Chapter: 7
SUMMERY, FINDINGS, SUGGESTION

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7.1 Summary

Chapter: 1 Overview of Mutual Fund Industry in India

Mutual fund is the pool of the money, based on the trust who invests the savings of a number of investors who shares a common financial goal, like the capital appreciation and dividend earning. The money thus collect is then invested in capital market instruments such as shares, debenture, and foreign market. Investors invest money and get the units as per the unit value which we called as NAV (net assets value). Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified portfolio management, good research team, professionally managed Indian stock as well as the foreign market, the main aim of the fund manager is to taking the scrip that have under value and future will rising, then fund manager sell out the stock. Fund manager concentration on risk – return trade off, where minimize the risk and maximize the return through diversification of the portfolio. The most common features of the mutual fund unit are low cost.

Investors in India opt for the tax-saving mutual fund schemes for the simple reason that it helps them to save money. The tax-saving mutual funds or the equity-linked savings schemes (ELSS) receive certain tax exemptions under Section 88 of the Income Tax Act. That is one of the reasons why the investors in India add the tax-saving mutual fund schemes to their portfolio. The tax-saving mutual fund schemes are one of the important types of mutual funds in India that investors can option for. There are several companies in India that offer – tax – saving mutual fund schemes in the country

Chapter: 2 Research Methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In ii researcher pursue various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary to know not only the research methods and techniques but also the methodology. Researcher not only needs to know how to develop certain indices or tests, how to calculate mean, standard deviation and beta.
Research method part of research methodology, research methodology start with title of the research problem and researcher set the objectives of the research, which helpful for society, and other researcher for further research. After objectives need to review of literatures means idea generation and inspired to do the research. Research methodology included sample design. Sample design shows types of sampling method, sample size, sampling period. Research methodology follow the step, after sampling design then need to identified the hypothesis means set of assumption for study. Mutual Fund set assumption regarding equity schemes provided same return and risk. Researcher goes behind financial and statistical tool to arrive at conclusion.

Chapter: 3 Analysis of Equity Diversified Schemes

The Indian equity markets smartly rill in the last two decades. The Sensex and Nifty was continuous growing. Equities generally provide superior returns over the long term 5 to 10 years other assets classes, along with fact that both long – term capital gains as well as dividend are tax free. The study included nineteen scheme under equity diversified.

This chapter places of interest performance of equity diversified schemes and as per the market indices schemes provided return or not. Ideology is that return increased while increased risk. Selection of schemes based on five start rated schemes of Mutual Fund which rated by rating agency, further reflect on the inception performance of the schemes. Equity diversified schemes also having tall risk compare to others schemes, same provided high capital appreciation. Analysis shows the beta value of the schemes from last five years. Performance analysis of the fund needs to follow the financial and statistical tools to reach goal. Mutual Fund performance should identify to pursue performance evaluation technique. Rank gives schemes wise and also analysis the year wise performance of equity diversification schemes.

Chapter: 4 Analyses of Balance, Index, Income Schemes

The analyses of balance fund an open ended equity fund, but primary objective of these schemes has to generate regular incomes so as to make monthly and quarterly distributions
to investors. Further the scheme features is to growth capital. In short balance index and income fund to provide regular dividend to unit holders and also take advantage of market fluctuation. Fund manger allocation based equity related securities 65% to 75% and remaining investment on debt & money market instruments. Researcher selects fifteen schemes under study.

These chapter highlights that can scheme achieve the desired objectives which set on fact sheet. Can fund manger follow investment pattern that mentioned on key information memorandum? The research analysis the index fund which invest on particular sector like infrastructure and telecommunication etc. Research shows performance of index fund with indices provided return.

**Chapter: 5 Analyses of Schemes with Period of Time**

This chapter pursue scheme which based on period of time. Its included schemes liked liquid fund and floating rate of return schemes. Further it’s included liked monthly income plan and floating transfer to equity diversified schemes. The main objectives of the schemes are to generate income through investment in debt securities and money market instruments.

The researcher selects ten schemes for analyses of the performance of the fund. The schemes features like income consistent with a high level of liquidity, through a portfolio mix comprising of money market and debt market only, safety and marketability is very high under these schemes. Researcher found that money market instruments and whole sale price index are more affect return on these schemes.

**Chapter: 6 Overall Performance Evaluation of Mutual Fund**

Overall performance shows evaluation of equity diversified scheme, balance funds, index fund, income fund, schemes based on period of time, which analyses fund performance on third chapter, analysis of net assets value and assets under management, other measurement liked price earnings ratio and book price ratio position of schemes.
As per the rated assigned of schemes, performance rank was not equal. Sharp’s, Treynor’s and Jenson’s performance had been different rank each of same scheme and same year. Beta value of the fund and standard deviation affects fund return. Jenson technique indicated alpha of the fund, high alpha shows good performance of the fund. High beta indicated highest risk. Researcher found that a risk scheme does not provided high return. 2007 shows high return but schemes rised negative return.

**Chapter: 7 Summery, Finding and Suggestion**

The research done only selected a scheme which was related with five rating star and the value research magazine. The data would not collect to the Assets Management Company data sheet, but collection from the market or secondary source. The research analysis was based on the past performance of the only selected Equity Diversified Scheme. The research had been based on the Net Assets Value, that NAV continuous fluctuation The research analysis compares the Net Assets Value and Expense Ratio, but NAV continuous fluctuation. Fund manager investment style based on capital market situation. It could not possible always pursue the mentioned objectives. Equity Diversified schemes having different objectives due to sectors.
7.2 Suggestions:

Following are the suggestions based on the findings.

1. It’s important to understand that each mutual fund has different risks and rewards. In general, the high potential returns, the higher the risk of loss. If you are risk adverse investor you make investment in Gilt and Money Market/ Liquid funds, which shows low risk, compare to other schemes operating in the market. It you are risk taker goes for Equity Diversified Fund for higher return.

2. Most of the schemes have shown have negative alpha values, it indicates that the fund managers of the mutual funds are fail to forecast future security prices in time, which result in poor performance of these schemes. So the mutual fund industry should develop their research wing to forecast the market movement. Which help them to maintain efficient portfolio management?

3. Reward to variability ratio is an excess return earned over the risk – free return per unit of risk involved i.e. per unit of standard deviation. Standard deviation present due to fluctuation of unit price, 2007 and 2008 was comparative more fluctuation due to world recession and financial crises.

4. The Mutual Fund industry should develop their own modern risk market research. It will helpful for better and efficient portfolio management. Most of the mutual fund company having own department and team doing work on market research and predict future value of equity, but it’s need to follow new model to predict liked artificial neural network (NN) models in forecasting quarterly EPS.

5. The Mutual Fund industry should maintain consistency in their return and provide superior return compare to the market return. The main goal of any fund manager is to maintain the unit price; means not over price or under price, second growth also need to
consider return on unit. Fund Manager should plan for allocation of sector provided good return with minimize chance of negative return.

6. In order to increase the stake in market the Mutual Fund companies come with transparency. On 2007 issued of Reliance Power IPO most stake for own companies and other for foreign institutional investors.

7. There is an urgent need for aggressive campaign to train the investor about different Mutual Fund schemes. Investor less aware about scheme of mutual fund. Investors do not know what should mention on KIM and Offer Document. They do not know monthly income plan scheme difference to systematic investment plan and objective of scheme equal to sector allocated by fund manager plus expense ratio.

8. Mutual Funds should published NAVs of their different schemes as frequently as possible. As per the SEBI norms, it must be published every working day, today Mutual Fund trading online.

9. The Mutual Fund companies should explore adequate risk to generate good return. Mutual Fund Research team should selected tools to analysis risk liked Value at Risk and Beta. And risk compare with same class of scheme with different AMC.

10. To provide greater liquidity to the investor, Mutual Funds should develop a wide infrastructure of self – sufficient braches. Most of transaction with help of CAMS service provider for mutual fund. But own braches help investors for direct investment and any time check performance of portfolio. Own braches promoted product when time of New Fund Offer, making strategies how to attract investors.

11. Mutual Funds should develop their own modern market research. It will be helpful for better and efficient portfolio management. As per the SEBI guideline appointed Fund Manager so person should be fully qualified and well experience on capital market
fluctuation and economic planning and global market trend. Person possession knowledge of finance and administration and statistically very sound to follow tools for analysis.

12. The Mutual Fund companies should adopt transparency in operation to inter scheme transaction, inter scheme change sector of allocation, one fund manager handling two to three scheme at same time. Need to organize weekly meet Fund Managers. Export opinion considered while taking decision regarding scheme launch and declare dividend and declare date of dividend, charges of expense.
7.3 FINDINGS:

1. To study the performance of Mutual Fund Industry India, analysis and interpretation of the data, researcher well known about the market behavior and how its affect investors decision making. Equity Diversified Scheme covers under third chapter shows variance on performance from last five years. Mutual Fund Key Information Memorandum mentioned scheme objectives; due to market fluctuation fund manager should not follow the objectives. Analysis of Equity Diversified Schemes performance affects by industry performance, other financial instruments also affects return on Equity Diversified Schemes. Offer documents mentioned detail of the fund investment style, to allocate of the on different industry. External factors liked political risk, financial bill, monetary policy, fiscal policy, etc. Assets Management Company has own policy of appointment of the fund manager and qualification and knowledge of market fluctuation.

2. In current scenario Mutual Fund is better option for investment than any other option because it provides higher return with professionally managed portfolio, good research team continuous watch on performance of not just Indian stock exchange but international capital market and to know industry growth and industrial life cycle, fundamental analysis of particular company, so that investors preferred to invest on Mutual Fund compare to invest on direct equity.

3. Most important things are that objectives of schemes are different. HDFC Top 200 scheme objective is different with TaTa Pure Equity Fund and Magnum Tax Gain. So that risk is minimize through diversification of portfolio and focus is not given on one
sector, investors have better choice to diversification of funds, and fund manager strategic to selected sector with bench mark.

4. The analysis shows that to cover the cost and generate profit, Mutual Fund Companies get involved on over diversification. Market fluctuation has play big role on buying and selling strategic for fund manager.

5. Analysis of return on 2005 shows that return was comparative fine, Indian capital market was grow well. Equity Diversified Schemes generated better return compares to the risk free return on post – office saving or any other fixed deposits, investors more attract to purchase unit.

6. On 2006, Financial Bill presented has been well received by the market. The highlights of the budget were mentioned that fiscal deficit has been kept in check, further moderation in indirect taxes, no change in direct taxes, and overall positive environment for economic growth. The Sensex at that time presented 1 year forward earnings. There is also a need to invest with a minimum two years

7. It is the best option for the person who does not have any knowledge of capital market as fund manager is in charge of portfolio and managed it very well then any single individual.

8. Along with open-ended schemes close-ended schemes are also very much preferred by the investor because of the simple reason that when fund is invested in equity it is considered long term investment and lock in period resist investor to withdraw their fund before maturity.
9. From the research conducted, can also find out that all AMCs has suffered the impact of global recession but we can see that it has again risen up and now the NAV has crossed the previous level. Thus mutual fund has a very bright future.

10. The research conducted shows that there was totally negative return in the year 2008 as compared to expected return. The year 2008 was period of recession so most of the schemes made loss.

11. The year 2008 had market down turn in its mid due to global economic crisis, which had affected the schemes performance.

12. The NAV of all the schemes shows that in the January 2008 they had given highest return and in December 2008 they had given the lowest return.

13. The NAV of all the schemes also shows that in December 2009 they had given the highest performance and in March 2009 they had given the lowest return.

14. The schemes had also been affected by the market’s overall performance.

15. The schemes have been judged on the basis of the financial data, so the fund managers investment style and experience has not been analyzed