



# “Role of mutual fund in promoting retail investment in India”

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**Abstract** – In recent years, mutual funds have become an important instrument for encouraging retail investment in India, particularly among small and new investors. Traditionally, Indian households relied on safer investment options such as fixed deposits, gold, and real estate due to limited financial knowledge and risk concerns. However, the growing impact of financial education initiatives, digital investment platforms, and Systematic Investment Plans (SIPs) has gradually reshaped investment behaviour. This study examines how mutual funds promote retail participation by offering diversified portfolios, professional management, and cost-effective investment opportunities. They simplify stock market participation, making it easier for individuals with limited financial expertise to invest. The research also highlights the role of regulatory support, rising internet usage, and mobile-based investment platforms in expanding the investor base in India. Additionally, the study evaluates key advantages of mutual funds, including diversification, liquidity, and disciplined savings habits, while also identifying challenges such as market uncertainty, low trust in financial markets, and lack of awareness in rural regions. The findings indicate that mutual funds have significantly contributed to shifting investor preferences from traditional savings methods to market-linked financial instruments.

**Keywords:** Mutual Funds, Retail Investors, SIP, Diversification, Financial Literacy

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## I. INTRODUCTION

Saving and investing have always been essential aspects of financial planning in India. Historically, individuals preferred secure investment avenues like fixed deposits, gold, and real estate. While these options ensured safety, they often provided limited returns and growth potential. Over time, mutual funds have emerged as a more flexible and accessible investment alternative for retail investors.

Mutual funds operate by collecting funds from multiple investors and allocating them across different financial instruments such as equities, bonds, and other securities. This approach enables investors to benefit from diversification and expert fund management, reducing the risks associated with individual investments. The mutual fund industry in India began with the establishment of the Unit Trust of India in 1963 and witnessed significant growth after economic liberalization in the 1990s with the entry of private players.

Today, mutual funds play a vital role in financial inclusion by allowing individuals with limited market knowledge to participate confidently in investments. SIPs have gained widespread popularity among middle-income groups as they enable regular and disciplined investments with small amounts. Regulatory authorities like the Securities and Exchange Board of India (SEBI) and organizations such as the Association of Mutual Funds in India (AMFI) have further strengthened the industry by ensuring transparency, investor protection, and awareness.

## II. REVIEW OF LITERATURE

Recent studies from 2021 to 2025 show that awareness of mutual funds among investors has improved, but still depends on many factors. Research in 2021–2022 found that many people have only basic knowledge of mutual funds and their investment decisions are influenced by understanding, past experience, and advice from others.

Studies conducted after 2023 highlight that demographic factors like age, income, and education play an important role in shaping investor awareness and behavior. People with higher education and income levels are generally more aware and confident in investing in mutual funds.

Recent research in 2024–2025 also shows that financial literacy is a key factor. Investors who have better financial knowledge are able to make smarter decisions, understand risks, and choose suitable mutual fund schemes. Lack of knowledge often leads to confusion and poor investment choices.

Many studies further explain that access to information, especially through digital platforms, has increased awareness among young investors. However, rural and less-educated groups still face challenges in understanding mutual fund concepts.

Latest research (2025–2026) shows that investors mainly focus on returns, safety, and past performance while selecting mutual funds. Awareness is improving, but decision-making is still influenced by risk perception and available information.



Overall, the literature clearly indicates that demographic factors, financial literacy, and access to information have a strong impact on investor awareness and participation in mutual funds.

### III. OBJECTIVES OF THE STUDY

1. To study the development of the mutual fund industry in India.
2. To evaluate the role of mutual funds in increasing retail investment.
3. To understand investor behaviour, perceptions, and motivations.
4. To identify challenges faced by retail investors.
5. To recommend strategies for improving retail participation.

### IV. RESEARCH METHODOLOGY

This study follows a simple and structured approach to analyse the role of mutual funds in promoting retail investment. The research was conducted over a period of approximately two to three months, allowing adequate time for data collection and analysis.

The target respondents included retail investors such as salaried individuals, students, small entrepreneurs, and first-time investors. Both primary and secondary data sources were used in the study. Primary data was collected through a questionnaire designed with clear and easy-to-understand questions focusing on awareness, investment behaviour, and risk perception. Secondary data was gathered from research papers, financial reports, and online sources.

A descriptive research design was adopted to analyse investor behaviour without influencing variables. Convenience sampling was used to select respondents, with a sample size of around 50 to 100 participants. Data analysis was carried out using basic statistical tools such as percentages, tables, charts, and comparative analysis for better interpretation.

The study has certain limitations, including a relatively small sample size, time constraints, possible response bias, and limited geographical coverage. Despite these limitations, the research provides useful insights into investor participation in mutual funds.

### V. DATA ANALYSIS AND INTERPRETATION

The collected data was organized and analysed using simple statistical techniques. The results were presented through tables, charts, and graphical representations to ensure clarity and easy understanding.

Age:-

Age	Percentage (%)	No. of respondent
Below25	16%	16
25-35	26%	26
36-50	32%	32
Above 50	26%	26
Total	100%	100

The survey consists of a total of 100 respondents, providing a clear basis for analysis. Among them, the age group of 36–50 years represents the largest segment, accounting for 32% of the sample. The 25–35 age group and those above 50 years each contribute 26%, indicating a fairly balanced representation between these categories. In contrast, respondents below 25 years form the smallest group, making up only 16% of the total sample. Overall, a significant majority of participants, about 84%, are above the age of 25, suggesting that the survey mainly reflects the views of a more mature population. The data shows a well-distributed participation from middle-aged and older individuals, while the relatively lower presence of younger respondents may slightly influence the overall perspective of the findings.

#### Mutual funds are suitable for small investors

Mutual suitable	Percentage%	No of respondent
Strongly agree	30.7%	30.7
Agree	44.6%	44.6
Neutral	21.8%	21.8
Disagree	1%	1
Strongly disagree	2%	2
total	100%	101

The data indicates that mutual funds are largely considered a suitable investment option for small investors. A majority of respondents, 44.6%, agreed with this statement, while an additional 30.7% strongly agreed, reflecting a strong positive perception. Meanwhile, 21.8% of respondents remained neutral, which may suggest a lack



of awareness or uncertainty about mutual funds. Only a very small proportion expressed a negative view, with 1% disagreeing and 2% strongly disagreeing. Overall, the results clearly show that mutual funds are widely accepted and viewed favourably as an investment choice for small investors.

**Factors influencing investment decision**

Factors	% percentage	No of respondent
Returns	28%	28
Safety	30%	30
Brand reputation	26%	26
Advisor recommendation	17%	16
total	100%	100

The findings reveal that safety is the most important factor for investors, with 29.7% prioritizing secure and low-risk investment options. Returns rank second at 27.7%, indicating that while investors seek profitability, they do not want to compromise on safety. Brand reputation, accounting for 25.7%, also plays a crucial role, suggesting that investors tend to trust well-established and reliable companies. Advisor recommendations have the least influence at 16.8%, which shows that most investors prefer to make independent decisions rather than relying heavily on financial advisors. Overall, the results highlight that investors adopt a balanced approach by valuing both safety and returns, while also considering the credibility of the investment source.

**Overall, how satisfied are you with mutual fund investments?**

Satisfied with investment due mutual fund	Percentage%	No of respondent
Very satisfied	33%	33
Satisfied	39%	39
neutral	28%	28
Dissatisfied	0%	0
Very dissatisfied	0%	0
total	100%	100

The results indicate that most respondents are satisfied with their mutual fund investments, reflecting a generally positive experience. Around 39% of participants reported being satisfied, while 33% expressed a high level of satisfaction, indicating strong approval overall. At the same time, 28% of respondents remained neutral, suggesting that they neither feel strongly positive nor negative about their investments. Notably, none of the respondents reported dissatisfaction, which highlights a very favourable perception. Overall, the findings suggest that mutual funds are widely accepted and provide a satisfactory investment experience for the majority of investors.

**How frequently do you come across mutual fund advertisements?**

frequently do you come across mutual fund	Percentage%	No of respondent
Below1000	30%	30
1000-5000	40%	40
5000-10000	21%	21
Above10000	8%	8
Total	100%	100

The data shows that most respondents are exposed to mutual fund advertisements at a moderate level. About 40% of people encounter advertisements within the 1000–5000 range, indicating a balanced level of exposure. Meanwhile, 30% of respondents reported lower exposure, seeing fewer than 1000 advertisements. Around 21% of individuals come across ads more frequently, within the 5000–10000 range. Only a small proportion, 8%, experience very high exposure, exceeding 10000 advertisements. Overall, the findings suggest that the majority of respondents are exposed to mutual fund advertisements at a medium level, with very few experiencing extremely high exposure

**VI. HYPOTHESIS OF THE STUDY:**

**Hypothesis -1**



$H_0$  (Null Hypothesis): There is no significant association between demographic factors and investor awareness of mutual funds.

$H_1$  (Alternative Hypothesis): There is a significant association between demographic factors and investor awareness of mutual funds.

### Hypothesis -2

$H_0$  (Null Hypothesis): Financial literacy and access to information do not have a significant impact on investors' awareness and participation in mutual funds.

$H_1$  (Alternative Hypothesis): Financial literacy and access to information have a significant impact on investors' awareness and participation in mutual funds.

### Hypothesis testing Hypothesis 1

To test this, we check if demographic factors affect awareness of mutual funds. If a strong relationship is found, the null hypothesis is rejected. If not, the null hypothesis is accepted.

### Hypothesis 2

To test this, we check if financial literacy and access to information affect awareness and participation. If a strong impact is found, the null hypothesis is rejected. If not, the null hypothesis is accepted.

## VII. FINDINGS OF THE STUDY:

1. The study reveals that mutual funds are increasingly becoming a preferred investment option among retail investors due to their flexibility and ease of access. Many investors are shifting from traditional saving methods to mutual funds in search of higher returns.
2. It was also observed that financial literacy and awareness significantly influence investment decisions. Younger individuals show greater interest in mutual funds due to digital accessibility and online platforms. However, lack of knowledge and fear of risk continue to act as major barriers for certain sections of society.
3. Overall, the findings indicate that mutual funds are playing an important role in expanding retail participation in financial markets and hold strong growth potential in the future.

## VIII. CONCLUSION

The analysis indicates that most respondents possess a relatively high level of education, with many being graduates or postgraduates. This suggests that the study primarily represents individuals with a strong educational background.

The results highlight that education significantly influences awareness, understanding, and decision-making related to

financial investments. Individuals with higher education levels tend to have better knowledge and confidence in investing in mutual funds.

In conclusion, the study successfully demonstrates that education plays a key role in enhancing financial participation, and mutual funds have emerged as an effective tool for encouraging retail investment in India.

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