CHAPTER-7
CONCLUSION, FINDINGS AND SUGGESTIONS

Mutual funds industry, today, is one of the most preferred investment options all over the world. It plays a crucial role in the economic development of a country. Mutual funds’ active involvement can be seen by their dominant presence in the money market as well as capital market. They are also found very active in the stock market by way of ensuring stability as a supplier of large funds through steady absorption of floating stocks. Recently they entered the arena of the service sector in an admirable manner.

A mutual fund is an entity in the form of a trust which pools the money of large investors and invests the same in the different investment avenues. Such investment may be in the form of equity shares, debt securities, money market instruments, government securities, fixed deposits, precious metals, etc. These investment securities are professionally managed on behalf of the investors, also known as the unit-holders, who hold a pro-rata share of the portfolio.

Emergence of mutual funds in the Indian scenario is a product of constraints on the banking sector to tap the fruits of the capital market and the reluctance of the investors to direct plunge in complex and erratic financial market operations. Since, household sector’s share is much larger in the country’s savings; it is utmost essential for the government and mutual fund managers to guide their deployment of savings in the right direction. Thus, with a plethora of mutual funds schemes available for option and their impressive growth in India, there was a need for the present study to bring to light the performance of mutual funds. Further, it could guide the retail and small investors to make a appropriate decisions while selecting the investment avenues for their hard earned savings through mutual fund vehicle.

In India, the mutual fund industry is started with the setting up of Unit Trust of India (UTI) in 1963 by the Central Government. Unit-64 (US-64) launched by the UTI in 1964 became the first mutual fund scheme in the country. It monopolized the market till 1987, after that due to liberalization, privatization and globalization,
policy of the Central Government, a considerable growth was seen by entering of many private and foreign players in this industry. Currently, around 44 AMCs with more than 1200 schemes are working in mobilizing the funds of small savers for investment purposes.

To cater a wide variety of investors’ needs, the mutual funds have initiated various categories schemes such as, income oriented, growths oriented, balanced and so on. Among the different schemes, it is observed that debt-oriented schemes will continue to dominate the mutual fund industry as satisfying the needs of yield, safety and liquidity. On the other hand, equity oriented schemes may gain their popularity in future expecting rising trend of stock market position.

In India, currently 44 mutual fund companies are effectively functioning with approx. Rs. 8142.68 billion assets under management (AUM). Out of these funds, top 5 mutual funds are almost managing 53% of the total assets and the bottom 10 of mutual funds is just contributing even less than 1% of the AUM. The mutual funds are highly concentrated among top 10 mutual funds managing almost 79% of the total AUM. Further, approx. more than 74% AUM are debt/fixed return oriented funds and approx. 26% are all others including equity based funds. This shows that the investors in India are mainly interested in fixed return mutual funds which normally are having lesser risk. Around 1229 different schemes of mutual funds are operating presently in India.

Mutual fund industry in India is just limited to a few cities i.e. 74% of the total investors belong to 5 metro cities and 42% alone in one city, Mumbai. More than 87% of investors reside in just 15 cities, next 5% in 75 cities, and rest all over the country. The mutual funds are centered on metro and big cities of India. Further, institutional investors in India are investing in short term and fixed return gilt-edged securities, whereas the small and retail investors have preference for equity based and balanced mutual funds.

For deciding the various parameters to conduct the present study, an intensive review of the research work and other published literature available on mutual funds was made. It helped the researcher to establish a gap between present and future
position. Further, the review of literature assisted in designing research methodology, selecting the sampling technique, analytical tools, framing of hypotheses, interpretation of results, etc.

Review of literature presented in this study is a brief description of research work conducted on mutual funds in India and abroad. A brief view of around 46 studies from abroad and 93 Indian studies carried out till 2013 are described in brief in this study.

The reviews of the presented studies have briefly looked at predictability of performance, persistence in performance and market timing ability. However, reviews on industry performance particularly under the regulated environment are scanty available. Most of the studies conducted earlier normally examined the performance of the mutual funds based on simple statistical tools and risk-return relationship. Their performance comparison was made with stock market return, returns of commercial banks and post offices, corporate debentures and government securities. Some studies were conducted on public and private sectors mutual funds performance. Most of the popular studies in this field have used the models like Sharpe Index, Treynor Model, Jensen’s Alpha, Eugene Fama, Auto correlation, etc.

The present study made use of the well-established analytical tools and models which have been applied in the other prominent studies.

In the present study, the performance of the selected mutual funds has been evaluated from three different aspects. Firstly, the performance of mutual funds from financing aspect, whether the investors have earned an adequate return or not. In this respect, risk- return analysis of selected mutual funds schemes is studied through various existing performance Models available such as Sharpe Index, Treynors, Jensen Alpha, Fama’s Decomposition, CAPM, etc. Second aspect is related with the investors’ point of view whether the performance of the mutual funds was up to the expectation of the investors or not. In this regard, the evaluation of the attitude of investors towards mutual funds such as, their motives, behaviour, investment pattern, satisfaction level, etc. have been studied. Finally, the impact of regulatory measures initiated by the Authority on the mutual funds industry has
been examined whether the regulations have ensured or not, due diligence, transparency, safety and proper performance disclosure by the mutual fund schemes.

Objectives:

With the above mentioned ground, the researcher has carried out the present study with objectives: (i) to examine the trends in terms of growth, size, volumes, etc of mutual funds in India, (ii) to evaluate the financial performance of selected mutual funds in India, (iii) to evaluate the performance of selected mutual funds in context with standard performance models like Sharpe, Treynor, Jensen, Eugene Fama, etc., (iv) to evaluate the performance of mutual funds as per investors view, (v) to study the profile, attitude, preferences, investment objectives, etc. of the mutual funds investors, (vi) to examine the impact of regulations on the performance of selected mutual funds in India, and (vii) to suggest certain measures relating to functioning of mutual funds in India.

Hypotheses & Statements Designed:

To achieve the above mentioned objectives, a few importnat hypotheses were designed: (i) there is no significant difference among the performance evaluation measure of mutual funds, (ii) index based returns and schemes returns are not significantly related, (iii) past performance of the scheme does not have any significant relationship with that of current performance, (iv) objectives of selecting mutual funds schemes are not significantly influenced by the investors profile, (v) there is no significant impact of the demographical factors on the investment objectives of the investors, (vi) investment preference is independent of age groups (male) towards mutual fund, (vii) investment preference is independent of age groups (female), towards mutual funds, (viii) financial needs of the mutual fund investors don’t depend on any particular factor, (ix) investment decisions are not significantly influenced by the profile of investors.

A few important statements relating to mutual funds are tested which are as follows: (i) investing in mutual funds is less risky as compare to equity shares, (ii) mutual
funds are more suitable to small investors who are otherwise hesitant of entering into capital market (accepted), (iii) mutual funds have the ability to weather the market fluctuations, (iv) risk-return characteristics of Indian mutual funds are not in conformity with their stated objectives, (v) investing in funds is much better in term of return than depositing in banks, (vi) growth schemes are highly preferred to income schemes.

The present study is conducted by using both types of primary as well as secondary data. The financial performance of the selected mutual funds have been examined through secondary data which were collected from the records of Association of Mutual Funds of India (AMFI), Value Research website, Data based websites, companies websites, journals, magazines, and other authenticated published data. To examine the performance of the mutual funds from investors’ point of view, primary data was collected through a structured questionnaire prepared for this purpose. This questionnaire was prepared after considering the views of the investors, fund managers, officials of SEBI and Value Research India Private Ltd. and other concerned officers. The questionnaire was tested through a pilot survey among the investors and the brokers. The questionnaire was also revised to elicit the perception of investors and brokers.

To elicit information from the investors, all the investors registered at the Karvy Stock Broking Ltd. were contacted between June-2013 and July-2013. 2243 mutual fund investors were registered members at the various offices of the Karvy Stock Broking Ltd. in its northern region of India, i.e. Delhi (691), Gurgaon (298), Faridabad (189), Chandigarh (321), Ludhiana (383), Shimla (361). Out of which 1500 investors (registered members) were approached. 1056 members responded and out of that 56 responses were rejected due to incomplete in nature. The response rate was 66 percent approximately. Thus primary sampling frame for this study consists of 1000 investors, which is adequate for evaluating the view of the population.

The Indian mutual fund industry came under liberalized environment in the year 1993 with the introduction of SEBI (Mutual Funds) Regulations. The industry was
brought under the uniform regulatory framework and control with the implementation of SEBI (Mutual Funds) Regulations 1996. Hence, the study attempts to evaluate the performance of this industry from 2002 onwards, after the introduction of uniform rules and regulations for mutual funds in India. To evaluate the financial performance and regulation of selected mutual funds, the present study has covered the period of eleven years, i.e. 2002 to 2013.

To study the financial performance of mutual funds, the sampling frame was selected after considering the number of mutual funds, assets under management (AUM) and the schemes of mutual funds currently operating in India. Out of 44 mutual funds companies, 18 mutual fund companies were selected and 4 categories of mutual fund schemes, namely Equity diversified (growth), ETF, Tax Savings, and Index/sectorial/contra were selected. On the basis of types of scheme, 20 (Equity diversified), 10 (Index/sectorial/contra Scheme), 10 (Exchange Traded Fund (ETF)) and 10 Tax Savings (ELSS), in total 50 schemes were selected. All the mutual funds which are having more than 250 crores assets under management (AUM) have been included in the sample. The sample frame is adequate for the present study in order to justify the population view.

The analytical tools like return, risk and risk-free return were used for financial performance evaluation of schemes in relation to that of market as per standard performance models as mentioned earlier. In analyzing the risk-return relationship, the CAPM is widely used. Further, various statistical tools like standard deviation, beta, coefficient of correlation, covariance, auto correlation co-efficient, co-efficient of determination, etc. have been used to analyze the data. In the present study, various techniques of analysis such as, Compound Annual Growth Rate(CAGR), Compound Growth Rate (CGR), Rank correlation, Kendall’s Co-efficient of Concordance, Chi-square Test, Z-Test, ANOVA, F-Test, Binomial Test of Significance, Rank order scoring, etc. have been applied.

Testing of Hypotheses and Statements of the Study

Hypotheses and statements framed in the study have been duly tested through appropriate statistical tools, and have mentioned here under:
Hypothesis Ho-1: There is no significant difference among the performance evaluation measure of mutual funds as per Sharpe’s, Treynor’s and Jensen’s Models.

In this study, this hypothesis is rejected as there is significant difference in the performance of ELSS, ETF, Equity Diversified Growth and other type i.e. Index/Sectorial/Contra mutual funds according to Sharpe, Treynor and Jensen Models.

Hypothesis Ho-2: Index based returns and schemes returns are not significantly related.

This hypothesis is rejected as significant influence of market index is found on entire sample schemes of ELSS, ETF, Equity Diversified Growth and other type i.e. Index/Sectorial/Contra funds.

Hypothesis Ho-3: Past performance of the scheme does not have any significant relationship with that of current performance.

This hypothesis is accepted as it has found that past performance of private and UTI funds does not have any relationship with the current performance.

Hypothesis Ho-4: Objectives of selecting mutual funds schemes are not significantly influenced by the investor’s profile.

This hypothesis is rejected as objectives of selecting mutual fund schemes are significantly influenced by Investor’s profile.

Hypothesis Ho-5: There is no significant impact of the demographical factors on the investment objectives of the investors.

This hypothesis is rejected as there is significant impact of demographic factors on the different investment objectives of the investors.

Hypothesis Ho-6: Investment preference is independent of age groups (male) towards mutual fund.

This hypothesis is rejected as it is found that the preference for mutual funds is significantly dependent on the age groups. Lower age males are significantly investing in the mutual funds.
Hypothesis Ho-7: Investment preference is independent of age groups (female), towards mutual funds.

This hypothesis is rejected as it is found that the preference for mutual funds is significantly dependent on the age groups. Above 50 years age females are significantly investing in the mutual funds.

Hypothesis Ho-8: Financial needs of the mutual fund investors don’t depend on any particular factor.

This hypothesis is rejected as investors financial need significantly depends on generating future income and for emergent needs.

Hypothesis Ho-9: Investment decisions are not significantly influenced by the profile of investors.

This hypothesis is rejected as there is significantly impact of Age, Gender, Occupation, Monthly savings and Income is found on the investor’s investment decision.

Statement-1: Investing in mutual funds is less risky as compare to equity shares.

Null hypothesis related with this statement is rejected which means that proportion of the investors accept that investing in mutual funds is less risky as compared to equity shares is more than 50 percent.

Statement-2: Mutual funds are more suitable to small investors who are otherwise hesitant of entering into capital market.

This hypothesis is rejected, it is found that proportion of investors agreeing that mutual funds are more suitable to small investors who are otherwise hesitating of entering in to capital market and is more than 50 percent.

Statement-3: Mutual funds have the ability to weather the market fluctuations.

Null hypothesis that proportion of investors agreeing that the mutual funds have the ability to weather the market fluctuation is more than 50 percent is rejected.
Statement-4: Risk and Return characteristics of Indian mutual funds are not in conformity with their stated objectives.

Null hypothesis related with statement is rejected and it was found that proportion of investors agreeing that the risk and return characteristics of Indian mutual funds are not in conformity with their stated objectives is more than 50 percent.

Statement-5: Investing in funds is much better in term of return than depositing in banks.

Null hypothesis related with statement is rejected as the proportion of investors agreeing that mutual funds provide better returns than bank deposit is found more than 50 percent.

Statement-6: Growth schemes are highly preferred to income schemes.

Null hypothesis related with this statement is rejected as the proportion of investors agreeing that growth schemes are highly preferred to income schemes is found more than 50 percent.

Findings of the Study:

In the present study performance evaluation of the mutual funds is examined from three aspects: financing point of view, as per investors view and impact of regulatory norms. To examine the financial performance the mutual funds are classified in to four categories: ELSS funds, ETF, Equity Diversified (Growth) funds and Index/Sectorial/Contra funds. The details of the findings of financial performance of mutual funds category-wise are as follows:

It is found that Tax saving schemes outperformed the market in terms of absolute return in different years of the study. However, these schemes and the market returns did not provide adequate return to cover risk-free return and total risk of the scheme. Most of the funds performed better than the market returns, except ICICI Prudential, HDFC Tax Saver and Birla Tax Relief 1996 schemes. The performance of the sample schemes were in the same direction as that of the market as evident from the positive beta values. Only Taurus Tax Saver scheme and UTI Tax Saver
scheme were observed aggressive with high beta values around 1.8. All the sample schemes were not well diversified as depicted by the differences in the Jensen Alpha and Sharpe’s Differential return. All the three risk-adjusted performance measures by Sharpe, Treynor and Jensen Models presented average performance of the sample schemes and ensured significant agreement in their ranking. Amongst all the funds, ICICI Prudential Tax Saving plan topped the list considering all the three portfolio performance evaluation models.

It is observed that selected schemes did not earn adequate return in terms of systematic risk and unsystematic risk. However, they ensured positive returns due to stock selection skills of the fund managers. Similar results were obtained by Mishra & Mahmud (2002) by using partial movement method. They presented that performance of mutual funds under study were not up to the mark when lower partial movement method was applied to risk and return of ELSS funds. Muthappan & Damodhran (2006) presented that performance of mutual fund is lower than 91 days Treasury bill rate when they were tested on the Sharpe & Jensen’s Alpha model. The variance explained by the market was found higher for UTI Tax Saving Scheme and Taurus Tax Saver Scheme whereas it was less in case of other selected schemes.

The market performance was found having a significant positive influence on the entire sample schemes’ performance. The present NAV is positively and significantly correlated with the past NAV for all the time lags of all the selected schemes. It means a high degree of positive correlation in weekly time lag exists and gets reduced as the time lag increases for all the selected schemes of mutual funds.

During the study period, the selected Exchange Traded Funds (ETF) schemes outperformed the market in terms of absolute returns in different years. But these schemes and the market return did not provide adequate return to cover risk-free return and total risk of the scheme. It is examined that the schemes performed better than the market return. Except GS Nifty BeES ETF, GS Junior BeES, GS Bank BeES schemes, rest all other selected schemes did not ensure expected returns.
rather under performed. The performance of the selected schemes was observed in the same direction as that of the market as evident from the positive beta values. Only GS Nifty BeES ETF scheme was aggressive with high beta values around 1.12. All the sample schemes were not well diversified as depicted by the differences in the Jensen’s Alpha and Sharpe’s Differential Return. All the three risk-adjusted performance measures by Sharpe, Treynor and Jensen Models depicted average performance of the selected schemes and identified significant agreement in their ranking. Out of the selected schemes studied, GS Nifty BeES saving plan topped the list in the case of two portfolio performance evaluation models.

On evaluating the risk-return relationship, all the sample schemes did not provide adequate return in terms of systematic risk and unsystematic risk. However, the selected schemes showed positive returns due to stock selection skills of fund managers. The variance explained by the market was more in the case of Kotak Sensex ETF, ICICI Sensex Prudential ETF etc. while it was less in other sample schemes. Fernandes K. (2003) also explained the same that return is lower in case of Index funds when tested with Sharpe’s & Treynor’s model. Jensen Alpha though shows better stock selectivity in some selected index funds.

While examining the results and analysis, it is found that during the study period, the selected Equity Diversified (Growth) Funds outperformed the market in terms of absolute returns in many years. But these schemes, and return shown by the market index, did not provide adequate return to cover risk-free return and total risk of this category of the scheme. Schemes, selected in the study performed better than the market. Except HDFC Top 200 Growth, Reliance Vision, Reliance Growth, all the other selected schemes did not ensure expected returns. The performance of the sample schemes were in the same direction as that of the market as evident from the positive beta values. HDFC Long Term Advantage, HDFC Prudence, SBI magnum Global, UTI Balanced Growth Fund and UTI CCP Balanced Scheme were found aggressive with high beta values. All the sample schemes were not well diversified as depicted by the differences in the Jensen Alpha and Sharpe’s Differential return.
Similarly Singh & Vanita (2002) found that most of the investors still holding public sector mutual funds due to high volatility in the schemes, it is risky but they think there is a high chance of better capital appreciation by keeping UTI schemes. But they also mentioned that large proportion of investor invested in private mutual funds in comparison to UTI schemes. Similar results were mentioned in the research by Bansal M. (2003) and Anand and Murugaiah (2008). All the three risk-adjusted performance measures by Sharpe, Treynor and Jensen Models depicted average performance of the selected schemes and ensured significant agreement in their ranking. Further, out of these, HDFC Top 200, Reliance Vision and Reliance Growth Fund plan topped the list in the case of two portfolio performance evaluation models.

Comparing the return with the actual risk incurred, it is observed that all the sample schemes did not provide adequate return in terms of systematic risk and unsystematic risk. However, the selected schemes ensured positive returns due to stock selection skills of fund managers. Further, the variance explained by the market was higher in case of Reliance Vision and Reliance Growth, while it was lower in case of all other sample schemes of the study.

In the present study, other than the ELSS, ETF and Equity diversified (Growth) schemes, other funds belonging to different categories like Index/ Sectorial/ Contra, etc. are selected to evaluate the performance of mutual fund, in general, while examining their results of the analysis, it is found that these funds have outperformed the market in terms of absolute returns in many years. However, these schemes and the market return did not provide sufficient return to cover risk-free return and total risk of the scheme. Schemes, in general, performed better than the return of the market. Except SBI Magnum Contra, Franklin India Prima and ICICI Dynamic Regular, the other selected schemes did not ensure expected returns. The performance of the sample schemes were in the same direction as that of the market as evident from the positive beta values. However, UTI Nifty Index Fund, L & T India Special Situation and SBI Pharma were found aggressive with high beta values more than one. All the sample schemes were not well diversified as depicted
by the differences in the Jensen Alpha and Sharpe’s Differential return. All the three risk-adjusted performance measures by Sharpe, Treynor and Jensen Models depicted average performance of the selected schemes and ensured significant agreement in their ranking. Of the selected schemes studied, Franklin India Prima Fund, SBI Magnum Contra and ICICI Dynamic Regular Fund Plan topped the list in the case of two portfolio performance evaluation models.

All the schemes of the study did not provide adequate return in terms of systematic risk and unsystematic risk. However, the selected schemes ensured positive returns due to stock selection skills of fund managers. The variance explained by the market was found more in the case of Franklin India Blue Chip Fund and SBI Contra, while it was less in the case of other selected schemes.

To evaluate the performance of mutual funds from the **investors point of view**, an opinion survey was conducted to study the profile, attitude, preferences, objectives, satisfaction, etc. of the investors who have invested in mutual funds. The major findings of this survey were as follows:

While examining the profile of the investors, it is found that major group of investors belongs to 40-60 years age which is 51.4% of the total. Further, the senior citizens above the age of 60 years are found only 12% of the total investors. It indicates that mutual funds are not much popular among senior citizens and retired class.

On the evaluation of gender of the investors, it was noted that 72.9% of the total are male population which indicates that mutual funds are very much liked by the male investors. It is observed that 70.8% of the investors are married and 29.2% belongs to unmarried category. It observed that younger investors are still keeping distance from investing into mutual funds.

Regarding earning level of the investors, it is noted that 39.6 % of the investors are in the range of Rs. 25000-50000 earning per month, whereas it is 20.1% in the above Rs. 50000/- per month category. It means the earning capacity of the investors is not very high, that is considered to be moderate. So, our respondents in this study normally belong to middle class.
It is observed while examining the saving pattern of the investors, 42.8% of the investors belong to Rs. 5000-10000 savings per month. 15.3% found earning more than Rs. 10000/- per month. On the evaluation of earnings, it is noted that savings of the investors are not very high, and so they may be referred as small investors.

While observing the investment pattern of the investors, it is noted that 68.5% of the investors like to invest their savings in the real estate such as, land and other physical assets. They are attracted more towards real estate investment followed by investment in gold and silver. It means the investors preferences are changing and shifting towards real estates and gold.

Investment objectives of investors while investing in the mutual funds, 51.2 percent of the respondents prefer to ‘have balanced income and growth’ followed by first priority for income and after that growth" by 26.4 percent. It indicates that most of the investors prefer to 'have regular income from the investment in mutual funds. 

Risk tolerance is basically investors' feeling of comport in investment. While examining the investors’ attitude towards risk, it is observed that 52.3 percent of investors prefer to accept average volatility for average return, and 24.6% of them accept little volatility for higher return. It is noted that most of the investors are risk averse and invest in the mutual funds with moderate risk. Similar results obtained by Satish D. (2004) when he conducted survey in 7 major cities in India and provided that 63 percent of the investors interested in Medium level volatility in their funds.

On the choice of investment assets, the investors still do not prefer to invest in mutual funds rather they like to invest in real estate. Mutual funds investment was ranked 5th amongst all other modes of investment. It means that mutual funds still could not reach to the expectation of the investors.

Investors opinion on degree of safety of financial assets, it was found that Land and other physical assets category had the highest degree of safety, followed by fixed deposits and recurring deposits
On the comparison of various objectives like return, stability marketability, tax benefits and diversification for investing in the mutual funds, it is found that 78.8% of the investors go for tax benefits, 59% prefer safety and 48.9% for objective diversification. It is concluded that tax benefit is most preferred objective for investing in mutual funds. Satish D. (2004) & Venkateswarlu M. (2004) are different as they suggested that investors objective while investing in mutual funds is growth in the fund value.

Mutual funds in India are sponsored by various sectors, like commercial banks, financial institutions, private Indian companies, private joint ventures, private foreign ventures, etc. On the evaluation of preferences of the investors for the sponsors in Indian private joint venture is observed the best choice, as ranked first amongst the sponsors.

While investing in mutual funds, the investors require a lot of information and data for analysing the schemes. Such information are available through various sources. On examining such sources, it is found that 58.7% of the respondents depend on information provided by the friends/relatives, followed by brokers/agents scoring 45.6%. It shows lack of confidence and competency at the level of investors.

On the evaluation of seventeen benefits of investing in mutual funds, there were four benefits which were stressed by almost all the respondents. These four benefits are: transparency in the operation, assured allotments, innovations in products and transferability. First factor alone covered 41.831 percent of the total variance. In contrary to this Sanjay Das (2012) study presented that investors go for growth in current value of their investments as one of the most important benefit while investing in mutual funds.

On the analysis of various factors which determine the success of mutual funds from the investors point of view, it is found that suitability of product, scored as the most important factor, followed by the risk orientation. It means the investors first examine the features of the product, and rest after that.
The satisfaction level of the investors towards mutual funds was examined by taking three parameters i.e. performance of mutual funds, investment opportunities and Investors services rendered. Out of these, investors service is ranked at No. 1 by the investors. It means that the services rendered by the mutual funds are found highly satisfying to their investors.

The performance evaluation of mutual funds from the investors point of view; it is observed that 67.9% of the investors have invested in mutual funds for 1-3 years, and for, less than are 1 year, found 29.4% of the investors. It means the investors mostly select the mutual funds only for short period rather than for long period, i.e. above 3 years.

During the survey, it is observed that all the sample investors invested in the 69 mutual fund schemes out of the total schemes around 1230 floated in the country so far. Further, out of these schemes, the most preferred scheme was found “Equity-Based Fund” with a 57.8% of the investors.

On the amount of investment made in mutual funds, it is found that 44.8% percent of investors invested between Rs. 1 lakh to 3 lakh followed by 28.4 invested below one lakh. It is found that invested amount is not significant in mutual funds which indicate toward lower confidence of investors towards mutual funds.

The whole investors of the study have invested in total 69 mutual fund schemes, and out of which a major funds has been invested in top 10 mutual funds schemes. It is observed that amongst the large number of schemes available in the market, only a very few schemes especially in Growth oriented Index schemes and Tax Saving Funds found to be preferred choice of the investors.

The **impact of regulatory norms** on the performance of selected mutual funds is evaluated in this study. The evaluation of the regulatory norms considers the cost incurred by the mutual funds while following them. The cost of these norms depends upon their stringent or degree of strictness. Such costs are classified into direct and indirect costs. Direct costs are the expenses incurred by the mutual funds on compliance of these norms. For instance, the compliance costs include the
administrative cost of the trustee board, information sent to shareholders and disclosure costs incurred on personnel, printing and mailing. Indirect costs involve the possible negative effect of regulatory constraints like, limits on investing in companies portfolio selection, portfolio disclosure, etc. which may influence the profitability of the scheme and behaviour of the investors.

It is observed that SEBI regulations are stronger in comparison to the UTI regulations, but resulting into less costly for the investors. Too costly here is implied to mean that the net benefits arising out of preventing fraud and malpractices on the investors through self interested opportunistic portfolio selection are found less than the total cost. This analysis is made with the help of certain tools and models like Average Composite Returns, Sharpe ratio, Information Ratio (IR), Modified Information Ratio (MIR), Jensen's Alpha, F-Statistics, Hausman Test and Poolability Test. The IR and MIR show the return to the risk taken by the fund manager for deviating from the market risk, or it is the return for only the fund manager's selectivity skill and not the general market movements. These have been applied after suitably modifying the data.

In this study, 50 mutual funds schemes were selected, in which 8 mutual funds belong to UTI and rest 42 mutual funds belong to private sector governing under the SEBI Regulations. The comparison of the performance of the mutual funds is made before 2003, and after 2003 till 2013. The findings of this study is bifurcated into four categories of mutual funds, i.e. ELSS funds, ETF funds, Equity diversified (Growth) funds and Index/Contra/Sectorial funds. The total ELSS funds are ten, out of which one fund (UTI Tax saving) belong to UTI group. It is observed that information ranking and modified information ranking showed the most negative return indicating toward poor selectivity skills of the funds managers in comparison to the other private mutual funds. Among the second category of mutual funds relating to ETF, all the ten schemes belong to private mutual fund and no fund belong to UTI group. However, on their inter-comparison of stock selectivity, it is observed that all the funds have negative Sharpe ratios showing poor selectivity skills of fund managers. Analysing the IR and MIR of these funds, it is found that
ranking of ICICI Prudential ETF changed from 5\textsuperscript{th} to 6\textsuperscript{th} ranking, and of G.S. Nifty BeES changed from 6\textsuperscript{th} to 5\textsuperscript{th} ranking, and G.S. Liquid schemes gave the most negative returns for the manager's selectivity skill.

On the comparison of the 20 equity-diversified (growth) schemes of the sample, it is found that 4 mutual funds belong to UTI group, i.e. UTI Master-share, UTI Master Value, UTI Balanced Growth and UTI CCP Balanced Fund, rest belong to private category. All the four UTI Schemes and six other mutual funds showed the negative Sharpe Index. Rest other selected 10 fund have positive Sharpe ratios and showing also higher ranking than the index. Ranking of funds in terms of IR and MIR are changed. Ranking of UTI Master-share, UTI Master Value and UTI CCP Balanced Fund changed from 14\textsuperscript{th}, 16\textsuperscript{th} and 20\textsuperscript{th} to 12\textsuperscript{th}, 11\textsuperscript{th} and 18\textsuperscript{th} respectively. In case of UTI CCP fund, it showed the most negative return for the manager's selectivity skills. Other private funds governing under SEBI norms, showed good result in the form of positive MIR values.

In the last category of mutual funds, 3 units, i.e. UTI Banking Sector, UTI Nifty Index Fund and UTI Opportunity Fund belong to UTI group and rest other 7 units belong to private mutual funds category. It is observed that UTI Nifty Index fund had highest negative Sharpe ratio (-1.9073), UTI Banking sector had (-0.8781) and only UTI Opportunities Fund had positive Sharpe ratio (0.0793). Other four private sector mutual funds also had negative Sharpe ratios, showing poor performance than the index. The ranking of funds in terms of IR are same as that of Sharpe ratio. But rankings are changed as per MIR, but the UTI mutual funds showed the very poor results. In this respect, UTI Nifty Index gave the most negative returns for the funds manager's selectivity skills. Other private funds indicated good results in the form of positive MIR value which represented better fund manager's selectivity skills.

To carry out the empirical analysis, poolability test of data is needed. For this, F-Statistics and Hausman specification test are applied. The calculated value of F is greater than tabulated value in case of private funds which showed that F test is significant or the data is not poolable. Whereas, it is observed that value of F-Test,
the calculated value is less than tabulated value and thus, F is insignificant in case of UTI funds, thus, showing that the data is poolable. Further, Jensen Alpha is found negative for UTI Funds indicated that these funds have inferior stock selectivity.

In brief, performance of the UTI regulated funds before 2003 was observed better than SEBI regulated funds, but the performance of the UTI funds decline drastically when the UTI funds came under the regulation of SEBI after 2003. This means that due to more transparency, more disclosure, stronger regulatory norms, management cost etc. the UTI Mutual Funds under performed, whereas private mutual funds regulated under SEBI norms performed better showing more dynamism in the portfolio selection and returns to the investors.

SUGGESTIONS:

On the basis of the findings of the present study, the important suggestions are as following:

Most of the sample schemes of mutual funds have shown negative alpha values which shows that the fund managers fail to forecast appropriate security prices in times, which result in poor performance. It is suggested that the mutual funds should strengthen their Research and Development Department in order to have better future projections.

Mutual funds as institutional investors should provide the superior return in comparison to the market return by ensuring professional market analysis, optimum diversification of portfolios, minimizing of risk and investing at proper time.

The mutual funds must ensure not only good performance over the market, but also consistency in their return. This is possible only when latest techniques and models of forecasting be followed by the Asset Management Companies while making their future projections.

The mutual funds still could not build required confidence among the existing unit holders due to their poor performance and lack of transparency. The mutual funds should appoint only competent, fully qualified and well experienced in finance market functioning as their fund managers.
Households’ savings in India have not been channelized properly and remain unproductive, in general, especially in rural and semi-urban areas. The mutual fund industry can play a significant role in this respect. Therefore, they should open their branches in such areas which can help the potential investors to make direct investment in the mutual funds without any intermediary.

The mutual fund investors in India belong to middle class, and donnot have good exposure in the field up investment management. They are also not aware of recent developments in the capital markets. So, there is an urgent need for making an extensive campaign and publicity in this respect. The Central Government, SEBI, AMFI, mutual fund companies etc. should take necessary steps to educate the people in the field.

Mutual fund companies should make efforts to link their activities with the banking institutions in order to accelerate their operation through electronic clearing and plastic money. They should provide greater liquidity to the investors. Most of transactions be performed with the help of CAMS service providers.

Mutual funds are not found very much popular among senior citizens and women in our country. It is suggested that the Government and SEBI should make arrangements for massive educational and awareness programmes so that they can be motivated to invest in these funds.

It was observed in this study that major source of information for the investors decisions were 'Friends/Relatives' and 'Brokers/Agents' which could not be considered as reliable sources. Therefore, the regulatory authorities should take necessary steps to provide all types of information relating to the mutual funds and other investment avenues through various print and electronic media, so that the investors may take well informed and judicious investment decisions themselves.

Mutual fund industry in India is highly concentrated in five metro-cities of India. It means that still the mutual fund industry could not become popular in the other cities, rural and semi-urban areas. It is suggested that SEBI and Central Govt. should take concrete steps to educate the so that the household savings in India be channelized towards mutual funds.
Though recently, the SEBI has taken various important decisions to popularize the mutual funds in the country, for example, it has mandated for the AMCs to set aside suchas, at least 2bps of their daily net assets, annually for the education campaign & awareness, relaxing the mandatory requirement of a permanent account number (PAN) or bank account from the investors, mandated a single expense structure, eliminating the service tax on AMC, etc. However, these are not-adequate; some more efforts are desired at the SEBI level in order to attract large number of investors in semi-urban and rural areas.

Regulatory norms for distributors, agents and brokers be relaxed so that they should take more interest in promoting the investment in mutual funds. Some extra special concessions in terms of service tax, fee, additional total expense ratio (TER) be provided to expand the geographical network of mutual funds in India.

**SCOPE FOR FURTHER RESEARCH STUDIES**

Though an attempt has been made in this study to examine the performance of selected mutual funds in India from different aspects, yet there is an ample scope for further research work and investigation in this field. A few such areas are explored here as under:

In this research study, four different types of mutual fund schemes were studied, hence, further research studies could be initiated on other schemes floated in the market.

The money market mutual funds are found recently high active and managing significant assets in the market. Yet no extensive research work is conducted exclusively in these funds. So there is ample scope to pursue research in these funds in order to initiate further development in money market of India.

In the present study, Northern region of India was included for studying the investors’ attitude and preferences related to mutual funds. Therefore, such type of research work can be explored by incorporating the investors of other regions of the country.
No adequate research studies are conducted on foreign and off-shore mutual funds. So, there is a lot of scope to initiate research work in this field. Further, a comparative study of Indian mutual funds with the offshore funds could also be initiated.

The role of foreign institutional investors (FIIs) is rising in Indian stock markets, which are influencing stock prices a lot. Hence, further the research work can be initiated to explore the role of mutual funds in terms of their influences on stock market sentiments.

There is need to undertake an in-depth study on status and functioning of mutual funds at micro-level in India, so that real problems of investors, funds managers, brokers can be judged.

The research study can be initiated to have inter-industry comparison like between mutual fund industry with banking industry, insurance companies, financial institutions and venture capital funds.

In the past, a lot of merger and acquisition in the mutual fund industry has been witnessed. So, in order to know their impact on mutual funds performance, there is ample scope to initiate research in this area.

Above are the important possible areas of mutual funds where further research work can be encouraged.