

**ANALYSIS OF INVESTOR PREFERENCE TO MUTUAL FUNDS WITH REFERENCE TO INDIA INFO LINE LIMITED**

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**Abstract**

New ideas and innovation have always been the hallmark of progress made by mankind. At every stage of development, there have been two core factors that drive man to ideas and innovation. These are increasing return and reducing risks in all factors of life. The securities market is no different. The endeavor has always been to maximize returns and to minimize risk. A lot of innovation goes into developing financial products centered on these two factors. The different securities market product such as Equity, Derivatives, and IPO's and Bonds are compared to know the investors preference towards these products whether it satisfies their objectives of high return and low risk. The project title "Investors Preference related to Securities Market" is the attempt to find out which product in securities market is mostly preferred by the investors and the reason for selecting that product, and what advantages it has over other products. The main objective of this study is to find out how profitable it would be for an investor if he invests in Securities market. The research work is descriptive in nature. The primary data is collected from the investors by using questionnaire, and trading details from the Research Company and secondary data is collected from books such as NCFM module on Equity and Derivatives and other security analysis books and magazines. The major findings of the study were Equity is the most preferred product by the investors followed by Derivatives, Bonds and IPO. Bonds are debt instrument, is highly risky that's the reason investors hesitate to invest in Bonds. Few suggestions are, measures must be taken to increase their awareness towards other products.

**Key words:**Asset Management, Investment Option, Mutual Fund, Risk and return

**I. Introduction**

Mutual Fund Industry which is a relatively of a post-economic reforms phenomena in India, has been expanding during this Period in branch and bound Many commercial banks, insurance companies entered into mutual fund industry apart from foreign players. In the early years of evolution of mutual fund industry in the Indian financial market it was a monopoly and continued to be the same till very recent time. Then many players both foreign and Indian entered in the Mutual Fund Industry. This increased the competition between the various firms working in the mutual fund Industry The need for developing various new schemes arises so as to attract investors towards the firm and equally encouraging them to invest. This growth in the Mutual Fund Industry and scope of increasing markets has further increased the competition between the firms in the industry.

The competitions had given raise to demand for specialized products and skills of various individuals who can contribute towards the containment and growth of individual firms in the mutual firm industry. This gave rise to various related organizations and individuals working as specialized teams in the various areas of mutual funds. One such organization is , **India Infoline Ltd** it comes into pictures where the investors apply for the units in a Mutual Fund schemes and verify the validity and eligibility of the investor and allots the units. The mutual fund companies now receive millions of applications if a new scheme is launched.

Mutual funds enable even a small investor to investor to invest, as most of the mutual funds just start from a minimum amount of investment of RS. 5000 hence even a small investor can invest into a mutual fund and reap returns in the same proportions as the other big time investors. This shows that mutual fund industry is one which aims at every section of the society. To deal with this large

population of investors and the competition, the asset management company has been forced to develop and design new schemes and hire the services of professionals.

Mutual fund industry involves various operations from the stage of identification of the target group or defining a market segment, designing a scheme which comes up to the expectations and aspirations of the target group or market segment, reaching the selected market through launching the scheme which is thereby called NFO, till the stage of investing the amount raised in accordance with the norms stipulated with offer document and distributing the returns to the investor by way of dividend, after making adequate provision for taxation and other operating costs. All this process is well organized and performed in a specific order. There are various related organizations which specialize in the activities at various stages of the functioning of the mutual funds.

### Review of Literature

S.Rajkumar and Dr. D.Venkatramaraju (2014) In this study analyzed whether investors have chosen their funds based on liquidity rather than having chosen them by the level of safety of mutual funds. The study also highlighted that the socio-economic factors like age, gender, education, income and savings of investors perception towards mutual fund are not encouraging, but the age Of investors and saving habit of respondents is correlated.

Rekha Sharma (2015) Presented a paper on behavior of mutual fund investors towards Investment Avenue. This paper made an attempt to identify the main objective to invest in mutual fund schemes by retail investors and types of mutual fund schemes in which they like to invest. The analysis of the study concluded that investors invest in mutual fund scheme for good return, safety and tax benefits. It also reveals that they select growth schemes and balanced schemes for better benefits.

Ippolito (1992) says that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.

De Bondt and Thaler (1985) while investigating the possible psychological basis for investor behavior, argue that mean reversion in stock prices is an evidence of investor over reaction where investors over emphasize recent firm performance in forming future expectations.

Gupta (1994) made a household investor survey with the objective to provide data on the investor preferences on MFs and other financial assets. The short-selling regulation should be operated along with margin trading regulation with substantial initial margin requirement.

Shanmugham (2000) conducted a survey of 201 individual investors to study the Information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions.

Phillip (1995) reported that there is a change in financial decision-making of different mutual fund schemes and investor behavior as a result of participating in investor education programmers sponsored by employees.

Berhein and Garnette (1996) affirmed Philip's findings and further stated that a serious national campaign to promote savings through education and information could have a measurable impact on financial behavior.

## II. Need for the study

- This study helps to understand the investors better by knowing their preferred investment option.
- This helps the financial services industry to curate investment options according to the wants of the investors.

- The activities of mutual funds have both short and long term impact on the savings in the capital market and the national economy.

### **Scope of the study**

- To study the Investors preference to mutual funds the data is confined to two years.
- Study conducted at India Infoline Limited-Hyderabad division.
- Data is collected directly from people and organizations via questionnaires or survey.
- The data comprises of two years of calculation of risk growth with reference to IIFL.

### **Objectives of the study**

- To study the technical, procedural, legal dimensions of the NFO.
- To examine briefly the organizational structure, communication network, resource requirements to launch a new fund.
- To study a sample of application drawn from Reliance Mutual Fund.

### **III. Research methodology**

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.

### **IV. Limitations Of the 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.

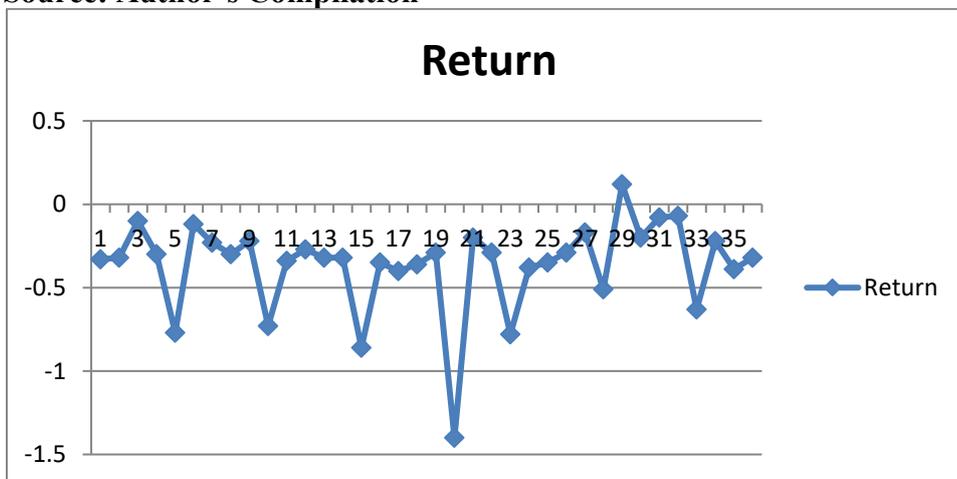
### **V. Empirical Results**

The results of data analysis are presented in this section,

<b>Date</b>	<b>Market Level ( NIFTY)</b>	<b>Returns</b>	<b>Axis banking Debt fund-Growth</b>	<b>Returns</b>
22/01/2021	7376.65		1361.26	
21/01/2021	7357.00	-19.65	1360.93	-0.33
20/01/2021	7381.8	24.8	1360.61	-0.32
19/01/2021	7420.35	38.55	1360.51	-0.1

18/01/2021	7561.65	141.3	1360.21	-0.3
15/01/2021	7467.4	-94.25	1359.44	-0.77
14/01/2021	7557.9	90.5	1359.32	-0.12
13/01/2021	7587.2	29.3	1359.09	-0.23
12/01/2021	7527.45	-59.75	1358.79	-0.3
11/01/2021	7611.65	84.2	1358.57	-0.22
08/01/2021	7673.35	61.7	1357.84	-0.73
07/01/2021	7788.05	114.7	1357.5	-0.34
06/01/2021	7828.4	40.35	1357.23	-0.27
05/01/2021	7924.55	96.15	1356.91	-0.32
04/01/2021	7938.45	13.9	1356.59	-0.32
01/01/2021	7897.8	-40.65	1355.73	-0.86
31/12/2020	7938.6	40.8	1355.38	-0.35
30/12/2020	7929.2	-9.4	1354.98	-0.4
29/12/2020	7863.2	-66	1354.62	-0.36
28/12/2020	7888.75	25.55	1354.33	-0.29
23/12/2020	7830.45	-58.3	1352.93	-1.4
22/12/2020	7829.4	-1.05	1352.73	-0.2
21/12/2020	7745.65	-83.75	1352.44	-0.29
18/12/2020	7828.9	83.25	1351.66	-0.78
17/12/2020	7783.05	-45.85	1351.28	-0.38
16/12/2020	7725.25	-57.8	1350.93	-0.35
15/12/2020	7659.15	-66.1	1350.64	-0.29
14/12/2020	7558.2	-100.95	1350.47	-0.17
11/12/2020	7699.6	141.4	1349.96	-0.51
10/12/2020	7643.3	-56.3	1350.08	0.12
09/12/2020	7695.5	52.2	1349.88	-0.2
08/12/2020	7738.5	43	1349.8	-0.08
07/12/2020	7816.55	78.05	1349.73	-0.07
04/12/2020	7817.6	1.05	1349.1	-0.63
03/12/2020	7902.3	84.7	1348.88	-0.22
02/12/2020	7976.7	74.4	1348.49	-0.39
01/12/2020	7958.15	-18.55	1348.17	-0.32
<b>Average</b>		<b>15.74</b>		<b>0.36</b>

**Table No: 1.1** Calculations of Risk of Axis banking Debt fund-Growth  
Source: Author’s Compilation



**Figure 1.1.a** Graphical Presentation of Axis banking Debt fund-Growth  
Source: Author’s Compilation

Axis banking Debt fund-Growth has been analyzed and it is found that there is a positive growth. However on the basis of the average returns of Axis banking Debt fund-Growth there is a growth

0.36 as against the index average of 14.74 the beta being less than 1 the stock is not highly volatile. IDBI gold fund-growth have been analyzed and it is found that there is a negative growth. However on the basis of the returns of IDBI GOLD FUND-GROWTH there is a negative growth 0.004 as against the index average of negative 0.19 the beta being less than 1 the stock is not highly volatile.

## VI. Findings, Suggestions and Conclusion

### 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
  - Majority applicants prefer to hold the units individually.
  - Majority of the applicants are in service.
  - NRI s share is about 4% of the total.
  - More than 2/3 rd of the applicants are HUF s.
  - The model age group is 31-60.
  - The most common investment amount is 5000-25000.
  - About half of the applicants prefer Growth option.
  - Almost all applicants make the payments by cheques.
  - There were no NRO, NRE and FCNR accounts.
  - Majority the applicants are male, and.

### Suggestions

- 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.

### Conclusion

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 be introduced in rural areas.

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