INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY
Monthly Peer-Reviewed, Refereed, Indexed Journal
Volume - 10, Issue - 5, May - 2026
ISSN(O): 2456-6683
[Impact Factor: 9.241]

DOIs:10.2017/IJRCS/202605013 --:-- Research Paper / Article / Review

RESEARCH STUDY ON CUSTOMER AWARENESS AND PERCEPTION REGARDING RISK & RETURN IN FIXED DIPOSITS VS MUTUAL FUNDS

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Abstract: *This study focuses on consumer perceptions and awareness of risk and return in mutual funds (MFs) and fixed deposits (FDs). The goal is to comprehend how people assess these two investment options according to their preferences, safety, and returns. The study's primary data, which was gathered using a structured questionnaire, is backed up by secondary sources. The results indicate that while mutual funds are picked for their larger return potential despite their higher risk, fixed deposits are preferred for their safety and low risk. Investment decisions are influenced by a number of factors, including age, income, and financial literacy. The survey comes to the conclusion that many investors still favour fixed deposits because they are risk averse, despite growing awareness of mutual funds.*

Key Words: *Customer Awareness, Investor Perception, Fixed Deposits (FDs), Mutual Funds (MFs), Risk and Return.*

1. INTRODUCTION

By promoting savings and turning them into profitable investments, India's financial services sector contributes significantly to the nation's economic expansion. Banks, insurance providers, non-banking financial businesses (NBFCs), and asset management firms that provide clients with various financial products comprise this industry. Public knowledge of investment prospects has increased recently due to a number of causes, including rising financial literacy, the quick expansion of digital banking, and government programs like Pradhan Mantri Jan Dhan Yojana and Digital India. People are increasingly more interested in selecting investment options that align with their financial objectives, level of risk tolerance, and anticipated returns.

Fixed deposits (FDs) and mutual funds (MFs) are the two most popular investment options among investors. Because they offer fixed returns with reduced risk, fixed deposits are typically regarded as secure and reliable investment solutions, making them appropriate for conservative investors. Mutual funds, on the other hand, are market-linked investment products that combine the capital of several individuals and make professional investments in a variety of assets, including stocks and bonds. They carry some degree of market risk in addition to the potential for larger profits. Customer awareness and impressions of these two investment options, particularly with regard to risk, return, safety, and overall financial decision-making, are the focus of this study.

2. Research Objectives: -

1. To determine how much knowledge customers have concerning mutual funds and fixed deposits
2. To examine how customers view risk and return.
3. To evaluate the relative merits of mutual funds and FDs

3. Literature Review:

Mehta (2021)

To contrast market-linked investment choices with FDs Mehta (2021) came to the conclusion that, in contrast to market-linked assets like mutual funds, consumers typically view fixed deposits as safer and more stable investment options. According to the report, even though mutual funds have a better potential return, many investors are still wary because of risk and ignorance. It also emphasised how crucial financial literacy and investor understanding are when making investing decisions. Customer preferences are generally determined by their expectations for returns and risk tolerance.

Sharma (2020)
To examine how mutual fund risk and return are related. According to the study's findings, consumers are often less knowledgeable about mutual funds than they are about the security and steady returns of fixed deposits. While mutual funds are thought to be riskier yet capable of producing bigger returns, investors view fixed deposits as low-risk and appropriate for safe savings. Additionally, the study discovered that risk-taking capacity, income level, and financial literacy all had an impact on investment choices. In general, the decision between mutual funds and fixed deposits is heavily influenced by consumer understanding.

Singh & Jha (2019)
To research how investors perceive mutual funds and what influences their investment choices. According to the report, fixed deposits are still favoured because of their safety and guaranteed returns, even if customer knowledge of mutual funds is rising, particularly among young and educated investors. According to the study, investors believe mutual funds are risky but have the potential to produce higher long-term returns. Conversely, fixed deposits are thought of being reliable and safe investment choices. The survey also showed that investing choices between fixed deposits and mutual funds are heavily influenced by financial literacy and risk tolerance.

4. Hypothesis

H_0: There is no significant relationship between customer awareness and investment choice between Fixed Deposits and Mutual Funds.

H_1: Customers perceive Mutual Funds as riskier than Fixed Deposits.

5. Research Methodology: -

People have a variety of options when it comes to investing their money in the contemporary financial world. A person's financial security and future growth are strongly impacted by their choice of investment. The most popular investing choices in India are mutual funds and fixed deposits (FDs).
Traditional investment products that banks like HDFC Bank offer are called fixed deposits. They are renowned for their low risk, set returns, and safety. Because the return is assured and unaffected by changes in the market, FDs are typically preferred by investors who do not wish to take on risk. Mutual funds, on the other hand, are market-linked investment choices that make investments in bonds, stocks, and other securities. Compared to FDs, they offer the chance to generate larger profits, but they also carry risk because of market swings. Because mutual funds are run by qualified fund managers, they are appropriate for individuals with limited stock market expertise.

Research Gap

- Although many researchers have studied investment behaviour, risk perception, and mutual fund performance, there are still some important areas that need further research.
- Most of the previous studies focus either on mutual funds or fixed deposits separately, but very few studies provide a direct comparison between both options in terms of customer awareness and perception.
- Secondly, many studies discuss risk and return, but they do not clearly explain the gap between what customers know and what they do. For example, even if customers are aware that mutual funds give higher returns, they still prefer fixed deposits.

Sample Size

- Total number of respondents: 200
- This sample size is sufficient to understand general customer behavior and perception.

6. Data Analysis:

Table-1

	F(N=100)	%
GENDER		

ISSN(O): 2456-6683
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MALE	30	29%
FEMALE	72	70%
AGE		
Below 18 years	5	4.90%
18-25 Years	60	58.82%
26-35 Years	22	21.57%
36-45 Years	6	5.88%
45-60 Years	9	8.82%
	F(N=100)	%
PROFESSION		
Student	61	59%
Employee	28	27%
Business	7	7%
Retired	0	0%
INCOME		
NO INCOME	27	26%
<20000	30	29%
20000-50000	28	27%
50000-1,00,000	10	10%
60000-80000	5	4.90%
Above 1,00,000	8	8%

INTERPRETATION

According to the demographic analysis, 29% of respondents were men and 70% of respondents were young women. The majority of respondents (58.82%) are between the ages of 18 and 25, suggesting that young individuals and early-stage investors have a significant influence on the study. Students make up the largest group (59%), followed by workers (27%), and businesspeople (7%). With 26% of respondents having no income and 29% making less than 20,000 per month, the income distribution shows that many respondents fall into low- or moderate-income categories. This suggests that the majority of respondents to the study are frugal people who could favour investing options that strike a balance between future returns, affordability, and safety.

Mutual Funds can give higher returns than Fixed Deposit.

Table-1.1

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
29	41	27	3	3
28%	40%	26%	3%	3%

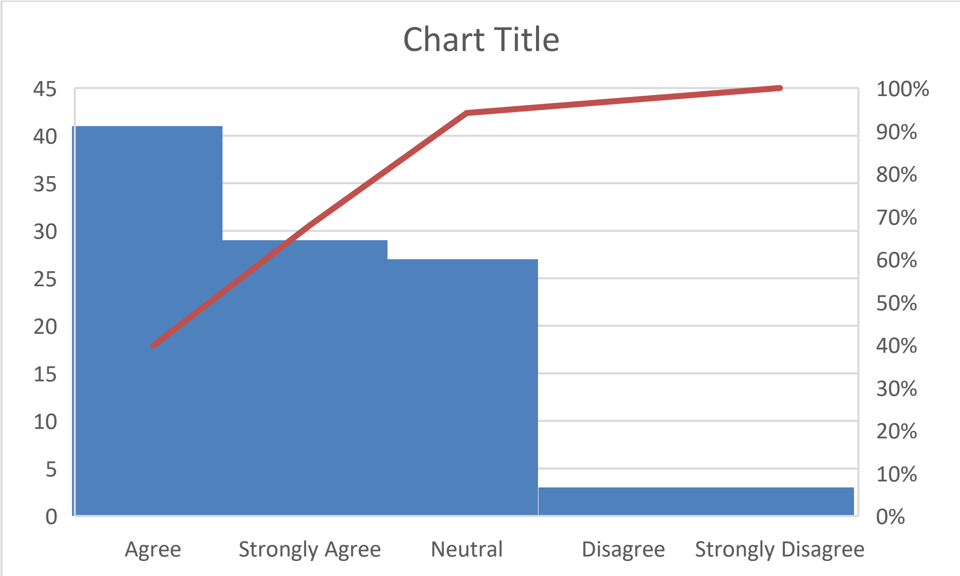

Chart-1.2

Interpretation

There is a favourable opinion of mutual funds since the majority of respondents (68%) concur that they can yield higher returns than fixed deposits. Only 6% disagree, indicating little opposition to this notion, while a noteworthy 26% are neutral, indicating considerable ambiguity or ignorance.

7. Result : -

According to the survey results, 70% of the sample is made up of female respondents, and the majority of participants fall into the low-income and student categories, indicating a young and early-stage investment group. Approximately 62% of respondents actively invest in financial products, yet a sizable portion still do not, highlighting the need for more financial inclusion and knowledge. The most popular investment option, according to the report, is a mix of mutual funds and fixed deposits, which reflects investors' desire to strike a balance between greater return potential and safety.

8. Conclusion: -

According to the study's findings, consumers are becoming more knowledgeable about investing options including mutual funds and fixed deposits, but their choices are primarily influenced by their financial literacy, risk tolerance, and expected returns. Conservative investors typically like fixed deposits because of their stability and safety, whereas investors looking for bigger returns at moderate to high risk are drawn to mutual funds. The study also emphasises how crucial financial advice and understanding are when making investing decisions. In general, each investment option has advantages of its own, and investors should make their decision based on their investment horizon, risk tolerance, and financial objectives.

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