CHAPTER – 6
CONCLUSION AND SUGGESTIONS

6.1 CONCLUSION

A Structured Questionnaire was given to 300 respondents of Surat, Ahmedabad, and Vadodara cities to know their perceptions regarding Mutual Fund Investment. The following broad conclusions were drawn:

People save in Mutual Funds for different purposes i.e. children education, children marriage, house construction, retirement planning and tax planning. It was found that main purpose of savings in Mutual Fund by the respondents was for children education (56.33%) followed by Retirement Planning (48.33%). Tax planning was given the third priority by the respondents. People engaged in Business gave the first preference to children education (68.7%) followed by professionals (58.8%) and then salaried class (53.7%). Professionals gave the first preference to children marriage (50%), followed by salaried class (41.3%) and retired people (45.5%). Salaried class gave the first preference to house construction (44.6%) followed by Business people (36.1%) and professional (29.4%). Retired people gave the first preference to tax planning (47.1%) followed by salaried (43.8%) and Business people (42.2%).

The relationship between educational qualifications and purpose of savings revealed that the respondents gave priority to children’s education (56.3%), retirement planning (48.3%) followed by tax planning (40%).

In case of the relationship between monthly income and purpose of savings, a unique trend has emerged. As the income increases, priority is given to tax planning. Majority of the respondents gave the first preference to children education followed by retirement planning.

If we look at the relationship between age and purpose of savings, it can be seen that those belonging to the age group below 40 gave the first priority to children’s education while both the age group 40 to 60 and above 60 gave priority to retirement planning for investment in Mutual Funds.
Savings A/c, Mutual Funds and Insurance are the popular tools of investment by the respondents of Surat, Ahmedabad and Vadodara cities of Gujarat state. Out of total respondents 71% respondents gave preference to invest in Mutual Funds, 69% respondents gave preference to invest in saving A/c, and 65.3% respondents gave the preference to Insurance. In Surat city, the most popular sources of investment for the respondents are Saving A/c, Insurance, Mutual Funds, bank/Recurring deposit and PPF and GPF A/c. In Ahmedabad, the most popular sources of investment for the respondents are saving A/c, Mutual Funds, Insurance, Bank/Recurring deposit and share market. In Vadodara, the most popular sources of investment for the respondents are Insurance, Saving A/c, Gold and Silver, Mutual Funds and PPF and GPF A/c. Respondents do not prefer to invest in Real estate, Post office scheme, Government securities, Company deposits, debentures, bonds.

The factors influencing the selection of Mutual Fund scheme in Surat are Net Asset Value, High Returns, Repurchase Facility, Reputation of Mutual Fund, and Market Trends in their order of priority.

The influencing factors for selection of Mutual Fund scheme in Ahmedabad are High Returns, Net Asset Value, Market Trends, Tax Policy, and Reputation of Mutual Fund in their order of priority.

The influencing factors for selection of Mutual Fund scheme in Vadodara are High Returns, Tax Policy, Net Asset Value, Repurchase Facility, and Easy Transfer in their order of priority.

The popular sources through which respondents get information about mutual fund are friends, Brokers, Professional Advisors, Media and Newspaper in Surat and Ahmedabad city. In Vadodara the first five preferred sources of information are friends, media, newspaper, colleagues, internet and Brokers. People of Surat and Ahmedabad get the information regarding Mutual Fund from professionals advisors also while people of Vadodara get the information from colleagues and internet.
Preference for Mutual Funds schemes based on structure given by respondents of Surat, Ahmedabad and Vadodara shows that most of respondents (76%) prefer to invest their money in open ended schemes of Mutual Funds.

Preference for Mutual Funds schemes based on objective by respondents of Surat, Ahmedabad and Vadodara reveals that most of respondents of selected cities of Gujarat prefer to invest in Growth schemes followed by Income schemes and then Tax Savings Schemes.

Preference for Mutual Funds schemes by the occupation of respondents of selected cities of Gujarat reveals that Business class, salaried and professionals prefer to invest their money in Growth fund (65.1%) and followed by Tax saving fund (42.2%) while housewives prefer to invest their savings in Growth fund followed by income funds.

Out of 300 respondents, 97% respondents are interested in SIP. Out of these 97%, 63.7% respondents already have invested in SIP while 36.3% respondents are eager to invest in SIP. SIP is a popular scheme among mutual funds respondents.

It is seen through $X^2$ test that there is no association between SIP investment and occupation of the respondents and between SIP investment and income of respondents. But, there exist an association between SIP investment and education i.e. educated people prefer to invest in SIP Plan.

According to Garret’s rank technique the main five reasons for investment in mutual funds are high returns, safety, tax exemption, liquidity and diversification of risk in selected cities of Gujarat.

Fear of frauds, poor timing of investment, portfolio manipulation, lack of investor’s education and lack of transparency are the main common factors discouraging investment in Mutual Funds in selected cities in Gujarat. In Surat city, high loading charges and lack of adequate research infrastructure are the additional factors that discourage investment in mutual funds, while in Ahmedabad, lack of professional management of funds and reckless
management of funds also discourage investment in mutual funds. In Vadodara, lack of professional management of funds and poor after sales services discourage investment in mutual funds.

It was also found that 12.3% of the respondents do not receive the unit certificates in time. 7.7% of the respondents do not receive dividend in time. 8.3% of the respondents do not receive the annual report in time. 5.7% of the respondents have difficulty in transferring their units. This shows that the services provided by mutual fund companies were not satisfactory.

### 6.2 SUGGESTIONS

Suggestions can be divided into two parts

(a) For Mutual Fund Companies

(b) Mutual Fund Investors

**6.2.1 Following suggestions can be incorporated by the Mutual Fund Companies.**

AMFI should conduct adequate awareness programs about the usefulness of investment in mutual funds and provide information to public regarding different new schemes. AMFI should frequently conduct short term courses for investor education. Even college students should be made aware of investment in mutual fund schemes. Mutual fund companies should conduct courses at University and colleges and these courses should be a part of the curriculum.

Investor education is very important factor for investors. Research and awareness programmers’ should be conducted for investors. Seminars, conferences and training programs should be arranged for this purpose. Adequate publicity through newspapers, magazines, T.V., radio, pamphlets and brochures should be done.

Mutual fund companies should dispatch their annual report in time to their investors so that the investors are informed about the company’s financial position. This will help the investor to know the status of their investment.
97% of respondents were ready to invest in SIP (systematic investment plan). This shows the popularity of SIP Scheme. The mutual fund companies should publicize SIP and encourage investors to invest more in SIP as it will help in compulsory savings.

It has been observed that the unit certificates are not dispatched in time by mutual fund companies. The mutual fund companies have to focus on good services to the investors. The certificates could be expeditiously dispatched in time to the investors.

Fear of frauds was one of the factor discouraging Mutual fund investors. Government should see that Mutual Fund companies follow corporate governance regulations. All mutual fund investors want transparency. Strict regulations should be enforced by SEBI with regard to Corporate Governance. SEBI should enforce strict regulations on mutual fund companies where frauds are committed. There has been a conflict of personal interest of fund managers in the past. SEBI should enforce, strict regulations, so that other mutual fund companies will be deterred from committing frauds in future.

Lack of professional management of funds is one of the main factors discouraging investment in Mutual Fund. Professionals with a good background and record should be appointed to manage mutual fund. This will help to boost investor’s confidence, which in turn will encourage investors to save in Mutual fund.

Appropriate measures should be taken by the government, AMFI and SEBI to weed out the discouraging factors and help to provide a conducive climate for growth of mutual fund in the country. AMCs have to ensure more professional outlook for better results.

Mutual fund companies should launch new and innovative schemes according to the varied needs of the investors. There is a lack of innovative products in the market. People have the capacity to invest and this capacity has to be explored by the mutual funds companies. With the increasing awareness among
the retail Investors about capital markets, the mutual Fund Companies should come with innovative schemes to fulfill the requirement of the retail investors.

Education also plays a key role in mutual fund investment. Highly qualified persons use the internet for getting the information. Their behavior of getting information is different from other respondents. Mutual Fund companies should update their websites regularly.

Female respondents prefer to get information about mutual funds through professionals. Therefore the Mutual Fund Companies should try to tap this particular segment in the market.

Besides relying on brokers, friends, media, newspapers, professional advisors, mutual fund investors should be encouraged to use other sources of information such as financial journals, internet and brochures of mutual funds. Mutual Fund Companies should take this aspect into consideration.

Pension Funds are popular in the western countries. Today, it is the need of hour in India to popularize the pension funds which have greater potential in the years to come. Mutual funds companies should introduce new pension funds scheme for investors.

It should be mandatory for mutual fund companies to 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 grievance problems.

Investors also were highly dissatisfied with the Mutual Fund Companies not providing current information about mutual fund schemes. Updates and current information about schemes and mutual funds should be regularly dispatched to the investors at regular intervals.

During the period of study, it was found that the majority of the investors invest their money through the income scheme, Growth schemes and SIP plan scheme. This indicates that more efforts have to be made by the Mutual Funds
to create awareness among the investors regarding the earnings potential of other schemes.

In the developed countries like U.S. the percentage of net assets held by the household investors is more than 80% of the total fund, but in India it is just around 40%. This indicates that the mutual fund companies in India should try to motivate more number of household investors to invest in Mutual funds.

Thus 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.

6.2.2 Suggestions for Mutual Funds Investors

Financial goals vary, based on Investors age, lifestyle, financial independence, family commitment and level of Income and expenses among many other factors. Therefore, it is necessary for Mutual Funds Companies to assess the consumer’s need. They should begin by defining their investment objectives and needs which could be regular income, buying a home or finance a wedding or education of children or a combination of all these needs, the quantum of risk, they are willing to take and their cash flow requirements.

Mutual Investors should choose the right Mutual Fund Scheme which suits their requirements. The offer document of the Mutual Fund Scheme should be thoroughly read and scrutinized. Some factors to evaluate before choosing a particular Mutual Fund are the track record of the performance of the fund over the last few years in relation to the appropriate yard stick and similar funds in the same category. Other factors could be the portfolio allocation, the dividend yield and the degree of transparency as reflected in the frequency and quality of their communications.

Investing in one Mutual Fund scheme may not meet all the investment needs of an investor. They should consider investing in a combination of schemes to achieve their specific goals.
It is suggested that the investors should not consider only one or two factors for investing in mutual fund but they should consider other factors such as higher return, degree of transparency, efficient service, fund management and Reputation of mutual fund in selection of mutual funds.

The best approach for an investor is to invest a fixed amount at specific intervals, say every month. By investing a fixed sum each month, they can buy fewer units when the price is higher and more units when the price is low, thus bringing down the average cost per unit. This is called rupee cost averaging. Systematic investment plan facility is one such plan, incorporating these features. It is desirable to start investing early and stick to a regular investment plan. The power of compounding lets one earn income on income and also the money multiplies at a compounded rate of return.

A Mutual fund investor should be aware of his rights. The agents or financial advisors should make investors aware of their rights as per the SEBI (Mutual Funds) Regulations & Regarding AMFI. A unit holder in a Mutual Fund scheme governed by the SEBI (Mutual Funds) Regulations is entitled to:

(a) Receive unit certificates of statements of accounts confirming the title within 6 weeks from the date of closure of the subscription or within 6 weeks from the date of request for a unit certificate is received by the Mutual Fund.

(b) Receive information about the investment policies, investment objectives, financial position and general affairs of the scheme.

(c) Receive dividend within 42 days of their declaration and receive the redemption or repurchase proceeds within 10 days from the date of redemption or repurchase.

(d) Vote in accordance with the Regulations to:

(i) Approve or disapprove any change in the fundamental investment policies of the scheme, which are likely to modify the scheme or affect the interest of the unit holder. The dissenting unit holder has a right to redeem the investment.
(ii) Change the Asset Management Company.

(iii) Wind up the schemes.

(e) Inspect the documents of the Mutual Funds specified in the scheme’s offer document.