CHAPTER-7

SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

This chapter is divided into three sections. The first section enumerates the objectives and methodology of the study, the second section puts forth the findings and conclusion of the study and the third section offers suggestions which the researcher thinks will go a long way towards improving the mutual fund industry in India.

Section –I

Objectives of the Study :

The present study has the following objectives.

1. to review the progress of mutual fund industry and the trends in funds mobilisation pattern and Assets Under Management of various mutual funds during the post deregulation period;

2. to examine the shift in the portfolio investment behaviour of the UTI and the other mutual funds during the post deregulation period;

3. to evaluate the financial performance of selected major schemes of various mutual funds in the public and private sectors;
4. to analyse the investors’ opinions on mutual fund investments and to compare the level of satisfaction among the investors of public and private sector mutual funds; and
5. to suggest measures for consideration of the policy makers for strengthening of mutual fund industry.

Methodology :

a) Selection of sample schemes

There were 35 mutual fund companies and 1003 mutual fund schemes existing in India by March 2009. Out of this, close-ended schemes were nearly 106 and most of the schemes were young and operating from the year 2005 and 2006 only and the remaining 897 are open ended schemes. Open-ended schemes with not less than three years old have been selected for the study to assess the overall performance for a period of five years i.e., from April 2004 to March 2009. This period is generally considered to be sufficient enough to cover all upswings and down swings of markets.

A total of 87 open ended mutual fund schemes (10%) representing all categories were selected for the study. Out of the total 35 mutual fund companies, 26 were included in the study-UTI and bank sponsored 4, financial institutions one, private sector Indian 13, and foreign institutions 8. Out of the 87 open-ended sample schemes, equity schemes were 31, bond schemes 48 and the balanced schemes 8.
Bond schemes also include short-term and money market schemes. Out of the total 87 sample mutual fund schemes, UTI sponsored 7, bank sponsored 11, financial institutions 3, private sector schemes (Indian) 19, and the balance of schemes were related to foreign institutions predominantly Indian and foreign funds. Size wise mutual fund schemes were categorized into small (less than 100 crores), medium (100 to 500 crores) and big (above 500 crores). The sample schemes include 13 small, 26 medium and 48 big mutual fund schemes. The sample consists of monthly NAVs of maximum 60 periods. NAV per unit was adjusted for dividend, bonus and right issues for appropriate comparison.

b) Selection of Sample Investors for Opinion Survey:

This study has attempted to elicit the opinions of the mutual fund investors for one specific chapter. Since the number of investors is very large and are spread over different regions it is very difficult to select them deciding certain percentage of the Universe.

Therefore, this study has approached all the four investment companies that are operating in the Guntur Region and collected the comprehensive list of mutual fund investors enrolled through their companies. At random, a nominal number of 250 investors were identified though it forms an inadequate sample size. Finally their socio economic profiles was examined besides eliciting and analyzing their opinions on the mutual funds.
Out of the 250 respondents selected, 16 respondents did not respond and the balance of 234 were included in the study. Out of the 234 respondents selected 206 were males and the balance females with different age groups ranging between 25 years to 70 years and they represent different socio-economic backgrounds. All the respondents selected under convenient sampling method were interviewed with a simple questionnaire during the period from Dec 1, 2008 to Feb 28, 2009.

c) **Period of Study :**

As the study is confined to the comparison of public sector and private sector mutual funds, period of study has been taken as (a) a period of six years prior to the entry of private sector i.e., 1987-1993 and (b) a period of 16 years after the entry of private sector i.e., 1993-2009.

d) **Data Source :**

This study is based on primary and secondary data.

i) Primary data has been collected with the help of a questionnaire.

ii) Secondary data has been collected from the annual reports of RBI, Centre for Monitoring Indian Economy (CMIE), annual reports and other documents of the different mutual funds. In addition to the above, different articles and opinions of fund managers have been collected from the magazines like Capital Market, Dalal Street, Chartered Financial

e) Data Analysis:

The data collected from various sources have been analysed by using different techniques as under.

1. Basic statistical techniques like simple percentages, averages, pie diagrams, bar diagrams, graphs were widely used.

2. Statistical formulae like standard deviation, alpha, beta were employed to find the intensity of risk.

3. Different ratios like a) Rate of return b) Sharpe Ratio c) Treynor Ratio d) Jenson Differential Return e) Fama Components of investment performance were used to measure the financial performance of various sample mutual fund schemes.

4. Chi-square test has been employed to test the significance of differences of the opinions, perceptions of the investors.
5. Correlation analysis, t-test and ANOVA has been used to know the degree of
relation and significance between inter dependent variables like different
investment avenues and others.

f) **Limitations of the Study:**

The limitations of the study have been enumerated below.

1) The study is confined only to the Mutual Fund Industry in India. Therefore it has not focussed on the mutual funds of other countries.

2) The sample size in the case of mutual fund investors has been restricted to 234 as it is highly difficult to arrange a list of investors spread over different regions and to select them deciding certain percentage of the Universe.

3) Because of the time and money constraints convenient sampling method has been adopted to select the respondents. Therefore, all the limitations those are applicable to convenient sampling are applicable to this study.

4) Only the open-ended mutual fund schemes have been included for measuring the financial performance as these are actively traded in the stock exchange.

5) Though the techniques used for analyzing the data are traditional, these were more appropriate as many researchers in India are following at present.
Section-II

Findings and Conclusions

Resource Mobilization:

1. The Indian Mutual Fund Industry which had witnessed four interrelated stages had developed manifold in terms of the number of players, schemes and funds mobilization before and after deregulation. The entry of public sector banks and insurance companies into the mutual fund market with strong customer base though attracted many investors have failed to reach the expectations of investors. After the entry of private and foreign players into the mutual fund industry, competition has grown thereby the industry developed in all respects and became strong market in the world. At the end of March 2009, there were 35 funds which manage assets of Rs. 4,17,300 crores under more than 1000 schemes. Out of this 80 per cent of the Assets Under Management has been contributed by the 30 private sector players (including foreign players).

2. Resources mobilized by mutual funds increased sharply in the eighties and during the first three years of nineties. In 1992-93, 85 per cent of the funds mobilized have been contributed by UTI and the rest by the other public sector funds. After deregulation the scenario has been changed and from the year 1998-99 onwards more than ¾ share has been accounted by the private sector mutual funds.
3. Share of public sector in terms of number of schemes which is 70 per cent in 1994-95 was also fell down to 13 per cent to the year 2008-09.

4. The resources mobilized as a percentage of GDP grew at a steady rate aided mainly by the setting of new funds and introduction of tailor-made schemes from 1987-88 to till the deregulation of industry. The same percentage had decreased after deregulation due to outflows of UTI. On the other hand the percentage of the private sector had an increasing tendency. And the long run bullish market after 2005 attracted many investors which led to improvement in the ratios of both public and private sectors.

5. Among private sector, joint venture predominantly Indian companies have increased their asset base manifold and reached to 36.73 per cent to March 2009. On the other hand assets of bank sponsored mutual funds have decreased. And private sector joint venture predominantly foreign are lagging behind (4.84%) when compared to Indian (31.19%) and predominantly Indian (36.73%) mutual funds as on 31 March, 2009.

6. Sector-wise mutual fund sales reveals that Private Sector Indian, Joint venture predominantly Indian and public sector mutual funds sales have increased with the support of strong domestic market. On the other hand sales of joint venture predominantly foreign from private sector have decreased. Sector-wise redemptions were also fluctuated with sales as mentioned above.

7. The share of public sector in terms of number of players and Assets Under Management in the early years of deregulation was 35 per cent and 94 per
cent respectively. After deregulation the public sector had weakened in terms of number of players due to mergers and consolidations and decreased to 14 per cent. The Assets Under Management have also decreased to 25 per cent due to competition with the private and foreign players and it has been occupied by the private sector.

8. As far as unit holding pattern of mutual fund industry is concerned private sector individual investors dominated the industry and nearly 97 per cent of unit holding accounts are related to individuals. It is also exiting that 1.39 per cent of private corporate/ institutional investors are contributing nearly 58.29 per cent of the total assets of the industry. And 64.68 per cent of total private sector individual accounts manage 82.58 per cent of total assets of the industry.

9. Client wise break-up of mutual fund assets elucidates that the corporate players contributed more than half of the total assets of the mutual fund industry. High networth investors and retail investors also contributed nearly 22 per cent each.

10. Client wise portfolio investment reveals that retail players and high networth investors invested most of their funds in equity schemes and balanced schemes. Investment in liquid and money market instruments are dominated by the Corporates and Banks, and debt oriented and gilt schemes by the Corporates and High networth investors.
Portfolio investment behaviour:

11. Total assets of UTI had come down to Rs. 18,393.91 crore to March 2004 due to bifurcation in February 2003 and redemption pressure by the investors. The share of investment in bonds and debentures in the total assets of UTI has gradually decreased to 26.16 per cent, this has been occupied by the money market instruments. In the case of Government securities and equity shares though the share had decreased during the 10 years, it has recovered after the bifurcation of UTI and stood at 10.47 per cent and 39.76 per cent respectively.

12. Though the assets of other mutual funds (other than UTI) increased manifold, the share of public sector funds other than UTI is less than 10 per cent. Other mutual funds, particularly private sector mutual funds have reduced their investment in equity instruments by one-thirds and government securities by half to 31 March, 2009. Most of these funds have been diverted to money market instruments due to easy liquidity and some extent to bonds and debentures.

13. To compete with private sector mutual funds by getting the returns from the volatile equity market, UTI equity schemes have increased the share of investment in equity to 92.55 per cent and money market instruments to 7.03 per cent after bifurcation.

14. Investment in equity of other equity mutual funds is almost constant during the period. However, they have increased their share in money market
instruments from 1.06 per cent to 9.22 per cent during the above period by reducing the investment in bonds and debentures.

15. UTI bond schemes have reduced their share in bonds and debentures from 62.99 per cent to 28.99 per cent during the period due to fall in interest rates and government securities from 16.08 per cent to 2.42 per cent due to long maturity period. This has been diverted to money market and equity instruments.

16. Other bond mutual fund schemes have almost doubled the investment in money market instruments by reducing their investment in equity from 13.88 per cent to 1.13 per cent, bonds and debentures from 58 per cent to 43.76 per cent during the above period.

17. UTI balanced schemes have increased their investment in state and central government securities, bonds and debentures to 24.55 per cent and 31.95 per cent by reducing the investment in equity and money market instruments.

18. Other balanced schemes have increased their investment in equity to 62.76 per cent and money market instruments to 15.82 per cent by reducing the investment in bonds and debentures during the above period.

19. UTI is the dominant player of investment in equity shares in the beginning of the period. Thereafter, the scenario has changed and the investment in equity shares of other mutual funds were totally dominated (84%) unlike in the past.

20. Due to competition with private sector players after deregulation and bifurcation of UTI, the share of UTI in the Indian mutual fund industry had
comedown. The investment in bonds and debentures of UTI also have been decreased from 85.25 per cent to 6.40 per cent and it has been occupied by the other mutual funds, particularly private sector funds during the above period.

21. UTI being government undertaking has been maintaining a dominant share (more than 50%) by investing in state and central government securities unlike other private and public sector mutual funds.

22. UTI, being biggest player in the Indian mutual fund market and occupied nearly ¾ of the share of investment in money market instruments in the beginning of the period. Now, the trend has been changed, and most of the investment in money market instruments has been dominated by other public and private sector mutual funds, particularly after bifurcation of UTI unlike in the past.

**Financial Performance of Sample Mutual Fund Schemes:**

**Risk and returns of sample mutual fund schemes**

23. Risk and returns of sample mutual fund schemes reveals that the public sector sample schemes have earned higher returns with the higher level of total risk and market risk (beta).

24. Among the public sector sample schemes, schemes related to institutions category have earned higher average returns of 0.567199 with an average total risk of 0.051663.
25. And it is also worth noting that the sample schemes related to joint venture predominantly Indian category both in the case of public and private sectors have earned better returns than their average sector returns.

**Risk and returns of sample mutual fund schemes vs. Benchmark portfolio:**

26. By comparing the risk and returns of sample schemes with the risk and returns of benchmark portfolios, public sector sample schemes have earned higher returns with the higher total risk than the private sector sample schemes.

27. Among the private sector, sample schemes of joint venture predominantly Indian have earned higher average returns with the higher level of total risk.

28. 18 per cent of the sample private sector mutual fund schemes (12) have crossed the returns of benchmark portfolios by taking lower total risk (0.0402133) than the average private sector (0.073591).

29. It is surprising that LIC Mutual Fund ST among public sector had recorded highest returns and crossed the benchmarks, by taking lower total risk (0.002942) even though the market return and risk free rate of returns during the period is very low.
Treynor ratios of sample mutual fund schemes and BSE-100 index

30. Comparing the Treynor ratios of sample schemes with the Treynor ratios of (BSE-100) benchmark index in terms of volatility (systematic risk), public sector sample schemes performed well.

31. 18 per cent of the private sector sample schemes though revealed positive Treynor ratios, are not matched to the benchmark portfolio ratios.

Sharpe ratios of sample mutual fund schemes and BSE-100 index:

32. By comparing the Sharpe ratios of sample schemes, with the Sharpe ratios of benchmark portfolios, public sector sample schemes have performed well in terms of total risk.

33. And among the 19 schemes out performed the benchmark ratio in terms of total risk in the private sector, 8 schemes (42%) are related to joint venture predominantly foreign category.

Sharpe differential returns of sample mutual fund schemes:

34. By comparing the Sharpe differential returns of sample public and private sector schemes it is clear that the public sector sample schemes have superior performance in security selection and diversifying the portfolio.

35. It is also remember that out of the three institutions sample schemes in the public sector, two have reflected positive differential returns indicating these sample schemes are earning more than the other categories.
36. And an other surprising thing is among the private sector, sample schemes related to joint venture predominantly foreign have superior performance in security selection and diversifying the portfolio than the public sector.

**Jensen measure of sample mutual fund scheme:**

37. In respect of alpha values of Jensen measure is concerned it is evident that private sector sample schemes, particularly joint venture predominantly foreign have superior performance than the public sector sample schemes.

38. It is also surprising that out of the three institutions sample schemes of public sector, two schemes generated returns in excess of equilibrium and also statistically significant indicating these schemes generated above normal returns.

**Fama’s break up of sample mutual fund schemes:**

39. Fama’s breakup of sample schemes reveals that the private sector sample schemes, particularly joint venture predominantly foreign have performed well in the case of all the four components namely risk free returns, compensation for systematic risk, compensation for inadequate diversification and net superior returns due to selectivity of fund managers.

40. It is also worthnote that the average positive returns of public sector schemes (0.096541) is greater than the average positive returns (0.076077) of private sector for their diversification activities.
41. On account of risk bearing activity of the fund managers most of the schemes suffered with negative performance. However, the average negative performance in the case of private sector sample schemes (-0.069127) is less than the average negative performance of sample public sector schemes (-0.096284).

**Investors opinions on Mutual Funds:**

42. Preference of investors to invest in different sectors of mutual funds is not influenced by the age and sex as the chi-square value is not significant. People belonging to different age groups and sex have responded almost equally to the mutual funds of government (UTI), financial institutions and private Sector.

43. Investment portfolio of mutual fund investors in other instruments reveal that mutual fund investors liked to invest more (86%) in banks, post office and other public sector bonds than the equity shares (50%).

44. As far as safety of investment in different instruments is concerned that 86 per cent of mutual fund investors opined that bank deposits, post office deposits are safest investment than the private chits and equity shares. And they also felt that public sector mutual funds are reasonably safer than the private sector mutual funds.
Preference of investors to invest in different sectors of mutual funds is influenced by geographical location, education, occupation and monthly household income of the investors as the chi-square value is significant.

a. 70 per cent of people belonging to urban area have their choice of preference to invest in government (UTI) and 58 per cent in financial institutions mutual funds. And 41 per cent of people belonging to semi-under and rural areas have their choice in financial institutions and private sector mutual funds.

b. As far as educational qualification of respondents is concerned, 92 per cent of respondents belonging to higher educational qualifications have liked to invest in financial institution mutual funds. People belonging to lower educational qualification have liked to invest in government sector mutual funds.

c. Investors preference of different sectors of mutual funds in respect of occupation is concerned, 35 per cent of salaried persons have preferred to invest in government sector and 42 per cent in financial institutions mutual funds. Self employed persons have preferred to invest in financial institutions (42%) and private sector (37%) mutual funds and retired persons to invest in private sector (60%) mutual funds.

d. Monthly income of investors concludes that respondents belonging to higher monthly income of Rs. 50,000 and above preferred to invest in financial institutions and private sector mutual funds. Contrarily lower
monthly income of below Rs. 10,000 respondents preferred to invest in government sector mutual funds.

46. Investors preference between open-ended and close-ended mutual funds is not influenced by the sex, education, occupation and monthly household income of investors. The chi-square value calculated is not significant even at 0.10 level of significance. People belonging to all categories mentioned above have preferred open-ended schemes as they have operational flexibility to enter and exit at any time.

47. Age and geographical location of the investors have an impact on the preference of investors of different nature of mutual funds as the chi-square value is significant.

a. People belonging to younger age group (below 40 years) preferred to invest in open-ended and people belonging to older age group preferred close-ended mutual funds.

b. People living in urban (79%) and semi-urban (94%) preferred open-ended and 50 per cent of people living in rural liked close-ended mutual funds.

48. Investors preference of different mutual fund schemes is not influenced by sex as the chi-square value is not significant. All investors, irrespective of their sex liked growth schemes, income schemes, balanced schemes and sectoral schemes almost equally.
Age, geographical location, education, occupation and monthly household income of respondents have an impact on the investment of different mutual fund schemes.

a. People belonging to younger age group of below 40 years were liked income schemes, sectoral schemes and balanced schemes. People belonging to older age group of 50 years and above preferred growth schemes.

b. People living in urban area have liked all types of schemes. 53 per cent of semi-urban people were influenced by the growth schemes and 57 per cent of rural people by the income schemes.

c. People with higher educational qualification of graduation and above have liked to invest in growth schemes, income schemes and sectoral schemes. People with lower level of educational qualifications have liked to invest in income schemes.

d. Salaried persons have liked to invest all types of schemes. 50 per cent of self employed and retired categories have liked only growth schemes.

e. 55 per cent of people belonging to low income group (below Rs. 10,000) have liked to invest in income schemes, and 54 per cent of people belonging to high income (Rs. 50,000 above) have liked growth schemes. Balanced schemes and sectoral schemes were liked by the lower and middle income group people.
50. Background of the investors' investment in mutual funds is not influenced by the sex, geographical location, education, occupation and monthly household income of the investors. And chi-square value calculated is not significant even at 0.10 level in all the above cases. All the sample respondents in the above cases responded all most equally by the three alternatives viz., self inspiration, friends and colleagues and mutual fund agents.

51. Background of the investors' investment in mutual funds is influenced by the age of the respondents. 50 per cent of the investors belonging to younger age group of below 30 years have been influenced by the friends and colleagues, and investors belonging to 31 to 50 years were influenced by themselves and mutual fund agents.

52. Reason behind investment in mutual funds is not influenced by the education of the respondents as the chi-square value calculated has no significance even at 0.10 level. All investors irrespective of their educational qualification have mostly preferred to invest in income earning mutual fund schemes.

53. Investors' reason behind investment in mutual funds is influenced by the age, sex, geographical location, occupation and monthly household income of the respondents and chi-square value calculated is significant at 0.5 level in all the above cases.

a. People belonging to younger age group (below 40 years) preferred to invest in mutual funds for earning income and for further obligations.
People belonging to older age group (above 41 years) preferred to invest for growth in wealth and earning income.

b. 44 per cent of male investors preferred to invest in mutual funds for earning income, and 43 per cent of female investors preferred to invest in mutual funds for further obligations.

c. All the investors liked to invest in mutual funds for earning income. 36 per cent of semi-urban investors liked to invest for growth in wealth and urban people liked to invest for tax benefit.

d. All the mutual fund investor whether salaried persons or self employed or retired persons gave priority to invest in mutual funds for earning income and in the case of retired employees it is very high (55%). Most of the salaried persons invested in mutual funds to get tax benefit.

e. As far as monthly household income of the investors is concerned, 58 per cent of investors belonging to low income group of below Rs. 10,000 preferred to invest in mutual funds for earning income. Investors belonging to high income group (above Rs. 50,000) invested for growth in wealth and tax benefit.

Amount of investment in mutual funds is not influenced by the sex, geographical location, education of the respondents as the chi-square value calculated is not significant. All the investors whether male or female have similar amount of investment in mutual funds. Investors, irrespective of their
geographical area and educational qualification have preferred to invest the amount in mutual funds ranging from Rs. 10,000 to Rs. 25,000.

55. Amount of investment in mutual funds is influenced by the age, occupation and household income of the respondents. And the chi-square value calculated is significant at 0.05 level of significance.
   a. As far as age is concerned, 57 per cent of people belonging to younger age group have medium investment of Rs. 10,000 to Rs. 25,000. 41 per cent of people belonging to older age group (above 51 years) have preferred to invest very lower amount of below Rs. 10,000. Middle aged people (31 to 50 years) have preferred to invest very large amount i.e., Rs. 50,000 and above in mutual funds.
   b. In respect of occupation of the investors, salaried persons have liked to invest in mutual funds more than the self employed and retired persons.
   c. Regarding household income of the respondents it can be concluded that, the amount of investment in mutual funds has been increased with the increase in the monthly income of respondents.

56. Knowledge of investors about mutual fund operation is not influenced by sex, education, occupation of investors. The chi-square value calculated is not significant even at 0.10 level of significance. People belonging to all groups, whether male or female, educated or uneducated, salaried or self employed have equal knowledge about mutual fund operation.
57. Investor knowledge about mutual fund operation in respect of age, geographical location and monthly household income is influenced as the calculated chi-square value is significant at 0.05 level of significance.

a. People belonging to younger age group (below 30 years) have more knowledge than the older age group (above 51 years) about the mutual fund operation. And a maximum percentage of 76 belonging to the age group of 41 to 50 years have more knowledge than other groups (65%).

b. People living in urban and semi-urban area have more knowledge than the rural (29%) about mutual fund operation.

c. People belonging to higher monthly income groups (20,000 and above) have more knowledge than the lower monthly income group about the mutual fund operation.

58. Level of satisfaction of investors with the services and returns provided by the public and private sector mutual funds is not influenced by any one of the socio economic factors like age, sex, geographical location, education, occupation and monthly household income of the investors. The chi-square value calculated is not significant even at 0.10 level of significance. All the investors irrespective of their socio economic background have satisfied almost equally with the services and returns of public and private sector mutual funds. However, investors satisfaction with the services of private sector mutual funds is slightly higher than that of the public sector mutual funds.
Conclusion:

Indian Mutual Fund Industry, which started its journey in the year 1964 witnessed four interrelated stages of development and developed manifold in terms of assets, number of players, schemes, policies, regulations before and after deregulation and became one of the strong markets in the world.

UTI the public sector mutual fund was the dominant player in terms of number of schemes and funds mobilization till 1997-98 in the mutual fund industry. This share had been gradually occupied by the private sector mutual funds after deregulation.

The share of resource mobilization by the public sector as a percentage of GDP had been decreased phenomenally and reached to negative. On the other hand the percentage of private sector has an increasing tendency. The combined effect of percentage of both the public and private sector mutual funds showed decline in tendency in the total resource mobilization by mutual funds as a percentage of GDP.

After deregulation, public sector has weakened in terms of number of funds and Assets Under Management and has been occupied by the private sector. Share of Indian mutual fund companies, Joint venture predominantly Indian companies have increased their asset base manifold. On the other hand, assets of bank sponsored and institutional mutual funds have decreased. Joint venture mutual funds predominantly
foreign though increased are lagging behind when compared to Indian and predominantly Indian mutual funds.

Sales and redemptions of private sector Indian mutual funds, Joint venture predominantly Indian mutual funds, and public sector mutual fund schemes have increased. Sales and redemptions of private sector joint venture predominantly foreign category have decreased. As a whole, net sales of private sector Indian mutual funds, Joint venture predominantly Indian have increased.

It is also interesting to note that private individual investors in the case of number of players, corporate investors in the case of net assets dominated the industry. Retail players and high networth investors invested most of their funds in equity schemes and balanced schemes. Investment in liquid and money market instruments are dominated by the corporates and banks.

The share of investment in bonds and debentures in the total assets of UTI has decreased. The investment in equity and government securities in the case of other mutual funds (other than UTI), particularly private sector funds has also decreased. This has been totally diverted to money market instruments in the case of UTI and other mutual funds have diverted to bonds, debentures and money market instruments. The share of investment of UTI in government securities and in equity shares decreased till 2003 but recovered gradually after the bifurcation of UTI. Investments diverted to money market instruments in the case of other mutual funds are higher than the UTI.
Investment in equity shares by UTI equity schemes has increased and in the case of other mutual funds (other than UTI) it is constant. Investment in money market instruments in both the cases has also increased, contrarily share of investment in government securities and bonds and debentures has decreased. Decrease in the investments of bonds and debentures of UTI is higher than other mutual funds.

UTI bond funds has increased their investment in money market instruments and equity shares. Where as in the case of other mutual funds (other than UTI) the investment in money market instruments only decreased. Investment in government securities and bonds and debentures in the case of UTI bond funds and investment in bonds and debentures in the case of other mutual funds has also decreased.

Investment in government securities, bonds and debentures by UTI balanced funds has been increased by decreasing investment in money market instruments. On the other hand investment in equity and money market instruments of other mutual funds (other than UTI) has also increased by reducing the investment in bonds and debentures.

UTI which is the oldest and biggest mutual fund in terms of investors and mobilization of funds had maintained a dominant share by investing in equity shares, bonds and debentures and in money market instruments till 2000. This scenario has changed to 2009 and now other mutual funds particularly private sector have dominated and occupied nearly 90 per cent in all the above instruments. And it is
quite exiting that the share of investment in state and central government securities is totally dominated by UTI except during the period of bifurcation.

The objective of understanding and evaluating the performance of public and private sector in the frame work of risk and returns using performance measures such as Treynor Ratio, Sharpe ratio, Jensen measure, Sharpe differential return measure and Fama’s components of performance have been well established.

The result indicate that public sector sample schemes have superior performance in respect of risk and returns in comparison with benchmarks, Treynor, and Sharpe ratios. The result also indicate that private sector sample schemes, particularly joint venture predominantly foreign, institutions sample schemes related to public sector have generated excess returns in excess of equilibrium in respect of Jensen measure.

Private sector sample schemes related to joint venture predominantly foreign have good diversification and higher returns due to selectivity when compared to public sector sample schemes. And another unique thing noticed is that sample mutual fund schemes related to joint venture predominantly Indian both in the case of public and private sectors have earned higher returns with the higher level of total risk.

As a whole public sector sample schemes in respect of risk and returns, private sector joint venture predominantly foreign and public sector institutions sample schemes in respect of diversification and security selection performed well.
There are three types of players in the mutual fund market viz., Government (UTI), Financial Institutions (Banks, LIC, GIC etc) and Private Sector. The preference of the investors to invest in the mutual funds of different sectors is found to be significant. Investors belonging to urban area, higher educational qualification, salaried and self employed persons, higher income group investors have preferred to invest in financial institutions mutual funds. Investors belonging to lower educational qualification, lower income group have their choice of preference towards government sector mutual funds. Private sector mutual funds have been liked by the rural and self employed investors. Factors like age and sex do not have any significant influence on the investors preference towards different sectors of mutual funds.

Basically mutual funds offer two types of schemes viz., open-ended schemes and close-ended schemes. The preference of the investors towards open-ended schemes is found to be significant. This preference is more significant in the case of investors belonging to young age group and living in urban areas. Factors like sex, qualification, occupation and income group do not have any significant influence on the investors preferences towards open-ended schemes.

Mutual funds offer four types of schemes viz., growth schemes, income schemes, balanced schemes and sectoral schemes. The preference of the investors about different mutual fund schemes is found to be significant. The preference of the investors towards income schemes is more significant in the case of investors
belonging to younger age group, rural investors and investors with lower educational qualification. Growth schemes have been liked by the old age, semi-urban, self-employed and high income group investors. Sectoral schemes and balanced schemes have been liked by the young and middle income group investors. Sex has no influence on the investors preference towards different types of mutual fund schemes.

Mutual fund investors have been inspired by three sources viz., self inspiration, friends or colleagues, and mutual fund agents. The major source of inspiration is found to be friends or colleagues. It is more significant in the case of investors belonging to young age group. Factors like sex, area, qualification, occupation and income group do not have any significant influence on the investors source of inspiration to invest in mutual fund schemes.

Investors invest in mutual funds for different reasons. It has been divided under four heads viz., earning income, for further obligations, growth in wealth and for the tax benefit. The reasons behind investment in mutual funds is found to be significant. People belonging to young age group, male investors, low income group have significantly preferred to invest in mutual funds for earning income. Investors belonging to old age group and high income group preferred to invest for growth in wealth. Reason behind female investors investment in mutual funds is for further obligations. And most of the tax benefit mutual fund schemes were liked by the
urban and high income group people. Educational qualification has no significant influence on the reason behind investment in mutual funds.

The approximate amount of investment in mutual funds has been divided under four categories viz., below Rs. 10,000/- Rs. 10,000/- to Rs 25,000/- Rs. 25,000/- to Rs 50,000/- and Rs. 50,000/- above. The preference of the investors about the amount of investment in mutual funds is found to be significant. Investors belonging to younger age group have medium investment of Rs. 10,000/- to Rs. 25,000/-. Investors belonging to old age group have preferred to invest very lower amount. Middle aged people (31 to 50 years) have preferred to invest very large amount i.e. Rs. 50,000/- and above in mutual funds. Factors like sex, area, qualification, profession do not have any significant influence on the investors preference towards the amount of investment in mutual funds.

Operation of any mutual fund is very typical job on the part of fund manager, and every mutual fund investor should know how it has been operated and how the portfolio is managed. Knowledge of the investors about the mutual fund operation is found to be significant. Investors belonging to younger age group, urban area and high income group have knowledge about mutual fund operation. Factors like sex, educational qualification, profession do not have any significant influence on the knowledge of mutual fund operation.

Broadly mutual funds are divided under two different sectors viz., Private Sector and Public Sector. Comparison of investors satisfaction with the services of
private and public sector mutual funds revealed that there is no significant difference. This is more open in the investors of private sector. Investors satisfaction with the services of private sector mutual funds is slightly higher than that of the public sector mutual funds.

Investors' level of satisfaction in respect of return is not found to be different among public and private sector mutual funds.
SECTION - III

Suggestions

In the light of the above conclusion of the study and the suggestions given by the respondents the following measures are suggested to improve the performance of public sector mutual funds and industry as a whole.

Public sector mutual funds in order to face the competition with the private sector mutual funds have to study the exact cause for a significant decline in the growth rate, thereby initiate proper remedial measures with in their control.

They have to design innovative tailor made/customized mutual fund schemes to suit to the varied requirements of investors. This is significantly different from the earlier days when the investors had to be content with only handful of schemes which hardly met their varied needs. In India too, pension schemes are becoming more popular as the central and state governments are adopting new policies by withdrawing compulsory pension under the changing economic scenario. Under this situation, mutual fund companies have to introduce different tailor-made pension schemes which are suited to the different categories of public to tap the savings.

Owing to intense competition with private and foreign players, the public sector mutual funds have to adopt aggressive marketing strategies.
To tap the vast saving potential, particularly in the rural market based with retail investors it has to utilize the services of post offices and also develop better distribution models. As India is developing country and most of the rural investors are illiterates, information about mutual funds schemes should be in local languages, so as to reach the rural mass.

A large pool of money in savings in India is still in traditional savings like gold, real estate, government bonds, LIC and with private and nationalized banks. To attract these savings into mutual fund industry, the amounts so invested in the mutual fund schemes may be exempted form tax.

Both public sector and private sector mutual funds should be operated by the qualified, highly efficient and expertise professionals to protect the interests of small investors and to reach their expectations.

Mutual fund investment is relatively cost effective compared to other modes of investment. And increased competition has resulted lowering of costs to investors by offering innovative features like same day redemption in liquid funds and institutional plans. A stringent policy should be adopted to increase operational efficiency and control the expenses of public sector mutual funds.

The most crucial role of the fund manager is the timely diversification of portfolio and net selectivity. The fund managers have to adopt better models which are popular and accepted world wide while diversification and net selectivity. The
accountability of fund manager should be fixed in respect of returns, safety and other things as he is the head of the scheme.

Though Mutual Fund Industry in India is well regulated and have high degree of transparency in the light of technology wave, investors living in semi-urban and rural were not aware of this. Therefore, wide publicity should be given about transparency and benefits to investors like through on line transactions, more customized and personal advise to customers.