CHAPTER - VI

SUMMARY, FINDINGS & SUGGESTIONS
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6.1 Summary

The first chapter dealt with introduction, origin and growth of mutual funds in India from the year 1963 to 2012. This chapter introduced the theoretical background and the performance of the mutual funds industry in India. Worldwide net assets of mutual funds are presented to give the performance overview of mutual funds globally. The Indian mutual fund industry was set up in the year 1964 through UTI with an objective of mobilizing household savings and investing funds in capital market. The process of economic liberalization in the 1980s brought change in the environment of corporate sector and capital market. This led to increase in demand for new financial services and institutions and the industry was open to other public sector banks and financial institutions. In the year 1993, the industry was open to private sector AMCs including joint venture with foreign companies within the regulatory framework of SEBI. The performance of Indian industry is presented by observing the gross mobilization and gross redemptions. The contribution of different schemes like open ended, closed ended and interval schemes to the growth of the mutual funds is also covered. Gross mobilization of the mutual funds from the year 2001 increased from Rs. 1, 64,523 to Rs. 68, 19,679 Crores by the year 2012. The highest AUM was recorded by the private sector mutual funds followed by public sector and UTI mutual funds. The AUM per cent of GDP which happened to have a small contribution in the year 2000 has tremendously increased over the years till the year 2009 and subsequently declined in the recent past due to changes in global business environment.
The growth trend revealed that there is a continuous growth in number of private sector sponsored Indian mutual funds and also private sector jointly sponsored by foreign companies which are performing better than public sector and UTI mutual funds. This has lead to outflow of funds from the ‘public and UTI’ categories and thus the inflow of private sector sponsored mutual funds has increased. This chapter also presented the brief description of the types of schemes available and their risk and return aspects. The number of open ended scheme have increased from 307 to 745 from the year 2001 to 2012 whereas the number of closed ended schemes in the year 2001 were 110 and 512 in the year 2012. The interval schemes recorded in the year 2008 were 68 but had shown decline in number by 34 schemes in the year 2012. Consistent with the growth of financial sector the mutual fund industry is occupying an important role in channelizing the inflow of funds into the capital markets.

Mutual funds attracted the interests of academicians, researchers and financial analysts mostly since 1986 in India. A number of articles have been published in financial dailies like economic times and financial express, periodicals like capital market, Business India etc., and a few in professional and research journals. Literature on mutual fund performance evaluation is enormous. However, a rigorous scientific research had taken place on this subject in the other countries. Many researchers in India are also carrying out studies relating to mutual funds in various dimensions but still as the investment related topics need to be researched with the changing market structures and ever changing investors’ behavior, the present study is undertaken. In this connection extensive review has been made and is presented in chapter II. The chapter includes reviews from the year 1961 to
the year 2012 and the research methodology adapted. The research methodology consists of the sources of data, sample and sampling technique, data analysis techniques, hypothesis and limitations with reference to the present thesis.

Chapter III includes the regulation of mutual funds in detail. SEBI’s regulation for mutual funds have been presented. The latest regulation given by SEBI through amendment in its master circular 2011 has been included. The regulations are regarding offer documents, conversion and consolidation of schemes, regarding new products, disclosure and reporting norms, risk management system, governance norms, secondary market issues, disclosure of net asset value, valuation, regarding loads, fees and expenses, dividend distribution procedure, investment by schemes, advertisement, investors rights and obligations, certification and registration of intermediaries and regarding transactions in mutual funds. AMFI, a self regulatory body has also given certain regulations which are also included in this chapter.

Chapter IV covers three parts: Part 1 included performance appraisal of selected schemes of mutual funds. The performance appraisal of mutual funds was done basing on CAGR, Sharpe, Treynor and Jensen values. Risk is measured through Beta, correlation and standard deviation. CAGR is the compounded annual growth rate return is used to calculate the year-over-year growth rate of an investment over a specified period of time. Sharpe ratio, Jensen and Treynor ratios were used to calculate the risk adjusted returns. The following schemes are analysed to find out whether “high risk schemes gives high returns”:

- Balanced scheme
- Equity scheme
Chapter IV part 2 included the analysis of the equity growth open ended schemes offered by mutual funds in India. The risk and return of the public sector, private sector, joint venture predominantly Indian, joint venture predominantly foreign mutual funds are analyzed and compared. The ‘student’s t test’ of equality of means is used as the sample size is less than 30.

In Chapter IV part 3 the comparative analysis of 10 select equity and debt schemes is presented. The funds which are selected for analysis are those offered by popular AMCs operated in India. The equity and debt schemes of select companies are analysed through 10 years annualized
returns and standard deviation. The risk and returns analysis is purely done on the basis of returns and standard deviation of the mutual funds.

Chapter V is allotted for presentation of primary data analysis. The analysis is based on the questionnaire filled by the respondents in Visakhapatnam. The results will be helpful for mutual fund companies to decide the nature and types of schemes to be offered to the prospective investors. Age, gender, qualification, occupation, marital status and income are taken as variables for knowing the relationship/association with the preferences of mutual fund investors. One way Anova technique is used to test the significance for the following statements.

- Preference of public sector/private sector investments
- Preference of Open ended scheme
- Preference of Closed ended scheme
- Preference of SIP and one time investment plan
- Risk preference
- Preference of dividends
- Expected return
- Perception of mutual funds investment regarding safety
- Investors satisfaction with present holdings
- Return preference – Assured/market return
- Investment strategies
- Scheme for investment
- Utilization of switching over option.
- Frequency to know the status of fund
- Perception on advisors knowledge
- Information given by agents
6.2 Major Findings

- It is found by observing the 10 years (2002-12) performance trend of mutual funds industry that there is high growth in mutual funds investments and also there is huge untapped potential which can be exploited by offering more number of conservative schemes to increase the inflow of funds into the mutual funds industry.

- The amended SEBI and AMFI regulations are framed to protect the investors rights and investors overall interest but it is to be noted that there is a dire need to reduce impact of the stock market volatility on mutual funds. SEBI has to further take necessary steps to reduce the risks associated with mutual funds.

- It is found that majority of the investors are preferring to invest for a short term period and aiming at growth which may or may not be possible.

- The results of the balanced scheme indicated that the top 3 performers providing the highest return for the one year period were ‘ICICI, HDFC and Escorts balanced funds’ whereas the highest return delivered for the two year period was by ‘HDFC ICICI and Canara Robecco balanced funds’. The highest three year return in this particular category was posted by ‘HDFC, TATA balanced and Canara Robecco funds’. The highest beta was recorded by ‘Escorts, Sundaram and Baroda balanced funds’. The analysis revealed that high returns were not offered by high risky firms.

- The analysis of equity schemes revealed that the top three performers for one year period were ‘SBI, HDFC and Reliance
mutual funds’. For the two year period it was again the same companies who have offered the highest returns. The three year data revealed that the top performers were ‘SBI, DSP and Religare equity schemes’. As per the data analysis the high risk firms were ‘DSP, Reliance and Quantum mutual funds’. Out of the three best performing funds high risk is observed by ‘DSP funds’ but high returns were not offered for all the three periods. However, these funds recorded beta less than one and cannot be claimed as high risk exposed funds.

- The data analysis of floating rate income schemes reveals that high risk gives high returns cannot be accepted as the highest return for the one year period was observed by ‘HDFC, SBI and Templeton mutual funds’. The highest return was offered by HDFC fund with 10.46 per cent return (CAGR) and the two other funds have also returned almost the same per cent with only nominal difference in return offerings. The highest two years returns were posted by ‘Canara, BSL and SBI mutual funds’. The three years top performers were ‘BSL, HDFC and Templeton Floating Rate Schemes’. The highest three year CAGR was offered by ‘BSL, HDFC and Templeton Funds’. It is evident from the data that high risk is not observed by the top performers in the sample namely ‘HDFC, Tata and SBI funds’. The null hypothesis is not justified as the fund with high risk has not offered high returns.

- Gilt long term funds analysis indicated that high risk firms could not deliver high returns. The detailed study has revealed the following: the top three performers for one year period were
‘Baroda, IDFC and Kotak funds’. The high returns were delivered for the two year period by ‘Baroda, Religare and IDFC funds’ whereas the three years high returns were offered by ‘Baroda, BSL, IDFC and Religare funds’. The funds with high risk identified under this particular scheme were ‘Tata, Kotak and HDFC funds’. All the schemes have shown beta less than one, however to conclude the comparison of funds within the scheme reveals that the funds with low risk could generate considerable returns while funds with high risk could not generate the same returns.

- Gilt short term schemes when analysed is found that the top performance for the one year period was delivered by ‘SBI, Canara and Kotak Gilt Funds’ whereas the highest returns for the two year period was recorded by ‘BSL and DSPBR funds’. Considerable returns for the three year period were posted by ‘BSL and SBI funds’. The highest beta in this scheme is recorded by ‘Templeton, HDFC and Tata mutual funds but less than one’. All the funds under this scheme also have shown beta less than one. The inference drawn from this analysis supports to accept the null hypothesis.

- All the funds under Banking and financial services scheme have shown negative returns for one year period whereas ‘ICICI, Religare and Reliance funds’ have shown nominal returns for the two year period. The highest three years returns were offered by ‘Sundaram, Reliance and Sahara funds’. The high risk is observed by ‘Sundaram, UTI and Sahara fund mutual funds.’ It is to note
that only UTI fund has recorded beta greater than one. The null hypothesis is not justified as the returns were too low when compared to the risk of the funds.

- It is found from the Income funds tabulated data that the top three performers for the one year period were ‘Canara, Escorts and SBI funds’, whereas for the two year period high returns were recorded by ‘SBI, Escorts and BSL funds’. The three year highest return was offered by ‘Canara, IDFC and ICICI mutual funds’. The highest beta was registered by ‘Kotak, Axis and BSL funds’. The null hypothesis is rejected as there is no relationship between the risk and return in this scheme as per the data analysed.

- Index funds analysis revealed that all the funds under this scheme have shown negative returns for one year period whereas the nominal positive return is observed by HDFC followed by IDFC and ICICI funds for the two year period. The highest three years returns were offered by ‘HDFC, ICICI and Franklin Templeton funds’. The highest beta values recorded by the funds under this scheme were registered by ‘BSL, SBI and UTI funds’. High risk gives high returns” statement is not justified as almost all the funds except one fund have given similar returns with varied beta values.

- The liquid funds analysis reveals that ‘Escorts, Pramerica, Sahara, Baroda and schemes’ were the best performers during the period 2011-12, whereas ‘Escorts, Sahara and Baroda’ have returned high returns for the two year period. The three year high return was recorded by ‘Escorts, Sahara and Reliance funds’. The highest beta values were recorded by ‘Principal, Religare and HDFC
mutual funds’ under this particular scheme. The null hypothesis is not accepted as the returns were not offered as per the risk exposure. There was moderate risk and moderate returns except one single fund which cannot be included in deciding the acceptance or rejection.

- The MIP scheme analysis presents the following details of performance of funds under it: ‘DSP, BSL and HDFC funds’ were the top performers for the one year period whereas for the two year period it was ‘HDFC, BSL and SBI Funds’ who has offered the best returns. The three year best performers were ‘HDFC, Reliance AND Canara Funds’. The high risky funds were offered by ‘Reliance, Edelweiss and Pramerica funds’. It is evident from the tabulated data that in this particular scheme the firms having high risk could not generate high risk and hence the null hypothesis is rejected.

- It is observed from the table only two funds constitute the FMCG sample. It is seen from the data that ‘ICICI’ was the best performer amongst the two funds selected in the sample and the beta is also the same for both the funds. The returns were high and risk is low when compared to other schemes and hence null hypothesis is rejected.

- Amongst the all the funds included in the sample, only ‘ICICI funds’ have shown positive return among the select schemes in the infotech schemes for the one year period. For the two and three year period ‘ICICI and Franklin funds’ have shown high return. High beta is recorded by ‘Franklin, Birla and DSP funds’. All the
funds have shown beta less than one but High risk gives high returns is not justified as the three years return by this scheme was offered at par with other schemes returns.

- The analysis of tax schemes shows that all the funds except two out of 35 funds have shown negative returns for one year period. For the two year period ‘Axis, Franklin and Quantum funds’ have shown the highest returns whereas the three year highest return is offered by ‘ICICI Quantum and Canara Robecco funds’. The highest beta recorded by ‘JM, Escorts and Baroda funds’.

- Ultra short term scheme reveals that ‘BNP Paribas, Sahara and Religare funds’ have offered the highest one year return. ‘BNP, Sundaram and Sahara funds’ have delivered the highest two year return whereas the three year highest return was offered by ‘Sahara, Templeton and IDFC funds’. The highest beta was recorded by ‘IDFC, Reliance and ICICI funds’. The null hypothesis is rejected as most of the funds had low risk but still could give considerable returns for some funds and high returns for some funds.

- The data analysis of infrastructure funds has shown negative returns for one year period. For the two year period also all the funds have shown negative returns whereas for the three year period the highest returns are offered by ‘AIG, Taurus and HDFC mutual funds’. 8 funds have shown beta greater than one, out of the 8 high beta funds the first three were ‘Reliance, HDFC and Nomura funds’. The highest beta recorded under this scheme when compared to all other schemes in the sample. There was no
risk and return relationship in this particular scheme hence the null hypothesis is rejected.

- When the Pharma funds were analysed, it is found that it was ‘SBI fund’ which has surpassed the other two funds under this scheme for the one and two year period whereas ‘Reliance fund’ has recorded the highest for the three year period. The highest beta recorded under this scheme is by ‘Reliance funds’ which offered high returns. Null hypothesis is not justified as the returns are high and risk is moderate for all the funds under this scheme.

- The risk and return of sector schemes – power was recorded at 0.961 with return offering at 5.22. Since the risk is less than one and returns are low, the null hypothesis is accepted.

- Gilt short term scheme analysis revealed that the risk recorded was 0.3498 and the return at 6.1. As the risk recorded was low and the return was also low, the null hypothesis is accepted.

- It is evident from the chapter IV part 2 analysis that there are only two funds in the public sector which have shown high beta values. The high beta was shown by ‘Canara Robeco Emerging Equities (G)’ and ‘SBI Magnum Emerging Businesses Fund (G)’. The student’s t test revealed that there is equality of means between the mutual funds and the benchmark BSE SENSEX.

- Amongst the public sector mutual funds ‘UTI’ has offered the highest risk adjusted return as the Sharpe value recorded was the highest amongst all the funds in the sample which is followed by ‘Canara Robeco growth funds’. The analysis revealed that ‘Sahara growth funds’ was the first highest and ‘Tata dividend
fund’ was the second highest to offer the risk adjusted returns. When joint venture predominantly Indian mutual funds are considered all the funds have shown only marginal difference in the Sharpe values. This indicated that almost all the funds exhibited similar performance. ‘ING Core equity fund’ was the only fund which was offering high risk adjusted returns in the joint ventures predominantly foreign category.

• Chapter IV part 3 analysis revealed the equity and debt schemes performance. The three years performance of equity funds indicated that the top three equity funds performers for the three year period were ‘ICICI, HDFC and Franklin funds’ and the highest standard deviation for the same period is recorded by ‘HDFC, Reliance and SBI Magnum index funds’. The debt funds analysis has shown that ‘UTI, DSP and HSBC funds’ have offered high returns while the high risk funds were ‘Templeton, BSL and UTI funds’ for the three year period.

• The top three performers of equity funds category for five year period were ‘SBI, HDFC and BSL frontline equity funds’. ‘SBI’ has shown the least standard deviation whereas ‘HDFC and BSL fund’ have witnessed high standard deviation. The performance analysis of debt funds for the five year period revealed that the top performers were ‘Reliance, HSBC and HDFC funds’ whereas the high risky funds are ‘Templeton, BSL and SBI funds’.

• The top three equity performers for the ten year period were ‘Reliance, HDFC and HSBC equity funds’. The closer look at their standard deviations indicates that all three funds had high
volatility whereas the ten years performance of debt funds reveals that ‘Templeton, DSPBR and ICICI funds’ returned the highest amongst all the funds. The high standard deviation recorded for the period was ‘Templeton, BSL and SBI funds’.

- The data analysis in chapter V represents the socio-economic profile of the respondents. It is observed that 61 per cent of the respondents are in the age group of 21-40 years. Investors in this group were found to take moderate risk to achieve higher returns than the bank saving deposits and thus are interested to invest in mutual funds. It is noticed that the respondents in the age group of 40-55 years constitute 26 per cent of the sample, 3 per cent in the age group of 55-60 years and 8 per cent above 60 years. It is found that investors of age group of 50-60 and above 60 wish to invest in bank deposits, National Savings Certificates and other fixed income investments with fixed rate of interest and guaranteed principal amount.

- The sample comprised of 87 per cent of the respondents who are graduates, post graduates and professionals. The remaining are under graduates. Male respondents are 83 per cent and female respondents are 17 per cent.

- The occupation wise data of the respondents reveals that 68.6 per cent of the respondents are employees out of them 39 per cent are private sector employees, 21.3 per cent are government employees, and only 8.3 per cent public sector employees. Business men and self employed were 14.7 per cent and the remaining were retired, home makers and students.
• It is noted that majority of the investors in the sample are married (nearly 80 per cent) and the remaining are unmarried. The gender wise data analysis from the collected data revealed that the males are 82.7 percent whereas the females are 17.3 per cent.

• It is observed that 18.3 per cent of the respondents fall in the income group of Rs.25, 000 to 30,000 followed by 16.7 per cent in the Rs.15, 000 to 20,000. The data reveals that 16.30 per cent are in the income range of Rs.20, 000 and 25, 000 while only 14 per cent represents the income group of Rs. 10,000 to 15,000 per month. In other words, more than 65 per cent of the respondents represent the income level of Rs.10,000 to 30,000.

• It is found from the analysed data that the investor’s first priority is high return, liquidity in the second place, low risk and then company reputation.

• When the association of the preference of public sector/private sector mutual funds is tested with age, gender, marital status, qualification, occupation and income levels, it is found that except marital status all other variables have shown that there is no association with the socio-demographic variables except marital status as per chi square analysis.

• Open ended schemes are usually preferred by investors due to their primary attribute of continuous exit options. In open ended schemes liquid funds, growth funds and large cap funds were considered for testing the preference of mutual funds and their relationship with the variables. The hypothesis “there is relationship between the variables and the preference of mutual

291
funds is accepted for age, qualification, occupation and income. This analysis is performed by one way Anova analysis.

- When the relationship of closed ended funds with investors preference is tested, only gender has shown relationship with preference.
- Gender and marital status have shown relationship with the investment pattern of mutual funds.
- When the association of variables with the risk preference is tested, it is found that no there is no association with any of the variables.
- When the relationship of the variables and the dividend preference of respondents is tested, it found that only qualification has relationship with the preference of dividends.
- It is found from the data analysis that 23 per cent of the respondents in the sample made investments through agents, 20 per cent of the respondents invested through friends and relatives, 19.3 per cent are influenced by company reputation, 17 per cent through past performance of the fund, 8 per cent through brand name, 7.7 per cent influenced through advertisements, 3.3 per cent through websites and only 1.7 per cent through chartered accountants.
- When the respondents in the sample are asked about the objective behind the investments in mutual funds, majority of them said they have invested for capital appreciation, followed by tax savings, then liquidity and only few respondents aimed at monthly income from mutual funds investments.
- Majority of the respondents opined that returns are highly important, followed by safety, past performance of the fund. Tax
consideration is felt important only by few investors whereas liquidity is also considered as important while investing.

- It is found from the analysis that qualification and occupation have relationship with expected return whereas the other variables have resulted that there is no relationship between the variables and the return expectation.

- The study has shown that 53 per cent of investors consider mutual fund investments are safe investments while the remaining 47 per cent investors judged them to be unsafe investments.

- When investors are asked whether they are satisfied with their present holdings, it is revealed that 63 per cent of them are satisfied whereas the remaining respondents are unsatisfied because the returns were less than they expected and the risk was high when compared to conventional fixed deposits, etc.

- It is found that 49 per cent preferred assured returns whereas a high of 51 per cent preferred market returns. The reason for assured returns are due to high volatility in the stock market and also due to some funds could not even deliver the return that is offered by bank deposits and post office savings schemes. It was observed that except for age and qualification, all other variables have shown relationship.

- It is inference drawn from the analysis that a majority of 75.7 per cent of the respondents preferred growth funds whereas 13.6 per cent preferred balanced schemes and only 10.7 preferred income funds.
• It is noticed from the data analysis that nearly 60 per cent of the respondents did not use the switch over option whereas 40 per cent have used this option. It is also understood from the respondents that majority of them are even not aware of the switching over option and its benefits.

• It is found that 60 per cent of the respondents prefer to clear their doubts through agents/advisors whereas 26.7 percent approach AMCs and only 13.3 per cent clear their doubts through call centres/registrars.

• The association between the variables and Perception on advisors/agents knowledge revealed that 49.3 per cent have agreed that the agents are partially knowledgeable whereas 20.7 per cent opined that the agents do not have any knowledge and the remaining 30 per cent opined that the agents have full knowledge.

• It is found out that majority of the respondents opined that full details about the mutual funds is not given to the respondents due to two reasons: i) the advisors do not have complete knowledge, ii) the agent advises for the self benefit but not at the investors’ interests.

6.3 Suggestions

➢ To increase the inflow of funds into the industry the governing body has to look into investor awareness and investor protection and moreover increase the investments through retail investors. The investments by institutional investors can create huge volatility when there are tremendous redemptions by these investors which again create panic in the minds of the investors.
Investor awareness is a major area of concern for the mutual fund industry in India. However, it is being dealt with in multiple ways. To have sustainable growth, it is critical that the investor has to be given a clear picture about the product, the schemes objectives and the expenses, etc. which are associated with the funds. SEBI is conducting investor education programmes but the industry still has a long way to go to increase the investors’ literacy on mutual funds.

The mutual funds industry shall create conducive regulatory environment. There should be regular and constructive interaction between the regulatory body and industry stakeholders. As and when new regulations are introduced, there should be a formal process where these guidelines should be interpreted uniformly so that there is ease of implementation. More importantly, the implementation of any new regulation should be given a clear and distinguishable period, so that stakeholders get time to adapt to the changes and build strategies to work according to the regulations.

Time bound complaint redressal system can increase the confidence of the investors. Hence, the AMCs have to consider the grievances and provide timely help.

The balanced funds analysis revealed that there were negative returns which are usually not expected by the investors by this particular fund as its market capitalization is into equity and debt which balances the losses. Hence, timely and professional decisions have to be taken to deliver returns up to the objective of the scheme.
The equity funds have to increase the risk adjusted returns as the Sharpe and Treynor values were recorded negative. This increases the overall return and also encourages investment into equity funds.

The analysis of index funds revealed that the returns were not high as the beta recorded for most of the funds is greater than 1. Usually investors invest in such type of funds with high return expectation; hence, the fund managers have to manage the investments wisely to deliver high returns than other type of schemes.

Most of the investors invest in mutual funds for tax benefit. The tax scheme in the period 2009-12 has recorded high risk but not even posted positive return for the one year period. It is suggested that tax schemes returns should be at least marginally high than the return on fixed deposits and NSC etc.

The income/debt schemes are invested with an objective to draw monthly returns. These investments in this scheme are usually made by conservative or moderate risk takers; hence it is suggested to take necessary steps to avoid high fluctuations in the returns of this particular scheme. However, the recent past has witnessed considerable returns being offered by debt funds which are drawing the interest of the investors to diversify their present holdings into debt funds.

The sector funds usually have low diversification and are concentrated in one particular sector, investors from these funds can get higher benefits or substantial losses. These funds are suggested to the investors that sector funds are to those investors who those who are willing to accept high risk. The investors those who have ability to
pick the right sector are only suggested to invest in sector specific funds whereas normal investor with minimum knowledge of mutual funds shall opt diversified equity for having a balance in their portfolio.

- As it observed from the data analysis that majority of the investors preferred to invest in growth schemes it is suggested that the investor has to follow certain basic principles while investing in any kind of fund. No matter what the risk profile of a person, it is advisable to diversify the risk. So investing the money in a diversified portfolio is suggested. This type of investment is also suggested as all fund managers do not have the same acumen of fund management and identification of best fund manager is a difficult task. The risk shall be reduced and the returns can be averaged if investments are done in diversified schemes.

- The investor has to have a clear and defined emphasis on the need for financial planning. Investors need to be educated the need to have long term financial goals. As it is observed that growth funds are chosen by the investors they also need to be aware of the risk appetite so as to take a right decision. Growth funds will ultimately result in capital appreciation if the investors stay invested in the fund over a long term horizon.

- The investors are suggested to set their objectives first to invest in appropriate fund. This is of prime importance as this factor influences the tenure, return, risk and investment pattern. The investors need to self assess first, prioritize their objectives and then decide the style of investment.
Nearly half of the respondents preferred systematic investment plan and the remaining have shown interest to invest in systematic investment plan it is always better to invest through systematic investment plan as investment has to be a habit and not an exercise. It is extremely difficult to choose when to enter and exit in the market. So the investors have to be systematic. The systematic investment plan helps to be regular in investment pattern. This kind of investments helps investors to average the returns in volatile markets.

Around 50 percent of the respondents in the sample do not monitor the funds even once in a month. The investors shall understand that monitoring the performance of the fund is equally important to that of selection of fund. By monitoring the fund, the investors can use switching over option in the bearish market. For example, when the funds are invested in equity funds they can switch over to debt funds and in times of bullish markets they can switch back to equity options.

Nearly 60 per cent of the respondents depend on the agents’ advice. The investors are suggested to have basic knowledge of the mutual funds. It is advisable to take help of mutual fund advisors provided they are fully knowledgeable and ethical. The investors should at least understand the basic kind of investment, the NAV of the fund, past performance of the fund and the risk factors associated with the investment. This helps the investors to take their own decisions.

Though past performance of the fund helps the investor to track the trend but still there are other aspects that investor has to look into while investing. The operating costs, lock in period etc., are to be known prior to investing. The mutual funds with less operating costs
should be picked by the investors. It should be understood that the costs incurred by mutual funds are ultimately passed on to the investor which in turn reduces the yield of the investor. The investors should also consider the tax implication of the fund. When investments are made into equity schemes, the investors should keep in mind that dividends are tax free in India and can reduce the liabilities. Investors who invest in equity are suggested to opt for dividend payout. Investments in debt are charged on dividend distribution and it is advised to avoid payout option when invested in debt.

- It is suggested to the investors to know the importance of exit timing. One should immediately exit as soon as the initial expectation is met. Factors like nonperformance in bullish market, hike in operational costs and no risk adjusted return shall be monitored to take decision regarding exit from the fund.

- The mutual funds investments are basically designed for moderate risk takers and small investors. Mutual funds are not meant for speculation. Investors are suggested not to speculate as the mutual funds cannot give quick returns and also not highly volatile to have an arbitrage opportunity.

- Majority of the respondents in the sample were moderate risk takers and wanted to invest in equity funds. It is advised for such investors to invest in portions in the following structure. More than 50 percent in large cap, 25 percent in mid cap and 25 percent in small cap. This portfolio can give returns as well as reduce the risk of the investor.

- The survey revealed that agents are not updated/do not have complete knowledge. Due to this the investors prefer to invest in traditional
deposits or post office savings. Agents must develop clear understanding of all technical aspects involved in mutual funds and disclose clearly the aspects of the particular schemes to encourage savings.

- The Agents should provide proper information to the investors and they must be able to explain the risk factors involved in investing in mutual funds. Agents shall suggest as per the interest of the investor’s objective and risk bearing. They should not influence by misguiding them for false returns and risk.

- It is also suggested that agents must check that the application forms are properly filled by the investors and check for supporting documents as most of the applications bounce back due to incomplete information and also take necessary steps to ensure that the clients' interest is protected.

- It is strongly advised to agents that they should adhere to SEBI Mutual Fund Regulations and guidelines related to selling, distribution and advertising practices. Be fully conversant with the key provisions of the offer document as well as the operational requirements of various schemes and disclose the same information clearly to the investors.

- The investors should be provided with full and latest information of schemes to investors in the form of offer documents, performance reports, fact sheets, portfolio disclosures and brochures, and recommend appropriate schemes for the client's situation and needs. Hence, the agents have to be properly trained and groomed to meet
the requirements of the customers so that it is beneficial to the investor and also to the AMC.

➢ The advisors are suggested to highlight risk factors of each scheme, avoid misrepresentation and exaggeration, and urge investors to go through offer documents/key information memorandum before deciding to make investments and also to abstain from indicating or assuring returns in any type of scheme, unless the offer document is explicit in this regard.

➢ The advisors/agents should remember that a client's interest and suitability to their financial needs is paramount when marketing various schemes.

➢ The agents are suggested to undergo the test conducted by AMFI to legally market the mutual funds and build trust of the investors.

➢ Though SEBI is trying to protect the investors interest but still due to high fluctuations in the capital markets nationwide and overseas it is suggested to see that the minimum returns are assured because the investor may lose the principal amount also when exposed to high volatility.

➢ It would be helpful to the investor if SEBI publishes the risk and risk adjusted returns on monthly basis. This helps the investors to understand the risk factor and risk adjusted returns of a particular scheme.

➢ From the observation it is found that investors are preferring to invest for short term. The period of holding of fund units ranges between a day to three years. There is a need to re-focus on the brand funds to change the investor’s outlook towards funds as a long-term product.
➢ It is suggested to SEBI that it has to take necessary regulatory/control measures if a particular scheme’s performance is consistently poor for more than 3 years in case of long-run schemes and one year in case of short term schemes. If not, the investors will be losing their hard earned money through these underperforming schemes.

➢ It is suggested that it is imperative to focus on reaching out to investors especially in the tier II cities and also in small towns and provide them the required information and instill confidence in the minds of the customers that mutual funds are being monitored by regulatory authorities.

➢ The mutual fund industry shall provide post sale services to increase the inflow of savings into the particular sector. It is therefore important for the asset management company to ensure transparency in business and focus on post-sales services through the latest technology.

➢ It is suggested to the industry that there should be a shift from the transaction-based model to an advisory-based model. The advisory model will strengthen the investor-advisor relationship. In such cases, the investor can have the prerogative to decide the fees he/she wants to pay to the advisor. Advisor fees should be apportioned to the amount of time the investor stays in the fund, instead of as an upfront commission, which is generally high.

6.4 Scope for further research

The study focused on only evaluating some existing schemes. It would be very useful to conduct another study within the same area of research, with the incorporation of more number of schemes and also
conduct a comparative analysis of Indian Schemes with foreign schemes. The performance of the mutual funds was studied with the help of Sharpe, Jensen, Treynor, CAGR, R-squared and standard deviation. The analysis can be further extended by using Sortino measure, probability and information ratio. The analysis can also be extended by comparing the mutual funds with other investment alternatives. The study can be further concentrated in tracking the trend of expenses and fees of mutual funds and pricing of funds and also the mutual funds ratings. Further research can also be undertaken through market capitalization which is important as it represents the aggregate value of the fund. Trading efficiency of the fund manager is another area of research which can be explored. The current study concentrated on the risk and return whereas further research could also be carried out in the areas of savings contribution of households towards mutual funds, investors’ and literacy on mutual funds.