
“Bridging Public and Private Markets: the Emerging role of Mutual Fund in Venture capital and Private Equity”

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Abstract

Integrating public and private markets is widely acknowledged as a crucial idea in contemporary financial services due to mutual funds' increasing participation in venture capital (VC) and private equity (PE) investments. Mutual fund investments, which are often restricted to publicly traded assets, are managed by experts who pool institutional and retail investors' capital to invest in a variety of securities. Venture capital refers to investments in equity provided to early-stage, quickly growing businesses, whereas private equity entails investments in recognized unlisted companies to develop value and eventually exit the market. Despite the rapid growth of the private market, the availability of retail investors has remained limited because to high entry hurdles, insufficient liquidity, and regulatory restrictions. The finance requirements of innovative private companies and the easily accessible capital in public markets are thus structurally different. The current study looks at how mutual funds are converted into intermediaries that could direct public market capital into VC and PC, encouraging market integration and financial inclusion, in an effort to address this problem. The study assesses investor understanding and perception of this exposure as well as the extent to which mutual funds are impacted by VC and PE investments. The impact of this integration on risk, return, and market efficacy is examined in the study. The current study employs a descriptive and analytical research design. The population of mutual fund investors in India for the study is estimated to be 150 million. A sample size of about 312 respondents was chosen for the study using the stratified random sampling technique, which guarantees the representation of institutional and retail investors. A systematic questionnaire was used to collect main data for this study, while industry publications, mutual fund declarations, and regulatory reports provided

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secondary data. Multiple regression analysis, factor analysis, descriptive statistics, percentage analysis, and other statistical techniques were recommended for the objectives in order to analyze the collected data. The anticipated outcomes show that mutual funds are increasingly serving as a bridge between the public and private sectors by providing indirect involvement to VC and PE, enhancing diversity and long-term return potential, and resolving concerns related to risk management, liquidity, and valuation transparency. The study indicates that, with enough regulatory protection and updated transparency standards, mutual fund participation in VC and PE can have a significant impact on increasing access to private markets and bolstering the whole capital system market.

Keywords: Mutual funds, Venture capital, Private equity, public and private markets, and financial inclusion, Capital markets, Market efficiency

Jel Classification: G11, G23, G24, G32, O16

Introduction

The rapid growth of private markets and the increasing convergence of public and private sources of finance are two major changes taking place in the global financial environment. The main investment channel for mutual funds has historically been public markets made up of listed stocks and debt instruments, which provide liquidity, transparency, and regulatory control. However, because of their longer investment horizons, greater risk profiles, and limited liquidity, venture capital (VC) and private equity (PE), two essential elements of private markets, have mainly remained the purview of institutional investors and high-net-worth individuals. The enormous amount of savings rose through mutual funds and the capital-intensive requirements of creative and expansion-focused private businesses are now separated structurally.

With mutual funds increasingly investigating exposure to VC and PE through alternative investment funds, hybrid structures, and listed feeder mechanisms, this gap has started to close in recent years. Because of their changing function, mutual funds are now seen as essential middlemen that can direct money from the public market into private ventures, improving capital market integration. Such involvement promotes entrepreneurship, innovation, and long-term economic growth in addition to expanding the investment options available to mutual fund investors. But this change also brings up significant issues with risk disclosure,

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liquidity management, valuation, and regulatory alignment. In light of this, analyzing the growing function of mutual funds in connecting public and private markets becomes pertinent and important for comprehending the dynamics of contemporary financial systems in the future.

Review of literature

Graciela L. Kaminsky, Richard K. Lyons, and Sergio Schmukler (2001)

International mutual funds are a major source of financial flows to emerging economies. Although mutual funds have made significant contributions to financial market integration, little is known about their investment allocation and methods. This article presents an overview of mutual fund activity in emerging markets. First, we will discuss their relative size, asset allocation, and nation allocation. Second, we examine fund behavior during crises, evaluating data at both the manager and investor levels. Because of huge redemptions and injections, fund flows are volatile. Withdrawals from emerging economies during recent crises were considerable, consistent with previous evidence of financial contagion.

Anuroshini S K (2024)Private equity (PE) and venture capital (VC) have emerged as powerful drivers in influencing the economic landscapes of emerging economies. While traditionally concentrated in wealthy nations, PE and VC investments in Southeast Asia, Africa, and Latin America have grown rapidly during the last two decades. This paper examines the evolution of private equity and venture capital investments in emerging nations, focusing on the factors driving growth and the dangers that investors confront in these vibrant yet challenging situations. The study tries to provide an in-depth knowledge of the role of private equity and venture capital in supporting innovation and economic growth by investigating major growth factors such as demographic transitions, technological advancements, and altering regulatory landscapes. The article also covers the dangers involved with these investments, including as political instability, currency volatility, and market inefficiencies, as well as how investors deal with these issues.

Alexander Peter Groh, Johannes Wallmeroth (2016)Jeng and Wells (2000) initiated the study of venture capital (VC) determinants across countries. Meanwhile, we broaden their reach by analyzing aggregated VC funding in 118 countries, 78 of which are considered emerging markets, using panel data from 2000 to 2013. We demonstrate that merger and acquisition activity, legal rights and investor protection, innovation, intellectual property protection, corruption, corporate taxes, and unemployment all have an impact. We find that the economic amount and direction of influence of the determinants change between the two country groups

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for various parameters, extending earlier research by emphasizing that VC investment drivers can differ across developed and developing countries.

Douglas Cumming, Satish Kumar, Weng Marc Lim, and Nitesh Pandey (2022)Venture capital and private equity stem from finance studies on capital budgeting and initial public offerings (IPOs). Both fields have evolved significantly in recent years, with a diverse range of issues being investigated. This review provides an analysis of research in both disciplines. This study performed bibliometric analysis on a huge corpus from the Web of Science to offer a complete overview of the areas' geographical focus, methodological choices, major themes, and future research goals. Notably, the basic themes in venture capital study include venture capital adoption and financing procedures, venture capital roles in business, venture capital governance, venture capital syndication, and venture capital and the formation of public organizations. Private equity research highlights style drift into venture capital, along with buyouts, privatization, valuation, and investment performance.

Divakaran, Shanthi; Mc. Ginnis, Patrick J.; Shariff, Masood (2014)This research investigates the limits on private equity funding for small and medium-sized firms (SMEs) in developing economies. It emphasizes that, while private equity investors bring not just funding but also expertise and governance enhancements through board participation and management collaborations, the majority of investments go to larger, more established firms. The introduction of technical assistance can increase SMEs' attractiveness to investors by reducing risks and improving operational capabilities, boosting the likelihood of successful investments. Recent trends indicate that funding combined with technical help is gaining popularity among investment partners, providing a new market model for private equity in the SMEs.

Wendy A. Bradley, Gilles Durufle, Thomas F. Hellmann, and Karen E. Wilson (2019)Cross-border venture capital (VC) investments are critical for expanding fast-growing enterprises, but governments are concerned about the possible transfer of economic activity to investor countries. While start-ups gain from foreign finance, experience, and networks, some fear that such investments may harm local entrepreneurial ecosystems. This study presents a policy framework for managing cross-border venture capital investments and examines developments in Europe, Israel, and Canada. It underlines the importance of policies that not only attract international investors, but also grow the domestic VC industry through a combination of financial and non-financial techniques. Finally, authorities must

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strike a balance between policies that promote the growth of both foreign investment and the indigenous innovation ecosystem as it evolves.

Research Gap

1. There is a lack of exposure, average allocation levels, and variability in mutual fund investments in VC and PE.
2. There were very less studies related to analyzing the relationship between investor awareness and perception regarding mutual fund participation in private market instruments.
3. No studies related to the impact of VC and PE portfolio on portfolio performance indicators like risk, return, and portfolio diversification were found.
4. Very fewer studies related to association between investor characteristics like experience, risk appetite and perceived regulatory or operational challenges were seen.

Objectives

1. To examine the extent of exposure, average allocation levels, and variability in mutual fund investments in VC and PE.
2. To evaluate the relationship between investor awareness and perception regarding mutual fund participation in private market instruments.
3. To evaluate the impact of VC and PE portfolio on portfolio performance indicators like risk, return, and portfolio diversification.
4. To study the association between investor characteristics like experience, risk appetite and perceived regulatory or operational challenges.

Hypothesis

1. H₀₁: There is no significant extent of exposure of mutual funds to venture capital and private equity instruments.
2. H₀₂: There is no significant relationship between investor awareness and perception regarding mutual fund participation in private market instruments.
3. H₀₃: There is no significant impact of VC and PE portfolio performance indicators like risk, return, and portfolio diversification.
4. H₀₄: There is no significant association of investor characteristics like experience, risk appetite and perceived regulatory or operational challenges.

Research Methodology

The study uses a descriptive and analytical research design to look at how mutual funds use venture capital and private equity investments to connect public and private markets. The total population of the study consists of mutual fund investors

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in India, estimated at nearly 150 million investor accounts, including both retail and institutional participants. To guarantee sufficient representation of various investor categories according to investor type and investment experience, a stratified random sampling technique is used. A sample size of 312 respondents is chosen using a probability-based sample design, which is thought to be adequate for significant statistical analysis and the use of multivariate methods like factor analysis and regression analysis. Primary data are collected through a structured questionnaire utilizing a 5-point Likert scale, while secondary data are obtained from SEBI reports, mutual fund disclosures, and relevant industry publications, thereby boosting the reliability and validity of the study.

Defining the Variables

Mutual Fund Exposure to Venture Capital and Private Equity: The percentage and type of investments made by mutual fund schemes in unlisted businesses, start-ups, or private enterprises, either directly or indirectly through alternative investment funds, feeder funds, or special investment vehicles, is referred to as mutual fund exposure to venture capital and private equity. The degree to which mutual funds engage in private markets outside of conventional publicly traded securities is captured by this variable. Allocation size, investment timeframe, and form of exposure are all included. This variable is critical for understanding how mutual funds work as intermediaries in moving public capital into private markets.

Investor Awareness: The level of knowledge and comprehension that investors have about mutual fund participation in venture capital and private equity investments is referred to as investor awareness. It encompasses knowledge of product attributes, risk-return characteristics, liquidity limitations, valuation techniques, and regulatory protections related to exposure to the private market via mutual funds. Increased awareness helps investors assess alternative asset classes and make well-informed investment decisions. Perception-based comments on a Likert scale are used to measure this variable, which represents the market's informational efficiency and the success of investor education programs.

Investor Perception: The attitudes, convictions, and opinions of investors regarding mutual funds that invest in venture capital and private equity are represented by investor perception. Perceptions of risk, possible return, transparency, liquidity, confidence in fund management, and regulatory protection are all included. Investor acceptance and desire to invest in mutual funds with exposure to the private market are influenced by this factor. Personal experience, risk tolerance, market communication, and prior fund performance all influence

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perception. It is a key factor in predicting investment behavior and is assessed using structured questionnaire items.

Risk, Return, and Portfolio Diversification: The performance results of mutual fund investments with exposure to venture capital and private equity are represented by risk, return, and portfolio diversity taken together. Liquidity and valuation concerns are examples of the unpredictability and volatility related to returns that are referred to as risk. The anticipated and actual financial advantages from such investments are referred to as return. The degree to which VC and PE exposure lowers total portfolio risk by distributing investments among asset classes with low correlation is reflected in portfolio diversification. The financial efficacy of incorporating private market instruments into mutual fund portfolios is evaluated with the aid of this composite variable.

Regulatory and Operational Challenges: The limitations and hurdles mutual funds encounter while making venture capital and private equity investments are referred to as regulatory and operational challenges. These include limitations imposed by regulations, requirements for compliance, difficulties with valuation, problems with liquidity management, standards for disclosure, and governance. Fund structuring, risk management, and exit strategies are additional operational concerns. This variable assesses the viability and sustainability of mutual fund participation in private markets and emphasizes the function of regulatory frameworks in guaranteeing market stability and investor protection.

Data analysis and Interpretation

Table 1: Demographic factors		
Type of Investor	Frequency	Percentage
Retail Investor	212	67.9
Institutional Investor	100	32.1
Total	312	100.0
Investment Experience	Frequency	Percentage
Below 25	15	4.8
26-35 years	72	23.1
36-45 years	93	29.8
46-55 years	65	20.8
56 years & Above	67	21.5
Total	312	100.0
Education	Frequency	Percentage
Less than 3 years	19	6.1
3-5 years	163	52.2

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5–8 years	91	29.2
8–10 years	26	8.3
More than 10 years	13	4.2
Total	312	100
Preferred Investment Horizon	Frequency	Percentage
Short-term	48	15.4
Medium-term	136	43.6
Long-term	128	41.0
Total	312	100.0
Sources: Authors data		

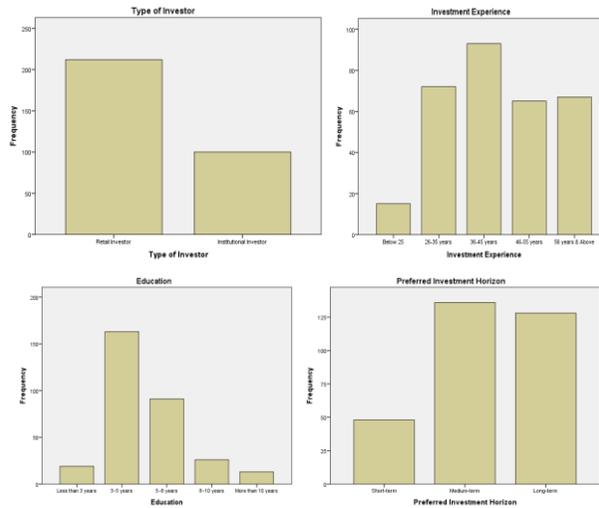


Table 1 presents the demographic profile of the respondents, highlighting the composition of investors, their experience, education (investment experience duration), and preferred investment horizon. The sample is dominated by retail investors, who constitute 67.9 per cent of the respondents, while institutional investors account for 32.1 per cent, indicating a stronger representation of individual participation in mutual fund investments. With respect to age distribution, the majority of respondents fall within the economically active age groups of 36–45 years (29.8 per cent) and 26–35 years (23.1 per cent), followed by those aged 56 years and above (21.5 per cent), suggesting a balanced mix of mid-career and experienced investors. In terms of investment experience, over half of the respondents (52.2 per cent) report 3–5 years of experience, while 29.2 per cent

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have 5–8 years of experience, indicating that most participants possess moderate familiarity with investment markets. The preferred investment horizon further reveals a long-term orientation among respondents, with 43.6 per cent favoring medium-term investments and 41.0 per cent preferring long-term investments, reflecting an investment mindset conducive to considering alternative assets such as venture capital and private equity. Overall, the demographic profile suggests a relatively experienced and forward-looking investor base, suitable for analyzing perceptions toward VC and PE exposure through mutual funds.

Hypothesis Testing

Table 2: Tabular representation of extent of exposure, average allocation levels, and variability in mutual fund investments in VC and PE

	Mutual fund schemes in India have a measurable exposure to venture capital and private equity investments	Mutual funds are increasingly including VC and PE as part of their investment portfolios	Mutual fund exposure to VC and PE has grown in recent years	VC and PE investments form a significant component of selected mutual fund schemes
SDA	29 (9%)	38 (12%)	41 (13%)	57 (18%)
DA	42 (14%)	80 (26%)	42 (14%)	38 (12%)
N	70 (22%)	94 (30%)	143 (46%)	97 (31%)
A	105 (34%)	79 (25%)	69 (22%)	105 (34%)
SA	66 (21%)	21 (7%)	17 (5%)	15 (5%)
Total	312 (100%)	312 (100%)	312 (100%)	312 (100%)

The respondents' opinions about the degree of exposure, average allocation levels, and variability in mutual fund investments in venture capital (VC) and private equity (PE) are shown in the table. All things considered, the answers show a moderate degree of knowledge and acceptance of VC and PE exposure in mutual fund schemes. The majority of respondents (55%) agreed or strongly agreed that mutual fund schemes in India have quantifiable exposure to VC and PE investments, indicating that most investors are aware of this. Similar to this, 39% of respondents agreed or strongly agreed that VC and PE play a significant role in certain mutual fund schemes. However, a sizable neutral response (31%) indicates investor uncertainty or a lack of knowledge. Opinions seem more divided when it comes to the growing inclusion of VC and PE in mutual fund portfolios, with 32% of respondents remaining neutral and agreement (32%) slightly outweighing disagreement (38%). Interestingly, opinions regarding the rise in VC and PE

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exposure in recent years show a high neutral response (46%), suggesting that these investments have little visibility or disclosure. Overall, the table shows a high degree of neutrality and cautious optimism among respondents, indicating the need for increased investor communication and transparency with regard to VC and PE investments in mutual fund portfolios.

Table 3: Correlation representing the relationship between investor awareness and perception regarding mutual fund participation in private market instruments

	I am aware of the risk-return characteristics of VC and PE investments.	I understand the liquidity constraints associated with private market investments.	I am aware of regulatory guidelines governing mutual fund investments in VC and PE.	Adequate information is available regarding mutual fund exposure to private markets.	Mutual funds investing in VC and PE are attractive investment options.	I trust mutual fund managers to handle private market investments effectively.	VC and PE exposure through mutual funds aligns with my risk appetite.	Transparency in valuation of private market investments is satisfactory.
I am aware of the risk-return characteristics of VC and PE investments.	1	.534**	.546**	.591**	-.301**	-.253**	-.266**	-.349**

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I understand the liquidity constraints associated with private market investments.	Pearson Correlation	.534**	1	.639**	.427**	-.369**	-.277**	-.298**	-.376**
I am aware of regulatory guidelines governing mutual fund investments in VC and PE.	Pearson Correlation	.546**	.639**	1	.542**	-.400**	-.342**	-.295**	-.440**
Adequate information is available regarding mutual fund exposure to private markets.	Pearson Correlation	.591**	.427**	.542**	1	-.369**	-.286**	-.347**	-.454**
Mutual funds investing in VC and PE are attractive investment options.	Pearson Correlation	-.301**	-.369**	-.400**	-.369**	1	.743**	.713**	.802**

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I trust mutual fund managers to handle private market investments effectively.	Pearson Correlation	-.253**	-.277**	-.342**	-.286**	.743**	1	.610**	.712**
VC and PE exposure through mutual funds aligns with my risk appetite.	Pearson Correlation	-.266**	-.298**	-.295**	-.347**	.713**	.610**	1	.833**
Transparency in valuation of private market investments is satisfactory.	Pearson Correlation	-.349**	-.376**	-.440**	-.454**	.802**	.712**	.833**	1
**. Correlation is significant at the 0.01 level (2-tailed).									
Sig. (2-tailed): 0.000									
N is 312									

The correlation matrix highlights significant relationships among variables of awareness, understanding, trust, and perception related to mutual fund investments in venture capital (VC) and private equity (PE). Strong positive correlations ($p < 0.01$) among awareness variables indicate that being well-informed in one area correlates with knowledge in others. In contrast, these awareness variables negatively correlate with perceptions of attractiveness, trust in fund managers, and satisfaction with valuation transparency, suggesting that increased awareness may lead to more cautious evaluations of investments. Furthermore, perception-based variables like attractiveness and trust show strong positive interrelations, [132National Conference On “Contemporary Issues In Global Business Management Practices”25 &26 February,2026 by University Arts & Science College \(Autonomous\), Kakatiya University.](#)

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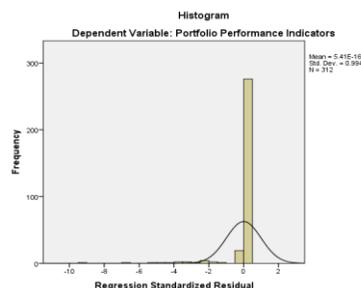
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particularly between risk appetite alignment and valuation transparency ($r = 0.833$), indicating that positive perceptions enhance investor confidence. Overall, the findings underscore the need for better communication and transparency to align informed awareness with investor confidence in VC and PE mutual fund investments.

Table 4: Tabular representation of impact of VC and PE portfolio on portfolio performance indicators like risk, return, and portfolio diversification

R	0.827		
R- squared	0.683		
F	165.626		
Adjusted R-Squared	0.679		
P-value (F)	0.000		
Durbin-Watson	1.629		
Coefficients	B	VIF	
(Constant)	0.095		
My mutual fund portfolio has a measurable level of exposure to venture capital investments.	-.006	1.664	
My mutual fund portfolio has a measurable level of exposure to private equity investments.	.212	1.667	
The allocation to venture capital in mutual funds contributes to long-term growth potential.	.283	1.446	
The allocation to private equity in mutual funds aligns with the fund's stated investment objectives.	.466	1.296	
a. Predictors: (Constant), The allocation to private equity in mutual funds aligns with the fund's stated investment objectives, The allocation to venture capital in mutual funds contributes to long-term growth potential, My mutual fund portfolio has a measurable level of exposure to venture capital investments, My mutual fund portfolio has a measurable level of exposure to private equity investments.			
b. Dependent Variable: Portfolio Performance Indicators			
Source: Authors gathered and calculated data			



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The regression results indicate a strong and statistically significant relationship between mutual fund exposure to venture capital (VC) and private equity (PE) and portfolio performance indicators. The high value of R (0.827) reflects a strong overall correlation between the independent variables and portfolio performance, while the R-squared value of 0.683 suggests that approximately 68.3% of the variation in portfolio performance is explained by the selected VC and PE exposure and allocation variables. The adjusted R-squared (0.679) further confirms the robustness of the model after accounting for the number of predictors. The model is statistically significant, as evidenced by a high F-value (165.626) and a p-value of 0.000, indicating that the independent variables jointly have a significant impact on portfolio performance. Among the predictors, alignment of private equity allocation with the fund's stated investment objectives ($B = 0.466$) and the contribution of venture capital allocation to long-term growth potential ($B = 0.283$) emerge as the strongest positive influences on portfolio performance, whereas measurable exposure to private equity shows a modest positive effect ($B = 0.212$). In contrast, exposure to venture capital alone exhibits a negligible negative coefficient ($B = -0.006$), suggesting limited direct influence. The VIF values are all below the threshold of 5, indicating no multicollinearity issues among the predictors. Additionally, the Durbin–Watson statistic of 1.629 suggests the absence of serious autocorrelation in the residuals. Overall, the findings highlight that strategic alignment and growth-oriented allocation of VC and PE investments play a more critical role in enhancing portfolio performance than mere exposure levels.

	Value	Sig
Pearson Chi-Square	1299.947	.000
Phi	2.041	.000
Cramer's V	.680	.000
Contingency Coefficient	.898	.000
N is 312		

The Chi-square test results indicate a statistically significant association between the selected investor characteristics, as the Pearson Chi-square value of 1299.947 with 108 degrees of freedom is significant at the 1% level ($p = 0.000$), leading to the rejection of the null hypothesis of independence. This finding is further supported by the likelihood ratio and linear-by-linear association statistics, both of which are also significant ($p = 0.000$), suggesting a strong linear relationship among the

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categorized variables. The symmetric measures reinforce the strength of this association, with a high Cramer's V value of 0.680 indicating a strong association between the variables, while the Phi coefficient (2.041) and contingency coefficient (0.898) also point toward a substantial degree of relationship. The analysis is based on 312 valid cases, lending robustness to the results. However, it is important to note that a large proportion of cells (87.7%) have expected counts below 5, which calls for cautious interpretation of the Chi-square results and suggests that category consolidation or alternative tests may further strengthen reliability. Overall, the findings confirm a strong and statistically significant association among investor characteristics, supporting the study objective of examining relationships between experience, risk appetite, and perceived regulatory challenges.

Findings

1. The descriptive analysis indicates that mutual fund exposure to Venture Capital (VC) and Private Equity (PE) is moderate, with a significant proportion of respondents expressing neutral opinions, suggesting limited awareness or inadequate disclosure regarding such investments.
2. Respondents generally acknowledge that VC and PE exposure exists within selected mutual fund schemes; however, uncertainty remains regarding the extent of growth and allocation levels over recent years.
3. Correlation analysis reveals strong positive relationships among awareness-related variables such as understanding of risk–return characteristics, liquidity constraints, regulatory guidelines, and information availability.
4. Awareness and information variables show significant negative correlations with perceived attractiveness, trust, risk alignment, and valuation transparency, indicating that better-informed investors tend to be more cautious and critical.
5. Perception-based variables—attractiveness of VC/PE mutual funds, trust in fund managers, alignment with risk appetite, and valuation transparency—are strongly and positively correlated, reinforcing investor confidence when perceptions are favorable.
6. Regression analysis demonstrates a strong and significant impact of VC and PE-related variables on portfolio performance, with 68.3% of the variation in portfolio performance explained by the model.
7. Strategic factors such as alignment of PE allocation with fund objectives and VC contribution to long-term growth have a stronger positive influence on portfolio performance than mere exposure levels.

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8. The Chi-square test confirms a statistically significant and strong association between investor characteristics (experience and risk appetite) and perceived regulatory challenges.
9. High values of Cramer's V indicate a strong association, suggesting that investor behavior and perceptions are meaningfully shaped by experience and regulatory understanding.
10. The presence of low expected cell counts in Chi-square analysis highlights the complexity and diversity of investor perceptions, warranting careful interpretation.

Suggestions

1. Mutual fund companies should enhance transparency and disclosure related to VC and PE exposure, including clear reporting on allocation levels, valuation methods, and risk implications.
2. Investor education initiatives should be strengthened to improve understanding of private market risks, liquidity constraints, and regulatory frameworks, thereby reducing uncertainty and excessive neutrality.
3. Fund managers should clearly communicate how VC and PE investments align with fund objectives and contribute to long-term portfolio growth to build investor confidence.
4. Regulators may consider simplifying and standardizing guidelines governing VC and PE investments through mutual funds to make them more investor-friendly and comprehensible.
5. Tailored communication strategies should be adopted based on investor experience and risk appetite, recognizing that informed investors tend to be more analytical and cautious.
6. Mutual funds should emphasize robust valuation transparency mechanisms, as transparency significantly influences trust, attractiveness, and risk alignment perceptions.
7. Further research may consolidate response categories or use alternative non-parametric tests to address limitations observed in Chi-square assumptions.

Conclusions

The study offers thorough insights into how much mutual funds are exposed to private equity and venture capital investments, as well as how this affects investor perceptions and portfolio performance. Even while VC and PE investments are becoming more widely acknowledged as components of mutual fund portfolios, investors' notable neutrality and caution indicate gaps in knowledge, openness, and

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communication. The results demonstrate that investor confidence is largely shaped by strategy alignment, trust in fund management, and transparency rather than by informed awareness alone. When used carefully, VC and PE allocation methods have a significant impact on portfolio performance, which highlights their potential as long-term value drivers. All things considered, the study emphasizes the necessity of better disclosure procedures, investor education, and regulatory clarity in order to boost confidence and promote knowledgeable involvement in private market investments through mutual funds, ultimately leading to more robust and efficient capital markets.

Policy Implications

1. Regulators such as SEBI should mandate enhanced and standardized disclosure requirements for mutual funds investing in VC and PE, including clear reporting on allocation levels, valuation methodologies, liquidity risks, and performance attribution, to reduce information asymmetry among investors.
2. Given the complexity and higher risk associated with private market investments, policy measures should reinforce investor protection through suitability norms, ensuring that VC and PE-oriented mutual fund products are aligned with investors' risk profiles and experience levels.
3. Policymakers should work toward simplifying and clearly communicating regulatory guidelines governing VC and PE investments through mutual funds, making them more accessible and understandable to retail and institutional investors alike.
4. Policies should promote uniform and transparent valuation standards for private market investments to enhance trust, improve comparability across funds, and address investor concerns regarding opacity in valuation.
5. Regulatory bodies and financial institutions should jointly implement targeted financial literacy and capacity-building programs focused on private market investments, risk-return trade-offs, and liquidity constraints to enable informed decision-making.
6. Policymakers should emphasize stronger risk management frameworks and governance standards for mutual funds with VC and PE exposure, including regular stress testing and enhanced oversight of fund managers' decision-making processes.
7. Policy interventions can facilitate responsible growth of VC and PE investments within mutual funds by balancing innovation and diversification benefits with

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prudent risk controls, thereby contributing to long-term market stability and investor confidence.

8. Regulators may encourage the creation of centralized data repositories on private market exposure in mutual funds, supporting ongoing monitoring, academic research, and evidence-based policymaking.

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