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## A Policy Study on the Role of Online Review while Selecting of Mutual Fund Investment Schemes in India

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**Abstract:** Online line reviews have become very essential information source that affect decision of investment in India with continued growth of digital platforms. Now retail investor trust on public reviews, online rating public opinion that are available on different mutual fund platforms like social media and financial website where they select mutual fund schemes in digital financial markets. The role of online review has examined in the study for the selection of mutual fund investments in India by integrating insights from consumer behavior theory, electronic word-of-mouth (e-WOM), and behavioral finance. The paper highlights how review attributes such as rating scores, review valence, perceived credibility, volume of reviews, and platform trust influence investors' awareness, perception of risk and return, and scheme selection decisions. It also explores how online reviews act as informational cues and social proof, particularly for beginners in mutual fund investment, helping to reduce information asymmetry in complex financial products e. g. mutual funds. The study suggests a conceptual framework linking online reviews to mutual fund selection This paper concludes by highlighting implications for investors, mutual fund houses, digital investment platforms, and regulators, emphasizing the need for transparent review mechanisms and investor education to ensure awaked and responsible investment decisions in the Indian mutual fund investment.

**Keywords:** Online Reviews, Mutual Fund Selection, Electronic Word-of-Mouth, Retail Investors, Behavioral Finance

### INTRODUCTION

The continuous use of digital platform of financial services has changes how Indian retail sector investor collect information and take investment decision. The continuous growth of mutual fund industry has due to the use of online investment platforms, mobile apps, and financial websites. so, the information of scheme has easy to access. The mutual fund selection is strongly influence due to the financial advisors and official fund documents, online rating, user opinions and review. Online reviews, may be defined as publicly available evaluations and opinions shared by investors and financial commentators on digital platforms, function as an important informational cue in decision-making. Mutual funds are difficult to understand for many retail investors such as small and first time investor. Uncertainty is also involved about returns, changes in market and risk. The investors trust in star rating, review and friends experiences to reduce the risk. Such kind of review give a result in the form of electronic word-of-mouth, shaping investor perceptions, expectations, and confidence in specific mutual fund schemes. Behavioral Finance theories suggest that investors do not always make decisions not only on the basis of rational analysis but also influenced by heuristics, social proof, and cognitive biases. Online reviews can reinforce these behavioral tendencies by highlighting collective opinions and popular choices, thereby influencing investment preferences and selection behavior. The growing influence of digital media and financial content creators further amplifies the impact of online reviews on investor decision-making in the mutual fund market. Despite the

increasing relevance of online reviews in mutual fund investments, academic research in the Indian context remains limited, particularly from a conceptual perspective. Understanding how online reviews influence mutual fund selection is crucial for investors, asset management companies, digital investment platforms, and regulators.

### LITERATURE REVIEW

Digital financial data now flows freely online. This shift shapes how investors pick options. Retail investors grab online reviews and ratings fast. They use these for tough products like mutual funds. Mutual funds mix money from many to buy stocks and bonds. Reviews spread like word-of-mouth on the web, known as e-WOM. They cut the info gap between sellers and buyers. They also drop the sense of risk. Chen and Xie (2008) noted that research on buyers shows reviews sway choices. They build good feelings and trust. Chevalier and Mayzlin (2006) proved that the finance sees the same pull. Investors lean on web views when expert help costs too much or stays out of reach. Nofsinger (2007) pointed out readers trust reviews most when they seem real and helpful. Wang and Yu (2017) stressed on think of sites like Morningstar. They list star ratings from users. A fund with four stars draws crowds quick. Behavioral finance digs into why this happens. Prospect theory from Kahneman and Tversky (1979) explored that the people use short cuts or rules of thumb when facts blur. They fear loss twice as much as they chase gain. This makes reviews a safe bet and conveyed that investors copy the crowd. Informational cascades build as one follows another. Bikhchandani et.al. (1992) described that new or young investors herd most.

Barber's et al. (2009) exposed that teen scrolling TikTok fund tips joins the rush. Past studies list old keys for mutual fund picks. Top past results rank high. Risk-adjusted gains matter. Fees like expense ratios sting. Fund manager fame counts. Sirri and Tufano (1998) studied that new work spots a change. Web sites and friend views rise. Agrawal and Kumar (2020) tracked that India speeds this up. Web use jumps with phones. Apps like Groww and Paytm Money boom. Kaur and Kaushik (2016) noted that how this boosts web info in choices. India research ties traits to habits. Age, school years, and money smarts shape picks. Shanmugham and Ramya (2012) found that money smarts lead to easy signs. Star ratings shine bright. Online views guide them. Gerrans and Hershey (2017) explored that trust in apps amps the effect. Raut and Das (2017) studied that low-literacy folks skip thick reports. They tap quick review scores on mobile screens. Few papers probe web reviews for India fund buys. Most eye stock trades or broad habits. This leaves a hole. How do reviews steer mutual fund choice here? This work fills it. It pulls from buyer habits, mind tricks in finance, and fund facts. It maps how online views drive India mutual fund picks.

#### **RESEARCH GAP**

Despite extensive research on mutual fund investment behavior and digital financial information, there is a significant lack of conceptual and empirical studies examining the role of online reviews in mutual fund selection in India. Existing literature inadequately addresses the influence of review characteristics, investor heterogeneity, and platform trust, highlighting the need for a structured conceptual framework to explain how online reviews shape retail investors' mutual fund investment decisions.

#### **CONCEPTUAL FRAMEWORK**

##### **i. Digital Information Environment**

The increasing diffusion of digital platforms has malformed the mutual fund investment countryside in India. Online investment platforms, financial websites and social media provide retail investors with easy access to public reviews, ratings and opinions related to mutual fund schemes. This digital information atmosphere provided the foundation within which online reviews stimulate the investment decisions.

##### **ii. Online Reviews as an Information Source**

Online reviews signify easily publicly available evaluations and opinions shared by investors and financial commentators regarding mutual fund schemes and their performance along with future trend. These reviews meet the purpose as electronic word-of-mouth and serve as a complementary information source along with official disclosures and professional assistance. Key features of online reviews include star ratings, positive or negative sentiments, volume

of reviews, perceived credibility of the reviewer and trustworthiness on a single platform.

##### **iii. Information Processing and Perception**

Retail investors, particularly those with inadequate financial knowledge, often face difficulties in evaluating difficult mutual fund products and their features. Online reviews help to simplify the information and assist investors in forming perceptions regarding fund performance, risk and reliability. The perceived convenience and credibility of online reviews play a crucial role in influencing investor trust and confidence during the investment decision-making.

##### **iv. Behavioral Influence on Investment Decisions**

Behavioral finance theories suggested that investors are influenced by heuristics, social proof, and collective opinions when making investment decisions under uncertainty. Online reviews strengthen these behavioral tendencies by highlighting popular choices and shared involvements of other investors. As a result, investors may trust on online reviews as decision-making shortcuts rather than attractive in detailed financial analysis for investment.

##### **v. Role of Investor Characteristics**

The impact of online reviews on mutual fund selection is not undeviating across all investors. Factors such as financial literacy, investment experience, demographic profile and digital awareness influenced the online reviews. Less experienced and financially less literate investors are more likely to rely on online reviews, while experienced investors may use them as a complementary source of financial information.

##### **vi. Mutual Fund Selection Outcome**

The collective influence of online reviews, investor perception and behavioral factors eventually affects the investors mutual fund selection decision. Investors are more likely to select mutual fund schemes that receive positive online reviews, higher ratings and positive public opinions, particularly when such information matching with their investment goals and risk inclinations.

##### **vii. Policy and Regulatory Perspective**

From a policy stand point of view, the growing influence of online reviews in mutual fund investments exposed the need for clarity, accuracy and accountability in digital financial information related to performance of mutual funds. Regulatory authorities play a significant role in insuring that online reviews are misleading or not and that investors are sheltered from unsupported or biased information. Strengthening investor education and observing digital ground can enhance informed and accountable investment decisions with reference to mutual funds.

#### **POLICY RECOMMENDATIONS**

By considering the increasing reliance of retail investors on online reviews and digital ratings while selecting mutual fund schemes, there is a need to strengthen the regulatory

framework governing digital financial knowledge. The following policy suggestions are proposed in association with the investor protection and market integrity objectives of the Securities and Exchange Board of India (SEBI) as a regulator in India.

#### **i. Regulation of Online Mutual Fund Reviews**

Regulator (SEBI) may issue particular guidelines for digital platforms that publish mutual fund reviews, ratings, and investor opinions. Such guidelines should require platforms to clearly disclose the methodology used for ratings, the source of reviews and any commercial arrangements with asset management firms. This will enhance pellucidity and mitigate the risk of biased or advertising the content which influence the investor financial decisions.

#### **ii. Standardization of Digital Disclosures**

SEBI should promote standardized disclosure guidelines for online mutual fund information, including star ratings, risk parameters, various ratios and past performance metrics. Uniform presentation across platforms would enable investors to make informed comparisons and reduce misconception arising from inconsistent rating of financial products.

#### **iii. Strengthening Investor Education and Awareness**

SEBI, in collaboration with mutual fund associations and intermediaries, may incorporate digital literacy, financial literacy and evaluation of online reviews into investor education programs. Awareness initiatives should emphasize that online reviews are auxiliary information and should not replace fundamental analysis or official outline documents.

#### **iv. Monitoring and Control of Misleading Digital Content**

SEBI should establish instruments for monitoring misleading or unverified online reviews related to mutual fund products. Platforms hosting such content should be encouraged to adopt robust verification and grievance redressal systems to address fake reviews, overstated claims and conflicts of interest for the investors.

#### **v. Accountability of Digital Investment Platforms**

Various digital platforms offering mutual fund services may be required to implement internal compliance frameworks aligned with SEBI guidelines. Transparent accountability mechanisms should be developed to ensure fair disclosure practices and responsible communication with investors regarding mutual funds.

#### **vi. Encouraging Responsible Digital Innovation**

SEBI should endure digital support innovation regarding various investment platforms while ensuring that investor protection. A balanced regulatory approach can facilitate the effective use of online reviews as a decision-support tool without compromising market reliability.

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