



The 3rd Edition of Investors' Survey on Passive Funds 2025

Passive Funds are
becoming mainstream

Foreword

Pratik Oswal

Chief of Passive Business
Motilal Oswal Asset Management Company



Dear Reader,

Passive investing in India has come a long way. What started with broad index funds has now grown into a much wider universe — from sectoral and thematic strategies to commodities, international exposure, and even smart beta funds. ETFs, in particular, have seen strong traction as more investors discover their flexibility and ease of access through digital platforms.

This year's survey of 3,000 participants gives us a closer look at how these trends are shaping investor behavior. The findings reflect a clear shift: passive funds are no longer just a side option, but are steadily finding their place as core building blocks in portfolios. Longer holding periods also show that investors are using them strategically, with a focus on long-term wealth creation rather than short-term trades.

At Motilal Oswal, our belief in "Knowledge First" continues to guide us. Through this report, our aim is to share insights that help investors, professionals, and policymakers better understand how passive investing is evolving in India.

Thank You!

Passive Funds Snapshot

Assets Under Management (AUM)

₹12.2
Lakh Cr*

2019
₹1.91
Lakh Cr

6.4X growth of passive funds AUM
over the last 6 years

*As of 31 August 2025

Passive funds are no longer limited to a small segment. Their assets have grown more than six times in the last six years. Since 2023, this segment has grown at a ~26% CAGR, an indication that more investors in India are accepting passive investing.

Awareness of passive funds

76%

Awareness of passive funds is now widespread, with over three-fourths of mutual fund investors familiar with index funds and ETFs. This high level of awareness suggests that passive investing has firmly entered investor conversations and is no longer viewed as a niche concept.

Adoption of passive funds

68%

Over two-thirds of investors who are aware of passive funds have already invested in at least one passive fund, showing that awareness is increasingly translating into action. This trend points to growing comfort with passive products and suggests that they are becoming an established part of investor portfolios.



Why do investors pick passive funds?



Cost remains the leading consideration for passive investors. Low expense ratios were the most cited reason for choosing passive funds in 2025 (54% of respondents). Close behind the cost factor, many investors value diversification and simplicity.

Most investors are drawn to passive funds' structural advantages—low cost, broad exposure, and ease. Diversification in particular emerged as a new motivator, signalling an evolved understanding of their benefits.

Passive funds are becoming mainstream

Longer holding period

85%

plan to hold passive funds for more than three years.

This approach might suggest that investors prefer passive funds for long-term investing, rather than for short-term strategies.

Portfolios are generally simple

57% hold 1-3 passive funds.

26% hold 3-5 passive funds.

17% Hold 5+ passive funds.

This might suggest that investors prefer manageable and focused allocations, rather than spreading investments across too many products.

Improved allocations

40%

now have balanced or major allocations.

A growing share of significant allocations indicate a gradual move toward deeper integration within portfolios.

Allocation Trends



72%

investors plan to increase allocation in FY25-26.



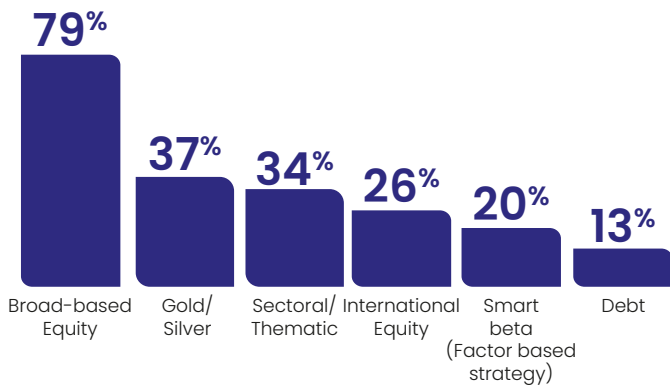
55%

Investors increased passive allocation in the past 12 months.

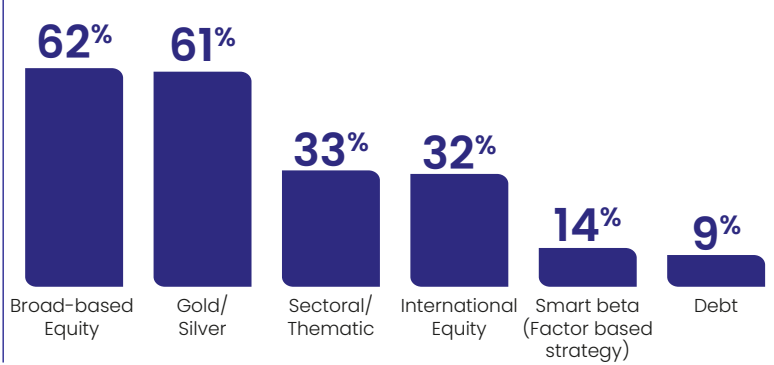
The steady rise in allocations suggests that passive product growth is structural, not cyclical, driven by investor preference for cost-efficient, transparent, rules-based strategies. Sustained inflows and product innovation reinforce this momentum, indicating continued adoption as a core element of long-term portfolios.

Passive fund investors are diversifying

Index Fund Category



ETF Category



Broad-based indices continue to serve as the primary core allocation. At the same time, diversification into commodities, thematic funds and international equity is increasing, indicating that investors are increasingly using passive funds to construct multi-asset portfolios.

Investors are seeking balance

Investment Style



Systematic Investment Plans (SIPs) continue to play a key role in helping investors stay disciplined and grow wealth over time. The growing use of hybrid strategies, mixing SIPs with lump sum investments, shows that investors want both - sustained market participation and tactical opportunities.

Sources of Investment Knowledge

Source	Percentage	Description
Online/ Digital	52%	Refer financial websites and online news platforms
Social Media	29%	use social media for finance content
Newspapers	38%	read newspapers and newsletters
Television	18%	watch finance television channels

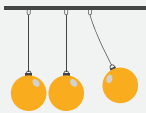
This shows a structural shift: investors are moving from quick, social media-driven content to more specialised, credible financial portals.

Investors are seeking Smart Beta strategies

61% of passive fund investors have invested in Smart Beta funds

In 2025, interest in smart beta strategies increased, with more investors exploring differentiated factor approaches. While potential performance remains the key consideration, defensive factors have also gained attention, reflecting a balanced approach to these strategies.

Popularity Score for Factors



40%
Momentum



37%
Quality



35%
Value



17%
Low Volatility

Momentum is the most popular smart beta strategy (~40% of respondents), followed by Quality and Value strategies. Among adopters, 48% cite performance potential as the main reason for investing, while others value risk management benefits from factors like low volatility.

Though still niche, smart beta is drawing increasing interest from informed investors seeking differentiation beyond plain market-cap indices.

ETFs are gaining interest

ETF adoption has grown significantly

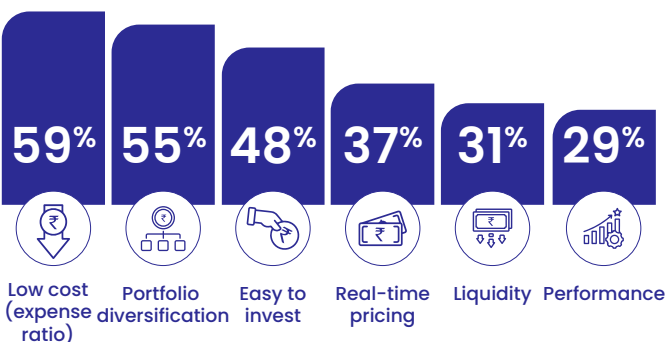
65% of respondents invest in ETFs in 2025

41% of respondents invested in ETFs in 2023

ETFs have become a significant driver of passive funds. In 2025, a substantial proportion of passive investors hold ETFs, marking a notable increase from 2023.

This growth reflects easier access via digital platforms, greater investor awareness, and the perceived advantages of ETFs.

Why investors choose ETFs



Investors choose ETFs primarily for their low cost structure and portfolio diversification. Ease of investment, real-time pricing, liquidity, and performance are additional considerations, highlighting that ETFs are valued for both cost efficiency and convenience.

Distributor Lens 2025

The survey at a glance

Mutual Fund Distributors, Registered Investment Advisors, and Wealth Managers are increasingly shaping the way passive products reach investors.

Over 120 distributors across India participated in the 2025 edition, offering a rich view of awareness, adoption, and client demand.

Knowledge & adoption

Passive funds are well understood: **93% of distributors** report at least a basic understanding, out of which nearly half demonstrate deep knowledge of these products.

Nearly **7 in 10 distributors** include passive funds in their offerings, underscoring their growing role in client portfolios.

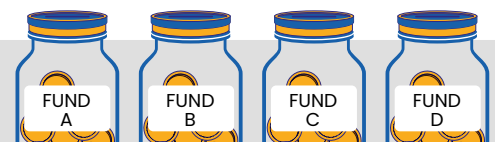


Why are passive funds picked?

Diversification benefits are the primary reason distributors include passive funds in their product basket, **cited by 62%** of respondents.

Diversification benefits

62%



Other common motivations include risk mitigation and the ease of understanding and explaining passive products to clients.

How distributors evaluate passive funds?

68%
Tracking error

52%
Expense ratio

34%
MF brand

Tracking error emerged as the most cited consideration, reflecting the importance placed on accurate index replication, followed by the expense ratio.

39%
Liquidity

20%
Brand's AUM

Client dynamics: Who's driving growth?

More than half of distributors (54%) indicated that Millennial clients show the strongest interest in passive funds, followed by the Gen X age group.

In terms of portfolios, 70% of clients hold fewer than three passive funds, indicating that passive exposure still plays a satellite role.

Shifting trends

93%
plan to increase allocations in FY 2025–26 by at least 5%

This outlook reflects a structural shift: distributors see passive funds not just as low-cost add-ons but as an essential component of future-ready portfolios. As client demand grows and advisor conviction deepens, the role of passive products in India's wealth ecosystem is set to expand meaningfully.

Conclusion

Snapshots

	2023	2025
Passive fund adoption	61% invested in at least 1 passive fund	68% invested in at least 1 passive fund
Long-term orientation	80% investors plan to hold passive funds for over 3 years	85% investors plan to hold passive funds for over 3 years
Over 50% allocation to passive	12% of Passive Fund investors	40% of Passive Fund investors
ETF usage among passive fund investors	41% invested in at least 1 ETF	65% invested in at least 1 ETF
Smart beta funds usage among passive fund investors	13% invested in at least 1 smart beta fund	61% invested in at least 1 smart beta fund
Drivers	Low cost - 57% Simplicity - 56% Performance - 54%	Low cost - 54% Diversification - 46% Simplicity - 46% Performance - 29%

A turning point for Passive Funds

The findings of this survey indicate at a turning point for passive fund investing in India. What started off as a preference for convenient, low-cost options has now evolved into a deeper understanding of long-term value. With ETFs accelerating and Factor funds (smart beta) gaining ground, passive strategies are no longer on the sidelines, they might be set to redefine how Indian investors build mutual fund portfolios in the years ahead.



Annexure

Objective of this survey

The rationale behind conducting this survey was to understand:

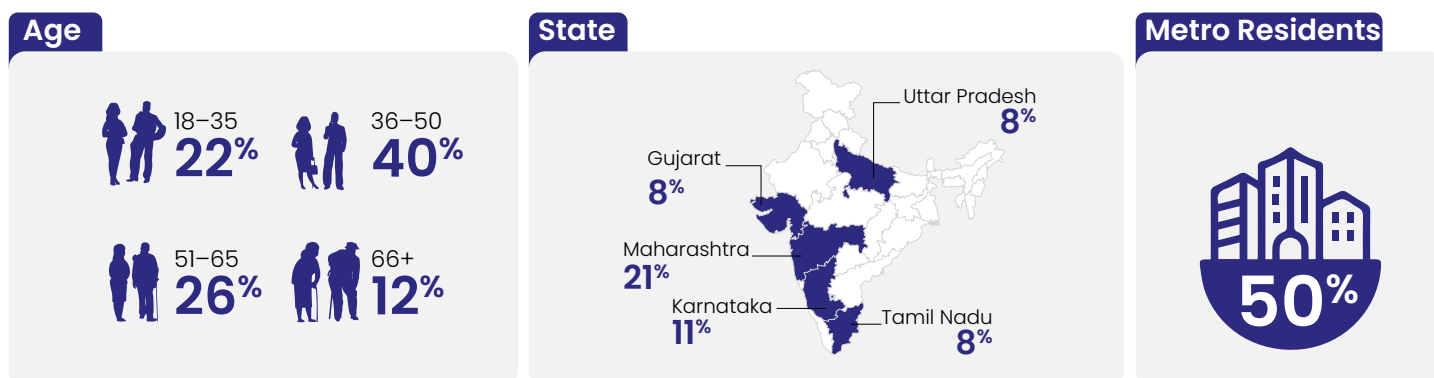
- **Investor awareness of passive funds** – How aware are investors in India about passive funds? Do they understand the different options that are available to them?
- **Factors that drive investment decisions** – What sources of information do investors rely on when making investment decisions? What factors are most important to them when choosing a passive fund?
- **Challenges faced by investors** – What challenges do investors face when trying to invest in passive funds? Are there any gaps that need to be addressed?

The findings of this survey can help educate investors about the benefits of passive investing. Further, they can also be used by mutual fund companies, regulators, and other stakeholders to improve the availability and accessibility of passive funds in India.

Approach to the Survey

We conducted an online survey from August to September 2025, where we collected over 3,000 responses from all around the country. The survey was open to everyone, including investors of Motilal Oswal Mutual Fund (active & passive funds) as well as those not invested with us. We ended up with a good pool of respondents with a variety of age groups and income levels. As only mutual fund investors were targeted, it may not be appropriate to generalise the findings for the entire population as only a small fraction (less than 5%) of Indians actually invest in mutual funds. There were some questions in the survey where respondents could choose multiple answers. Hence, responses for these questions will not add up to 100%.

Demographics



Methodology

Online survey conducted
Aug-Sep 2025

Over **3,000** respondents
across India

50% non-metro
representation

All respondents are existing
mutual fund investors

Disclaimer

Investors: This document has been prepared using internal data, publicly available information, and other sources believed to be reliable. It is intended for general information purposes only and does not purport to be a complete disclosure of all material facts. The illustrations and graphs used are conceptual and for explanatory purposes only. The information presented should not be construed as investment advice or as a basis for developing or implementing any investment strategy. Opinions, estimates, and data reflect views as of the date of this report and are subject to change without notice. No representation or warranty, express or implied, is made regarding accuracy, completeness, or reliability, and no liability shall be accepted for any losses or damages arising from the use of this information. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The recipient should exercise due caution and/ or seek professional advice before making any decision or entering into any financial obligation based on information, statement or opinion which is expressed herein. This report may contain forward-looking statements, which involve known and unknown risks and uncertainties. Actual results may differ materially from those expressed or implied. Readers are advised to exercise discretion and/ or seek professional advice before making any investment decisions. Passive funds are designed to track an index and may underperform in certain market conditions. Past performance does not guarantee future results. SIP-related figures (amount, tenure, rate of return, etc.) are illustrative and not indicative of future outcomes. Readers shall be fully responsible/liable for any decision taken on the basis of this article.

Distributor: This report is based on survey responses from distributors (including mutual fund distributors, RIAs, and wealth managers) and publicly available information. The findings represent reported views and practices as of 2025 and are intended for informational purposes only. They should not be construed as investment advice or a recommendation to invest in any product or strategy. Past performance may or may not be sustained in the future. The data, graphs, and illustrations used in this document are for explanatory purposes only and may not be adequate for developing or implementing an investment strategy. Investors should rely on the relevant scheme-related documents and consult their financial advisor before making investment decisions. The report does not guarantee accuracy or completeness of the information and disclaims any liability for losses arising from the use of this material.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Source: MOAMC Research