

“A Study on Risk and Return Perception among Mutual Fund Investors”

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Abstract

Expertly managed mutual funds let investors develop their cash via a diverse portfolio. This research analyzes investors' risk-return perceptions and investing decisions. A systematic questionnaire and statistical analysis showed that financial knowledge, income level, employment, and investment risk comprehension greatly affect investing behavior. Most respondents choose debt and hybrid mutual funds as moderate-risk options. Investor knowledge and financial education boost investment choices and mutual fund participation, according to the research.

KEY WORDS

The Mutual Funds, Risk Perception, Return Perception, Investor Behavior, Investment Decision Making, Financial Literacy, Risk Tolerance, Individual Investors, Portfolio Performance, Investor Awareness, Investor Preferences, Mutual Fund Investments, Risk and Return, Investor Satisfaction.

INTRODUCTION

Financial planning relies on investment to increase funds and fulfill goals. Professional management, diversity, and accessibility make mutual funds popular. Due to financial literacy and digital investment platforms, many Indians have switched from savings to market-based investments, expanding the mutual fund industry. However, investment choices differ according to factors such as financial knowledge, income level, and risk-taking ability. This study focuses on understanding investors' awareness, preferences, risk perceptions, and satisfaction with investment made in mutual fund.

REVIEW OF LITERATURE

1. Perception of Investors about Mutual Funds: SIP Analysis in Bihar (2024) Purpose: Investors preferred SIPs owing to their affordability, disciplined investing technique, and low market timing, according to the report. Regular payments to SIPs made long-term savings easy. Many investors underestimated market volatility and the long-term risk-return connection in mutual funds.
2. Indian Mutual Funds: (2023): Risk perception, financial expertise, and demographics strongly impact mutual fund investments, as per analysis. Retail investors are growing due to digital investment platforms and Systematic Investment Plans (SIPs), which make investing more accessible and inclusive.
3. Performance Evaluation of Mutual Funds in India, Murthy, Anjaneyulu, Bhatt & Kumar (2022) The findings showed that investors generally judged mutual funds by previous performance and market circumstances. Past performance emerged as a key factor influencing investment preferences. The investigation shows that certain mutual fund schemes people liked scored poorly on risk-adjusted metrics, suggesting that investor perceptions may not adequately reflect a fund's risk-return balance.

4. AKUM and DAMOR (2021): The analysis revealed that several equity mutual fund schemes maintained satisfactory performance despite fluctuations in market conditions. Consistency in returns emerged as an important indicator of fund effectiveness. The study further observed that investors generally favored schemes capable of delivering steady long-term growth rather than funds characterized by high volatility and unpredictable returns. This preference highlights the importance investors place on stability and sustainable wealth creation when selecting investing in mutual fund.
5. Chopra (2020) Benchmarking Mutual Fund Performance in India. The results demonstrated that investors placed greater emphasis on risk-adjusted returns than on past performance figures alone. Better performance and sustainability than past returns increasingly impact investment choices, making funds with good returns and acceptable risk levels more efficient and appealing.
6. Kumar & Batra (2019) - Fund safety, income prospects, capital growth opportunities, and fund house reputation greatly affected investment preferences, according to the research. Many individual investors favored SIP for disciplined saving and decreased mutual fund risk.
7. Raju, Manjunath, and Nithya (2018) - The investigation showed that diversified, well managed mutual funds outperformed stock investing. Effective portfolio diversification reduces investment risk and ensures consistent performance. Mutual funds were deemed safer by investors, especially middle-income groups that desired balanced growth with lesser market unpredictability.
8. Swain (2017) - The results showed that diversification benefits and professional fund management were among the primary reasons investors preferred mutual funds. These features increased investor confidence and encouraged participation in mutual fund schemes. Despite this positive outlook, the study identified a considerable gap in investor knowledge regarding the risk-return relationship. Many individual investors lacked a clear understanding of how risk levels influence potential returns, which could affect the quality decisions made on investment
9. Jain & Sharma (2016): Investors considered mutual funds safer than stock market investing. Their judgments were influenced by expected returns, fund performance, and investment security. Found that investors relied on financial consultants to choose mutual fund schemes owing to a lack of risk awareness.
10. Kaur & Kaushik (2015) - The study found that investment security, predictable returns, tax advantages, and liquidity influence investor behavior. When choosing mutual funds, these factors were significant. More educated and higher-income investors comprehend the risk-return relationship, enabling them to analyze investment possibilities and make informed financial decisions, according to research. Different investor groups' risk perceptions greatly affected their mutual fund investing choices.

Research Gap

Knowledge, tastes, happiness, and performance of mutual fund investors have been thoroughly researched. Studies analyze risk-return connections. Rarely researched are investor perspectives of mutual fund risk and returns. Market volatility, internet investing apps, social media, and economic factors have changed investment decision-making. Findings may not be as relevant to the present market due to respondents' varied socioeconomic and geographical backgrounds, according to study. Furthermore, research on the ways in which age, income, and investment experience impact investors' risk and return perceptions is sparse.

STATEMENT OF THE PROBLEM

Financial literacy and internet investing platforms have encouraged more Indians to participate in mutual funds, creating wealth and diversifying portfolios. Age, income, education, investing experience, and financial expertise affect these inclinations. The study highlights that inadequate understanding of the risk-return relationship can lead to inappropriate investment decisions and unfavorable financial outcomes.

OBJECTIVES

- 1: To study the factors that influence mutual fund investment choices and participation.
- 2: To analyze chosen mutual fund schemes' risk and return performance and investment possibilities.
- 3: To assess investor views on mutual funds and SIPs
- 4: To explore how financial literacy affects mutual fund investors' investing decisions.
- 5: To assess how well SIP encourage disciplined and systematic savings among investors.
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HYPOTHESIS

H1 (Null Hypothesis): Age does not significantly affect investors' risk-taking abilities.

H1 (Alternate Hypothesis): Age group significantly influences the risk-taking ability of mutual fund investors.

H2 (Null Hypothesis): H_0 : Investors' monthly mutual fund investments are unaffected by income.

H2 (Alternate Hypothesis): Income level significantly influences the amount invested monthly in mutual funds by investors.

H3 (Null Hypothesis): Occupational status does not impact mutual fund choices.

H3 (Alternate Hypothesis): A person's choice of mutual funds is heavily impacted by their occupation.

METHODOLOGY

The attitudes of investors about the risks and returns of mutual funds were investigated using descriptive research. A convenience sample of 144 active mutual fund investors was polled using a standardized questionnaire. The Chi-Square Test, One-Way ANOVA, and Spearman Rank Correlation were used to analyze the data. These methodologies made it easier to evaluate the links between important demographic parameters, such as age and the willingness to take risks, income level and the amount of money invested each month, profession and preferences for certain types of mutual funds, and so on. The findings illuminated how demographics impact investor behavior and mutual fund investing preferences. Furthermore, Investors' risk and return perceptions were uncovered by the inquiry, which subsequently shaped their investment strategies and decisions.

STUDY LIMITATIONS

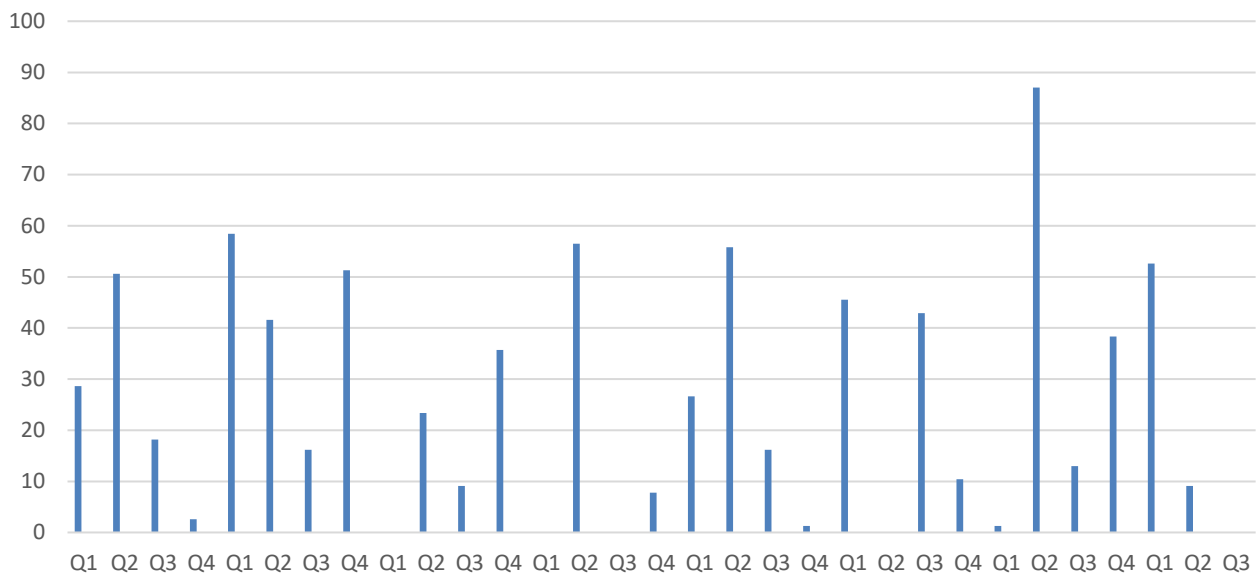
1. The research was limited to a certain region and selected mutual fund investors.
2. Limited sample size: 154 respondents.
3. The results may be impacted by personal bias or incorrect replies due to respondents' views.
4. The survey may not represent investor sentiments owing to changing market circumstances due to its restricted timeframe.

ANALYZING AND INTERPRETING DATA

Table 1: Relationship between Age Group and Risk-Taking Ability of Investors

QUESTION	OPTIONS	NO OF RESPONSES	PERCENTAGE
Q1. AGE GROUP	< 25	44	28.6
	25-35	78	50.6
	36-45	28	18.2
	> 45	4	2.6
Q2. GENDER	MALE	90	58.4
	FEMALE	64	41.6
Q3. OCCUPATION	STUDENT	25	16.2
	SALARIED EMPLOYEE	79	51.3
	BUSINESS	36	23.4
	PROFESSIONAL	14	9.1
Q4. EDUCATION	UNDERGRADUATE	55	35.7
	POSTGRADUATE	87	56.5
	PROFESSIONAL	12	7.8
Q5. MONTHLY INCOME	BELOW 25000	41	26.6
	25000-50000	86	55.8
	50001-100000	25	16.2
	ABOVE 100001	2	1.3
Q6. HAVE YOU INVESTED IN MUTUAL FUNDS LONG?	BELOW 1 YEARS	70	45.5
	3-Jan	66	42.9
	5-Mar	16	10.4
	ABOVE 5	2	1.3
Q7. ARE YOU AWARE OF INVESTING MUTUAL FUNDS	YES	134	87
	NO	29	13
Q8. HOW MUCH DO YOU INVEST MONTHLY IN MUTUAL FUNDS	BELOW -2000	59	38.3
	2001-5000	81	52.6
	5001-7000	14	9.1
	7001-10000	0	0

Age Group and Risk Tking



Inference

The majority of mutual fund investors are salaried men aged 25-35 with postgraduate degrees and monthly salaries of ₹25,000 to ₹50,000. Though knowledgeable about mutual funds, their investment skills are limited. Many choose small, regular investments via systematic investing plans to manage current expenditures and future financial objectives. The results show that educated middle-income earners are increasingly using mutual funds. This trend reflects the growing role of digital investment platforms in promoting disciplined savings and long-term wealth creation.

Table 2: Monthly Mutual Fund Investment and Income Level

QUESTION	OPTIONS	NO OF RESPONES	PERCENTAGE
Q1. What is the main factor influencing your mutual fund investment?	High returns	57	37
	Low risk	76	49.4
	Tax benefits	14	9.1
	Brand reputation	7	4.5
Q2. Who influences your investment decisions the most?	Family	29	18.8
	Friends	91	59.1
	financial advisor	17	11
	social media	17	11
Q3. How important is safety while investing in mutual funds?	Very important	48	31.2
	Important	96	62.3
	Neutral	9	5.8

	Not important	1	0.6
Q4. Which investment feature attracts you	Liquidity	17	11

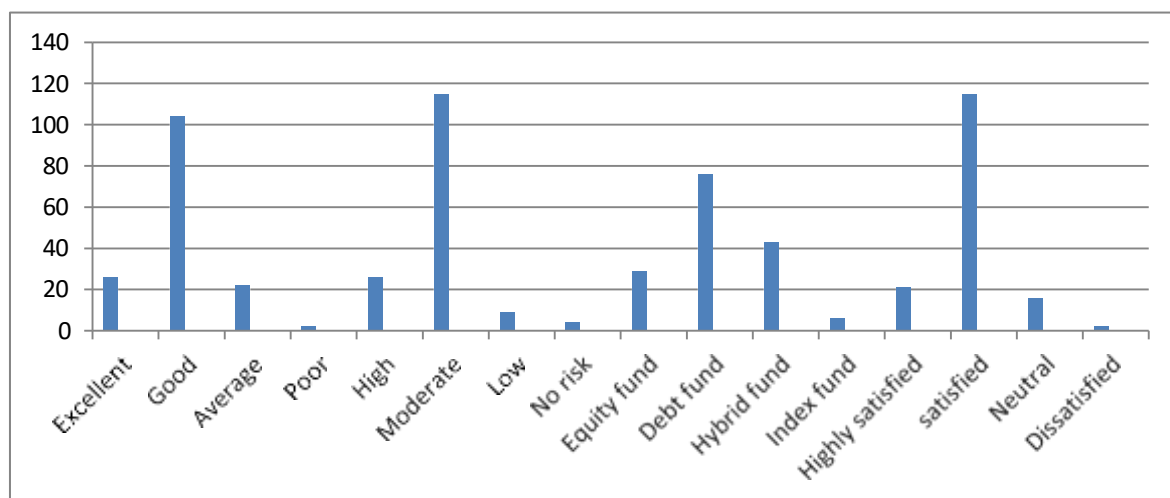
Inference

The survey found that most investors desire capital protection and predictable returns from secure investments. Mutual fund schemes that prioritize safety indicate a cautious investing attitude. Friends' and family's suggestions affect investors more than research. Investment behavior depends on trust and social ties. Thus, mutual fund firms should emphasize dependability, transparency, and consistent performance to attract and retain investors and build trust via great customer experiences to promote long-term participation.

Table 3: Occupation and Mutual Fund Type Preference

QUESTION	OPTIONS	NO OF RESPONES	PERCENTAGE
Q1. Do you rate mutual fund returns?	Excellent	26	16.9
	Good	104	67.5
	Average	22	14.3
	Poor	2	1.3
Q2. Will you risk much?	High	26	16.9
	Moderate	115	74.7
	Low	9	5.8
	No risk	4	2.6
Q3. Your preferred mutual fund type?	Equity fund	29	18.8
	Debt fund	76	49.4
	Hybrid fund	43	27.9
	Index fund	6	3.9
Q4. Your preferred mutual fund type?	Highly satisfied	21	13.6
	satisfied	115	74.7
	Neutral	16	10.4
	Dissatisfied	2	1.3
Q5. How do you perceive SIP investments?	Safe	32	20.8
	Profitable	90	58.4
	Convenient	31	20.1
	Risky	1	0.6
Q6. Why do you prefer SIP investments?	small investment amount	36	23.4
	Regular savings habit	91	59.1
	Better returns	18	11.7
	Easy investment process	9	5.8

Q7. How long have you been investing through SIP?	Below 1 Year	60	39
	1 – 3 Year	78	50.6
	3 – 5 Year	15	9.1
	Above 5 Years		
Q8. Would you recommend SIPs to others?	Yes	62	40.3
	No	8	5.2
	Maybe	77	50
	Not sure	7	4.5



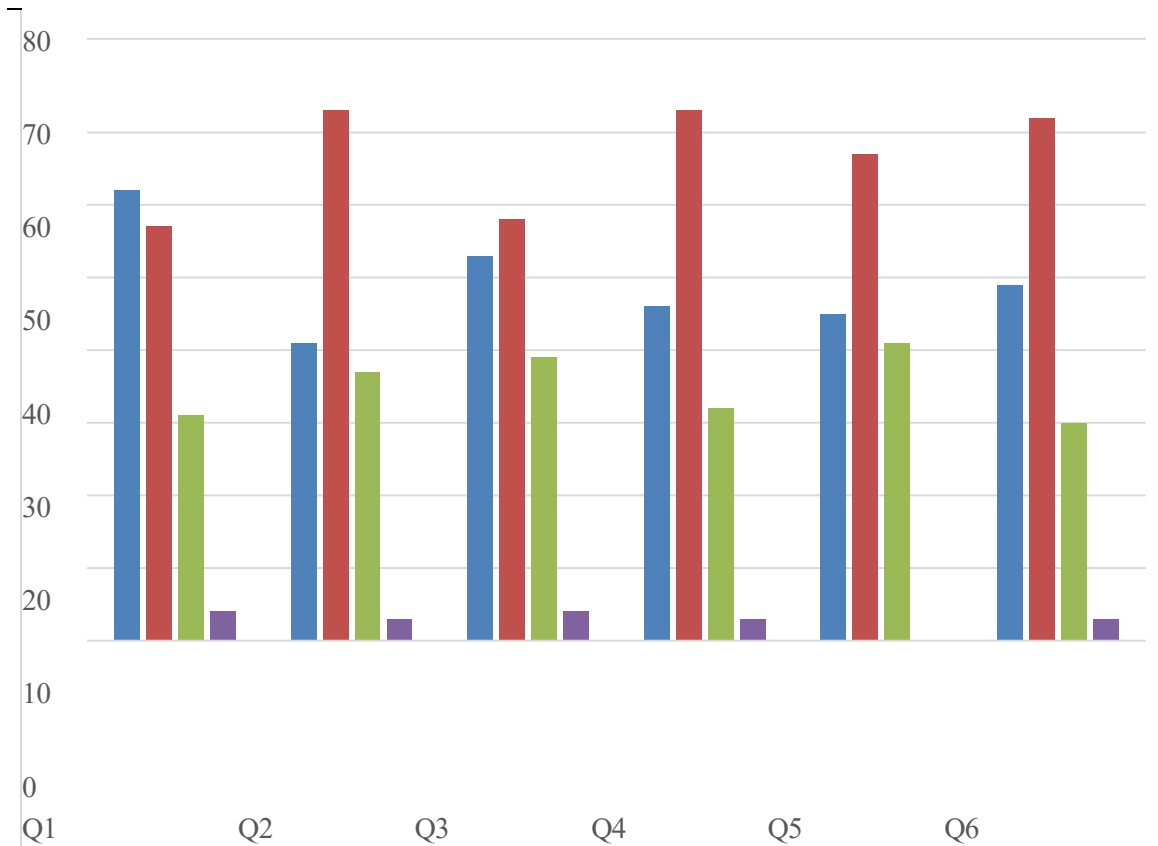
Inference

The survey found that investors like mutual funds and SIPs. Most respondents liked mutual fund returns and were ready to take modest risks. Debt funds were most popular, followed by hybrid funds, indicating a shift toward balanced and safer investments. Participants appreciated SIP for generating wealth via regular saves and little contributions.

Table 4: With the goal of determining how well SIPs work to encourage systematic savings

Considerations for Making Investments	Strongly influence	Moderately Influence	Slightly influence	Do not influence
Knowledge about mutual funds	62	57	31	4
Awareness of risk and return	41	73	37	3
Understanding of sip benefits	53	58	39	4
Ability to analyses market trends	46	73	32	3
Guidance from financial advisors	45	67	41	0

Knowledge of online Investment platforms	49	72	30	3
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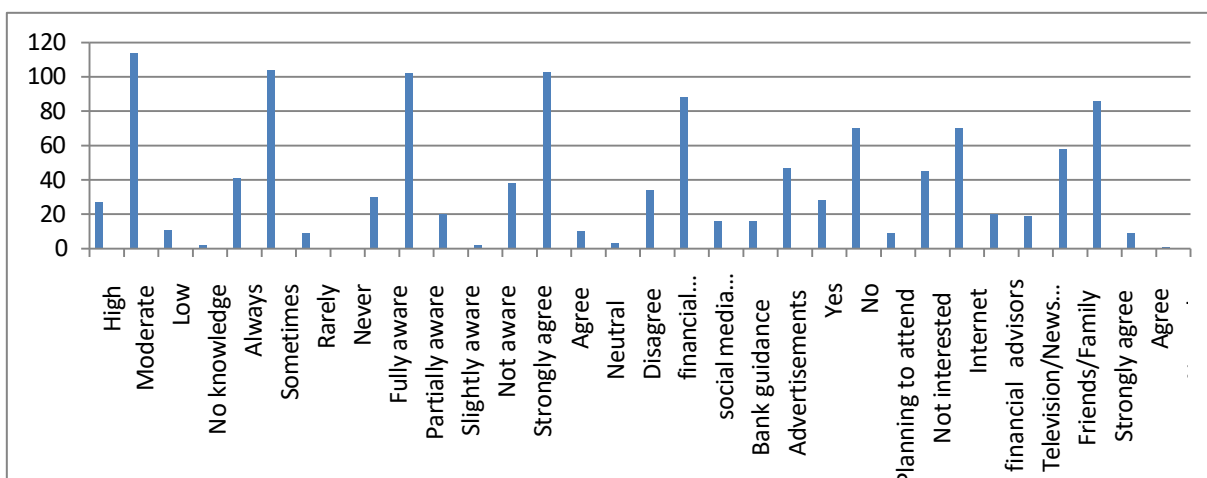
Inference

Study shows that financial expertise motivates people to invest in SIPs and mutual funds. A majority of respondents said understanding mutual fund ideas, risk-return dynamics, and SIP benefits improved their investing decisions. Market analysis and financial adviser advice strongly impact investing behavior. Knowledge of digital investment platforms makes investing easier. Few respondents disagreed that investor education and financial literacy are important. Overall, better knowledge, professional guidance, and digital accessibility contribute to more disciplined investment habits and increased participation in SIPs.

Table 5: To examine financial literacy and investing choices.

QUESTION	OPTIONS	NO OF RESPONSES	PERCENTAGE
Q1. Do you know mutual fund investments?	High	27	17.5
	Moderate	114	74
	Low	11	7.1
	No knowledge	2	1.3
Q2. Do you read financial information before investing?	Always	41	26.6
	Sometimes	104	67.5

	Rarely	9	5.8
	Never	0	0
Q3. Are you aware of risk and return concepts?	Fully aware	30	19.5
	Partially aware	102	66.2
	Slightly aware	20	13
	Not aware	2	1.3
Q4. Does financial knowledge help in making investment decisions?	Strongly agree	38	24.7
	Agree	103	66.9
	Neutral	10	6.5
	Disagree	3	1.9
Q5. How can awareness about mutual funds be improved?	financial education programs	34	22.1
	social media campaigns	88	57.1
	Bank guidance	16	10.4
	Advertisements	16	10.4
Q6. Has anybody attended an investing awareness program?	Yes	47	30.5
	No	28	18.2
	Planning to attend	70	45.5
	Not interested	9	5.8
Q7. Which source provides you investment information?	Internet	45	29.2
	financial advisors	70	45.5
	Television/Newspaper	20	13
	Friends/Family	19	12.3
Q8. Do you think investor education is necessary before investing?	Strongly agree	58	37.7
	Agree	86	55.8
	Neutral	9	5.8
	Disagree	1	0.6



Inference

The research demonstrates that most participants understand mutual funds and analyze financial data before investing. They believe financial knowledge is essential for asset management since risk and return are linked. Consumers mostly use financial advisers and internet research for investing information. However, when it comes to expanding market awareness on a broader scale, respondents identify targeted social media campaigns as the most impactful channel. Structured investor education programs are widely recognized as essential for equipping people to make autonomous investing choices.

Hypothesis 1

H₀: The age of investors does not correlate with their willingness to take risks.

H₁: There is a significant relationship between age group of investors and their risk-taking ability

Particulars	Value
Chi-Square Value (χ^2)	25.229
Degrees of Freedom (df)	9
Significance Value (p-value)	0.003

Decision:

Since the p-value (0.003) is less than 0.05, the null hypothesis is rejected.

Inference

An age-related Chi-Square analysis found that investor risk-taking changes. Different age groups have different risk preferences, which affects their uncertainty assessments and mutual fund investments. In particular, 25–35-year-old investors choose moderate to high-risk investments. This behavior could be influenced by their long-term financial plans and their ability to weather short-term market swings.

Hypothesis 2

H₀: Income does not affect investors' monthly mutual fund investments.

H₁: Income level significantly affects investors' monthly mutual fund investments.

Statistical Tool: One-Way ANOVA

Source of Variation	Sum of Squares	df	Mean Square	F Value	Sig.
Between Groups	21.846	3	7.282	6.547	0.001
Within Groups	166.820	150	1.112		
Total	188.666	153			

Decision:

The significance value (0.001) is lower than the critical value (0.05), therefore rejecting the null hypothesis.

Inference

The analysis of variance confirms that an investor's monthly income level directly dictates the scale of their mutual fund contributions by establishing their baseline financial stability and available surplus capital. Higher-income individuals consistently allocate larger sums toward market investments because their elevated earnings leave them with substantial disposable income after addressing standard living expenses. Conversely, investors in lower income brackets are constrained to smaller, incremental contributions, as immediate living costs and essential financial obligations absorb the vast majority of their monthly cash flow. Ultimately, this economic divide proves that income level is not merely a descriptive metric, but a structural barrier that directly limits or expands an individual's financial capacity for wealth accumulation.

Hypothesis 3

H₀: There is no significant relationship between occupation influence and the preference of investors for different types of mutual funds.

H₁: Investors' mutual fund preferences are strongly influenced by profession.

Particulars	Value
Spearman Correlation Coefficient (ρ)	0.412
Significance Value (p-value)	0.008

Decision:

We reject the null hypothesis due to a p-value of 0.008, which is below the significance level of 0.05.

Result:

One's chosen mutual fund is correlated with their employment.

Inference

An investor's professional background serves as a primary driver of their mutual fund preferences by directly shaping their income stability, risk thresholds, and financial goals. Salaried employees, who operate on predictable income streams, consistently gravitate toward lower-risk debt and hybrid funds to prioritize capital preservation and steady growth.

In contrast, business owners and entrepreneurs regularly favor equity funds, showing a higher tolerance for market volatility in pursuit of maximized, long-term capital returns. Meanwhile, independent professionals and self-employed individuals typically maintain a middle ground, selecting balanced portfolios that combine growth potential with structural stability to match their variable cash flows. Ultimately, these distinct patterns demonstrate that occupational architecture functions as a reliable behavioral predictor for asset allocation across retail investor segments.

Findings

1. Primary Age Bracket: Young adults aged 25 to 35 dominate mutual fund investments, focusing heavily on long-term wealth accumulation.
2. Income-Driven Volume: Monthly earnings directly scale investment size; higher earners consistently commit larger amounts to recurring investments.
3. Middle-Class Participation: The majority of investors fall into the middle-income segment, indicating widespread adoption of structured financial planning.
4. Occupational Alignment: Professional roles strongly dictate fund preferences because income stability, financial goals, and risk thresholds vary by career track.
5. Salaried Employee Base: Corporate employees form the largest investor demographic, utilizing their steady, predictable cash flows to maintain consistent investment habits.

Suggestions

1. To better accommodate individuals' varying risk tolerances and long-term financial goals, mutual fund firms should offer age-specific investing strategies.
2. More investor education programs should be conducted to help people understand the relationship between risk and return before making investment decisions.
3. Asset management companies should introduce flexible and affordable SIP options to encourage participation from investors across different income levels.
4. Financial institutions should focus on spreading awareness among young investors about the benefits

of long-term investing and disciplined savings.

Conclusion:

The research shows that risk and return strongly influence mutual fund investments. Different age, income, and employment demographics affect investment behavior. Older investors favor safer assets for financial stability, whereas younger investors prefer higher-risk investments for better profits. Richer people are more confident in their investing decisions. Occupational background shapes financial goals and risk preferences. Middle-class investors are driving mutual fund growth, demonstrating a growing faith in mutual funds as a long-term asset vehicle. Investors are becoming more financially literate and aware of varied investment alternatives. Mutual funds are trusted for long-term asset accumulation and financial stability

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