

ANALYZING THE EFFECT OF PAST PERFORMANCE ON CURRENT INVESTOR PREFERENCES IN MUTUAL FUND INVESTMENTS AT IIFL

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ABSTRACT

Mutual funds have emerged as one of the most popular investment avenues among individual investors due to their ability to provide diversification, professional fund management, liquidity, and affordability. The growing awareness of financial planning and wealth creation has significantly increased investor participation in mutual fund schemes. However, investor preferences toward mutual funds vary depending on factors such as risk tolerance, return expectations, investment objectives, income levels, age, educational background, and market awareness.

This study examines the preferences of investors in selecting mutual fund schemes and identifies the key factors influencing their investment decisions. The research focuses on understanding investor attitudes toward different categories of mutual funds, including equity funds, debt funds, hybrid funds, and sector-specific funds. It also analyzes the importance of factors such as safety, returns, liquidity, tax benefits, fund performance, and fund manager reputation in shaping investor choices.

The study is based on primary and secondary data collected from investors and relevant financial sources. Statistical tools and analytical techniques are used to evaluate investor behavior and investment patterns. The findings reveal that most investors prefer mutual funds as a long-term investment option due to their potential for higher returns and professional management. Risk and return considerations are found to be the most significant determinants of investment preference.

I. INTRODUCTION

INTRODUCTION TO THE STUDY:

Mutual funds have become one of the most preferred investment instruments among retail and institutional investors due to their ability to offer diversification, professional management, liquidity, and accessibility. In recent years, the Indian mutual fund industry has witnessed significant growth as investors increasingly seek avenues that provide better returns than traditional savings options while managing investment risks effectively. The expansion of financial markets, technological advancements, and increased investor awareness have further contributed to the popularity of mutual funds.

Investor preference plays a crucial role in the growth and development of the mutual fund industry. Different investors have varying investment objectives, risk appetites, income levels, and financial goals, which influence their choice of mutual fund schemes. Some investors prefer equity-oriented funds for higher returns,

while others opt for debt or hybrid funds to ensure stability and regular income. Factors such as fund performance, risk level, liquidity, tax benefits, reputation of the fund house, and recommendations from financial advisors significantly affect investment decisions.

The study on **Investor Preferences in Mutual Funds** aims to analyze the factors that influence investors while selecting mutual fund schemes and to understand their investment behavior. It examines investor awareness, expectations, satisfaction levels, and the criteria considered before making investment decisions. The study also evaluates the impact of demographic variables such as age, income, occupation, education, and investment experience on mutual fund preferences. Understanding investor preferences is important for asset management companies, financial advisors, and policymakers as it helps in designing suitable investment products and formulating effective marketing strategies. The findings of the study can contribute to improving investor



education, enhancing customer satisfaction, and promoting the overall growth of the mutual fund industry. Thus, the study provides valuable insights into the behavior and preferences of investors in the dynamic and evolving mutual fund market.

NEED AND IMPORTANCE OF THE STUDY

The mutual fund industry has experienced substantial growth in recent years, attracting a large number of investors with diverse financial goals and risk preferences. Understanding investor preferences is essential for identifying the factors that influence investment decisions and for developing investment products that meet investor expectations. The study is needed to analyze investor awareness, attitudes, and perceptions regarding mutual fund investments and to determine the reasons behind the selection of different mutual fund schemes. It also helps in understanding how demographic factors such as age, income, education, and occupation affect investment behavior. Furthermore, the study provides valuable insights into investor expectations regarding risk, return, liquidity, and safety, thereby helping financial institutions improve their services and offerings.

SCOPE OF THE STUDY:

The scope of the study on **Investor Preferences in Mutual Funds** is to examine and analyze the investment behavior, preferences, and decision-making patterns of investors regarding mutual fund investments. The study focuses on understanding the various factors that influence investors while selecting mutual fund schemes and evaluating their perceptions toward different investment options.

The study covers different categories of mutual funds, including equity funds, debt funds, hybrid funds, and sectoral funds. It aims to assess investor awareness, risk tolerance, return expectations, investment objectives, and satisfaction levels. The research also examines the impact of demographic factors such as age, gender, education, occupation, and income on mutual fund investment decisions. Further, the study investigates the role of financial advisors, advertisements, online investment platforms, and market information in shaping investor preferences. It provides insights into

investor attitudes toward risk and return and identifies the key determinants influencing investment choices.

Objectives of the study:

To analyze the preferences of investors towards mutual fund investments and identify the factors influencing their investment decisions.

1. To study the level of awareness among investors regarding mutual fund schemes.
2. To identify the factors that influence investors while selecting mutual funds.
3. To examine the investment objectives of mutual fund investors.
4. To analyze the relationship between risk perception and mutual fund investment preferences.
5. To evaluate investor preferences among different types of mutual funds such as equity, debt, hybrid, and sectoral funds.
6. To assess the impact of demographic factors such as age, income, occupation, and education on investment decisions.
7. To study investor expectations regarding returns, safety, liquidity, and tax benefits.
8. To evaluate the level of satisfaction of investors with mutual fund investments.
9. To understand the role of financial advisors, advertisements, and digital platforms in influencing investor decisions.
10. To provide suggestions for improving mutual fund products and services based on investor preferences.

These objectives help in understanding investor behavior and contribute to the development of effective investment strategies and mutual fund schemes.

Methodology of study:

To fulfill the objective of the study both primary and secondary data has been collected. Primary data is the data collected specifically for the study. Data is collected directly from people and organizations via questionnaires or surveys before being analyzed to reach conclusions concerning the issues covered in the questionnaire or survey.

In this study primary data was collected through interaction with staff of , **India**

Infoline Ltd and the applications of Reliance equity fund.

Secondary data is the data collected previously by someone else for some other purpose which can be analyzed and interpreted according to requirements. For example, sources of secondary data are government publications, newspapers, worldwide web etc.

In this study the Secondary data is mainly taken from

- * The company's training material.
- * Reconciliation statements.
- * Other documents generated within the organization which have to Access
- * [www. iifl.com](http://www.iifl.com), www.amfiindia.com, www.sebi.com.

Limitations of study:

*Analysis of the applications is carried out by taking the applications from Reliance equity Fund. The data available is therefore restricted by the design of the application.

*The inspection of applications is done on the basis of a sample of 100 applications. Though the sample is drawn randomly, the possibility of sampling fluctuations affecting the findings cannot be ruled out.

*Numerical data like number of applications received, total subscription amount received, statement of accounts, investor details, etc are not available and therefore a description of these aspects is given.

*NFO process may not be same for all mutual funds that are released. It may differ from one fund to other depending upon the size like the no. of applications received, subscription amount received, etc.

II. REVIEW OF LITERATURE

What is a mutual fund?

Mutual fund is a mechanism for pooling the resources by issuing to the investors and investing funds in securities in accordance with objectives as disclosed in offer document.

Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced, Diversification reduces the risk because all stocks may not move in the same

direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders.

The profits or losses are shared by the investors in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (**SEBI**) which regulates securities markets before it can collect funds from the public.

Mutual fund is a collection of stocks and / bonds. A mutual fund as a company brings together a group of people and invests their money in stocks, bonds and other securities. Each investor owns shares, which represent a portion of the holdings of the fund.

With increased uncertainties or fluctuations in the primary market and decreasing bank interest rates, mutual funds are gaining popularity day by day Now-a- day's mutual funds are performing well will high returns to the investors. There are various types of schemes and plans available to all type of investors.

Let us assume that you inertia million rupees over night and want to invest the same to get better returns you can consider the following investment avenues that are popular in Indian context

- Company shares
- Fixed deposits in banks
- Government bonds
- Fixed deposits in NBFC
- Chit fund
- Real estate
- Other local money lending options

When analyzing data for a research project you're often confronted with a decision about what kind of statistical analysis to perform. There are literally hundreds of tests from which to choose and you have to careful to select the one that is the most appropriate for your data. If you select an inappropriate test then you may make an incorrect interpretation about your data and your manuscript will likely be rejected during a journal review



process. Although it is impossible to give a definitive method for selecting appropriate tests in a brief article such as this, one aspect of statistical tests that is often confusing will be discussed – the difference between parametric and nonparametric statistical tests.

When you gather scientific data, one of the first statistics you'll typically calculate is the mean. This statistic is used to indicate average value of a population or sample. If the mean is combined with another common statistic called the standard deviation, then the pair of number tells the research both the central tendency of the group of number and their spread. A large standard deviation reflects a large spread in the data – the numbers are diverse and far apart. A small standard deviation reflects a tightness of the data – the numbers are close together. However, before you can really depend on these statistics to give you accurate information about the data, you're required to make the assumption that the data are normally distributed – that is, if you were to plot the data in a histogram, it would create a graph that looks like the well-known bell-shaped curve. When data behave in this way you can make some simple assumptions about the data. For example, the mean plus or minus one standard deviation contains about 65% of the data, and the mean plus or minus two standard deviations contains about 95% of the data. This information is often used to create a range of values in which you might expect future sampled data to appear.

When statistics are calculated under the assumption that the data follow some common distribution such as the normal distribution we call these parametric statistics. It follows that statistical tests based on these parametric statistics are called parametric statistical tests. Thus, when the data are normal, we can then use a host of well-known parametric statistical tests to analyze our data -- such as t-tests, analysis of variance, linear regression, and others.

However, what happens when your data are not normally distributed? Suppose you create a histogram of your data and it doesn't look like the bell-shaped curve. Suppose it has two humps or it has most of its data at one end of the distribution with some of the data trailing off into a long tail.

Now what can you do? There are several ways to approach non-normal data, but we'll only discuss one in this article – using a non-parametric test in lieu of a standard parametric test. Non-parametric tests are also called distribution-free tests since they do not make the assumption that the data follows some distribution.

For example, suppose you have two independent groups (corresponding to two drugs) on which some measurement has been made – for example, the length of time until relief of pain. You want to determine if one drug has a better overall (shorter) time to relief than the other drug. However, when you examine the data it's obvious that the distribution of the data is not normal (You can test for normality of data using a statistical test.) If the data had been normally distributed, you would have performed a standard independent group t-test on this data. But since the assumption of normality cannot be made, what can you do? Fortunately for almost every parametric test in the statistical toolbox, there is a corresponding non-parametric test. In this case a corresponding nonparametric test is the Mann-Whitney test. Using the Mann-Whitney test you can calculate a significance level to help you determine the answer to your research question – are the values of the observations from one group significantly lower than the observations from the other group? (Notice that we're not comparing means.)

III. FINDINGS:

*The NFO is found to be a complex activity calling for creating an organization polling the knowledge and expertise of people in different areas.

*The NFO process is simple and well structured as long as it is to investor to investor, but thereafter the process is lengthy time consuming and found to be overlapping at some stages.

*The SEBI regulations governing NFO are comprehensive and protect investor's interest at each level.

*Different funds have been designing different forms of applications for NFO.

*An analysis of sample of applications revealed the following

OMajority applicants prefer to hold the units individually.

- OMajority of the applicants are in service.
- ONRI s share is about 4% of the total.
- OMore than 2/3rd of the applicants are HUF s.
- OThe model age group is 31-60.
- OThe most common investment amount is 5000-25000.
- OAbout half of the applicants prefer Growth option.
- OAlmost all applicants make the payments by cheques.
- OThere were no NRO, NRE and FCNR accounts.
- OMajority the applicants are male, and.

IV. CONCLUSIONS

- From the study analysis conducted it is clear that in EQUITY FUNDS- **Axis banking Debt fund-Growth**
- is performing very well.
- Investing in the **Axis banking Debt fund-Growth** MUTUAL FUND (GROWTH) will leads to profits.
- By seeing the overall performance **Axis banking Debt fund-Growth** is performing very well.
- The prospective investors are needed to be made aware of the investment in mutual funds.
- The Industry should keep consistency and transparency in its management and investors objectives.
- There is 100% growth of mutual fund as foreign AMCS are in queue to enter the Indian markets.
- Mutual funds can also pertrate in to rural areas.

V.SUGGESTIONS AND RECOMMENDATIONS

Different funds have been using different forms of applications. A standardized form of application maybe designed by the competent authority and should be made mandatory for all funds to use the standard application form.

*The NFO process is very complex and there is a need to simplify the process by eliminating certain unnecessary steps in the process ie instead of carrying out audit for three times and appropriate internal check system maybe devised to keep the errors within the tolerance limits.

*The NRI subscribers to the fund may be encouraged to make the payments from NRO, NRE and FCNR accounts.

*The application from institutional investors and foreign institutional investors are to be encouraged through a package of incentives.

*The participation of senior citizens in the NFO s may be encouraged as they are likely to hold more surpluses compared to others.

*The holding of units in joint names shall be encouraged.

*There is a need to investigate the reasons for HUF s occupying more than 2/3rd share in the non-individual applications as its not a body corporate.

*A savings from all channels of India / World are to be tapped by the NFO rather than one or two states applying for a loin share of the option.

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