



Article

Why Do Retail Investors Hesitate to Invest in Mutual Funds? An Empirical Study of Retail Investors' Perception in Bilaspur District, Chhattisgarh

Dr. Satya Prakash¹, Tai Shagufta²

1. Assistant Professor, Guru Ghasidas Vishwavidyalaya Koni Bilaspur (C.G)
2. Research Scholar, Guru Ghasidas Vishwavidyalaya Koni Bilaspur (C.G)

* Correspondence: -

Abstract: In India Mutual funds have emerged as one of the fastest-growing investment options. They offer professionally managed portfolio along with liquidity and diversification, and opportunities for long-term wealth creation. During the last decade, the mutual fund sector in India has expanded substantially as reflected in the rise in Assets Under Management, investor folios, and SIP's contributions. Despite this growth, many retail investors still hesitate to invest in mutual funds. This hesitation limits wider participation and affects the aggregate increase of the mutual fund industry. Therefore, understanding the factors responsible for investor hesitation has become focused area of research. The study analysed the factors responsible for retail investors' hesitation towards mutual fund investment. It also analyses investors' perception and provides suitable measures to reduce investment hesitation. The study revealed that investor perception is strongly related to investment opportunities. It is also related to investment challenges. However, the relationship with challenges is weaker. The results of regression states that opportunities of investment have a remarkable impact on investor perception. Investment challenges do not have a remarkable influence when opportunities and challenges are examined simultaneously. The analysis further indicates that gender, education, residential area, and monthly income are related to investor perception. However, age, occupation, marital status, and monthly savings do not show a significant relationship. The findings suggest that strengthening investor's financial knowledge can reduce investor hesitation. Simple and clear investment information can also help. Enhanced investor awareness may therefore contribute to greater participation in mutual fund investment.

Keywords: Retail Investor's, Mutual Fund Investment, Investor Perception, Investment Decision-Making.

Citation: Prakash, S & Shagufta, T. Why Do Retail Investors Hesitate to Invest in Mutual Funds? An Empirical Study of Retail Investors' Perception in Bilaspur District, Chhattisgarh . American Journal of Economics and Business Management 2026, 9(9), 1080-1087

Received: 13th Jun 2026

Revised: 28th Jul 2026

Accepted: 15th Aug 2026

Published: 28th Sep 2026



Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

1. Introduction

Mutual funds have emerged as a significant investment option for individual investors in India. The Indian mutual fund sector has witnessed substantial expansion in recent years. By March 2026, the total assest managed by the Indian mutual fund industry had reached 73.73 lakh crore. Retail investor participation also increased over the same period[1].

Mutual fund investment gives retail investors access to different investment options. It also provides investors to invest according to their risk bearing capability and financial

goals. However, capital allocation are not based only on expected returns. Investors also consider risk, information, financial knowledge, trust and personal factors [2], [3].

Financial literacy has a vital role in investment decision-making. Investors who are financial literate are more likely to understand investment choices and make informed decisions [4], [5]. Shroff found a positive impact of financial literacy on investment decisions among Indian investors.

Investor behaviour is also shaped by behavioural and psychological factors. Investment decisions are affected by herding and overconfidence even when investors have financial knowledge [6]. Behavioural pattern, psychological influences and demographic characteristics can also influence household financial decision-making [7].

Investment intention is another important aspect of investor behaviour. Recent evidence indicates that subjective norms, attitude and financial literacy influence the motive to invest in capital funds [8]. Investor trust and risk perception also influence mutual fund investment intentions. Financial literacy plays an vital role in this relationship [9].

Risk and return information are important for retail investors. Financial awareness has been responsible to influence how investors consider return, risk and marketing knowledge while making fund allocation decisions. Financial awareness has also been linked with planned investment behaviour among Indian investors [10].

Investor perception can also differ across personal and socio-economic characteristics. Age, education, occupation and income have been examined in earlier mutual fund studies. Such characteristics can shape the way investors understand information, risk and investment opportunities [11], [12].

Investor hesitation is closely related to this decision-making process. An investor may hesitate when the investment involves uncertainty, risk or insufficient information. Financial literacy and clear investment information can support better understanding of financial products. Past behaviour and financial awareness have also been found to be relevant to individual investors' decision-making processes.

In India, therefore, understanding retail investors' perception is important. It is especially important at the local level, where investors may differ in their awareness, financial background and investment experience. The present research focuses on retail investors in Bilaspur District, Chhattisgarh. It examines investor's perception regarding mutual fund investment. It also considers opportunities of investment and challenges associated with investment funds.

The study further examines how selected socio-economic characteristics are associated with investor perception. Special attention is provided to the factors that can influence investors' understanding and hesitation before making decision on an investment. The study aims to provide a clearer understanding of retail investment style towards capital funds in Bilaspur District.

Sadhak [13] explained that investment funds provide portfolio diversification, professional fund management and better investment opportunities for small investors. The research concluded that investment funds are suitable for long-term wealth creation. However, the research mainly focused on the benefits of capital funds and did not explain investor hesitation.

Paul [14] reported that investor awareness is a crucial factor for the increment of the mutual fund sector. The research stated that many investors still preferred traditional investment options because they considered them safer and more familiar.

Kumar and Goyal [15] examined the factors affecting individual investment decisions. The analysis concluded that investment knowledge, financial literacy, and risk perception remarkably impact on investment behaviour. Investors with better economic understanding make more confident investment decisions.

Sharma and Kumar found that awareness, trust, and economic understanding positively influence retail investor's perception towards investment funds. The research also stated that fear of market risk and inadequate knowledge discourage many investors from participating in mutual fund investment.

Agarwal, Rao, and Nogueira [16] reported that economic understanding improves investment confidence and reduces behavioural bias. The study suggested that financially literate investors tend to participate in market-based investment products.

Shahin and Asthana [17] found that economic understanding positively impacts on investment behaviour, whereas risk perception negatively affects on decisions in mutual fund investments. The authors recommended strengthening financial education programmes to improve retail investor participation.

Umamaheswari, Kowsalya, and Kumaraguru [18] concluded that demographic characteristics, financial literacy, and risk tolerance remarkably influence investor perception and mutual fund selection.

Pednekar, Tripathi, Mehta, and Narvekar [19] reported that behavioural biases such as crowd mentality, overconfidence, and loss aversion impacts retail investor's investment choices. The study suggested that investor education may reduce these behavioural biases.

Sethy and Ginoria [20] found that investment preference differs according to financial awareness, demographic characteristics, and investment objectives. The authors suggested that improving economic understanding may increase retail participation in capital fund investment.

According to the AMFI Annual Report, the Indian investment fund sector continues to record strong growth in Assets Under Management, investor folios, and SIP investments. However, increasing retail investor participation remains an important priority for the sustainable expansion of the industry.

Research Gap

The review of previous studies have mainly focused on financial literacy, investor awareness, mutual fund performance, investment behaviour, and investment preferences. These studies have significantly improved the understanding of retail investor behaviour. However, limited research has specifically examined why retail investors hesitate to invest in capital funds by analysing investor perception together with investment opportunities and investment challenges using primary data. Therefore, the present research tries to fill this gap by analysing the factors responsible for retail investor's hesitation towards investment in mutual funds.

Objectives of The Study

- a. To identify the factors responsible for retail investors' hesitation towards mutual fund investment.
- b. To analyse the perception of retail investors towards mutual fund investment.
- c. To analyse the influence of investment opportunities and challenges on the perception of retail investors towards mutual fund investment.

2. Materials and Methods

The present research adopted a descriptive and analytical research design to examine the factors responsible for retail investors' hesitation towards mutual fund investment.

The paper is based on primary data obtained through a structured questionnaire. The questionnaire consisted of two segments. The first segment collected demographic and investment behaviour information. The second segment measured investor perception, investment opportunities, and investment challenges.

A total of 385 valid responses were considered for the final analysis. The obtained data were coded and analysed using IBM SPSS Statistics.

3. Results

The study analysed the responses of 385 retail investors. The results were examined through reliability analysis, demographic analysis, investment behaviour, correlation, multiple regression, and Chi-square analysis. These results help explain the perception of investors and the reasons behind their hesitation towards mutual fund investment.

Reliability Analysis

Reliability analysis was performed to assess the internal consistency of the questionnaire. Cronbach's Alpha was used for this purpose.

Table 1. Reliability Analysis of the Study Constructs

Construct	Number Of Items	Cronbach's Alpha
Perception	15	0.890
Opportunities	18	0.902
Challenges	15	0.819

Interpretation

All three scales demonstrated good internal consistency. The Alpha value for Perception is 0.890. The value for Opportunities is 0.902. The value for Challenges is 0.819.

All values are above 0.70. Therefore, the scales are reliable and appropriate for further analysis.

The reliability results provide a strong foundation for examining the factors associated to investor perception and hesitation towards capital fund investment.

Demographic Profile Of Respondents

A whole of 385 individual investors participated in the study. The respondents represented different demographic groups.

Interpretation

The respondents represent different socio-economic groups. Most respondents were young, educated, and employed. A large proportion also belonged to urban areas.

This profile is useful for understanding differences in investor perception. It also provides a background for examining why some investors show greater hesitation towards mutual fund investment.

Investment Behaviour of Respondents**Table 2.** Investment Behaviour of the Respondents

Behaviour Variable	Major Finding
Source of Investment Information	Financial advisors and digital sources were important sources.
Investment Experience	Most respondents had 1-5 years of investment experience.
Preferred Investment Fund Category	Equity investment funds were the most preferred category.
Investment Frequency	Regular investment through SIP was considered by many respondents.
Risk Tolerance	Most respondents reported moderate risk tolerance.
Investment Objective	Wealth creation and long-term financial growth were major objectives.

Interpretation

The results exhibit that respondents have different levels of investment experience and risk tolerance. Many respondents prefer regular investment through SIPs. Most respondents also focus on long-term wealth creation.

The findings exhibit that investors are participating in mutual fund investment. At the same time, differences in investment experience and risk tolerance form a vital segment of their decision-making. These factors help in understanding the caution and hesitation seen among retail investors.

Correlation Analysis

Pearson correlation analysis was performed to examine the relationship among Perception, Opportunities, and Challenges.

Table 3. Pearson Correlation Analysis among Perception, Investment Opportunities, and Investment Challenges

Variables	Pearson Correlation (r)
Perception – Opportunities	0.918
Perception – Challenges	0.673
Opportunities – Challenges	0.751

Interpretation

A very strong positive association is observed between Perception and Opportunities ($r = 0.918$, $p < 0.001$).

A positive association is also observed between Perception and Challenges ($r = 0.673$, $p < 0.001$).

Opportunities and Challenges are also positively related ($r = 0.751$, $p < 0.001$).

These result indicates that opportunities and challenges are closely associated to the way investors perceive capital funds. Investors consider these factors while making their investment perception.

The result is important for understanding hesitation. A strong relationship between Perception and Opportunities shows that investors' view of available opportunities is closely connected with their investment attitude. The relationship with Challenges is also significant, showing that challenges form part of investors' overall perception.

Regression Coefficients

Table 4. Multiple Regression Analysis of Factors Influencing Investor Perception

Variable	Beta	t-value	p-value	Result
Opportunities	0.946	30.802	0.000	Significant
Challenges	-0.037	-1.201	0.231	Not Significant

Interpretation

The regression model is statistically significant ($F = 1026.602$, $p < 0.001$).

The model explains 84.3% of the variation in investor perception ($R^2 = 0.843$). This shows that the selected variables explain a large segment of the variation in perception.

Opportunities have a remarkable positive impact on investor perception ($\beta = 0.946$, $p < 0.001$). Opportunities are therefore the strongest predictor in the model.

Challenges do not have a notable influence on investor perception ($\beta = -0.037$, $p = 0.231$). Thus, challenges do not independently explain the variation in perception when Opportunities and Challenges are analysed together.

These findings give an important explanation of investor hesitation. Opportunities have a clear and crucial impact in shaping investor perception. Challenges do not have a statically significant independent role in the regression model. Therefore, the empirical evidence shows that investors' perception is more strongly related with perceived opportunities than with challenges when both elements are taken in consideration together.

It should be noted that the regression model directly tests Perception, not a separate Hesitation scale. Therefore, the result explains hesitation through the perception-related factors measured in the study.

Chi-Square Analysis

Chi-square analysis was conducted to analyse the relation between selected demographic characteristics and investor perception.

Table 5. Chi-Square Analysis of the Association between Demographic Characteristics and Investor Perception

Variable	p-value	Result
Age	0.927	Not Significant
Gender	0.047	Significant
Education	0.000	Significant
Occupation	0.490	Not Significant
Residential Area	0.001	Significant
Monthly Income	0.026	Significant
Monthly Savings	0.135	Not Significant
Marital Status	0.721	Not Significant

Interpretation

The results show an important relation between gender and investor perception ($p = 0.047$).

Education also has a significant association with investor perception ($p < 0.001$). Residential area shows a significant association ($p = 0.001$). Monthly income also shows a significant association ($p = 0.026$).

In contrast, age ($p = 0.927$), occupation ($p = 0.490$), monthly savings ($p = 0.135$), and marital status ($p = 0.721$) do not show a significant association with investor perception.

These results show that investor perception differs across selected demographic groups. Education, gender, residential area, and monthly income are associated with differences in perception. Age, occupation, marital status, and monthly savings do not show such differences in the present sample.

These results also help explain investor hesitation. Hesitation is not uniform across all demographic groups. Differences in perception are present across selected demographic characteristics. However, the Chi-square results do not directly test hesitation as a separate variable.

4. Discussion

Objective 1: To identify the factors responsible for retail investors' hesitation towards mutual fund investment.

The findings indicate that investor hesitation is mainly influenced by their overall perception of mutual funds. Investors evaluate both the available opportunities and the perceived challenges before making investment decisions.

The correlation analysis revealed a very strong positive association between perception and opportunities ($r = 0.918$, $p < 0.001$). A significant positive relationship was also observed between perception and challenges ($r = 0.673$, $p < 0.001$). These findings indicate that investors consider both negative and positive aspects before investing in capital funds.

The regression analysis further disclose that opportunities have a crucial positive impact on investor perception ($\beta = 0.946$, $p < 0.001$). However, challenges do not have a significant influence ($\beta = -0.037$, $p = 0.231$) when both variables are analysed together. This finding suggests that investors give greater importance to the potential benefits of mutual funds than to the perceived challenges. Therefore, improving awareness about investment opportunities may reduce investor hesitation.

Objective 2: To analyse the perception of retail investors towards mutual fund investment.

The second objective was to analyse the perception of retail investors towards mutual fund investment. The reliability analysis confirmed that all three measurement scales were reliable. The Cronbach's Alpha values of 0.890, 0.902, and 0.819 indicate better internal reliability.

The Chi-square analysis revealed that gender, education, residential area, and monthly income have a significant association with investor perception. In contrast, age, occupation, marital status, and monthly savings did not highlight a significant association.

These results indicate that investor perception differs across selected demographic groups. Investors with different educational backgrounds, income levels, and residential areas perceive mutual fund investment differently. Therefore, awareness programmes may be designed according to the features of different investor groups.

Objective 3: To examine the influence of investment opportunities and challenges on the perception of retail investors towards mutual fund investment.

The correlation results showed a strong positive association between investment opportunities and perception ($r = 0.918$, $p < 0.001$). A moderate positive relationship was also found between perception and investment challenges ($r = 0.673$, $p < 0.001$).

The regression results showed that investment opportunities significantly influenced investor perception ($\beta = 0.946$, $p < 0.001$). Investment challenges did not exhibit a significant independent influence ($\beta = -0.037$, $p = 0.231$).

These findings exhibit that investment opportunities have a stronger role in shaping investor perception. Investors give considerable importance to the benefits and opportunities offered by mutual funds.

The findings also help explain investor hesitation. Investors consider both opportunities and challenges before making investment decisions. However, hesitation was not measured as a separate dependent variable in the regression model.

Therefore, clear information about mutual fund opportunities can help investors understand the investment better. Better understanding can address hesitation and support greater participation in mutual funds.

5. Conclusion

The present study examined retail investors' perception towards mutual fund investment. It also focused on the hesitation faced by individual investors while making investment decisions. The findings show a strong relationship between investor perception and investment opportunities. A remarkable relationship was also found between perception and investment challenges. This indicates that investors consider both opportunities and challenges while forming their views about mutual funds. The regression results exhibit that investment opportunities have a remarkable impact on investor perception. Investment challenges do not have a important independent influence when both elements are considered together. This shows that opportunities have a stronger role in shaping investors' perception. The research also found remarkable associations between investor perception and gender, education, residential area, and monthly earnings. Age, occupation, marital status, and monthly savings did not exhibit significant relationship with perception.

Limitations of The Study

The study is limited to retail investors in Bilaspur District, Chhattisgarh. Therefore, the findings may not be generalised to investors from other regions.

The study mainly focuses on investor perception, investment opportunities, and investment challenges related to mutual fund investment. Other factors impacting on investment choices are not covered in detail.

REFERENCES

- [1] Association of Mutual Funds in India, "AMFI Monthly Note: March 2026," AMFI, 2026. [Online]. Available: <https://www.amfiindia.com/>

- [2] S. Prasad, R. Kiran, and R. K. Sharma, "Influence of financial literacy on retail investors' decisions in relation to return, risk and market analysis," *International Journal of Finance & Economics*, vol. 26, no. 2, pp. 2548–2559, 2021, doi: 10.1002/ijfe.1920.
- [3] R. K. Raut, "Past behaviour, financial literacy and investment decision-making process of individual investors," *International Journal of Emerging Markets*, vol. 15, no. 6, pp. 1243–1263, 2020, doi: 10.1108/IJOEM-07-2018-0379.
- [4] A. Lusardi and O. S. Mitchell, "The economic importance of financial literacy: Theory and evidence," *Journal of Economic Literature*, vol. 52, no. 1, pp. 5–44, 2014, doi: 10.1257/jel.52.1.5.
- [5] S. J. Shroff, U. L. Paliwal, and N. J. Dewasiri, "Unraveling the impact of financial literacy on investment decisions in an emerging market," *Business Strategy & Development*, vol. 7, no. 1, Art. no. e337, 2024, doi: 10.1002/bsd2.337.
- [6] J. Jain, N. Walia, M. Kaur, K. Sood, and D. Kaur, "Shaping investment decisions through financial literacy: Do herding and overconfidence bias mediate the relationship?" *Global Business Review*, 2023, doi: 10.1177/09721509221147409.
- [7] P. Kumar, M. A. Islam, R. Pillai, and T. Sharif, "Analysing the behavioural, psychological, and demographic determinants of financial decision making of household investors," *Heliyon*, vol. 9, no. 2, Art. no. e13085, 2023, doi: 10.1016/j.heliyon.2023.e13085.
- [8] H. Thanki, N. Tripathy, and S. Shah, "Investors' behavioral intention in mutual fund investments in India: Applicability of theory of planned behavior," *Asia-Pacific Financial Markets*, vol. 32, no. 3, pp. 975–996, 2025, doi: 10.1007/s10690-024-09477-4.
- [9] F. J. Lenta and J. Kumar, "Impact of investor trust and risk perception on mutual fund investment intentions: The mediating role of financial literacy," *International Review of Management and Marketing*, vol. 16, no. 4, pp. 797–807, 2026, doi: 10.32479/irmm.23221.
- [10] M. Adil, Y. Singh, and M. S. Ansari, "How financial literacy moderate the association between behaviour biases and investment decision?" *Asian Journal of Accounting Research*, vol. 7, no. 1, pp. 17–30, 2022, doi: 10.1108/AJAR-09-2020-0086.
- [11] S. Sindhu, Y. Rama Krishna, and A. S. Reddy, "Understanding the relationship between investors' personal attributes and investment perceptions towards mutual fund investments," *Indian Journal of Finance*, vol. 11, no. 2, pp. 23–34, 2017, doi: 10.17010/ijf/2017/v11i2/110231.
- [12] D. Chawla, "An empirical analysis of factors influencing investment in mutual funds in India," *Global Business Review*, vol. 15, no. 3, pp. 493–503, 2014, doi: 10.1177/0972150914535136.
- [13] H. Sadhak, *Life Insurance in India: Opportunities, Challenges & Strategic Perspective*. New Delhi, India: SAGE Publications, 2009.
- [14] T. Paul, "Retail investors participation in Indian mutual fund industry – A matter of concern," *SSRN Electronic Journal*, 2014, doi: 10.2139/ssrn.2395728.
- [15] S. Kumar and N. Goyal, "Behavioural biases in investment decision making – A systematic literature review," *Qualitative Research in Financial Markets*, vol. 7, no. 1, pp. 88–108, 2015, doi: 10.1108/QRFM-07-2014-0022.
- [16] A. Agarwal, N. V. M. Rao, and M. C. Nogueira, "Financially savvy or swayed by biases? The impact of financial literacy on investment decisions: A study on Indian retail investors," *Journal of Risk and Financial Management*, vol. 18, no. 6, Art. no. 322, 2025, doi: 10.3390/jrfm18060322.
- [17] S. Shahin and P. K. Asthana, "Investor's behaviour and risk perception in mutual funds – A study of retail investors in Raipur City, C.G.," *Iconic Research and Engineering Journals*, vol. 9, no. 5, pp. 2277–2283, 2025, doi: 10.64388/IREV9I5-1712435.
- [18] S. Umamaheswari, P. Kowsalya, and A. Kumaraguru, "A behavioral analysis of retail investor preferences in mutual fund selection in India," *International Journal of Research in Finance and Management*, vol. 8, no. 2, pp. 303–306, 2025, doi: 10.33545/26175754.2025.v8.i2d.556.
- [19] D. Pednekar, M. Tripathi, S. Mehta, and A. Narvekar, "Understanding the impact of behavior biases on retail investors decision making in mutual funds in India," *European Economic Letters*, vol. 15, no. 3, pp. 2683–2695, 2025.
- [20] S. Sethy and S. Ginoria, "A study on the retail investors perception and preference across different types of mutual funds," *EPRA International Journal of Multidisciplinary Research*, vol. 11, no. 6, 2025, doi: 10.36713/epra22772.