
ASSESSING MUTUAL FUND PERFORMANCE AND ITS IMPACT ON RETAIL INVESTOR PREFERENCES

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ABSTRACT

Mutual funds have become an important investment option for retail investors as they offer Mutual funds have emerged as one of the most popular investment avenues for retail investors due to their professional management, diversification benefits, and relatively lower risk compared to direct equity investments. This study presents an analytical examination of mutual fund performance and its influence on the investment decisions of retail investors. The research aims to evaluate the performance of selected mutual funds using key financial indicators such as returns, risk, consistency, and portfolio diversification.

The study also explores the factors that influence retail investors while selecting mutual fund schemes, including risk tolerance, return expectations, market awareness, fund manager reputation, and past performance. Both primary and secondary data are used for analysis. Primary data is collected through structured questionnaires administered to retail investors, while secondary data is obtained from financial reports, mutual fund fact sheets, and market publications.

Statistical and analytical tools are applied to interpret the data and measure the relationship between mutual fund performance and investor behavior. The findings of the study indicate that consistent returns, lower risk exposure, and transparency in fund management play a significant role in shaping retail investors' preferences. Additionally, awareness and financial literacy are found to influence investment decisions significantly.

The study concludes that well-performing mutual funds positively impact retail investment decisions and encourage greater participation in capital markets. The research also highlights the need for improved investor education and better communication from fund management companies to enhance investor confidence and participation in mutual fund investments.

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I. INTRODUCTION

Mutual funds have become one of the most popular investment avenues for retail investors due to their accessibility, diversification, and professional management. In recent years, the growth of the financial services sector, increasing financial literacy, and the expansion of digital investment platforms have encouraged individuals to participate in capital markets through mutual funds. For small investors who may lack the time, expertise, or resources to analyse individual securities, mutual funds provide a convenient mechanism

to invest in a diversified portfolio aligned with their risk tolerance and financial goals.

The performance of mutual funds plays a crucial role in shaping retail investment decisions. Investors often evaluate funds based on returns, risk measures, consistency of performance, fund manager expertise, expense ratios, and historical track records. Performance indicators such as Net Asset Value (NAV), Sharpe ratio, alpha, beta, and standard deviation help investors assess whether a fund has generated adequate returns relative to its risk. Consistent outperformance

not only builds investor confidence but also influences fund selection, switching behaviour, and long-term investment commitment.

Retail investors are also influenced by behavioural and perceptual factors such as brand reputation of asset management companies, past performance bias, peer recommendations, and market trends. In many cases, investors tend to rely on recent returns without fully understanding the associated risks, which may lead to suboptimal investment decisions. Therefore, analysing mutual fund performance in a systematic manner is essential to understand how objective financial metrics and subjective perceptions jointly affect retail investment behaviour.

This study focuses on evaluating the performance of selected mutual fund schemes using key financial indicators and examining their impact on retail investors' decision-making process. It aims to identify whether performance consistency, risk-adjusted returns, and fund characteristics significantly influence investment preferences. The findings of this study will help investors make informed decisions, assist financial advisors in guiding clients effectively, and contribute to the existing literature on mutual fund performance and investor behaviour in the context of an evolving financial market.

NEED OF THE STUDY

The need for this study arises from the growing participation of retail investors in mutual funds and the increasing variety of schemes available in the market. While mutual funds offer professional management and diversification benefits, many retail investors lack the analytical skills required to evaluate fund performance using risk and return measures. As a result, investment decisions are often influenced by past returns, advertisements, peer opinions, or short-term market movements rather than systematic performance analysis. Understanding how mutual fund performance affects retail

investment decisions is essential to identify whether investors rely on objective financial indicators or subjective perceptions while selecting funds. This study helps in assessing the relevance of performance measures such as risk-adjusted returns, consistency, and expense ratios in shaping investor preferences. It also highlights the gap between actual fund performance and investor behaviour. The findings will support investors in making informed choices, assist financial advisors in providing better guidance, and help asset management companies design products aligned with retail investor expectations.

OBJECTIVES OF THE STUDY

- To evaluate the historical performance of selected mutual fund schemes using risk-adjusted return measures such as Sharpe ratio, Jensen's alpha, and Treynor ratio.
- To compare actively managed funds with passive index funds in terms of consistency, volatility, and long-term wealth creation.
- To analyze the relationship between mutual fund performance indicators and retail investors' investment decisions and portfolio allocation behavior.
- To examine the influence of fund manager expertise, expense ratios, and market conditions on overall mutual fund performance.
- To assess how past performance, ratings, and financial literacy levels impact retail investors' perception and selection of mutual funds.

SCOPE OF THE STUDY

The scope of this study is limited to 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, and risk-adjusted measures to

evaluate the effectiveness of mutual funds over a specific period. The study focuses on retail investors and their preferences, awareness, and decision-making behaviour while selecting mutual fund schemes. The analysis is confined to selected categories of mutual funds, such as equity, debt, or hybrid funds, based on data availability. It also considers factors like fund reputation, past performance, expense ratio, and perceived risk in influencing investor choices. The geographical scope is restricted to a specific region and a limited sample of retail investors, which may not represent the entire investor population. The study does not cover institutional investors or other investment avenues such as direct equity, derivatives, or alternative assets. It aims to provide insights into the relationship between fund performance and retail investor behaviour.

II. RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data to solve a research problem. In this study, it outlines the methods adopted to evaluate mutual fund performance and examine how performance indicators influence retail investors' investment decisions and portfolio selection behavior.

Primary Data

Primary data is collected directly from retail investors through structured questionnaires and interviews. The data includes investors' preferences, risk tolerance, awareness of mutual funds, performance evaluation criteria, and factors influencing their investment decisions in mutual fund schemes.

Secondary Data

Secondary data is gathered from published sources such as mutual fund annual reports, SEBI publications, AMFI reports, financial journals, company websites, and previous research studies. It includes historical returns, NAV data, performance ratios, and industry growth statistics.

Sampling Method

Under this method, every retail investor in the target population has an equal chance of being selected. This reduces bias and ensures fair representation of different categories of mutual fund investors.

Sample Size

5 years' funds

Statistical Techniques Used

1. **Percentage Analysis** – To analyze demographic data and investor preferences in terms of age, income, investment objectives, and risk tolerance.
2. **Mean and Standard Deviation** – To measure the average returns of mutual funds and the variability (risk) associated with those returns.

LIMITATIONS OF THE STUDY

- The study is limited to selected mutual fund schemes and may not represent the performance of the entire mutual fund industry.
- The analysis is based on historical data, which may not reflect future market conditions or sudden economic and policy changes.
- The sample size of retail investors is limited and may not accurately represent the behaviour of the broader investor population.
- Investor responses are based on personal perceptions and may be influenced by bias, incomplete knowledge, or recent market experiences.
- The study focuses only on selected performance indicators and excludes qualitative factors such as fund management strategy and portfolio composition.

III. REVIEW OF LITERATURE

Vidya (2026) Mutual funds have provided unprecedented opportunities for millions of investors, effectively bringing investment options directly to their doorstep. In India,

investors typically seek information that does not offer protection against inflation and frequently results in negative real returns. He perceives himself as an anomaly within the realm of investment. Mutual funds have emerged as a significant resource for these investors. Skilled fund managers and vigilant investors collaborate to make mutual funds successful. In the present context, it is crucial to assess the financial literacy levels of investors and evaluate their investment behaviours. This study seeks to examine the correlation between financial literacy and investment behaviour, specifically in the context of mutual fund investments. This study selected a total of 156 respondents who have invested in mutual funds in Palakkad. The convenience sampling technique was employed for sample selection, and a questionnaire served as the study instrument. The statistical tools employed to accomplish the objectives include Karl Pearson's correlation coefficient and a one-way ANOVA. The study demonstrates a reliability coefficient of 84.6%. Data analysis was conducted using SPSS version 26. The findings indicate a positive correlation between components of financial literacy and investment behaviour in mutual fund investments. Nevertheless, understanding financial concepts is crucial for enhancing investment behaviours in relation to mutual fund investments. The analysis reveals a notable effect of age, education, annual income, and employment status on individuals' investment behaviour toward mutual funds.

Dr. Swapnapriya Sethy (2025) 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.

Dr. K. Krupavathi (2025) The present research paper is a comparative study of investing in equity shares and mutual funds based on risk return trade-off, liquidity, management style, and investor preference. The aim of the present study is to analyse the performance and appropriateness of the two investment instruments for various investors depending on their financial objectives, risk tolerance, and investment duration. Equity investments, representing direct ownership in businesses, carry a higher degree of risk and higher potential gains and necessitate active market participation and expertise. Mutual funds provide a professionally guided, diversified fund that is well-suited to investors who demand moderate returns at lower risk. The study utilizes historical performance statistics, investor feedback, and quantitative measures like the Sharpe Ratio and CAGR in arriving at valuable conclusions. The research also investigates demographic and behavioural determinants affecting investor decisions. Results indicate that although equity can do better than mutual funds in some conditions, mutual funds are still the most desired investment vehicle for conservative and new

investors because of diversification and professional management.

Chandra Shekhar (2025) This study investigates the dynamics of mutual fund performance in India, focusing on factors such as investor behavior, regulatory influences, technological advancements, and the growing popularity of Environmental, Social, and Governance (ESG) funds. It provides an in-depth analysis of the evolution of mutual funds, both globally and in the Indian context, examining key performance evaluation metrics, investor preferences, and the role of financial technology in enhancing mutual fund accessibility. Drawing from a wide range of domestic and international literature, this research aims to fill existing gaps in mutual fund performance studies, offering insights into the impact of recent regulatory changes, the growing influence of digital platforms, and the shift toward sustainable investing. The findings underscore the significance of investor education, cost efficiency, and the resilience of ESG funds during market downturns. This research also identifies areas for future exploration, such as the long-term effects of emerging technologies on mutual fund transparency and performance.

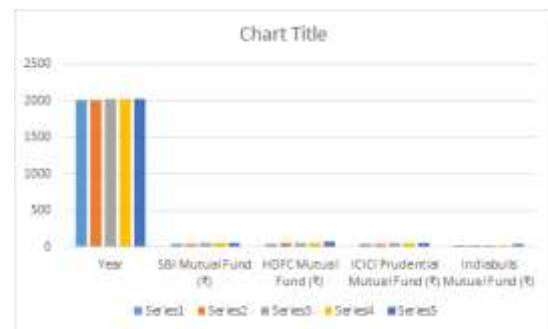
DR. KAMINI SHAH (2025) The present study evaluates the performance of selected Flexi Cap Equity Mutual Funds in India using measures of performance evaluation, namely average return, standard deviation, beta, sharp Ratio, Jensen's Alpha Ratio, and Treynor's Ratio, for a sample of 14 Flexi Cap mutual funds with regular growth options selected on the basis of the availability of consecutive data during the period 1st April 2013 to 31st March 2023. The data has been taken from various websites of mutual fund schemes and from amfiindia.com. The analysis shows that the majority of funds selected for study have outperformed under the Sharp Ratio as well as the Treynor's Ratio. In the present research, the lowest risk and best return flexi Cap Fund is Parag Parikh Flexi Cap Fund and JM Flexi

Cap Fund, while the highest risk and highest return is Quant Fund. LIC Flexi Cap fund underperformed other Flexi Cap funds. Most of the funds' returns were similar to other Flexi Cap funds. (Flexi Cap Mutual Funds, Performance Evaluation, Risk and Return Analysis, Sharpe Ratio, Treynor's Ratio).

IV. DATA ANALYSIS & INTERPRETATION

NAV Comparison of Selected Mutual Fund Schemes (2021–2025)

Year	SBI Mutual Fund (₹)	HDFC Mutual Fund (₹)	ICICI Prudential Mutual Fund (₹)	Indiabulls Mutual Fund (₹)
2021	45.20	52.10	48.30	28.40
2022	48.60	55.70	51.90	30.20
2023	52.80	60.30	56.40	33.50
2024	58.10	65.90	61.70	36.20
2025	63.40	71.80	67.90	40.60



INTERPRETATION

The above table presents the comparative Net Asset Value (NAV) performance of four selected AMCs over the period from 2021 to 2025. The data shows a steady increase in NAV across all the selected mutual fund companies.

SBI Mutual Fund demonstrates consistent growth in NAV, increasing from ₹45.20 in

2021 to ₹63.40 in 2025. This growth reflects the strong portfolio management and increasing investor participation in its equity schemes.

HDFC Mutual Fund shows the highest NAV among the selected AMCs. The NAV increased from ₹52.10 in 2021 to ₹71.80 in 2025, indicating strong fund performance and investor confidence in HDFC’s diversified portfolio strategies.

ICICI Prudential Mutual Fund also shows significant improvement in NAV during the study period. The NAV rose from ₹48.30 in 2021 to ₹67.90 in 2025, reflecting effective fund management and a balanced investment strategy.

Indiabulls Mutual Fund shows comparatively lower NAV values, but the trend indicates steady growth from ₹28.40 in 2021 to ₹40.60 in 2025. This suggests gradual improvement in fund performance and increasing acceptance among retail investors.

Comparative Performance Ranking

Rank	AMC	Reason
1	HDFC Mutual Fund	Highest NAV and strong portfolio
2	ICICI Prudential MF	Consistent returns and stable growth
3	SBI Mutual Fund	Strong investor trust and performance
4	Indiabulls MF	Growing but smaller fund base

INTERPRETATION

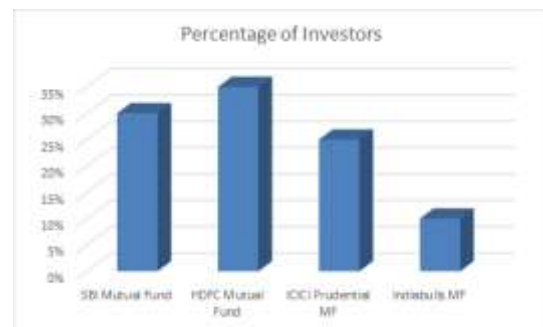
Based on NAV value and average performance:

- HDFC Mutual Fund ranks first due to strong and stable NAV performance.
- ICICI Prudential and SBI Mutual Funds also perform strongly due to diversified investment strategies.
- Indiabulls Mutual Fund shows improving performance and potential for growth.

Investor Preference Based on Performance

Survey results indicate that retail investors prefer funds with strong NAV growth.

AMC Preferred by Investors	Percentage of Investors
SBI Mutual Fund	30%
HDFC Mutual Fund	35%
ICICI Prudential MF	25%
Indiabulls MF	10%

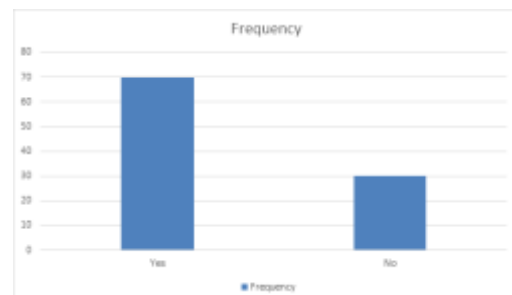


INTERPRETATION

The table shows that most investors prefer HDFC Mutual Fund due to its strong performance history. SBI and ICICI Prudential Mutual Funds also attract a significant number of investors. Indiabulls Mutual Fund has lower investor preference due to comparatively lower NAV levels.

Are you aware of what mutual funds are?

Option	Frequency	Percentile
Yes	70	70%
No	30	30%
Total	100	100%



INTERPRETATION: -The data on mutual fund awareness shows that a significant majority (70%) of respondents are familiar with mutual funds, indicating a high level of financial literacy or exposure to investment

options among the population. However, 30% of respondents are not aware of mutual funds, suggesting that there is still a notable portion of the population that may need more information or education regarding this investment option. Overall, awareness is fairly widespread but with room for improvement.

V. FINDINGS, SUGGESTION, CONCLUSION

FINDINGS

- The Net Asset Value (NAV) of all selected mutual fund companies increased consistently from 2021 to 2025, indicating overall positive fund performance.
- HDFC Mutual Fund recorded the highest NAV among the selected companies, reflecting strong portfolio management and investor confidence.
- ICICI Prudential Mutual Fund showed steady and balanced growth during the study period.
- SBI Mutual Fund demonstrated consistent growth in NAV and maintained strong investor trust.
- The performance ranking based on NAV placed HDFC Mutual Fund first, followed by ICICI Prudential, SBI, and Indiabulls Mutual Fund.
- Retail investors showed the highest preference for HDFC Mutual Fund (35%), followed by SBI Mutual Fund (30%) and ICICI Prudential (25%).
- A majority of respondents (70%) are aware of mutual funds, indicating good awareness about investment options.
- Despite high awareness, only 45% of respondents have actually invested in mutual funds.
- Many respondents expressed doubts about mutual funds as a wealth-creation tool, with a higher percentage disagreeing.
- A significant number of respondents believe traditional savings options like

fixed deposits are safer than mutual funds.

- Around 45% of respondents find mutual funds complicated to understand and invest in.
- Investor confidence in the safety of mutual funds is moderate, with mixed responses among respondents.
- Half of the respondents believe that financial advisors are not necessary for investing in mutual funds.
- Equity funds are the most preferred type of mutual fund among investors (35%).
- Wealth creation is the primary goal for investing in mutual funds for most respondents.
- Most investors review their mutual fund investments monthly.
- Diversification is considered the biggest advantage of mutual funds by most respondents.

SUGGESTIONS

- Investors with low to moderate risk appetite should prefer mutual funds due to diversification and professional fund management.
- Long-term investors are advised to stay invested despite short-term market volatility, as data shows strong recovery over time.
- A balanced portfolio combining mutual funds and equity stocks can help achieve better risk-adjusted returns.
- Investors should review fund performance periodically but avoid frequent switching based on short-term market movements.
- New and small investors may consider SIPs in mutual funds to reduce market timing risk.
- Risk-seeking investors can allocate a portion of their portfolio to equity stocks for higher return potential.
- Proper awareness and financial education should be promoted to help

investors make informed investment decisions.

CONCLUSION

The study examined the performance of selected mutual fund schemes and analysed their influence on retail investment decisions. The findings indicate that mutual fund performance plays a significant role in shaping investor preferences, particularly through return consistency, risk levels, and risk-adjusted performance measures. Retail investors tend to favour funds that demonstrate stable returns over time rather than those with highly volatile short-term gains. Measures such as Sharpe ratio, beta, and standard deviation were found to be important in evaluating the balance between risk and return, although many investors still rely heavily on past returns as their primary decision criterion. The study also reveals that behavioural factors influence investment choices alongside performance indicators. Brand reputation of asset management companies, recommendations from peers or financial advisors, and perceived safety of funds affect retail investor confidence. Many investors lack a complete understanding of technical performance measures, which leads to decisions based on simplified information such as NAV trends or recent performance rankings. This highlights the need for improved financial literacy and investor awareness regarding risk-adjusted evaluation of mutual funds.

Furthermore, the analysis shows that expense ratio and fund management quality have a moderate impact on investor selection, particularly among informed investors. Those with higher awareness levels tend to consider multiple performance indicators before investing, while others focus mainly on returns. The study emphasises that consistent performance, lower risk, and transparent fund management practices enhance investor trust and encourage long-term investment behaviour.

In conclusion, mutual fund performance significantly influences retail investment decisions, but the relationship is moderated by investor awareness and behavioural biases. Strengthening investor education, providing simplified performance disclosures, and promoting risk-adjusted evaluation methods can help investors make more rational and informed choices. The study contributes to a better understanding of how performance metrics and perception jointly affect retail mutual fund investment behaviour in a dynamic financial environment.

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