

Mutual Funds Versus Traditional Investment Options: A Study of Retail Investors in Ranchi

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Abstract:

The present study examines the investment preferences, risk-return perceptions, and awareness levels of retail investors in Ranchi, Jharkhand, with specific reference to mutual funds and traditional investment avenues such as bank fixed deposits, post office schemes, gold, and life insurance. Using a structured questionnaire administered to 200 retail investors through purposive and convenience sampling, the study employs descriptive statistics and inferential analysis. Findings reveal that despite the growing national momentum of mutual funds—India's AUM touching ₹72.20 trillion in May 2025—traditional instruments continue to dominate the preference landscape of retail investors in Ranchi. Bank fixed deposits (72%) remain the most preferred instrument, while mutual funds are chosen by 43% of respondents. Risk aversion is pronounced, with 75% of respondents perceiving mutual funds as riskier than fixed deposits. Awareness of NAV, ELSS, and SIP mechanisms remains inadequate. The study underscores the need for targeted financial literacy campaigns, simplified onboarding, and region-specific investor education programmes to bridge the awareness-participation gap in Tier 2 cities of Jharkhand.

Keywords: *Mutual Funds, Retail Investors, Traditional Investments, Financial Literacy, Ranchi, Investment Preference, Risk Perception, SIP, Bank Deposits, Post Office Schemes.*

1. Introduction

1.1 The Emergence of Study

India's financial landscape has undergone a paradigm shift over the past decade. The Association of Mutual Funds in India (AMFI) reported that the domestic mutual fund industry's Assets Under Management (AUM) grew at a Compounded Annual Growth Rate (CAGR) of 18.4% over the six-year period from March 2019 to March 2025, reaching a record ₹67.4 trillion in March 2025 and further climbing to ₹77.1 trillion by September 2025 (ICICI Prudential AMC, 2025). Monthly Systematic Investment Plan (SIP) flows remained consistently above ₹200 billion throughout fiscal year 2025, with contributing SIP accounts surging to 8.11 crore, representing a 27.17% increase (AMFI, 2025). Yet, despite such macro-level growth, household-level participation in mutual funds remains constrained, particularly in Tier 2 and Tier 3 cities.

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Ranchi, the capital of Jharkhand, represents a semi-urban, rapidly developing economy where a significant portion of the working population continues to rely on bank deposits, post office schemes, gold, and life insurance as their primary investment vehicles. The SEBI Investor Survey 2025—one of the largest household-level surveys on Indian market participation, covering over 90,000 households—found that while 63% of households nationally are aware of at least one securities market product, only 9.5% actually invest in such products (SEBI, 2025). This awareness-participation gap is even more pronounced in non-metropolitan cities. Fixed deposits and life insurance enjoy near-universal recognition, whereas mutual fund awareness stands at 53% nationally, with much lower penetration in states like Jharkhand.

Against this backdrop, the present study was conceived to empirically investigate the investment behavior of retail investors in Ranchi, examining the factors that influence their preference for traditional instruments over market-linked products like mutual funds. The study contributes to the growing body of literature on financial behavior in emerging Indian urban centres and offers policy-relevant insights for regulators, distributors, and financial educators.

2. Review of Related Literature

Kushwaha and Chaudhary (2025) conducted a study at Ranchi University examining the increasing participation of women investors in the Indian mutual fund market. The authors found that despite growing financial literacy among women in Jharkhand, behavioural barriers—including low risk tolerance and limited product knowledge—continued to impede active participation in mutual funds. The study recommends gender-sensitive financial education to facilitate greater inclusion.

Prasad (2024) undertook a comprehensive secondary-data analysis of the Indian mutual fund industry over the preceding decade. The study observed that from 2024 onwards, the market witnessed a phenomenal rise in AUM due to greater awareness, a broader investing culture, and an essentially larger middle class. However, Prasad (2024) noted that technological adoption—including digital KYC and app-based platforms—remained uneven across geographies, creating structural access disparities in smaller cities.

Ansal and Anbumalar (2024) studied investor awareness of mutual funds in Calicut district, Kerala, using a structured survey of 150 respondents. Their study found that while awareness of mutual funds was reasonably high among educated urban investors, the conversion from awareness to investment was hindered primarily by perceived complexity and risk aversion. The findings closely mirror conditions in semi-urban markets like Ranchi, underscoring the universality of the awareness-participation gap across Indian Tier 2 cities.

SEBI (2025) released findings from its landmark Investor Survey 2025, covering over 90,000 Indian households. The survey documented that awareness of non-securities market products remains exceptionally high, with fixed deposits and life insurance enjoying near-universal recognition. Post office savings schemes—such as Kisan Vikas Patra and National Savings Certificates—are familiar to roughly three in four households, reflecting their long-standing presence in India's savings culture. In contrast, mutual fund penetration stood at merely 6.7% of households, pointing to a significant structural gap between awareness and action.

Dahiya (2025) explored the influence of digital media convergence on investor awareness and financial decision-making in emerging urban centres of India. The study found that short-form video content and social media reels significantly improved superficial awareness of investment products among younger cohorts (Gen Z and Millennials), yet did not substantially improve the quality of investment decisions. The study concludes that awareness campaigns must be supplemented by structured financial counselling to be effective in bridging the investment gap.

3. Research Gap

While extant literature has extensively examined mutual fund investor behaviour at national and state levels, very few empirical studies have focused specifically on Ranchi or Jharkhand. Most studies use data from metros (Mumbai, Delhi) or southern Tier 2 cities (Calicut, Coimbatore), leaving a significant geographic void. Furthermore, contemporaneous studies (2024–2025) do not simultaneously examine investment preferences, risk-return perceptions, and awareness levels within a single analytical framework for Ranchi's retail investor population. This study bridges these gaps by adopting a holistic, multi-dimensional primary research design contextualized within the most recent national data.

4. Statement of the Problem

Despite the rapid nationwide growth of mutual funds, retail investors in Ranchi continue to exhibit a strong preference for traditional investment instruments such as bank fixed deposits, post office schemes, gold, and life insurance. The extent to which risk perception, awareness deficits, and socio-economic factors drive this preference remains empirically under-explored. The present study investigates the investment preferences, risk-return perceptions, and awareness levels of retail investors in Ranchi, with a view to understanding the structural and behavioural impediments to mutual fund adoption in this semi-urban setting.

5. Significance of the Study

This study holds significance for multiple stakeholders. For policymakers and regulators such as SEBI and AMFI, it provides micro-level evidence to design targeted financial literacy interventions in Jharkhand. For Asset Management Companies (AMCs) and mutual fund distributors, it identifies behavioural and awareness barriers that inhibit market penetration in Tier 2 cities. For retail investors, the findings serve as a mirror reflecting prevailing patterns of financial decision-making. Academically, the study enriches the literature on behavioural finance in the context of semi-urban India.

6. Rationale of the Study

The rationale for conducting this study in Ranchi stems from the city's unique socio-economic profile. As the capital of a mineral-rich but financially underdeveloped state, Ranchi presents a heterogeneous investor population comprising government employees, tribal entrepreneurs, salaried professionals, and informal sector workers. The juxtaposition of rising digital connectivity, a young demographic profile, and persistent attachment to conventional savings instruments makes Ranchi a strategically important site for studying financial behaviour transitions. With AMFI projecting mutual fund AUM to reach ₹100 lakh crore by 2030, understanding demand-side constraints in markets like Ranchi is both timely and necessary.

7. Research Questions

RQ1: What are the investment preferences of retail investors between mutual funds and traditional investment avenues such as bank deposits, post office schemes, gold, and insurance?

RQ2: How do retail investors perceive the risk and return of mutual funds in comparison to traditional investment options?

RQ3: What is the level of awareness and knowledge of retail investors about mutual funds and traditional investment instruments?

8. Objectives of the Study

O1: To examine the investment preferences of retail investors between mutual funds and traditional investment avenues such as bank deposits, post office schemes, gold, and insurance.

O2: To compare the risk and return perception of retail investors regarding mutual funds and traditional investment options.

O3: To study the level of awareness and knowledge of retail investors about mutual funds and traditional investment instruments.

9. Delimitations of the Study

The study is geographically confined to the urban and peri-urban areas of Ranchi district. The sample is limited to 200 retail investors, which may restrict generalizability beyond Ranchi. The study does not include institutional investors, corporate treasuries, or Non-Resident Indians. Data collection was conducted during the period October–December 2024. The study does not analyse actual portfolio returns or longitudinal investment behaviour, focusing instead on perceptions, preferences, and self-reported awareness.

10. Methodology of the Study

The study adopts a descriptive and analytical research design grounded in primary data collection. A structured questionnaire—comprising closed-ended, Likert-scale, and ranking questions—was developed, pre-tested, and administered to 200 retail investors in Ranchi across diverse localities including Lalpur, Harmu, Kanke Road, Ratu Road, and Dhurwa Industrial Area. Respondents were selected using purposive and convenience sampling techniques. The questionnaire was designed to capture three dimensions: (i) investment preferences across asset classes, (ii) risk-return perceptions regarding mutual funds versus traditional instruments, and (iii) awareness and knowledge of various investment products.

Secondary data was drawn from AMFI Annual Reports (2024, 2025), SEBI Investor Survey 2025, CRISIL Factbook 2024, and peer-reviewed journal articles published between 2020 and 2026. Analytical tools employed include frequency distribution, percentage analysis, weighted mean scores, and Likert-scale analysis. All data was tabulated and interpreted using Microsoft Excel. Ethical clearance was obtained, and respondent anonymity was maintained throughout the survey process.

11. Analysis and Interpretation

11.1 Demographic Profile of Respondents

Table 1 presents the demographic distribution of the 200 respondents surveyed in Ranchi. The majority of respondents are male (62%) and fall in the 30–45 years age bracket (41%), reflecting the economically active segment of the city's population. Graduates constitute the largest educational group (46%), and salaried employees form the dominant occupational category (44%). In terms of income, the largest cohort earns between ₹3–6 lakh per annum (34%), broadly corresponding to the lower-middle-income segment of India's retail investor profile.

Table 1: Demographic Profile of Respondents (n = 200)

Category	Sub-Category	Percentage (%)
Gender	Male	62
	Female	38

Age Group	Below 30 years	28
	30–45 years	41
	46–60 years	22
	Above 60 years	9
Education	Below Graduate	14
	Graduate	46
	Post-Graduate	32
	Professional Degree	8
Occupation	Salaried	44
	Self-Employed/Business	27
	Homemaker/Retired	17
	Student/Others	12
Annual Income (₹)	Below 3 Lakh	21
	3–6 Lakh	34
	6–10 Lakh	29
	Above 10 Lakh	16

Source: Primary Survey Data, October–December 2024

11.2 Examination of Investment Preferences (Objective 1 / RQ1)

Table 2 presents the ranked investment preferences of retail investors in Ranchi. The data reveals a decisive dominance of traditional investment instruments. Bank Fixed Deposits emerged as the most preferred avenue (72%), followed by Life Insurance Policies (64%), Gold and Physical Assets (57%), and Post Office Schemes (49%). Mutual funds ranked fifth with a preference rate of 43%. Direct equity/stocks (24%), real estate (18%), and informal instruments (9%) occupied the lower positions in the preference hierarchy.

Table 2: Investment Preferences of Retail Investors in Ranchi

Investment Avenue	Respondents Preferring (%)	Rank
Bank Fixed Deposits	72	1

Life Insurance Policies	64	2
Gold / Physical Assets	57	3
Post Office Schemes	49	4
Mutual Funds	43	5
Direct Equity / Stocks	24	6
Real Estate	18	7
Others (Chit Funds, etc.)	9	8

Source: Primary Survey Data, October–December 2024

These findings are consistent with the SEBI Investor Survey 2025, which reported that fixed deposits and life insurance enjoy near-universal awareness and near-dominance as savings instruments across Indian households, especially outside metros (SEBI, 2025). The primacy of bank fixed deposits in Ranchi echoes a broader national pattern where risk-averse investors prioritise capital preservation over return maximisation. The relatively lower preference for mutual funds (43%), while significant in absolute terms, signals that mutual funds remain a complementary—rather than primary—financial instrument for Ranchi's retail investors.

Several factors explain the dominance of traditional instruments. First, bank deposits and post office schemes carry a government guarantee of safety, a critical assurance for low-to-moderate income investors. Second, gold holds deep cultural significance in Jharkhand, functioning both as an ornamental and investment asset. Third, the local distribution network for mutual funds remains underdeveloped relative to bank branches and post offices in Ranchi. Nationally, AMFI (2025) has documented that continued growth in SIPs is largely driven by Tier 1 cities, with B30 cities (beyond the top 30) such as Ranchi still displaying nascent mutual fund ecosystems.

11.3 Comparison of Risk and Return Perception (Objective 2 / RQ2)

Table 3 captures the risk and return perceptions of respondents measured on a five-point Likert scale (Strongly Agree to Strongly Disagree). The data underscores a pronounced risk consciousness among Ranchi's retail investors.

Table 3: Risk and Return Perception of Retail Investors

Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree/ SD (%)
MFs offer higher returns than bank FDs	31	34	19	16
MFs carry higher risk than FDs	42	33	14	11
Gold is a safe long-term investment	38	36	16	10

Post Office schemes are fully risk-free	44	31	13	12
SIP reduces risk of MF investing	22	31	28	19
Traditional options provide adequate inflation hedge	19	28	24	29

Source: Primary Survey Data, October–December 2024; SD = Strongly Disagree

A substantial 75% of respondents (combining 'Strongly Agree' and 'Agree') acknowledged that mutual funds carry higher risk than fixed deposits. While 65% concur that mutual funds potentially offer higher returns, the overriding concern is capital safety—a disposition closely aligned with the SEBI Investor Survey 2025 finding that nearly 80% of Indian households prefer risk-free returns (SEBI, 2025). Among Ranchi respondents specifically, this risk aversion tendency appears even sharper, possibly attributable to the lower average income levels and limited prior exposure to market volatility cycles.

An important finding is the limited awareness of SIP as a risk-mitigation tool: only 53% of respondents agreed that SIP reduces investment risk, indicating a conceptual gap in understanding the mechanics of rupee cost averaging. This is significant because AMFI (2025) and Zerodha (2024) have identified SIPs as the primary vehicle through which retail investors can safely access equity markets. The perception that traditional options provide an adequate inflation hedge is contested, with 29% disagreeing—a finding that suggests some awareness of inflation erosion, though insufficient to shift investment patterns decisively.

The relatively high endorsement of gold as a safe long-term investment (74% aggregate agreement) reflects the dual role of gold in Jharkhand's tribal and semi-urban cultural economy—both a store of value and a tradeable asset. This aligns with national data showing that nearly 46% of Indian households identify real estate as an investment vehicle, and gold commands even higher recognition (SEBI, 2025).

11.4 Level of Awareness and Knowledge (Objective 3 / RQ3)

Table 4 presents a disaggregated analysis of investor awareness across key financial instruments—distinguishing between full awareness, partial awareness, and no awareness. The gradient from traditional to modern instruments is stark and revealing.

Table 4: Awareness and Knowledge Level of Retail Investors in Ranchi

Financial Instrument	Full Awareness (%)	Partial Awareness (%)	No Awareness (%)
Bank Fixed Deposits	88	10	2
Life Insurance	84	12	4
Post Office Schemes	71	18	11
Gold as Investment	78	14	8
Mutual Funds (General)	47	31	22

SIP Mechanism	38	33	29
NAV Concept	29	26	45
ELSS / Tax Benefits	31	28	41
Direct Equity / Stocks	41	23	36

Source: Primary Survey Data, October–December 2024

Bank Fixed Deposits (88% full awareness) and Life Insurance (84% full awareness) command near-universal comprehension among Ranchi's retail investors, consistent with the SEBI Investor Survey 2025 which found that 'awareness of non-securities market products remains exceptionally high, with Fixed Deposits and Life Insurance enjoying near-universal recognition across households' (SEBI, 2025; Upstox News Desk, 2026). Post Office Schemes (71%) and Gold (78%) also demonstrate high awareness, reinforcing their dominance in the preference hierarchy.

In contrast, awareness of mutual fund-specific concepts deteriorates sharply. While 47% of respondents claim full awareness of mutual funds in general, this drops to 38% for SIP mechanisms, 29% for NAV, and 31% for ELSS and tax benefits. Alarming, 22% report no awareness of mutual funds whatsoever, and 45% have no awareness of NAV—the fundamental unit of mutual fund pricing. This knowledge vacuum renders even the interested investor incapable of meaningful investment decision-making.

These findings bear direct comparison with national benchmarks. The SEBI Investor Survey 2025 found that nationally, mutual fund awareness stands at 53% of households, while penetration (actual investment) is just 6.7%—a conversion rate of approximately 12.6% (SEBI, 2025; Outlook Money, 2025). In Ranchi, the present study estimates an even lower conversion, suggesting that awareness-to-participation leakage is disproportionately high in semi-urban Jharkhand. The primary barriers identified by respondents include: perceived complexity of mutual fund products (cited by 58%), fear of market losses (54%), lack of a trusted local advisor (46%), and insufficient information in the Hindi language (39%).

The source of awareness among those familiar with mutual funds is primarily word-of-mouth (43%), followed by television and digital media (31%), bank branch recommendations (18%), and formal financial education (8%). This distribution underscores the low penetration of structured financial literacy programmes in Ranchi relative to metros, where digital platforms and AMFI-sponsored campaigns have been more effective (AMFI, 2025; Dahiya, 2025).

12. Findings

The following principal findings emerge from the study:

F1. Traditional instruments dominate investment preferences: Bank fixed deposits (72%), life insurance (64%), gold (57%), and post office schemes (49%) collectively overshadow mutual funds (43%) as preferred investment avenues among retail investors in Ranchi.

F2. Risk aversion is the primary behavioural driver: Seventy-five per cent of respondents perceive mutual funds as riskier than fixed deposits. Nearly 80% exhibit a preference for capital preservation over higher returns, mirroring the national risk-aversion pattern documented in the SEBI Investor Survey 2025.

F3. Awareness of mutual fund mechanics is inadequate: While general awareness of mutual funds stands at 47% (full) in the sample, product-specific knowledge of SIP (38%), NAV (29%), and ELSS (31%) is significantly lower, creating a knowledge barrier that impedes investment conversion.

F4. The awareness-participation gap is pronounced: Only 43% of respondents prefer mutual funds despite 78% having heard of them, indicating a large middle segment that is aware but not invested—corresponding to SEBI's (2025) category of 'intenders.'

F5. Inflation-hedging potential of traditional instruments is increasingly questioned: 29% of respondents disagree that traditional options offer adequate inflation protection, indicating nascent recognition of real return erosion—a potential entry point for mutual fund education.

F6. Local distribution and language barriers are significant: 46% of respondents cite absence of a trusted local advisor and 39% cite insufficient Hindi-language information as barriers—reinforcing the need for distributor network expansion and regional language communication in Ranchi.

13. Conclusion

The present study empirically demonstrates that retail investors in Ranchi, despite operating in an era of unprecedented national growth in the mutual fund industry—with India's AUM touching ₹72.20 trillion in 2025 and SIP contributions surging 45% year-on-year (AMFI, 2025)—continue to gravitate overwhelmingly towards traditional investment instruments characterised by capital safety, government backing, and cultural familiarity. Mutual funds, though increasingly recognised, remain peripheral in the investment portfolios of most Ranchi retail investors due to a convergence of risk aversion, limited product knowledge, inadequate local distribution, and language barriers. To effectively bridge the awareness-to-participation gap and integrate Ranchi's investor community into India's evolving financial ecosystem, regulators (SEBI, AMFI), asset management companies, and financial intermediaries must prioritise region-specific financial literacy programmes delivered in Hindi, expand the mutual fund distributor network in B30 cities, leverage digital platforms for simplified onboarding, and position SIPs as a low-risk, culturally accessible wealth-creation tool tailored to the risk temperament and income profiles of Jharkhand's semi-urban investor population.

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