The Mutual funds have emerged as one of the important class of financial intermediaries which generally cater to the investment needs of retail investors. Mutual Funds became acceptable to small investors as better resource allocator than the direct investment in shares of the companies. It is well established fact that in India the House hold savings have a dominant role to play in capital formation in the country. Channelizing the household savings to the capital market has been successfully done by mutual funds in India. The growth of the Mutual Fund Industry in India has been nothing but sort of phenomenal. The resource mobilisation by Mutual Funds has grown significantly since their inception in 1964. Again, it was in 1987 and 1989, when the public sector banks and corporations entered the Mutual Fund market scene of the country. Further, keeping in tune with the objective of new economic policy of 1991, Mutual Fund market was thrown open to private sector during 1993 in India. Since then the structure of the industry as a whole has changed and investment trend shifted in favour of private sector funds. Public Sector Mutual Funds which comprised 64 per cent of the total AUM in 2001 now comprised only 22 per cent of the total AUM during the year 2011. Even the number of Public Sector Mutual Funds has declined from 11 in 2001 to 6 in 2011, with UTI, LIC and SBI being the main Public Sector Mutual Funds players.

After February 2003, a new phase started in the Mutual Fund industry in India. Now, all the players in the industry were functioning under same regulation formed by SEBI. This regulation helped in building a new strength, maturity, stability and confidence in the mutual fund industry. The Industry witnessed improved level of control and supervision by the regulatory authority despite of the occurrences of a number of scams during the period. The presence of private sector (Indian as well as foreign) mutual funds having good experience and managerial skill has also led to the introduction of
various innovative and attractive new schemes. Mutual Funds presently offer a variety of options to investors such as income funds, balanced funds, liquid funds, gilt funds, index funds, exchange traded funds and sectoral funds etc. This diversification of funds and schemes may naturally be attributed to the increasing competition among the players. It has been observed that after the introduction of private sector, resources mobilized by the Mutual Funds has increased manifold especially in the private sector these observations clearly indicate that the structure of mutual fund industry in India has changed to the large extent after commencement of the financial sector reforms. At this stage, it looks necessary to measure the performance of the two sectors and make comparative analysis between them. This background of Mutual Fund Industry motivated to carry out the present research work.

This study is an endeavor to find out the role of Mutual Funds in promoting the economic development of the country. This study also focused on the growth and development of Mutual Fund Industry. The present study measures the performance of the selected public and private sector mutual funds schemes from the period 2006 to 2011. The study will definitely help the investors in deciding the various schemes of Mutual Funds in regard to investment. This study will help in knowing the profitability, liquidity, marketability and competitiveness of the Indian Mutual Fund industry. The study will also be helpful for the government and the various authorities of Mutual Fund to bring further improvement in the market in regard to protect the larger interest of the small investors.