CHAPTER 8
CONCLUSION AND SUGGESTIONS

The present study examines the regulatory framework governing mutual funds, growth and performance of mutual fund schemes and investors’ perception regarding mutual funds. For the purpose of study, a sample of ten mutual funds namely SBI Funds Management Pvt. Ltd., UTI Asset Management Company Ltd., Tata Asset Management Ltd., Taurus Asset Management Co. Ltd., Franklin Templeton Asset Management (India) Private Ltd., Birla Sun Life Asset Management Co. Ltd., HDFC Asset Management Co. Ltd., ICICI Prudential Asset Management Co. Ltd., Sundaram BNP Paribas Asset Management Co. Ltd. and Principal PNB Asset Management Co. Pvt. Ltd. has been taken. All the equity and balanced mutual fund schemes of the selected mutual funds have been studied from 2002-03 to 2010-11. The study used both secondary and primary data. Secondary data for the study has been compiled from Capital Market, Chartered Financial Analyst, Outlook, SEBI annual reports, RBI Reports on Currency and Finance, RBI Bulletin, Management Accountant, Portfolio Organizer, Economic and Political Weekly, Finance India and mutual funds related websites etc. However for studying the aspect of growth of mutual fund industry period taken is from 2002-03 to 2011-12. Primary data has been collected from 200 mutual fund investors of Punjab (100 from Ludhiana district and 50 each from Jalandhar and Amritsar districts). The data collected from the respondents has been analysed with respect to four variables namely age, occupation, annual savings and investment experience. Age-wise the respondents have been classified into three categories namely up to 30 years (A_1), 30-40 years (A_2) and 40 years & above (A_3). Occupation-wise the respondents have been divided into three categories Service (O_1), Business (O_2) and Others (O_3). Annual Savings wise the respondents have been categorised into three categories i.e. up to Rs. 100000 (S_1), Rs. 100000-200000 (S_2) and above Rs. 200000 (S_3). Investment-experience wise the respondents have been categorised into three categories i.e. up to 3 years (E_1), 3-5 years (E_2) and above 5 years (E_3). For analysis of data, the statistical tools viz., percentage, simple growth rate, compound annual growth rate, measurement of return, measurement of risk (coefficient of variation and Beta(β), risk adjusted performance measures (Sharpe measure, Treynor measure and Jensen measure), Chi-square test, Average Weighted Scores and Kendall’s Coefficient of Concordance have been used.

8.1 FINDINGS OF THE STUDY
The major findings of the study are summarized as under:

8.1.1 Growth of Mutual Fund in India

- Mutual Funds registered growth both in terms of number of schemes and resources mobilised during the period under study.

- Though the number of open-ended schemes remained higher than the close-ended schemes, the growth rate was much higher for close-ended schemes.

- Among open-ended schemes, growth schemes had 40 per cent share in March 2012 followed by income schemes (30.74%). However, income schemes had 96.6 per cent share in case of close-ended schemes.

- Though Gold ETF/Other ETFs/Fund of Funds investing overseas had lateral entry, these schemes were able to increase their share to above 7 per cent collectively in March 2012.

- Nature-wise, open-ended schemes could generate 75 per cent of the resources followed by close-ended schemes (23.44%) in March 2012. The share of interval funds was negligible. Further, the share of open-ended schemes in resources generated declined during the study period.

- Overall, growth schemes and income schemes could generate resources of above 75 per cent in March 2012 and both showed growth during the period under study.

- Among open-ended schemes, income schemes were having the largest share in terms of resources mobilised in March 2003. However, their share came down during the study period and these schemes ranked number two after the growth schemes in March 2012.

- Among close-ended schemes, income schemes could generate 98 per cent of the total resources. The share of growth schemes in this category declined from 25.32 per cent in March 2003 to just 0.02 per cent in March 2012.

8.1.2 Risk-Return Analysis
• It is evident that majority of mutual fund schemes whether they belonged to growth schemes or balanced schemes had medium risk. Comparison of risk pattern of public and private sector schemes showed that the maximum percentage of schemes had medium risk. None of public sector schemes had low risk throughout the study period.

• Majority of selected schemes had higher risk than benchmark indices S&P CNX Nifty and BSE Sensex in most of the years. However, majority of the selected schemes in most of the years had risk lower than benchmark indices BSE 100 and BSE 200.

• Most of the schemes in all the years under study except in 2008-09 generated positive returns. The number of schemes giving positive returns was substantially higher varying in the range of 96 per cent to 100 per cent. However, all the schemes in the year 2008-09 had negative returns. Further, most of the schemes from public as well as private sector provided positive returns in 8 out of 9 years.

• Most of the growth and balanced schemes in all the years under study (except 2008-09) generated positive returns whereas all these schemes showed negative returns during 2008-09. Return pattern of public and private sector schemes showed that the maximum percentage of schemes generated positive returns.

• Majority of mutual fund schemes provided returns above benchmark indices upto the year 2005-06 with the exception of year 2002-03 when 57.78 per cent of the schemes underperformed the benchmark BSE 200. In 2006-07, majority of the schemes showed returns below the benchmark indices. In 2007-08 and 2009-10, majority of the schemes underperformed benchmark indices BSE 100 and BSE 200 and outperformed S&P CNX Nifty and BSE Sensex. In 2008-09 and 2010-11, majority of the schemes provided returns above all benchmark indices except S&P CNX Nifty.

• During the study period, compounded annual returns on all the selected mutual fund schemes varied between 5.87 per cent to 41.25 per cent. The highest
compounded annual returns were shown by private sector schemes whereas public sector occupied the lowest rank.

- All the schemes of HDFC Mutual Fund (except HDFC Balanced Fund) outperformed the selected benchmark indices in terms of return for the period 2002-03 to 2010-11.

- Franklin Templeton Mutual Fund growth schemes performed above the benchmark indices during the study period as compared to balanced fund.

- In case of Tata Mutual Fund, the selected growth funds performed well above the benchmark indices as compared to balanced fund schemes i.e. Tata Balanced Fund and Tata Young Citizen Fund.

- SBI Mutual Fund schemes showed mixed trend of performance in terms of returns.

- Principal Mutual Fund schemes did not perform well in terms of returns in comparison to benchmark indices for the study period.

- Taurus Starshare and Taurus Discovery Fund schemes performed better as compared to Taurus Bonaza Fund Scheme.

- All schemes of UTI except UTI Master Value Fund provided returns below the benchmark indices for most of the years.

- Birla Sunlife Mutual Fund growth schemes performed above the benchmark indices as compared to balanced schemes i.e. Birla Sunlife Balanced Fund and Birla Sunlife 95 Fund.

- ICICI Prudential Mutual Fund schemes provided returns above the benchmark indices for most of the years.

- Balanced schemes of Sundaram BNP Paribas Mutual Fund showed performance below the benchmark indices and growth schemes of mutual fund showed performance above the benchmark indices.
During the study period, most of the growth schemes of all the mutual funds performed above the benchmark indices and most of the balanced schemes performed below the benchmark indices.

8.1.3 Performance Evaluation of Mutual Fund Schemes

- On the basis of both Sharpe and Treynor measures, majority of the schemes outperformed the benchmark indices from 2002-03 to 2005-06. However, from 2006-07 to 2010-11, most of the schemes underperformed the benchmark indices.

- On the basis of both Sharpe and Treynor measures, most of the schemes of HDFC outperformed the benchmark S&P CNX Nifty in majority of the years under study.

- On the basis of both Sharpe and Treynor measures, Franklin India Bluechip Fund, Franklin India Prima Fund, Franklin India Prima Plus Fund outperformed the benchmark S&P CNX Nifty in majority of the years under study. However, Franklin India Opportunity Fund and Franklin India Balanced Fund underperformed the benchmark in majority of the years.

- On the basis of both Sharpe and Treynor measures, Tata Equity Opportunity Fund, Tata Pure Equity Fund, Tata Select Equity Fund and Tata Balanced Fund outperformed the benchmark S&P CNX Nifty in majority of the years under study. Further, Tata Growth Fund outperformed and underperformed the benchmark in 4 years each. In 2002-03, it outperformed as per Sharpe measure and underperformed as per Treynor measure. Tata Young Citizen Fund underperformed the benchmark in all the years under Sharpe measure and underperformed the benchmark in all the years except 2003-04 and 2007-08 under Treynor measures.

- On the basis of both Sharpe and Treynor measures, SBI Magnum Contra Fund, SBI Magnum Global Fund and SBI Magnum Multiplier Plus 1993 outperformed the benchmark S&P CNX Nifty in majority of the years under study. However, SBI Equity Fund outperformed the benchmark in 4 years and underperformed the benchmark in 3 years. In 2003-04, it underperformed the
benchmark index for Sharpe measure and outperformed for Treynor measure but situation reversed in 2008-09. SBI Balanced Fund underperformed the benchmark index in terms of both Sharpe and Treynor measures for majority of the years under study.

- On the basis of both Sharpe and Treynor measures, Principal Growth Fund outperformed the benchmark S&P CNX Nifty in terms of both the measures for 4 out of 9 years. The fund also underperformed the benchmark indices in terms of both the measures for 4 years. In 2005-06, the fund underperformed the benchmark with regard to Sharpe measure and outperformed with regard to Treynor measure. Principal Resurgent India Equity Fund outperformed the benchmark index for 4 years and underperformed the benchmark index for an equal number of years. Principal Balanced Fund underperformed the benchmark index for majority of the years under study.

- On the basis of both Sharpe and Treynor measures, Taurus Bonaza Fund and Taurus Discovery Fund outperformed the benchmark S&P CNX Nifty for 4 years. Further, the fund underperformed the benchmark index in terms of both the measures for 4 out of 9 years. In 2003-04, Taurus Bonaza Fund underperformed the benchmark index with regard to Sharpe measure and outperformed with regard to Treynor measure. In 2002-03, Taurus Discovery Fund outperformed the benchmark index with regard to Sharpe measure and underperformed with regard to Treynor measure. Taurus Starshare Fund outperformed the benchmark index for most of the years.

- On the basis of both Sharpe and Treynor measures, UTI Equity Fund and UTI Mastervalue Fund outperformed the benchmark S&P CNX Nifty in majority of the years under study. However, UTI Master Growth, UTI Masterplus Unit Schemes 1991, UTI Master Share, UTI Index Select Fund and UTI Balanced Fund underperformed the benchmark in majority of the years under study.

- On the basis of both Sharpe and Treynor measures, Birla Sunlife Equity Fund and Birla Sunlife Frontline Equity Fund outperformed the benchmark S&P CNX Nifty in majority of the years under study. However, Birla Sunlife Basic Industries Fund, Birla Sunlife Balanced Fund underperformed the benchmark
in majority of the years. Birla Sunlife Midcap Fund outperformed the benchmark in 4 out of 8 years. It underperformed the benchmark for 3 years. In 2009-10, it underperformed benchmark as per Sharpe measure and outperformed as per Treynor measures. Birla Sunlife Advantage Fund outperformed the benchmark index for 4 out of 9 years under study. It underperformed the benchmark index for both the measures for 3 years. In 2002-03, it outperformed the benchmark index for Sharpe measure and underperformed for Treynor measure but situation reversed in 2007-08. Birla Sunlife 95 Fund outperformed the benchmark for 3 years. In 2002-03 and 2008-09, the fund outperformed the benchmark index on the basis of Sharpe measure and underperformed on the basis of Treynor measure. Further, the fund underperformed the benchmark for remaining 4 years of the study.

- On the basis of Sharpe and Treynor measures, ICICI Prudential Dynamic Plan, ICICI Prudential Growth Plan and ICICI Prudential Power Plan outperformed the benchmark S&P CNX Nifty in majority of the years under study. However, ICICI Prudential Balanced Fund underperformed the benchmark in majority of the years.

- On the basis of Sharpe and Treynor measures, Sundaram BNP Paribas Growth Fund, Sundaram BNP Paribas Select Focus, Sundaram BNP Paribas Select Midcap outperformed the benchmark S&P CNX Nifty in majority of the years under study. However, Sundaram BNP Paribas Balanced Fund underperformed the benchmark in majority of the years.

- All the selected schemes of HDFC Mutual Fund outperformed the benchmark index BSE Sensex in terms of Sharpe and Treynor measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, Franklin India Bluechip Fund, Franklin India Prima Fund and Franklin India Prima Plus Fund outperformed the benchmark index BSE Sensex for majority of the years under study. However, Franklin India Opportunity Fund outperformed in terms of both the measures for 4 years. It also underperformed the benchmark for 4 years. In 2002-03, it outperformed the benchmark index under Sharpe and
underperformed the benchmark index under Treynor measure. Franklin India Balanced Fund underperformed the benchmark index for majority of the years under study.

- On the basis of Sharpe and Treynor measures, Tata Equity Opportunity Fund, Tata Pure Equity Fund, Tata Select Equity Fund and Tata Balanced Fund outperformed the benchmark index BSE Sensex for majority of the years under study. Tata Growth Fund underperformed the benchmark index for 4 years. It outperformed the benchmark index for 3 years in terms of both the measures. In 2002-03, it outperformed the benchmark index for Sharpe measure and underperformed for Treynor measure but situation reversed in 2005-06. Tata Young Citizen Fund underperformed the benchmark index for majority of the years under study.

- On the basis of Sharpe and Treynor measures, SBI Magnum Global Fund and SBI Magnum Multiplier Plus 1993 outperformed benchmark index BSE Sensex for majority of the years under study. However, SBI Magnum Balanced Fund underperformed benchmark index for majority of the years under study. SBI Equity Fund outperformed the benchmark index for 4 out of 9 years under the study. In 2003-04, it underperformed the benchmark index for Sharpe measure and outperformed for Treynor measure but situation reversed in 2008-09. It underperformed the benchmark index in terms of both the measures for 3 years. SBI Contra Fund outperformed the benchmark index for 4 out of 9 years under study. It underperformed the benchmark index in terms of both the measures for 2 years. In 2003-04, it underperformed the benchmark index for Sharpe measure and outperformed for Treynor measure but situation reversed in 2004-05 and 2008-09.

- On the basis of Sharpe and Treynor measures, Principal Growth Fund outperformed the benchmark index BSE Sensex for majority of the years under study. Principal Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years. Principal Resurgent India Equity Fund outperformed the benchmark index for 4 out of 8 years under study. However in 2009-10, it underperformed the benchmark index in terms of Sharpe measures and outperformed in terms of Treynor measures. It
underperformed the benchmark index in terms of both the measures for the remaining 3 years.

- On the basis of Sharpe and Treynor measures, Taurus Bonaza Fund and Taurus Starshare outperformed the benchmark index BSE Sensex in terms of both the measures for majority of the years under study. Taurus Discovery Fund underperformed the benchmark index for both the measures for 4 years. In 2002-03, the fund outperformed the benchmark index for Sharpe measure and underperformed on the basis of Treynor measure. However, the trend reversed in 2005-06. It outperformed the benchmark index for the remaining 3 years.

- On the basis of Sharpe and Treynor measures, UTI Master Growth Fund, UTI Master Plus Unit Scheme 1991, UTI Index Select Fund and UTI Balanced Fund underperformed the benchmark index BSE Sensex in terms of both the measures for majority of the years under study. However UTI Equity Fund and UTI Mastervalue Fund outperformed the benchmark index in terms of both the measures for majority of the years. UTI Master Share underperformed the benchmark index for 4 years. It outperformed the benchmark index for both the measures for 3 years. In 2003-04 the fund underperformed the benchmark for Sharpe measure and outperformed the benchmark for Treynor measure but situation reversed in 2010-11.

- On the basis of Sharpe and Treynor measures, Birla Sunlife Equity Fund, Birla Sunlife Frontline Equity Fund, Birla Sunlife Midcap Fund, Birla Sunlife Basic Industries Fund and Birla Sunlife 95 Fund outperformed the BSE Sensex in terms of both the measures for majority of the years under study. Further Birla Sunlife Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years. Birla Sunlife Advantage Fund outperformed the benchmark index in terms of both the measures for 4 out of 9 years under study. Further in the year 2002-03, the fund outperformed the benchmark index in terms of Sharpe measure and underperformed in terms of Treynor measure. It also underperformed the benchmark index in terms of both the measures for 4 years.
• On the basis of Sharpe and Treynor measures, ICICI Prudential Dynamic Plan, ICICI Prudential Growth Plan and ICICI Prudential Power Plan outperformed the BSE Sensex in terms of both the measures for majority of the years under study. However, ICICI Prudential Balanced Fund underperformed the benchmark index in terms of both the measures for 4 out of 9 years under study. It outperformed the benchmark index with regard to both the measures for 3 years. It underperformed as per Sharpe measure and outperformed as per Treynor measure in 2005-06 and 2009-10.

• On the basis of Sharpe and Treynor measures, Sundaram BNP Paribas Growth Fund and Sundaram BNP Paribas Select Midcap Fund outperformed the BSE Sensex in terms of both the measures for majority of the years under study. Sundaram BNP Paribas Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study. Sundaram Select Focus BNP Paribas underperformed the benchmark index in terms of both the measures for 4 out of 8 years under study. It outperformed the benchmark index for 3 years. In 2008-09, it outperformed the benchmark index as per Sharpe measure and underperformed as per Treynor measure.

• On the basis of Sharpe and Treynor measures, HDFC Equity Fund, HDFC Growth Fund, HDFC Top 200, HDFC Capital Builder Fund and HDFC Prudence Fund outperformed the benchmark index BSE 100 for majority of the years under study. However, HDFC Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study.

• Franklin India Bluechip Fund, Franklin India Prima Fund and Franklin India Prima Plus Fund outperformed the BSE 100 in terms of both the measures for majority of the years under study. However, Franklin India Opportunity Fund and Franklin India Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study.

• Tata Equity Opportunity Fund, Tata Pure Equity Fund, Tata Select Equity Fund and Tata Balanced Fund outperformed BSE 100 index in terms of both the measures for majority of the years under study. However, Tata Growth
Fund and Tata Young Citizen Fund underperformed the benchmark index in terms of both the measures for majority of the years.

- SBI Magnum Equity Fund, SBI Magnum Contra Fund, SBI Magnum Global Fund and SBI Magnum Multiplier Plus 1993 outperformed the benchmark index BSE 100 in terms of both the measures for majority of the years under study. However, SBI Magnum Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study.

- Principal Growth Fund and Principal Balanced Fund underperformed the benchmark index BSE 100 in terms of both the measures for majority of the years under study. However, Principal Resurgent India Equity Fund outperformed the benchmark index in terms of both the measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, Taurus Starshare outperformed the benchmark index BSE 100 for majority of the years under study. Taurus Bonaza Fund and Taurus Discovery Fund outperformed the benchmark index in terms of both the measures for 4 out of 9 years. It also underperformed the benchmark index in terms of both the measures for 4 years. In 2002-03, Taurus Discovery Fund outperformed for Sharpe measure and underperformed for Treynor measures. In 2003-04, Taurus Bonaza Fund outperformed for Treynor measure and underperformed for Sharpe measure.

- UTI Master Growth, UTI Master Plus Unit Scheme 1991, UTI Master Share, UTI Index Select Fund and UTI Balanced Fund underperformed the benchmark index BSE 100 in terms of both the measures for majority of the years under study. UTI Equity Fund and UTI Master Value Fund outperformed the benchmark index in terms of both the measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, Birla Sunlife Equity Fund, Birla Sunlife Frontline Equity Fund, Birla Sunlife Midcap Fund and Birla Sunlife Basic Industries Fund outperformed the benchmark index BSE 100 for majority of the years under study. Birla Sunlife Advantage Fund and Birla
Sunlife Balanced Fund underperformed the benchmark in terms of both the measures for majority of the years under study. Birla Sunlife 95 Fund outperformed the benchmark index in terms of both the measures for 4 out of 9 years. It also underperformed for 4 years. In 2008-09, it outperformed for Sharpe measures and underperformed for Treynor measures.

- On the basis of Sharpe and Treynor measures, ICICI Prudential Dynamic Plan, ICICI Prudential Growth Plan and ICICI Prudential Power Plan outperformed the benchmark index BSE 100 for majority of the years under study. ICICI Prudential Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years.

- On the basis of Sharpe and Treynor measures, Sundaram BNP Paribas Growth Fund, Sundaram BNP Paribas Select Focus and Sundaram BNP Paribas Select Midcap outperformed the benchmark index BSE 100 in terms of both the measures for majority of the years under study. Sundaram BNP Paribas Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, HDFC Equity Fund, HDFC Growth Fund, HDFC Top 200, HDFC Capital Builder Fund and HDFC Prudence Fund outperformed the benchmark index BSE 200 for majority of the years under study. However, HDFC Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study.

- Franklin India Bluechip Fund, Franklin India Prima Fund and Franklin India Prima Plus Fund outperformed the benchmark index BSE 200 in terms of both the measures for majority of the years under study. Franklin India Opportunity Fund and Franklin India Balanced Fund underperformed the benchmark index BSE 200 in terms of both the measures for majority of the years under study.

- Tata Equity Opportunity Fund, Tata Pure Equity Fund and Tata Select Equity Fund outperformed the BSE 200 in terms of both the measures for majority of the years under study. However, Tata Growth Fund, Tata Balanced Fund and
Tata Young Citizen Fund underperformed the BSE 200 in terms of both the measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, SBI Magnum Equity Fund, SBI Magnum Contra Fund, SBI Magnum Global Fund and SBI Magnum Multiplier Plus 1993 outperformed the benchmark index BSE 200 for majority of the years under study. On the other hand, SBI Balanced Fund underperformed the benchmark index in terms of both the measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, Principal Growth Fund and Principal Resurgent India Equity Fund outperformed the BSE 200 for majority of the years under study whereas Principal Balanced Fund underperformed the benchmark in terms of both the measures for majority of the years under study.

- On the basis of Sharpe and Treynor measures, Taurus Starshare outperformed the BSE 200 for majority of the years under study. Taurus Discovery Fund underperformed the benchmark index in terms of both the measures for majority of the years under study. Taurus Bonaza Fund outperformed the benchmark index in terms of both the measures for 4 out of 9 years under study. It also underperformed the benchmark in terms of both the measures for 4 years. In 2003-04, it underperformed benchmark index for Sharpe measure and outperformed benchmark index for Treynor measure.

- UTI Equity Fund, UTI Master Growth, UTI Master Plus Unit Scheme 1991, UTI Master Share, UTI Index Select Fund and UTI Balanced Fund underperformed the benchmark index BSE 200 in terms of both the measures for majority of the years under study. UTI Mastervalue Fund outperformed the benchmark index in terms of both the measures for majority of the years under study.

- Birla Sunlife Equity Fund, Birla Sunlife Frontline Equity Fund, Birla Sunlife Midcap Fund and Birla Sunlife Basic Industries Fund outperformed the benchmark BSE 200 in terms of both the measures for majority of the years
under study. Birla Sunlife Advantage Fund and Birla Sunlife Balanced Fund underperformed the BSE 200 in terms of both the measures for majority of the years under study. Birla Sunlife 95 Fund outperformed BSE 200 in terms of both the measures for 4 years. It also underperformed benchmark in terms of both the measures for 4 years. In 2008-09, the fund outperformed benchmark for Sharpe measure and underperformed for Treynor measure.

- ICICI Prudential Dynamic Plan, ICICI Prudential Growth Plan and ICICI Prudential Power Plan outperformed the benchmark index BSE 200 in terms of both the measures for majority of the years under study. ICICI Prudential Balanced Fund underperformed the benchmark index BSE 200 in terms of both the measures for majority of the years under study.

- Sundaram BNP Paribas Growth Fund, Sundaram BNP Paribas Select Focus and Sundaram BNP Paribas Select Midcap outperformed the BSE 200 in terms of both the measures for majority of the years under study. Sundaram BNP Paribas Balanced Fund underperformed the BSE 200 in terms of both the measures for majority of the years under study.

- On the basis of Jensen measures, majority of the schemes outperformed and underperformed the benchmark S&P CNX Nifty in 4 years each. In 2007-08, an equal number of schemes (50%) performed above and below the benchmark according to Jensen measure.

- On the basis of Jensen measures, majority of the schemes outperformed the benchmark BSE Sensex and BSE 100 in 6 out of 9 years under study.

- Further, on the basis of benchmark BSE 200, majority of the schemes outperformed the benchmark in 5 out of 9 years under study.
8.1.4 Perception of Investor’s Regarding Mutual Funds

• 63 per cent of the respondents have good knowledge of mutual funds. It is followed by the respondents (36%) who have average knowledge in this regard. Only 2 respondents (1%) have poor knowledge regarding this.

• 58.5 per cent of the respondents consider themselves as moderate risk taker followed by those who are risk averse (27%) and high risk taker (14.5). Category-wise, majority of the respondents irrespective of their categories are moderate risk takers followed by risk averse (except category A3).

• 43 per cent of the respondents have come to know about mutual funds from their friends and relatives followed by financial professionals (27.5%), broker/sub-broker (26.5%) and finance journals/newspaper (6%). Category wise, maximum number of the investors irrespective of their age, occupational, savings and experience categories (except S2) base their investment decision on the advice of their friends and relatives. Further, brokers/sub-brokers and financial professionals are the other two dominant sources of information among the respondents of various age, occupational, savings and experience categories.

• A vast majority of the respondents have rated ‘Return’ (98%), ‘Liquidity’ (97%), ‘Safety’ (96%), ‘Risk’ (90.5%), ‘Tax Saving’ (88.5%), ‘Diversification’ (85.5%), ‘Exit Load’ (71%), ‘Lock in Period’ (65.5%), ‘Past Performance’ (62%), ‘Rating’ (58%) and ‘Sector where investment will be made’ (57.5%) as important while investing. It is worth mentioning here that sizeable number of respondents have shown their indifference with regard to ‘Rating’ (30.5%), ‘Lock in Period’ (28.5%), ‘Sector where investment will be made’ (28%) and ‘Past Performance’ (26%) while making investment in mutual funds.

• The respondents have rated ‘Return’, ‘Liquidity’, ‘Safety’, ‘Tax Saving’, ‘Risk’, ‘Diversification’, ‘Exit Load’, ‘Lock in Period’, ‘Past Performance’, ‘Sector where investment will be made’, ‘Rating’, ‘Promoter’s Name’, ‘Size of Corpus’ as important or highly important. However, the respondents have considered ‘Advertisements’ as unimportant.
• HDFC Mutual Fund has been the most popular mutual fund among the respondents followed by Prudential ICICI. Category-wise, HDFC Mutual Fund followed by Prudential ICICI are the two most popular mutual funds among the respondents of various age, occupational, savings and experience categories. Further, Taurus Mutual Fund followed by Principal Mutual Fund have been least popular mutual funds among the respondents irrespective of their age, occupational, savings and experience categories.

• Mutual Funds rank number 1 among listed financial assets from return point of view followed by equity shares. However from tax benefit point of view Mutual Funds are at rank 4 after Public Provident Fund (PPF). Further, from liquidity point of view Mutual Funds are at rank 2 after Equity Shares. From safety point of view Mutual Funds have rank 9 after Bank Deposits. Kendall’s coefficient of concordance reveals that there does not exist any significant concurrence of rankings among the respondents with regard to respondents’ preference for financial assets from return, tax benefit, liquidity and safety point of view.

• Irrespective of age, occupational, savings and experience categories Mutual Funds have ranked at number 1, 2 or 3 from return point of view. Equity Shares seem to be the main competitor of Mutual Funds in various age (except A1), occupational (except O3), savings (except S2) and experience (except E1) categories from return point of view. However Post Office Time Deposits, Kisan Vikas Patra (KVP) have the lowest ranks in this regard irrespective of their age, occupational, savings and experience categories.

• Irrespective of age, occupational, savings and experience categories, Mutual Funds have ranked number 3 or 4 from tax point of view. It is further noted that Life Insurance Policy, Public Provident Fund (PPF) and National Saving Certificates (NSC) are the other preferred financial assets among the respondents from tax point of view. Further, Gold, Real Estate and Company Deposits seem to be three least preferred financial assets in this regard among the respondents irrespective of their age, occupational, savings (except S3) and experience categories.
• Irrespective of age, occupational, savings and experience categories, Mutual Funds have ranked number 2 or 3 from liquidity point of view. Equity Shares and Gold seem to be the other preferred financial assets among the respondents from liquidity point of view. Further, Public Provident Fund (PPF), National Saving Certificates (NSC), Kisan Vikas Patra (KVP) and Post Office Time Deposits are the four lowest ranked assets among the respondents irrespective of their age (except A3), occupational, savings and experience categories (except E3).

• Irrespective of age, occupational, savings and experience categories (except A3 and S3) mutual funds have ranked at number 9 from safety point of view. It is worth mentioning here that Bank Deposits and Public Provident Fund (PPF) are the most preferred assets among the respondents from safety point of view irrespective of their age, occupational, savings and experience categories. Thus it seems that mutual funds have ranked very low among respondents from safety point of view. This may be due to wide fluctuations in Net Asset Value (NAV) generally noticed in case of various mutual fund schemes.

• A large number of respondents irrespective of their age, occupational, savings and experience categories have either invested in open-ended mutual fund schemes or both in open-ended and close-ended mutual fund schemes. The proportion of respondents investing only in close-ended mutual funds schemes has been very less irrespective of their age, occupational, savings and experience categories. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among various age and occupational categories with respect to respondents’ nature-wise investment pattern in mutual funds.

• Majority of the respondents irrespective of their age, occupational, savings and experience categories have invested in private sector mutual funds (except S2 and E1). A small proportion of the respondents from all the categories have invested in both public sector and private sector mutual funds. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among various savings and experience categories with respect to the respondents’ sector-wise investment pattern in mutual funds.
Most of the respondents irrespective of their age, occupational, savings and experience categories have invested in equity schemes. Tax saving schemes and balanced schemes seem to be other preferred schemes among the respondents.

55 per cent of the respondents invest through a systematic investment plan (SIP) followed by those who invest when money is available (28%), with a gap of few months (15.5%), at birthday (4%) and after a year (3.5%). None of the respondents have invested at festivals.

61.48 per cent of the respondents invest in mutual funds when correction takes place in the market. It is followed by the respondents who invest in mutual funds when market is range bound (19.67%) and when market is booming (18.85%). Category-wise majority of the respondents irrespective of their age, occupational, savings and experience categories invest in mutual funds when correction takes place. Further Chi-Square value at 5 per cent level of significance reveals that significant differences exist with regard to timing of investments in mutual funds based on market conditions with regard to age, occupational and experience categories.

41 per cent of the respondents have invested in mutual funds for 3 to 5 years. It is followed by the respondents who have invested in mutual funds for above 5 years (30.5%) and for less than 3 years (28.5%). This means that 71.5 per cent of the respondents have average time horizon of more than 3 years while making investments in mutual funds. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among various age, occupational and experience categories with respect to average time horizon of respondents’ investments.

41.62 per cent of the respondents compare the returns of mutual funds with the benchmark index. It is followed by the respondents who compare the performance of mutual funds with the performance of similar schemes (39.09%) and on the basis of absolute return (19.29%). Absolute return as a measure of performance has been given least preference by the respondents irrespective of their age, occupational, savings and experience categories.
• 31 per cent of the respondents monitor the performance of mutual funds fortnightly followed by those who do it weekly (27%), monthly (24%) and daily (18%). Daily mode of monitoring seems to be less popular among respondents irrespective of their age, occupational, savings and experience categories. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among various occupational, savings and experience categories with respect to time interval used by the respondents for monitoring mutual fund investments.

• 56 per cent of the respondents are unaware about fund manager of their mutual fund schemes. Category-wise, majority of the respondents irrespective of their age (except A3), occupational and savings categories are not aware about the name of the fund manager.

• Vast majority of the respondents irrespective of their age, occupational, savings and experience categories are satisfied with their mutual fund manager.

• The respondents irrespective of their age, occupational, savings and experience categories have listed ‘Investment Track Record’ and ‘Experience’ (except category S2) as the most important attributes of a successful fund manager. ‘Qualification’ and ‘Investment Philosophy/Methodology’ have not been given much importance by the respondents in this regard. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among various occupational, savings and experience categories with respect to respondents’ opinion regarding most important attribute of a successful fund manager.

• Vast majority of the respondents irrespective of their age, occupational, savings and experience categories intend to invest in mutual funds in future. Further, most of the respondents irrespective of their age, occupational, savings and experience categories have shown their intention to invest either in equity schemes or tax saving schemes.

• Vast majority of the respondents irrespective of their age, occupational, savings and experience categories have shown their inclination to invest in private sector mutual funds. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among the respondents from various occupational and
experience categories with respect to their sector-wise intentions for future investments in mutual funds.

- The respondents have high level of agreement on the statements ‘Mutual Funds are useful for small investors’, ‘Mutual Funds have better professional expertise than individual investor’, ‘Tax incentives on Mutual Fund investments should be increased’, ‘Mutual Funds are more suitable for Indian investors’, ‘Mutual Fund products are desirable for the growth of the capital market’, ‘Mutual Funds give higher returns than other investments’, ‘Private sector Mutual Funds perform better than public sector Mutual Funds’, ‘Mutual Fund investment is like owning any other asset’ and ‘Mutual Funds with large corpus perform better than Mutual Funds with small corpus’. However, the respondents seem to be indifferent with regard to the statement ‘Public Sector Mutual Funds are more secured than private sector Mutual Funds’.

- Majority of the respondents belonging to various age, occupational, savings (except S3) and experience categories (except E2) are satisfied with regulatory framework.

- 60 per cent of the respondents have preferred ‘TV’ as a most effective advertising media followed by those who prefer ‘Internet’ (16%), ‘Newspapers’ (15.5%) and ‘Professional Magazines/Journals’ (8.5%). Category-wise majority of respondents irrespective of their age, occupational, savings and experience categories have suggested ‘TV’ media for advertising of mutual funds. Chi-Square value at 5 per cent level of significance reveals that significant differences exist among various age and experience categories with respect to respondents’ perception regarding effectiveness of advertising media in relation to mutual funds.

- More than 80 per cent of the respondents have considered future of mutual funds bright both for public and private sector.
8.2 CONCLUSION

- Mutual Funds have registered growth both in terms of number of schemes and resources mobilised during the period 2003-2012. Though the number of open-ended schemes remained higher than the close-ended schemes, the growth rate was much higher for close-ended schemes. In case of close-ended schemes income schemes had 96.6 per cent share but they were able to generate 98 per cent of total resources. The share of open-ended schemes in generation of resources declined during the study period. Among open-ended schemes income schemes had largest share in resource mobilisation but later on income schemes ranked number two after the growth schemes in March 2012. Entry of Gold ETF/other ETF/ Fund of Funds have shown their impressive existence in mutual fund market.

- Majority of mutual fund schemes in terms of nature and type belonged to the medium risk category. Majority of the selected mutual fund schemes suggested higher risk than benchmark indices S&P CNX Nifty and BSE Sensex but lower than benchmark indices BSE 100 and BSE 200 in most of the years. In terms of returns, most of the schemes from public as well as private sector provided the positive returns except in the year 2008-09. Comparison of returns of schemes with benchmark indices showed that schemes provided returns above benchmark indices during most of the years under study. Compound annual growth rate (CAGR) showed that all the top performing mutual fund schemes were from the private sector and the worst performing mutual fund schemes belonged to public sector.

- Majority of Mutual Fund schemes outperformed all the benchmark indices on the basis of both Sharpe and Treynor measure up to year 2005-06. From 2006-07 onwards, majority of the schemes underperformed selected benchmark indices on the basis of both the measures during most period of the study. Jensen measure also highlights the similar results as majority of the schemes outperformed during most period of the study.
• Majority of the investors have good knowledge of mutual funds. Further, experience and knowledge of the respondents seem to be positively correlated.

• Majority of the investors have perceived themselves as moderate risk takers. However, significant differences have been found among the respondents belonging to various age categories in this regard.

• A large number of respondents have obtained knowledge about mutual funds from their friends and relatives.


• HDFC Mutual Fund has been the most popular Mutual Fund among the respondents followed by Prudential ICICI.

• Mutual Funds are preferred financial assets from return, liquidity and tax benefit point of view. However, their ranking is much lower from safety point of view. There seems to be high concurrence of rankings among various age, occupational, savings and experience categories when these financial assets are compared from one point of view at a time. However, there does not seem to be such concurrence of rankings when all the twelve financial assets are compared from different point of views i.e. return, liquidity, tax benefit and safety point of view.

• Nature-wise, a large number of the respondents have invested in open ended mutual funds. However there are significant differences in this regard among the respondents from various age and occupational categories.
• Sector-wise, a majority of the respondents have invested in private sector mutual funds. However, significant differences exist among various savings and experience categories in this regard.

• Scheme-wise, most of the respondents irrespective of their age, occupational, savings and experience categories have invested in equity schemes.

• Majority of the respondents are investing in mutual fund through systematic investment plan (SIP) followed by those who invest when money is available (28%).

• Majority of the respondents are investing in mutual fund when correction takes place. However there are significant differences in this regard among respondents from various age, occupational and experience categories.

• More than seventy per cent of the respondents have average time horizon of more than three years for their investments. However, significant differences exist among the respondents from various age, occupational and experience categories in this regard.

• A vast majority of the respondents irrespective of their category measure the performance of mutual fund by comparing it with benchmark index or with the performance of similar schemes.

• A large number of respondents monitor the performance of mutual fund fortnightly. Daily mode of monitoring is less popular among the respondents. However, significant differences exist among respondents from various occupational, savings and experience categories in this regard.

• Majority of the respondents have been found unaware about fund manager of their mutual funds schemes. However, vast majority of aware respondents are satisfied with their mutual fund manager.

• ‘Investment Track Record’ and ‘Experience’ have been perceived as the most important attributes of a successful fund manager while ‘Qualification’ of the fund manager has not given much importance by the respondents. Further, significant differences exist among various occupational, savings and
experience categories with respect to respondent’s opinion regarding most important attribute of a successful fund manager.

- Vast majority of the respondents intend to invest in mutual funds in future either in equity schemes or tax saving schemes. Further vast majority of the respondents have shown their inclination to invest in private sector mutual funds.

- Majority of the respondents have expressed their agreement with regard to the statements ‘Mutual Funds are useful for small investors’, Mutual Funds have better professional expertise than individual investor’, ‘Tax incentives on Mutual Fund investments should be increased’, ‘Mutual Funds are more suitable for Indian investors’, ‘Mutual Fund products are desirable for the growth of the capital market’, ‘Mutual Funds give higher returns than other investments’, ‘Private sector Mutual Funds perform better than public sector Mutual Funds’

- Majority of the respondents are satisfied with regulatory framework of mutual funds.

- Majority of the investors have suggested ‘TV’ as an effective advertising media in relation to mutual funds. Significant differences exist among various age and experience categories with respect to respondents’ perception regarding effectiveness of advertising media in relation to mutual funds.

8.3 SUGGESTIONS

- Mutual Funds are not simple investments and require a lot of awareness about capital market and related laws. This necessitate a need for investor’s education through seminar, conferences etc. This can also be done through regular use of television, internet, newspapers and professional magazines/journals. From time to time mutual fund companies should update the information on its website. Such information should be displayed in the simplest possible way so that a layman is also able to understand it. Further, campaigns can be carried out to popularize systematic investment plan (SIP) to encourage the investors to invest in mutual funds.
• Winning the investors’ confidence and protecting their right is the common objective of all the mutual fund companies. SEBI should see that mutual fund companies follow corporate governance regulations and their working is transparent. If these rules are not being followed properly, a provision of punishment should be made for violaters. Further there is need for a continuous research by SEBI and independent agencies to highlight the weaknesses in the existing regulations to modify them in future in favour of investors.

• There is a lack of innovative products in the market. Mutual fund companies should launch new and innovative schemes according to the varied needs of the investors. People have the capacity to invest and this capacity has to be explored by the mutual fund companies. Since the various mutual funds are very competitive and have varied schemes, public awareness, innovative schemes suited to the requirements of investors and publicity campaigns can be of great help in attracting business. Further, the offer documents supplied by the mutual fund companies should contain up-to-date information and such information should be provided in simple words so that a layman also understands it.

• Due to changing scenario, the need for online trading of securities is felt. Efforts should be made to promote online trading of mutual funds. This will save time and cost. This can be done by educating the people in this regard.

• Mutual fund companies should establish investor grievance cell. A separate ombudsman scheme should be initiated for redressing the grievances of mutual fund investors effectively. Each mutual fund should be required to establish its own investor’s grievance cell. This will help to sort out investor’s grievances.

• Mutual funds should build investors’ confidence through schemes meeting the diversified needs of investors, speedy disposal of information, improved transparency in operation, better customer service and assured benefits of professionalism.
• The resources mobilisation by mutual fund industry shows that share of public sector has been decreasing while share of private sector has been continuously increasing. So public sector mutual funds should try to improve their performance by incorporating variety in their schemes. This also needs appointment of highly professional fund managers and change in their remuneration system which motivates them to perform better.

• Some schemes have performed below the Sharpe index but outperformed Treynor index signifying the fact that their performance on the basis of total investment risk is poor. Therefore, the fund managers should follow such diversification strategies which could help them to lessen the unique risk associated with their schemes.

8.4 AREAS FOR FURTHER RESEARCH

• The present study has covered equity and balanced schemes. A study can be conducted to know the performance of debt funds.

• The present study is based on primary data collected from the respondents residing in Punjab. The scope can be widened by selecting respondents from other parts of the country and comparison can be made regarding their perceptions.