Chapter VI

CONCLUSION & SUGGESTIONS
CONCLUSION

The author through her survey, sample study and hypothesis testing, derived the following conclusions:

MUTUAL FUNDS

❖ As the income of the people increases their investment in mutual funds also increases. This is because the people with higher income have more saving capacity in comparison to the people having lower income. Apart from that the other benefits attached with the investment in mutual funds like portfolio diversification, tax benefits, etc also motivates the people to invest more in mutual funds.

❖ Out of 1000 respondents 624 i.e. (62.4%) people in Varanasi city said that they do not invest in mutual funds whereas 376(37.6%) people said that they invest in mutual funds. This indicates that still quite large number of people in Varanasi city does not invest in mutual funds. Though the awareness regarding mutual funds and share market have increased considerably in the past few years, yet the people are quite reluctant to invest in these instruments due to the risk factors associated with them. However the number of
people investing in Mutual funds has gone up considerably in past few years and the number is expected to increase significantly with the improvement in economic scenario of the country.

- People falling in the age group of 20 to 59 years invest maximum in the share market because they have more disposable income and savings. They see mutual funds as an investment tool to save taxes, minimize risk and get good returns. The risk bearing capacity of the people falling in this age group is also quite high, whereas those in the age group of below 20 years invest least in mutual funds because the people in this age group are not financially very strong and their knowledge about mutual fund is also very limited.

People falling in the age group of 60 years and above also invest less in mutual funds because at this age people normally retire and their source of earning also becomes limited. Therefore they try to avoid investment in which return is uncertain and risky. People in the age group of 60 years and above prefer to invest in securities which provide safe and consistent returns like post office schemes, bank deposit schemes, govt. securities etc.

- Fluctuation in share market makes great impact on the investment decision of the people of Varanasi. When share market is bullish
people invest more in mutual funds and shares whereas the trend is just vice-versa when the share market is bearish.

❖ Investors in Varanasi prefer to invest more in Close-ended followed by Open-ended and interval funds. Investors in Varanasi prefer to invest more in close ended funds because these funds are more frequently launched by the Asset Management Companies and the performance of close ended funds have been very good and stable in the long run. Close-ended schemes are also listed on the stock exchanges, whereas Open ended schemes are not listed on the stock exchanges and the sale and repurchase of units are carried on a continuous basis. Open-ended and Interval funds are less popular among the investors of Varanasi because these schemes are not very frequently launched by the Asset Management Companies (AMC’s) and are not listed on the stock exchanges.

❖ Of the various mutual fund schemes launched by the companies Growth schemes are most popular followed by Income, Balanced, Tax Saving, Index and Money market schemes. Growth schemes are most popular because they offer high returns in comparison to other schemes. Money market schemes are less popular because
they offer very less returns on the investment are not very frequently launched.

- The investors of Varanasi mainly invest in Mutual funds due to the benefits attached with the investment like capital appreciation, tax benefits, portfolio *diversification*, expert guidance, risk minimization etc. These benefits make the investment in mutual funds look more attractive.

- The investors of Varanasi look for the following basic features before investing in the mutual funds:

1. Good Portfolio Management by the AMC.
2. Past performance of the Company and scheme
4. Brand of the Company or AMC. Etc.

- The future growth prospects of mutual funds look very bright. Most of the investors in Varanasi i.e. (56.38%) said that they would prefer to invest in mutual funds more if their income increases in future.

- One good thing that was observed is that most of the investors in Varanasi city (i.e. 61.70%) expressed their satisfaction with the performance of their fund and said that they are satisfied with the services offered by their AMC. The recent upsurge in stock market
has yielded handsome gains to these investors, and this could be one prominent reason why they have expressed their satisfaction regarding the performance of their fund and AMC.

❖ Even today investors in Varanasi show more confidence in public sector AMC's insurance companies like UTI, LIC, GIC etc. in comparison to private sector AMC's. However the marketing strategies of private AMC's have succeeded in motivating the investors of Varanasi to invest more in private sector AMC's.

❖ The global mutual fund industry is large and growing rapidly. Global assets under management (AUM) are in excess of US$16 trillion. The analysts have predicted a global compounded annual growth rate in excess of 8% for industry globally between 2007 and 2009.

❖ Out of the total house hold saving invested in financial assets only less than 1% are invested in Mutual funds. In the coming years this percentage is expected to rise significantly.
STAKE (SHARE TRADING)

- Investment made in the share market is not independent of the income earned by the people of Varanasi City. The people having higher income invest more in shares in comparison to the people having lower income.

- Out of the total 1000 respondents 29.20% people said that they invest in share market whereas 70.80% people said that they do not invest in share to invest market. Thus we can see that people of Varanasi city are reluctant to invest in share market because of the various factors like risk factor, the technicalities involved like opening of DEMAT and Trading account, recent share scams etc. The number of people investing in MF is more than the number of people in shares because Mutual funds are less risky and opening of DEMAT and trading account is not compulsory for making investment in Mutual funds.

- Investment made in share is not independent of the age group of the investors. People falling in the age group of 20 to 59 years invest maximum in share market, because their risk bearing capacity is high and they tend to maximize their return on
investment made. People falling in the age group of 60 years and above invest less in shares because of the risk attached with investing in shares. People of this age group prefer to invest in securities which provide stable and safe returns like post office schemes, government securities etc. People belonging to the age group below 20 years invest least in shares and MF’s because their earning capacity is very less and they are not much aware about the functioning of the stock exchange.

* Most of the investors of Varanasi having DEMAT and Trading account are availing the facility of Offline trading account. They prefer to open offline accounts more than online accounts because maintenance and opening of an offline account is cheaper than an online account. Apart from that the operation of an offline accounts do not require the availability of computer and internet facility. However the number of online account users is considerably increasing due to various factors like transparency in transactions increase in computer literacy etc.

* Most of the investors of Varanasi city are having moderate risk bearing capacity. 46.58% people said that they have moderate risk bearing capacity, 31.50% said that they have the capacity to bear
high risk and 21.92% people said that they have low risky bearing capacity.

- Quite large number of people in Varanasi city do not plan and categorize their investment before investing in shares. Their investment is mainly based upon their likes and dislikes and the news which they receive from various sources like newspapers, magazines, websites, brokers, friends, TV, etc.

- Out of the total investors in Varanasi city, 35.62% people invest in the share market for medium term, 24.65% investors invest in the share market for long term, 15.08% investors invest in the share market for short term, and 24.65% investors are daily intra-day traders.

- 47.95% investors in Varanasi city said that they invest in the share market for getting higher returns, 34.26% people said that they invest in shares for getting long term benefits like dividends, bonus capital appreciation accruing due to an increase in share price, etc. 15.06% investors said that they invest in the share market to avail tax benefits while only 2.73% investors said that their investment in shares is made to participate in company’s affairs.

- Out of the total respondents who said that they invest in the share market, 55.40% are retail investors, whereas 44.60% are HNI investors. Thus we can see that the percentage of retail investors is
high in Varanasi city in comparison to the percentage of HNI investors.

❖ Majority of the investors of Varanasi city expect that their broker will provide effective pay in and pay out services, market tips, and technological support and will follow safe and fair trade practices.

The Indian capital market has witnessed a radical transformation within a period of just over one decade during the early part of 1990s the ranking of Indian capital market with reference to global standards of efficiency, safety, market integrity was low. With reference to the risk indices the Indian capital Market was regarded as one of the worst as it figured almost at the bottom of the league. However the scenario has completely changed, because of the extensive capital market reforms carried out over the period of the last decade and a half, the setting up an extension of activities of NSE and steps taken by SEBI, the Indian capital market is now ranked in the top league. It is now considered to be way ahead of many developed country capital markets. A significant feature of the primary market activity after abolition of capital controls has been that the corporate attempted to diversify the range of instruments. A wide variety of innovative of hybrid instruments wee introduced to suit the varied need of the investors and issuers/ borrowers. Despite setback in
some years due to stock market scams, the sentiments looked positive due to revival of retail investor interest in the market following encouraging corporate performance in the recent period. However what continues to be a matter of concern is the fact that FIIs call the shots in the Indian Capital Market due to vast amount of resources at their command. It is correctly pointed out by R.H. Patil that "The operations of the FIIs in India are often sporadic as their buy and sell decisions are governed by global strategies in which the Indian market continues to be a marginal player". Therefore external shocks can destabilize the Indian Capital Market at any time and it is necessary to take adequate precautionary steps to avoid/prevent this possibility.
SUGGESTIONS

• Listing of securities on any one of the prominent stock exchange i.e. NSE and BSE should be made mandatory.

• Various transaction taxes like STT; service tax etc. should be either reduced or abolished.

• The power of SEBI should be increased.

• Trading should be done in DEMAT format only.

• Various load charges etc levied on the investment of investors who invest in mutual funds should be either abolished or reduced.

• The money of the pension fund collected by Govt. and public AMC’s should be invested in stock exchanges. This will infuse liquidity in the stock exchanges. Currently only 5%v of the total pension fund collected by the Govt. is invested in Mutual funds. This percentage should be increased.