CHAPTER – 6

FINDINGS, CONCLUSIONS
AND SUGGESTION
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FINDINGS, CONCLUSIONS AND SUGGESTION:

"Need is the Mother of Innovations, Inventions and Discoveries"

INTRODUCTION

Idle savings of the people in the form of gold and silver brought the banks into existence. Financial Institutions were satisfying to the great extent the need of Indian saver that is liquidity and return. Saving became productive but to the great extent commercial banks were inconvenient to the Indian saver as they were far away from reach geographically and knowledge-wise.

Co-operative Credit Societies and Urban Co-operative Banks emerged out of the need. The saving deposits of the people in 1971-72 amounted to Rs.323 crore which climbed to Rs.7325 crore in the year 2004-05. Private money lenders loss their significance and banks like commercial and co-operative took the place of private money lenders.

The fluctuations in interest rate from the year 1970-71 of 7.25 percent climbed to 13 percent in 1991-92 and subsequently started declining and reached the bottom 5.75 per annum on the deposits of Indian savers. This return on the saving was thought very less against their current sacrifice of consumption. Hence need for earning more return on saving arised and the capital market emerged out of it. The funds were diverted from bank deposits to the capital market because the investment was yielding very high than that of interest on deposits. It may be primary market or secondary market.

Harshad Mehta’s scam in the year 1992 shocked the capital market as the Indian saver loss their principle amount in the capital market. Subsequently there was another scam of Mr. Ketan Parekh in the capital market. The prime objective of investors was safety and then the return on investment. People of India thought capital markets are risky to invest because the investor’s knowledge about capital market was limited, they were unable to analyse the securities hence the selection of the stock to invest was difficult for them. Investor’s wanted somebody to work on behalf of them that gave the
birth to Mutual Funds, the first mutual fund in India set up by Government of India in 1964 under the Umbrella of Unit Trust of India.

Till 1986 UTI was the only Mutual Fund in India. The then Prime Minister Rajiv Gandhi opened the doors of Mutual Funds for public sector in 1987, Life Insurance Corporation of India also established the Mutual Funds in 1989, then the IDBI and IFCI the financial institutions in early 1990's started the mutual fund industry. Again in 1993 the Government allowed the private corporate sector and foreign institutional investors to begin the mutual funds. Mutual Fund mobilized the resources from 1970-71, Rs.18 crore which increased to Rs.8711 crore for the year 1992-93, which is the year of private players' entry in the mutual fund industry. The highest resources mobilized by mutual fund industry were in the year 2003-04 amounting to Rs.46808 crore out of which alone private sector mobilized Rs.42544 crore.

CONCEPT OF M.F. INDUSTRY

A mutual fund pools together the resources of like-minded investors. Professionals trained in the science and art of securities analysis and stock picking, a mutual fund may have just one professional money manager or, it may have a battery of money managers. Mutual funds channelize people's saving into investment. This money is put into a large diversified investment portfolio.

Many mutual funds own over 100 different scrip's and Bonds. But no single investor owns any particular asset in the portfolio. Instead, an investor who has purchased a certain percentage of the mutual funds totally owns that percentage of every asset liability of the funds. An investor is a partial owner of Mutual Funds, he is not a lender. So he is not entitled to any interest on his investment as he owns the mutual fund not a creditors.

Mutual funds are regulated by Securities and Exchange Board of India (SEBI) to protect the investors against inadequate discler, unethical behaviour and fraud which often occurs at Stock Exchanges. Mutual fund must be well diversified, managed by trained professionals which provide liquidity, simplicity and convenience to the investors. The units of mutual fund from open ended scheme are liquid because they can be soled on any business day, the investor can sell the units and get the money equal
to net asset value. Investment in mutual fund is as good as saving deposit in the bank. In case of close ended funds, an investor has to sell his units through Stock Exchanges only and can get the redemption price.

Mutual fund offers various schemes to satisfy varying needs of the investors, like somebody may want security, other may want return, the varying needs are satisfied by the mutual funds at very low operating cost, the brokerage paid by the investors is upto 2 percent but the mutual fund expenses are less than even five percent thus they are cost efficient. By investing in mutual fund, the risk of investor is reduced as mutual fund diversify the portfolio. As it is regulated by SEBI, the transparency in getting the information through newspapers about net asset value is available. The another benefit the investor gets by saving the income tax, under section 80(C) of Income Tax Act, 20 percent of the income tax on investment in mutual fund is saved.

Government regulate the mutual fund industry but the investment in mutual fund is not ensured, the systematic risk cannot be avoided even by diversification of the investment, for investor the brokerage and the management expenses are very high. Mutual fund performs poor when stock market is bearish. Sometimes, the size of funds invested by mutual fund is so big to manage that the standard of selecting the companies to invest declines.

Mutual funds are classified as equity fund, growth fund, income fund, balance fund, bond fund, gilt fund and money market funds. When the stock market is bullish, the equity and growth fund are more and mutual fund invest the funds in equity market when the stock market is bearish the mutual fund invest the funds in government securities, bonds or money market instruments. Mutual funds can be classified as per ownership 1) Public sector, 2) Private Sector and 3) Foreign Funds.

There is a technique to choose the appropriate mutual fund scheme. The goal of the investor should match the investment objectives of mutual fund scheme. Investor’s always expects low level of risk if he doesn’t expect high return, in the balance fund moderate risk is expected by the investors. The lowest risk is expected from Debt funds, gilt funds etc. In these schemes, investor gets regular income, safety and security. Choosing the mutual fund, the consistent past performance is to be considered by the investor. If the consistency in the past performance is observed in more than one mutual
fund then they are compared among themselves. At last, investor expects less management fees and the best customer services.

**GROWTH AND DEVELOPMENT OF M.F. INDUSTRY**

The first official mutual fund, the MASSCHESTTS INVESTORS TRUST was launched in Boston in the year 1924. The mutual fund in India has strength of about 29 funds registered with AMFI along with 451 schemes out of which 403 open ended and 48 were close-ended as on 31-3-2005.

Growth of Indian Mutual Fund industry in respect of Assets Under Management (AUM) during the 1998-99 to 2004-05 was very high. It went up from Rs.68,472 crore in 1998-99 to Rs. 149554 crore in 2005 and same trend was observed scheme wise under AUM. All most all nature of schemes under AUM has increased during the period except ELSS as its assets declined from Rs.2477 crores in 1998-99 to Rs.1727 crore in 2004-05, highest growth is seen in case of Money Market and Gilt schemes during the same period.

Regarding growth of mutual fund industry in India, in term of resources mobilised were recorded a sharp rise. UTI, Private and public sectors have registered more and more mobilisation of funds during the above period. During the period form 1964 to1987, UTI has mobilised Rs. 25 crore in June 1965 to Rs. 4563.68 crore by June 1987. The period 1986-1993 is known as the period of public sector mutual funds. Total resources jumped to 37480.20 crore at the end of this phase. UTI has mobilized 84.86 % and Public sector's funds have mobilized 15.14 % of total funds of mutual fund industry in India. The highest growth rate (75.62%) observed in the year 1988-89 and lowest (21.11%) in the year 1990-91. After the entry of private sector, total resources mobilized was touched to the level of Rs. 3, 14,706.19 crore till the end of March 2003. Out of this, only 2.25 % of UTI, 90.27% of Private sector's mutual funds and 7.47 % of public sector's mutual funds. UTI's share in resources mobilization has been declined because of division of UTI into UTI M.F. and UTI – I. Private sector's funds became an alternative to UTI and banks' sponsored mutual funds. Slowly mutual fund became a serious competitor of commercial bank in the race for investor's savings and for corporate money.
The number of schemes has increased from 277 in 1998-99 to 451 as on 31-03-05 i.e. increased by 162.81% during the period from 1998-99 to 2004-05 in case of balance schemes, money market schemes and gilt schemes. Income schemes were increased by 1.59 times, 1.82 times of growth schemes; however, the number of ELSS schemes has declined from 60 nos. to 37 nos. at the end of March 2005. During the period 1999-2000 to 2004-05, UTI has launched new 23 schemes (5.88%), Public sectors mutual funds 68 (17.39%) and private sectors mutual funds 300 (76.73%) of total 391 schemes. It is observed that the growth of schemes has increased faster in the last three years.

INVESTMENT PATTERN

The investment pattern of Benchmark Mutual Fund indicates that the maximum funds invested in equity and preference shares, its shares remained between 97.15% to 100% during the reference years. BMF has invested 33.50% in bonds and debentures out of its total fund in the year 2004 and nearly 17% in money market. BMF has not invested in Government Securities throughout the study period.

Cholamandalam mutual fund has invested their total funds in bonds, debentures and in government securities, money market instruments and has not invested in others investment avenues like commercial paper, certificate of deposits, T-bill etc. Increasing trend observed in terms of percentage in equity share and preference shares as well as money market. A rapid growth trend has seen in case of Money market instruments i.e. from 0% to 67.29% during the year 2002 to 2005. Whereas decreasing attitude found in case of bonds & debentures and government securities. Investment in bond & debenture declined to 13.97% in 2005 from 67.60% in 2002. Overall observation of Cholamandalam investment indicates that its investment pattern is money market oriented.

The trend of investment of Escorts mutual fund (EMF) in equity and equity oriented shows continuous increasing trend. Investment in equity increased nearly 3.5 times from the year 2002 to 2005. Investment pattern remained more dominated by government securities (68.21% & 71.65%) in the year 2002 and 2003. Whereas, EMF has totally changed its investments pattern in bonds & debentures (69.77%) in 2004 and equity market (74.69%) oriented in 2005. Company has not invested in money market.
instruments as company does not have any liquid schemes and given importance to safety & high return and not the liquidity.

The share of Equity investment of J M mutual fund increased from Rs.17.23 (0.82 %) crores to Rs. 251.42 (10.78 %) crores. The share equity investment continuously went up from 2003 to 2005. During the year 2003 to 2005, the highest funds (49.33 %) were invested in bonds & debentures, followed by money market instruments (32.39%), Government securities (12.46%) and Equity shares. The year 2005, dominated by money market instruments holding 48 % of the total investment. It is interesting to note that investment in government securities declined rapidly from 34.82% to 0.00 % in 2005.

Money market instruments held higher share in the investment portfolio of Kotak Mahendra mutual fund. In the years 2002 and 2003, bonds & debenture and government securities were more significant in investment portfolio of Kotak Mahindra mutual fund. In the year 2004 & 2005 bonds & debentures and money market instruments had higher share, where as the share of govt. securities almost zero. Kotak Mahindra mutual fund has invested Rs. 12728.50 crores during the period of four years.

Rise in the investment observed in equity and money market instruments in case of Reliance mutual fund. Whereas fall in investment in bonds & debentures and government securities is observed. The maximum funds have put in the basket of bonds & debentures during three years.

Regarding the investment of Sundaram Mutual Fund, return and safety were key drivers to decide investment pattern. Bonds & debentures remain more dominant in the year of 2003 and 2004. The investment of this company has brought changes such as equity oriented investment were preferred by fund managers. There were increasing trend of investment observed in equity and money market. While, reverse trend seen in case of in government securities and bond and debentures.

Tata mutual fund preferred investment in, bonds & debentures followed by equity, govt. securities had less margin and more margins in money market instruments for the year 2002. The share of equity investment remains more or less same during 2002 to 2005. Lowest investment made by fund manager in govt. Securities.
Equity instruments was favourable investment tool than any other during 2002 to 2005 in portfolio of Taurus mutual fund because of its maximum schemes which were of equity oriented with objective to earn high returns. It is significant to note that the Taurus mutual fund has not invested in money market instruments. The analysis exhibits that the investment portfolio of Taurus mutual fund since 2003 has been dominated by equity shares, constituting 69.01 to 91.11 % of total investment followed by bonds & debentures 5.43 to 27.38 %.

The investment in equity shares, shows continuous increase. The share of equity securities was 12.84 % (Rs. 4920.79 crores) in March 2002 to 30.50 % (Rs. 7156.66 crores) in year 2005. Investment growth is 23 times from 2002 to 2005. The share of equity in total investment increased due more primary issues hit the market, new growth schemes and ELSS schemes launched by mutual fund industry. The tax rebate on dividend income and interest rate in other investment declined.

Out of total investment from 2002 to 2005 by 9 private sector mutual fund, the share of bonds & debentures stood at about 39.66%. During the last four years period total investment made by private sectors mutual funds in bonds & debentures was Rs.21997.91 crore. Reliance mutual fund has invested total Rs. 6849.08 crore (31.14 %) followed by Kotak Mahindra M.F. Rs. 5831.94 (26.51%) crores in bonds and debentures.

All nine companies have gradually withdrawn their investments from the government securities up to 2004. Investment in government securities is less preferred by the retail investors as well as corporate investors. The main reasons first, the rate of interest and second, return on equity increased. It has only 12 % of the total investment during the last four years.

In respect of money market instruments, continuous increasing trend was observed since 2002. Its share in total investment jumped from 7.46 % to 36.28 & in 2005. It may be due to 22 new MMI schemes launched, corporate sector invest their fund in liquid schemes rather than bank because now mutual funds provide fast withdrawal facility with more return. These two reasons attracted to fund managers and investors to invest in money market instruments.

Investments in others includes Collateralised borrowing & lending obligation, repo. investment, warrants and mibor. Investments in other categories are for
very short periods, therefore wide fluctuation found in it. It may be time gape arrangements the best alternative available for investment.

The investment has been significantly shifted from fixed income securities to equity and liquidity.

The investment portfolio of private sectors mutual funds reveals that banks remain popular and an attractive means for investment by fund manager. Followed by automobile, pharmaceuticals, electric component-equipment & utility and IT consulting & service. Bank has occupied 13.42% investable fund of private sectors during the last four years. Out of thirty two industries, seven industries held 5% to 10% funds; fourteen industries held 1% to 5% and ten industries posses less than 1% of total funds invested in equity of nine Indian private sectors mutual funds during the study period. The five lowest industries were sugar, commercial services & suppliers, health-care facilities, apparel & accessories and Industrial products.

PERFORMANCE OF MUTUAL FUND:

The NAV based overall average weekly returns of selected schemes were 0.5116%, 0.7364% and 0.02249% in the year 2003, 2004 and 2005 respectively. Whereas, the market return based on BSE Sensex for the corresponding periods were - 0.23%, 1.17% and 0.27% respectively. Out of 65, 17 out of 62 schemes in 2003, 2 schemes in 2004 and 12 schemes in the year 2005 have negative performance. This decrease in 2004 is because of boom in the mutual fund industry. It is important to note that out of 65 schemes, 44 schemes (67.70%) get success to provide continuous positive return during 2003 to 2005.

Some of the schemes registered significant improvement like they were Taurus Star Share jumped up from 58th rank to 2nd rank, Chola Opportunities Fund (QD) from 61st rank to 4th rank, Kotak Technology from 56th rank to 7th rank, Kotak MNC from 59th rank to 8th, Taurus Libra Tax Shield from 40th to 1st rank etc. While some of the schemes reported rapid fall in case of Tata Young Citizen's Fund fell from 1st rank to 29th rank, JM Basic fund from 3rd rank to 28th rank, Tata Gilt Securities Fund (D) from 10th rank to 61st rank and so on. All these schemes were top looser compared to the year 2003.
Fund-Class wise analysis indicates that ratio of positive and negative return of balance schemes were 6:1, 7:1 and 6:1, on the other hand 12:7, 21:0 and 19:2 in case of equity. The number of schemes positive and negative return schemes remain the same in the year 2004 and 2005. The year 2004 has recorded lowest negative return of selected schemes. Tata Young Citizen's Fund (16.0879 %) stood at first rank regarding the best average returns of last three years, followed by Taurus Discovery Fund, J M Basic Fund, Tata Life Sci. & Tech. Fund (G) and Benchmark Junior BeES. In the top performance includes 9 schemes of equity oriented schemes and only 1 of balance schemes. Majority of the schemes, irrespective of their objective have proved their positive returns.

The company wise analysis shows that 1 out of 2 schemes has reported continuously positive return of Benchmark M.F., 2 out of 7 of Cholamandalam M.F., 4 out 7 of Escorts M.F., 3 out of 4 of J M M.F., 8 out of 11 of Kotak Mahindra M.F., 8 out of 9 of Reliance M.F., 6 out of 10 of Sundaram M.F., 8 out of 10 of Tata M.F. and 4 out of 5 of Taurus M.F. It is significant to note that, not a single selected scheme has continuously negative returns. Negative schemes of particular years no longer remained as negative performer. In term of percentage of overall average of three years, Reliance M.F. got positive returns in case of 96 % schemes and lowest 76 % in case of Cholamandalam M.F. As a combined success of selected mutual funds considered than it is 88.47 %.

The analysis of yearly return based on NAV of selected schemes shows that the majority of schemes have got success to generate positive return in 2003, 2004 and 2005. The annual average yearly returns were 6.2937 %, 48.2729 % and 16.4101 % in 2003, 2004 and 2005 respectively. The number of negative return schemes declined from 12 to 2 in 2004. The year 2004 proved as the year of cheerfulness even negative returns schemes turned into positive return schemes in this year. Not only this but also highest returned recorded as well as 39 schemes presented more than 10 % returns.

Total risk associated indicates that average risk of selected schemes during the years 2003 to 2005 was 0.0515, 0.0284 & 0.0349. Total average market risk ($\sigma_m$) was 0.0233, 0.0275 and 0.0259 under the reference year respectively. It exhibits that a large number of schemes, 43 (69.35%) have experienced less variability in the average
weekly returns than market portfolio and hence low investment risk. Whereas 19 selected schemes (30.64 %) have higher variability and hence are more risky. Out of these 5 schemes have experienced more than five times variability, led by Tata Yong Citizen's Fund (1.2926), Taurus Discovery Fund (0.4841), Tata Life Science & Technology Fund-G (0.1393), Tata Select Equity Fund -G (0.1381) and J M Basic Fund (0.1213) in 2003. Fund manager need to diversify such schemes and reduced risk to reasonable level.

On examination of fund-class wise analysis for total risk disclose that among the balance schemes Tata Young Citizen's Fund bearing a highest risk in 2003 which turn into level of lowest risk bearing in the year 2005. Sundaram Balanced Fund (D) in the year 2004 and Tata Balanced Fund in 2005 having highest risk. The total risk levels of all the selected balance schemes were increased year by year. Year wise highest risk bearing schemes among the ELSS were Tata Tax Saving Fund, Escorts Tax Plan-(D) and Sundaram Tax Saver (D) in the year 2003, 2004 and 2005 respectively. In the category of equity schemes there were huge fluctuation in the risk bearing of schemes. Escorts Income Plan-D (0.0038) was at 1st rank with the lowest risk bearing schemes through out the study period. Risk level of Kotak Tech declined from 0.0313 (10th rank) in 2003 to 0.0210 (2nd rank) in the 2005. Taurus Discovery Fund, Tata Life Science & Technology Fund and Chola Opportunities Fund (QD) were the schemes possessing highest risk in the reference years. Only 1 equity oriented schemes found constant in the risk–rank through out the study periods.

About the Gilt schemes, Kotak Gilt Saving Plan (G) maintains their 1st rank in all three years. Some amount of consistency regarding rank found in case of income schemes this includes Chola Freedom Income STF (HD), Reliance Medium Term Fund (G) Chola Triple Ace (G) and Escorts Income Bond (G). Kotak Bond Short Tern Plan (G) stood at first rank during the period of three years with lowest risk among all selected income schemes. The highest consistency found among money market schemes during the study. Its all schemes hold very low risk level as compared to an average risk as well as market risk.

The security market return (BSE Sensex) and mutual funds schemes return presented by correlation coefficient ($r_1$). It has been positive in case of majority of the schemes during the year 2003 to 2005. 58 (93.55%) out of 63 schemes in the year 2003
having a positive relationship and 4 schemes (6.45%) bear negative relationship with the
security market (BSE Sensex) followed by 56 (86.15%) in 2004, 61 schemes (3.85%) out
of 65 schemes in the year 2005. Continuously positive Correlation achieved by 52
schemes with that of market from the year 2003 to 2005. Moreover, 22 schemes have
correlation coefficient more than 0.5 which shows a higher positive correlation. There
were 4 schemes in 2003, 9 in 2004 and 4 in 2005 which have perfectly opposite direction
with security market. Chola Freedom Income STF (G) scheme has zero correlation. There
were 13 schemes having continuously rise in terms of correlation Schemes returns have
significant relationship with market returns. NAV of the majority of the schemes have
direction of stock market especially in case of equity oriented schemes.

An evaluation of systematic risk of selected schemes depict that maximum
schemes have positive systematic risk. 47% to 52% schemes have beta value in range of
0 to 1. It indicates the tendency of private sectors mutual fund’s fund manager to adopt a
defensive investment strategy while constructing an investment portfolio. As defensive
strategy, it hardly serves the interest of the investors. Private sectors mutual funds
gradually moving with security market. Portfolio return is more risky over the market
returns and less volatile in case of 6 schemes (9.68%) in 2003, 8 schemes (12.31%) in
2004 and 13 schemes (20%) in 2005. Whereas 6% to 12 % schemes proved their inverse
relation with market return by presenting negative beta value. Only Chola Liquid Fund
(G) scheme has found independent to market return in 2004.

Analysis, based on fund-class wise disclosed fact that all 7 schemes of
balance have been recorded positive beta value. Almost all 7 balance scheme’s value of
beta coefficient has less than one or near to one. In respect to ELSS, Tata Tax Saving
fund has lowest beta value 0.2658 and highest for Taurus Libra Tax Shield 1.3111. In
case of equity schemes, 7 schemes involve greater risk than the market return. The
highest risky scheme among the equity categories is Tata select Pure Equity Fund bearing
2.4505 beta values. The beta range of equity schemes from the year 2003 to 2005 is -
0.1052 to 2.4505. There is very wide gap between lowest and highest beta value of equity
schemes. Data of equity schemes proved that equity oriented schemes are very risky
compared to other kinds of schemes. About gilt schemes, 80% to 89 % schemes have
positive beta value under different years. The value of beta range of Gilt schemes were
between -0.0481 to 0.1504. 12 out 17 income schemes have constantly registered their positive beta value. About 70 % to 90 % income schemes move with market. The beta value of money market schemes remained very less compared to all other categories schemes through out study period. It can be seen from this analysis that the values of beta coefficients are very small or negligible. It reveals that fund manager has adopted defensive investment strategy in case of Money market instrument.

An analysis of Sharpe measure indicates that, 1.61 % scheme has reported their performance below the market portfolio in 2003, 65 schemes (100%) in 2004 and 63 schemes (96.92%) in 2005. The average market return seen in 2003 to 2005 as -0.23 %, 1.17 % and 0.27 %. Poor performance recorded in 2004 as compared to other reference years according to Sharpe measure. 17 have outperformed in 2003 as compare to benchmark return having positive differential performance even though their negative Sharpe measure. Additional return on market over the risk free return of these schemes is much less than the additional return on mutual fund schemes over the risk free return. Cholamandalam mutual fund has positive SI (Sharpe Index) 71.43%, 57.14% and 28.57% schemes during the years 2003, 2004 and 2005 respectively. SI of Escorts Mutual Fund’s selected schemes are between 57.14 % to 85.17 % positive performance during the reference years. About JM mutual funds schemes have 75 % positive SI during three years. 100% positive performance in term of SI seen incase of Reliance Mutual Funds in 2003 and then performance declined. Tata Mutual Fund has registered 100 % positive performance in term of Sharpe measure in 2004. This performance decreased in the subsequent year and touched the 80% level in 2005. The selected scheme of Taurus Mutual Fund indicates same trend like Tata Mutual Funds Schemes. Their positive performances gradually rise from 40 % to 80 % during 2003 to 2005. In case of 98.39 % selected schemes return remained higher than the market return in 2003. While in remaining two year, majority schemes have underperformed in respect to market return.

The Fund-class wise evaluation has depicts that Equity schemes have top performance with 77.69 % according to average Sharpe risk adjusted performance measure, followed by balance schemes with 76.19 % and ELSS schemes with 66.67 %. Inspite of negative values of Sharpe index of 17 schemes having positive market index i.e. these schemes have beaten the market index (Sensex). These include 6 of equity
schemes, 4 of ELSS, 4 of balance schemes, 2 of income schemes and 1 of gilt scheme. Majority schemes irrespective of categories have proved their superiority over the security market as per the tools of Sharpe measure of performance appraisal in 2003. While inverse performance track observed in 2004 and 2005. Further, that negative SI return or low performance scheme does not remained negative in succeeding years.

In case of balance schemes, better performance observed from 14.29% to 100%. Regarding ELSS, 5 out 5 schemes in 2003, 1 in 2004 and 4 in 2005 have better result than benchmark return. The positive performances of ELSS remain from 20 % to 100 % during the reference years. The performance of equity oriented schemes gradually improved from 47.37% to 90.48 % during the year 2003 to 2005. Gilt Schemes, 11.11%, 30% and 100 % schemes have negative performance recorded in 2003, 2004 and 2005. Not a single schemes of money market have superior performance during the year 2004 and 2005. Money Market schemes are considered low risk as compared to other schemes in the year 2004 and 2005. In term of overall positive SI and better performance than security market, it stood at bottom rank among all categories.

While using Treynor’s evaluation technique, 96.77% (60) schemes have better performance than that of market return (Average weekly market return). Among these, 25 schemes have negative performance, 33 schemes’ return ranged between 0 to 1 % and 2 schemes result is more than 1 in 2003. While in 2004 and 2005, 1.54% (1) scheme achieved better return than the market return. Compared to average weekly market return in terms of Treynor’s measure, all the selected schemes performed inferior except one-one scheme in both years.15 schemes showing constantly good performance or positive performance during the span of three years. On the other hand only 3 schemes reported their negative performance during the study periods. It implies that poor performance of a particular scheme is not long term characters. The portfolio return and differential return in term of Treynor’s measure arrived at almost same. A fund-class wise analysis based on Treynor’s measures indicates overall performance of three years, balance schemes performed (76.19%) best among the six categories under consideration. Equity schemes stood at 2nd rank in respect of overall average performance under the reference years. Money market schemes have judged lower than other categories as per Treynor’s measures.
With view to Jensen’s measure, result reveals that 5 scheme (8.06\%) reported their performance below the market return in terms of Jensen’s measure in 2003. 66 16\% and 44.62 \% schemes have lower performance as compared to the market return in 2004 and 2005 respectively. 9 schemes in 2003, 25 in 2004 and 3 schemes have outperformed having alpha value more than one.

In the case of Balance schemes, 4 out of 7 schemes have achieved positive alpha continuously during three years. Regarding ELSS, 20 \% schemes outperformed in 2003 that increased up 80\% in 2005. Performance of equity oriented schemes has improved their performance as per Jensen’s measure. In 2003, 9 schemes have better performed which went up to 20 in 2004. Only one scheme has reported inferior result. Among all categories, in respect to the overall performance equity schemes stood at second rank with 77.69 \% positive alpha value of their selected schemes. During 2004, total 24 schemes have underperformed i.e. 1 of equity oriented, 7 of Gilt, 12 of income and 4 of Money market schemes. The number of schemes having negative alpha value in 2005 increased to 29. As per Jensen’s measure, the performance of sampled schemes declined year by year.

Combined performance indicates that Balance schemes were at top with 80.95 \% positive alpha value followed by equity schemes (77.69\%) ELSS (66.67\%), income schemes (52.94\%), Money market schemes at bottom rank with 33.33 \%.

During the study period, total 17 schemes get success to produce continuously positive alpha according to Jensen’s risk adjusted measure. Out of this, 7 schemes were of equity, 1 schemes of ELSS, 1 of gilt, 4 of balance and 4 of income categories. The return based on alpha shows continuous rise in 4 schemes. This includes 3 of equity schemes and 1 of Gilt scheme. These are Chola Opportunities Fund (QD), Kotak Tech, Reliance Vision Fund (G), and Sundaram Growth Fund (D). On the other total 11 schemes have maintained consistency in downwards trend in term of alpha value. Among this highest schemes from income categories (4) followed by gilt schemes (3), equity (2) and balance scheme (2). It is important to note that not a single scheme has zero alpha value in term of Jensen’s measure.
The analysis of sampled survey of investors as well as intermediaries reveals followings:

The Maximum investors are from service sectors which 47.96% (94) of total respondents. 33.67% of respondents (66) having their own business whereas 18.36% (36) from others categories. Among others: 6 of professional, 8 from agriculture and 22 of others. More than 50% investors fall in the age group up to 35 years. The lowest number of age group belongs to the age of more than 50 years. With regards to income group majority of investors are from income up to Rs. 2 lakh.

An examination of saving pattern depicts that among the age group of 35 years, 3.92% and 18.75% has high saving habits among the age group of 35 to 50 years. While it is 26.67% incase of above 50 years. It means there is association between age group and saving habits.

In relation to occupation, Service and Business group have equally high saving habit. Others categories respondents don't have high saving habit. 24.49%, 19.39% and 12.24% of service group, business group and others group have modest saving habit respectively. While 17.35% of service categories, 8.16% of Business categories and 6.12% of others categories registered their low saving habit. This trend shows that the saving habit is independent of occupation. Investors of income up to 2 lakh have more saving habit than high income group. Therefore we can say that saving habit is associate with level of income.

An overview of investment pattern indicates that age factor does not have significant effect on the investment behaviour of the investors; this is also confirmed by Chi-square test. Equity shares remain more popular among all categories which cached nearly 60% to 82% investors. The trends of different occupation's investors indicate that nature of occupation affected to decision of investor regarding the selection of investment instruments. As per Chi-square test, it has applied at 5% and 1% levels of significance. It is true at 5% level of significance but not at 1% level of significance. The data of survey indicates that the investor's behaviour for selection of investment instrument significantly depends on level of Income. However, Equity shares remain at first priority in the income level of up to Rs. 2 lakh and more than Rs. 2 lakh.
According to three investment objective like Liquidity, profitability and both, majority of respondents among all age group have treated both liquidity and profitability as prime objective of investment. Tax saving objective remain more favourable among the age group of 35 years and 35 to 50 years, whereas tax saving and non tax saving both are found equally popular among the age group of above 50 years. About 60 % business and other categories have given priority to growth and regular income both. While half of service sectors investors’ prime objective is to find income growth. Among the highly liquid and profitable objective, the profitable objective observed more popular among all occupational investors. The combination of liquidity and profitability at first priority among business and others categories. The data indicate that there is association between investment objective and occupation. Priority between tax saving and non tax saving objective, the majority respondents have given priority to tax saving objective. Among that highest percentage fall in service sector. Business and others categories investors invested more in non tax saving instruments as compared to service sectors. Service sectors investors are highly associated with objective of tax saving where as rest categories investors investment does not affect much.

Among private sectors mutual funds, bank sponsored mutual fund and Institutional sponsored mutual funds. The highest priority is given to bank sponsored by age group up to 35 years and 35 to 50 years where as above 50 years group gave priority to private sectors. Institutional sectors is at bottom level. Overall private sector mutual funds secured 40 % investors, 38.89 % by bank sponsored and 21.11 % by institutional sponsored mutual funds. The chi-square test at 0.05 levels of significance selection of sector depends on age of investors.

In relation to occupation, Private sector funds and institutional funds attract others categories investors like profession, agricultures etc. Bank sponsored funds have attracted service sectors investors. It is evident from the data that Private sector funds and institutional funds are significant for others and business. Whereas bank sponsored funds for service sectors investors.

An analysis of sources of information depicts that maximum investors (77.55%) got information from news-paper and magazines, it is most popular among the age group of up to 35 years. 22.45 %,8.16 %,24.49 % and 22.45 % of investors gave
importance to agent & brokers, T.V, fact-sheet, and friends & relatives. Almost same information pattern is observed regarding the rest of the group. The same trend is observed in the case of occupational and income group. Information sources do not have significance to age groups, level of income as well as occupational.

Regarding the rank of Equity Fund, Tax saving fund, Income fund, Growth fund, balanced fund, Sector fund, Money Market fund and Gilt fund schemes, an effort is made to give rank to them with the help of mean. The scheme having less mean is given highest rank and vice-versa. The study indicates that the highest number of intermediaries has given first rank to equity funds (1.5) for investment. Growth fund (2) occupied second position, followed by tax saving fund (2.1), balanced fund (3.8), income fund (4.1), sector fund (5.1), money market fund (5.1), and gilt fund (5.9). Importance of gilt fund is declined may be because of rate of interest on government securities. Sector fund are favoured in India, even when they are at primary stage.

As regards the future prospect of Indian mutual fund industries, 46.88 % of sample, intermediaries have perception that mutual funds industry has very bright future. 43.75 % have their opinion about future is bright. While not a single intermediary has thought that there is no future of mutual fund. Further, 9.38 % don’t have any idea about the future of mutual funds.

Selected schemes of Indian private sectors mutual funds performance of few schemes have successfully generated returns above market return as well as benchmark return. However, some schemes are unsuccessful in this aspect. It indicates that fund manager failed to provide return as per the expectation of the investors. Many schemes have declared negative return.

**FINDINGS**:

1. More than 90 % population have no knowledge about concept of mutual fund.
2. Less then one percent, rather very negligible percent of investors invest in mutual fund. (During sample survey when the questionnaire was offered to fill up, only one out of ten investors were found to have the knowledge of mutual fund and were ready to fill up the form.)
3. Only Ahmedabad, Baroda and Surat in Gujarat state have the branch offices of few mutual funds.

4. It is also observed that rare knowledge of mutual fund, the postgraduate students other than finance area have about mutual fund.

5. Small cities and towns do not get any information about mutual fund because it is normally published in English newspaper.

6. To obtain the agency of mutual fund, one has to pass the AMFI test, which is available only on line. This limits the spreads of mutual fund.

7. Electronics Clearing System (ECS) facility is not available for receiving dividend on mutual fund.

8. ELSS has declined response because there was a limit of investing up to Rs.10,000.

9. Mutual Funds do not considered as favourable investment in government securities, therefore it has continuously decline during the study period.

10. Bank deposits are insured whereas no protection of insurance provided for investment in mutual fund.

11. There are three measures, Sharpe, Treynor and Jensen used in this study to evaluate the performance of the mutual funds. They give different values of performance. Therefore, the superior performance of particular scheme under one measure may becomes inferior under another measure.

12. Till 1987, UTI was the single player in the mutual fund industry. Hence, limited resources were mobilised. There is 22 times increase during 6 years in resources mobilised by mutual fund industry since 1987-88 because public sector entered into the mutual fund market.

13. Investors trust more private public sectors mutual funds than that of UTI.

14. It is observed that corporate sector invest their short-term fund in mutual fund in place of bank deposits because money market schemes are liquid and immediate exit is made possible by mutual funds.

15. It is eye catching that mutual fund investment under equity schemes during the period of study is highest in equity schemes of banking industry.

16. There is no schemes from mutual fund attracting agricultural sector or a investor from rural area.
SUGGESTIONS:

1. Mutual funds should announce the schemes for agriculture sector or for the investor from rural area.
2. AMFI online test should be converted into written test, so that more intermediaries can participate and can be appointed as agents of mutual fund.
3. Mutual fund industry should extend their network from mega cities to the cities and small towns, so that more and more people will be attracted towards mutual fund.
4. Mutual fund should advertise their schemes in regional languages and should reach to small town.
5. Mutual fund should appoint their agents from rural area, so that the investors from such area can be convinced by their own person in their own language to invest in mutual fund.
6. The mutual fund company should organised seminars, workshop, conferences, conventions to educate the people about concept of mutual fund, so that the investors can make a difference for investing in other instruments, as to how investment in mutual fund is beneficial for investors?
7. Fund manager should evaluate the portfolio on continuous basis, so that timely shifting the investment is possible and schemes earned only positive return.
8. Investment in mutual fund is considered as more liquid investment; therefore fund manager should provide the required information within no time to the investor. So that investor can take appropriate decision about his investment in mutual fund.
9. Electronic Clearing System (ECS) should be adopted by mutual fund industry, so that the payments of dividend and remittances can reach the investor immediately.
10. Government should look into the possibility of insuring the investment in mutual fund.