CHAPTER-06
SUMMARY OF FINDINGS, SUGGESTIONS, CONCLUSION
AND SCOPE FOR FURTHER RESEARCH

For the purpose of pedagogical convenience, the findings are presented into four major parts as below;

Part-I: Large cap category
Part-II: Large & Mid cap category
Part-III: Multi cap category; and
Part-IV: Mid & Small Cap category.

6.1 FINDINGS:
The major findings emerging out of the present study are presented here under;

Part-I: Large Cap Category
1. It is found that, Tata Index fund sensex-B was successfully imitating the benchmark performance as compared to its counterparts; whereas the return of ING Large cap fund failed to imitate benchmark return.
2. It is observed that DSPBR Top 100 equity fund exhibiting least volatility ($\sigma$) during the study period, while BSL Index fund experienced high volatility as measured by standard deviation ($\sigma$).
3. It is also noticed that the fund managers of DSPBR Top 100 equity fund and Kotak 50 Growth funds adhering conservative portfolio strategies with less risk and more return than that of markets.
4. It is found that all the schemes falling under large cap category are exhibiting low responsiveness to the market swings as measured by their beta ($\beta$).
5. It is also found that portfolio of DSPBR Top 100 Equity fund and ING Large cap equity fund are better diversified portfolios, whereas,
portfolio of TATA Index fund Sensex-B and BSL Index funds are having poorly diversified portfolios during the study period on the basis of their $R^2$.

6. According to Treynor’s measure it is found that, the fund managers of all the schemes have failed to beat the market performance.

7. It is found that Kotak 50 growth, ING Large cap equity fund and DSPBR Top 100 equity funds have experienced underperformance as compared to the market according to Sharpe’s measure.

8. It is noticed that all the fund managers are found possessing inferior managerial skills as compared to overall market condition in terms of Jensen’s measure ($\alpha$).

9. It is found that superior stock selection skills are associated with the fund managers of BSL Index fund and Tata Index fund Sensex-B according to net selectivity measure as propounded by Fama. Whereas, fund managers of DSPBR Top 100 equity fund and ING Large cap equity fund managers have experienced inferior stock selection skills as their portfolios net selectivity is negative. On the contrary, Kotak-50 growth fund has moderate stock selection skill.

10. It is observed that, on the basis of $M^2$ measure, the performance of BSL Index fund and Tata Index fund sensex-B are said to be better as their values of $M^2$ is positive. The study also revealed that the performance DSPBR Top 100 equity fund and ING Large cap equity fund is said to be unsatisfactory as their values of $M^2$ is negative. Further, the performance of Kotak-50 growth fund is at marginal negative deviation.

11. It is found that BSL Index fund has placed at first position (1$^{\text{st}}$ Rank), followed by DSPBR Top 100 equity fund has placed at second position (2$^{\text{nd}}$ Rank); ING Large cap equity fund and Kotak-50 Growth fund both have placed at the third position (3$^{\text{rd}}$ Rank) respectively, lastly, placed in fifth position (5$^{\text{th}}$ Rank) by TATA index fund sensex-B. Hence, BSL Index fund is blockbuster the market due to fund managers’ performance and their superior stock selection skill when compared to its counterparts.
Part-II: Large and Mid Cap Category

12. It is found that, in this category returns of all chosen schemes have succeeded in imitating the performance of underlying benchmark index.

13. It is observed that Tata Pure equity fund exhibiting least volatility ($\sigma$) during the study period, while BSL frontline equity fund experienced highest volatility as measured by standard deviation ($\sigma$).

14. It is also noticed that the fund managers of BSL frontline equity fund adhering aggressive portfolio strategies with high risk and high return than that of markets. Hence, the scheme no doubt provides more earnings to the investors but such additional earning is at a level of risk than the underlying benchmark index.

15. It is found that ING Large cap equity fund possess highest systematic risk as its average value of beta ($\beta$) is 0.73, whereas BSL Frontline equity fund has exhibiting least systematic risk as its average beta ($\beta$) value is 0.53 during the study period.

16. It is also found that portfolio of DSPBR Opportunities fund, Kotak Classic equity fund and Tata pure equity funds are moderately diversified portfolios, whereas, portfolio of BSL frontline equity fund and ING core equity funds are inadequately diversified portfolios during the study period on the basis of their $R^2$.

17. The study peculiarly revealed the underperformance of all schemes according to Treynor’s measure during the study period.

18. The results of the present study revealed that the performance of ING Core equity fund, DSPBR Opportunities fund, Kotak Classic equity fund and TATA pure equity funds are found unfavourable as compared to their benchmark index according to Sharpe’s measure over the period under study.

19. It is also found that the alpha values of Jensen’s measure of all the scheme under study are negative. This shows inferior managerial skills of respective fund managers.
20. According to Fama’s Net selectivity, present study revealed superior stock selection skill of fund managers of BSL Frontline equity fund as its value of net selectivity is positive. Whereas, rest of the schemes experienced negative value of net selectivity implying their inferior stock selection skill.

21. It is observed that the performance of only BSL Frontline equity fund is better as its average positive value of $M^2$ is 0.27, whereas, remaining four schemes performance are said to be poor as their values of $M^2$ are negative.

22. It is found that BSL frontline equity and DSPBR Opportunities fund have decorated top position (1st Rank) respectively, followed by ING core equity fund got third position (3rd Rank), Kotak Classic equity fund is at fourth place (4th Rank) and lastly, TATA Pure equity fund has placed at fifth position (5th Rank). Hence, BSL frontline equity and DSPBR opportunities fund have smashed the market due to fund managers’ better performance and their superior stock selection skill when compared to their peers.

Part-III: Multi Cap Category

23. It is found that, in this category returns of all chosen schemes have succeeded in imitating the performance of underlying benchmark index.

24. It is observed that ING dividend yield fund exhibiting least volatility ($\sigma$) during the study period, while BSL equity fund experienced highest volatility as measured by standard deviation ($\sigma$).

25. It is also noticed that the fund managers of BSL equity fund adhering aggressive portfolio strategies with high risk and high return than that of markets. Hence, the scheme no doubt provides more earnings to the investors but such additional earning is at a level of risk than the underlying benchmark index.

26. It is found that Kotak opportunities fund possess highest systematic risk as its average value of beta ($\beta$) is 0.77, whereas BSL equity fund has exhibiting least systematic risk as its average beta ($\beta$) value is 0.62 during the study period.
27. It is also found that portfolio of Kotak Opportunities fund and Tata equity opportunities funds are moderately diversified portfolios, whereas, portfolio of BSL frontline equity fund, DSPBR equity fund and ING core equity funds are inadequately diversified portfolios during the study period on the basis of their $R^2$.

28. In this category, the study strangely revealed the underperformance of all schemes according to Treynor’s measure during the study period.

29. The results of the present study revealed that the performance of DSPBR equity fund, ING dividend yield fund, Kotak opportunities fund and Tata equity opportunities funds are found unfavourable as compared to their benchmark index according to Sharpe’s measure over the period under study.

30. It is also found that the alpha values of Jensen’s measure of all the schemes in this category are found negative. This shows due to lack of forecasting ability of respective fund managers towards market swings.

31. It is observed that as per Fama’s Net selectivity measure, present study revealed superior stock selection skill of fund managers of BSL equity fund as its value of net selectivity is positive. Whereas, remaining all schemes experienced negative value of net selectivity implying their inferior stock selection skill.

32. It is observed that the performance of only BSL Frontline equity fund is better as its average positive value of $M^2$ is 0.38, whereas, remaining four schemes performance are said to be poor as their values of $M^2$ are negative.

33. It is found that DSPBR equity fund and ING dividend yield fund have placed top position (1st Rank) respectively, followed by Kotak opportunities fund got third position (3rd Rank), BSL equity fund is at fourth place (4th Rank) and lastly, TATA equity opportunities fund has placed at fifth position (5th Rank). Hence, DSPBR equity fund and ING dividend yield fund have beaten the market due to fund managers’ better performance and their superior stock selection skill when compared to their peers.
Part-IV: Mid and Small Cap Category

34. It is found that, BSL midcap fund and DSPBR top small and midcap fund were successfully imitating the benchmark performance as compared to its counterparts; whereas the returns of rest of the schemes have failed to imitate benchmark return.

35. It is observed that DSPBR Top small and mid cap fund exhibiting least volatility (σ) during the study period, while BSL midcap fund experienced high volatility as measured by standard deviation (σ).

36. It is also noticed that the fund managers of BSL midcap fund adhering aggressive portfolio strategies with high risk and high return than that of markets. Hence, the scheme no doubt provides more earnings to the investors but such additional earning is at a level of risk than the underlying benchmark index.

37. It is found that ING midcap fund possess highest systematic risk as its average value of beta (β) is 0.79, whereas TATA midcap growth fund has exhibiting least systematic risk as its average beta (β) value is 0.48 during the study period.

38. It is also found that portfolio of BSL midcap fund is inadequately diversified portfolio, whereas, rest of the portfolios are moderately diversified portfolios as values of R² of these schemes are lies between 0.70 and 0.85.

39. According to Treynor’s measure, the study is revealed the underperformance of all scheme are measured during the study period.

40. The results of the present study revealed that the performance of all chosen schemes is found unfavourable as compared to their benchmark index according to Sharpe’s measure over the period under study.

41. It is also found that the alpha values of Jensen’s measure of all the schemes under study are negative. This shows that the fund managers are failed to forecast future security prices in time, which results in poor performance of these schemes.
42. According to Fama’s Net selectivity, present study revealed all chosen schemes are experienced negative value of net selectivity implying their inferior stock selection skill and market timing.

43. It is observed that the average performance of all chosen schemes performance are said to be poor as their values of M² are negative as compared with underlying benchmark index.

44. It is found that DSPBR top small and mid cap fund has placed top position (1st Rank), followed by BSL midcap fund got second position (2nd Rank), ING midcap fund and Kotak midcap funds are at third place (3rd Rank) respectively and lastly, TATA midcap growth fund has placed at fifth position (5th Rank). Hence, DSPBR top small and midcap fund has smashed the market due to fund managers’ better performance and their superior stock selection skill when compared to its peers.

45. Category-wise and overall ranking of asset management companies, the performance of DSPBR asset management company has occupied top position (1st Rank), followed by Birla Sun Life AMC got second position (2nd Rank), ING asset management company is at third place (3rd Rank), Kotak asset management company occupied fourth position (4th Rank) and at the last, TATA asset management company has placed at fifth position (5th Rank). Hence, it is observed that DSPBR asset management company has blockbusted the market in all categories (i.e., Large cap, Large & mid cap, Multi cap and Mid & small cap) due to fund managers’ better performance and their superior stock selection skill when compared to its peers.

46. It is found that, all the schemes floated by all the chosen AMCs are charging exit load in case of either redemption of units or switch-over of their investment. However, the extent of the exit load charged as a percentage of NAV differs from scheme to scheme in the same category or from category to category. This may pronounce its own impact.
6.2 SUGGESTIONS:

Based on the findings of the study, the following measures have been suggested accordingly:

1. As there is no guarantee to replicate better performance of the fund during the last year into coming years. Hence, it is better to have constant and continuous watch over the performance of mutual funds.

2. It is better for every AMC to establish and develop modern market research. This contributes a lot in effectuating better and efficient portfolio management practices. Moreover, SEBI makes it obligatory for every AMC to ensure that every fund manager should be highly qualified and well experienced on the issues pertaining to the capital market and well worse with the global market trends. Such a professional knowledge would definitely act as leverage for better management.

3. Majority of the mutual funds have different objective and investment style and depending upon those parameters, every fund managers will take investment decisions. Hence it is suggested to choose fund managers on investor’s objectives and risk appetite rather than other factors.

4. As per the SEBI (Mutual funds) Regulations, Every fund house share their information pertain to different scheme at regular intervals. Accordingly, some fund houses send the relevant information either in weekly, quarterly basis. It is better for fund managers to ensure complete transparency in the disclosure of complete information to gain the confidence of the investors, which is a must to keep the corpus of the fund house intact.

5. It is generally held opinion that, level of awareness about mutual funds as a vehicle of investment is at the low ebb among the households in India. Therefore, it becomes the sacred responsibility of mutual fund industry in India, to create awareness among the masses and put allout
efforts to eradicate any misgivings about the mutual funds so as to popularize mutual funds among the households in India particularly so in rural and remote areas. This may help, to broaden the investor base as well as the size of the fund. This action would definitely help in increasing the mobilization of resources and channelization of resources towards productive use.

7. It is advisable for mutual fund industry in India to aim for possess optimization which results in higher productivity and lower cost.

8. Technological upgradation is also critical for the success of mutual funds in India. Hence, it is better to use advanced technology in relation to fund management are in the research and development online trading, real time transaction processing. This would definitely help in reducing operational expenses of AMCs. Such an action would also be eco-friendly.

9. The growing competition prevailing in the mutual fund industry requires to be matched by high level of professionalism in managing the affairs of mutual funds. In brief, mutual fund managers need to possess seismographic sensitivity and mercuric flexibility in their activities such as corpus planning, marketing, security trading, custodial banking, portfolio management.

10. Mutual fund industry in India is highly concentrated in only metropolitan cities. It means that still the mutual fund industry should not become popular among the masses dwelling in semi-urban and rural areas. Hence, households’ savings from rural India have remained predominantly untapped. Therefore, there is an urgent need for Asset Management Companies to go beyond metropolitan cities to tap the savings of households from semi-urban and rural areas. If this is done more prudently and productively, would help in the economic development of the nation by mobilizing and channelizing huge investable resources to the productive purpose.

11. Lack of awareness about the modus operandi of mutual fund operation is one of the important barriers coming in the way of popularity of mutual
fund schemes among the surplus units. Therefore, it is advisable for fund houses to conduct awareness campaigns to educate the individuals surplus fund about the mutual fund as an avenue of investment. Roadshows, exhibitions, demonstrations can be arranged to increase the financial literacy among the unit holders. Particularly, AMCs should strive hard to eradicate any misgivings about the mutual fund operations. In brief, AMCs should make their client base highly literate from financial stand point of view. In this regard, SEBI did a good thing by mandating the AMCs to set aside such as, at least 2bps of their daily net assets, annually for the education campaign and awareness.

12. In order to create level playing field for the mutual fund in the industry including Unit Trust of India, it is better to provide uniform regulatory framework for all participants of mutual fund industry. This is more true in the present wake of multiple regulatory bodies governing the mutual fund industry in India. This at times, creates duality among the provisions of various acts enacted by different regulatory bodies and gives birth to anomaly.

13. Growth is the essence of corporate line; and stagnation is the death of corporate life. Mutual fund industry being not exception to it should think strategically in creating new products with new features so as to garner huge resources. This helps AMCs to work with enhanced corpus. It is needless to state that, AMC with huge AUM can be in a better position to have well diversified portfolio and pass-on the benefits of such diversification to its investors.

14. Although product labeling of schemes floated by AMC is made mandatory by the SEBI in recent times, provisions governing product labeling is not completely free from lacunas. This is due to the fact that, risk-return characteristics cannot be categorized strictly into three colours. Many times, though different schemes are given same colour code but they are not synonymous in entirety. Hence, it is desirable to bring appropriate modification in the provisions of labeling the scheme
by adding few more colours in tune with varying degrees of risk and return. To say more specifically, all types of cap schemes do not possess similar risk-return characteristics. Hence, they deserve to be distinctively colour coded.

15. It is needless to emphasize that business without ethics is disastrous. Hence, mutual fund houses should carry out their business with high ethical standards. This is more crucial and critical as all the participants in the mutual fund industry are entrusted directly or indirectly to handle the capital provided by the millions of investors. The ethical way of doing mutual fund business will help a lot to gain faith and confidence of unit holders.

16. SEBI being regulator of mutual funds in India should initiate the following steps without any delay.
   i) Frequent publication of portfolios of mutual fund schemes.
   ii) Specific guidelines explain the code of conduct for the intermediaries involved in the mutual fund industry.
   iii) Prevention the late trading practices.
   iv) Check on rapid trading practices of mutual funds.
   v) Discouraging dominance of single investor in investors’ portfolio of fund schemes.
   vi) Disclosure of commission earned by the intermediaries and tied agents.
   vii) To remove and curb the unethical practices of the mutual funds.
   viii) Stringent punishment needs to be given to those involved in misleading advertisements of the scheme.
   ix) It is advisable to simplify taxation and give retail investors incentive to put their money in mutual funds.

17. The study observes that the rate of return generated by the schemes related to Large & Mid cap category and Multi cap category have generated better return than the market, whereas, 03 schemes belonging
to Large cap category has revealed better performance; 01 scheme registered an underperformance; remaining 01 scheme performed similar to the market; 02 schemes belonging to mid and small category shown better performance; and rest of 03 schemes under faired. Thus, in totality 15 schemes belonging to all categories have generated return higher than the market and 04 schemes (LC: ING Large cap equity fund and M&SC: ING midcap fund; Kotak midcap fund; Tata midcap Gr. Fund) performed very poorly in generating expected level of return. Thus, the fund managers of these four schemes have to primarily concentrate on superior portfolio management techniques in managing their corpus and generate a reasonable return to their investors.

18. It is needless to mention that, investment into any financial instruments is not free of riskiness. Here signifies, the difference between realized return and expected return. This total deviation is ascertained by using statistical concept of standard deviation (σ). Standard deviation as a measure of risk ascertained variability in returns of a scheme. The present study has applied standard deviation to measure the total risk. On this basis, it is found that, 15 schemes spread across different categories of chosen schemes have experienced lesser variation in their return as compared to the market. Whereas, 05 schemes spread across different categories have registered higher volatility as compared to market variations. This implies that, the amount of risk associated with these 05 schemes is greater than their underlying benchmark index. Hence, it is prudent on the part of fund managers of these schemes to initiate more appropriate effort to bring in systematized growth in their NAVs.

19. The study has revealed that no scheme has beta (β) value of < 0 and beta value of > 1. This speaks that, no scheme possesses either inverse relationship or more than proportionate relationship as compared to the market return. It is interesting to note that, the beta value of all schemes is > 0 but < 1 implying positive association between the return of the scheme and the market return. However, variation in the return of the
scheme is less as compared to the market return. This signifies the fact that the returns of the sample schemes are volatile, but not as risky as that of the market. In the ultimate analysis, it can be inferred that, all the schemes covered under study are found to be possessing portfolios that are less risky than the market portfolio. Probably this may be due to the fact that, all fund managers hesitated to owe aggressive portfolios.

20. The present study as astonishingly revealed that, DSPBR top 100 equity fund belonging to large-cap category has experienced $R^2$ value of 0.87. This indicates that, this is the only scheme possessing better diversified portfolio during the study period. Out of the rest of 19 schemes, 09 schemes have inadequately diversified portfolio as their value of $R^2$ less than 0.70; 10 schemes are found to be moderately diversified as their values of $R^2$ ranges between 0.70 and 0.85. Hence, it is imperative for the fund managers of 09 schemes (poorly diversified portfolios) to strategically think to initiate better portfolio churning strategies.

21. It is quite peculiar to notice that, all schemes belonging to all categories have underperformed as compared to their underlying benchmark index according to Treynor’s measure. However, the extent of underperformance was found consistently least in case of schemes floated by DSPBR AMC in all categories. Hence, it is better for the fund managers of all the schemes to generate adequate return per unit of systematic risk born by them in tune with underlying benchmark index.

22. In the present study 75 percent of the schemes covered under the study have not fared well in relation to their underlying benchmark index as per Sharpe’s measure of evaluation. Hence, it is a right time for fund managers of these schemes to find of the ways and means of enhancing excess return per unit of risk born by their portfolio. This may include deletion of unattractive securities from their portfolio and inclusion of attractive securities into their portfolio.

23. It is astounding to bring forth from the present study that, all schemes have shown negative alpha values during period under study. This
speaks values about inaccurate action of fund managers, which is eroded their portfolio values. This indicates that, the fund managers of all schemes have generally exhibited their incapability to forecast future security prices in time. Probably, this might be the reason for the poor performance of the schemes under consideration. Therefore, it is better for them to develop their research wing filled with individuals possessing acute insight over the future security price trends. This may help them to bring out efficient portfolio revision.

24. Present study revealed that, 15 schemes constituting 75 percent of the sample scheme have experienced negative net selectivity according Fama’s measure of evaluation. This speaks about inefficiency of fund managers of these schemes in relation to their activities associated with stock picking and appropriate market timing. Therefore, there is an urgent need to improve the quality of fund managers of these schemes associated with their stock selection and timing ability. To do so, the research wing of the respective scheme should work in alert and active way keeping abreast with the pulse beat of market trends and should facilitate better functioning of fund managers.

25. The study revealed that, 16 schemes constituting 80 percent of the sample schemes have shown underperformance according to Modigliani and Modigliani model of evaluation. This indicates that, these schemes have failed to generate excess return as compared to the underlying benchmark index. Therefore, it is advisable for the fund managers of these schemes to trace out the strategic ways and means of enhancing the performance of their portfolios.

26. It is better for AMCs to initiate measures to rationalize their exit structure in-tune with good practices found in the industry, as study revealed deviation in exit structure from scheme to scheme and category to category.
6.3 CONCLUSION:

In nutshell, the performance of the most of schemes chosen for the study are found unsatisfactory as against their underlying benchmark index. Majority of the fund managers of various schemes felt their fingers being burnt due to inadequate risk-adjusted return in tune with their risk. However, the degree of underperformance, diversification and risk exposure may differ from scheme to scheme. DSPBR Asset Management Company can be considered as best performing as it decorated top position in list of overall ranking (1st rank) and TATA Asset Management Company can be considered as it was relegated to the bottom of pyramid in the list of overall ranking (5th rank). Hence, it can be concluded that, the efficiency of fund managers needs to be improved to sense the changing market environment and incorporate appropriate portfolio trimming strategies in order to ensure superior performance.
6.4 Scope for Further Research:

There is an ample scope for further research work and investigation in this domain area. The present study is confined only four cap schemes. Such study can also be conducted by increasing the sample size to gain more insight. Hence, Firstly, further research investigation can also be undertaken in relation to hybrid fund, income fund, gilt fund, fund of funds, liquid fund, sector oriented mutual funds. Secondly, in the recent past SEBI has introduced regulations governing the product labeling through Colour coding to indicate level of risk associated with the mutual fund schemes. In this backdrop, there is a scope to conduct research investigation to evaluate the effectiveness of informational content of product labeling through colour codes. Thirdly, in addition to it, Government of India has recently introduced a new route for disinvestment in its public sector undertakings via the mutual fund when it has permitted Goldman Sachs Asset Management to float a mutual fund christened as Central Public Sector Enterprises – Exchange Traded Fund (CPSE ETF). This could also provide another avenue of research, where the research enquiry can be conducted to locate the problems and prospects of such a novel scheme as an effective mode of disinvestment. Fourthly, it is also noticed that, there is a dearth of research studies on Off-shores and overseas mutual funds. Hence, this area can also be considered for further research endeavours. Fifthly, in the past, a lot of merger and acquisition in the mutual fund industry has been witnessed. So, in order to know their impact on mutual funds performance, there is ample scope to initiate research in this area. Lastly, there is need to undertake an in-depth holistic study encompassing all participants in the mutual fund industry. Such study would bring to the limelight the real problems of investors, fund managers, brokers, commission agents and distributors.