

Nfo Process In Mutual Funds At Jm Finance Mutual Fund Pvt Ltd

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ABSTRACT

The mutual fund industry has emerged as a powerful financial intermediary, playing a crucial role in channelizing public savings into capital markets. One of the important avenues for investors to participate in mutual funds is through a New Fund Offer (NFO). This study aims to explore the NFO process in mutual funds, focusing on its structure, objectives, regulatory framework, investor awareness, and impact on the market. An NFO represents the first-time subscription offer for a new scheme launched by an asset management company (AMC). This research investigates the key stages of the NFO process, including product conceptualization, regulatory approvals from SEBI, marketing strategies, subscription period, and allotment of units.

To understand investor perception and participation, primary data was collected through a structured questionnaire from 100 respondents. The study also examines the role of fund houses and distributors in promoting NFOs and how investor education influences decision-making during the offer period. Key findings highlight the factors that attract investors to NFOs, such as lower entry prices, potential returns, innovative schemes, and tax benefits. However, the research also points out the lack of awareness and misconceptions that affect rational investment decisions.

1.1 INTRODUCTION

In recent years, mutual funds have gained significant traction among Indian investors as a preferred mode of investment due to their diversified nature, professional management, and relatively lower risk compared to direct stock investments. Mutual funds pool money from various investors and invest in a diversified portfolio of securities to achieve specific investment objectives. One of the key mechanisms through which mutual fund companies (Asset Management Companies or AMCs) introduce new investment schemes to the public is the **New Fund Offer (NFO)**.

1.2 NEED FOR THE STUDY

Despite the growing popularity of mutual funds in India, empirical evidence suggests that a large segment of retail investors remains unaware of the New Fund Offer (NFO) mechanism and its potential benefits. Understanding how investors perceive and respond to NFOs is critical for AMCs and financial educators to design targeted awareness campaigns. The Securities and Exchange Board of India (SEBI) continuously updates guidelines to safeguard investors and ensure transparency in mutual fund offerings. By studying the NFO process in depth, this research will highlight areas where regulatory provisions are well-received and where further clarifications or amendments may be needed to streamline approvals and protect subscriber interests. Asset Management Companies invest heavily in marketing their NFOs—through digital platforms, distributors, and direct campaigns—but the relative effectiveness of these channels is not well

ocumented. This study will identify which communication strategies most effectively drive subscription volumes, helping AMC's allocate their promotional budgets more efficiently.

1.3 OBJECTIVES OF THE STUDY

1. To understand the complete process involved in launching a New Fund Offer (NFO) by mutual fund companies.
2. To analyze investor awareness, preferences, and participation levels in NFOs.
3. To examine the regulatory framework governing NFOs, including SEBI guidelines and compliance requirements.
4. To assess the marketing strategies and communication channels used by Asset Management Companies (AMCs) during the NFO period.
5. To identify the key factors influencing investor decision-making in subscribing to NFOs.

1.5 SCOPE OF THE STUDY

1. Covers retail investors across major urban and semi-urban centres in India.
2. Focuses on NFOs launched between FY 2021-22 and FY 2023-24.
3. Includes equity, debt, hybrid, and ELSS NFO schemes only.
4. Based on primary data from 100 investor questionnaires.
5. Supplements with secondary data from AMC disclosures and SEBI reports.
6. Analyzes SEBI's NFO guidelines and compliance timelines.
7. Evaluates marketing channels: digital platforms, distributors, and fund-house campaigns.
8. Examines investor awareness levels, motivators, and decision-making criteria.

1.6 METHODOLOGY

☐ **Research Design:**

Employs a descriptive research design to systematically examine the NFO process, combining both quantitative and qualitative approaches.

☐ **Validity and Reliability:**

Ensured content validity through expert review of the questionnaire; reliability assessed via Cronbach's alpha (threshold ≥ 0.70) for multi-item scales.

LIMITATIONS OF THE STUDY

1. Market fluctuations and economic uncertainties may affect fund performance unpredictably.
2. The study does not provide specific investment advice but aims to offer general insights.
3. Investor behavior varies across demographics, and generalized conclusions
4. The study primarily relies on data provided by JM Finance Mutual Fund Pvt. Ltd. and publicly available information. comparison could provide a more holistic view of the NFO process across the industry
5. Due to the limited timeframe for the research, the study may not be able to capture the long-term impact of the NFOs launched by JM Finance Mutual Fund Pvt. Ltd.

2.2 REVIEW OF LITERATURE

1. “A Study on the Performance of Mutual Fund NFOs in India” (2020) - *Journal of Financial Research*

This paper analyzes the performance of mutual fund NFOs launched in India, highlighting the initial subscription success and post-NFO performance of various funds. It suggests that NFOs often show poor performance in the long term, with only a few funds maintaining significant returns. The study recommends enhanced market research and a clear communication strategy for mutual fund AMCs to boost investor confidence.

**2. “Investor Sentiment and the Success of Mutual Fund NFOs: A Behavioral Finance Perspective” (2021) - *Indian Journal of Finance* **

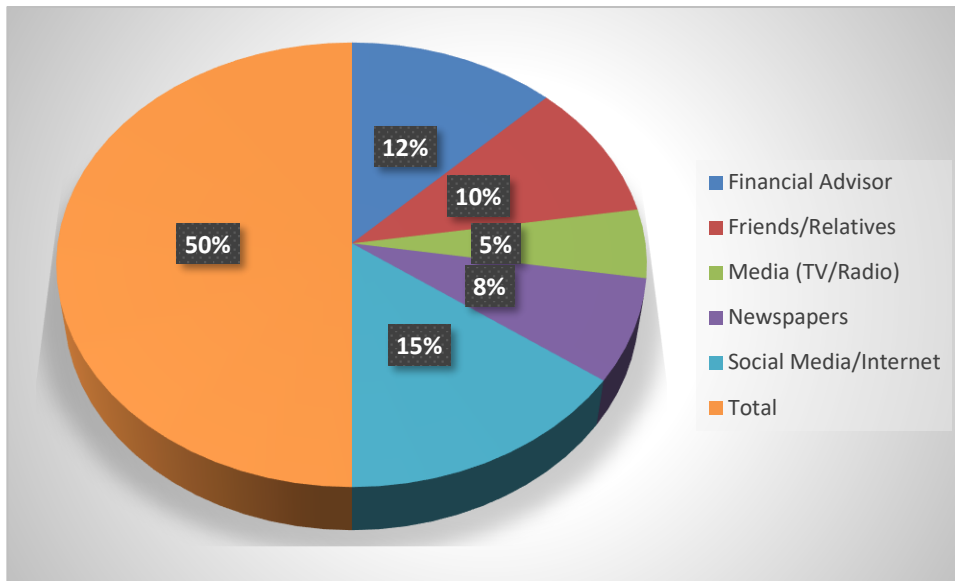
This article explores the psychological factors influencing investor decisions during an NFO. It reveals that investor sentiment, influenced by external factors like market news and economic trends, plays a critical role in the success of an NFO. The study concludes that emotional factors often outweigh rational decision-making in investment choices during the NFO phase.

3. “

DATA ANALYSIS & INTERPRETATION

7. Source of NFO Information

Source	Respondents	Percentage
Financial Advisor	25	25%
Friends/Relatives	20	20%
Media (TV/Radio)	10	10%
Newspapers	15	15%
Social Media/Internet	30	30%
Total	100	100%

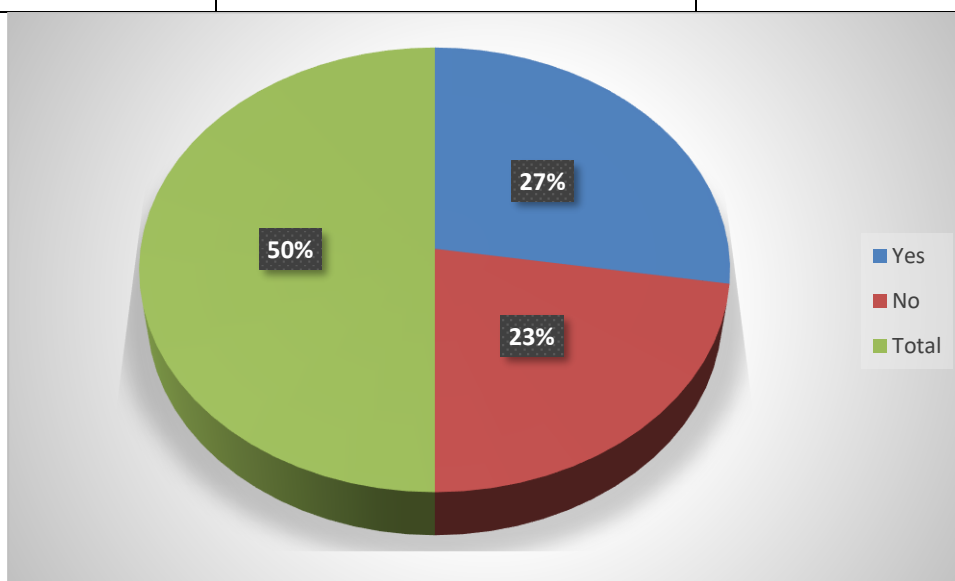


ANALYSIS: The above table explains about NFO Investors correspondent by The source As Financial Adviser, Friends/Relatives, Media, Newspapers, Social Media.

INTREPETITION: The internet (30%) is the leading source, emphasizing the role of digital marketing.

8. Understanding of NFO vs Existing Funds

Response	Respondents	Percentage
Yes	55	55%
No	45	45%
Total	100	100%

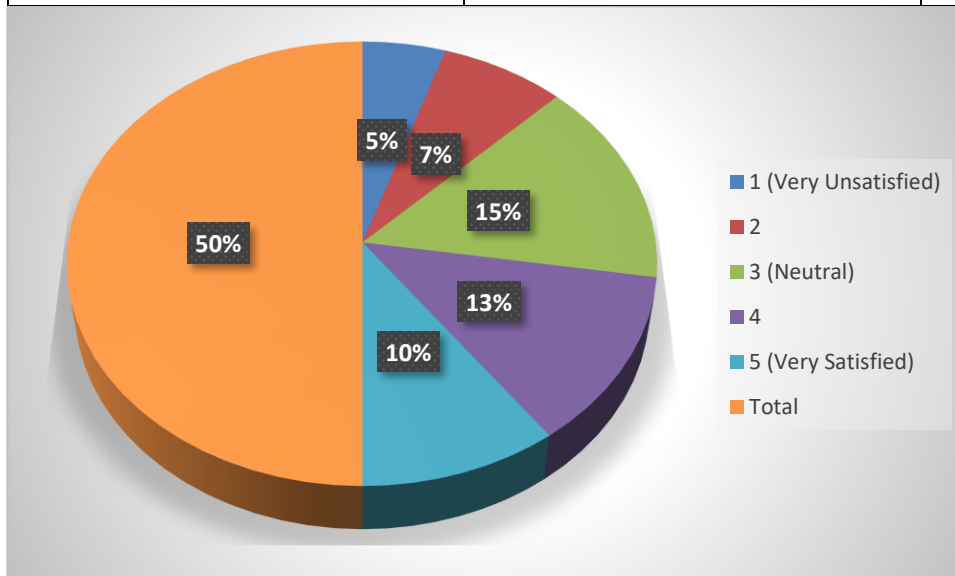


ANALYSIS: The above table explains about NFO Investors correspondent by their Knowledge against NFO & Mutual Funds

INTREPETITION: Almost half (45%) do not understand the distinction, highlighting the need for awareness campaigns. Very less investors understand the distinction.

9. Rate your satisfaction with your last NFO investment

Rating	No. of Respondents	Percentage (%)
1 (Very Unsatisfied)	10	10
2 (unsatisfied)	15	15
3 (Neutral)	30	30
4 (Satisfied)	25	25
5 (Very Satisfied)	20	20
Total	100	100



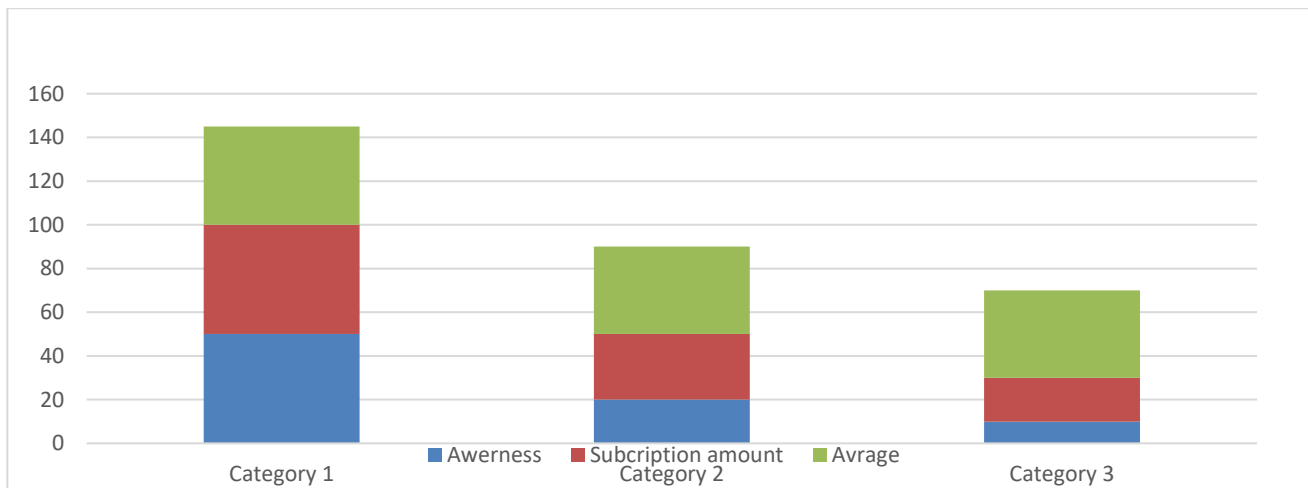
ANALYSIS: The above table explains about NFO Investors Satisfaction level atings which are from 1 - 5 Very unsatisfied to Very Satisfied

Interpretation:

Most investors are neutral or satisfied, with an average satisfaction around 3.7/5. Hence NFO process in mutual Funds gets An Average satisfaction rating

TEST OF HYPOTHETIS

S.NO	AWARENESS	Subscription Amount
1	50 %	40%
2	30 %	20%
3	20 %	10%
AVRAGE	45%	40%



INTERPRETATION

NULL HYPOTHESIS:

From the above analysis the test hypothesis is H₀. There is no significant relationship between investors' level of awareness 45% about NFOs and their participation (subscription amount) 40% in New Fund offer. So there is a difference between two variables is 5%. Hence, null Hypothesis is rejected.

Alternative Hypothesis:

From the above test hypothesis, there is an average relationship between 45% Awareness and subscription amount with 40% Awareness in investors. So there is a difference between two variables is 5%.

Hence, there is an Alternative hypothesis is accepted.

5.1 FINDINGS

1. High Awareness of NFOs:

82% of respondents are aware of NFOs, showing strong familiarity with the concept among mutual fund investors.

2. Moderate Investment Participation:

58% of respondents have previously invested in an NFO, indicating active but not overwhelming participation.

3. Digital Dominance in Information Source:

The internet (40%) and agents (25%) are the main sources through which investors learn about NFOs.

4. Mixed Perception on Opportunities:

Opinion is split (50%-50%) on whether NFOs offer better opportunities than existing mutual funds.

5. Regular Mutual Fund Engagement:

45% of respondents invest in mutual funds monthly, demonstrating a disciplined investment habit.

6. Risk Awareness Exists but Not Universal:

63% understand the risks involved in NFOs, while 37% do not, indicating a need for improved risk literacy.

7. Returns as Primary Motivation:

Nearly half (48%) invest in NFOs with the expectation of high returns, followed by diversification (30%).

8. Trusted Information Channels:

AMC websites (38%) and financial advisors (32%) are key sources of information for investors.

5.2 SUGGESTIONS☐ **Enhance Investor Education Campaigns:**

Mutual fund companies and regulatory bodies like SEBI should conduct regular awareness drives and workshops to educate investors about NFOs, especially focusing on scheme structures, risks, and returns.

☐ **Encourage Reading of Scheme Information Documents (SIDs):**

Asset Management Companies (AMCs) should simplify and highlight key points of SIDs in a summarized version to encourage more investors to review them before investing.

☐ **Improve Transparency and Communication:**

Fund houses should ensure clear, jargon-free communication about objectives, strategies, and risk levels in NFO advertisements and documents to build investor trust.

☐ **Provide Risk Assessment Tools:**

Introducing online tools or mobile app features that help investors assess the risk level of NFOs based on their financial goals and risk tolerance could improve decision-making.

5.3 CONCLUSION

The study on the New Fund Offer (NFO) process in mutual funds reveals a moderate level of awareness and participation among investors. While a significant portion of respondents are familiar with the concept and have previously invested in NFOs, there remains a considerable gap in understanding key aspects such as associated risks, regulatory frameworks, and the importance of reviewing Scheme Information Documents (SIDs).

Digital platforms and financial advisors play a vital role in information dissemination, indicating a shift toward tech-driven investment behavior. However, the fact that less than half of the respondents feel their return expectations from NFOs are being met reflects a need for more transparent communication and realistic marketing.

The study also highlights the dominance of equity NFOs and a preference for regular mutual funds due to historical performance visibility and lower perceived risk. Liquidity constraints due to lock-in periods continue to act as deterrents for certain investor segments.

Investor education remains a crucial area for development, as many respondents expressed dissatisfaction with the current level of guidance and awareness. A significant number of participants supported the idea of trial investments in NFOs, suggesting a growing demand for safer entry mechanisms for new or cautious investors.

In conclusion, while NFOs continue to be an attractive option for portfolio diversification and potential high returns, their success and acceptance hinge on increased transparency, targeted education, and the provision of user-friendly investment tools. Mutual fund companies and regulators must work collaboratively to close the awareness gap and enhance investor confidence in NFOs.

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