CHAPTER 7

SUGGESTIONS AND SCOPE FOR FURTHER RESEARCH

This chapter provides some suggestions to the mutual fund companies, investment advisors, fund managers as well as regulatory bodies for enhancing the confidence of investors in this investment avenue along with increasing the penetration of mutual funds in the financial markets. The chapter also deals with the areas where the research can be further extended.

7.1 SUGGESTIONS

Some suggestions or recommendations for the mutual fund companies, investment advisors, fund managers as well as regulatory bodies on the basis of present study have been presented in this section.

1. We know that in India first mutual fund was set up in 1964 and thus, Indian mutual fund industry has completed more that 50 years till 2015. In spite of such a long experience and huge establishment of mutual fund schemes as well as the growth of AUM (assets under management) from 470 million INR approximately as on March 1993 to 8250 billion INR as on 31 March 2014 to approx. 12,654 bn INR as on June 2015, most of the mutual fund schemes have been performing inefficiently. Mutual fund companies, AMFI and governing bodies as SEBI should take corrective measures so as to make mutual fund schemes perform efficiently. As long as undue delay in taking decisions and lack of proper enforcement of rules exist; it will be very difficult to build up investors’ confidence in this avenue. Thus, it is the high time for the regulatory bodies to pull up their socks and start taking actions against the non-performers, so that they are not allowed to erode the savings of the investors pooled in the mutual funds.

2. The financial advisors, to have an accurate and more realistic approach towards the mutual fund schemes, should study the technical and fundamental aspects of each of them so that they are able to guide the investors properly and increase their confidence in this investment avenue. The investment advisor’s awareness is the need of the hour and hence every mutual fund company has to make regular efforts to enlighten them. This calls for the active support and involvement of the Association of Mutual Funds in India (AMFI) to educate the investment
advisors or the IFAs (Independent Financial Advisors) so as to make them assess mutual fund schemes in the right perspective. Hence, it becomes essential for the AMCs and the regulatory bodies to take initiative to provide financial literacy and product training to them. This will not only boost the confidence of the advisors in guiding the investors but also enhance the faith of investors towards them. In view of this, SEBI is in discussions with AMFI to introduce a more stringent certification program for all distributors and financial advisors of mutual fund schemes.

3. As ratings are considered as the second most important attribute after expense ratio. This emphasizes that rating agencies should become even more responsible and transparent in judging the mutual fund schemes. The investment advisors rely on these ratings to a great extent because a mutual fund rating usually measures risk-adjusted past performance of the funds over different time frames and compare it with the funds of the same category. It is thus a combined analysis of both return and risk, which gives an idea about a fund’s ability to deliver returns for a given level of risk. It is purely quantitative and there is no subjective part to the rating given by a rating agency. It also involves analyzing the quality of underlying assets, diversification of portfolio, quality of fund management and operational policies. It actually serves as a starting point in the process of filtering mutual funds to arrive at the right one. However, investment advisors should not take a myopic view on fund ratings and should consider the other crucial factors before selecting a fund for investment, which include consistency in performance, expenses involved, the fund manager's track record and experience etc. In addition to this, the fund advisors should convey the ratings of mutual funds to the investors explicitly as it is done for fixed income securities to gain the confidence of investors and convince them for selecting a particular fund.

4. The fund managers of Indian mutual fund industry should adopt proper investment research before selecting a particular security for investment. As we all know, the success of mutual funds in mobilizing the surplus money of investors and channelizing them for industrial growth of the country, will depend on the financial parameters achieved by them. To achieve these financial parameters, it is imperative to manage the funds collected by the investors in a profitable manner. The role of fund manager becomes very crucial in profitable management of these funds as the investor, nowadays, has become vigilant and is not ready to tolerate the inefficient managers any more. As more and more fund houses are entering the market, the responsibility of the fund manager has increased many folds as their survival in the financial market will depend
on the profitability of the portfolios managed by them. Thus, they should follow any of the market timing strategies like fundamental indicators, technical indicators or societal indicators to time the market efficiently and earn extra returns for their investors.

### 7.2 LIMITATIONS OF THE STUDY

The main limitation of the present study is that the respondents are investment advisors, which is a very niche category of respondents. They are having very busy schedule and hence, it is very difficult to approach them for getting their responses. Moreover, the information required from them was related to their professional skills and hence, they were hesitant in sharing the same. Thus, for studying their behavior and perception, the primary data was collected through personal visits and interactions with them. Due to constraint of time and resources, it was possible to collect data from 45 respondents scattered in Delhi-NCR only. However, if we consider that each advisor influences the financial decision of at least 100 investors, the sample size is big enough for the present study.

There are only six attributes selected for the study after doing the literature review and thereafter taking the expert opinion, which might not be enough to judge the investing behavior and perception of the investment advisors.

The other limitation is that only 15 top performing equity mutual funds are selected as a sample for analyzing the performance of mutual fund managers and due to the limitation on availability of secondary data for a longer period, only six years period i.e. from January 2008 to March 2014, has been taken as the period of the study. However, as the period includes both the bearish (2008) and the bullish phase (2013) of the Indian stock market, it is good enough to cover the ups and downs in the performance of equity mutual funds due to the market movements.
7.3 SCOPE FOR FURTHER RESEARCH
Although, the present study is quite comprehensive covering all the aspects of investment advisors’ investing behavior and their perception towards mutual funds, there are some areas where this research can be further extended.

The present study has taken only six attributes for studying the investing behavior and perception of financial advisors towards mutual funds. This research can be further extended by incorporating more attributes which may be considered relevant in the Indian mutual fund industry.

The sample size for judging the performance of fund managers can be increased by including not only open-ended equity mutual funds but also closed-ended equity as well as dividend schemes. This way the research can be extended further by considering a larger sample of mutual fund schemes for which the secondary data is available, even if it is available for a shorter time period.

The primary data collection for studying the behavior and perception of investment advisors is limited to Delhi-NCR, which can be further extended to other parts of the country so that the investing behavior of advisors in India can be studied.
In addition to the above areas, the research study can be further extended by adopting a more rigorous quantitative approach for identifying the key attributes for mutual fund selection.