CHAPTER - VII

SUMMARY & FINDINGS
The purpose of this research is to study the marketing strategy and the performance of mutual funds in India. Indian financial market has developed into a fairly well integrated structure and caters to the various needs of the funds for the trading, agricultural and industrial sectors of the economy. Mutual funds have become part of the Indian capital market loop.

Data used in the study have been collected both from primary and secondary sources. Primary data emerged from a well-designed questionnaire with twenty structured questions. The Secondary data are collected from the Economic Times and Business standard for the period starting from 8th June, 1992 to 30th June, August, 1993 for sixty consecutive weeks.

Computer based econometric and statistical techniques like multiple regression analysis, analysis of variance (ANOVA), chi-square test, Sharpe Ratio, Treynors Ratio and rank correlation have been utilised to interpret the results of research findings to arrive at inferences.

The broad findings of this study are mentioned below.

Within a short span of four to five years mutual fund operation has become the integral part of the Indian financial scenario and is poised for rapid growth in the near future. With the
emphasis on increase in domestic savings and improvement in deployment and investment through markets, the need and scope for mutual fund operations has increased tremendously.

More than 35 million investors in India have their savings tracked away in mutual funds. And the total amount is around Rs.40,000 crores in 1993. The total amount of mutual funds was Rs.30,000 crores in 1992 as compared with a mere Rs.4000 crores in 1987. This shows a ten times increase in the amount of mutual funds in the year 1993 as compared to 1987. Mutual funds are perceived to be safer than fixed deposits of companies and also debentures with respect to all attributes, that is safety, liquidity and return.

The household investor have preferred to invest their funds through institutions like mutual funds instead of investing the same directly in capital market. Mutual funds offer better return than banks. They are more accepted due to the variety of benefits like growth, liquidity, guaranteed return and safety of funds.

Seventy six percent of the respondents have diversified their investments portfolio to various mutual fund schemes. The mutual fund to balance their portfolio through investments in growth and income schemes. In fact the brand name in the physical market conditions, only assist in identifying the investment scheme. Only the unique selling propositions matter for the investor. Brand names are not very important in mutual fund marketing. 57 percent of the respondents are localised at likert rating scale indicating brand insignificance. Brand is very important to only 14 percent of the respondents.
At present the investor in India looks at mutual funds as a substitute for fixed deposits in banks rather than as a substitute for investment in stocks. The investors are comparing their satisfaction in mutual fund investment with bank deposits.

As there is no rejection in mutual fund allotments and there is assured allotments, the investors prefer an entry in primary market is 81 percent against 41 percent in secondary market. If the mutual fund is doing well the small investors do not divert the holding in anticipation of still higher returns. Only at this stage the primary market investors in the regular habit of divesting the investment at first sight of profit, Pass on the investment to secondary market investors.

The significant feature of mutual fund in India is the guaranteed returns offered by a majority of them. This is responsible for gaining popularity among investors. One of the issues concerns whether the mutual funds should offer and advertise guaranteed returns. Strictly speaking mutual funds are market instruments and are subject to market risks. No mutual funds abroad offers guaranteed income. The securities and exchange board of India prohibited the mutual funds from offering products with guaranteed returns.

Investors investing in secondary market are mostly guided by brokers and self judgment. Bankers do not guide the investors for choice of a scheme under any mutual fund in secondary market as this may result in a drain on their deposit base.
Mutual fund investment advices and references are based on top of investors mind fund scheme and not on any technical considerations. The ANOVA of primary market frequency represented by top of investors, their friends to buy from secondary market is found out. As the calculated value of $F = 1.489$ is less than the table hypothesis. This means that at 5 percent level of significance or with confidence level of 95 percent, there is no difference between top of investors mind brand of mutual fund scheme and his recommendation to friend to invest in secondary market in that scheme.

Age group of mutual fund investors has a moderate association with investment pattern in mutual funds. This is established by chi-square test on the age group and investment matrix. As $\chi^2$ calculated (251.22216) is more than the table value (26.296) at 5 percent level of significance the null hypothesis $H_0$: "There is no association between age group and investment pattern of mutual fund investors" is rejected. So there is association between age group and investors. But as the value of the agreement index ($r$) 0.498 is less than 0.5, it indicates a moderate association between age group and mutual fund investors.

The chi-square value for income level and investment pattern in mutual funds is calculated. The calculated value 491.02406 is more than the table value 24.996. This leads to the inference that there is an association between family income level and investment pattern of mutual fund investors. As the value of the agreement index 0.626 is more than 0.5, there is a strong association between
family level and investment pattern of mutual fund investors.

Occupation of mutual fund investors as a moderate association with investment as established from the agreement index and the result of chi-square test on occupation pattern and investment matrix. As the calculated value of chi-square 183.96 is more than the table value 31.41. The null hypothesis that there is no association between occupation and investment pattern of mutual fund investors is rejected. The agreement index $(0.441)$ is less than 0.5. Therefore, there is a moderate association between occupation and investment pattern of mutual fund investors.

Mutual funds should sponsor tax-saving schemes only after gaining a good degree of market acceptance. This is indicated by a negative intercept in $y$-axis representing scheme popularity rating in simple regression analysis.

Return per unit risk assesses the performance of a mutual fund in terms of risk normalisation. Funds that provide the highest return per unit of risk is judged as having provided the best performance. The two alternative but similar methods of measuring return per unit of risk are sharp ratio (S.R) and treynor Ratio (TR).

In evaluating the portfolio diversification state of 37 Indian Mutual Funds the rank correlation between SR and TR is +0.6982 which indicates sufficient positive correlation. So the association between volatility (measured by beta $\beta$) and variability (measured by standard Deviation) are positive and
better than moderate being above +0.5. Therefore, ranking under any area of the ratio can be accepted as ranking per unit risk though separate ranking gives additional decision support to the investor depending on his risk perception based on volatility or variability.

The rank correlation between NAV (Net Asset Value) to price for the growth based on 37 mutual fund segments in India works to +0.943692. This shows there is near perfect direct association between NAV and market price. Mutual funds doing well in the backup portfolio necessarily do well in the market when quoted. Indian investors operating in the same market associate the diversified portfolio of mutual fund corpus resulting in NAV in the same way as they would have done to evaluate their own portfolio.

The rank correlation between corpus of a mutual fund segment and anualised growth for 37 mutual fund schemes works out to +0.760878. This is better than moderate direct correlation. The positive is better than moderate correlation indicates the soundness of judgement of investors in contributing to the corpus of a mutual fund.

The extent of imperfection may be attributed to the lead time of mutual funds to capture the backup investment portfolio due to dearth of floating securities of desired fundamentals and restrictions on mutual funds imposed by the statutory regulations to choose their investments at their free will. On the investor side there is the contributary cause of imperfect information limited choice and selection bias. Despite all the shortcomings at both ends
Indian growth base mutual funds have shown the right association between the investors preference as reflected in the size of the corpus and the annulised growth rate.