ABSTRACT

Financial system of a country is the backbone of its economic growth and development. India being an emerging economy, the role of financial intermediaries becomes very crucial. They act as a medium to channelize the savings of individual investors into investments for the economic development of the country. These financial intermediaries include banks, insurance companies’ financial companies and nowadays mutual funds also.

Mutual funds is one of the most important investment avenues available in the market, in which money pooled by a large number of investors is managed by the professional managers. They invest these funds in various financial instruments like shares, debentures etc. In India, the stock and mutual funds account for only 4.9% of personal financial assets which shows the risk-averse nature of Indian investors. This also indicates that there is huge potential for growth in investments into mutual funds in India by individual investors.

The growth and success of the mutual fund industry is largely dependent on the professional skills of the fund managers as well as the investment advisors, who act as a link between investors and mutual fund. Hence, it is imperative to know not only the perception of the investment advisors but also their selection criteria. We have to find out that whether the perception of the advisors is based on technical and fundamental analyses or it is based merely on their biases.

The present study deals with this aspect of mutual fund industry. The selection criteria of the investment advisors are studied by employing the technique of conjoint analysis. This technique helps to find out the relative importance of various combinations of attributes and the attribute levels present in the mutual fund schemes. It has been concluded that the advisors consider expense ratio as the most important attribute for scheme selection followed by rating and
investment style of the fund manager. The perception of investment advisors is judged with the help of multidimensional scaling technique. This technique is used to generate perceptual maps on the response given by the investment professionals with respect to each of the attributes. These perceptual maps give a pictorial view of the perception of investment advisors regarding the selected mutual fund schemes. The results of the analysis show that the perception of investment advisors in most of the cases is far from reality.

In addition to this, the research also explores the performance of fund managers regarding their stock selectivity and market timing skills. This was done using HM model along with TM and Jensen’s model. The results of all the three models indicate that the mutual fund managers neither have stock selectivity skills nor they are able to time the market correctly.

The above conclusions of the research signal that the investment advisors as well as the fund managers should adopt specific technical as well as fundamental analysis along with market timing techniques to enhance their professional skills. This will not only improve the penetration of mutual funds in the financial markets by increasing the investors’ confidence but also increase the portfolio returns to attract them towards this investment avenue.

In this way, the present study is quite comprehensive and helpful to the investment professionals as well as the mutual fund companies. It has given suggestions to them to take corrective measures so that mutual funds can be established as the most favorable investment avenue in the minds of the investors.