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A Study on Investor Awareness and Preference towards Mutual Funds with Special Reference to HDFC Mutual Fund in Nagpur

Nikhil Ravindra Fulbandhe[1], Prof. Abhijeet Gajbhiye[2]
[1]*Department of MBA, Tulsiramji Gaikwad-Patil College of Engineering & Technology, Nagpur*
[2]*Assistant Professor, Department of MBA, Tulsiramji Gaikwad-Patil College of Engineering & Technology, Nagpur*

***Abstract*—The fast development of financial markets in India has changed greatly the investment scenario and mutual funds turn out to be a favorite of retail and institutional investors. This report analyses the awareness and preferences of investors in mutual funds with a special emphasis to HDFC mutual fund in Nagpur. An awareness of financial products by investors which involves their understanding of risk-return relationship and how the market operates is very important in determining the decision of investment. Although mutual funds have continued to gain popularity, there is a significant pool of investors who do not have a sufficient amount of information leading to poor investment decisions. The research design followed is descriptive research design, which employs the use of both primary and secondary data as a means of examining investors behavior. It discusses the most important aspects that determine the choice of investment as being risk perception, anticipated returns, liquidity and brand reputation. The results indicate that the awareness amongst the investors is moderately rising however there is a wide disparity between awareness and participation in mutual fund investments. Dependence on informal sources of information, behavioral biases, and financial illiteracy and bias further shape decision-making. The study finds that the participation in investments and the quality of decision making is hugely influenced by upgrading the awareness of investors, through financial education, digital media and advisory services. The research adds to existing literature by introducing information on the psychology of investment and preferences of investors at one of the largest asset management firms.**

***Index Terms*—Investor Awareness, MF, Investment Behavior, Risk Perception, Financial Literacy, Investment Preference, HDFC Mutual Fund, BF.**

I. INTRODUCTION

Financial system involves mobilization of savings and directing them towards productive investment of money in a country. The mutual fund market in India has become an important part of the financial system as the investment opportunities come at different levels of risks at no one risk-taker involved, an investment with a mutual fund can be a better choice. The mutual funds under consideration are financial intermediaries, which accumulate the funds contributed by the investors and invest in a diversified portfolio of securities, i.e., equities, bonds and money market instruments.

Increased complexity of financial markets has made investor awareness much more significant. Consciousness does not solely reduce to just knowing the mutual funds schemes but knowing the purpose of investment, trade-offs of risk and returns, taxability and the fluctuation of the market. Investment literate investors can make rational decisions with the help of which they can optimize their investment portfolios.

Nevertheless, in some countries with underdeveloped economics such as India, a significant percentage of those investors are not financially literate. This leads to reduced investment into the capital markets and preference of the old forms of investments like fixed deposits, gold and real estate. Although the mutual funds have a plethora of benefits like professional management, diversification, liquidity and affordability, these funds are not used because not everyone understands and trusts these funds.

Investor preferences depend on various industries such as expected returns, risk tolerance, liquidity requirements, investment horizon, and brand name recognition. Behavioral finance theories postulate that investors are not necessarily rational in their investment choices; they are most of the time subject to psychological biases like overconfidence, herd behavior, and loss aversion.

In this regard, this current study seeks to examine the awareness of the investors, and the choice of mutual funds, particularly HDFC Mutual Fund in Nagpur. The research aims at filling the gap between theoretical knowledge and real investment behavior by studying the effects of awareness on decision-making.

II. LITERATURE REVIEW

Investor awareness and its effects on investment decision have been a popular topic of literature in finance. Investor awareness can be defined as the level of knowledge and awareness that people have on financial products, market conditions, and the method of investing. It is deemed as a key factor of investment conduct and finance enrollment.

The classical financial theories utilized rationality as an assumption, nor any early research in the financial field. This assumption was however questioned later in the field of behavioral finance where researchers illustrated that cognitive and emotional biases would affect investors. The knowledge, they are thus, critical in the process of countering irrationality and fostering rational decision-making.

A number of empirical studies have indicated that there is a correlation between investor awareness and the investment in mutual funds. It has been found that increased education and income is positively linked with increased awareness and involvement in mutual funds. When investors are educated, there are high chances of them understanding the financial products and they are ready to take calculated risks.

Research also indicates that although awareness of mutual funds is gaining, it is low in terms of the level of knowledge. The presence of mutual funds is known to many investors but they are vague about the various types of schemes, the risks involved and the performance measurement. Such incomplete consciousness usually results in conservative investment policies. The other valuable item that is brought out in the literature is that of a financial advisor and intermediaries. Investment decisions are often left to be made by investors through their brokers, agents and financial advisors. Although professional advice can aid in the decision-making process, excessive reliance can diminish the independent thinking and critical analysis in investors. Studies have also shown that brand reputation is critical to the preference of every investor. The asset management companies that have excellent track record are likely to attract more investors since they are believed to be reliable and trustworthy in handling investments. On this note, HDFC mutual fund has established a powerful brand image, which has a profound effect on investor confidence.

The research of behavioral finance also indicates that representativeness, availability bias, and anchoring are some of the heuristics that are applied in the decision-making of investors. An example is that investors might be attracted to funds which have been doing well in the near past, with the hope that the same is going to be the case in future. These prejudices may cause inefficient decisions regarding investment.

Also, research on financial literacy reveals that being unaware is one of the significant obstacles to financial inclusion. The government and regulatory authorities including SEBI have been on different missions to encourage investment education amongst investors. Nonetheless, between awareness and actual investment behavior exists a gap with these efforts.

As the literature suggests too, other drivers like risk perception, returns expectation, liquidity, tax benefits and investment horizon also contribute highly to the investor preferences. The most important determinants are risk and return of these.

To sum up, the available literature highlights the significance of investor awareness in determining the mutual fund investments. Although there has been improvement in the level of awareness, there is always the necessity of a continuous education and awareness to make investors participate and behave rationally in making investments.

III. RESEARCH METHODOLOGY

Research methodology gives a structured guide to the structure of data collection, analysis and interpretation on the research problem. It guarantees that the research undertaken is done in a scientific and logical way making results (findings) more reliable and valid. The research methodology of this paper is meant to analyze the investor awareness and preference regarding the mutual funds with particular reference to HDFC Mutual Fund in Nagpur.

3.1 Research Design

Research design may be defined as the general plan or outline used in the conduct of the research process which involves the collection, measurement and analysis of data.

The research design used in this study is descriptive research design, however, fitting perfectly to determine and define the nature of a given group of people- the mutual fund investors in this case. Descriptive research assists in establishment of patterns, behaviors and relationship between variables without manipulating them.

The design is concerned with:

Understanding the level of awareness among the investors. Determining issues affecting investment preference. Knowledge of how the investors perceive mutual funds. Such a method is appropriate since the study is intended to investigate the existing conditions and does not want to identify the cause-effect relations.

3.2 Data Type

The research is formulated on primary based data and secondary based data; making the research comprehensive.

Primary Data: Primary data would be gathered through direct questions to the respondents in order to achieve the first-hand data about their awareness and preference. Gathered by use of structured questionnaires. Target respondents: Nagpur, individual investors. Offers an insight on actual investor behavior and perception.

Secondary Data: The secondary data is obtained on the basis of available sources to support and confirm primary findings. Journals and research papers. Academic publications and books. Mutual fund companies' websites. Industry data and financial reports.

The fact that both types of data were utilized increases the depth and credibility of the study. A sampling approach and sample size will be provided in 3.3.

- Sampling refers to selecting a particular subset of a population to represent the whole population.
- Sampling Type: Convenience Sampling.
- Sample Size: 100 respondents (to be assumed in case of study). Location of the research: Nagpur city.

The employment of convenience sampling is as a result of time and accessibility limitations. It is effective in exploratory and descriptive studies, although it has the tendency to restrict generalizations.

3.3 Hypothesis

A hypothesis is an objective to test which forecasts the connection of variables.

- Null Hypothesis (H0): Investor awareness and preference of mutual funds do not have any significant relationship.
- Alternative Hypothesis (H1): The preference of mutual funds and their awareness among the investors have a high relationship.

The hypothesis aids in statistical analysis as to whether awareness is a motivator of investment decisions.

3.4 Tools and Techniques Used.

The collected data are analyzed with the help of different tools to interpret the data and make meaningful conclusions. Percentage Analysis:

Used to represent the data in percentage as it is easily understood. Tabular Analysis:

- The information is tabulated to determine trends and comparisons. Pie Charts:
- Data in numerical form by graphs to depict proportion and frequency. Descriptive Statistics:
- Utilized to generalize and analyze data of respondents.

These are useful to simplify complex data and increase the level of clarity in the analysis process.

3.5 Study Limitations.

Any research study has some limitations, which can impact the outcomes and their generalization. The research is confined to Nagpur city where it is not the whole population. The sample size is rather small, which prevents a more general application. There is the possibility of bias introduced by convenience sampling. Reactions can be influenced by subjective bias or ignorance. The limited time will potentially limit detailed analysis. There might be rapid alterations in financial markets which can influence the applicability of findings in the future.

IV. HDFC MUTUAL FUND COMPANY PROFILE.

HDFC Mutual Fund is a top-ranking asset management company in India and belongs to HDFC Asset management company ltd. The organization, a joint venture of Housing Development Finance Corporation Ltd. and international investment company Standard life Investments, has developed a good reputation of reliability, consistency of performance and investor-focused services in the Indian financial sector. The company goes a long way in converting household savings into capital markets through provision of a myriad of investment products which would suit various needs of investors. They are equity funds, debt funds, hybrid funds, liquid funds and tax saving schemes like Equity Linked Savings Schemes (ELSS). By such services, the company serves investors of all risk levels, investment time horizons, and financial objectives. One of the distinguishing characteristics of HDFC Mutual Fund is the focus on the disciplined approach to investment and strong risk management practices. The fund management philosophy incorporates the basic research, market research, and long-term wealth generation goals. Using the expert fund managers, coupled with the adoption of a research based, approach ensures that the investment decisions are positioned in line with the dynamics of the market as well as expectations of the investors.

Besides its operational proficiency, the organization has also helped in educating the investors and financial literacy in India. It has attempted to close the informational disparity among retail investors through awareness programs, seminars, and online programs to encourage their informed investment practices. Introducing Systematic investment plans (SIP) has made accessibility even more accessible, and made small investors enter the financial markets in a disciplined way. There are trust, transparency, and consistent performance that form the brand equity of HDFC mutual fund. The large network of distribution, which is backed by financial advisors, banks, and digital locations, makes it reach a wide area both in the cities and in the semi-urban areas. The company has found a niche in such cities as Nagpur, which means that it is topical when examining the knowledge and preferences of investors. Altogether, HDFC Mutual Fund can be considered a combination of financial knowledge, customer orientation innovation as well as market leadership and, therefore, an optimal case study on the analysis of investment behaviour and the awareness trend of investors.

V. CONCEPTUAL FRAMEWORK

The study takes a conceptual framework based on theoretical relationship between investor awareness and investment preference, which vary according to a variety of cognitive, behavioral and economic factors. It offers systematic insight on the role of knowledge and perception in influencing financial decision-making when investing in mutual funds. Investor awareness is defined as an independent variable which covers the level of knowledge, understanding and familiarity of an individual to mutual funds products and financial market. These involve knowledge of the various forms of mutual fund plans, risk-reward nature and investment processes, taxation policies and market trends. Education, level of income, financial literacy initiatives and access to financial information are key factors that contribute to awareness.

Investment preference on the other hand, is considered the dependent variable which is the preferences and decisions of investors when it comes to certain avenues of investments. When it comes to the mutual funds, preference is determined based on various factors such as potential returns, perceived risk, liquidity needs, tax opportunities and reputation of the asset management company. In principle, classical financial theories provide support to the existence of interconnection between awareness and preference by holding that informed investors make rational decisions that aim at maximizing utility. Nonetheless, the behavioral finance theories present a more refined viewpoint by implying that investors are frequently affected by psychological biases and heuristic. In this respect, the role of awareness cannot be overestimated to eliminate the effects of such biases and encourage the rationality of decision-making. Such intervening variables as risk perception, financial goals and advisory influence are also mirrored in the framework. An example is a high-awareness investor might still be conservative based on his/her risk-taking. On the same note they could be moderating effect of financial advisors and peer groups in relation to awareness and preference. Also, brand image and trust play an important role especially in the mutual fund trade. An established one such organization as HDFC mutual fund can have a positive impact on the choice of the investor by increasing the perceived reliability and decreasing uncertainty. This implies that it requires awareness coupled with trust and confidence in the financial institution.

Therefore, this conceptual framework depicts a dynamic and interdependent relationship in which, investor awareness affects the investment preference directly and indirectly in many ways, mediated by different factors. It points out that the best way to enhance informed investment behavior, participation in mutual funds and finally contributing to the financial market development is through creation of awareness.

VI. DATA ANALYSIS AND RESULTS.

Analysis of data forms a very important part of the research process because it takes raw data to meaningful insights. This work relies on the analysis of the data obtained through respondent interviews (Nagpur) as a percentage and tables in order to get an idea of the earnings and choice of the investor's investment in a mutual fund, especially in HDFC Mutual Fund. The understanding is based on the patterns of identification, behavioral tendencies, dependence on awareness and the decision making in investment.

Table 6.1: Factors Influencing Investor Preference

Factor	Number of Respondents	Percentage
Returns	35	35%
Safety	25	25%
Liquidity	15	15%
Tax Benefits	10	10%
Brand Reputation	15	15%
Total	100	100%

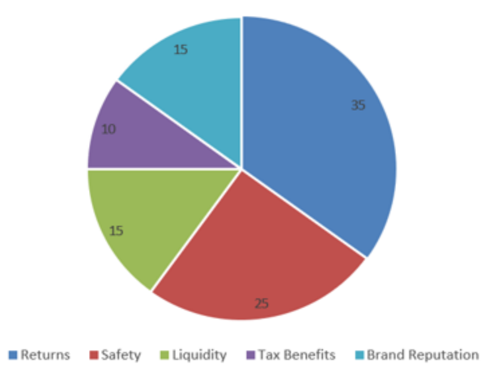

Fig 6.1: Factors Influencing Investor Preference

Interpretation

The spread of the reactions about the influencing factors of investor preference towards mutual funds divulges significant information about the prevalent decision-making pattern of the investor. The dominance of returns (35%) as the main reason is the aim of maximizing wealth, an inherently economical desire. This trend is being propelled by investors more so in the emerging markets in the quest to attain better yield as opposed to the traditional investment channels like a fixed deposit or an instrument that offers the investor a guaranteed savings. This preference means that there is a slowly increasing shift towards market-based instruments with individuals being ready to experiment with capital appreciation. But this tendency towards returns does not presuppose total risk-seeking behavior: it is more of a calculated behavior in which investors are trying to balance potential gains with tolerable amounts of risk.

The fact that safety (25%), was the second most influential factor points to the risk-aversive position of investors which remains unchanged. Although more attractive returns are being drawn, a high percentage of investors already emphasize certain capital protection. This two-fold focus on yield and risk aversion represents the classical trade-off between risk and expected profit were risk and expected profit are chosen by investors to attain optimal returns and risk balanced. Regarding mutual funds, the concept of safety has often been linked to elements like the stability of the fund performance, diversification of quiver and reliability of company managing the assets. This observation indicates that investors are not just speculative but reflect very cautious optimism and therefore they will focus on investment options which are stability oriented and at the same time, boost investment opportunities. The rather similar values of the liquidity (15%), brand reputation (15), also add to the picture of the investor behavior. Liquidity is an indication of a practical aspect of flexibility of finances where the investors can access their finances when they need them. This would be specifically applicable in the uncertain economic conditions as unexpected financial needs can crop up. The liquidity preference is a sign that investors attach importance on convenience and availability, which other long-term investment options cannot enjoy due to the lack of such character. Brand reputation in its turn is a trust-based and psychological aspect of investment choices. This perceived risk is reduced greatly by a well-established and credible institution like HDFC Mutual Fund that takes investor confidence to higher levels. This would appear to be in line with the behavioral finance theories which propose that the majority of investors tend to base their decisions on heuristics and typically use past performance and brand recognition tactics. Confidence in the institution is a complement to full information particularly when moderate acquainted investors might not be highly informed after all about investing in their financial institutions. The relatively lower weight of tax benefits (10) means that fiscal incentives, though necessary are not the most major factors of the investment choices. This hints that investors will put first priority on fundamental financial requirements like returns and safety instead of secondary benefits. It also indicates an apparent deficiency in a more comprehensive awareness about tax-saving plans such as Equity Linked Savings Schemes (ELSS), or a belief that tax advantages will not be sufficient to making an investment unless chances of a good payoff are high.

Hypothetically, the general trend in response is a result of both rational and behavioral determination of the investor preference. Even though the focus on returns and safety is congruent to the classical financial theory, the significance of brand image and liquidity emphasizes the crucial role of psychological comfort and feasibility of matters. The findings also imply that investors act within a context of limited rationality whereby they make decisions under the few pieces of information and are also driven by cognitive and emotional processes. To sum up, the profound examination of the factors that determine the preference of investors implies that investors in Nagpur take a moderate but careful attitude towards investing in a mutual fund. Their tastes are informed by the need to earn more returns, balanced by safety and trust. This supports the need to raise awareness on the side of investors because the more one learns about investing, the better one can use the information to make better judgments when investing and avoid the use of heuristic-driven decisions.

VII. DISCUSSION

The research results offer great issues on the awareness and preference of investors on mutual funds and in the situation of HDFC Mutual Fund in Nagpur. These results point towards the fact that the awareness of investors with regard to the concept of mutual funds is more moderate, meaning that investors are aware of the concept but are not well versed with it. This observation conforms to what the existing literature has indicated in that awareness among developing economies tends to be partial as opposed to being comprehensive. Earlier reports have highlighted the point that investors might be aware of their new investment option like mutual funds but they are unclear about risk structures, fund types and performance measurement. The research also indicates that the most influential factors that influence investment decisions are returns and safety. This observation is not new and in line with classical financial principles, which postulate that investors will seek to maximize returns and minimize risk. Simultaneously, the significance of safety demonstrates the persistence of risk aversion amongst investors that has been reported in behavioral finance literature. Previous studies have also found the risk-return trade-off as a key factor of investment behavior, especially in the case of retail traders.

One more dimension that is important and highlighted in the investigation is the impact that the brand reputation has on the formation of investor preferences. The inclination toward a well-known institution like HDFC Mutual Fund affirms the results of earlier research that has voiced out trust and credibility as being paramount in financial judgement. Established brands are perceived to be stable and reliable hence perceived uncertainty is minimized leading to increased confidence among investors. The average level of preference given to mutual funds in the study also aligns itself with previous studies indicating that even with the growing awareness of the various investments, investors tend to be hesitant in their actual investments. This disconnection between awareness and attention has been well-documented and attributed to things like financial illiteracy, the fear of market volatility and dependence on more traditional investments. On the whole, the results of this research are well in line with the current literature that investor awareness, perception of risk, and psychological issues all participate in the investment decision making. Responding to with localized insights into the behavior of investors in Nagpur, the study helps to fill the gap in the literature and emphasizes the necessity of specific financial education efforts.

VIII. FINDINGS

The paper shows that awareness of mutual funds among investors is mostly moderate, which implies a process of making a transition between lack of financial literacy and complete financial literacy. Funds The investors have fundamental information about mutual funds but usually lack in depth information needed to make informed decisions. This biased consciousness plays a major role in their investment activity and decreases their power to take advantage of the whole ambiance of mutual funds. It can be also found in the course of the analysis that the most important aspect of investor preference is returns and safety. Investors have a twofold tendency to pursue greater returns and at the same time to have greater capital protection. This is a kind of balanced but cautious strategy where people expect in order to maximize returns, but would not risk a lot. The other important impact is how brand reputation plays a role in investment choices. There is a definite tendency to prefer trusted and established asset management firms by the investors which implies that trust is critical in alleviating uncertainty and attracting investment.

Moreover, the research indicates a significant difference between knowledge and real preference of investment. Investors have a moderate level of confidence and participation even though; they are well informed about mutual funds. This implies that awareness is not enough and that it should be supplemented by greater understanding and trust.

IX. CONCLUSION

The research finds that the knowledge of investors is a key factor in the determination of investment preferences towards mutual funds. The analysis has been confirming that there is an important relationship between awareness and investment behavior to dismiss the null hypothesis and accept the alternative hypothesis. More aware investors tend to invest more in mutual funds, since they have a more accurate knowledge of the relationship between risk and returns, and how markets operate. The awareness rates are still low to the extent that they can initiate mass investments in mutual funds, although slowly its levels are on an increase. The moderate level of awareness and preference suggests that investors are yet to switch to more informed and rational decision making. The behavioral aspects like risk aversion and brand reputation dependence also later determine the investment decisions. In HDFC Mutual Fund, the research focus on trust, performance stability and education of investors as an element of attraction and retention of investors. It is important to note that the firm has a robust brand image which has contributed in determining investor confidence and preference.

In general, the paper highlights the necessity of constant endeavors to improve financial literacy and close the gap between awareness and the real investor behavior.

X. RECOMMENDATIONS

In accordance with the results, investor awareness needs to be enhanced by providing extensive financial awareness campaigns. Regulatory bodies as well as financial institutions should aim at simplifying some of the complex financial concepts as well as ensuring investors can access the information easily. Educational campaigns, workshops, and online campaigns can contribute considerably to the enhancement of financial literacy. The companies that manage mutual funds ought to improve their communication policies by giving clear and transparent information on matters of risk, returns and the procedure of investments. One to one advisory service will also help investors in making better decisions depending on their financial objectives and risk tolerance. Systematic investment plans (SIPs) should be promoted to promote discipline in investment, especially on small- and first-time investors. Also, utilizing online resources and applications can enhance both convenience and accessibility, which will boost the participation.

Asset management companies should continue to build and maintain trust. Regular performance levels, ethical procedures, and transparency may make investors confident and enable a lasting bond of trust.

XI. FUTURE SCOPE

The future study of the field has a wide horizon and provides chances to go into detail. The research can be done at a bigger scale and multiple cities and various demographic groups can be involved in further studies in order to improve the external validity of the research. A comparative study of various mutual fund firms could also give more details on the preferences of investors, and the level of competition.

Healthcare studies can also be involved in the advanced statistical methods to consider the correlation between variables more strictly in the future. Behavioral finance models could help to gain a more in-depth view on psychological aspects that deter mine investment decisions.

Moreover, the effects of digital transformation and fintech innovations on investor awareness and behavior is a promising field worthy of exploration. However, with technology redefining the financial environment, it will be imperative to know how technology has the power to impact on investment decisions. Lastly, longitudinal research could be done to determine how their investment awareness and preference have changed over the years hence offering invaluable information on the changing patterns of investment and the market dynamics.

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