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A Comparative Study of Investor Perception Toward SIPs and NFOs in Equity Mutual Funds

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Abstact

This study examines investor perceptions toward Systematic Investment Plans (SIPs) and New Fund Offers (NFOs) within equity mutual funds. Using a structured questionnaire distributed among retail investors, the research compares awareness levels, perceived risk, expected returns, decision-making factors, and overall preference between the two investment options. Findings indicate that SIPs are generally viewed as more reliable and disciplined investment routes, while NFOs attract investors primarily through novelty, lower initial prices, and promotional strategies. The study offers insights into how financial literacy, risk tolerance, and marketing influence investor choices, contributing to a deeper understanding of behavioural patterns in mutual fund investment.

Keywords: Investor Perception, SIPs, NFOs, Equity Mutual Funds, Investment Behaviour, Risk–Return Trade-off

1. Introduction

Over the past few years, the investment habits of Indian households have changed in a big way. Instead of sticking only to fixed deposits, gold, or real estate, more people are now exploring mutual funds—mainly because investing has become easier, more relatable, and far more accessible. With simple mobile apps, financial influencers explaining concepts in everyday language, and the hugely successful "Mutual Funds Sahi Hai" campaign, even first-time investors now feel confident enough to enter the market.

Within this growing mutual fund culture, two options stand out for most investors: **Systematic Investment Plans (SIPs)** and **New Fund Offers (NFOs)**. SIPs have become popular because they make investing feel effortless—small amounts, regular intervals, less stress, and the comfort of long-term discipline. On the other hand, NFOs create excitement by offering brand-new themes and the appeal of getting in early, even though they come with higher uncertainty and no track record.

These two choices reflect very different mindsets. SIPs attract investors who prefer stability and predictability, while NFOs appeal to those who enjoy exploring new opportunities and are willing to take risks. Understanding how investors perceive these options is important because these perceptions strongly influence their financial decisions.

This study aims to explore how Indian investors actually think about SIPs and NFOs—what they trust, what they fear, what motivates them, and how much they truly understand about each option. By analysing real survey responses, the research hopes to provide insights that can help advisors, AMCs, and policymakers design better awareness programs and guide people toward more informed and confident investment choices.

2. Objectives & Hypothesis

Objective:

1. **To examine investor awareness and understanding** of Systematic Investment Plans (SIPs) and New Fund Offers (NFOs) in equity mutual funds.
2. **To compare investor perceptions** regarding the risk, return, and reliability associated with SIPs and NFOs.
3. **To analyze factors influencing investors' preferences** between SIPs and NFOs, such as age, income, financial literacy, and investment experience.

Hypothesis

Objective 1:

H_0 (Null Hypothesis):

There is no significant difference in investor awareness and understanding between SIPs and NFOs in equity mutual funds.

H_1 (Alternative Hypothesis):

There is a significant difference in investor awareness and understanding between SIPs and NFOs in equity mutual funds.

Objective 2:

H_0: There is no significant difference in investor perception regarding risk, return, and reliability between SIPs and NFOs.

H_1: There is a significant difference in investor perception regarding risk, return, and reliability between SIPs and NFOs.

Objective 3:

- **H_0:** Demographic and financial factors (age, income, financial literacy, investment experience) have no significant influence on investors' preference between SIPs and NFOs.
- **H_1:** Demographic and financial factors (age, income, financial literacy, investment experience) have a significant influence on investors' preference between SIPs and NFOs.

3. Literature Review

The mutual fund industry has become one of the most active parts of India's financial market, giving ordinary investors an easy way to participate in equities with professional guidance and built-in diversification. As mutual fund participation rises—especially through digital platforms—two products often shape investor choices: **Systematic Investment Plans (SIPs)** and **New Fund Offers (NFOs)**. Past research helps explain how investors perceive these options and what influences their decisions.

Studies on **mutual fund investment behaviour** show that investors rarely make decisions based only on numbers. They look at past returns, brand reputation, risk level, fees, liquidity, and tax benefits, but their choices are also shaped by psychological factors such as risk aversion, overconfidence, herding, and how much they fear losses. Digital apps and automated investing have made mutual funds more accessible, especially for young investors who prefer small, regular investments through SIPs.

Research on **SIPs** consistently finds that investors appreciate their disciplined approach. SIPs help people invest regularly, reduce the pressure of timing the market, and benefit from rupee-cost averaging. This makes SIPs attractive for long-term goals like retirement or education. Young salaried individuals and financially literate investors show a strong preference for SIPs, though some investors still discontinue them during market downturns due to emotional reactions or short-term fear.

On the other hand, studies on **NFOs** reveal a mixed picture. Many investors are attracted to NFOs because of the low initial NAV and heavy marketing by fund houses. They often feel they are getting an "early entry" into a new opportunity. However, researchers highlight that NFOs come with no performance history, making them harder to evaluate. Experienced investors tend to be more cautious, while younger or less informed investors are more easily influenced by advertising, themes like ESG or technology, and the novelty factor.

Comparative studies show clear differences between SIPs and NFOs. SIPs are generally seen as stable, long-term wealth-building tools, while NFOs are considered more speculative—useful only when the theme is unique or the timing is favourable. SIPs emphasise discipline and steady growth, whereas NFOs rely heavily on marketing, investor sentiment, and perceived opportunities.

Demographic and behavioural factors also shape investor choices. Younger and financially literate individuals gravitate toward SIPs; investors with higher risk appetite may explore NFOs. Biases such as anchoring make investors believe that a low NAV means a cheap or better investment, even though this is often not true.

Overall, the literature shows that although SIPs and NFOs have been studied separately, **very few studies directly compare investor perceptions of both products in the Indian context**. There is also limited research on how demographic traits and behavioural biases jointly influence the preference between SIPs and NFOs. This creates a clear gap, which this study aims to address by examining how investors think, feel, and decide between the two.

4. Research Methodology

Introduction

This chapter explains how the study was carried out in a systematic and scientific way. The aim is to understand how investors perceive SIPs and NFOs in the mutual fund market. The methodology describes how data was collected, what tools were used, how the sample was selected, and which statistical techniques were applied. A structured questionnaire was used to gather primary data, and the results were analysed using descriptive statistics, correlation, regression, and reliability tests. The chapter also highlights the study's limitations to ensure transparency. Overall, the methodology ensures that the findings are reliable, objective, and academically sound.

Research Design

A **quantitative and descriptive** research design was used for the study.

- **Quantitative:**
  Data was collected through structured questionnaires to measure investor perceptions and behavioural patterns in a numerical form.
- **Descriptive:**
  The study describes how investors think about SIPs and NFOs, what behavioural factors influence them, and how demographic differences shape their choices.

A **cross-sectional survey** was conducted, meaning all data was collected at one point in time. This method helps capture the current mindset of mutual fund investors.

Nature and Sources of Data

Primary Data:

Collected directly from investors through a questionnaire. This helps capture their real opinions, awareness levels, behaviour, and preferences between SIPs and NFOs.

Sampling Design and Sample Size

Sampling Method:

The study uses **non-probability convenience sampling** because investors are spread across different locations and can be reached easily through digital platforms. This method is practical and cost-effective, though it may not fully represent the entire population. The Total responses were 80 investors

Target Population:

The survey is designed for:

- Individuals aged 18 and above
- People who have basic knowledge or experience with mutual fund investments
- Salaried employees, professionals, business owners, and students

5. Data Analysis and Findings

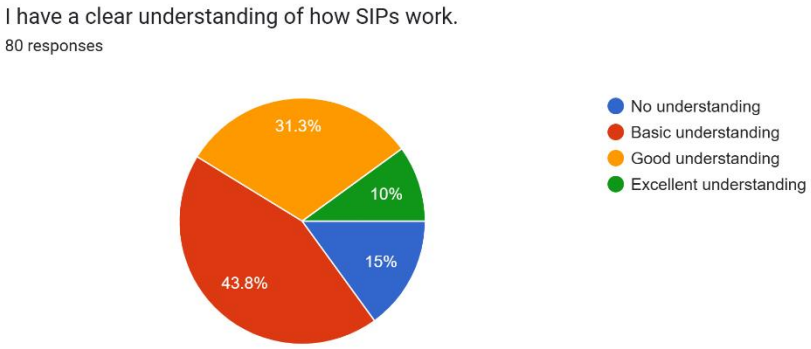
This section presents the analysis and interpretation of primary data collected from **80 respondents** to understand investor perceptions toward **Systematic Investment Plans (SIPs)** and **New Fund Offers (NFOs)** in equity mutual funds. The findings are structured into demographic analysis, awareness and understanding, perception of risk and return, behavioural influences, and overall investor preference.

Demographic profile of respondents

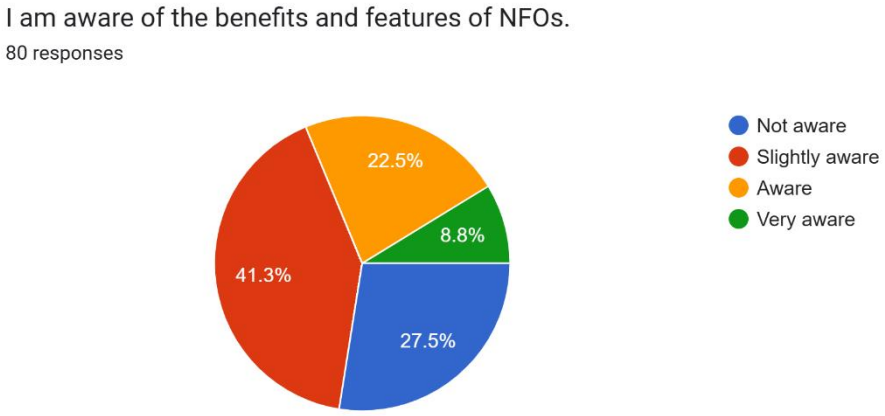
Variable	Category	Frequency (n)	Percentage (%)
Age	Below 25 years	50	62.5%
	25–35 years	19	23.8%
	36–45 years	8	10.0%
	46–55 years	2	2.5%
	Above 55 years	1	1.3%
Gender	Female	42	52.5%
	Male	38	47.5%
Occupation	Student	51	63.7%
	Salaried Employee	18	22.5%
	Business	4	5.0%
	Professional	4	5.0%
	Retired / Other	3	3.8%
Monthly Income (INR)	Below ₹25,000	55	68.8%
	₹25,000–₹50,000	11	13.8%
	₹50,000–₹75,000	7	8.8%
	₹75,000–₹1,00,000	4	5.0%
	Above ₹1,00,000	3	3.8%

Interpretation

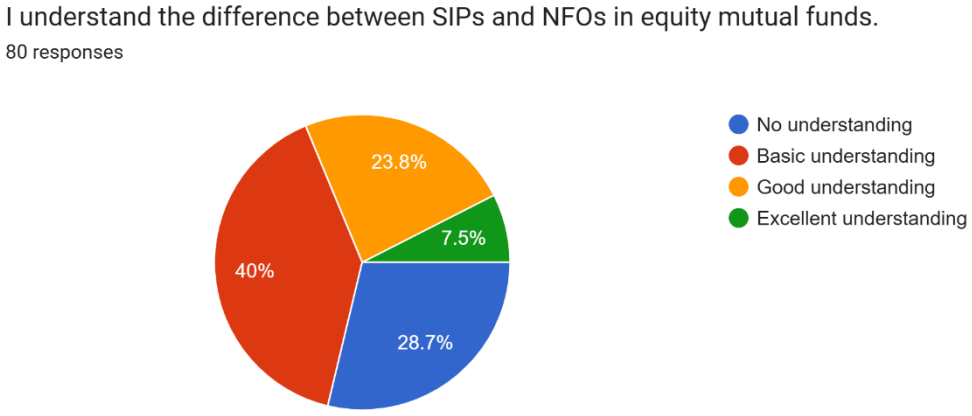
- The sample is **youth-dominated** (majority below 25) and **student-heavy**, with most respondents in low-to-moderate income brackets.
- Gender balance is reasonably even.
- Implication: findings mainly reflect perceptions and behaviour of young, early-stage investors who may have limited investing experience and lower financial capacity.



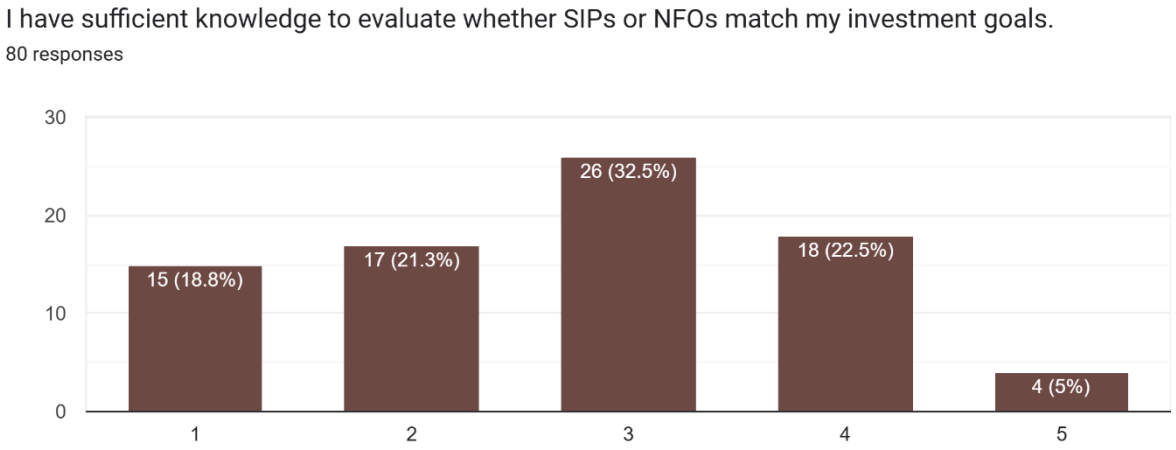
Most respondents (≈75%) have at least a basic understanding of SIPs; about 15% lack understanding. SIPs are relatively well-known among the sample.



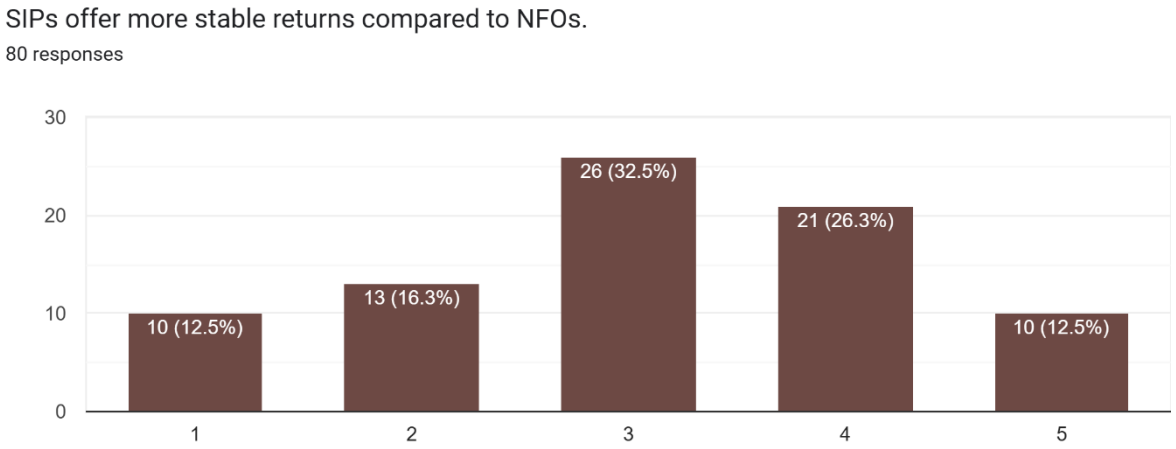
These findings indicate a clear **information gap**, particularly regarding NFOs. SIPs benefit from long-term promotion, financial campaigns, and frequent usage by retail investors, while NFOs remain less understood. The inability to distinguish between the two suggests limited financial literacy among a segment of investors, leading to cautious or neutral investment behaviour. This supports **Objective 1**, and the null hypothesis related to equal awareness is **rejected**.



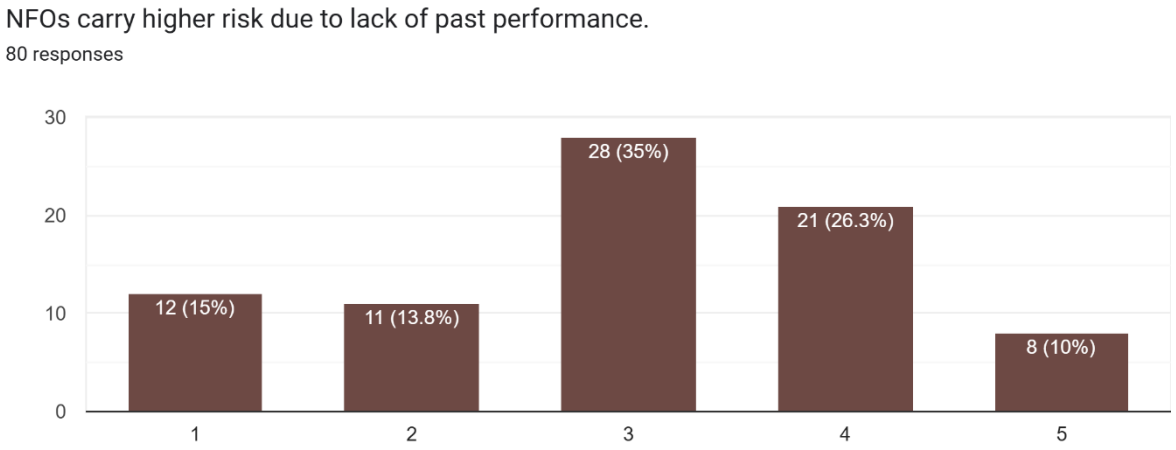
A substantial portion (≈28.7%) cannot distinguish between SIPs and NFOs. This supports the earlier observation that SIPs are better understood and trusted. These findings indicate a clear **information gap**, particularly regarding NFOs. SIPs benefit from long-term promotion, financial campaigns, and frequent usage by retail investors, while NFOs remain less understood. The inability to distinguish between the two suggests limited financial literacy among a segment of investors, leading to cautious or neutral investment behaviour. This supports **Objective 1**, and the null hypothesis related to equal awareness is **rejected**.



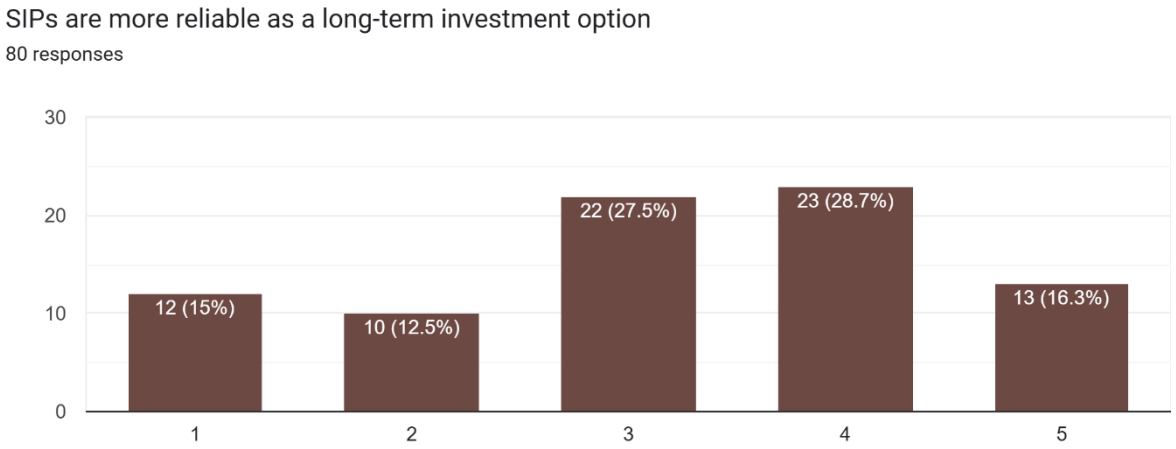
Most respondents are neutral-to-mildly confident (3 or 4). Only ~27% are confident (4–5) while ~40% are low-confidence (1–2). This aligns with moderate overall financial literacy.



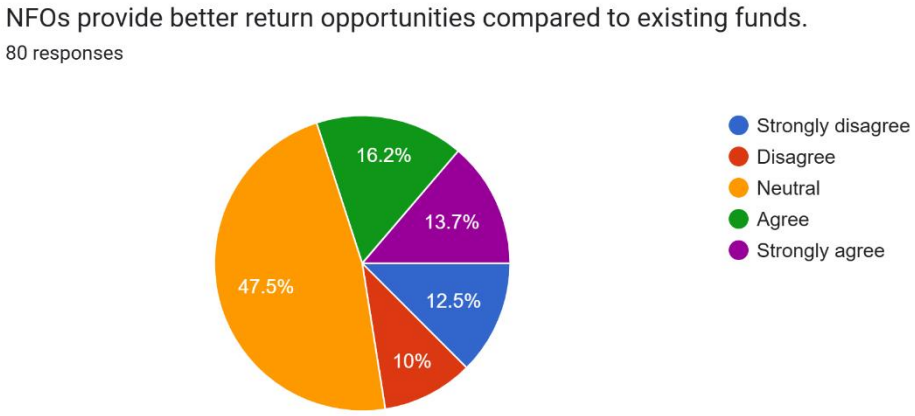
Majority are neutral to agreeing (3–4). There is a general perception that SIPs are moderately more stable than NFOs.



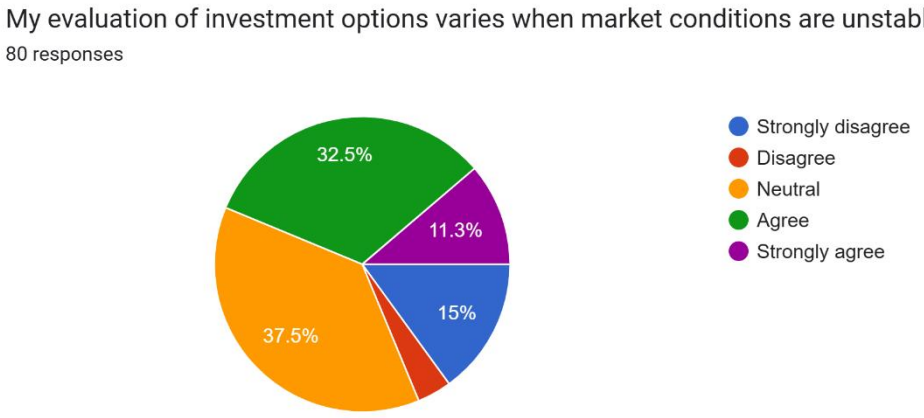
Respondents moderately agree that NFOs are riskier — most responses fall at 3 or 4. The lack of historical track record for NFOs increases perceived uncertainty.



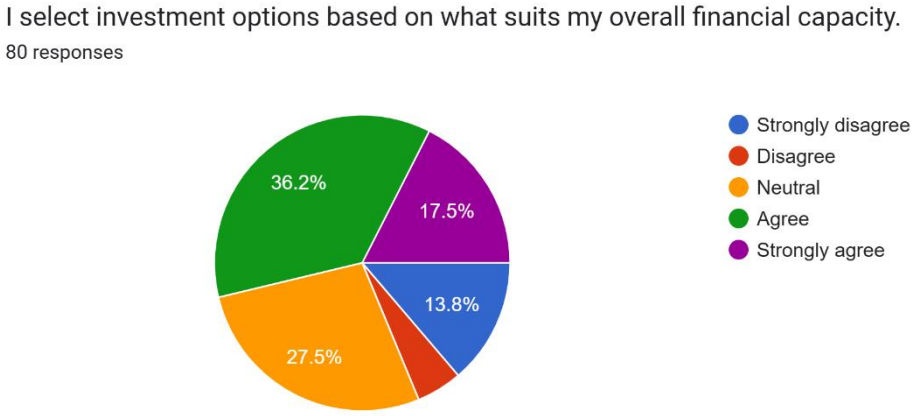
The results highlight that investors prioritize **predictability and consistency over speculative gains**. SIPs align well with the risk tolerance of young and low-income investors, while NFOs are perceived as uncertain and suitable only for experienced investors. Hence, **Objective 2 is supported**, and the null hypothesis regarding no difference in perception is **rejected**.Most responses (≈72.5% at 3–5) indicate respondents view SIPs as a reliable long-term approach.



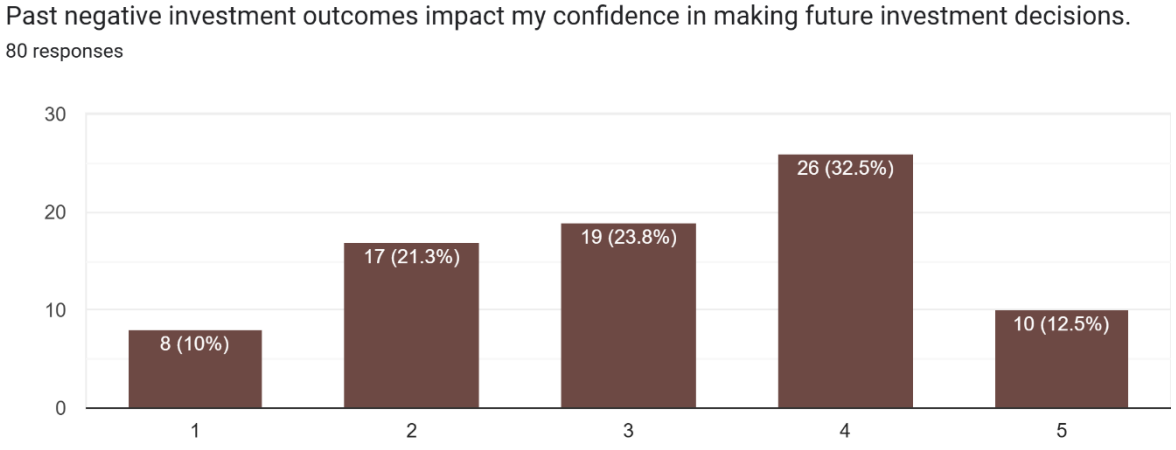
Respondents are **uncertain/neutral** about NFOs offering better returns; only ~30% agree/strongly agree.



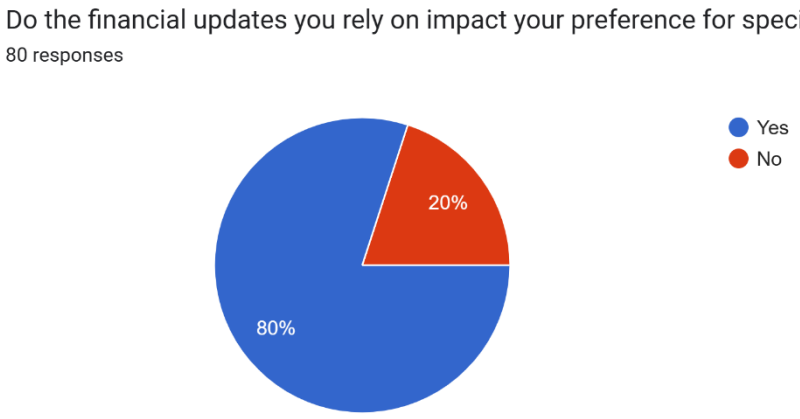
A plurality are neutral but a significant share agrees that market conditions affect evaluation — investors partially adjust choices based on macro/market signals.



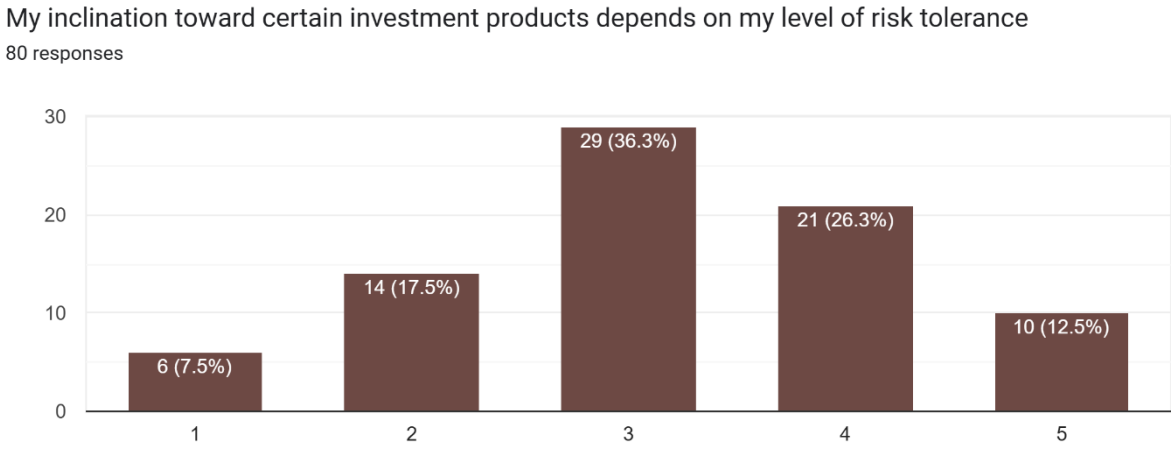
Most respondents (≈53.7% agree/strongly agree) choose investments based on personal financial capacity — financial constraints matter.



Past negative experiences reduce confidence for many respondents (≈45% at 4–5), consistent with loss-aversion behaviour in behavioural finance.



Most respondents rely on financial news/updates when choosing investment avenues — external information sources heavily influence decisions.



Majority are neutral-to-agree (3–4), showing that risk tolerance is an important factor in product choice.

Statistical Tool (Chi Square) and Significance Level

Chi-Square Test

	Chi^2	df	p
I have a clear understanding of how SIPs work. - I am aware of the benefits and features of NFOs.	**50.82**	**9**	**<.001**

Interpretation:

A Chi^2 test was performed between I have a clear understanding of how SIPs work. and I am aware of the benefits and features of NFOs.. At least one of the expected cell frequencies were less than 5. Therefore, the assumptions for the Chi^2 test were not met. There was a statistically significant relationship between I have a clear understanding of how SIPs work. and I am aware of the benefits and features of NFOs., $\chi^2(9) = 50.82$, p = <.001, Cramér's V = 0.46

The calculated p-value of <.001 is lower than the defined significance level of 5%. The Chi^2 test is therefore significant and the null hypothesis is rejected .

	Sum of Squares	df	Mean Squares	F	p
NFOs provide better return opportunities compared to existing funds.	**49.5**	**4**	**12.37**	**11.5**	**<.001**
Residual	**80.69**	**75**	**1.08**		
Total	**130.19**	**79**			

Interpretation:

A one-factor analysis of variance has shown that there is a significant difference between the categorical variable NFOs provide better return opportunities compared to existing funds. and the variable SIPs are more reliable as a long-term investment option F = 11.5, p = <.001 Thus, with the available data, the null hypothesis is rejected.

	Sum of Squares	df	Mean Squares	F	p
Monthly Income	**5.94**	**4**	**1.48**	**1.23**	**.304**
Residual	**90.25**	**75**	**1.2**		
Total	**96.19**	**79**			

Interpretation:

A one-factor analysis of variance has shown that there is no significant difference between the categorical variable Monthly Income and the variable My inclination toward certain investment products depends on

my level of risk tolerance $F = 1.23$, $p = .304$ Thus, with the available data, the null hypothesis is not rejected.

Key findings (summary):

1. **SIPs are more understood and trusted:** SIPs show higher awareness and are perceived as more reliable and stable for the long term.
2. **NFOs suffer from low clarity:** Respondents are uncertain about NFO returns and view NFOs as riskier because of missing historical performance.
3. **Investor profile drives preference:** Youthful, student-dominated, low-income sample => preference for systematic, lower-entry products (SIPs) rather than speculative NFOs.
4. **External information matters:** 80% report being influenced by financial updates, so marketing/communications can shift perceptions.
5. **Behavioural drivers:** Past negative outcomes and risk tolerance meaningfully shape preferences (loss aversion, risk aversion).

Conclusion

The findings of this study highlight clear differences in investor perceptions toward Systematic Investment Plans (SIPs) and New Fund Offers (NFOs) in the equity mutual fund market. The demographic profile shows that the majority of respondents are young, student-level investors with limited income, which significantly shapes their investment behaviour and risk appetite. Overall, the results indicate that SIPs are perceived more positively due to their **stability, long-term reliability, and lower risk**, whereas NFOs are viewed with caution because of their **lack of historical performance data and higher uncertainty**.

Although a considerable number of respondents possess only basic to moderate understanding of SIPs and NFOs, many still believe that SIPs offer more predictable returns and align better with long-term financial goals. In contrast, NFOs are mainly seen as an option suitable for individuals with higher risk tolerance and interest in speculative opportunities. Additionally, external factors such as market conditions, financial updates, and past investment experiences play a significant role in shaping investors' decisions.

Overall, the study concludes that investors—especially younger and less-experienced ones—tend to prefer SIPs over NFOs due to perceived safety and clarity. To enhance investor confidence and promote informed decision-making, financial institutions should focus on improving investor education, offering transparent information, and providing tools that match products with individual risk profiles.

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