MUTUAL FUND MANAGEMENT: A COMPARATIVE STUDY OF PUBLIC AND PRIVATE SECTOR FINANCIAL INSTITUTIONS

Introduction:

A mutual fund is an investment vehicle that pools the monies of several investors, and collectively invests this amount in either the equity market or the debt market, or both, depending upon the fund’s objective. This means one can access either the equity or the debt market, or both, without investing directly in equity or debt.

A mutual fund means a fund established in the form of a trust by a sponsor to raise money by the trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with the regulations. (SEBI, 1993). The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The rapid growth of mutual funds indicates the need for a deeper look into the performance of the mutual funds taking into account the expectations from the investor and the capital market. (Jayadev, 1998)

Most mutual funds adopt investment styles that cluster around a broad market benchmark, few funds take extreme positions away from the index but those who do are more likely to favour growth stocks and past winners. The bias towards glamour and the tendency of poorly performing value funds to shift styles may reflect agency and behavioral considerations. After adjusting for style there is evidence that growth managers on average out perform value managers, though a funds factor loadings and its portfolio characteristics generally yield similar conclusions about its style and approach using portfolio characteristics predict fund return better.

Over the past 30 years numerous studies have examined whether or not mutual funds successfully time the market, these studies have focused exclusively on market returns: Do mutual funds capitalize of superior information by increasing market exposure before market upswings or by decreasing market exposure before downturns? Although market returns are difficult to predict market volatility is predictable because it persists: high volatility is often followed by high volatility and low by low.

In the case of mutual funds, a fund’s stated objective (such as, growth, income, or balanced) historically served as a limited form of product differentiation. However theses descriptions are generally too vague to be very informative.
HISTORY OF MUTUAL FUNDS

Mutual fund concept roots back to the sixties when reacting to the needs of more active mobilization of household savings the Reserve Bank of India was entrusted to create a special institution to serve as a channel to these resources to the Indian capital market. Thus Unit Trust of India was started in 1964 with a view to encouraging savings and investments and participation in the income, profits and gains accruing to the corporations from the acquisition, holding, management, and disposal of securities. (Sadak, 2003) Till 1987 the UTI, popularly known as US 64, was the only mutual fund with a huge fund of Rs 6700 crore. The fund industry witnessed an unprecedented level of growth with the entry of mutual funds sponsored by nationalized banks and insurance companies in 1987 (Sahadevan & Thiripalraju, 1997).

For the mutual fund industry a brand new era began in 1993 with the entry of the private sector players. The new private sector funds had distinctive advantages over others in the sense that Sadhak (1997): Most of them were jointly floated by the Indian and foreign asset management organizations and thus, facilitating access to the latest technology and foreign fund managers strategy. They were better able to attract the best managerial talents from the public sector, already available infrastructural inputs by the public sector made there setting up much easier.

First Phase (1964-1987)
Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

Second Phase – 1987-1993 (Entry of Public Sector Funds)
1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

Third Phase – 1993-2003 (Entry of Private Sector Funds)
With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except
UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs.44, 541 crores of assets under management was way ahead of other mutual funds.

**Fourth Phase – since February 2003**

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund Ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with consolidation SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of and growth. As at the end of September, 2004, there were 29 funds, which manage assets of Rs.153108 crores under 421 schemes. (AMFI, 2001)

**PUBLIC SECTOR MUTUAL FUNDS**

1. State bank of India mutual fund (SBI)
2. Unit trust of India (UTI)
3. Bank of Baroda mutual funds
4. LIC mutual funds

**PRIVATE SECTOR MUTUAL FUNDS**

1. Kotak Mahindra mutual funds
2. Birla sun life mutual funds
3. HDFC mutual fund
4. Prudential ICICI mutual fund
5. Tata mutual funds
6. Reliance mutual funds

ORGANISATION & MANAGEMENT OF MUTUAL FUND

The concept of mutual funds in India dates back to the year 1963. The era between 1963 and 1987 marked the existence of only one mutual fund company in India with Rs. 67bn assets under management (AUM), by the end of its monopoly era, the Unit Trust of India (UTI). By the end of the 80s decade, few other mutual fund companies in India took their position in mutual fund market.

The new entries of mutual fund companies in India were SBI Mutual Fund, Canbank Mutual Fund, Punjab National Bank Mutual Fund, Indian Bank Mutual Fund, Bank of India Mutual Fund.

The succeeding decade showed a new horizon in Indian mutual fund industry. By the end of 1993, the total AUM of the industry was Rs. 470.04 bn. The private sector funds started penetrating the fund families. In the same year the first Mutual Fund Regulations came into existence with re-registering all mutual funds except UTI. The regulations were further given a revised shape in 1996.

Mergers and Restructuring of Mutual Funds

Some of the private sector mutual funds have gone for mergers and restructuring with the objectives of increasing the competitive skill, increasing the network of AMC, to promote operational synergies and efficiency. When SEBI prescribed that the net worth of the AMC must be Rs. 10 crores. HB AMC (worth Rs. 5.25 crores) merged into Credit Capital AMC (worth Rs. 5 crore). Zurich India Mutual Fund took over first the 20th Century Mutual Fund and then the ITC Threadneedle Mutual Fund in a two phase merger. Some of the cases of take over of mutual funds are: Apple Mutual Fund by Birla Mutual Fund, some schemes of Indbank Mutual Fund by Tata Mutual Fund and some schemes of BOI Mutual Fund by Taurus Mutual Fund.

Prudential Corporation took over 55% shares of ICICI AMC and the name was changed to Prudential ICICI AMC. Management structure of ICICI AMC was changed. Hence, it can be said that consumers are confused about where their money are invested at present.

Structure of Mutual Funds in India

Like other countries, India has a legal framework within which mutual funds must be constituted. Unlike in the UK, where two distinct ‘trust’ and ‘Corporate’ structures are followed with
separate regulations, in India, open ended and close ended funds operate under the same regulatory Structure, and are constituted along one unique structure, and are constituted along one unique structure-as unit trusts. A Mutual Fund in India is allowed to issue open-ended and close end schemes under a common legal structure. Therefore a mutual fund may have general differential schemes (open and close end). Under it i.e. under the Unit Trust, at any point of time. The structure which is required to be followed by Mutual Funds in India is laid down under SEBI (Mutual Fund) regulations, 1996.

CLASSIFICATION OF FUNDS

Many people tend to wrongly equate mutual fund investing with equity investing. Fact is, equity is just one of the various asset classes mutual funds invest in. They also invest in debt instruments such as bonds, debentures, commercial paper and government securities. Every scheme is bound by the investment objectives outlined by it in its prospectus, which determine the classes of securities it can invest in. Based on the asset classes, broadly speaking, the following types of mutual funds currently operate in the country.

REAL ESTATE MUTUAL FUNDS (REMFs)
The new and added flavor in the mutual fund market in the real estate mutual funds which are governed by the SEBI guidelines and regulations and include investment in debt and equity based securities. The REMFs offer a good investment opportunity for the growth in the fast paced worked of continuous investment. The real estate is booming and in at a great pace of development. It is expected to grow at about 3 times in usual by the year 2010 which come to about Rs. 7000 crores.

One of the major plus points of the REMFs in India is the fact that in yields here are higher than elsewhere. Also various other sectors like IT, ITES, health, banking, insurance etc. have shown growth in the present time. Since the lifestyle and luxurious segment of the country is at a booming pace the investments in these types of mutual hinds are on the rise.

However the major issues in these types of funds would be the high transaction costs involved and the length involved in obtain clearances from the authorities. There is also then the problem of lack of transparency and information. These problems must be solved before the REMFs loose out on the market. There is buoyancy in housing sector and the REMFs coming up will surely help the markets and investors a lot. The NAVS of such funds are declared on a daily basis and all the funds are close ended.

Thus to institutionalized the real estate sector it is essential that proper care must be taken for these funds taking into account the norms of the country, various companies like Omaxe, Paravnath, Mahindra Life space, Prime urban estate developers etc. have come to capture the market.
SEBI very recently declared that REMFs will be invested in the real estate assets. This declaration was given out very recently in April 2008. No mutual fund will invest in an asset of real estate which was owned by an AMC during the period of last five years or in which the sponsor or its associates hold tenancy.

**Money Market Mutual Funds (MMMFs)**

These are Open ended Funds, but invest in high liquid and safe securities like commercial paper, banker acceptances, certificate of deposits, treasury bills etc.

These instruments are called money market instruments which in USA are called ‘money funds’ in the USA. Investors usually use it as a ‘parking place’ or ‘stop gap arrangement’ for their cash resources till they finally decide about the proper avenue for their investment i.e., long term financial assets like bonds and stocks.

Since in RBI has fixed the minimum amount of investment as Rs. One lakh, it is out of reach of many small investors. In the USA, the minimum amount is only $100. Recently, the private sector’s funds have been permitted to deal in money market mutual funds. Generally, it is best suited only to institutional investors like banks and other financial institutions.

**Other Classification:**

Taxation Funds; Leveraged Funds; Dual Funds; Index Funds; Bond Funds; Aggressive Growth in Funds; Off Shore Mutual Funds

1. **EQUITY FUNDS**
   a) INDEX FUNDS
   b) DIVERSIFIED FUNDS
   c) TAX-SAVING FUNDS
   d) SECTOR FUNDS

2. **DEBT FUNDS**
   a) INCOME FUNDS
   b) GILT FUNDS
   c) LIQUID FUNDS

**THE ‘RISK’ IN DEBT FUNDS**
1. INTEREST RATE RISK
2. CREDIT RISK
3. LIQUIDITY RISK
TYPES OF MUTUAL FUNDS AVAILABLE

Domestic Equity Funds; Global/International Funds; Sector Fixed Income Funds; Hybrid Funds; Index Funds; Enhanced Index Funds; Asset Allocation Funds; Conservative Allocation Funds.

TYPES OF MUTUAL FUND SCHEMES

BY STRUCTURE: OPEN ENDED SCHEMES; CLOSED-ENDED SCHEMES; INTERVAL SCHEMES

BY INVESTMENT OBJECTIVE: GROWTH SCHEMES; INCOME SCHEMES; BALANCED SCHEMES; MONEY MARKET SCHEMES

OTHERS SCHEME: Tax Saving Schemes;

SPECIAL SCHEMES: INDUSTRY SPECIFIC SCHEMES; INDEX SCHEMES; SECTOR SPECIFIC SCHEMES;

Caps Defined: Large Cap; Mid Cap; Small Cap

In India the Mutual Fund schemes the trustee company and the management company are organised and supervised principally under the following laws/regulations:

- The SEBI MF regulations or, the SEBI CIS regulations, as the case may be issued under the securities.
- The Companies Act, 1956
- The Indian Trusts Act, 1882
- The Indian Registration Act, 1908
- Guidelines issued by The Reserve Bank of India (RBI) in respect of Non Banking Financial Companies.
- The Foreign Exchange Management Act, 1999

Objectives of the study:

- The research studies the impact of the lifestyle on the investment behaviour of the individual investors to bring out the impact of micro and macro-economic factors on the Mutual Funds’ performance with regard to risk-return expectations and perceptions about public sector and private sector investment alternatives (Mutual Fund) available to household investors. The major objective was to analyze in detail the performance evaluation of mutual funds in the public and private sector. Following are the specific objectives:
- To examine the different schemes, launched by the public sector and private mutual funds in India and to identify their response and performance.
• To evaluate the performance of mutual funds on the basis of quantitative and qualitative measures and to find the extent of diversification in the portfolio of securities of public-sector sponsored and private-sector sponsored mutual funds.
• To compare the performance of public-sector sponsored and private-sector sponsored mutual funds using traditional investment measures and to suggest measures to be implemented by the mutual fund companies.
• To study the investor behavior in mutual fund schemes.

RESEARCH METHODOLOGY

A descriptive research design was adopted for this study. Judgment sample survey method was used. The sample consisted of investors in the public sector and private mutual fund schemes. The investors were shortlisted from the customers list from public sector and private sector mutual funds. From the public sector customer list was taken from SBI and UTI and for private sector the customer list has been taken from HDFC, Kotak, ICICI and Reliance Growth, on the basis of the ratings – AAA, AA, A -- provided by the rating agencies.

A qualitative piece of research rather than quantifying the data and doing calculations, tries to understand and estimate the peoples ideas and their behavioral patterns. One of the important tools of qualitative research is the questionnaire survey. McQuarrie (2005) defines a questionnaire as any fixed set of questions intended to be completed by respondents.

Sample Size

The sample size was 262 investors: out of which 37 were in the age group of 20-30
28 in the age group of 30-40
62 in the age group of 40-50
135 in the age group of 50-60

Sample Element

It comprises of individual/investors and different types of investors selected from the list provided by mutual funds.

Sample Unit:

Private sector and public sector organization for mutual funds. This research was carried out in Delhi region.

Profession wise breakup:

22 Chartered Accountants
20 ICWA’s

45 Company Secretary’s

175 other professionals

**Income bracket:**

- 52 investors – 10,000 – 20,000
- 78 investors – 20,000 – 50,000
- 120 investors – 50,000 – 1,00,000
- 12 investors – 1,00,000 – 5,00,000

**Scheme selection:**

For the purpose of the study all AAA, AA and A rated schemes have been considered due to paucity of data for schemes which are not rated. Also in the equity only rated growth schemes and under debt only medium and long term rated debt schemes have been considered due to limited information and inappropriate data, paucity of time.

**Data:**

The study examines open ended 28 equity/growth schemes launched by selected private and public sector mutual funds. (See Table A) For selection of the mutual fund schemes the factors like past record of the organization, growth prospects, credit ratings along with return and dividends have been taken. For analyzing the perception of the investors a questionnaire was prepared with 28 questions along with a detailed demographic profile and income, profession of the investors.

**Data Analysis**

Data was analysed using SPSS. Engstrom (2004) claims that not only the factors such as fund size, fees, trading activity and past returns determine the funds performance but also there are some unexplored areas such as investments strategy play an important role. However not much research has been made on such factors on the emerging markets. Bulk of literature shows that are a number of factors that determine and impact the performance and growth of the mutual funds. One basic issue that has received a lot of attention from the academics is that – is the past performance of the mutual fund a good indicator to evaluate and measure the present performance? Some studies show that there are traces of evidence to show that there is no positive relationship between the past and the current performance. (Balke et. al, 1993; Bogle, 1992; Brown and Goetzman, 1995) several studies such as that of Blake et al (1993), Carhart
(1997), Elton et. al (1996) show that there is an inverse relationship between the transaction cost and performance of the funds. (Also known as expense ratio)

Judgmental sampling

Judgmental sampling has been used for the study as it is somewhat different from convenience sampling on the basis of the concept because it requires a judgment or an ‘educated guess’ as to who should represent the population.

Since it is a focus group study therefore judgment sampling has been used rather than probability sampling. The focus group represented in the study are the investors who had invested in the public sector and private sector mutual funds. The investors were shortlisted from the customers list from public sector and private sector mutual funds.

Questionnaire Design:

The questionnaire was designed by selecting the factors to be analyzed and based on these factors suitable questions were framed. A pilot study was conducted for that purpose and 18 respondents were identified for this purpose. These respondents were from cross section of expected respondents like CA, CS and others. Besides these 3 academicians were also asked to fill the questionnaire. The feedback received on the questions was incorporated at the stage of finalization of the instrument.

Questionnaire allowed to provide information about the decision making process of the investors in mutual funds. The questionnaire has been designed and structured in such a manner that it could be answered in a short span of time. Questionnaires can be both open ended and close ended, Denzин et al, (2000). In this study the questionnaire contained largely fix questions and analyzed on WAS and MEANS scale, in order to know the respondents feelings and attitude towards different factors. Close ended questions provide the researcher a uniformed set of answers and enabled me to provide an effective statistical analysis of the data.

However this requires the questionnaires to be constructed correctly. In order to make sure that the questions were valid and an effective tool to get the desired information, four fund mangers were interviewed and their inputs were used before designing the questionnaire. The structure was divided into three parts:

1. To know their personal preferences for investment
2. To know what according to them are significant factors for deciding about the investment and their personal attributes, qualifications, profession and age.
3. And seeking their views regarding the performance and security aspects of the various schemes of public and private sector mutual funds.
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12 investors – 1,00,000 – 5,00,000

Period of study:

The growth schemes which had been floated by the selected funds during the period January 1993 to July 2005 have been considered for the purpose of the study. Daily Net Asset Value (NAV) as declared by the relevant mutual funds from the inception date of a particular scheme to July 2005 have been used for the study.
Scheme selection:

For the purpose of the study all AAA, AA and A rated schemes have been considered due to paucity of data for schemes which are not rated. Also in the equity only rated growth schemes and under debt only medium and long term rated debt schemes have been considered due to limited information and inappropriate data, paucity of time.

Research Instrument: The questionnaire is the most common instrument used to collect the primary data. A questionnaire consists of set of questions presented to the respondents for the answers. The strategy adopted has been to use the filled up responses of the investors and analyzing them.

For studying perceptions of investors, a primary survey was undertaken. Usable questionnaire of respondents were considered for this study. To analyse the statistical techniques like weighted average and mean were applied. Moreover for perception of the investors in the public sector and private sector institutions in the questionnaire specific response has been obtained on the variables trust, bonding, communication, empathy, reciprocity, culture and customer satisfaction.

TOOLS USED

STANDARD DEVIATION (Σ); CO-EFFICIENT OF DETERMINATION (R²); BETA (β)

RISK – ADJUSTED RETURN; Return per unit of risk; Differential return (α); Return per unit of risk; SHARPE RATIO; TREYNOR RATIO; SHARPE RATIO; TREYNOR RATIO; DIFFERENTIAL RETURN; JENSEN RATIO; RETURNS.

The comparative analysis of all the schemes has been done by using following method:

Step 1: Find the range of the parameter, for which categorization has to be done, which can be calculated as below:

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\text{Range} = \text{maximum value} - \text{minimum value}
\]

Step 2: Divide the range by number of intervals to be made. Since in the above case since 3 categories has to be formed therefore, it has been divided by 3.

Step 3: Form the class intervals for various categories

The research has been conducted so as to cover the following parameters:

For the purpose of analyzing the various schemes following parameters have been used:

- Portfolio
- Expenses
- Risk and Volatility
- Risk Adjusted Return
For measuring the risk in context of volatility of the fund following measures have been used:

- Funds Volatility (Standard Deviation) i.e. Variation from the average
- Funds Resemblance (Coefficient of Determination, $R^2$) i.e. the extent to which the movement in the fund can be explained by corresponding benchmark index.
- Funds volatility as regards the market index (Beta, $\beta$) i.e. is the extent of co-movement of fund with that of benchmark index.

For the purpose of our analysis last three years returns i.e. From April 1, 2002 to May 31 2005 have been taken into consideration so as to have true picture of the average return that a particular scheme fetched. For comparing the returns earned by the schemes, BSE 30 has been taken as the benchmark index. Returns for both benchmark market index i.e. BSE 30 and the schemes have been calculated from the daily index value and net asset value (NAV) respectively. Then the average of the series so developed has been taken. By comparing last three years average returns with the benchmark it has been ascertained as to how much returns were given by a particular scheme in comparison to the return given by the market on the scheme under that same category.

The growth oriented schemes which have been floated by the selected funds during January 1993 to May 2005 have been considered for data analysis. Daily Net Asset Value (NAV) as declared by the relevant mutual funds from the inception date of a particular scheme to May 2005 has been used for the purpose.

The undemoted open ended 28 equity/growth schemes launched by selected mutual funds have been studied. These selected schemes have been launched during January 1993 till May 2005. Daily Net Asset Value (NAV) data has been used and the period of the data considered is from the date of inception of the scheme or from the date of availability till May 31 2005.

**LIMITATIONS OF THE STUDY**

The study is based on 262 investors of Delhi Region. The Study is not exhaustive and has a scope of further research. The present study will relate to urban people only. Influence of certain variables like expert’s views and suggestions of brokers etc. on investor’s behaviour and satisfaction cannot be studied in detail due to time factor. Personal bias involved in respondent’s answers becomes the major hurdle in obtaining the true information. Also the measurement of data is subjected to errors.

**MAJOR FINDINGS OF THE STUDY**

The following are the major finding of the study:

1. Past record of the organization is a very significant factor for investing in mutual fund.
2. Growth prospects are another factor which is significant for the investors to invest in public sector and private sector mutual fund schemes.
3. Credit ratings by different credit rating agencies are a significant factor which influences the perception of investors.
4. Market fluctuations significantly influence the investors for investment decisions.
5. Portfolio selection and selecting the types of securities is a very significant criterion for judging the performance of mutual funds.
6. Mutual fund investments are suitable for small investors.
7. Higher tax yields are required for encouraging the investment in mutual funds.
8. Mutual fund investments provide shield against direct investment in shares.
9. In all the public sector mutual funds, as per the corpus or the total amount invested by the people UTI still holds the maximum share. However the trend has moved in favour of private sectors, more sharply since 2000-01.
10. Within the private sector the funds leading are Franklin Templeton India, HDFC mutual fund, Reliance mutual fund etc.
11. As per schemes wise break up, out of the total currently operative schemes maximum investments are in growth schemes.
12. The proportion of open ended schemes as against close ended ones in all the categories is very high.
13. The most preferred basis for an investment option are high returns at first place followed by safety and reliability at second and third place respectively.
14. As per the analysis people prefer to invest in equity schemes the most because of higher returns and then in balance schemes followed by sector specific schemes and debt schemes.
15. Disclosure of adequate information is ranked at the first place followed by market fluctuations as the most important factors influencing the choice investment into a fund.
16. The respondents consider only the return provided to be the best criteria for performance appraisal followed by NAV.
17. On analysis it has been revealed that investors do not rate the funds performance based on its size to be a guarantee for better performance that is bigger size fund is not assumed to be a guarantee for better performance like in the case of UTI.
18. Majority of investors base their investment decisions either through the newspapers or published journals and very less numbers base their investments on the basis of broker advice or suggestions.
19. Analysis of returns received highlighted the finding that nearly four fifth of the investors have got either high or very high returns from mutual funds due to the boom in Indian stock markets.
20. Public sector mutual funds are not more secured than the private sector mutual funds.
21. Mutual fund investments provide shield against the risk of loss due to direct investment in shares.
22. Private sector mutual funds have performed better than the public sector mutual funds.
23. The respondents have clearly shown that the reciprocity plays a key role as perceptual parameters in the buying of private sector mutual funds.
24. The respondents have disagreed with the perceptual parameters of empathy and trust playing a key role in determining that public sector mutual funds are more secure than private sector mutual funds.
CONCLUSION

In the last decade we have seen enormous growth in the size of mutual fund industry in India. Especially the private sector has shown tremendous growth. With unmatched advances on the information technology, increased role of the institutional investors in the stock market and the SEBI still in its infancy, the mutual fund industry players gained unparallel and unchecked power. To ensure the safety of the investment against whims and fancies of professional fund managers have become the need of the hour.

The present study has been undertaken to impart awareness of the functioning of the mutual funds and also to provide information, knowledge and insight for taking investments decision pragmatically and also simultaneously ward off the impending risk in taking investment decision. Also it was conducted to know the changes in the management pattern of private and public sector mutual fund. The role of SEBI on one hand and the performance of the schemes launched by both the sector mutual fund on the other. The study also examined, whether the claims of mutual fund for providing diversified portfolio of securities so as to earn better return is justified or not by measuring the performance of most preferred mutual fund in the category of both private sector and public sector mutual fund.

The major objective was to analyze in detail the performance evaluation of mutual funds in the public and private sector. And the specific objectives to examine the different schemes, launched by the public sector and private mutual funds in India and to identify their response and performance; to evaluate the performance of mutual funds on the basis of quantitative and qualitative measures and to find the extent of diversification in the portfolio of securities of public-sector sponsored and private-sector sponsored mutual funds; to compare the performance of public-sector sponsored and private-sector sponsored mutual funds using traditional investment measures and to suggest measures to be implemented by the mutual fund companies. Another objective was to study the investor behavior in mutual fund schemes. These objectives have been achieved by the study by data analysis, descriptive statistics including means and Standard deviations. The objectives have been attained through the scale statistics, T Test, ANOVA, Cross tabulations, SPSS, Pie Charts, Factor Analysis, along with using the technique of Commonalities and Component Matrix.

On the basis of primary and secondary data analysis the under noted conclusions have been achieved from the study:

1) Mutual funds are classified as open and closed end. Closed end funds are traded like other securities. They do not redeem units for their investors. Open end funds redeem units for net asset value at the request of the investor.

2) Net asset value equals the market value of assets held by the mutual fund minus the liabilities of the fund divided by the shares outstanding.
3) Mutual funds free the individuals from any administrative burdens of owning individual securities and offer professional management of the portfolio. They also offer advantages that are available only to large scale investors such as discounted traded costs.

4) Mutual funds are often categorized by investment policy which are further grouped according to the emphasis on income versus growth; fixed income funds; balanced and income funds; asset allocation funds; index funds and specialized sector funds.

5) Cost of investing in mutual funds involve front end loads which are sales charges; back end loads which are redemption fees which are more formally, contingent-deferred charges; fund operating expenses.

6) Income earned on mutual fund portfolio’s is not taxed at the level of the fund instead, as long as the fund meets certain requirements for past through status, the income is treated as being earned by the investors in the fund.

On the basis of the primary and secondary data analysis the conclusion reached in regard to the performance of private sector and public sector mutual funds it has been found that the private sector schemes have outperformed the public sector schemes. The public sector mutual funds have not been found more secured than private sector mutual funds. The investors have ranked mutual fund investments as the most preferred investment avenue as compared to shares, fixed deposits, gold and government schemes. High return is the most significant basis for selection of an investment avenue. Maximum number of investors go for growth and dividend schemes of mutual funds. Newspapers, journals, TV, internet have been found by the investors as the most important source of fund information. Disclosure of adequate information is ranked as number one performance criterion for investment into mutual funds. Similarly returns/dividends have been ranked as number one performance criterion for investment in mutual funds. Majority of the investors found that mutual funds are good avenue for investments for small investors. Similarly majority of the respondents agree that mutual funds give higher returns than other investments. Majority of the respondents were of the opinion that private sector mutual funds perform better than public sector mutual funds, due to its cost efficient management. The respondents strongly agreed that higher tax shield should be provided for mutual fund investments. The respondents also opined that close ended mutual funds are less risky than open ended mutual funds. They also opined that public sector mutual funds have not been found to be more secured than private sector mutual funds. As per the responses it has been concluded that there exists a perceptual difference among the customers of public and private sector organizations in regard to the dimensions of trust, bonding, communication, empathy, reciprocity, customer satisfaction. The analysis depicts that the public sector has to adopt radical perceptual orientation in the personnel to satisfy the customer expectation in regard to relationship marketing philosophy.