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AN EMPIRICAL STUDY ON MUTUAL FUND PERFORMANCE AND RETAIL INVESTOR BEHAVIOUR

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ABSTRACT

Mutual funds have become an important investment option for retail investors as they provide professional fund management, diversification, and the opportunity to participate in capital markets with relatively lower risk. This study focuses on analyzing the performance of mutual funds and examining how their performance influences the investment decisions of retail investors. The main objective of the study is to evaluate the returns, risk levels, and consistency of selected mutual fund schemes and to understand the factors that affect retail investors while choosing mutual fund investments.

The research is based on both primary and secondary data. Primary data is collected through structured questionnaires distributed among retail investors to understand their preferences, awareness, and investment behavior. Secondary data is obtained from mutual fund reports, financial statements, and relevant financial publications. Various analytical tools and techniques are used to interpret the data and assess the performance of mutual funds.

The findings of the study indicate that past performance, risk-return relationship, fund manager reputation, and market awareness significantly influence retail investors' decisions. Investors tend to prefer mutual fund schemes that offer consistent returns and lower risk. The study concludes that mutual fund performance plays a crucial role in shaping retail investors' investment choices and encourages greater participation in the financial market. It also highlights the importance of investor awareness and financial education in making informed investment decisions.

I. INTRODUCTION

Mutual funds have emerged as one of the most popular investment avenues for retail investors due to their ability to provide diversification, professional management, and relatively lower risk compared to direct equity investments. In recent years, the growing financial awareness, expansion of systematic investment plans (SIPs), digital investment platforms, and supportive regulatory framework have significantly increased retail participation in mutual fund schemes. Investors are now shifting from traditional savings instruments such as fixed deposits and gold toward market-linked products in search of higher returns and long-term wealth creation. This transition highlights the importance of evaluating mutual fund performance and understanding how it influences retail investment behaviour.

The performance of mutual funds is generally assessed using various financial indicators such as return consistency, risk-adjusted performance, portfolio diversification, fund manager efficiency, expense ratio, and benchmark comparison. Retail investors often rely on past performance, ratings, brand reputation, and advisory recommendations while making investment decisions. However, their decisions are also influenced by behavioural factors like risk perception, financial literacy, investment horizon, and market sentiment. Therefore, analysing mutual fund performance not only helps in measuring fund efficiency but also provides insights into investor confidence and preference patterns.

An analytical study in this area is essential to examine whether high-performing funds actually attract more retail investments and to what extent performance indicators shape investor decision-making. It also helps in identifying whether investors focus more on returns or consider risk and consistency while selecting mutual funds. Such a study contributes to understanding the relationship between fund performance and retail investment flows, which is important for fund houses, financial advisors, and policymakers. Moreover, it supports the development of better investment strategies, improves investor awareness, and promotes informed decision-making among retail participants. Thus, evaluating mutual fund performance and its impact on retail investment decisions plays a vital role in strengthening the mutual fund industry and enhancing financial inclusion.

NEED OF THE STUDY

The need for this study arises from the rapid growth of mutual fund investments among retail investors and the increasing importance of market-linked financial products in personal financial planning. Many retail investors enter mutual funds with limited financial knowledge and often depend on past returns, ratings, or informal advice without fully understanding risk, fund objectives, and performance consistency. This may lead to inappropriate fund selection and unrealistic return expectations. Therefore, a systematic analysis of mutual fund performance is necessary to evaluate whether these funds actually deliver consistent and risk-adjusted returns. The study is also needed to examine how performance indicators influence retail investment decisions and whether investors consider factors like volatility, expense ratio, and benchmark comparison. It helps identify gaps in investor awareness and decision-making behaviour. The findings will be useful for investors, fund managers, and financial advisors in designing better investment strategies, improving transparency, and promoting informed investment practices, ultimately strengthening investor confidence and supporting the sustainable growth of the mutual fund industry.

OBJECTIVES OF THE STUDY

- To study on the mutual funds industry and its investment opportunities
- To analyse the prevailing investment patterns among mutual fund investors
- To examine the factors influencing investor decisions regarding mutual funds
- To help an investor make a right choice of investment, while considering the inherent risk factors.
- To understand the recent trends in Mutual Funds world.

SCOPE OF THE STUDY

The scope of the study focuses on analysing the performance of selected mutual fund schemes and examining their influence on retail investment decisions. It covers key performance indicators such as returns, risk, consistency, expense ratio, and comparison with benchmark indices to evaluate fund efficiency. The study is limited to retail investors and aims to understand their preferences, awareness levels, investment objectives, and factors affecting fund selection, including past performance, brand reputation, and advisory support. The research also explores behavioural aspects like risk perception, investment horizon, and financial literacy that shape retail participation in mutual funds. It considers different categories of mutual funds such as equity, debt, and hybrid schemes to provide a comparative understanding of performance and investor choice. The study is confined to a specific sample and time period, making it more relevant for short- to medium-term analysis. The findings will help in understanding the relationship between mutual fund performance and investment behaviour, supporting better decision-making and improved investor education.

II. RESEARCH METHODOLOGY

This study examines investment patterns and investor perception towards mutual funds. It aims to understand factors influencing investor decisions, preferred fund types, and levels of awareness and satisfaction. By analyzing investor behavior, the research provides insights that can guide mutual fund companies in tailoring their products and marketing strategies effectively.

Primary Data

Primary data will be collected through structured questionnaires distributed to individual investors. The responses will capture personal investment preferences, risk tolerance, awareness levels, and satisfaction with mutual fund performance to assess current investment patterns and perceptions toward mutual funds.

Secondary Data

Secondary data will be sourced from published reports, financial journals, AMFI statistics, and websites of mutual fund companies. This data will support understanding of market trends, historical fund performance, and investor behavior at a macro level.

Sampling Method:

Convenience Sampling will be used to select individual investors who are easily accessible and willing to participate in the study.

Sample Size:

100-150 people will be surveyed to gather diverse insights on mutual fund investment patterns and investor perception.

STATISTICAL TOOLS: - factor analysis using to identifying most influencing factors on **investor** perception

LIMITATIONS OF THE STUDY

- The study relies on selected mutual fund schemes, which may not represent the performance of the entire mutual fund industry.
- The analysis is based on historical data, which may not accurately predict future performance due to changing market conditions.
- Retail investor responses may contain bias, as decisions are influenced by personal perceptions, emotions, and limited financial knowledge levels.
- The sample size is restricted to a specific geographic area, limiting the generalization of findings to broader investor populations.
- Time constraints limit detailed evaluation of all performance indicators, potentially affecting comprehensive assessment of mutual fund risk and return consistency.

III. REVIEW OF LITERATURE

Dr. Suman Narnolia (2026) Infrastructure-focused mutual funds have emerged as an important investment avenue, particularly in economies where long-term development and capital formation remain policy priorities. Investor participation in such funds, however, is strongly influenced by behavioural and cognitive factors that shape risk assessment and investment decisions. The present study examines the relationship between selected investor related factors and the level of investment in infrastructure mutual funds. Using a quantitative research approach, primary data were collected from 235 individual investors through a structured questionnaire comprising Likert scale statements. Composite mean scores were analysed using descriptive statistics and Pearson correlation analysis. The findings reveal that investor risk perception is negatively associated with investment in infrastructure mutual funds, while financial awareness, return expectations, and investment experience exhibit positive and statistically significant relationships with investment behaviour. These results indicate that higher perceived risk discourages investment, whereas greater knowledge, favourable return outlook, and prior experience encourage investor participation. The study offers practical insights for fund managers, financial advisors, and policymakers by highlighting the importance of investor education, transparent risk communication, and confidence building measures to enhance participation in infrastructure mutual funds.

Dan Luo (2026) We construct a holdings-based measure, weight shift, to capture the trading intensity of bond mutual funds. This

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measure quantifies the extent to which a fund's current portfolio weights deviate from those implied by a buy-and-hold strategy since the previous reporting period. We find that funds with higher weight shift underperform. This negative relationship between weight shift and fund performance is more pronounced in high-yield bond funds, where trading is costlier. Furthermore, weight shift positively predicts future fund inflows, suggesting that investors, particularly retail investors, are more responsive to changes in trading activity, which may further incentivize managers to trade. Lastly, we find that weight shift captures the inferior managerial skill.

Vijaya A. Tupe (2026) We examined the actions of retail investor's pre and post COVID-19 pandemic in the Indian stock market. In 2020, Covid impacted the entire year, and the Nifty range was highlighted at the end of each month, reflecting the same year's Nifty range and a bullish trend by the year's conclusion. The contribution of retail investor is huge number in Indian stock market. Year on year this number has increased other than HNI, Institutions investors etc. Beside the creation portfolio which generated financial decision by investors behaviour. The Study defined fundamental & technical analysis terms build portfolio of investor. The rate of demat account openings has increased over the years, and currently, this figure for retail continues to rise consistently. The study investigated the history of Indian stock market as well all crashed impacted on market. Then emerge of BSE, NSE, and Nifty. Market.

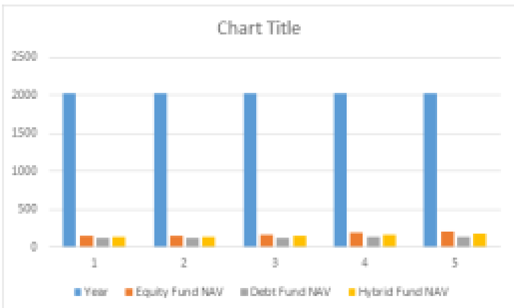
Siddharth Rewadikar (2025) A mutual fund is a trust or can be considered as a pool of money managed by a professional fund manager, sometimes known as portfolio manager. There are several investors who invest in mutual funds or their schemes. It is a trust that collects money from various investors who ultimately share a common investment objective and the same is invested in securities such as equities, bonds, money market instruments and/or other instruments. The returns generated or the income is then proportionately distributed amongst the investors after taking into consideration the applicable expenses and the levies, by calculating a scheme's "Net Asset Value" or NAV. This research paper is an attempt to study the investor perception of the investors of India and USA towards mutual fund schemes and investments.

Dr. Dipak Gaywala (2025) Mutual funds are the best investment for the average person because they allow them to invest in a diversified, professionally managed basket of securities at a low cost. According to their age, financial situation, risk tolerance, and return expectations, diversification of schemes offers a variety of options to suit their individual goals. Investing in mutual funds is a great way to diversify your portfolio. Investors' perceptions have an impact. The purpose of this study is to identify investors' perceptions of mutual funds and to investigate the factors that influence investors' perceptions of mutual funds. The survey was conducted in the Bharuch district, and data was collected using the convenience sampling method.

IV. DATA ANALYSIS & INTERPRETATION

Net Asset Value (NAV) Performance

Year	Equity Fund NAV	Debt Fund NAV	Hybrid Fund NAV
2021	145	118	132
2022	156	122	140
2023	170	126	150
2024	188	131	163
2025	205	136	178



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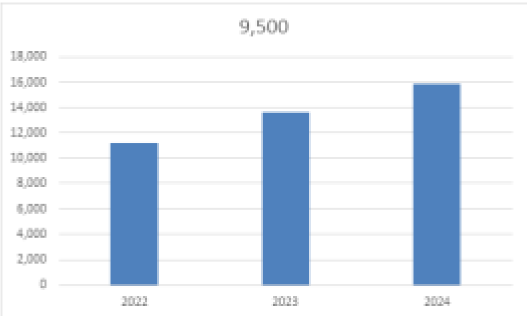
Interpretation

The NAV values of ICICI mutual funds show a positive trend over the five-year period. Equity funds demonstrate the highest growth due to market appreciation, while debt funds show stable but moderate returns. Hybrid funds provide balanced growth, making them attractive to retail investors seeking moderate risk.

Return Performance of Mutual Funds

Fund Type	Average Return (%)
Equity Funds	14%
Debt Funds	8%
Hybrid Funds	11%

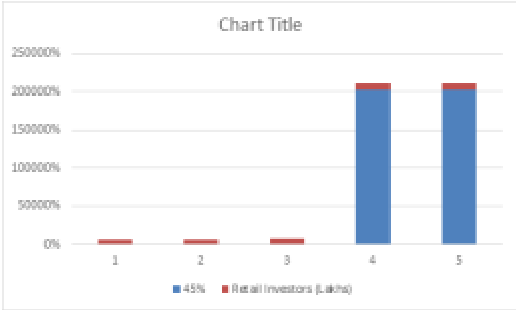


Interpretation

Equity funds provide the highest average return of 14%, making them the most preferred investment option for investors seeking higher growth. Debt funds offer stable returns with lower risk, while hybrid funds balance risk and return. This diversification allows investors to choose funds according to their risk tolerance.

Retail Investor Participation

Year	Retail Investors (Lakhs)
2021	58
2022	64
2023	72
2024	81
2025	90

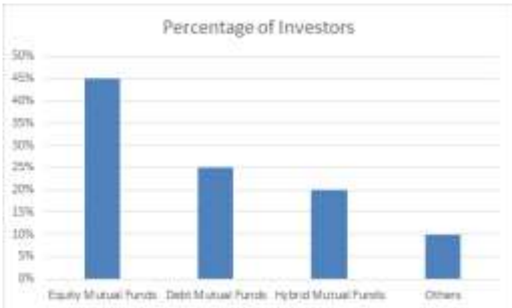


Interpretation

Retail investor participation in ICICI mutual funds has increased significantly from 58 lakhs in 2021 to 90 lakhs in 2025. The increase indicates growing awareness about mutual fund investments and the effectiveness of ICICI Bank's financial advisory services.

Investment Preference of Retail Investors

Investment Option	Percentage of Investors
Equity Mutual Funds	45%
Debt Mutual Funds	25%
Hybrid Mutual Funds	20%
Others	10%



Interpretation

The majority of retail investors prefer equity mutual funds due to higher return potential. Debt funds attract conservative investors seeking stability, while hybrid funds appeal to investors looking for a balanced investment approach.

V. FINDINGS, SUGGESTION, CONCLUSION

FINDINGS

- The Net Asset Value (NAV) of equity, debt, and hybrid mutual funds showed a consistent increase from 2021 to 2025, indicating strong fund performance.

- Equity mutual funds recorded the highest NAV growth compared to debt and hybrid funds during the study period.
- Debt funds provided stable and moderate returns, making them suitable for low-risk investors.
- Hybrid funds offered balanced growth by combining both equity and debt investments.
- Equity funds generated the highest average return of **14%**, followed by hybrid funds (11%) and debt funds (8%).
- Retail investor participation increased significantly from **58 lakhs in 2021 to 90 lakhs in 2025**, showing growing interest in mutual fund investments.
- Equity mutual funds were the most preferred investment option among retail investors with **45% preference**.
- Fund performance was identified as the most important factor influencing investor decisions, accounting for **35% influence**.
- Risk level (25%) and brand reputation (20%) were also significant factors affecting mutual fund investment decisions.
- Systematic Investment Plan (SIP) investments increased from **₹9,500 crores in 2021 to ₹18,500 crores in 2025**, indicating rising adoption of disciplined investment strategies.
- The majority of investors (50%) fall under the **moderate risk category**, showing preference for balanced investment portfolios.
- Most investors have **moderate awareness (45%)** about mutual fund investments.
- A large proportion of investors (60%) prefer **monthly SIP investments** over other investment frequencies.
- Most retail investors invest between **₹10,000 and ₹50,000**, indicating moderate investment capacity.
- Postgraduate investors represent the highest proportion (42.5%), indicating that higher education contributes to better financial awareness.
- A majority of investors (45%) invest in mutual funds for **long-term wealth creation**.
- Investor satisfaction with ICICI mutual funds is high, with **75% of investors being satisfied or highly satisfied**.

SUGGESTIONS

- Investors should clearly define their financial goals before selecting mutual fund schemes.
- Risk appetite should be assessed properly while choosing between equity, debt, and hybrid funds.
- Long-term investment should be preferred to reduce the impact of market volatility.
- Diversification across different fund categories can help minimize risk.
- Investors should regularly review and monitor the performance of their mutual fund investments.
- Funds with lower expense ratios should be considered to improve net returns.
- Systematic Investment Plans (SIPs) can be adopted to ensure disciplined investing.
- Past performance should be analyzed along with fund manager experience before investing.
- Investors should stay informed about market trends and economic conditions.
- Seeking advice from financial experts can help in making better investment decisions.

CONCLUSION

The study examined the performance of mutual funds and analysed how it influences retail investment decisions. The findings show that mutual funds have become a preferred investment option for retail investors due to professional management, diversification benefits, and the potential for higher returns compared to traditional savings instruments. Performance indicators such as return consistency, risk level, expense ratio, and benchmark comparison play an important role in evaluating fund efficiency. Among these, past returns and brand reputation were found to be the most influential factors affecting retail investor choices, while risk-adjusted measures received comparatively less attention from investors.

The study also revealed that many retail investors rely on simplified indicators like ratings and recent performance trends rather than conducting a comprehensive analysis of fund fundamentals. Behavioural aspects such as risk perception, investment horizon, and financial literacy significantly shape investment decisions. Investors with higher awareness levels tend to prefer diversified portfolios and long-term investment strategies, while others are influenced by market movements and short-term performance.

The relationship between mutual fund performance and retail investment flow indicates that well-performing funds attract greater investor participation and higher systematic investment plan contributions. However, performance alone does not guarantee sustained investment, as factors like transparency, trust in fund houses, and ease of investment through digital platforms also contribute to investor confidence.

The study highlights the need for improved financial education to help retail investors understand risk-adjusted returns and make informed decisions. Fund managers and financial advisors should focus on clear communication of fund objectives, performance consistency, and risk factors. Policymakers should continue promoting investor awareness programs to strengthen participation in mutual funds.

Overall, mutual fund performance has a significant impact on retail investment behaviour, but informed decision-making depends on both financial knowledge and proper evaluation of performance indicators. Strengthening investor awareness and promoting long-term investment perspectives will support sustainable growth of the mutual fund industry and enhance wealth creation for retail participants.

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