1 cities accounting for disproportionate market share while rural and tribal districts like Tapi continue to exhibit minimal penetration rates.

Tapi District, carved from Surat district in 2007, presents unique demographic characteristics with approximately 80% tribal population and predominantly agricultural economy. This study examines mutual fund awareness and acceptability patterns in this emerging district, with special focus on Vyara (district headquarters) and Uchhal talukas, representing different levels of urban development and economic activity.

The research addresses critical gaps in understanding investment behavior in semi-urban and tribal regions, providing empirical evidence to support targeted financial inclusion strategies. With mutual fund penetration rates below 10 folios per 1,000 population compared to national average of 180, Tapi District represents both significant challenges and substantial opportunities for the financial services industry.

2. Literature Review

2.1 Theoretical Framework

Modern Portfolio Theory (Markowitz, 1952) provides the theoretical foundation for mutual fund benefits, demonstrating how diversification reduces portfolio risk without sacrificing returns. However, behavioral finance theories reveal that investment decisions in rural contexts

are influenced by psychological biases, cultural factors, and social networks rather than purely rational considerations.

The Technology Acceptance Model (Davis, 1989) and Unified Theory of Acceptance and Use of Technology (Venkatesh et al., 2003) offer frameworks for understanding financial product adoption, emphasizing perceived usefulness, ease of use, and social influence factors particularly relevant in rural markets.

2.2 Empirical Research Context

Previous studies have consistently documented urban-rural disparities in mutual fund adoption. The SEBI-NCAER Survey (2015) found only 1.4% of Indian households aware of mutual funds compared to 96% aware of bank deposits. Regional studies in Gujarat by Patel and Prajapati (2018) identified higher awareness in industrially developed districts, while tribal areas remained largely underserved.

Behavioral research indicates that rural investors exhibit strong preference for tangible assets (gold, real estate) due to cultural factors and risk perception patterns. Trust in financial institutions emerges as a critical adoption determinant, particularly in regions with limited exposure to formal financial services.

3. Research Methodology

3.1 Research Design

This study employs a mixed-methods approach combining descriptive and analytical research design. The primary data collection utilized structured questionnaires administered through stratified random sampling across all seven talukas of Tapi District.

3.2 Sample Design

The study surveyed 2,209 adult residents (18+ years) representing the district's demographic diversity:

- **Vyara Taluka:** 423 respondents (19.1%) - District headquarters with semi-urban characteristics
- **Uchhal Taluka:** 268 respondents (12.1%) - Rural agricultural economy
- **Other Talukas:** 1,518 respondents across Sonagadh, Valod, Nizar, Dolvan, and Kukarmunda

Sample selection employed proportional allocation based on population distribution, ensuring representative coverage across rural (74%) and urban (26%) areas.

3.3 Data Collection and Analysis

Primary data was collected through structured questionnaires covering demographic profiles, mutual fund awareness levels, investment patterns, barriers, and encouragement factors. Statistical analysis employed descriptive statistics, ANOVA, Chi-square tests, and correlation analysis using appropriate significance levels.

4. Findings and Analysis

4.1 Demographic Profile

The study reveals characteristic rural demographic patterns:

Table 1: Demographic Distribution of Respondents (N=2,209)

Variable	Category	Frequency	Percentage
Age Groups	18-25 years	486	22.0%
	26-35 years	552	25.0%
	36-45 years	530	24.0%
	46-55 years	353	16.0%
	Above 55 years	288	13.0%
Gender	Male	1,303	59.0%
	Female	906	41.0%
Occupation	Farmer	906	41.0%
	Homemaker	795	36.0%
	Student	243	11.0%
	Salaried Employee	199	9.0%
	Business Owner/Self-Employed	66	3.0%
Annual Income	Below ₹2.5 lakhs	972	44.0%
	₹2.5-5 lakhs	597	27.0%
	₹5-10 lakhs	552	25.0%
	Above ₹10 lakhs	88	4.0%
Education	Higher Secondary or below	840	38.0%
	Graduate	729	33.0%
	Post-graduate	552	25.0%
	Others	88	4.0%
Area	Rural	1,878	74.0%
	Urban	331	26.0%

4.2 Mutual Fund Awareness Analysis

4.2.1 Overall Awareness Levels

The study documents alarmingly low awareness levels:

- **Not Aware At All:** 67% (1,480 respondents)
- **Somewhat Aware:** 19.5% (431 respondents)

- **Very Aware:** 13.5% (298 respondents)

4.2.2 Vyara vs Uchhal Comparison

Taluka-specific analysis reveals significant variations:

Table 2: Taluka-wise Distribution of Respondents

Taluka	Respondents	Percentage	Characteristics
Vyara	423	19.1%	District headquarters, semi-urban
Sonagadh	415	18.8%	Mixed rural-urban
Nizar	358	16.2%	Rural agricultural
Uchhal	268	12.1%	Rural agricultural
Valod	261	11.8%	Rural
Dolvan	252	11.4%	Rural
Kukarmunda	232	10.6%	Rural
Total	2,209	100.0%	

Vyara Taluka (District Headquarters):

- Higher awareness due to administrative center status and better connectivity
- Greater exposure to financial institutions and advisory services
- Mixed urban-rural population providing diverse investment perspectives

Uchhal Taluka (Rural Agricultural):

- Lower awareness consistent with remote rural characteristics
- Agricultural income patterns affecting investment behavior
- Limited financial infrastructure access

4.3 Investment Behavior Patterns

- Among the 729 aware respondents, only 175 (24%) currently invest in mutual funds, highlighting the substantial awareness-to-adoption gap. Investment characteristics include:

Table 10: Investment Behavior and Preferences

Variable	Category	Frequency	Percentage
Currently Invest	Yes	175	24.0%
	No	554	76.0%
Investment Duration	Less than 1 year	106	14.5%
	1-3 years	52	7.1%
	3-5 years	25	3.4%
	More than 5 years	16	2.2%
	Not applicable	530	72.7%
Investment Mode	SIP	442	60.6%
	Lump sum	107	14.7%
	Both	180	24.7%
Monthly Investment	Less than ₹1,000	440	60.4%
	₹1,001-₹5,000	222	30.5%
	₹5,001-₹10,000	56	7.7%
	More than ₹10,000	11	1.5%
Portfolio Allocation	Less than 10%	122	16.7%
	10-25%	76	10.4%
	26-50%	8	1.1%
	More than 50%	8	1.1%
	Not applicable	515	70.6%

4.3.1 Investment Preferences

- **SIP Preference:** 60.6% prefer systematic investment plans
- **Investment Amounts:** 60.4% invest less than ₹1,000 monthly
- **Fund Types:** Equity funds (79.2%), Debt funds (68.8%)
- **Portfolio Allocation:** 16.7% allocate less than 10% to mutual funds

4.3.2 Investment Duration and Satisfaction

- **Recent Adoption:** 14.5% investing less than one year
- **Satisfaction Levels:** 43.6% neutral, 37.9% satisfied, indicating moderate confidence

4.4 Barriers to Mutual Fund Adoption

The research identifies multiple interconnected barriers affecting non-investors:

4.4.1 Primary Barriers (Multiple Response Analysis)

1. **Insufficient Income/Savings:** 100% of cases (1,290 responses)
2. **Lack of Knowledge/Understanding:** 80.5% (1,039 responses)

3. **Preference for Traditional Investments:** 66.6% (859 responses)
4. **Lack of Trust in Mutual Fund Companies:** 58.4% (753 responses)
5. **Lack of Guidance:** 36% (465 responses)
6. **Complicated Investment Process:** 30.5% (394 responses)

4.4.2 Taluka-wise Barrier Variations

Geographic analysis reveals localized challenges:

Table 3: Barriers to Investment by Taluka (Percentage of Non-investors)

Taluka	Lack of Knowledge	Trust Issues	Traditional Preference	Complexity	Guidance	Income Constraint
Vyara	76.6%	54.0%	61.8%	30.1%	36.4%	100.0%
Sonagadh	81.1%	44.4%	49.7%	24.3%	33.7%	100.0%
Valod	81.0%	65.7%	69.3%	33.6%	36.5%	100.0%
Uchhal	83.6%	68.9%	76.8%	36.2%	37.9%	100.0%
Nizar	78.8%	56.1%	69.3%	26.4%	34.0%	100.0%
Dolvan	85.1%	64.5%	73.8%	34.8%	38.3%	100.0%
Kukarmunda	84.3%	63.9%	73.1%	31.5%	36.1%	100.0%
District Average	80.5%	58.4%	66.6%	30.5%	36.0%	100.0%

Uchhal Taluka shows highest barrier concentration:

- Knowledge gaps: 83.6% (above district average)
- Trust issues: 68.9% (highest among all talukas)
- Traditional investment preference: 76.8%

Vyara Taluka demonstrates relatively better awareness but significant barriers persist:

- Knowledge gaps: 76.6% (below district average but still substantial)
- Trust issues: 54% (lower than rural talukas)

4.5 Psychological and Cultural Factors

- Detailed barrier analysis reveals deep-seated psychological obstacles:

4.5.1 Risk Perception

- 66.6% consider mutual funds too risky (966 out of 1,480 non-investors)
- Risk aversion particularly pronounced in agricultural communities dependent on stable income

4.5.2 Complexity Concerns

- 72.7% find investment processes complicated (1,076 respondents)
- Technical jargon and documentation requirements create accessibility barriers

4.5.3 Trust and Control Issues

- 60.4% distrust financial institutions (894 respondents)
- 63.1% concerned about lack of investment control (460 respondents)
- 66.2% prefer tangible investments (gold, real estate) reflecting cultural biases

4.6 Encouragement Factors and Growth Potential

Despite barriers, the study identifies significant growth drivers:

4.6.1 Primary Motivators

Table 8: Factors Encouraging Mutual Fund Investment (N=1,954 responses)

Encouragement Factor	Responses	Percent of Total	Percent of Cases
Guidance from Financial Advisor	414	21.2%	72.6%
More Tax Benefits	368	18.8%	64.6%
Lower Minimum Investment Amount	360	18.4%	63.2%
Better Regulation of MF Companies	272	13.9%	47.7%
Simplified Investment Process	237	12.1%	41.6%
Better Understanding of Mutual Funds	193	9.9%	33.9%
Guaranteed Returns	110	5.6%	19.3%
Total	1,954	100.0%	342.8%

1. **Guidance from Financial Advisors:** 72.6% (414 responses)
2. **More Tax Benefits:** 64.6% (368 responses)
3. **Lower Minimum Investment Amounts:** 63.2% (360 responses)
4. **Better Regulation:** 47.7% (272 responses)
5. **Simplified Investment Process:** 41.6% (237 responses)

4.6.2 Information Sources and Channels

Table 9: Investment Information Sources (Among Aware Respondents, N=729)

Information Source	Frequency	Percentage
Family/Friends/Relatives	186	25.5%
Internet/Websites/Social Media	184	25.2%
Banks/Financial Institutions	157	21.5%
Financial Advisors/Agents	142	19.5%
Newspapers/Magazines/TV	60	8.2%
Total	729	100.0%

Rural investors rely heavily on informal networks:

- **Family/Friends/Relatives:** 79.2% of cases
- **Financial Advisors:** 68.8%
- **News Channels:** 68.8%
- **Social Media/Advertisement:** 45.3%
- **Online Research:** 21% (indicating digital divide)

4.7 Statistical Testing Results

Inferential analysis reveals important relationships:

Table 4: ANOVA Results for Age Groups and Mutual Fund Awareness

Source of Variation	Sum of Squares	df	Mean Square	F-statistic	p-value
Between Groups	0.0129	4	0.0032	0.0009	0.9999
Within Groups	2441.1053	2204	1.1091		
Total	2441.1182	2208			

Table 5: Independent Samples t-test for Gender and Mutual Fund Awareness

Variable	t-statistic	df	Mean Difference	Standard Error	95% CI	p-value
Gender (Male vs Female)	-0.0129	2207	0.0000	0.0032	(-0.0064, 0.0064)	0.9897

Table 6: Chi-Square Tests for Investment Behavior

Variables	χ^2 statistic	df	p-value	Result
Income Level vs Investment	0.0011	3	0.99999	Not Significant
Traditional Investment vs MF Adoption	376.69	1	<0.001	Significant

Table 7: ANOVA for Occupation and Investment Behavior

Source of Variation	Sum of Squares	df	Mean Square	F-statistic	p-value
Between Groups	0.0136	3	0.0045	0.0136	0.9978
Within Groups	2279.2432	2205	1.0320		
Total	2279.2568	2208			

4.7.1 Demographic Factors

- **Age:** No significant difference in awareness across age groups ($F=0.0009$, $p=0.9999$)
- **Gender:** No significant awareness difference between male and female respondents ($t=-0.0129$, $p=0.9897$)
- **Income:** No significant relationship with investment behavior ($\chi^2=0.0011$, $p=0.99999$)
- **Occupation:** No significant impact on investment patterns ($F=0.0136$, $p=0.9978$)

4.7.2 Behavioral Factors

- **Traditional Investment Preference:** Strong negative relationship with mutual fund adoption ($\chi^2=376.69$, $p<0.05$)

These findings indicate that demographic variables alone do not explain investment behavior; psychological and cultural factors play more decisive roles.

4.8 Financial Literacy and Education Impact

The study demonstrates strong receptivity to financial education:

Table 11: Financial Education and Literacy Responses (N=729)

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
More financial education would increase confidence	2 (0.3%)	26 (3.6%)	134 (18.4%)	235 (32.2%)	332 (45.5%)
Financial literacy programs in schools would help	2 (0.3%)	9 (1.2%)	116 (15.9%)	331 (45.4%)	271 (37.2%)
Simple language explanations would help	6 (0.8%)	30 (4.1%)	137 (18.8%)	297 (40.7%)	259 (35.5%)

Table 12: Family and Community Decision-Making Patterns

Variable	Category	Frequency	Percentage
Discuss with Family	Always	364	49.9%
	Often	120	16.5%
	Sometimes	158	21.7%
	Rarely	78	10.7%
	Never	9	1.2%

Primary Decision Maker	Parents	327	44.9%
	Jointly with family	199	27.3%
	Self	92	12.6%
	Spouse	67	9.2%
	Financial advisor	44	6.0%
Community Views	Somewhat positively	254	34.8%
	Neutral	280	38.4%
	Very positively	91	12.5%
	Somewhat negatively	85	11.7%
	Not discussed	13	1.8%
	Very negatively	6	0.8%

4.8.1 Education Demand

- **Financial Education Confidence:** 77.7% agree education would increase investment confidence
- **School-based Programs:** 82.6% support financial literacy in educational institutions
- **Simple Language Explanations:** 76.2% prefer accessible communication

4.8.2 Family and Community Influence

- **Family Decision Making:** 49.9% always discuss investments with family
- **Parental Influence:** 44.9% of investment decisions made by parents
- **Joint Family Approach:** 27.3% make joint family investment decisions

5. Comparative Analysis: Vyara vs Uchhal

5.1 Awareness Levels

While specific taluka-wise awareness data requires deeper analysis, qualitative observations indicate:

Vyara Advantages:

- District headquarters status providing better financial infrastructure
- Higher concentration of salaried employees and government workers
- Better connectivity and communication networks
- Greater exposure to banking and financial services

Uchhal Challenges:

- Rural agricultural economy with irregular income patterns
- Limited financial institution presence

- Higher dependence on traditional economic activities
- Cultural factors favoring conventional investment approaches

5.2 Investment Behavior Variations

The rural-urban divide between these talukas likely manifests in:

Investment Patterns:

- Vyara showing higher adoption rates among aware population
- Uchhal demonstrating stronger preference for SIP-based approaches due to agricultural income cycles
- Varying risk tolerance based on income stability and diversification options

Barrier Profiles:

- Vyara facing more trust and complexity-related barriers
- Uchhal experiencing fundamental awareness and income constraint issues

6. Discussion and Implications

6.1 Key Insights

This study reveals that mutual fund penetration in Tapi District, particularly in rural areas like Uchhal, faces systemic challenges beyond simple demographic factors. The 67% complete unawareness rate combined with only 24% adoption among aware respondents indicates multiple intervention points required for market development.

The preference for traditional investments (66.6%) reflects deep cultural biases that require behavioral change strategies rather than purely educational approaches. The strong demand for advisor guidance (72.6%) suggests that human intermediation remains crucial in rural markets despite digital advancement trends.

6.2 Behavioral Finance Implications

The findings support behavioral finance theories showing that rural investment decisions are influenced by:

- **Loss Aversion:** Strong risk perception despite equity fund preferences among actual investors

- **Mental Accounting:** Preference for tangible assets reflecting psychological ownership needs
- **Social Proof:** Family and community influence in investment decisions
- **Anchoring Bias:** Traditional investment preferences anchoring new product evaluation

6.3 Market Development Opportunities

Despite challenges, the study identifies substantial growth potential:

- 33% awareness base providing foundation for targeted campaigns
- Strong SIP preference aligning with rural income patterns
- High receptivity to financial education (77.7%) enabling systematic intervention
- Favorable community sentiment (47.3% positive views) supporting peer influence strategies

7. Recommendations

7.1 For Policymakers and Regulators

Financial Inclusion Initiatives:

- Integrate financial literacy in school curricula focusing on rural areas
- Develop vernacular educational materials for tribal communities
- Establish mobile financial advisory services for remote talukas like Uchhal
- Create regulatory frameworks supporting micro-investment products

Infrastructure Development:

- Enhance digital connectivity enabling online investment platforms
- Support establishment of rural financial service centers
- Facilitate bank-mutual fund company partnerships for distribution expansion

7.2 For Mutual Fund Industry

Product Innovation:

- Develop agriculture-specific SIP products aligned with crop cycles
- Create micro-investment options with minimum amounts below ₹500
- Design simplified fund structures reducing complexity concerns
- Introduce target-date funds for specific financial goals (children's education, retirement)

Distribution Strategy:

- Deploy local relationship managers in rural areas
- Partner with cooperative institutions and self-help groups
- Leverage community influencers for trust-building initiatives
- Establish mobile advisory units for periodic rural outreach

Marketing and Communication:

- Develop regional language educational content
- Focus on tangible benefit demonstrations rather than abstract concepts
- Utilize peer success stories for social proof effects
- Emphasize tax benefits and professional management advantages

7.3 For Financial Institutions

Advisory Services:

- Train local bank personnel in mutual fund counseling
- Establish dedicated investment advisory desks in rural branches
- Provide holistic financial planning services addressing family goals
- Create investor education programs targeting women and homemakers

Technology Integration:

- Develop mobile apps with vernacular language support
- Implement simplified KYC processes for rural investors
- Provide offline-online hybrid service models
- Create investment calculators addressing agricultural income variability

8. Limitations and Future Research Scope

8.1 Study Limitations

This research acknowledges several constraints:

- Cross-sectional design capturing point-in-time perspectives
- Self-reported data potentially affected by social desirability bias
- Limited seasonal income variation consideration for agricultural respondents
- Qualitative insights could be enhanced through in-depth interviews

8.2 Future Research Directions

Several areas warrant further investigation:

- Longitudinal studies tracking awareness and adoption changes over time
- Comparative analysis with similar tribal districts across India
- Impact assessment of specific financial literacy interventions
- Technology adoption patterns for digital investment platforms in rural areas
- Gender-focused research on women's financial decision-making authority

9. Conclusion

This empirical study provides comprehensive insights into mutual fund awareness and acceptability patterns in Tapi District, revealing both significant challenges and substantial opportunities. The 67% complete unawareness rate among 2,209 respondents indicates fundamental market development needs, while the 24% adoption rate among aware individuals demonstrates conversion potential with appropriate interventions.

The research establishes that demographic factors (age, gender, income, occupation) do not significantly influence investment behavior, contrary to conventional assumptions. Instead, cultural preferences for traditional investments, trust concerns, and financial literacy gaps emerge as primary determinants. This finding redirects strategic focus toward behavioral change initiatives rather than demographic targeting approaches.

Key barriers including insufficient income (100% of non-investors), lack of knowledge (80.5%), and preference for traditional investments (66.6%) require multi-faceted interventions combining financial education, product innovation, and trust-building measures. The strong preference for SIP investments (60.6%) and small monthly contributions (60.4% below ₹1,000) validates micro-investment product strategies for rural markets.

The comparative analysis between Vyara and Uchhal talukas, while requiring deeper investigation, suggests that rural areas face more fundamental awareness challenges while semi-urban centers deal with sophistication and trust issues. This geographic variation necessitates differentiated intervention strategies rather than uniform district-wide approaches.

Most encouraging is the demonstrated receptivity to financial education, with 77.7% expressing confidence that education would encourage investment. Combined with strong

demand for advisor guidance (72.6%) and simplified processes (41.6%), these findings suggest that systematic educational interventions can significantly impact market penetration.

For the mutual fund industry, this research provides actionable insights for product development, distribution strategy, and marketing approaches specifically tailored to emerging markets. The emphasis on human intermediation, family-oriented financial planning, and cultural sensitivity offers practical guidance for rural market expansion.

Ultimately, this study demonstrates that while mutual fund adoption in regions like Tapi District faces significant obstacles, the combination of growing awareness, favorable demographic trends, and strong educational receptivity creates substantial opportunities for inclusive financial market development. Success requires coordinated efforts among regulators, financial institutions, and educational bodies to address structural barriers while building trust and understanding in underserved communities.

The transformation of rural and tribal areas from traditional investment patterns to modern financial inclusion represents both a commercial opportunity and a social imperative. This research provides the empirical foundation necessary for evidence-based interventions that can drive sustainable change in financial behavior, ultimately contributing to broader economic development and individual financial security in emerging regions across India.

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