CHAPTER VI

SUMMARY OF FINDINGS,
SUGGESTIONS AND
CONCLUSION
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6.1 INTRODUCTION

Mobilization, allocation and channeling of savings along with the risk management system contribute to the development of a financial market. A mature financial market stimulates savings by ensuring better rate of return. Globalization and liberalization phenomena have been instrumental in the accelerated development of the financial market in India. To give a fillip to the sagging and depressed economy, by way of making the financial sector more vibrant and efficient, reforms were introduced in the beginning of 1990’s. The transparency in operations, along with the formation of SEBI, liberalization of foreign capital norms, resulted in the emergence of mutual funds in the public and private sectors. The financial sector reforms and the opening up of the liberalized economy resulted in uncorking the traditionally protected mutual fund industry to a greater level of competitive environment. The emergence of an intensely competitive structure in the place of the earlier monolithic scenario is the biggest structural change in the Indian Mutual Fund Industry (IMFI) during the last decade.

Mutual funds mobilize and channel funds towards securities market. The total AUM of the mutual fund houses in India crossed ₹.One trillion in June 2003, a decade after the private sector entry. In a matter of two years, the industry touched ₹. Two trillion in September 2005 and reached ₹.Three trillion by August 2006. The funds have grown so swiftly, more due to the changing demographic profile, increasing number of youths with investible surplus and growth in the economy. The dominating role of the private and foreign players in the domestic market has contributed to the growth of AUM of the IMFI to a peak of ₹. Four trillion in June 2007. The inflows to fixed income schemes contributed nearly 70-75% of this growth, reflecting the rising retail investors’ interest in the secondary market participation through mutual funds. However, the industry continues to be dominated by the top players as 48% of the total AUM is held by the top five fund houses. The whopping corpus of funds under management reveals two hard facts: Firstly, the investors still carry a belief that mutual funds provide an opportunity for better return coupled with reasonably good safety of the money invested. Secondly, the environment is getting more and more conducive for mutual funds because of the active role played by SEBI and AMFI through various rules and regulations.
Even though the mutual funds are growing steadily, only 5% of the households are investing in mutual funds, hence there is a long way to go. The penetration level is also not very deep; as the industry has not reached out to rural India, where income is on the rise. It is expected that the mutual funds could witness five to six times growth in the next seven to eight years, as the industry has become a globally significant player attracting a bigger chunk of household savings.

At present, the Indian Mutual Fund Industry is one among the top 15 mutual funds worldwide in terms of AUM and is expected to grow to $500-600 billion by 2015 as more global players are planning to set up asset management business houses in India. Mutual fund industry has a tremendous potential for growth in the Indian environment. In order to really carve out a niche for mutual funds, there is a need to take a dispassionate view of the mutual fund industry in retrospect as lowering interest rates, encouragement provided by budgets, options for high risk and better returns have already paved the way for the long innings to be played by mutual funds in India.

6.2 OBJECTIVES

i. To study the performance of mutual fund industry in India;

ii. To examine the basic characteristics of the fund houses, and the operational parameters of the mutual fund schemes pertaining to the four private sector banks;

iii. To analyse the performance evaluation of select Mutual Fund schemes, with the help of Sharpe Index, Treynor Index, Jensen’s Alpha, Fama’s Measure and $M^2$; and

iv. To provide the insights of investors, brokers, and fund managers into the mutual fund industry.

The above objectives were statistically tested with hypotheses that,

i. There is no significant difference among the performance of the fund based on the various evaluation tools

ii. Index returns and scheme returns are not significantly related;

iii. past performance of the scheme does not have any significant relationship with that
iv. Investment decisions are not significantly influenced by the profile of investors.
v. Profile of investors does not have any significant impact on the criteria of selecting mutual fund schemes;
vi. The proportion of investors favoring specific attitude statements relating to mutual funds is 50%.
vii. There is no significant difference between the opinions of investors, brokers and fund managers with regard to the factors affecting the choice of mutual fund and the scheme.

6.3 SCOPE OF THE STUDY

The present work attempts to evaluate the performance of mutual fund industry in India under the regulated environment after the implementation of SEBI (Mutual Funds) Regulations 1996, as the industry gained a coveted status on bringing out uniformity in rules and regulations. Of the varied category of mutual funds schemes, growth oriented mutual funds are capable of offering the advantages of diversification, market timing and selectivity. All the selected schemes were initially launched as close-ended and were later converted into open-ended on various dates. To identify the perception of investing public and financial intermediaries, an opinion survey of investors, brokers and fund managers of sample schemes was carried out.

The work is based on the comprehensive review of foreign and Indian studies relating to mutual funds. The review of foreign studies ensures that, mutual funds have a significant impact on the price movement in the stock market, the average return from the schemes were below that of their benchmark, all the three models provided identical results, good performance was associated with low expense ratio and not with the size. In India, studies relating to mutual funds have been carried out mostly after 1985. The reviews bring to light the importance of mutual funds under the Indian financial scenario; highlight the need for adequate investor protection, single regulatory authority, higher return for a given risk as per investors' expectation, greater convenience and liquidity, and the expectations that mutual funds should act as a catalytic agent for economic growth and foster investors' interest.
The present study is a blend of both primary and secondary data. The primary data required was collected from five fund managers, 15 brokers and 250 investors using schedule and questionnaires. Secondary data was collected from the records of AMFI, and web sites of respective mutual funds. The collected information was analysed using simple and sophisticated statistical and financial evaluation techniques.

The performance in terms of NAV of schemes with growth option alone were studied from the angle of risk and return in comparison with the benchmark (S&P CNX Nifty and CNX Midcap for the Midcap funds) index from the Financial year 2002-03 to the financial Year 2011-12.

6.4 FINDINGS OF THE STUDY

6.4.1 Performance Evaluation of Mutual Fund Schemes of Select Fund Houses

- In the present study the market return was compared with portfolio return for all the selected schemes. The return earned from all the HDFC Mutual Funds was more than market return for the entire study period with the exception of midcap fund. However, the similar positive difference was less in ICICI Prudential Mutual Fund. The reverse trend was observed in the case of midcap fund. Kotak 50 fund returns was better than market return, whereas midcap fund was inferior to market. Both the Axis funds underperformed the market during the study period.(cf. Table 4.3)

- Correlation coefficients are calculated between \( R_p \) values of the funds and for both market indices. The correlation can be observed to be excellent for HDFC - Top 200, Equity, Infrastructure and Index funds of HDFC fund house. HDFC - Growth and Capital Builder fall under intermediate category. Poor correlation exists for HDFC - Midcap and Balanced funds. In the case of ICICI funds studied, the correlation was considered excellent for Top 100 Fund, Focused Bluechip and Infrastructure funds. For others, the correlation can be considered as poor. For Kotak 50 and Axis equity funds the correlation was perfect.(Cf. Table 4.3)

- Standard deviation of the scheme under study indicates the position of the scheme during that period. Examination of the table indicates the standard deviations of most of the schemes were within limits of statistical parameters. Standard
deviations are large in the case of HDFC Top 200 (2006-07), Midcap (2010-11), Balanced (2006-07), Index (2008-09), ICICI Top 200 (2011-12 & 2004-05), Top 100 (2004-05), Index (2008-09), Midcap (2006-07). These factors are kept in mind, and to be cautiously considered in other computations involving these standard deviation values and respective Rp. (cf. Table 4.4)

> The relative similarity in the characteristics of the groups of the selected funds were then compared by t-test (one tailed t). The comparison was based on the p values. The “Null Hypothesis” was accepted when the p < 0.05 (95% Confidence interval). Comparisons were made in two categories, (i) Between combination of different pairs of fund groups for the financial years of study and (ii) Between pairs of similar funds. Null Hypothesis can readily accepted in 98% of cases for the fund group wise analysis. The exceptions being, HDFC & ICICI Groups for the financial years, 2004-05 and 2006-07. Null hypothesis can also be accepted in all instances for the analysis between pairs of similar funds except HDFC Dynamic and ICICI Top 200 pair. (cf. Table 4.5)

> Anova, Fstatistic was the criteria selected to assess the probability of variance between the returns of the groups of funds. For applying the test of significance, a hypothesis was setup.

\[
H^0: \mu_1 = \mu_2 = \mu_3 = \mu_4 \text{ (Null hypothesis)}
\]

\[
H^1: \mu_1, \mu_2, \mu_3, \mu_4 \text{ (One or more different from others)}
\]

One way ANOVA analysis was performed for the entire period of study selecting the funds according to the (i) Fund Group and (ii) Category. As in the instance of analysis by t-Test, p values (Sig.) was taken as the criteria for setting the hypothesis in the case of One way ANOVA. Null hypothesis is formulated in all the cases except the fund group analysis for the financial year 2011-12. (cf. Table 4.6)

> Linear regression analysis is basically performed to obtain an estimate of \( R^2 \) and \( \beta \). \( B \) can be calculated from the slope of the trend line of the linear regression plot. However, \( \beta \) can also be computed from the covariance and variance of the fund and the benchmark. A careful observation of \( \beta \) values obtained by both means provides a check on the reliability of these values, which is absolutely
necessary as most of the evaluation parameters depend on $\beta$. Linear regression was performed in the present study with a basic idea of obtaining the $\beta$ value. For the statistical evaluation parameters, $M^2$ is selected. (cf. Table 4.7)

- Cluster analysis or clustering is the task of assigning a set of objects into groups (called clusters) so that the objects in the same cluster are more similar (in some sense or another) to each other than to those in other clusters. The cluster analysis of the selected mutual funds is based on the characteristics yielded a simple dendogram. A few branchings at the lower levels are expected as the data relates to shorter period and fewer number of schemes of that category. The statistical analysis of the results presented so far, gives ample evidence and justification for the selection of the fund groups and the funds.(cf. Figure 4.1)

**PERFORMANCE OF THE FUNDS** (cf. Table 4.9 to 4.18)

- Sharpe Rule stipulates that in assessing the comparative merits of the funds a fund with higher $S_h$ is to be chosen. An investor with a different risk performance might choose a different base. The higher the Sharpe Ratio, the more attractive the fund becomes. In the present study, it can be seen that HDFC Top 200 is the best performer of the selected lot. Others can be termed far more inferior due to the negative values. High Treynor Ratio indicates a more attractive fund. The same order of merit of the schemes can be observed from the Treynor’s Ratio comparison. Only HDFC Top 200 has positive alpha. The inferences are that the other funds with negative alpha have underperformed the bench mark index. A high Fama’s Information Ratio indicates a manager’s ability to achieve higher returns. The $F_p$ values are suggestive that the HDFC Capital Builder is healthier than HDFC Top 200 and ICICI Prudential Top 200. $M^2$ is positive, for the schemes HDFC Capital Builder, HDFC Top 200 and ICICI Prudential 200 signifying above normal performance of the fund manager.

- With Regard to Axis Equity fund, we cannot elicit much owing to recent origin. The positive Treynor index, indicates the short term performance of the fund. However, one has to keep a close watch on the long term performance. It is worth mentioning that Treynor is not a good indicator of long term performance. The
negative alpha for Axis Equity might get a feel that the fund is under valued. The overall $M^2$ value for Kotak 50 is quiet encouraging.

➤ With regard to HDFC and ICICI Prudential Balanced funds the correlation data in terms of the correlation coefficient with the market index indicates poor correlation of both the funds with the benchmark index. In terms of the standard deviation the funds are healthy with the exception of the HDFC fund for the year 2006-07. Going by the rule of the indicators both the funds do not have positive Sharpe value nor are they attractive as per Treynor index. It can be deduced that the funds have not shown positive alpha but for a minor exception during market peaks in the 2006 – 07 with positive dotted values in few years for HDFC Balanced fund. However, it is evident that ICICI Balanced fund has not shown any positive alpha indicating under performance with the benchmark index. The Fama value sets the pace of the fund manager to achieve maximum returns. The Fama value touched the tip of the pyramid for HDFC balanced fund in the year 2006 -07, ICICI Balanced fund showed positive signs in the year 2004 – 05. $M^2$ is positive, for all the schemes, signifying above normal performance of the fund manager. In a nutshell, it can be concluded that HFC Top 200 followed by HDFC Capital Builder can become a best bet for the investors based on the past performance.

➤ All in all, the HDFC Balanced and ICIC Prudential Balanced fund during market peaks have beaten or mimicked the index to an extent but, all said and done, it is better to keep in one’s mind that mutual funds are investments forever. At the same time investor should have a balanced approach and, on the other side of the spectrum, mutual funds are becoming flavor of the season despite their negative performance during declining markets. It is evident that, both funds, HDFC Balanced and ICICI Balanced, funds ran untiringly to beat the benchmark to balance the performance.

➤ In the case of HDFC Equity and HDFC Growth, it suggests the fact that investors are poised and prepared to hug this fund owing to overall positive value for the decade. The positive value is well endorsed in Treynor index as well for HDFC Equity Fund. However, HDFC Growth fund has overall negative Treynor value.
The positive alpha for HDFC Equity fund will give the impression of undervalued fund. However, the disadvantage of Jensen’s alpha is one cannot apply this for long term performance or performance greater than one year. On the other side of the spectrum, negative Jensen’s alpha for HDFC Growth fund will lead to over valuation of the fund. The overall positive Fama for both the funds has shown the superlative selectivity skills of the fund manager.

With regard to ICICI Prudential Dynamic Fund and ICICI Prudential Focussed Bluechip funds have fared well in terms of the performance. Not all the years are productive. The overall negative Sharpe value resonates about the funds performance over the years. The basic premise of Sharpe index is whether the performance is due to smart decision of the fund manager or due to additional risks. The Treynor index for the both the funds selected has thrown negative values, which is indicative of the fact, the funds have not tried to catch up with the market returns during best of the years. ICICI Dynamic fund could exhibit positive alpha only in three instances throughout the decade and the Focused Bluechip fund has shown positive alpha in three out of four instances. The positive value of Fama’s during the years 2005-06, 2006-07 and 2009-10 tempts and helps the investor to judge the skills of the fund manager. ICICI Prudential Dynamic has shown the highest $M^2$ value in the year 2011-12.

With regard to the midcap funds chosen for the study in the present instance the $S_b$ values are all negative. Treynor indices of all the funds are negative with the exception of Kotak Mahindra Midcap Fund and HDF Midcap fund. In terms of $\alpha$, only the performance of ICICI Prudential Midcap Fund was satisfactory. $F_p$ values enumerate the better and average performance of HDFC and ICICI Prudential Funds in the present study. As per $M^2$ measure, ICICI Prudential Midcap continued its aggressive stance.

Leaving, the common caveats attached to the mutual funds aside, HDFC mutual funds occupy the top notch in the industry. This can be due to superlative performance coupled with strong governance structure or the superlative skills of the fund manager. Having said this, it would be pertinent to mention that we
cannot leave the rest of the funds in isolation unless one is completely tilted towards HDFC, due to sheer affinity.

Spearman Rank correlation was performed to ascertain the correlation between the evaluation parameters. (cf. Table 4.19)

6.4.2 Insight of Investors Brokers and Fund Managers

The summarized findings on opinion survey of investors, brokers and fund managers are explained below:

- The profile of investors covered showed that, 41.11% were in the age group of 31 - 45 years, 86.67% were male investors, 37.78% represented employed category, 50.28% were undergraduates, 88.33% were married, 50.28% were earning less than ₹. 10,000 per month and 51.94% were saving less than ₹.2,000 per month.

- Investors depend on their investments for income and emergency needs (26.67%) followed by devotion of savings for long term needs (21.11%). Investors want to balance their income with top priority for income objective and second priority for objective.

- The profile of investors was tested using $\chi^2$ test at 5% significance to identify the impact on the criteria of selecting mutual fund. The hypothesis is rejected (significant) in 21 cases and accepted (insignificant) in 7 cases. It could be concluded that, age, occupation, monthly income and monthly savings had a significant influence on the selection of schemes based on the criteria of return, safety, liquidity and tax benefit. Sex had a significant influence on the selection of schemes based on safety and tax benefits. Educational qualification influences on the selection of fund schemes based on the criteria of liquidity and tax benefit.

- More than half of the investors covered under the study had an investment time horizon up to five years.

- More than half of the investors were willing to take modest risk while one fourth were ready to take as much risk as possible.

- One third of investors were ready to take average amount of volatility for average returns while one fourth accepted little volatility for higher returns.

- More than half of the investors covered had less than five years of investment experience while less than one fourth had 6 to 10 years of investment experience.
All the investors covered under the study had invested in bank deposits and mutual funds followed by equity shares and post office savings schemes.

Majority of investors had invested less than 25% of their savings in mutual funds.

Majority of the investors had invested less than 25% in each type of financial assets.

Investors preferred bank deposit in the first instance, with the highest average score of 4.9 followed by post office savings scheme and equity shares. Investors assigned fourth preference for mutual funds.

Investors were of the opinion that bank deposits and post office savings schemes had the highest degree of safety followed by insurance policies, bonds, debentures and mutual funds.

For majority of respondents, investment experience in mutual funds was <5 years.

From return on investment point of view, less than half preferred funds providing regular income. From stability point of view, more than half chose schemes assuring safety of investment. From the angle of marketability of schemes, more than one third preferred mutual funds assuring high profitability. From the tax benefit point of view, nearly half accepted schemes for availing tax concessions.

Age, occupation, monthly income and monthly savings had a significant influence on the selection of schemes based on the criteria of return, safety, liquidity and tax benefit.

Investors covered under the study had first preference for private sector joint venture (predominantly) Indian mutual funds, followed by bank sponsored mutual funds, private sector Indian mutual funds and institution sponsored mutual funds.

The most important benefit of investing in mutual funds was profitability followed by tax shelter and capital appreciation.

For investors, the main information providers on mutual funds are brokers / agents.

The investors had first preference for growth schemes followed by income schemes and money market schemes.

Goodwill was the most influential factor in the selection of the mutual fund, followed by investor services and the past performance.
The most important factor influencing the choice of mutual fund scheme was capital appreciation followed by fund objective, return on investment and safety.

Very few investors were fully satisfied with the performance, investor services and the opportunities provided by the IMF, and same was the case with the not satisfied category, so it could be inferred that investors in general were moderately satisfied as evident from the average score of 2 each.

Most of the investors subscribed to the following statements: Specific attitude statements were framed to verify the opinion of investors relating to various aspects of mutual funds. Degree of agreement on five point scaling was compiled and reduced to two point scaling to identify the impact on the attitude towards acceptance of mutual funds.

The attitude of the investors towards the statement was tested applying binomial test to the distribution of investors according to their degree of agreement. The null hypothesis formulated that the proportion of investors agreeing that “investing in mutual funds is less risky compared to shares” is 50% is tested at five percent level of significance - 195 investors or 85.9% (85 investors strongly agree) agreed in favor of investing in mutual funds. Z value of 12.97 obtained was greater than the Standard value 1.96. Hence, it could be inferred that, the null hypothesis is rejected, and that the proportion of investors who agree that investing in mutual funds is less risky compared to shares > 50%.

The opinion of investors on the above hypothesis was assessed on 5 point scale and tested at 5% significance level. The null hypothesis, the proportion of investors agreeing that, mutual funds are more suitable to small investors hesitating to enter capital market is 50%.

The investors’ opinion was tested at 5% level of significance based on the null hypothesis that, the proportion of investors agreeing that the mutual funds have the ability to weather the market fluctuation is 50%.

The attitude of the investors towards risk and return characteristics of Indian Mutual Funds was tested at 5% level of significance by binomial test. Null hypothesis enunciated that the proportion of investors agreeing that the risk and
return characteristics of mutual funds are not in conformity with their stated objectives is 50 percent.

- The attitude of investors that investing in mutual funds is much better in terms of returns than depositing in banks is tested at 5% level of significance. The null hypothesis value was observed to be 50%.

- The choice of investors to growth schemes to income schemes was tested by binomial test at 5% level of significance. The null hypothesis indicates that, the % of investors agreeing that growth schemes are preferred to income schemes is 50 %.

- From safety of investment point of view, bank deposits and post office savings scheme were very safe investment avenues for investors.

- Brokers viewed equity shares to be highly safe followed by mutual funds.

- The most preferred benefit of investing in mutual funds for investors was profitability followed by tax shelter and capital appreciation, as against brokers' priority for portfolio diversification, liquidity of investment and professional management.

- Highest preference was given to private sector joint venture (predominantly) Indian funds for both investors and brokers. Second rating was for bank sponsored mutual funds for investors and private sector Indian funds for brokers.

- Investors and brokers had first rating for objective. Second preferred mutual fund objective was income.

- The first choice of the three categories of respondents namely, investors, brokers and fund managers, was the quality of service as the major factor determining the success of mutual fund organisation.

- Attitude of investors had a marked bearing of their attributes like age, sex, and occupation. Investors' in general invest less than 25% of their savings in each investment avenue. Investors assigned fourth preference for mutual funds. Age, occupation, monthly income and monthly savings significantly affected the objective of selecting schemes.

- Private sector mutual funds were the most preferred sector for investors.
and brokers. Investors preferred mutual funds to enjoy the benefit of profitability and tax shelter while brokers preferred it for its portfolio diversification, liquidity and professional management. Investors and brokers' first choice was the quality of service as the major factor determining the success of the mutual fund organisation.

6.5 SUGGESTIONS

The analysis of the sample investors' opinion shows that majority were moderately satisfied with the performance, investment opportunities and services offered by the Indian mutual funds industry. However, the sample mutual fund schemes were also not performing up to their expectations and do not provide adequate returns commensurate with the risk involved. Hence, for the better future of the Indian Mutual Fund Industry the following suggestions are made:

It is absolutely necessary to harness the savings of the nation especially from rural and semi urban areas into financial assets and the units of mutual funds should certainly become one such asset that can attract these savings through a wide spread and efficient network of operations.

Mutual funds should build confidence in the existing unit holders as well as the public not covered so far. Mutual funds have to prove as an ideal investment vehicle for retail investors by way of assuring better returns in relation to the risk involved and by way of better customer services.

Mutual funds as institutional investors have to ensure professional market analysis, optimum diversification of portfolio, minimizing risk and optimizing return.

The fund managers have to provide the benefits of professional management by way of market timing and stock selection skills.

The Asset Management companies by way of superior management, efficient market forecasting have to ensure not only outstanding performance but also consistency in the performance.

While millions of potential investors are not fully aware of the modes of investments, most of the investors who have invested are not fully aware of their rights and obligations. Hence, the Government should arrange for more number of massive
educational programs on investment avenues besides publishing ‘Investors guide’ enabling the investing public to take more informed investment decision. It would be more enlightening and effective if awareness programs were organised at the collegiate level so that students could become aware of investment avenues even before they start earning. SEBI and AMFI could carryout research works to introduce many mutual fund products that proved successful in foreign countries but were not yet introduced in India. Mutual fund activities could be linked to the banking institutions, through electronic clearing and plastic money for easy transactions and e-units of mutual funds.

The role of investors’ redress cell has to become more dynamic, efficient and widespread so as to reach out to investors rebuilding confidence among existing unit holders and to generate interest among the potential investors. Mutual fund Ombudsman could be established for early settlement of disputes.

Investors have to make self analysis of one’s needs, risk bearing capacity, and expected returns so as to develop a prudent investment ideology. Investors have to be aware of the mutual fund regulations, the channeling of money, objectives of schemes, besides ensuring better diversification of investment.

As there is no comprehensive law to regulate the mutual fund in India, uniform coordinated regulations by a single agency would be formed which would provide the shelter to the investors.

As the investors are not willing to invest in mutual fund unless a minimum return is assured, it is very essential to make the investors realize that mutual funds are market instruments and associated with market risk, hence mutual fund could not offer guaranteed income.

All the mutual funds are operated in the public sector. Hence private sector may be allowed to float mutual funds, intensifying competition in this industry.

Due to operations of many mutual funds, there will be need for appropriate guidelines for self-regulation in respect of publicity/advertisement and inter scheme transactions within each mutual fund.

As there is no distinction between trustees, sponsors and fund managers, it is necessary to regulate frame work for a clear demarcation between the role of
constituents, such as shelter, trustee and fund manager to protect the interest of the small investors.

Steps should be taken for funds to make fair and truthful disclosures of information to the investors, so that subscribers know what risk they are taking by investing in fund.

Infrastructure bottlenecks have to be removed. Banking and postal systems have to extend their reach for the growth of mutual funds.

Mutual funds need to take advantage of modern technology like computer and tele-communications to render service to the investors.

Mutual funds are made by investors and investors interest ought to be paramount by setting standard of behaviours and efficiency through self regularisations and professionalism.

6.6 SCOPE FOR FURTHER RESEARCH

The present study is confined to the regulated environment of mutual fund industry and to that of growth schemes. During the course of study it was observed that technological and environmental changes have many social implications. Government policies, changes in the financial environment, income status have significant influence on the size of savings, preference for investment avenues and pattern of holding investments. Thus, there are several other important issues relating to mutual funds increasing the scope of this study. Hence, studies could be carried out in the following areas to substantiate the existing literature and contribute to the growth of the mutual fund industry. In line with the role of foreign institutional investors in the stock market, the role of mutual funds can also be studied in terms of their influence on stock market sentiments, purchase and sale of securities. There is lot of scope for improvement in the research for evaluating mutual fund performances. Various other multi-criteria decision models could be tested for evaluating mutual fund performances. Testing of fund performances in the long run can be done. Extended sample of public-sector sponsored, private-sector Indian sponsored and private-sector foreign sponsored mutual funds can be taken for generating results. Portfolio risk through the measure of value at risk (VaR) can also be tested for differences in mutual fund classes. As very few studies are available on
money market mutual funds, studies could be carried out to identify the role of money market mutual funds as a short-term financial instrument and how far they are able to meet the demand and supply of short-term funds in the Indian financial system. To pick up the pace of economic growth, inflow of foreign currency is a must. Hence, studies could be carried out to know the competency of offshore funds and to identify ways and means of improving offshore mutual fund operations. Distribution as an integral part of mutual funds should be strengthened through advisory role and proper understanding of clients risk profile to avoid mis-selling and loss of confidence at the industry level. Hence, survey could be carried out to identify better distribution strategies to attract the investing clientele.

6.7 CONCLUSION

Mutual Fund Industry has emerged dominant financial intermediary in Indian Capital Market. The main objective of investing in mutual fund is to diversify risk. Though the mutual fund invests in diversified portfolio, the fund managers take different levels of risk in order to achieve the scheme objectives. This study attempts to analyze the schemes operated by private sector banks and find out their performance. Further in India, a common investor is confused regarding his (or her) choice of investing in mutual funds due to umpteen schemes available in the market. The fancy labels coined by mutual fund companies add to this confusion. Investors are more interested in mutual funds today due to buoyancy in the stock market. This study attempts to help the investors by informing them about the actual returns earned by these mutual fund companies. The study elucidates the performance of the select funds of the four mutual fund groups.

It is sincerely hoped that this modest attempt meets the objectives of the study and will be of some help to all those associated with the Mutual Fund Industry, mainly the investors.