ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 6| June 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

A STUDY ON THE RETAIL INVESTORS PERCEPTION AND PREFERENCE ACROSS DIFFERENT TYPES OF MUTUAL FUNDS

Dr.Swapnapriya Sethy[1], Ms.Surabhi Ginoria[2]
[1]*Asst.Professor, J.D Birla Institute, Kolkata-700020*
[2]*M.Com Student, J.D Birla Institute, Kolkata-700020*

Article DOI: https://doi.org/10.36713/epra22772
DOI No: 10.36713/epra22772

ABSTRACT

Over the past two decades, consumers investors have preferred mutual funds. Mutual funds allow investors to invest in a diversified portfolio managed by specialists at low cost without much effort. The mutual fund industry is always changing, so it currently offers products for a variety of risk appetites and investment goals. One of the most important things for the continuous expansion of the sector is to gain an understanding of how retail investors perceive the various types of mutual funds. The purpose of this study is to evaluate the perceptions and preferences of retail investors regarding several types of mutual funds, such as equity, debt, hybrid, and thematic funds. This study uses primary surveys and chi-square statistical analysis to investigate investor demographics and investment preferences. The primary findings indicate that income and educational qualification have a substantial impact on the selection of mutual funds and the levels of satisfaction experienced by investors. The insights that were obtained are extremely helpful for entities such as mutual fund firms, financial advisors, and legislators who are attempting to adjust their offers to better satisfy the requirements of investors.

JEL Codes: D14, G11, G23
KEYWORDS: *Mutual Funds, Retail Investors, Investment preferences, Chi-Square Analysis*

I. INTRODUCTION

Mutual funds have emerged as a fundamental component of retail investment portfolios across the globe, despite their relatively recent establishment in the broader spectrum of financial instruments. Mutual funds provide a compelling way for people to reduce investing risk while utilizing the experience of professional fund managers by combining the capital of many participants and distributing it among a variety of securities. Investors can engage in financial markets using this strategy without having to actively manage their portfolios or possess in-depth market knowledge.

Mutual funds are a well-balanced investment vehicle that can handle the inherent trade-off between risk and return in an environment marked by frequent market changes and economic uncertainty, especially in developing economies. Because of its architecture, investors can adjust their investment exposure to suit their risk tolerance and individual financial objectives. Interestingly, even during the COVID-19 pandemic, a time of increased financial volatility, The New Indian Express (2020) reported a notable spike in mutual fund investments.

This trend demonstrates how, even in times of crisis, retail investors are becoming more and more reliant on mutual funds. Understanding the attitudes, actions, and decision-making procedures of retail investors is becoming more and more important as the number of people using mutual funds keeps growing. Understanding how these investors assess various mutual fund categories, including debt, equity, hybrid, and theme funds, can help create more specialized and adaptable financial products. This knowledge is crucial for the financial services sector in order to create successful investment plans, enhance investor education programs, and make sure that product offerings are in line with the changing demands and expectations of the investing public.

II. LITERATURE REVIEW

The investigations and findings of earlier studies have had a significant and potent impact on the identification of key issues for this topic and therefore serve as a bedrock for this research. The existing literature that is now available provides profound insights into the investment behavior of mutual funds:

Mullainathan, Schwartzstein, and Shleifer (2012) These authors come from a behavioral economics background. Their study was motivated by the idea that traditional finance assumes investors are rational, but real-world investors often act emotionally. They focused on emotional biases like overconfidence (overestimating one's investment skills) and loss aversion (being more sensitive to losses than gains). Their work aimed to explain why investors consistently make poor mutual fund choices, leading to inefficient portfolio allocations. They placed their findings within the growing field of behavioral finance.

Vayanos and Woolley (2013) They studied financial market innovations, especially the rise of simplified investment vehicles like ETFs. Their work was motivated by observing how new products made investment easier for both institutional and retail investors, thereby expanding the mutual fund industry.

ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 6| June 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

They framed their analysis within market structure changes and efficiency improvements due to technology and product innovation.

Elton and Gruber (2017) These authors are classic figures in finance research, known for their analysis of active vs. passive investment management. Their study was driven by long-standing debates about whether fund managers add value after fees. They collected long-term data to demonstrate that, statistically, most active mutual fund managers underperform passive benchmarks (like index funds) once costs are considered. Their work fits into the market efficiency literature.

Agarwal and Naik (2018) With the explosion of FinTech, these authors explored how technological advancements (like robot-advisors and ETFs) democratized access to financial markets. Their focus was on retail investors — individuals who, thanks to technology, could invest in diversified portfolios without needing expensive financial advisors. They positioned their study within the trend of financial inclusion and investment accessibility.

Chui, Titman, and Wei (2018) These authors looked at retail investor behavior, particularly the growing preference for low-cost, transparent investment products like index funds. Motivated by the increasing criticism of actively managed funds, they sought to empirically test whether investors really were shifting to passive strategies due to better performance and clarity. Their research contributes to investor trend analysis and cost transparency studies.

Bhardwaj (2018) focused on investor psychology, particularly retail investors' irrational behavior. In the wake of behavioral finance breakthroughs, there was increasing evidence that emotions and cognitive errors, not just information, drive investment decisions. His study concentrated on how such biases distort equity and mutual fund investments, leading to frequent poor outcomes. His work falls under behavioral anomalies in investing.

Babbar and Sehgal (2018) took a predictive analytics approach, examining whether data-driven models could better forecast mutual fund performance. The context was the need for better fund selection tools, given how difficult it is for investors to consistently pick winning funds. Their research linked data science and investment decision-making, aiming to help investors overcome information overload and emotional biases.

Liu, An, Gao, and Liu (2019) This team investigated the link between financial literacy and investment rationality. Motivated by education and policy debates, they tested whether individuals who understand basic finance concepts make better mutual fund choices. Their work fits into the field of investor education and financial capability building — key areas for improving market participation quality.

Palacios and Lopez (2020) In response to the rise of ethical investing, Palacios and Lopez studied the demand for socially responsible investment (SRI) funds. They explored how investor goals are shifting from pure financial returns to combinations of financial and social/environmental returns. Their work is placed within sustainable finance and values-based investing research.

Maheswari (2020) Focusing on the Indian mutual fund industry, Maheswari compared selected mutual funds' performances to underline the importance of effective asset management. Her study emerged in the context of India's rapidly growing financial markets and aimed to provide insights into how professional fund management techniques influence returns. It aligns with emerging markets finance and fund management practices.
These studies collectively inform the theoretical foundation of the current research.

III. RESEARCH OBJECTIVES

The primary objectives of this study are:

- To explore the conceptual understanding and scope of mutual fund benefits among Indian investors.
- To examine the mindset and behavior of individual Indian investors towards different types of mutual funds.

IV. RESEARCH METHODOLOGY

Incorporating primary data gathered via structured questionnaires, this study takes a quantitative approach. A sample of 143 respondents, representing a range of ages, professions, and educational backgrounds, participated in the study. However, 11 respondents were unaware of mutual funds and were therefore excluded from the analysis. SPSS version 21 was utilized for statistical analysis, and purposive sampling was utilized. To find correlations between mutual fund investment preferences and demographic characteristics, chi-square testing was used.

V. DATA ANALYSIS AND DISCUSSION

Respondents were asked questions about two specific sections of the questionnaire. Demographic questions about age, occupation, and annual income made comprised the first section. In addition, the questions primarily ask about the mutual fund's performance, the kind of mutual fund they already own or intend to purchase, the rate of return they anticipate from their mutual funds over the next five years, and many other topics.

ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 6| June 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

5.1 Demographic Analysis

Table 5.1.1: Demographic features of Respondents

Category	Subcategory	No. of respondents	Percentage
Gender	Male	55	41.7%
	Female	77	58.3%
Age Group	18-21 years	19	14.4%
	22-25 years	45	34.1%
	26-30 years	18	13.6%
	31-40 years	32	24.2%
	Above 40 years	18	13.6%
Educational Qualification	Under-Graduate	30	22.7%
	Graduate	40	30.3%
	Postgraduate Professional Degree	62	47.0%
Occupation	Self-employed	21	15.9%
	Business	23	17.4%
	Salaried	45	34.1%
	Student	43	32.6%
Annual Income	Up to Rs.2,50,000	45	34.1%
	Rs.2,50,001- Rs.5,00,000	23	17.4%
	Rs.5,00,001 – Rs.10,00,000	27	20.5%
	Above Rs.10,00,000	37	28.0%
Annual Savings	Less than 10%	39	29.5%
	10%-20%	39	29.5%
	21%-30%	31	23.6%
	31%-40%	14	10.6%
	More than 40%	9	06.8%
No. of Dependents	2	37	28.0%
	4+	36	27.3%
	None	30	22.7%
	Prefer not to say	29	22.0%

Source: Primary Data

Interpretation

The survey data reveals a diverse group of retail investors, with 58.3% females and 34.1% in the 22-25 years age group, suggesting younger, more diverse participation in investments. A significant portion has graduate (30.3%) or professional qualified respondents (46.97%), indicating higher education correlates with increased investment activity. Salaried (34.1%) and student (32.6%) respondents dominate, reflecting a mix of individuals with stable incomes and those just starting to invest. Higher income groups are more inclined to invest; 28% of the population earns more than Rs. 10,00,000 while 17.4% earn between Rs. 2,50,001 and Rs. 5,00,000. Although a healthy share saves 10%–20% of income, 29.5% of people save less than 10%. These savings rates are conservative.

According to the research, investors are generally younger, more educated, and varied, and they may be able to increase their savings and diversify their assets through education.

5.2 Descriptive Analysis of Retail Investors Satisfaction

Table: 5.2.1 Sources of information used by retail investors.

Category	Subcategory	No. of respondents	Percentage
Sources Of Information About Mutual Funds	Friends and family	56	42.4%
	Online research	32	24.3%
	Financial advisor	44	33.3%

Source: Primary Data

Interpretation

According to the table, 42.4% of respondents said they rely on personal networks to obtain information about mutual funds, making friends and family the most prevalent source. With 24.3%, online research comes in second, indicating that digital platforms are essential for educating investors. Furthermore, 33.33% of respondents seek information from a financial counsellor, underscoring the significance of expert advice while making investing decisions.

In summary, respondent's personal networks, internet resources, and financial advisors are important information sources.

ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 6| June 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

Table: 5.2.2 Mutual Fund Investment Preferences and Reasons motivating investment Among Respondents

Category	Subcategory	No. of respondents	Percentage
Types of Mutual Fund Investment Preferences	Equity mutual funds	45	34.1%
	Hybrid mutual funds	39	29.5%
	Debt mutual funds	48	36.4%
Primary Reasons for Investment	Potential for higher returns	57	43.2%
	Portfolio diversification	34	25.7%
	Tax benefits	41	31.1%

Source: Primary Data

Interpretation

Due to the possibility of greater returns, most respondents (34.1%) favour equities mutual funds. Investors looking for a balanced risk-return profile are also drawn to hybrid mutual funds (29.5%), while debt mutual funds (36.4%) are preferred due to their lower expenses.

Higher returns (43.2%), portfolio diversity (25.7%), and tax advantages (31.1%) are the primary drivers of mutual fund investing, which reflects a calculated strategy for increasing wealth while controlling risk.

Table: 5.2.3 Satisfaction Levels with the Performance of Mutual Fund Investments

Category	Subcategory	No. of respondents	Percentage
Satisfaction with investment performance	Very satisfied	42	31.8%
	Somewhat satisfied	47	35.6%
	Neutral	37	28.0%
	Dissatisfied	6	4.5%

Source: Primary Data

Interpretation

A sizable percentage of respondent's express satisfaction with the way their mutual fund investments have performed. 31.8% of those surveyed are extremely satisfied, indicating that they have a very favourable opinion of their assets. Although the performance is good, it might not be outstanding, as indicated by the 35.6% who are only moderately satisfied. Furthermore, according to 28% of respondents, their investments are neither meeting nor exceeding their expectations. The fact that only 4.5% of respondents voiced discontent suggests that most investors are happy with their investments and that mutual fund performance is typically viewed favorable.

Table: 5.2.4: Vision for investment and expected returns in the next 5 years.

Category	Subcategory	No. of respondents	Percentage
Investment Vision	More than 5 years	62	47.0%
	1-5 years	42	31.8%
	Less than 1 year	28	21.2%
Expected Returns	Strong growth(10%+returns)	71	53.8%
	Moderate growth (5% to 10% returns)	37	28.0%
	Low growth (2% to 5% returns)	24	18.2%

Source: Primary Data

Interpretation

According to the study, 47% of participants plan for more than five years for investing, indicating that most respondents have a long-term investing strategy.

Regarding predicted returns, 28% of respondents expect moderate growth (5%–10%), while 53.8% expect substantial growth (10%+ returns). Only a tiny percentage(18.2%) of respondents anticipate returns with minimal growth (2%–5%). This implies that, with a long-term outlook, investors are typically hoping for larger returns.

VI. HYPOTHESIS TESTING

6.1 Hypothesis 1

H_0: There is no significant difference between annual income/savings and types of mutual funds selected.

H_1: There is a significant difference between annual income/savings and types of mutual funds selected.

ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 6| June 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

Table 6.1.1: Impact of Income and Savings Patterns on Mutual Fund Investment Choices

Category	Subcategory	Equity Mutual Funds		Hybrid Mutual Funds		Debt Mutual Funds		All		Chi-Square	p
		N	%	N	%	N	%	N	%		
Annual Income	Up to Rs.2,50,000	23	51.1	13	28.9	9	20.0	45	100	17.517	0.025
	Rs.2,50,001-5,00,000	8	34.8	7	30.4	8	34.8	23	100		
	Rs.5,00,001-10,00,000	7	26.0	9	33.3	11	40.7	27	100		
	Above Rs. 10,00,000	7	18.9	10	27.0	20	54.1	37	100		
Annual Savings	< 10%	20	51.3	10	25.6	9	23.1	39	100	21.132	0.048
	10%-20%	18	46.2	10	25.6	11	28.2	39	100		
	21%-30%	8	25.0	10	34.4	13	40.6	31	100		
	31%-40%	3	21.4	3	21.4	8	57.2	14	100		
	> 40%	2	22.2	1	11.1	6	66.7	9	100		

Source: SPSS output

Interpretation

A Chi-square test of independence was employed to assess the relationship between respondents' annual income, annual savings, and their mutual fund investment preferences. The analysis revealed a statistically significant association between annual income and mutual fund selection (chi-square = 17.517, p = 0.025), indicating that income levels influence the preference for different categories of mutual funds. Specifically, respondents with higher income levels demonstrated a greater tendency towards debt mutual funds, while those with lower income brackets were more inclined toward equity and hybrid mutual funds.

Furthermore, a significant association was also observed between annual savings and mutual fund preferences (chi-square = 21.132, p = 0.048). Higher proportions of savings corresponded with an increased preference for debt mutual funds, suggesting that individuals with stronger saving habits tend to adopt more conservative investment strategies. These results emphasize the pivotal role of financial capacity variables—such as income and savings shaping retail investors' mutual fund investment behavior.

6.2 Hypothesis 2

H_0: There is no significant relationship between educational qualifications and satisfaction with mutual fund performance.
H_1: There is a significant relationship between educational qualification and satisfaction with mutual fund performance.

Table 6.2.1: Chi-Square Test showing an association between Educational Qualification and satisfaction levels with the performance of the mutual fund investments.

Educational Qualification	Very satisfied		Neutral		Somewhat Satisfied		Total		Chi-Square	p
	N	%	N	%	N	%	N	%		
Undergraduate	18	60	8	27.6	4	13.3	30	100	8.182	0.042
Graduate	25	62.5	14	35	1	2.5	40	100		
Post-graduate Professional Degree	46	74.2	15	24.2	1	1.6	62	100		

Source: SPSS output

Interpretation

The p-value of 0.042, being less than 0.05, leads to the rejection of the null hypothesis. This indicates a statistically significant correlation between educational qualification and investor satisfaction with mutual fund performance at the 5% significance level. Investors with higher qualifications typically report greater satisfaction with their mutual fund performance than those with lesser qualifications. This is attributed to their informed understanding and ability to balance risk and return, alongside the acknowledgment that no fund can consistently outperform the market. Their expectations align more closely with reality, reducing the likelihood of disappointment from short-term fluctuations or under-performance against high standards.

VII. CONCLUSION AND WAY AHEAD

This study looks at how different mutual fund types are perceived by retail investors, providing crucial information for mutual fund companies and financial advisors.

Although many retail investors exhibit a reasonable level of awareness and understanding of mutual funds, there is a notable deficiency in comprehensive understanding, especially about the distinctions between the many types of mutual funds, such as debt, hybrid, and equity funds. Equity funds pull investors with a higher risk tolerance looking for high returns, while debt funds appeal to conservative investors who emphasize capital preservation and consistent income. Individuals looking for a well-rounded approach are drawn to hybrid funds.

ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 6| June 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

Despite the associated risks and market volatility associated with mutual funds, investors tend to view previous performance as a predictor of future results, therefore historical performance and potential returns play a major role in investment decision-making.

The reputation of mutual fund companies and investor trust in fund managers have a big impact on investor perceptions. Retail investors typically prefer funds run by reputable companies with a track record of reliable performance. The importance of trustworthy information sources is emphasized by this survey, which finds that the most reliable sources for retail investors include financial news, online platforms, and financial advisors.

Using digital tools and platforms to make investing decisions is becoming more and more popular. Retail investors are more confident when they are aware of legal frameworks and investor protection measures. Regulations that are open and easy to understand are seen favorable and help create a more welcoming atmosphere for investment.

The following are potential future directions for the research done above:

1. **Sample Size**: The sample size of 132 is small compared to the larger investor community, limiting the diversity of perspectives. A larger sample would provide a more holistic view.
2. **Geographical Scope**: The study is limited to India. Future research could expand to other countries with active mutual fund markets to gain a global perspective.
3. **Demographic Bias**: The sample is mostly made up of students and salaried individuals. Including a broader demographic would improve the statistical accuracy of the findings.
4. **External Factors**: The study doesn't account for factors like market volatility, economic downturns, or regulatory changes, which can influence investor behaviour. Future studies should consider these variables for a more comprehensive analysis.

REFERENCES

1. *Agarwal, S., & Naik, N. (2018).* On the democratization of investment advice: Robo-advisors and technology-enabled financial inclusion. Journal of Financial Transformation, 47, *52–60.*
2. *Babbar, N., & Sehgal, S. (2018).* Predictive analytics for mutual fund performance: A data-driven approach. International Journal of Financial Studies, 6*(4), 94.* *https://doi.org/10.3390/ijfs6040094*
3. *Bhardwaj, R. (2018).* Behavioral finance: Impact on retail investors' decision making in equity market. Journal of Business and Management, 20*(7), 25–31.*
4. *Chui, A. C. W., Titman, S., & Wei, K. C. J. (2018).* Increased transparency and the shift toward passive investing. Financial Analysts Journal, 74*(1), 1–13.* *https://doi.org/10.2469/faj.v74.n1.3*
5. *Elton, E. J., & Gruber, M. J. (2017).* Mutual funds. *In* Handbook of the Economics of Finance *(Vol. 2, pp. 1011–1061). Elsevier. https://doi.org/10.1016/B978-0-44-459406-8.00014-0*
6. *Liu, Y., An, D., Gao, S., & Liu, L. (2019).* Financial literacy and mutual fund investment decisions: Evidence from China. Emerging Markets Finance and Trade, 55*(11), 2457–2475. https://doi.org/10.1080/1540496X.2018.1537592*
7. *Maheswari, S. (2020).* Performance evaluation of selected mutual funds in India: A comparative analysis. International Journal of Management, 11*(4), 24–31.*
8. *Mullainathan, S., Schwartzstein, J., & Shleifer, A. (2012).* A theory of attention. Quarterly Journal of Economics, 127*(3), 1043–1090. https://doi.org/10.1093/qje/qjs018*
9. *Palacios, M., & Lopez, M. (2020).* Investor preferences and the rise of sustainable mutual funds: An empirical analysis. Journal of Sustainable Finance & Investment, 10*(3), 217–234. https://doi.org/10.1080/20430795.2020.1723374*
10. *The New Indian Express. (2020, July 6). Despite COVID-19 pandemic, mutual funds' investments rise four-fold.* The New Indian Express. *https://www.newindianexpress.com/business/2020/jul/06/despite-covid-19-pandemic-mutual-funds-investments-rise-four-fold-2165977.html*
11. *Vayanos, D., & Woolley, P. (2013).* An institutional theory of momentum and reversal. Review of Financial Studies, 26*(5), 1087–1145. https://doi.org/10.1093/rfs/hht005*