

# Growth and Dynamics in the Indian Mutual Fund Industry: Analyzing Investor Preferences and Investment Strategies

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**Abstract:** *This study examines the significant expansion of Assets Under Management (AUM) in the Indian mutual fund industry, which grew from ₹10.11 trillion in 2014 to ₹58.91 trillion by May 2024. It explores factors driving this growth, including investor preferences, regulatory changes, and market conditions. The research specifically investigates strategies and performance of top mutual funds like ICICI Prudential Short-term Asset. The study aims to understand investor perceptions, analyze investment objectives and patterns, and assess risk appetites. Primary data were collected through surveys from 120 investors and financial institutions in Hyderabad, complemented by secondary data from ICICI Bank reports. Findings reveal a predominance of investors in the 40-50 age group, with a higher male participation. Fixed Deposits and Real Estate are preferred investment options, and a majority are regular mutual fund investors. Preferences for investment returns, horizons, and methods indicate a lean towards short-term and flexible options. The study highlights the importance of investor information sources and portfolio adjustment practices, with a focus on children's education as a primary savings goal.*

**Keywords:** Assets Management, Indian Mutual Fund Industry, Investor Preferences, Investment Strategies, Financial Growth, Risk, Investment Horizon, Mutual Fund Performance

## I. INTRODUCTION

The Indian mutual fund industry has experienced unprecedented growth over the past decade, with Assets Under Management (AUM) soaring from ₹10.11 trillion in 2014 to ₹58.91 trillion by May 2024 (Association of Mutual Funds in India [AMFI], 2024). This remarkable expansion reflects a significant shift in investor behavior, regulatory frameworks, and market dynamics, highlighting the evolving landscape of financial investments in India.

Mutual funds offer a diversified investment portfolio managed by professionals, catering to various investor needs and risk appetites (Bogle, 2014). They have become increasingly popular due to their accessibility, transparency, and potential for higher returns compared to traditional investment options (Sukumar, 2020). The surge in AUM indicates a growing confidence among investors and a broader acceptance of mutual funds as a viable investment vehicle.

Several factors contribute to the growth of the mutual fund industry in India. Regulatory reforms, such as the implementation of the Securities and Exchange Board of India (SEBI) regulations, have enhanced investor protection and market integrity (SEBI, 2022). Additionally, the rise in financial literacy and the increasing number of retail investors have played a crucial role in driving this growth (Jain, 2019). The introduction of various mutual fund schemes, including equity, debt, and hybrid funds, has provided investors with diverse options tailored to their financial goals and risk tolerance (Gupta, 2021).

The performance of mutual funds, particularly those with consistent returns and strategic investment approaches, has garnered significant attention. For instance, ICICI Prudential Short-term Asset and other leading funds have demonstrated robust performance, attracting a considerable share of the market (Nair, 2023). Analyzing the strategies and performance drivers of such funds provides valuable insights into the factors contributing to their success.

Understanding investor preferences and investment strategies is essential for grasping the dynamics of the mutual fund industry. This study aims to explore these aspects by examining investor perceptions, analyzing investment objectives

and patterns, and assessing risk appetites. By focusing on these areas, the research seeks to provide a comprehensive view of the growth trajectory and future trends in the Indian mutual fund industry.

## II. REVIEW OF LITERATURE

### 1. Indian Mutual Fund Industry Growth and Trends

**Srinivasan, V., & Sundaram, R. (2021).** This study examines the significant growth in the Indian mutual fund industry, emphasizing market trends and investor behavior. The authors use data from 2010 to 2020 to analyze how regulatory changes and economic conditions have influenced the industry. They note that the industry has seen a sharp increase in AUM, driven by increased investor awareness and favorable regulatory reforms.

**Gupta, P., & Kumar, A. (2022).** Gupta and Kumar explore the effects of recent regulatory reforms on the mutual fund industry in India. Their analysis highlights how measures such as the SEBI guidelines and increased transparency have fostered investor confidence and contributed to substantial AUM growth.

### 2. Investor Preferences and Behavior

**Reddy, S., & Patel, N. (2020).** Reddy and Patel conduct a survey to understand investor preferences in Indian mutual funds. They find that while traditional investment options like Fixed Deposits remain popular, there is a growing inclination towards equity mutual funds among younger investors. Their study also highlights the impact of financial literacy on investment choices.

**Sharma, M., & Bhardwaj, S. (2021).** This paper investigates the risk appetite of Indian investors and the strategies they employ when investing in mutual funds. Sharma and Bhardwaj identify a shift towards more balanced portfolios as investors seek to mitigate risk while aiming for reasonable returns.

### 3. Mutual Fund Performance and Strategy

**Khan, F., & Kumar, R. (2023).** Khan and Kumar provide a comparative analysis of the performance of ICICI Prudential and HDFC mutual funds. Their study reveals that ICICI Prudential consistently outperforms its peers due to effective fund management strategies and strong risk-adjusted returns.

**Singh, R., & Mehta, A. (2024).** This article discusses the strategies that have contributed to the success of mutual funds in the Indian market. Singh and Mehta focus on the importance of understanding market dynamics and adapting investment strategies to current economic conditions.

### 4. Impact of Economic Conditions and Investor Behavior

**Joshi, A., & Arora, S. (2022).** Joshi and Arora analyze how changing economic conditions, such as inflation and interest rates, affect investor behavior in the Indian mutual fund market. Their findings suggest that economic downturns lead to increased investment in safer assets, while economic booms encourage more aggressive investment strategies.

**Pandey, V., & Sinha, M. (2024).** This study explores behavioral patterns among mutual fund investors in India, focusing on decision-making processes and investment habits. Pandey and Sinha find that investor sentiment and psychological factors significantly impact mutual fund investment choices.

### Need for the Study

This study aims to analyze the remarkable expansion of the Assets Under Management (AUM) in the Indian mutual fund industry, which has surged from ₹10.11 trillion in 2014 to ₹58.91 trillion by May 2024. The research will delve into the factors driving this growth, including changes in investor preferences, regulatory reforms, and evolving market conditions. Additionally, it will focus on understanding the strategies and performance drivers of mutual funds that consistently outperform the market, such as ICICI Prudential Short-term Asset, among others. The study seeks to provide insights into the industry's growth trajectory and potential future trends.

**Objectives of the Study**

- To explore investors' perceptions of mutual funds.
- To analyze the investment objectives and patterns of small-scale investors.
- To assess the risk appetite of the investors.

**Scope of the Study**

This study focuses on the analysis of financial reports submitted by ICICI Bank as part of its growth strategy. It includes an evaluation of investors' perceptions and insights related to popular mutual fund investments.

**III. RESEARCH METHODOLOGY**

The study employs a primary research approach, utilizing an online survey to gather data on specific investors' preferences regarding investment avenues and portfolio behaviors. Both primary and secondary data sources were used for this research. Primary data was systematically collected through surveys administered to investors at various banks and financial institutions in Jayanagar, such as Axis Bank, Reliance Money, Bajaj Capital, and others. Secondary data was obtained from the ICICI Bank website, investor reports, and company records.

**Sampling Method**

The research employed a non-probability sampling method, specifically convenient sampling, to create a representative model based on readily available data about the population. The study sample included investors, financial institutions, and stakeholders with an interest in ICICI Bank's mutual fund assets. Both investors involved in mutual fund schemes and those interested but not yet invested were considered for the study.

**Sample Size and Geographic Scope**

A sample size of 120 respondents was selected for this study. The data collection was geographically confined to Hyderabad.

**Data Sources**

Primary data was gathered through surveys, while secondary data was sourced from company publications, research papers, journals, and other relevant documents. Additional information was extracted from the company's fact sheets, websites, records, and journals.

**Statistical Tools**

Basic statistical tools were employed for data representation, including percentage analysis and graphical tools like bar charts and pie charts.

**IV. ANALYSIS AND INTERPRETATION**

**Table No 1: Age distribution**

Sl. No.	Age	No. of respondents	Percentage
1	20-30	20	16.6%
2	30-40	36	30%
3.	40-50	38	31.6%
4.	50- above	26	21.6%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred in the investors of different age groups is 40-50 (n=38, f=31.6%) compared to 30-40 (N=36, f=30%) and 50-above age is (N=26, f=21.6%). And 20-30 age is (N=20, f=16.6%). It is inferred that;40-50 age of the investors is more.

**Table No 2: Distribution of gender**

Sl. No.	Gender	No. of respondents	Percentage
1	Male	68	56.6%
2	Female	52	43.3%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred in distribution of gender is male (n=68, f=56.6%) compared to female is less (N=5, f=43.3%). It is inferred that; a higher participation is more than males it is mainly men are preferring for investments.

**Table No 3: Preferred Types of Investments among Respondents**

Sl. No.	Attributes	No. of respondents	Percentage
1	Fixed Deposits	42	35%
2	Real Estate	30	25%
3	Insurance	23	19.1%
4	Mutual Fund	12	10%
5	Gold	13	10.8%
	Total	120	100

Source: Primary Data

**Interpretation:**

Based on the above pie chart, it can be inferred that the preferences for investments are as follows: Fixed Deposits are most preferred (35%), followed by Real Estate (25%), Insurance (19.1%), Gold (10.8%), and Mutual Funds (10%). This distribution highlights a strong inclination towards traditional investment options like Fixed Deposits and Real Estate.

Q4: Are you a regular or a new investor in mutual funds?

**Table No 4: Investor Status in Mutual Funds**

Sl. No	Attributes	No. of respondents	percentage
1	Regular	77	64.1%
2	New	43	35.8%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred to mutual funds in regular (n=77, f=64.1%) and compared to new (N=43, f=35.8%) It is inferred that, the regular investors in mutual funds is more.

**Table No 5: Expected Types of Returns from Investments**

Sl. No.	Attributes	No. of respondents	Percentage
1	Monthly	33	27.5%
2	Quarterly	37	30.8%
3	Semi annual	21	17.5%
4	Annual	29	24.1%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferences for investment returns vary, 27.5% prefer monthly returns, 30.8% anticipate quarterly returns, 17.5% prefer semi-annual returns, and 24.1% seek annual returns. This data highlights that preferences among investors regarding the frequency of returns from their investments.

**Table No 6: Investment Horizon of Respondents**

Sl. No.	Attributes	No. of respondents	Percentage
1	Up to 6 months	62	51.6%
2	1 year	37	30.8%
3	2 years	18	15%
4	3 years	3	2.5%
	Total	120	100

Source: Primary Data

**Interpretation:**

Based on the pie chart above, 61% have an investment horizon of up to 6 months, 27% plan for 1 year, 12% for 2 years, and a negligible 100% for 3 years. It is inferred that short-term investment horizons, with fewer opting for longer durations.

**Table No 7: Proportion of Income Saved by Respondents**

Sl. No.	Attributes	No. of respondents	Percentage
1	5 %	29	24.1%
2	5% - 10%	49	40.8%
3	More than 10%	42	35%
	Total	120	100

Source: Primary Data

**Interpretation:**

It is observed from the above graph that the distribution of 120 respondents in my survey data indicates that 40.8% of respondents prefer a rate between 5% and 10%. Moreover, 35% Favor a rate of more than 10%, while 24.1% prefer a rate of 5%. In this majority of respondents prefer a rate of 5% or higher.

**Table No 8: Mutual Funds Investment Portfolio**

Sl. No	Attributes	No. of respondents	Percentage
1	ICICI prudential funds	56	46.6%
2	HDFC	30	25%
3	SBIMF	28	23.3%
4.	UTF	6	5%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred to invest in ICICI prudential funds (n=56, f=46.6%) compared to HDFC (N=30, f=25%) and SBIMF (N=28, f=23.3%) and UTF (N=6, f=5%). It is inferred that, ICICI prudential funds is more.

**Table No 9: Preferred Investment Methods in Mutual Funds**

Sl. No.	Attributes	No. of respondents	Percentage
1	One time investment	67	55.8%
2	Systematic investment plan	53	44.1%
	Total	120	100

Source: Primary Data

**Interpretation:**

It is observed from the above graph that the distribution of 120 respondents in my survey, 55.8% (67 individuals) prefer one-time investments, while 44.1% (53 individuals) Favor systematic investment plans. This indicates a slight majority leaning towards one-time investments, although a significant portion still prefers spreading their investments over time.

**Table No 10: Reasons for Considering Investment in Mutual Funds**

Sl. No.	Attributes	No. of respondents	Percentage
1	Regular income	75	62.5%
2	Professional management	45	37.5%
	Total	120	100

Source: Primary Data

**Interpretation:**

It is observed from the above graph, that the distribution of 120 respondents in my survey, 62.5% (75 individuals) prioritize regular income from their investments, while 37.5% (45 individuals) value professional management. This suggests that most respondents prefer investments that offer steady income, though a notable portion still appreciates the advantages of professional management.

**Table No 11: Preferred Mutual Fund Schemes**

Sl. No.	Attributes	No. of respondents	Percentage
1	Open-ended scheme	76	63.3%
2	Closed-ended scheme	44	36.6%
	Total	120	100

Source: Primary Data

**Interpretation:**

It is observed from the above table that the distribution of 120 respondents in my survey. The data shows that among, 63.3% (76 individuals) prefer open-ended schemes, while 36.6% (44 individuals) favour closed-ended schemes. This suggests that a significant majority of respondents are drawn to the flexibility of open-ended schemes, though a notable portion still chooses the fixed-term structure of closed-ended schemes.

**Table No 12: Types of Mutual Funds Invested In**

Sl. No.	Attributes	No. of respondents	Percentage
1	Equity funds	44	36.6%
2	Debt funds	58	48.3%
3	Balanced funds	9	7.5%
4	Index funds	9	7.5%
	Total	120	100

Source: Primary Data

**Interpretation:**

It is observed from the above pie chart that the distribution of 120 respondents in my survey, 36.6% of the respondents prefer equity funds, 48.3% prefer debt funds and the rest 7.5% due to balance funds of scheme and 7.5 are index funds.

**Table No 13: Preferred Methods for Receiving Annual Returns**

Sl. No.	Attributes	No. of respondents	Percentage
1	Dividend payout	40	33.3%
2	Dividend Reinvestment	37	30.8%
3	Growth in NAV	43	35.8%
	Total	120	100

Source: Primary Data

**Interpretation:**

According to the graph, among 120 respondents who prefer annual returns, 33.3% favour receiving dividends directly (Dividend Payout), 30.8% opt for reinvesting dividends (Dividend Reinvestment), and 35.8% prefer seeing returns through the growth in Net Asset Value (NAV). This indicates varied preferences for how investors prefer to receive annual returns from their investments.



**Table No 14: Sources of Initial Information about Mutual Funds**

Sl. No.	Attributes	No. of respondents	Percentage
1	Family/friends	63	52.5%
2	Others	10	8.3%
3	Financial advisor	14	11.6%
4	Online research	33	27.5%
	Total	120	100

Source: Primary Data

**Interpretation:**

It is observed from the above pie chart, that the distribution of 120 respondents in my survey, 52.5% of the respondents are family friends where others are 8.3% and financial advisor are 11.6% are there and online research are 27.5%. It is inferred that, learn the mutual funds is family/friends.

**Table No 15: Frequency of Adjusting Mutual Fund Portfolio**

Sl. No.	Attributes	No. of respondents	Percentage
1	Frequently	46	38.3%
2	Occasionally	56	46.6%
3	Never	18	15%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred to mutual funds in Occasionally (n=56, f=46.6%) compared to Frequently (N=46, f=38.3%) and never (N=18, f=15%). It is inferred that, mutual fund portfolio in response to market condition is occasionally.

**Table No 16: Primary Objectives for Savings**

Sl. No.	Attributes	No. of respondents	Percentage
1	Retirement	20	16.6%
2	Children's education	63	52.5%
3	Personal needs	35	29.1%
4	All of the above	2	1.6%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred, primary objectives for savings that 52.5% prioritize savings for children's education, 29.1% for personal needs, and 16.6% for retirement. A small proportion (1.6%) indicated saving for all listed objectives.

**Table No 17: Total Asset Size of Invested Mutual Fund Schemes**

Sl. No.	Attributes	No. of respondents	Percentage
1	Less than ₹1,000	36	30%
2	Less than ₹10,000	58	48.3%
3	More than ₹50,000	26	21.6%
	Total	120	100

Source: Primary Data

**Interpretation:**

Majority of the respondents are preferred to invest Less than ₹10,000 (n=58, f=48.3%) compared to Less than ₹1,000 (N=36, f=30%) and more than ₹50,000 (N=26, f=21.6%). It is inferred that, the size of investment in mutual funds is Less than ₹10,000.

#### V. FINDINGS

- **Age Distribution:** Most investors are in the 40-50 age group (31.6%), followed by 30-40 (30%) and 50-above (21.6%).
- **Gender Distribution:** More male investors (56.6%) compared to female investors (43.3%), indicating higher male participation.
- **Investment Preferences:** Fixed Deposits are most popular (35%), followed by Real Estate (25%) and Insurance (19.1%).
- **Mutual Fund Status:** A majority are regular mutual fund investors (64.1%), with fewer being new investors (35.8%).
- **Return Preferences:** Most investors prefer quarterly returns (30.8%), followed by monthly (27.5%) and annual returns (24.1%).
- **Investment Horizon:** Majority prefer short-term investments up to 6 months (51.6%), with fewer opting for longer durations.
- **Income Proportion Saved:** Most save between 5% and 10% of their income (40.8%), with 35% saving more than 10%.
- **Mutual Fund Preference:** ICICI Prudential is the preferred fund (46.6%), followed by HDFC (25%) and SBIMF (23.3%).
- **Investment Method:** Most prefer one-time investments (55.8%) over systematic investment plans (44.1%).
- **Investment Reasons:** Regular income is the primary reason for investing in mutual funds (62.5%), with professional management valued by 37.5%.
- **Mutual Fund Schemes:** Open-ended schemes are preferred (63.3%), while closed-ended schemes are chosen by 36.6%.
- **Fund Types:** Debt funds are the most favored (48.3%), followed by equity funds (36.6%).
- **Return Methods:** Growth in NAV is preferred (35.8%), with dividends paid directly (33.3%) and reinvested (30.8%).
- **Information Sources:** Most information comes from family/friends (52.5%), with online research (27.5%) and financial advisors (11.6%) as secondary sources.
- **Portfolio Adjustment:** Investors adjust their mutual fund portfolios occasionally (46.6%), less frequently than those who adjust frequently (38.3%).
- **Savings Objectives:** Primary savings goals are children's education (52.5%), personal needs (29.1%), and retirement (16.6%).
- **Investment Size:** Most invest less than ₹10,000 (48.3%), with smaller investments under ₹1,000 (30%) and larger investments over ₹50,000 (21.6%).

#### VI. CONCLUSION

This study provides a comprehensive analysis of the rapid growth in the Indian mutual fund industry, driven by a significant rise in Assets Under Management (AUM) from ₹10.11 trillion in 2014 to ₹58.91 trillion by May 2024. The findings reveal that investors predominantly fall into the 40-50 age group and show a higher preference for traditional investment options like Fixed Deposits and Real Estate. Male investors outnumber female investors, indicating a higher male participation in mutual funds. The majority of investors are regular mutual fund investors with a strong preference for quarterly returns and short-term investment horizons of up to six months. ICICI Prudential is the most favored mutual fund, with investors showing a preference for one-time investments over systematic plans. The study also highlights that investors primarily seek regular income from their investments, with a notable inclination towards debt funds and open-ended schemes. Most investors prefer to gather information from family and friends, with a preference for flexible investment methods and occasional portfolio adjustments. The study underscores the evolving nature of investor preferences and market conditions, providing valuable insights into the mutual fund industry's growth trajectory and potential future trends.



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