

# Risk-Return Perception of Sectoral Mutual Funds: A Comparative Study of Students and Working Professionals in India

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**Abstract**—Sectoral mutual funds invest in companies belonging to a single industry or theme, offering the potential for higher returns during favourable sectoral performance while simultaneously exposing investors to greater volatility compared to diversified equity funds. With the expansion of digital investment platforms in India, participation in mutual funds has increased among both college students and salaried professionals; however, differences in financial experience, income stability, and investment horizons may influence their awareness, risk tolerance, and return expectations toward sector-specific schemes.

This study examines and compares awareness levels, investment preferences, and risk–return perceptions related to sectoral mutual funds among 30 students and 30 working professionals in India. Primary data were collected through a structured questionnaire administered via Google Forms. Descriptive statistics were used to profile respondents and identify preferred investment sectors, while inferential analysis employing the Chi-square test and Mann–Whitney U test was conducted to assess differences in awareness, risk appetite, and expected returns between the two groups. The findings highlight the role of occupation, age, and financial responsibilities in shaping investor attitudes toward sectoral mutual funds. The study offers practical insights for fund houses, financial advisors, and policymakers in improving investor education, enhancing product disclosures, and developing targeted communication strategies for different segments of the Indian investor base.

**Index Terms**—Sectoral mutual funds; Risk–return perception; Students; Working professionals; Investor behaviour; India.

## I. INTRODUCTION

### 1.1. Background of the study

Sectoral mutual funds invest predominantly in companies belonging to a single industry or theme, such as banking, information technology, energy, or healthcare. While this focused approach enables investors to benefit from strong sectoral performance, it also exposes them to higher risk and volatility compared to diversified mutual funds. In India, the rapid expansion of digital investment platforms and systematic investment plans has increased mutual fund participation among both students and working professionals. However, many investors are still developing a clear understanding of the risk–return trade-off associated with concentrated sectoral schemes.

### 1.2. Need for the Study

Sectoral mutual funds can generate superior returns during favourable industry cycles but may also result in significant losses during sectoral downturns, making investor perception of risk and return particularly important. Existing research suggests that students and working professionals differ in financial awareness, risk tolerance, and mutual fund investment behaviour. Despite this, limited empirical evidence is available on how these two groups specifically perceive sectoral mutual funds, which involve higher volatility and lower diversification than conventional equity schemes.

### 1.3. Problem Statement

Although numerous Indian studies have examined mutual fund awareness, investor behaviour, and the performance of diversified mutual fund schemes, relatively little attention has been given to investor perception of the risk–return characteristics of sectoral mutual funds. Moreover, studies focusing on students and working professionals generally analyse mutual

fund investments at an aggregate level, without isolating sector-specific schemes. This creates a research gap in understanding whether students and working professionals differ in their assessment of risk and return in sectoral mutual funds, despite both groups being important segments of the Indian mutual fund investor base.

#### 1.4. Objectives of the study

In light of the identified research gap, the present study aims to examine and compare the risk–return perception of sectoral mutual funds among students and working professionals in India using primary data collected through a structured questionnaire. The specific objectives of the study are:

1. To examine the awareness and investment behaviour related to sectoral mutual funds among students and working professionals in India.
2. To assess and compare the perceived level of risk and expected returns of sectoral mutual funds across selected sectors for the two groups.
3. To identify whether statistically significant differences exist in risk appetite and sectoral preferences between students and working professionals with respect to sectoral mutual funds.

## II LITERATURE REVIEW

Prior studies in India indicate that awareness, investment behaviour, and risk–return perceptions toward mutual funds differ significantly between college students and salaried professionals, primarily due to variations in age, income stability, financial responsibilities, and exposure to financial markets.

Research focusing on student investors highlights a generally cautious investment approach. Archana and Rahul (2025) found that even financially aware students tend to exhibit conservative behaviour due to incomplete knowledge and fear of loss. Similarly, Salecha (2024) observed that students often possess only a basic understanding of mutual funds, frequently confusing fund categories and underestimating long-term compounding benefits, thereby emphasizing the need for structured financial literacy initiatives. Studies by Kumar and Rani (2025) and Siddiqui and Itagi (2025) further confirmed that students typically display moderate risk appetite and prefer familiar or perceived safer investment schemes over aggressive or thematic funds. In contrast, studies on working

professionals depict a comparatively advanced investment profile. Ramkumar and Onyx (2025) reported that stable income, access to workplace investment programmes, and professional financial guidance encourage systematic and higher-value mutual fund investments among salaried individuals. Kumar and Swetha (2025) noted that working professionals view mutual funds as effective tools for long-term wealth creation, although allocation to higher-risk categories depends on job security and investment horizon.

With respect to sectoral and thematic mutual funds, Praveen Kumar and Lakshmi (2025) demonstrated that such funds can outperform diversified equity schemes during favourable sectoral cycles but experience sharper drawdowns during downturns, necessitating higher risk tolerance and sector-specific knowledge. Earlier studies by Malik (2018) and Gundeti and Reddy (2021) found that Indian retail investors generally perceive mutual funds as less risky than direct equity investments, while remaining sensitive to market volatility. Bharucha, Doshi, and Vekariya (2022) further established that occupation, income, and education level significantly influence investor risk tolerance and return expectations.

Despite the extensive literature on mutual fund awareness and investor behaviour in India, most studies treat mutual funds as a homogeneous asset class or focus primarily on diversified equity and hybrid schemes. Limited empirical research specifically examines investor perceptions of sectoral mutual funds, which involve concentrated exposure and higher volatility. Moreover, systematic comparisons between students and working professionals regarding their risk–return evaluation of sectoral mutual funds remain largely unexplored. The present study addresses this gap by comparing awareness, risk appetite, and return expectations toward sectoral mutual funds between students and working professionals in India using primary survey data.

## III RESEARCH METHODOLOGY

The study adopts a quantitative, descriptive, and comparative research design to examine differences in risk–return perceptions toward sectoral mutual funds between students and working professionals in India.

#### Population and Sampling

### 3.1. Population and Sampling

The target population comprises Indian individuals who invest in mutual funds, possess basic knowledge of mutual funds, or intend to invest in the near future. Due to practical constraints, non-probability convenience sampling was employed. Data were collected through personal contacts, professional networks, and online platforms. A total of 60 valid responses were obtained, evenly divided between 30 students and 30 working professionals (including salaried, self-employed, and business owners). This balanced sample facilitates comparative analysis, although the use of convenience sampling limits generalisability.

### 3.2. Data Collection Instrument

Primary data were collected using a structured questionnaire administered via Google Forms. The questionnaire covered four areas:

1. demographic profile and investment experience,
2. awareness and investment behaviour related to sectoral mutual funds,
3. expected annual returns from sectoral funds across selected sectors, and
4. overall risk appetite and sector-wise risk perception.

### 4.1. Demographic Profile of Respondents

Table 1: Demographic Profile of Respondents (N=60)

Variable	Category	Frequency (n)	Percentage (%)
Age Group	under 20 years	3	5.0%
	21–30 years	43	71.7%
	31–40 years	11	18.3%
	41–50 years	3	5.0%
Occupation	Students	30	50%
	Working Professionals	30	50%
Investment Experience	No Experience	27	45.0%
	< 1 Year	4	6.7%
	1–3 Years	18	30.0%
	3–5 Years	8	13.3%
	> 5 Years	3	5.0%

Interpretation: Table 1 presents the demographic profile of the respondents. The sample consists of an equal number of students and working professionals, ensuring balanced group comparison. A majority of respondents (71.7%) belong to the 21–30 years age

Closed-ended questions were predominantly used, including Likert-scale items, predefined return brackets, and multiple-choice questions.

### 3.3. Data Analysis Approach

Data were compiled and analysed using Microsoft Excel. Descriptive statistics were employed to summarise respondent characteristics, awareness levels, sectoral preferences, expected returns, and perceived risk. For comparative analysis between students and working professionals, Mann–Whitney U tests were applied to ordinal variables, while Chi-square or Fisher’s exact tests were used for categorical variables. All statistical tests were conducted at a 5 per cent significance level ( $\alpha = 0.05$ ).

## IV. DATA ANALYSIS AND RESULTS

This section presents the analysis of primary data collected from 60 respondents, comprising 30 students and 30 working professionals. The analysis combines descriptive statistics to summarize respondent characteristics and perceptions, along with appropriate inferential statistical tests to examine whether differences between the two groups are statistically significant.

group, reflecting the presence of student respondents. In contrast, working professionals are distributed across higher age categories. With respect to investment experience, a significant proportion of respondent’s report limited or no prior investment

experience, while working professionals demonstrate relatively longer exposure to mutual fund investments.

This subsection examines the level of awareness of sectoral mutual funds and the investment behaviour of respondents, with a specific focus on differences between students and working professionals.

4.2. Awareness and Investment Behaviour

Table 2: Awareness of Sectoral Mutual Funds by Occupation (N = 60)

Awareness	Students (n=30)	Working Professionals (n=30)	Total
Yes	19	29	48
No	11	1	12
Total	30	30	60

Awareness	Students n (%)	Working Professionals n (%)
Yes	63.3%	96.7%
No	36.7%	3.3%

Descriptive Results:

Descriptive results indicate that working professionals exhibit higher awareness of sectoral mutual funds compared to students. Among working professionals, 96.7 per cent (29 out of 30) reported awareness, whereas 63.3 per cent (19 out of 30) of students indicated awareness.

association between occupation and awareness of sectoral mutual funds ( $\chi^2 (1, N = 60) = 10.42, p = 0.0012$ ). This finding suggests that occupation significantly influences awareness, with working professionals demonstrating higher awareness levels than students.

Inferential Results (Chi-Square Test):

To examine whether this difference is statistically significant, a Chi-square test of independence was conducted. The results reveal a statistically significant

4.3. Sectoral Investment Preference

This subsection examines respondents' preferences toward selected sectoral mutual fund categories, as summarised in

Table 3: Sectoral Investment Preference of Respondents

Sector	Students (n = 30)	Working Professionals (n = 30)	Total Responses	Percentage (%)
Banking & Financial Services	7	13	20	33.3%
Information Technology	3	6	9	15.0%
Pharmaceuticals / Healthcare	1	13	14	23.3%
Infrastructure	2	11	13	21.7%
Energy	2	8	10	16.7%
Defence	1	10	11	18.3%

Interpretation: Table 3 shows that Banking & Financial Services is the most preferred sector overall (33.3%), followed by Pharmaceuticals/Healthcare (23.3%) and Infrastructure (21.7%). Working professionals exhibit stronger preference for Banking and Pharmaceuticals/Healthcare sector funds, reflecting a relatively stability-oriented investment approach.

In contrast, students show comparatively higher inclination toward Information Technology and Defence sector funds, indicating greater interest in growth-oriented and emerging sectors. Preferences for Infrastructure and Energy sector funds are relatively lower across both groups, possibly due to perceptions

of higher volatility, longer investment horizons, and policy sensitivity.

Overall, the findings indicate that sectoral investment preferences differ across occupational groups, with students leaning toward high-growth sectors and working professionals favouring sectors perceived as stable and fundamentally strong.

#### 4.4. Expected Return Perception

This section examines respondents' perceptions regarding expected returns from sectoral mutual funds.

As expected, return is measured using ordinal categories and the two comparison groups are independent, non-parametric analysis is employed.

##### 4.4.1. Descriptive Analysis of Expected Return Perception

Respondents were asked to indicate their expected annual return from sectoral mutual funds using predefined percentage ranges. The distribution of responses across students and working professionals is presented in Table 4.

Table 4: Expected Annual Return Perception from Sectoral Mutual Funds

Expected Return Range	Students (n = 30)	Working Professionals (n = 30)	Total
Below 8%	3	2	5
8% – 12%	16	8	24
12% – 15%	9	19	28
Above 15%	2	1	3

Interpretation: Table 4 indicates that most respondents expect returns in the 8%–12% and 12%–15% ranges, reflecting moderate to high return expectations. Students predominantly expect returns in the 8%–12% range, while working professionals show a stronger inclination toward the 12%–15% range. Expectations of extremely low or very high returns are limited across both groups, suggesting a generally balanced perception of sectoral mutual fund performance.

The results indicate that the difference in expected return perception between students and working professionals is not statistically significant at the 5 per cent level, although the difference is marginal ( $U = 333.5$ ,  $p = 0.060$ ). This suggests that while working professionals tend to expect relatively higher returns from sectoral mutual funds compared to students, the observed difference is not statistically significant at the conventional level.

##### 4.4.1.1. Inferential Analysis: Comparison of Expected Return Perception

To examine whether expected return perception differs between students and working professionals, a Mann–Whitney U test was conducted. The test was considered appropriate as expected return was measured using ordinal categories, the two groups were independent, and normality assumptions could not be ensured.

#### 4.5. Risk Appetite and Sector-wise Risk Perception

This section examines respondents' overall risk appetite and their perceived risk across sectoral mutual fund categories. As risk-related variables are measured on ordinal Likert-type scales, the analysis relies on descriptive statistics and appropriate non-parametric methods.

##### 4.5.1. Overall Risk Appetite

Table 5: Overall Risk Appetite of Respondents

Risk Appetite Level	Students (n = 30)	Working Professionals (n = 30)	Total
Very Low	1	1	2
Low	2	3	5
Moderate	23	11	34
High	3	13	16
Very High	1	2	3

**Descriptive Analysis:**

Table 5 presents the distribution of overall risk appetite among students and working professionals. The results indicate that a moderate risk appetite is predominant among respondents, accounting for 34 out of 60 individuals. This tendency is particularly evident among students, with 23 out of 30 respondents reporting a moderate risk appetite.

In contrast, working professionals demonstrate relatively higher risk tolerance, with a greater concentration in the high and very high-risk categories compared to students. Specifically, 15 working professionals fall within the high to very high-risk categories, whereas only 4 students report similar risk levels. This pattern suggests that occupational status

and financial stability influence overall risk-taking behaviour in mutual fund investments.

**4.5.1.1. Inferential Analysis: Comparison of Overall Risk Appetite**

To examine whether overall risk appetite differs between students and working professionals, a Mann–Whitney U test was conducted. The results indicate a statistically significant difference in overall risk appetite between the two groups ( $U = 275, p = 0.018$ ). This finding suggests that working professionals exhibit significantly higher risk appetite than students, which may be attributed to greater financial stability and investment experience.

**4.5.2. Sector-wise Risk Perception**

Table 6: Sector-wise Risk Perception of Sectoral Mutual Funds

Sector	Students (Median)	Working Professionals (Median)
Pharmaceuticals / Healthcare	Moderate	Moderate
IT / Technology	Moderate	Moderate
Banking & Financial Services	Moderate	Moderate
Infrastructure	Moderate	Moderate
Energy	Moderate	Moderate
Defence	Moderate	High

Interpretation: Table 6 summarises respondents’ sector-wise risk perception based on median values. Students perceive all sectoral mutual funds as having a moderate level of risk, indicating a relatively cautious and uniform risk assessment across sectors. Among working professionals, most sectoral mutual funds are also perceived as moderate risk; however, Defence sector mutual funds are perceived as relatively high risk. This indicates that while working professionals exhibit some differentiation in sector-specific risk evaluation, heightened risk perception is particularly evident for defence-related sectoral funds, likely influenced by greater market awareness and understanding of sector-specific uncertainties.

sectoral mutual funds. Working professionals demonstrate significantly higher awareness of sectoral mutual funds compared to students, indicating the influence of income stability, workplace exposure, and financial experience on awareness levels.

In terms of sectoral investment preference, Banking & Financial Services and Pharmaceuticals/Health-care emerge as the most preferred sectors, particularly among working professionals, while students show relatively higher inclination toward Information Technology and Defence sector funds. This suggests that students tend to favour growth-oriented and emerging sectors, whereas working professionals prefer sectors perceived as stable and fundamentally strong.

Analysis of expected return perception indicates that students generally expect moderate returns, while working professionals exhibit slightly higher return expectations; however, this difference is not

**V. FINDINGS**

The study reveals clear differences between students and working professionals in their perception of

statistically significant. In contrast, overall risk appetite differs significantly, with working professionals displaying higher risk tolerance than students. Sector-wise risk perception further indicates that working professionals differentiate risk more clearly across sectors, particularly perceiving Infrastructure, Energy, and Defence funds as relatively higher risk.

## VI. CONCLUSION

The study concludes that occupation plays a significant role in shaping investor awareness and risk perception toward sectoral mutual funds in India. While students and working professionals exhibit broadly similar return expectations, working professionals demonstrate higher awareness and significantly greater risk tolerance, reflecting differences in financial stability and investment experience.

Given the concentrated and volatile nature of sectoral mutual funds, these findings underscore the importance of targeted investor education and informed decision-making, particularly for student investors who represent future participants in the mutual fund market. The study contributes to existing literature by providing focused empirical evidence on risk–return perception of sectoral mutual funds, using a comparative primary survey of students and working professionals.

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