CHAPTER VI

SUMMARY OF FINDINGS AND SUGGESTIONS
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6.1 SUMMARY OF FINDINGS

6.1.1 MUTUAL FUNDS IN INDIA - GENERAL FINDINGS

1. India, which has been ranked second in its population, is designated as a developing country. People depend more on agriculture as their business activity. Nearly 60 percent of the people in India depend on agriculture as their primary occupation.

2. Capital investment among people is lesser because of uncertain income and their household expenditure.

3. In India, people who are below poverty line do not think of savings or investments.

4. As far as urban economy is considered, people here, depend on various occupation and their per capita earnings are higher.

5. Mere savings is useless unless it is transformed into investment to generate long term growth. Thus savings is an investment for development and it is a means of economic growth.

6. Investing in various types of asset is an interesting activity that attracts people from all walks of life irrespective of their occupation, economic status, education and family background.

7. Investment is the employment of funds on assets with the aim of earning income or capital appreciation.

8. Investment has two attributes namely time and risk. An investment decision is a trade-off between risk and return.
9. Financial investment is the allocation of money to assets that are expected to yield some gain over a period of time.

10. The main objectives of an investment are increasing the rate of return and reducing the risk. Other objectives like safety, liquidity and hedge against inflection can be considered subsidiary objectives.

11. The primary factors of any household investment comprise net farm income, non-farm income, business income, wages, salaries and returns from other investments like rents, interest on savings, pensions, etc.,

12. The secondary factors which motivate people to invest their savings are the instruments in the money market and capital market, monetary policies of the nation, banking facilities, banking policies, company policies, taxation policy and others.

13. If savings are properly converted into investment in the economy, the economy will reach its optimum; otherwise, there may be a gap between savings, and investment. The savings remain idle and it will be a great loss to the overall economy.

14. The success of the investment activities depend upon the availability of investment avenues, faith on the avenues, awareness about the avenues, role of financial institutions, savings and investment habit of the people.

15. In urban India, the ability to invest is comparatively higher because of higher income level compared to rural India. The dominant income groups in urban India are 'middle income' people. Their investment behavior depends on so many factors which are socio, economic, personal and psychological oriented.

16. Money market is a market for the short term instruments that are closely substitutes for money which are highly liquid, easily marketable with little chance of loss.
17. The money market uses such instruments as promissory notes, bills of exchange, commercial papers, etc. The central bank, commercial banks, non-banking financial intermediaries and bill brokers deal in money market instruments.

18. Capital market is a market which deals in long-term funds. The capital market deals in ordinary stocks, shares and debentures of corporations, bonds and securities of government and industrial concerns. Stock exchange, mutual funds, leasing companies, investment banks, investment trusts, insurance companies, etc., deal in capital market.

19. Mutual fund is really a financial innovation of this country that provides a new way of mobilizing the savings from small investors and allowing them to participate in the equity and other securities of the companies and other organization with less risk.

20. Mutual fund schemes are broadly classified into open-ended scheme and close-ended scheme. Other classifications are growth equity oriented schemes, income / debt oriented scheme, balanced fund, money market mutual fund (MMMF), gilt fund, index fund, fund of funds, exchange traded funds, gold ETF's and contra fund.

21. Open-ended scheme offers its units on a continuous basis and accepts funds from investors continuously, and the investors can withdraw their money at any time.

22. Close-ended funds have a fixed maturity period. First time investments are made when the close-ended scheme is kept open for a limited period. Once closed, the units are listed on a stock exchange.

24. During the year 2007 net assets of mutual funds is USD 26,199,447 million and total number of schemes is 66,350 in the international level.

25. In the first phase 1964-1987 UTI, unit trust of India (UTI) started its operations in 1964 by launching its first scheme (US 64). It still continues to be one of the largest players in the domestic mutual fund industry with an AUM of Rs.38,603 crores as on 28th February 2007.

26. In the second phase 1987 – 1993 (Entry of public sector funds), 1987 marked the entry of non-UIT Public sector mutual fund set up by public sector banks and life insurance corporation of India (LIC) and general insurance corporation of India (GIC).

27. State Bank of India (SBI) mutual fund was the first non-UTI MF established in June 1987. At the end of this phase, the MF industry had AUM of Rs.47,004 crores.

28. Third Phase 1993-2003 – (Entry of Private sector funds), Both domestic and foreign players entered the market. The erstwhile Kothari pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

29. International players like Morgan Stanley, Jardine Fleming, and JP Morgan entered the market. By the end of this phase, there were 33 mutual funds with total AUM of Rs.1,21,805 crores.

30. Fourth phase – (Since February 2003) UTI’S restructuring and beyond – In February 2003, following the repeal of the UIT Act 1963, UTI was bifurcated into two separate entities.

i. Specified undertaking of the UTI under the government of India has got an AUM of RS.29,835 crores as at the end of January 2003 representing broadly the assets of US 64 schemes, assured return and certain other schemes.
ii. UTI mutual fund Ltd., sponsored by state Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BOB), and life Insurance corporation of India (LIC).

31. It may be noticed from table 3.5 that though the third phase had relatively been a low growth period, the growth of mutual fund industry, picked up in the fourth phase and that the CAGR had accelerated to 60.66 percent for the five years since February 2003.

32. Total AUM of mutual fund is Rs.5,05,152 crores during the year 2008. 44 percent of contribution from income scheme and growth scheme contribution is 31 percent out of 100 percent (Rs.5,05,152 crores).

33. Among top ten mutual funds, Reliance mutual fund got the first place having an AUM of Rs.93,532 crores as on February 2008 which had been in the second place during the previous years 2006 and 2007.

34. During the year 2006, UTI mutual funds got the first place (AUM Rs.29,51,908.52 lakhs) which however got the third place as on February 28, 2007.

35. The First three places are occupied by UTI mutual fund, Reliance mutual fund and prudential ICICI mutual fund in turn during the year 2006, 2007 and 2008.

36. Corporate Investors' AUM is 67.88 percent in the case of liquid money market scheme, 80.09 percent in the case of gilt scheme, 64.06 percent in debt oriented scheme and 39.41 percent in gold ETF schemes shows their investment is more than other investors as on Sep 30, 2009.

37. Retail investors' investment is more in the case of equity oriented scheme (65.65 percent) and balanced scheme (58.58 percent). High Net worth Investors are dominating in exchange traded fund scheme and fund of funds
38. With the increase in mutual fund players in India, a need for mutual fund association in India was generated to function as a non-profit organization. Association of mutual funds in India (AMFI) was incorporated on 22\textsuperscript{nd} August, 1995. It follows the principles of both protecting and promoting the interests of mutual fund and their unit holders.

6.2 SPECIFIC FINDINGS ON PERFORMANCE OF MUTUAL FUNDS IN INDIA

Findings in the number of schemes operated, funds mobilization, redemption, net inflow / outflow and sector-wise details of mutual funds in India during 1997-1998 to 2007-2008 are presented in the following points.

Funds Mobilisation / Sales

1. Fund mobilization through a number of schemes under income scheme during 1997 – 1998 was 84 and it is risen to 506 in the year 2007 – 2008. During the year 2006 – 2007, a maximum number of income schemes were introduced under closed – ended (122).

2. The year 2007 – 2008 witnessed a remarkable increase of fund mobilization of open – ended scheme under income scheme by Rs.6,91,296 crores over the previous year amount of Rs.85,117 crores. This may be due to the robust growth of mutual fund industry. It is also evident from table 4.2 that there is a remarkable increase of funds mobilization under income scheme from Rs.12,779 crores in the base year 1997-1998 to Rs.8,81,345 crores in the last year of the study period 2007 – 2008.

3. The regression co-efficient for funds mobilization under income scheme is positive and statistically significant at one percent level which implies that fund mobilisaton under income scheme has shown a significant increase
during the period under study. The analysis reveals that fund mobilized through close-ended scheme has increased remarkably by 412.86 percent per annum and open-ended scheme has increased by 171.02 percent per annum whereas assured return scheme has not increased significantly during the period under study. It is also observed that fund mobilized through income scheme has experienced a considerable variation of 171.42 percent in the case of close-ended scheme, 160.51 percent in the case of open-ended scheme, and 75.21 percent in the case of assured return scheme and overall income scheme has experienced a variation of 150.20 percent during the period under study.

4. The number of schemes under growth scheme operated in open-ended scheme during 1997-1998 is 28 which is increased to 221 in the year 2007-2008. There is no withdrawal of any scheme under open-ended scheme from 1997-1998 to 2007-2008.

5. Funds mobilized through open-ended schemes under growth scheme have risen from Rs.540 crores in the year 1997-1998 to Rs.98,541 crores in the year 2007-2008. Maximum additions are witnessed during the year 2005-2006 in open-ended scheme under growth scheme.

6. The Regression co-efficient for funds mobilisation under growth scheme is positive and statistically significant at one percent level. Funds mobilization through close-ended scheme have increased remarkably by 189.068 percent per annum and open-ended scheme funds have increased by 187.078 percent per annum.

7. The total number of schemes under balanced Scheme during the year 1997-1998 is 19 and in the year 2007-2008 it is 37. In the case of open-ended schemes, the number of schemes raised from 10 to 31 and there is no additions or withdrawals during the period from 2004-2005 to 2006-2007. This may be due to the launching of new schemes balanced with closing of some existing schemes.
8. Funds mobilization through open-ended scheme under balanced scheme rose from Rs.4,711 crores in 1997 – 1998 to Rs.11,143 crores in 2007 – 2008. The least amount of funds mobilised was Rs.161 crores, during the year 1998 – 1999. Only a meagre amount of fund is mobilized through close-ended scheme but remarkable increase of Rs.970 crores was made in the year 2006-2007.

9. The funds mobilization under balanced scheme is negative and statistically insignificant at one percent level which implies a insignificant increase of funds mobilization during the period of study. Fund mobilization through close-ended scheme is increased remarkably by 258.922 percent per annum where as open – ended scheme is increased by 39.315 percent per annum. It has experienced a considerable variation of 244.340 percent in the case of close – ended scheme, 83.302 percent in the case of open-ended scheme and the overall balanced scheme has experienced a variation of 82.537 percent during the period under study.

10. During 1997 – 1998 to 2007 – 2008 only open – ended schemes were operated under liquid / money market scheme because the money market instrument are only meant for a short period. Therefore there had been no chance for having close-ended scheme. The Scheme which had started its operations with seventeen schemes, it had reached 58 in the year 2007 – 2008.

11. Fund mobilization from open – ended schemes during 1998- 1999 are Rs.5,547 crores and during the year 2007 – 2008 were Rs.34,32,738 crores. This shows drastic raise in the funds mobilization during the study period. This shows successful operations of liquid / money market scheme in India.

12. The regression co-efficient of funds mobilization under liquid / money market scheme is positive and statistically significant at one percent level It shows a significant increase of funds mobilization during the period under study. The analysis reveals that funds mobilized through open-ended scheme is increased remarkably by 377.529 percent per annum and has experienced a considerable variation of 148.244 percent in the case of open – ended scheme as there is no

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14. Funds mobilized under gilt scheme during the year 1999 – 2000 were Rs.5,132 crores and Rs.3,180 crores in the year 2007 – 2008. This shows clearly a negative impact among mutual funds investors but in the year 2003-2004, Rs.7,185 crores of highest additions of funds mobilization could also be seen.

15. Regression co-efficient of fund mobilization under gilt scheme is negative and statistically insignificant at one percent level. Gilt scheme is increased by 27.938 percent per annum and has experienced a variation of 61.931 percent during the period under study.

16. Equity Linked Savings Scheme (ELSS) is functioning with fifty eight schemes during 1997 – 1998 and 12 in the year 2007 – 2008. This shows negative result of functioning of ELSS scheme.

17. Maximum sales of Rs.5,688 crores (ELSS) are observed in the year 2007 – 2008 under open-ended schemes. During the period 2000 – 2001 to 2004 – 2005 no funds are mobilized by close – ended scheme. This may be due to the challenges faced by the mutual fund industry to reach retail investors.

18. Regression co-efficient for funds mobilization under ELSS is positive and statistically significant at one percent level and five percent level. Open-ended scheme under ELSS is increased by 259.749 percent per annum, close – ended scheme is increased by 142.103 percent per annum and the overall funds mobilization is increased by 263.078 percent per annum. It is experienced with a considerable variation of 131.399 percent in the case of close-ended scheme, 163.508 percent in the case of open-ended scheme, and the overall ELSS has experienced a variation of 165.092 percent during the period under study.
The total number of schemes operated under open-ended scheme was sixty three in the year 1997-1998 and it rose to five hundred and ninety two during the year 2007-2008 Close-ended scheme started its functioning with one hundred and twenty five (125) numbers in the year 1997 – 1998 and it has reached the maximum of 364 number of schemes in the year 2007-2008. Total number of mutual fund schemes was 235 in the year 1997 – 1998 and it has reached 956 in the year 2007 – 2008. It shows positive impact among public and successful operations of mutual funds in India.

Total funds mobilized have positively increased under the period of study. Rs.18,701 crores of funds are mobilized during the year 1997 – 1998 and it has reached Rs.44,64,376 crores in the year 2007 – 2008 There has been a steady improvement in funds mobilized from the year 1998-2008 because of geographical coverage of mutual fund and also increasing household participation into this industry.

Regression co-efficient of funds mobilization under total scheme is positive and statistically significant at one percent level and these shows significant increase under the period of study. The assured return scheme, close-ended scheme and open-ended scheme have increased by 1529.296 percent per annum, 287.257 percent per annum and 285.478 percent per annum respectively. The total scheme has experienced considerable variation of 173.076 percent, 152.980 percent and 94.361 percent in the case of close-ended scheme, open-ended scheme and assured return scheme respectively. Over all the total schemes have experienced a variation of 152.415 percent during the period under study.

Redemption

The redemption of funds under income scheme was Rs.9,340 crores in the year 1997-1998 and it seems to have raised to Rs.7,92,889 crores during the year 2007 – 2008. The fiscal year 2007- 2008 had heavy amount of redemption than all other years of study because of heavy amount of funds mobilized.
mobilization and better performance and robust growth of mutual funds in India.

23. Regression co-efficient of redemption of income scheme under open-ended and close-ended scheme are positive and significant at one percent and five percent level respectively which shows significant increase of redemption of such schemes under income scheme during the period of study whereas redemption of assured return scheme is negatively significant at five percent level. Over all redemption of total scheme under income scheme is increased by 102.768 percent per annum and it is experienced with considerable variation of 151.754 percent during the period of study.

24. Redemption of funds of close-ended scheme under growth scheme are decreasing year after year. This proves unpopularity of close-ended scheme among investors in India.

25. The regression co-efficient for redemption of growth scheme under open-ended scheme is positive and statistically significant at one percent level where as the close-ended scheme has not significantly increased. Redemption through open-ended scheme increased by 52.055 percent per annum, though the close-ended scheme is increased by 25.545 percent per annum. Total scheme under growth is increased by 42.561 percent per annum and has experienced considerable variation of 106.605 percent.

26. Total redemption of funds under balanced Scheme was Rs.3,148 crores in the year 1997-1998 and it reached Rs.5,720 crores during the year 2007-2008. It was evident from the table 4.26 that there were wide fluctuations of redemption of funds in the case of close-ended schemes under balanced scheme.

27. The Regression co-efficient for redemption of balanced scheme under open-ended scheme is statistically insignificant at one percent level. Redemption of total scheme under balanced scheme has increased by 9.643 percent per annum. The study has also experienced a considerable variation of 53.738
percent in the case of open-ended scheme and 156.253 percent in the case of close-ended scheme.

28. There is an increasing trend of redemption of liquid scheme from the fiscal year 2001 to 2008. Maximum amount of redemption is in the year 2007-2008 because of maximum funds mobilization in the same period.

29. The Regression co-efficient for redemption of liquid money market scheme is statistically significant at one percent level. The analysis reveals that the redemption under total scheme under liquid/money market is increased by 307.380 percent per annum and it has experienced a considerable variation of 127.327 percent.


31. The regression co-efficient for redemption of gilt scheme is insignificant at one percent level. It is increased by 8.593 percent per annum and has experienced a considerable variation of 47.614 percent during the period under study.

32. Redemption of fund under equity linked savings scheme (ELSS) was Rs.711 crores in the year 1997-1998 and it was Rs.297 crores in the year 2007-2008. The least amount of Rs.210 crores was redeemed during the year 2002-2003.

33. The regression co-efficient for redemption of ELSS under open-ended scheme is statistically insignificant where as close-ended scheme is negatively significant at one percent level. Close-ended scheme is increased by 43.880 percent per annum and the overall ELSS is increased by 23.084 percent per annum under the period of study. It has totally experienced a considerable variation of 41.479 percent during the study period.
34. Total redemption of funds under open-ended schemes shows a sharp increase during study period. Decreased amount of redemption is experienced in some of the years under study period in the case of close-ended scheme. Total amount of redemption had been Rs.15,227 crores in the year 1997-1998 and it has reached Rs.43,10,575 crores by the end of the study period.

35. The regression co-efficient for redemption under total scheme is positive and statistically significant at one percent level. Overall redemption of total scheme of mutual fund in India is increased by 263.915 percent per annum. It has experienced a considerable variation of 153.569 percent during the study period.

**Net inflow/outflow of funds**

36. Net inflow of funds of open-ended scheme under income scheme was Rs.85,644 crores during 2007-2008 where as the same was Rs.850 crores during the year 1997 - 1998. In the case of close-ended schemes under income scheme during 1997 - 1998 there was net outflow of Rs.5,151 crores and it reached Rs.2,812 crores during the fiscal year 2007-2008. This indicates the absence of effective market for close-ended schemes in India.

37. The highest amount of net inflow of funds under growth scheme of Rs.40,782 crores was observed during the year 2007-2008. The least amount of Rs.701 crores was observed in the year 2002-2003.

38. The highest amount of net inflow of funds of open-ended scheme and close-ended scheme under balanced scheme are observed with Rs.5716 crores and Rs.972 crores during the corresponding years 2007-2008 and 2006 – 2007.

39. Open-ended scheme under liquid money market schemes had a maximum inflow of Rs.24,577 crores during the year 2003 – 2004. The least inflow of funds of Rs.2,564 crores was in the year 2000 – 2001.
40. There are no close ended schemes operated under gilt scheme. It started with a net inflow of Rs.2,135 in the fiscal year 1999 – 2000. The highest amount of net outflow was experienced in the year 2005 – 2006 with Rs.1,560 crores.

41. In the case of closed ended scheme under ELSS scheme net outflow of funds was experienced from the year 1997-1998 to 2005 – 2006. During 2006 – 2008 net inflow of funds were Rs.310 crores and Rs.609 crores.

42. In total only net inflow of funds was received by mutual fund companies under the study period. Net inflow of funds under the total scheme of Rs.3,474 crores was observed in the year 1997-1998 and it reached to Rs.1,53,801 crores in the year 2007 – 2008.

43. UTI sponsored mutual funds shows a decreasing trend of funds mobilization in all years upto 2002-2003 except in the year 1999 – 2000 under the study period.

44. Due to the entry of public sector and private sector banks the regression coefficient of UTI sponsored mutual funds is not significant at one percent level. This implies that UTI sponsored mutual funds have shown an insignificant increase during the period under study. It has experienced a considerable variation of 35.827 percent in the case of sale, 20.387 percent in the case of redemption and 19.13 percent in the case of net inflow / outflow.

45. Bank sponsored mutual funds shows tremendous increase in its sale (Rs.130 crores in 1997 to Rs.4,89,594 crores in 2008) In the case of its redemption the maximum amount was made during the year 2007 – 2008 to the tune of Rs.2,67,981 crores.

46. The funds mobilized by bank sponsored mutual fund is increased remarkably by 542.688 percent per annum, redemption and net inflow/outflow is increased by 373.151 and 343.609 percent per annum respectively. Funds mobilization of bank sponsored mutual funds is significant at one percent level.
47. In the case of financial institution sponsored mutual funds, an increasing trend of fund mobilization is observed during the period under study except in the year 2004 – 2005. Redemption had been less in the initial period of study and started increasing when the funds mobilization increased and net out flow was observed during the year 2004 – 2005 and it was Rs.3,383 crores.

48. The Regression co-efficient of sale and redemption of financial institution sponsored mutual funds is significant at one percent level. It has got a considerable variation of 184.720 percent in the case of net inflow / outflow, 160.314 percent in the case of redemption and 158.713 percent in the case of sale.

49. Private sector Indian sponsored mutual funds out performed, because its sale, redemption and net inflow/outflow started with least amount and reached higher amount in the later years under the period of study.

50. The regression co-efficient of sale, redemption and net inflow of private sector Indian sponsored mutual funds is significant at one percent level which implies that the funds mobilization, redemption and net inflow has shown a significant increase during the period under study.

51. The Private sector joint ventures with Indian sponsored mutual fund have performed well. A maximum increase of sales of Rs.7,70,830 crores was seen during 2007-2008. The overall performance was good because of its reputation and its ability to give satisfactory dividend to their investors.

52. The regression co-efficient of private sector joint venture Indian sponsored mutual funds, mobilization and redemption are significant at one percent level and net inflow / outflow is significant at five percent level.

53. Private sector’s foreign sponsored mutual funds sale increased year after year. Maximum amount of sale and redemption were observed during the year 2007 – 2008. In the case of net inflow, maximum of Rs.19,385 crores was observed during the year 2006 – 2007.
54. The fund mobilization of private sector's foreign sponsored mutual fund has a considerable variation of 119.676 percent in the case of redemption, 117.628 percent in the case of sale and 87.962 percent in the case of net in flow / out flow of funds.

55. Net resource mobilized (net inflow) by private sector mutual funds were Rs.1,031 crores in the year 1997 – 1998 and during the year 2007 – 2008 it was Rs.1,33,302 crores. During the period of study, positive growth has been registered by private sector mutual funds totally.

56. Redemption of private sector sponsored mutual funds is increased by 360.257 percent per annum, sale by 330.527 percent per annum and net inflow is increased by 150.611 percent per annum. This may be due to the launching of new scheme as per the needs of investors and helping in the attainment of high satisfaction by the investors.

6.3 SPECIFIC FINDINGS ON INVESTMENT PATTERN OF INVESTORS

1. Out of the 400 respondents contacted, 160 respondents, (40 percent) each were aged and middle – aged people. 80 respondents (20 per cent) were youngsters.

2. Retired people or to be retiring people from their service invest their hard earned money in mutual fund units and investment. Mutual funds are not very popular among the youngsters.

3. The surveyed respondents have made investment in various avenues. Lesser income is possible in the case of youngsters (below 25 age group) and normally high earning is possible only after attainment of 25 years of old.

4. Aged and middle aged people know the value of investment than the youngsters. Being youngsters, they are not matured enough in knowing about
the benefits of investment. Investment is more in the case of married than unmarried youngsters and middle-aged.

5. Middle-aged (110 numbers) and aged (90 numbers) respondents belong to backward community and are investing their money more than the others. This is because they want to maintain their prestige and status in the society. But in the case of SC & ST, investment is lesser because of their inadequate knowledge.

6. Investment is higher in the case of respondents who live in nuclear family setup than in joint family set up.

7. Due to absence of heavy family expenditure their investment amount is more than other respondents in the case of respondents (200) with family size 3-4, but the aged people (110) are investing high.

8. Government employees, private employees and businessmen invest more because of their permanent income, level of confidence on their income than other people. Other category people consists of brokers and agents who know the field clearly and are obviously persuaded for investing especially in mutual funds.

9. A wise investment in any type of investment mainly depends on the knowledge of the investor. Only 20 middle-aged respondents are illiterate. All the youngsters and aged respondents are literate.

10. Out of the 400 total sample respondents, 110 respondents belong to Rs.20,000 - 30,000 average monthly income group, 100 have an income of Rs.5000-10,000 and 80 have an average monthly income of Rs.30,000-40,000.

11. Among the respondents of 400 six income groups are identified. Maximum number of respondents (110) are in the income group of Rs.20,000 to 30,000. Least number of respondents (10) have highest income of Rs.40,000-50,000.
12. A majority of the number of respondents (180 number each) have single and double sources of income. Only 20 respondents have triple income and more than triple income.

13. A majority (120) of the respondents have savings more than Rs.5,000 because of their fixed income or salary. Out of 80 the youngsters, 50 respondents' monthly savings come under less than Rs.3,000 category. Being youngsters they have started their career recently, hence their savings are low.

14. Higher amount of investment is noticed in real estate, chit fund and shares in the case of aged investors. Middle aged investors go in the order of real estate, jewels & postal savings and in the case of youngsters, heavy amount of investment is noticed in chit funds, insurance and real estate. Among the eight investment avenues except shares all have significant difference among the three groups since the respective 'F' statistics are significant at one percent level.

15. Higher income from investment above Rs.2,00,000 is enjoyed by 90 respondents. Out of the 90, more number of middle aged sample respondents are enjoying because of their capacity and willingness to take risk return trade off.

16. Investors decision to invest in a particular avenue has been affected by different sources of information. The study reveals that they are influenced by agents, friends and relatives for choosing their investment avenue.

17. Majority of the investors have invested their money out of savings. Only a least number of respondents have made their investment by disposal of jewels and gifts.

18. Investors decisions for their different investment avenues are based on various sources of information. Investors main source is personal observations for the investment in bank deposits, chit funds, jewels. Because of the influence of
agents people invest in postal savings, mutual funds, shares and insurance. Advertising and media are also considered important sources.

19. The main reasons for investment are longer life expectancy and higher rate of return.

20. The highest return is noticed in real estate among middle aged and aged investors since the mean return is 4.0000 where as 3.6250 mean return is noticed in the case of youngsters. Mean return on mutual fund is high among youngsters. The significant difference among the three types of investors is identified regarding their return on investment since the respective “F” statistics are significant at one percent level.

21. Majority of the respondents expect long-term return and they prefer to invest in longer period schemes.

22. All the types of investors have confidence on expected return on real estate because investing money in real estate is giving good result on its value appreciation not only now-a-days but from the past few decades. The Related “F” statistics are significant at one percent level on expected return of all investment avenues except insurance.

23. All the investment avenues have significant difference because their respective “F” statistics are significant at one percent level except on real estate and shares in its level of satisfaction regarding the actual return. Return of real estates, jewels, mutual funds and bank deposits are satisfying its investors.

24. All the type of investors have experienced all the risks at reasonable percentage because a certain level of risk do exist in all the investment schemes.

25. Systematic risk is caused by external factors of the particular company and uncontrollable by the company. Majority of the respondents have experienced market risk followed by purchasing power risk.
26. Unsystematic risk factors are specific, unique and related to a particular industry or company. 130 respondent investors have totally experienced business risk and 110 investors, financial risk.

27. The main reason for investment is savings plan since its mean score is 4.042. Tax plan and insurance plan are considered second and third important reasons. The significant difference among the three types of investors is identified on the reasons for investment avenues especially in savings plan, wealth plan and tax plan since the respective “F” statistics are significant at one percent level.

28. Regarding the future plan about investment, out of 400, 230 respondents want to add new investments and 100 respondents retain existing investment.

29. 290 respondents know about their tax planning. They are 48.3 percent of aged, 34.5 percent of middle aged and 17.2 percent of youngsters. Those who are unaware of (110 numbers) tax planning, are mostly the middle aged (54.5 percent) followed the youngsters (27.3 percent).

30. Majority of the respondents’ sources of information for tax planning is advertisement followed by information given by their colleagues. The third important source is personal observation and the fourth one is other sources which includes information received from neighbours and agents. There are a few respondents whose source for tax planning is auditors.

31. Thirty percent of the respondents want to keep their investment within the time frame of 1-3 years which an ordinary investor normally do. Another 30 percent of the respondents keep their investments in the time frame of more than 5 years which is considered long term investment.

32. All the investors have adequate knowledge in mutual funds investment since the mean score is more than 2.5. Youngsters and middle aged respondents found to have high knowledge in computation of NAV and AMC. Aged
investors have awareness highly in entry load / exit load and computation of NAV. The Significant differences among the three types of investors are identified, regarding the awareness of mutual funds investment in seven variables out of the eight in total, since “F” statistics are significant at one percent level.

33. All the types of investors have high knowledge in scheme facility, systematic investment plan and systematic withdrawal plan since its total mean score is 3.725, 3.5 and 3.4. Youngsters and aged investors have poor knowledge in trigger facility. Middle aged investors also have low knowledge in tax implications of mutual fund investment. The analysis reveals that there is a significant difference among the three groups of investors in the knowledge in mutual fund investment.

34. All the types of investors are investors only but a few middle – aged investors are occasional speculator.

35. All the types of surveyed investors lack in investment education and its total mean score is 3.650. They also face problems in portfolio manipulation (mean score 3.575) and fear of frauds. There is significant difference among all investors on the eight identified factors since its “F” statistics is significant at one percent level.

36. Safety (total mean score 4.2) is considered the most important factor in choosing a particular investment avenue followed by regular income and value appreciation. Marketability and elasticity have the least influence in picking up investment avenues for all the respondents in total. The significant difference among all the three types of investors is identified regarding the variables considered at the time of investment except marketability since the respective “F” statistics are significant at one percent level.

37. Three factors such as liquidity, higher income and capital appreciation are extracted out of the eight variables, such as liquidity, accessibility,
marketability; higher income, elasticity, safety, value appreciation and regular income are considered at the time of investment.

38. Investors' (all the respondents) proposed investment in future is to prefer to keep investment on real estate, housing and its mean score is 3.68 and 3.475 respectively. Their next options in the order for future investment are jewels, insurance and they want to retain the mutual funds and its total mean score is 3.11. The analysis reveals that there is an insignificant difference in the case of bank deposits.

39. Four factors such as institutional investment, lifetime investment, safety investment, and risk investment are extracted out of the eleven attributes for proposed future investment.

40. There are twenty variables which motivate the mutual fund investors. All the twenty variables have been extracted into seven factors such as 'portfolio management', 'Risk involved', 'Investors' orientation', 'Service', 'scheme', 'Regulations' and 'Trading'. The factor analysis infers that the motivation aspects towards mutual fund investment are viewed by the investors from seven different angles.

41. Linear multiple regression is used to find the impact of mutual funds investment decision factors on the mutual funds investment decision behaviour. Among the six independent variables 'portfolio Management', 'Investors' orientation' and 'service' are found to be statistically significant. One percent increase in such factors increases the mutual fund investment decision by 0.2 percent, 0.28 percent and 0.195 percent respectively from its mean level. The mutual fund investment decision behaviour is also negatively influenced by 'Risk involved' and 'Regulations' of mutual fund investment. One percent increase in risk involved and regulations of the mutual fund will decrease the mutual fund investment decision by 0.225 percent and 0.15 percent from its mean level. The factors 'Scheme' and 'Trading' are not considered significant.
6.4 SUGGESTIONS

6.4.1 TO MUTUAL FUND COMPANIES

1. Mutual fund companies can gain more customers if they adopt the new and modern management techniques and methods in marketing, customer care, safety and protection, which may increase the interest in the investors mind.

2. Companies may train and educate the mutual fund advisors/agents by workshop at regular intervals. Advisers/agents who achieve more fund mobilization can be encouraged by giving monetary and non monetary awards.

3. Like marketing, here the whole concentration is likely to be 'investor – oriented'. Companies are expected to give proper attention to their investors. Service after sales should be given promptly and effectively by advisors / agents. It would be properly watched by mutual fund companies.

4. Maintaining customer relationship through polite response to the customers and promptly attending to their grievances are also recommended.

5. It is better for the company to advertise about the funds, its unique features of promptness in services in comparison with other similar funds. This will help more customers to know about the funds even in the remote corners of the country.

6. There are various redressal agencies, such as SEBI, TRAI, IRDA, RBI and State Regulatory Commissions created by the central and state governments for protecting the interest of the investors. It is a herculean task on the part of the investors who get redressed of their grievances through these agencies. First of all awareness should be created among the Indian Investors regarding the functioning of these agencies.
7. Appropriate measures should be taken by the Government, SEBI, AMFI and other related agencies to weed out the discouraging factors and create a climate for the growth of mutual fund industry in the country.

8. Investor education is essential and therefore, SEBI, AMFI and Mutual fund companies should organize well-defined and comprehensive investor education awareness programmes by arranging seminars, conferences and training programmes. Publicity through media like newspapers, magazines, television programmes, radio, publishing and distributing books, pamphlets and brochures nation and state wide particularly among rural investors that too in regional languages, can bring in good results.

9. After August 2009, entry load is withdrawn. Due to the stopping of entry fess, agents / advisors are not getting the commission. Hence, they do not show interest in adding new investors in mutual funds. This is one of the reasons for the decrease of its AUM. Therefore SEBI has to take necessary steps for the increase of AUM.

10. India is a large country with huge potential of investor population and sizeable and growing disposable income awaiting deployment in multiplier matrix of safety and liquidity. In the declining interest rates regime, investors look forward to profiting from opportunities in the securities market. Hence securities market should be managed profitably.

11. Investor education and informed-decision making are the most important protective weapon for the investors in the securities market.

12. Mutual fund companies can try to improve upon their weak areas regarding the factors that influence investors decision making.

13. The public sector mutual funds must evolve better strategies like diversification of risks, improving market timing abilities etc to face the competition with the private sector mutual fund. They should strengthen their market research and security analysis mechanism.
14. Investors are disturbed at the alarming regularity with which some of the mutual funds are bending the rules and regulations. The SEBI and AMFI should plug the loop holes if any and tighten regulations. A specialist fraud prevention unit may be developed in order to detect financial crimes more effectively.

15. Mutual funds should provide minimum guarantee return or assured return to attract larger number of retail investors.

16. Investment and redemption of units through ATM will facilitate hassle-free transactions for investors. In fact this has already started in a small way and need to be encouraged further.

17. In terms of product innovation and diversification, still Indian mutual fund industry lags behind compared to the American industry. As the mortality rate is increasing it is the need of the hour to popularize the pension funds which have the greater potential in the years to come.

6.4.2 TO MUTUAL FUND INVESTORS

1. It is suggested that the investors should consider not only the track record of the mutual funds but also other factors such as high return, degree of transparency, efficient service and reputation of mutual fund in the selection of a mutual fund.

2. Investors while choosing the ELSS fund and investing money in shares for long period should not only consider its present return but also its market conditions, future prospects and diversification of its fund and risk.

3. Enough patience is needed for keeping money invested for a long period of time and if one wishes that his capital should grow consistently then mutual funds are the better option.
4. Try to save as much as your budget allows, as more savings lead to more investment that will grow into bigger capital base.

5. New investors are not advised to invest their money heavily, but instead could select systematic Investment plan (SIP).

6. Plan your investment over a longer period of time, keeping in mind your age, your financial targets, your level of risk aversion, your savings pattern and your investment objectives.

7. Liquid fund is the best choice for short – term investment. There is no tax for dividend earned from such fund, and at the same time no exemption is given for principal investment on it.

8. Investors who need more income can choose sectoral funds, but may not forget the greater possibilities of risks involved when greater returns are expected.

9. Invest in highly volatile funds is not recommended.

10. Investors need not confuse themselves spreading investments too wide but can be reasonable in diversification of investment.

11. Investors shall think before investing. Collect and analyze enough information about the funds plan to invest. Try to know the AMC, fund manager and his experiences and research section of the particular fund which is selected for investment.

12. If the performance of the funds is not satisfactory / good continuously for six months and more, investors are advised to withdraw their money from it.

13. Finally maintenance of proper record of transactions is essential for future verifications and clarifications.
6.5 CONCLUSION

It is a well established fact that in India the household savings have a dominant role to play in the capital formation of the country. Channelising the household savings to capital markets has been successfully done by mutual funds in India. In the year 1993, private sectors made an entry into mutual fund markets in India. Since then, the investment trend has shifted to be in favour of the private sector funds. Last decade has seen enormous expansion in the size of mutual fund industry in India. Especially, the private sector has shown galloping growth. Psychology of the investing public has undergone a change and more investors are now attracted towards the capital market. In a global capital market environment, Indian mutual fund industry can emerge as one of the strongest players by absorbing investment technology and modified managerial practices in the regional context, while thinking and acting with a global vision. There is a need to overcome weaknesses of mutual fund companies and provide investors with the most needed good products and services and superior performance.

It is undeniable that today mutual funds are the most popular and the safest parameter for an investor. Mutual funds can also be suggested to people who prefer long-term investments, because promising greater returns are assured by various mutual fund schemes.

6.6 SCOPE FOR FURTHER RESEARCH

'Mutual funds' is such a wide area of research that no single study can cover its different related dimensions. There is adequate scope for further research in the following areas.

1. Perceptions of non-household investors, institutional and corporate investors towards mutual funds.
2. Performance evaluation of mutual funds schemes with specific reference to investment in equity shares.
3. SEBI's role in regulating mutual fund industry, in the context of investors' protection.
4. A comprehensive study on the off-shore mutual funds.
5. A study on the valuation and pricing of mutual fund units.
6. A study on the investment policy of mutual funds
7. A comparative study on selected private sector and public sector mutual fund companies.