

A STUDY ON CUSTOMER PERCEPTION TOWARDS PERFORMANCE OF MUTUAL FUNDS: HDFC BANK

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ABSTRACT

The mutual fund industry has emerged as one of the most preferred investment avenues among retail investors due to its professional management, diversification benefits, and potential for wealth creation. This study examines customer perception towards the performance of HDFC Mutual Funds and identifies the factors influencing investment decisions among investors. The research focuses on understanding investor awareness, preferences, risk perception, expected returns, and satisfaction levels regarding mutual fund investments. Primary data were collected from 150 respondents using a structured questionnaire, and the collected data were analyzed using percentage analysis, independent t-test, and one-way ANOVA. The findings indicate that awareness, return expectations, liquidity, professional fund management, and brand reputation significantly influence customer perception towards mutual funds. The study also reveals that lack of financial knowledge remains a major barrier preventing potential investors from participating in mutual fund investments. Most respondents prefer moderate-risk investment options and expect returns ranging between 8% and 18% annually. Furthermore, HDFC Mutual Fund is perceived as a reliable and professionally managed investment platform offering diversified schemes suitable for different investor categories. The study concludes that enhancing investor education, financial literacy, and transparent communication can improve customer confidence and increase participation in mutual fund investments.

Keywords: Mutual Funds, HDFC Mutual Fund, Customer Perception, Investor Behaviour, Investment Decisions, Financial Literacy, Risk Perception, Investment Performance.

I. INTRODUCTION

Mutual funds have become one of the most significant financial instruments for individual and institutional investors seeking diversified investment opportunities. Mutual funds pool money from various investors and invest the accumulated corpus in a diversified portfolio of securities including equities, bonds, money market instruments, and government securities. The primary objective of mutual funds is to provide professional fund management, risk diversification, liquidity, and wealth creation opportunities to investors who may not possess adequate expertise in capital markets. The rapid growth of the mutual fund industry has transformed investment behaviour across the globe and particularly in emerging economies such as India. Customer perception plays a critical role in determining the success and acceptance of mutual fund products because investor decisions are largely influenced by awareness, risk tolerance, return expectations, fund performance, and trust in fund management companies. Previous studies have highlighted the importance of fund performance (Ramasamy & Yeung, 2005) [1], investor risk profiling (Lenard et al., 2004) [2], mutual fund evaluation techniques (Otten & Bams, 2004) [3], pricing and performance relationships (Gil-Bazo & Ruiz-Verdu, 2009) [4], performance measurement frameworks (Kothari & Warner, 2001) [5], investor awareness (Gupta, 1994) [6], behavioural

finance factors (Kahneman & Tversky, 1979) [7], financial literacy influences (Lusardi & Mitchell, 2014) [8], risk-return preferences (Markowitz, 1952) [9], and portfolio diversification principles (Sharpe, 1964) [10].



In India, the mutual fund sector has witnessed remarkable expansion due to regulatory reforms, technological advancements, and increased investor awareness. HDFC Mutual Fund has established itself as one of the leading asset management companies by offering a wide range of investment schemes catering to diverse investor requirements. Understanding customer perception towards HDFC Mutual Fund is essential for evaluating the effectiveness of its products and services and identifying factors affecting investor confidence. Several researchers have investigated investor behaviour and fund selection criteria including service quality (Parasuraman et al., 1988) [11], customer satisfaction (Oliver, 1999) [12], trust in financial institutions (Morgan & Hunt, 1994) [13], perceived value (Zeithaml, 1988) [14], investment awareness (Singh & Jha, 2009) [15], demographic influences (Sundar & Prakash, 2012) [16], risk attitudes (Shefrin, 2000) [17], investment preferences (Bashir et al., 2013) [18], mutual fund adoption (Jambodekar, 1996) [19], behavioural biases (Barber & Odean, 2001) [20], fund performance persistence (Carhart, 1997) [21], investor confidence (Guiso et al., 2008) [22], financial planning behaviour (Hilgert et al., 2003) [23], customer loyalty (Reichheld & Sasser, 1990) [24], investment motivation (Ajzen, 1991) [25], technology adoption in finance (Davis, 1989) [26], investor education (Chen & Volpe, 1998)

[27], financial inclusion (Demirgüç-Kunt et al., 2018) [28], customer engagement (Brodie et al., 2011) [29], and investment decision-making processes (Nofsinger, 2017) [30].



II. LITERATURE SURVEY

Ramasamy and Yeung (2005) [1] identified fund performance, transaction costs, and fund size as major determinants influencing mutual fund selection. Lenard et al. (2004) [2] examined investor characteristics and found that risk profile significantly influences switching behaviour. Otten and Bams (2004) [3] proposed enhanced performance measurement models for evaluating mutual fund returns. Gil-Bazo and Ruiz-Verdu (2009) [4] reported a negative relationship between fees and fund performance. Kothari and Warner (2001) [5] emphasized improved techniques for evaluating abnormal mutual fund performance. Gupta (1994) [6] found that investor awareness strongly affects mutual fund participation. Kahneman and Tversky (1979) [7] introduced Prospect Theory explaining investor risk behaviour. Lusardi and Mitchell (2014) [8] highlighted the importance of financial literacy in investment decisions. Markowitz (1952) [9] established portfolio diversification principles, while Sharpe (1964) [10] developed the Capital Asset Pricing Model for risk assessment. Parasuraman et al. (1988) [11], Oliver (1999) [12], Morgan and Hunt (1994) [13], Zeithaml (1988) [14], and Singh and Jha (2009) [15] emphasized service quality, customer satisfaction, trust, perceived value, and awareness as crucial determinants of investor behaviour.

Further studies revealed the impact of demographic and behavioural variables on mutual fund investments. Sundar and Prakash (2012) [16] observed that age and income significantly affect investment decisions. Shefrin (2000) [17] and Barber and Odean (2001) [20] identified behavioural biases influencing investment choices. Bashir et al. (2013) [18] highlighted return expectations and risk tolerance as major selection criteria. Jambodekar (1996) [19] found liquidity and safety to be critical investor concerns. Carhart (1997) [21] studied performance persistence among mutual funds. Guiso et al. (2008) [22], Hilgert et al. (2003) [23], Reichheld and Sasser (1990) [24], Ajzen (1991) [25], Davis (1989) [26], Chen and Volpe (1998) [27], Demirgüç-Kunt et al. (2018) [28], Brodie et al. (2011) [29], and Nofsinger (2017) [30] collectively demonstrated the importance of investor confidence, financial planning, loyalty, behavioural intentions, technology adoption, financial literacy, inclusion, engagement, and decision-making processes.

III. RESEARCH METHODOLOGY

The present study adopts a descriptive research design to analyze customer perception towards the performance of HDFC Mutual Funds. The descriptive approach is suitable because it enables the researcher to systematically

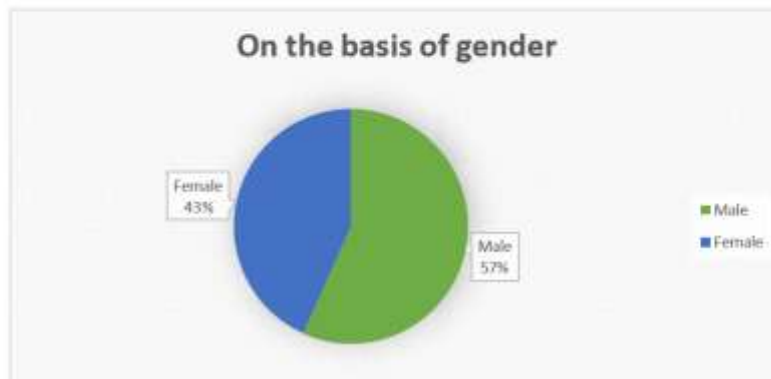
examine investor attitudes, preferences, awareness levels, and investment behaviour. Both primary and secondary data sources were utilized for the study. Primary data were collected through a structured questionnaire distributed among mutual fund investors. The questionnaire consisted of demographic questions and investment-related questions designed to assess awareness, investment preferences, risk perception, expected returns, and satisfaction levels. Secondary data were collected from journals, research articles, books, mutual fund reports, company publications, and financial websites. The study focuses on understanding how various demographic and behavioural factors influence customer perception regarding HDFC Mutual Fund schemes.

A simple random sampling technique was employed to ensure equal representation of respondents. A sample size of 150 investors was selected for data collection. The collected data were coded, classified, and analyzed using statistical tools such as percentage analysis, independent t-test, and one-way ANOVA. Percentage analysis was used to summarize demographic characteristics and investment preferences. The independent t-test was applied to identify differences between two groups of respondents, while ANOVA was utilized to examine significant differences among multiple demographic categories. Variables considered in the study included age, gender, education, occupation, income level, awareness of financial products, source of information, investment preferences, expected returns, and factors affecting mutual fund investment decisions. The research framework assumes that customer perception is influenced by financial literacy, investment awareness, risk-return expectations, brand trust, and service quality. The methodology provides a comprehensive basis for evaluating investor attitudes and identifying opportunities for improving customer satisfaction and participation in HDFC Mutual Fund schemes.

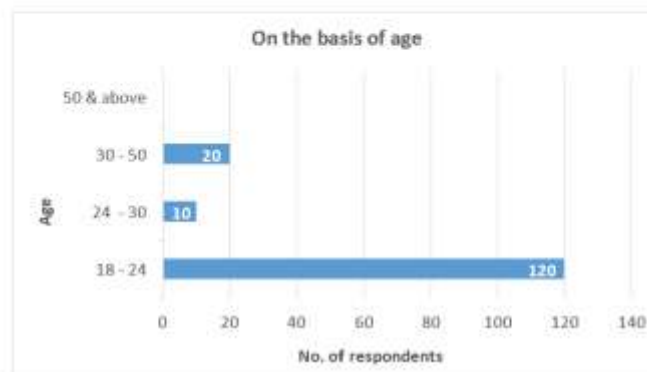
IV. RESULTS & DISCUSSION

The analysis of data collected from 150 respondents indicates significant insights regarding customer perception towards HDFC Mutual Funds. The majority of respondents were male and belonged to the age group of 18–24 years, indicating greater participation of young investors in mutual fund investments. Most respondents possessed undergraduate qualifications and were employed in the private sector. The study revealed that a considerable proportion of investors had average to good knowledge of financial products, while friends, relatives, television, and social media served as primary sources of information regarding mutual funds.

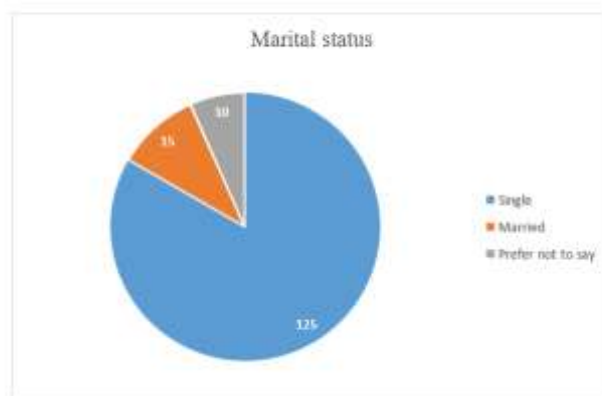
| Gender | No. of respondents | Percentage |
|--------|--------------------|------------|
| Male | 85 | 56.67% |
| Female | 65 | 43.33% |
| Total | 150 | 100% |



| Age | No. of respondents | Percentage |
|------------|--------------------|------------|
| 18 - 24 | 120 | 80% |
| 24 - 30 | 10 | 6.67% |
| 30 - 50 | 20 | 13.33% |
| 50 & above | 0 | 0.00% |
| Total | 150 | 100% |



| Marital status | No. of respondents | Percentage |
|-------------------|--------------------|------------|
| Single | 125 | 83.33% |
| Married | 15 | 10.00% |
| Prefer not to say | 10 | 6.67% |
| Total | 150 | 100% |

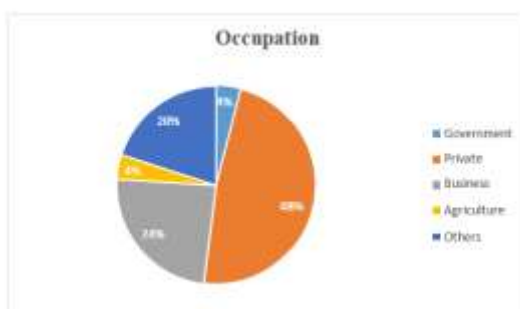


The findings indicate that investors generally allocate a small portion of their savings to mutual funds, reflecting cautious investment behaviour. Among various asset management companies, HDFC Mutual Fund was recognized as a reliable investment option, although some respondents preferred alternative brands due to familiarity and perceived performance. Lack of financial knowledge emerged as the most significant barrier preventing investment in mutual funds. High return expectations were identified as the most influential factor affecting investment decisions, followed by liquidity, professional management, and brand reputation. Most respondents expected annual returns between 8% and 18%, suggesting moderate risk appetite among investors. Statistical analysis confirmed that demographic variables such as age, education, and income significantly influence investment preferences and perception levels. The results emphasize the importance of investor education, transparency, and effective communication strategies in strengthening customer trust and improving participation in mutual fund investments. Overall, the study demonstrates a positive perception towards mutual funds and highlights the growing acceptance of professionally managed investment products among Indian investors.

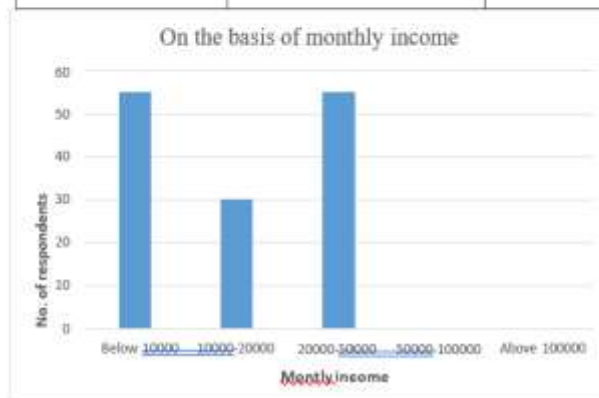
| Qualification | No. of respondents | Percentage |
|------------------|--------------------|------------|
| Secondary | 0 | 0.00% |
| Higher secondary | 5 | 3.33% |
| Under Graduation | 95 | 63.33% |
| Post-Graduation | 50 | 33.33% |
| Others | 0 | 0.00% |
| Total | 150 | 100% |



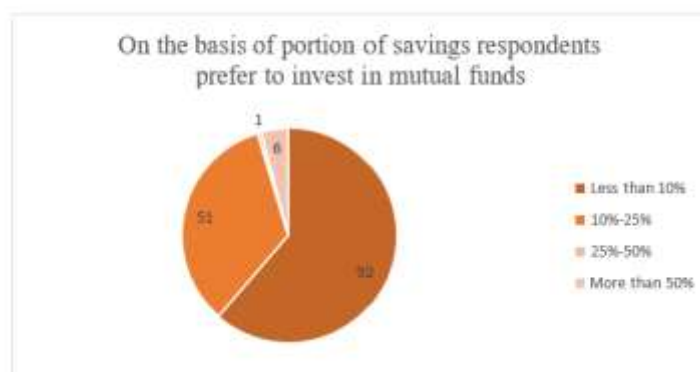
| Occupation | No. of respondents | Percentage |
|-------------|--------------------|------------|
| Government | 10 | 4% |
| Private | 65 | 48% |
| Business | 35 | 24% |
| Agriculture | 10 | 4% |
| Others | 30 | 20% |
| Total | 150 | 100% |



| Monthly income | No. of respondents | Percentage |
|----------------|--------------------|------------|
| Below 10000 | 55 | 39.29% |
| 10000-20000 | 30 | 21.43% |
| 20000-50000 | 55 | 39.29% |
| 50000-100000 | 0 | 0.00% |
| Above 100000 | 0 | 0.00% |
| Total | 150 | 100% |

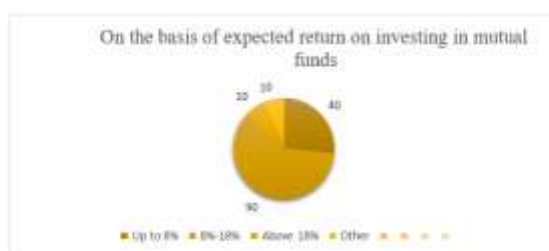


| Portion of savings | No. of respondents | Percentage |
|--------------------|--------------------|------------|
| Less than 10% | 92 | 62.07% |
| 10%-25% | 51 | 34.48% |
| 25%-50% | 1 | 0.00% |
| More than 50% | 6 | 3.45% |
| Total | 150 | 100% |



| Asset Management Company | No. of respondents | Percentage |
|------------------------------|--------------------|------------|
| SBI Mutual Fund | 66 | 44.83% |
| HDFC Mutual Fund | 21 | 13.79% |
| Birla Sun Life Mutual Fund | 16 | 10.34% |
| ICICI Prudential Mutual Fund | 11 | 6.90% |
| UTI Mutual Fund | 11 | 6.90% |
| Kotak Mutual Fund | 5 | 3.45 |
| Tata Mutual Fund | 20 | 13.79 |
| L&T Mutual Fund | 0 | 0.00% |
| DSP BlockRock Mutual Fund | 0 | 0.00% |
| Others | 0 | 0.00% |
| Total | 150 | 100% |

| Return | No. of respondents | Percentage |
|-----------|--------------------|------------|
| Up to 8% | 40 | 26.67% |
| 8%-18% | 90 | 60.00% |
| Above 18% | 10 | 6.67% |
| Other | 10 | 6.67% |
| Total | 150 | 100% |



| Term | No. of responder | Percentage |
|---------------------------|------------------|------------|
| Long term (>12 months) | 62 | 41.38% |
| Medium term (6-12 months) | 37 | 24.14% |
| Short term (<6 months) | 50 | 34.48% |
| Total | 150 | 100% |



V. CONCLUSION

The study concludes that mutual funds have become an important investment avenue for investors seeking diversification, professional management, and long-term wealth creation. Customer perception towards HDFC Mutual Funds is generally positive, driven by factors such as fund performance, brand reputation, liquidity, and expected returns. The research findings reveal that investor awareness and financial literacy play a crucial role in shaping investment decisions and confidence levels. While many investors recognize the benefits of mutual funds, lack of adequate knowledge and understanding continues to limit participation among potential investors. Demographic characteristics including age, education, occupation, and income significantly influence investment behaviour and scheme selection. The study further establishes that investors prefer mutual fund schemes that offer moderate risk with attractive returns and transparent fund management practices. HDFC Mutual Fund is perceived as a trustworthy and professionally managed asset management company capable of meeting diverse investor needs. However, continuous investor education programs, digital engagement initiatives, and transparent communication regarding risk and return characteristics are necessary to strengthen investor confidence and improve market penetration. Financial institutions and asset management companies should focus on awareness campaigns and personalized investment guidance to encourage broader participation in mutual fund investments. The study contributes to the understanding of investor behaviour and provides useful insights for policymakers, fund managers, and financial advisors seeking to enhance customer satisfaction and mutual fund adoption. Future studies may incorporate larger sample sizes and broader geographical coverage to obtain more comprehensive insights into evolving investor perceptions and preferences in the mutual fund industry.

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