INTRODUCTION

*Annual income twenty pounds, annual expenditure nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds and six, result misery.*

*Charles Dickens*

The dependence of human happiness on money shows the value of these precious pieces of paper and metal. And to keep the good times going savings and investment are a must. Investment is the process of sacrificing something now for the prospect of gaining something later. It is the employment of funds with the purpose of earning additional income or growth in their value. The person making investment has to part with the money for a while. The funds may then be converted into a claim or an asset for earning returns in the future.

In the present day financial markets, investing money has become a very complex task. Most of the investors are unaware of the fact that investing is both a science and an art. Most of the people irrespective of their status, education, occupation etc are fascinated by investment. Investment is an economic activity in which every person is involved in one form or the other. Even though the basic objective of investing is earning profits, but not everyone benefits from it. Most of the investors who incur losses have not chosen scientific methods of investing but have followed others blindly. All investments are risky to some extent, as risk and return are parallel to each other. The art of investment is to see that we get maximum return at minimum risk.

Investments also keep the wheel of economy lubricated and moving. Income flows from production and household sector to the government sector in the form of taxes. The income received by the government sector in the form of taxes flows to the production sector in the form of government expenditure on goods and services and to the household sector in the form of remuneration for the factor services rendered to the government. Government also gives subsidies to the production sector and pensions etc. to the household sector in the form of transfer payments. A part of the income earned by the government is saved and deposited in the capital market. Government also takes loans from the capital market either to meet current expenditure or to invest the same in development projects. Accordingly, income flows into the government sector in the form of tax revenues and into production sector and
household sector in the form of government expenditure. The bottom line is that the money which the household sector invests in the capital market and the government invest in the production sector flows in our economy in a circular way. This is hence the role of investments. (Source: Jain. T.R (2003), “Business Economics”)

Savings form a significant part of the economy of every nation and the basis of investments made. With savings invested in various options available to the people, the money acts as the catalyst for growth of the nation. Indian financial panorama also presents diverse avenues to the investors. Different saving avenues are available especially to the household sector here. These avenues can be broadly divided into physical savings and financial savings. Physical savings include real estate, gold etc. While the financial savings include insurance, currency, provident fund, share market, deposits with banks etc. Mutual funds also offer good saving and investment opportunities to the investors. (Source: www.articles.economictimes.indiatimes.com.). Like all investments, they also carry certain risk. The investor should weigh against the risks and expected yields after adjustment of tax on various instruments while taking investment decisions. During the last decade mutual fund as a saving option has seen a tremendous increase as compared to its other counterparts. This is mainly for a very simple reason that anybody with an investible surplus of as little as a few thousand rupees can avail their benefits. With the emphasis on increase in domestic savings and development in employment of investment through markets, the need and scope for mutual fund operation has increased tremendously. One of the basic objectives of economic reforms in the financial sector was to augment the creation of domestic resources by reducing the dependence on outside funds. This demanded for a market based organization which could gather the vast potential of domestic savings and channelize them for profitable investments. Mutual funds are not only best suited for this purpose but also proficient of facing this challenge.

A mutual fund is a trust that pools the savings of a number of investors who share a familiar monetary goal. The money consequently composed is invested by the fund manager in various types of securities keeping in mind the objective of the scheme. These investment options could range from equity to debt to money market instruments. The profit earned through these investments and the capital appreciation realized by the mutual fund scheme is shared by its unit holders in fraction to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man from the household sector as it offers an opening to invest in a diversified, professionally managed portfolio at a moderately
low cost. The small savings of all the investors are put together to increase the buying power and hire a professional manager to invest and monitor the money. Each individual mutual fund scheme has a definite investment objective and strategy. (Source: http://buffettfaq.com).

All investments whether in shares, debentures or deposits involve risk. Share value may go down depending upon the performance of the company, industry concerned, condition of the capital markets and the economy at the macro level. However longer the term of investment, lesser will be the risk attached to it. Companies may default in payment of interest and principal on their debentures, bonds or public deposits. While risk cannot be eliminated but skilled management can curtail it. Mutual funds help to cut risk through diversification and professional management. The experience and expertise of fund managers in selecting primarily healthy securities and well timing their purchases and sales help them to build a diversified portfolio that reduces risk and increases returns. Another key thing is that the dividends and capital appreciation are invested back routinely in mutual funds and hence are not divided and distributed away amongst the unit holders. This feature of a mutual fund is a type of obligatory saving and can make a big difference in the long run.

Mutual funds also provide a sensible defense to investors with respect to tax benefits under Section 80C of the Income Tax Act. This has played a major role in the growth of importance of mutual funds in the minds of the investors. Another notable thing is that mutual funds are controlled and regulated by Securities and Exchange Board of India (SEBI) and hence are considered safe. Due to all these and many more benefits the importance of mutual fund has been increasing. The life span of mutual funds in the Indian economy will be discussed in this chapter which is subdivided into the following section:

1.1 History of mutual fund industry.

1.2 Types of funds.

1.3 Growth in the Indian mutual funds industry in the last decade.

1.4 Current Scenario in the Indian mutual fund industry.

1.5 Significance of the study.

1.6 Objectives of the study.

1.7 Organization of the study.
1.1 HISTORY OF MUTUAL FUND INDUSTRY

Mutual fund was said to be not so popular in the capital markets of the developed economies. It was first introduced in USA by MFS Investment Management in 1924. Initially its sole objective was to provide to a selective group of investors, a way to pool their money together. Table 1.1 shows only a few oldest mutual funds which are still floating in the market.

Table 1.1

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Date of Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MFS Massachusetts Investors Fund (MITTX)</td>
<td>1924</td>
</tr>
<tr>
<td>2</td>
<td>Putnam Investors Fund (PINVX)</td>
<td>1925</td>
</tr>
<tr>
<td>3</td>
<td>Pioneer Fund (PIODX)</td>
<td>1928</td>
</tr>
<tr>
<td>4</td>
<td>Century Shares Fund (CENSX)</td>
<td>1928</td>
</tr>
</tbody>
</table>

Source: www.investopedia.com

The mutual fund industry in India started in 1963 with the foundation of Unit Trust of India (UTI) at the initiative of Reserve Bank of India (RBI) and Government of India. The objective then was to attract small investors and introduce them to market investments. The Indian Mutual fund industry has witnessed substantial expansion since its beginning in 1963. The industry has registered a Compounded Annual Growth of 22.3% (as on 31st March 2010 since 1st April 2000), although surrounding some downfalls in Asset Under Management (AUM) owing to the trade cycles. The striking development in the Indian mutual fund industry in recent years can principally be credited to a variety of factors such as increasing household savings, inclusive regulatory structure, supportive tax policies, launching of several new products, investor education drive and responsibility of distributors. Since their inception in India the history of mutual funds can be broadly divided into four distinct phases.
### Introduction

<table>
<thead>
<tr>
<th>Phase</th>
<th>Year</th>
<th>Milestone</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase – I</td>
<td>1964-87</td>
<td>UNIT TRUST OF INDIA</td>
<td>In 1963, UTI was established by an act of parliament and given a monopoly. Operationally, UTI was set up by the RBI, but was later de-linked from it. The first, scheme launched by the UTI was the UNIT Scheme in 1964.</td>
</tr>
<tr>
<td>Phase - II</td>
<td>1987-93</td>
<td>ENTRY OF PUBLIC SECTOR FUNDS</td>
<td>Year 1987 marked the entry of non UTI public sector commercial funds thus bringing in competition. With the opening up of the economy, many public sector banks and financial institutions were allowed to establish mutual fund’s Asset Management Companies. The State Bank of India (SBI) established the first non-UTI mutual fund i.e. SBI Mutual fund in November 1987. Many other banks later followed.</td>
</tr>
<tr>
<td>Phase - III</td>
<td>1993-2003</td>
<td>EMERGENCE OF PRIVATE FUND</td>
<td>A new era in the mutual fund industry began with the permission granted for the entry of the private sector funds in 1993, giving the Indian investors a broader choice of “Fund Families” and increasing competition for the Public sector funds. Quiet significantly, foreign fund management companies were allowed to operate mutual funds.</td>
</tr>
<tr>
<td>PHASE - IV</td>
<td>SINCE 2003</td>
<td>REGULATORY REFORMS</td>
<td>The entire mutual funds industry in India, despite initial hiccups, has since scaled new heights in terms of mobilization of funds and number of players. More investor friendly regulatory measures have been taken both by SEBI to protect the investor and by the government to enhance investor’s return through tax-benefits.</td>
</tr>
</tbody>
</table>

Source: [www.amfiindia.com](http://www.amfiindia.com)
1.2 TYPES OF FUNDS

Investment intentions vary from investor to investor. On one hand somebody wants security on the other hand others may give more importance to returns only. Somebody else might want to plan for his retirement while other might be saving for the unexpected rainy day. With objectives defying any assortment, it is obvious that the products required will also vary. Keeping this in mind mutual funds provide various types of schemes for investment purposes with different objectives. Wide variety of mutual fund schemes exists to cater to the needs such as financial position, risk tolerance, return expectations, tax saving etc.

Figure 1.1

An overview into the existing types of schemes in the Industry

(www.mutualfundsresource.com)
1.2.1 Open - Ended Fund

An open ended fund is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy or sell units at NAV related prices which are declared on a daily basis. The key feature of open ended funds is liquidity. e.g. ICICI Prudential Index Fund - Institutional Option I, HDFC Index SENSEX Plan etc.

1.2.2 Closed - Ended Fund

A close ended fund or scheme has a stipulated maturity period of 5-7 years. The fund is open for subscription only during a specified period at the time of launch of scheme. Investors can invest in the scheme at the time of initial public issue and thereafter the lock-in period they can buy or sell the units of the scheme on the stock exchange where the units are listed. In order to provide an exit route to the investors, some close ended funds give an option of selling back the units to the AMCs through periodic repurchase at NAV related prices. SEBI stipulates that at least one of the two exit routes is provided to the investor i.e. either repurchase facility or through listing on stock exchanges. e.g. UTI Wealth Builder Fund, SBI Tax Advantage Fund Series etc.

1.2.3 Growth / Equity Oriented Fund

The aim of growth fund is to provide capital appreciation over medium to long term period. Such schemes normally invest a major corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investor like dividend option, capital appreciation etc. and the investor may choose the option depending upon their preference. The mutual fund also allows the investor to change the option at a later date. Growth funds are good for investors having a long term outlook. e.g. Kotak Emerging Equity Scheme, HDFC Growth Scheme etc.

1.2.4 Income / Debt Oriented Fund

The aim of income fund is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities like bonds, corporate debentures, money market instruments and government securities. Such funds are less risky as compared to equity schemes. These funds are not affected by the fluctuations in the equity market. Therefore opportunity for capital appreciation is also limited. The NAV of such funds are affected only by the change in the interest rates in the country. However long term investors may not bother about these fluctuations also. e.g. Reliance Income Fund, UTI Income Scheme etc.
1.2.5 **Balanced Fund**

The aim of balanced fund is to provide both growth and regular income. Such schemes invest in both equity and fixed income securities. These are appropriate for investors looking for moderate growth. They generally invest in the ratio of 60:40 in equity and debt instruments. These funds are also affected by the fluctuations in the stock market. However, NAVs of such funds are less volatile as compared to pure equity funds. e.g. SBI Mutual Funds Balanced Schemes, UTI Magnum Balanced Fund etc.

1.2.6 **Money Market or Liquid Fund**

These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These funds invest exclusively in safer short term instruments like treasury bills, certificates of deposit, commercial paper, inter-bank call money, government securities etc. Returns on these schemes fluctuate much less as compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods. e.g. UTI Money Market Mutual Fund, Sundaram BNP Paribas Money etc.

1.2.7 **Gilt Fund**

These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these securities also fluctuate due to change in interest rate and other economic factors as in the case of income or debt oriented funds. e.g. Magnum Gilt Long-term, Reliance Gilt Long-term PF etc.

1.2.8 **Index Fund**

Index fund replicate the portfolio of a particular index such as the NSE 50 index (nifty) etc. These schemes invest in the securities in the same weightage comprising of an index. NAVs of such schemes rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to factors known as tracking errors in technical terms. e.g. HDFC Index Nifty, Magnum Index etc.

1.2.9 **Sector Specific Fund**

These are the funds / schemes which invest in the securities of only those sectors or industries which are specified in their offer document. e.g. software, FMCG etc. The returns in these funds are dependent on the performance of the respective sector / industry. While
Introduction

these funds may give higher returns, they are more risky as compared to diversified funds. Investors need to keep a watch on the performance of those sectors / industries and must exit at an appropriate time. They may also seek advice from an expert. e.g. UTI Banking Sector fund etc.

1.2.10 Tax Saving Fund

These schemes offer tax rebate to the investors under specific provisions of the Income Tax Act 1961 as the Government offers tax incentives for investment in specific avenues e.g. Equity Linked Savings Schemes (ELSS). Pension schemes launched by the mutual funds also offer tax benefits. These schemes are growth oriented and invest predominantly in equities. Their growth opportunities and risk associated are like any other equity oriented scheme. e.g. Taurus Libra Tax Shield, UTI Equity Tax Savings etc.

1.3 GROWTH IN THE INDIAN MUTUAL FUNDS INDUSTRY IN THE LAST DECADE

In this section the major developments in the Indian mutual funds industry as a whole has been elaborated from 1\textsuperscript{st} April 2000 upto 31\textsuperscript{st} March 2010. The parameters covered are:

- Mobilization of Funds.
- Share of Asset Under Management (AUM) of Mutual Funds in GDP.
- Growth in Asset Under Management (AUM).

1.3.1 Mobilization of Funds

Mobilization of funds refers to the flow of money in the mutual funds industry in the given period of time. Table 1.3 shows the mobilization of funds by the Indian mutual funds. This mobilization has been bifurcated between the private sector and the public sector. The total of both has also been done. Mutual funds have been the flavor of the last decade. With investors increasingly opting for mutual funds, mobilization of funds through this route has jumped
In the financial year 2000-01 the private sector sponsored mutual funds were already ahead of the public sector sponsored funds. The funds mobilized by private mutual funds was ` 75,009.11 crores and that of public sector sponsored were only `17,948.28 crores. Private sector has never seen a downfall. On the other hand public sector sponsored funds saw the fall in the year 2001-02. The fall was of ` 1,223.37 crores. In the year 2009-2010 private sector’s fund mobilization was at ` 69,79,511.61 crores. The public sector’s funds were much lower at only ` 20,74,041.50 crores. This gap has always been maintained between the two categories throughout the period of the study. The funds mobilized by the public sector sponsored mutual funds in the Indian sector have always been lower as compared to their competitors. Reason being the fast growth and better returns provided by the private funds to its investor. In terms of growth percentage also this industry has seen a continuous growth. Even during the economic crisis of 2008 - 09 it grew but at a lower percentage of 21%. The highest growth recorded in terms of AUM was in the year 2007 – 2008 at 130%.

### Table 1.2

**Gross Mobilization of Funds by Mutual Funds in India**

(All figures in `crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Sector</th>
<th>Public Sector</th>
<th>Grand Total</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>75,009.11</td>
<td>17,948.28</td>
<td>92,957.39</td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td>1,47,798.26</td>
<td>16,724.91</td>
<td>1,64,523.17</td>
<td>76.99</td>
</tr>
<tr>
<td>2002-03</td>
<td>2,84,095.49</td>
<td>30,610.70</td>
<td>3,14,706.19</td>
<td>91.28</td>
</tr>
<tr>
<td>2003-04</td>
<td>5,34,649.26</td>
<td>55,540.59</td>
<td>5,90,189.87</td>
<td>87.54</td>
</tr>
<tr>
<td>2004-05</td>
<td>7,36,463.30</td>
<td>1,02,345.07</td>
<td>8,39,708.37</td>
<td>42.28</td>
</tr>
<tr>
<td>2005-06</td>
<td>9,14,703.26</td>
<td>1,83,445.73</td>
<td>10,98,148.99</td>
<td>30.78</td>
</tr>
<tr>
<td>2006-07</td>
<td>15,99,873.44</td>
<td>3,38,619.53</td>
<td>19,38,492.97</td>
<td>76.52</td>
</tr>
<tr>
<td>2007-08</td>
<td>37,80,752.63</td>
<td>6,83,623.69</td>
<td>44,64,376.32</td>
<td>130.30</td>
</tr>
<tr>
<td>2008-09</td>
<td>42,92,750.31</td>
<td>11,33,602.96</td>
<td>54,26,353.26</td>
<td>21.55</td>
</tr>
<tr>
<td>2009-10</td>
<td>69,79,511.61</td>
<td>20,74,041.50</td>
<td>90,53,553.12</td>
<td>66.84</td>
</tr>
</tbody>
</table>

*Source: [www.sebi.gov.in](http://www.sebi.gov.in)*
Introduction

Following trend line Figure 1.2 will show the developments in both the sectors clearly.

**Figure 1.2**

*Trend Lines of mobilization of funds*

(All figures in `crores)

1.3.2 Share of AUM of Mutual Funds in GDP

The market value of assets that an AMC manages on behalf of investors is called its Assets Under Management (AUM). GDP at Factor cost means, money value of everything produced in India, without counting Government's role in it. i.e. indirect tax and subsidies. It is often considered as an indicator of a country's standard of living. The Figure below shows the contribution of mutual funds by way of their Assets Under Management towards the GDP at factor cost of India. The values are in percentage form and are as on 31st march of each year starting from 2001.
The best ever performance in this case by the Indian mutual funds was in the year 2007-08, when its share in the GDP was highest ever at 11.7%. This was due to the fact that AUM was at a significantly high level of ‘ 505152 Crores (see figure 1.4 also) It started with 4.7% in the year 2001 and ended with 8.6% in the year 2009-10, which is a significant improvement despite the economic breakdowns. This shows the increase in the importance of mutual funds at macro level.

1.3.3 Growth in AUM

It is seen as a determinant of success against the competition and consists of growth/decline due to both capital appreciation/losses and new money inflow/outflow. The following Figure shows the growth of Indian mutual funds industry in terms of AUM. The figures given below are in ‘ crores and are as on 31st March of every financial year starting from 2000-2001 upto 2009-2010.
The Assets Under Management have grown at a rapid pace over the last few years especially after the year 2004-05. Over the 10 year period from 2000-2010 the AUM has increased from merely ‘90587 crores to a staggering high of ‘613979 crores. This growth was despite the major downfall experienced by this sector in the year 2008-2009 consequent to the economic slowdown caused by sub-prime crises in American banks. This year the AUM saw a decrease of a huge sum of ‘87852 crores. Afterwards the industry recovered within a year and reached at ‘613979 crores.
1.4 CURRENT SCENARIO IN THE INDIAN MUTUAL FUND INDUSTRY

In this section the current status of the Indian mutual funds industry has been discussed i.e. the position on 31\textsuperscript{st} March 2010. For this the following factors have been taken into account.

- Unit-holding Pattern in the Industry

1.4.1 Mutual Funds Industry Unit-holding Pattern

Unit-holding pattern means that out of the total units of the mutual funds floating in the market, how many are held by individuals, NRIs, corporates, institutions and others. The figure 1.5 below shows the unit-holding pattern of Indian mutual funds industry. The status depicted is as on 31\textsuperscript{st} March 2010. Public and private sector have been compared in the pie charts. Chart ‘a’ is of private sector and chart ‘b’ is of public sector sponsored.

\textit{Figure 1.5}

\textit{Unitholding Pattern of Mutual Funds}

\textit{(a) Private Sector MFs} \hspace{2cm} \textit{(b) Public sector sponsored MFs}

\begin{center}
\includegraphics[width=\textwidth]{unithold.png}
\end{center}

\textit{Source: http://www.sebi.gov.in/mf/unithold.html}
From the analysis of data on unitholding pattern of private sector mutual funds and public sector sponsored Mutual Funds, the observation made is that in terms of unitholding pattern private and public sector sponsored mutual funds are almost giving similar results. The only visible significant point to be mentioned here is that corporate, institutions and others prefer public sector sponsored mutual funds. Secondly due to the more risk adventurous nature of the NRIs and FIIs they are opting private sector funds more than those sponsored by public sector.

1.4.2 Institution-wise Resource Mobilization

The resource mobilization through the route of mutual funds is done broadly by three categories such as Banks, Private Sector and Institutions. The structure of this bifurcation of resource mobilization is depicted in figure 1.6. The status shown is as on 31st March 2010.

**Figure 1.6**

*Institution wise resource mobilization (as on 31st March 2010)*

*Source: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1287808880614.pdf*
The clear winner on the basis of the above pie chart is private sector which has mobilized a majority of 78% resources of the Indian mutual funds industry. The second major mobilizer is the bank sponsored or the public sector sponsored AMCs. And the least effort making is the institutional mutual funds from LIC etc.

### 1.4.3 Maturity Period Wise Resource Mobilization

Figure 1.7 below shows the division of the resource mobilization between open ended, close ended and interval funds. The picture depicted is as on 31st March 2010.

![Maturity period wise resource mobilization](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1287808880614.pdf)

The share of open-ended schemes in the total sales of mutual funds in 2009-10 continued to dominate over other schemes such as close-ended and interval funds. The share of open-ended schemes in total resource mobilization was 86.79% in 2009-2010. The close ended schemes were merely 2.54%. Whereas the interval funds were a little higher at 10.67%. This highlights the popularity of open-ended schemes as they are the most flexible.
1.4.4 Investment Objective Wise Resource Mobilization

Figure 1.8 shows the division of resources mobilized by the Indian mutual funds industry as on 31st March 2010 amongst the various investment objectives.

**Figure 1.8**

*Investment objective wise resource mobilization*

![Pie chart showing resource mobilization by investment objectives.](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1287808880614.pdf)

*Source: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1287808880614.pdf*

The liquid/money market schemes have become very popular among investors due to the pretty returns delivered by them. They accounted for 12.72% of the gross resource mobilization in 2009-10. During this Income/Debt Oriented Schemes which provide regular and steady income to investors by investing in fixed income securities such as bonds, corporate debentures, government securities and money market instruments are also popular among investors and accounted for 50.77% of the total resource mobilized. The Growth scheme was the second highest in terms of net inflows and accounted for 28.35% of the net resources raised. The popularity of income schemes can be justified by mentioning the crisis and fluctuations, Indian economy has faced during the last couple of years. At present Indian
investor is not ready to take risk and jump into the well of stock market adventurously. Hence income schemes are the safest resort to swim in easily.

1.5 NEED OF THE STUDY

The performance of a particular scheme at a given time of a mutual fund is denoted by Net Asset Value (NAV). For example if the market value of a mutual fund scheme is \textasciitilde 200 lakh and the mutual fund has issued 10 lakh units of \textasciitilde 10 each to the investor, then the NAV per unit is \textasciitilde 20. Hence a study of NAV of the selected mutual funds schemes becomes the basic parameter to analyze their performance. Wherever there are two completely different sectors private and public sector operating in the same industry, their comparison becomes not only interesting but also important. There are reasons enough to study the different aspects of this issue. Not only private sector sponsored but foreign mutual funds are also operative in Indian capital market. Both of these are making the going rough for our public sector sponsored mutual funds. Because of the entrance of private sector here, it becomes more inevitable to carry out a comparative evaluation of public sector sponsored mutual funds and private sector backed funds. As it is a well known fact that there has been a growth in their returns hence causes behind them need to be explored. Tax benefit mutual funds are a new rage in this industry. This option is giving tough competition to other traditional tax saving options like insurance policies, National Savings Certificates, Provident Funds etc. Therefore these Equity Linked Savings Schemes demand a separate chapter in this study. Number of mutual funds and their schemes which till date are active in the Indian market have multiplied atleast 100 times as compared to their figure in the year of their inception in India. This has clearly been possible for one basic reason and that is that the investors have accepted them with open arms. No other commercial instrument would have seen such high levels of success in such short duration of time. Therefore this demands the need to study the rate at which this industry has grown. Another reason for this study is that since 2000 the Indian economy has seen loads of peaks and lows. In fact the SENSEX has frequently varied between 8000 to the high 22000. Hence performance of mutual funds in this decade has to be considered. Moreover mutual funds are one of the very few modes of saving which follows the basic principle of investment of not keeping all eggs in one basket. So a study of mutual funds as to what they actually are is important.
1.6 OBJECTIVES OF THE STUDY

There will be certain primary and secondary objectives of this proposed study. Primary objective being the performance evaluation of the Indian mutual fund industry on the basis of selected AMCs and schemes. Following are the specific objectives of the study:

1) To interpret the recent regulatory reforms in the Indian mutual funds industry in the last decade and their implications on performance.
2) To analyze the intensity of competition in the Indian mutual funds industry.
3) To compare the performance of public sector sponsored mutual funds with private sector mutual funds.
4) To evaluate the performance of growth, income, balanced and tax saver schemes.

1.7 ORGANISATION OF THE STUDY

The present study consists of 10 chapters a brief regarding all the chapters is given below:

Chapter 1 gives a brief introduction to what mutual funds are and role they play in the economy by acting as a tool of investment. Status of mutual funds in India in the last decade and their position as on 31st March 2010 is also elaborated in terms of funds mobilization, growth in AUM, share of AUM in GDP and unit holding pattern. Objectives and rationale of the current study are also mentioned.

Chapter 2 is the review of literature i.e. a section which states all the past studies related to this specific topic which have been taken as a reference. This includes any research study which is a critical view and a comprehensive general idea of all the issues related to mutual funds, which have already been explored over a period of time. This chapter has been further divided into two major section i.e. Indian and international studies.

Chapter 3 discusses the database and research methodology used in this study. It gives the research design of this study which includes the AMCs selected, schemes studied, data type and source, techniques applied, benchmarks taken, risk free rate of return considered.

Chapter 4 studies the implications of a few selected reforms on the Indian mutual funds industry. The recent regulatory reforms discussed in this chapter are simplification of mutual fund products, control over expenses related to mutual funds, regulation of mutual fund distribution system, net settlement of government securities by AMCs, overseas
investment limit for funds, reporting of securities transactions by access persons and simplifying the format for half-yearly unaudited results.

**Chapter 5** studies the intensity of competition in the Indian mutual funds industry during the period of study. The two tools used for achieving this objective are Four Firm Concentration Ratio and Herfindal – Hirshman Index. By this concentration of power has been explained.

**Chapter 6** achieves the next objective of this study i.e. performance evaluation of selected balanced schemes of mutual funds in India. Selected schemes of the selected AMCs has been compared on the basis of various parameters like NAV, returns, Sharpe’s ratio, CAGR etc. growth in these schemes in terms of AUM, no. of schemes and contribution towards total AUM has also been mentioned.

**Chapter 7** is for evaluating the performance of selected growth schemes of mutual funds in India. After a brief explanation of growth schemes the status of these in the industry is brought to light. Then for the main purpose interpretation of Average annual NAV, Total Return, Beta (β) of Fund Return, R-Square of Fund Return, Standard Deviation, Sharpe’s Ratio, Treynor’s Ratio, Compounded Annual Growth Rate, Risk Adjusted CAGR and Expense Ratio has been done.

**Chapter 8** studies the income schemes of mutual funds in Indian in detail with the basic purpose of comparing private sector and public sector sponsored schemes. These fund types seek to chiefly engender income and also capital appreciation but upto a limited extent by investing debt and money market securities. Their study has been done by using various parameters.

**Chapter 9** analyses the performance of selected Equity Linked Saving Schemes of mutual funds in India. All the benefits of investing in ELSS have been discussed in detail and a comparison of such schemes with other tax saving options has also been done. After this a comparative study of private sector and public sector sponsored ELSS has been done.

**Chapter 10** is the conclusion of the complete study. Summary of the findings is also given in this segment. The conclusion has been explained in the form of two tables. As all studies have further scope of research, the scope of this study has also been mentioned in this chapter. Implications are also stated.