SUMMARY, CONCLUSIONS AND SUGGESTIONS

In this Chapter, an attempt is made to present summary, conclusions and suggestions that have emanated from the study. The further areas of research that can be explored in future are also indicated here.

7.1 RESEARCH DESIGN AND METHODOLOGY

New economic policy, liberalization, deregulations and restructuring have created a conducive climate for the entry of more and more mutual funds in Indian financial market after 1986. In parallel to the accelerated growth of mutual fund industry, the study and research in the field has also increased manifold. Several scholars and opinion makers have conducted a wide ranging studies, surveys and researches on mutual fund investments. Some previous studies on mutual funds have highlighted the issues such as: risk, returns, safety, portfolio, scheme selection, performance evaluation and preferences of the investors. But there are not many micro studies about the perceptions of the investors. Since the investor's mindset plays a major role in the expansion of the mutual fund industry, it is felt worthwhile conducting the in-depth study of the psychological and sociological factors apart from the economic realities of the investing public, with the district as a unit. With this basic conception in mind, the sample survey of the investors as well as the agents in Nellore district of Andhra Pradesh was conducted through interviews and
questionnaires administered to the public --- the investors, the agents and those who are indifferent to the investments --- with a clear cut classification made on the basis of age, literacy level, occupation and monthly income of the respondents. The study has also utilized the secondary data drawn from several standard books, periodicals, journals, newspapers, reports and research publications.

Nellore District is chosen as the field of investigation mainly for three reasons: (i) the district is one of the well developed districts in Andhra Pradesh with good agricultural, aquaculture and industrial base having good scope for investments in mutual funds and shares, (ii) culturally and educationally the district is in an advanced stage of development, which factor would naturally help the researcher in eliciting the responses of the public without any inhibition and (iii) the district is a familiar ground to the researcher because of the proximity to his place of work.

7.2 GROWTH OF MUTUAL FUNDS IN INDIA

In the savings of the Indian household sector investment percentage of bank deposits declined to 33.6 per cent in 1999-2000 from 45.8 per cent in 1980-81 due to the diversion of investments towards mutual funds, insurance and provident fund. The share of investments in mutual funds including UT, increased from 0.3 per cent in 1880-81 to 13.3 per cent in 1991-92 when the market conditions were in boom and
dipped to 5.2 per cent in 1999-2000 due to the weak market conditions. In India, the mutual fund industry is still in the nascent stage. Presently, it consists of four organisations (segments): Unit Trust of India, Public sector bank mutual funds, institutional mutual funds and private sector mutual funds. The UTI was started in 1964 to cater to the needs of the small investors. In the very first year it could garner Rs.19.14 crores from 132 lakh account holders with the investable fund of Rs.24.67 crore. By the end of June 2000 the investable fund increased to Rs.68524 crore from 45 million investors. During the year 1999-2000 sales from all 90 schemes of UTI mobilized an amount of Rs.13536 crores. The public sector banks and financial institutions were later permitted to start mutual funds in 1987 as their subsidiaries. There is insignificant association between the net resources mobilized by public sector (bank sponsored and institutional sponsored) mutual funds and different years at 5 per cent level.

In the wake of economic liberalization and globalization, this industry was thrown open to the private sector in the country as well as the foreign companies in 1993. It was hoped that in the competitive environment, mutual funds would serve the interests of the small investors in a big way. There is insignificant positive linear growth rate among different years and net resources mobilized by private mutual funds. The net resources increased from 1559.5 crores in 1993-94 to Rs.17170.8
crores in 1999-2000. Inspite of the entry of good number of public and private sector mutual funds the UTI still remains a major player among the mutual funds.

The portfolio of investments of mutual fund schemes varies with the investment objectives of the scheme. Mutual fund organizations invest a major chunk of their funds in equity shares. During the period from 1995-1996 to 1999-2000, UTI and institutional mutual funds invested about 50 per cent of funds in equities whereas the bank sector and private sector mutual funds 65 per cent. In recent years the investments in equities are reduced and diversified towards the safety instruments of Government securities, bonds and debentures.

As on March 31, 2001, the total assets were Rs.90587 crores under the management of all mutual fund organizations which was lower by about 20 per cent over the last year figure of Rs.113005 crores mainly because of the fall in the equity prices.

Function-wise open-ended schemes dominate the assets under managements in all years. When we compare the objective wise assets, income schemes occupy the first place followed by the growth schemes, balanced fund schemes and other
schemes under the mutual fund management. The net assets under the management show that UTI still dominates the position followed by private mutual funds and public sector funds.

Sales mobilization from the new schemes launched by different mutual funds during 1998-99 to 2000-2001 in function-wise break-up, the open-ended schemes ranked first followed by assured and close ended schemes, objective-wise, income schemes dominate in number and amount followed by growth, other, balanced fund and tax saving schemes. With regard to the cumulative sales, by the end of March 2001 there were 393 schemes and the amount mobilized by all mutual funds was Rs.92957 crores. Open-ended schemes mobilized Rs.90905 crores (97.79%) in 2000-2001 from 240 schemes followed by close-ended and assured return schemes. When we see the objective-wise sales, other schemes (gilt, liquid, money market) collected Rs.40372 crores from only 45 schemes in 2000-2001 followed by income, growth, balanced fund and tax saving schemes. During the years 1999-2000 and 2000-2001 private sector mutual funds dominate the sales mobilization than the UTI and public sector sponsored mutual fund organizations. Being the assured income scheme open-ended funds has now become the order of the day. Private sector funds have emerged as a clear winner whether in terms of number of schemes launched, growth or their contribution to the increase in assets under managements.
7.3 **REGULATORY FRAME WORK**

Mutual fund industry in India is regulated by the following acts: Unit Trust of India is regulated by Unit Trust of India act 1963. Up to the year 1993 all other mutual funds are regulated by the guidelines from the Government bodies like Reserve Bank of India, the Ministry of Finance and Security and Exchange Board of India (Mutual Funds) Regulations 1993.

The SEBI (Mutual Funds) regulations, 1993 were later revised in 1996 on the basis of the recommendations of the Mutual Fund - 2000 Report prepared by SEBI with the objective of improving investor protection, improving competition, imparting a greater degree of flexibility and promoting innovations.

In India, at present the mutual fund industry is regulated by SEBI (mutual fund) regulations of 1996. The regulations cover all important areas such as accounting policies, constitution and structure of mutual funds, launching of new schemes of mutual funds, investment norms, computation of Net Asset Value, pricing of units, distribution of dividend, rights of unit holders etc. There are four players involved in the constitution and management of mutual funds viz., sponsor, trust, Asset Management Company and custodian.
There is a self-regulatory mechanism called Association of Mutual Funds in India (AMFI), which protects the interests of investors by imposing financial discipline and a code of professional ethics. It is the apex body of all the registered Asset Management Companies (AMCs) including UTI and it was incorporated in 1995 as a non profit organization. All the AMC's that have launched mutual fund schemes are its members. This is dedicated to the development of the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protect and promote the interests of mutual funds and the unit holders. SEBI's new guidelines were formulated regarding the valuation of securities, disclosure of portfolio, treatment of unclaimed redemption amount, AMC's Annual Report, allotment of units, dispatching of account statements, distribution of dividends, and publication of NAV etc.

7.4 MUTUAL FUND SCHEMES

There is a wide variety of mutual fund schemes that cater to the needs of various classes of investors according to their risk, returns, portfolio, services, age, financial position etc. Mutual fund schemes may be classified into open-ended and close-ended schemes on functional basis. Open-ended is one which sells and buys units on a daily basis at Net Asset Value price. Close-ended scheme is one in which the subscription period remains only for a specified period and the sale at unit price in
Each geographical and portfolio based mutual fund scheme is either open-ended or close-ended. Geographically the mutual funds have been classified as domestic mutual funds and off-shore mutual funds. Domestic mutual funds are the saving schemes which are opened for mobilizing the savings of the domestic people. The off-shore funds are meant to attract foreign capital for investment in the country. It is heartening to note that mutual funds in India have introduced quite a large number of schemes to cater to the specific needs of each class of investors - children, professional people, house-wives, retired people, business men, salaried persons, senior citizens, tax payers etc. Each investor can choose a scheme which is suitable to his investment objective, portfolio of profile, risks, returns, from the following schemes - income (debt) growth (equity) balanced (I&G), tax saving (ELSS), other (gilt, liquidity, money market, indexed, bond, sectoral, specialty, pension, education etc.) schemes.

7.5 MARKETING

Mutual fund organizations have to build up an effective marketing strategy to entice small investors to the products of mutual funds from the other competing saving instruments. The mutual fund marketing mix has to lay stress on the firm
product-customer relationship. Individual investors and HUF investors constitute 99 per cent of the total investors in Indian mutual funds. The investment strategy will also vary depending upon the level of income, age, family responsibilities, risk taking abilities of the investors. There are various schemes in the market from the different mutual fund organizations to cater to the diversified economic, psychological needs and preferences of the investors. An effective marketing strategy to promote the awareness of mutual funds and attracting prospective investors into its fold is to be designed. Promotional efforts are sine-qua-non for popularizing mutual fund products and for gaining investors' acceptance. Product promotion takes normal routes of advertisement in newspapers, television and periodicals.

In India, SEBI lays down advertisement codes for mutual funds, what to carry and what not. In addition to the advertisements the SEBI has revised the standards for disclosure to be followed by the mutual funds in their offer documents which solicit subscribers to their schemes. The promotional strategy of mutual funds refers to a comprehensive plan to reach the prospective investor through various planned acts and involving several outside agencies, brokers, agents, collecting bankers etc. The accredited agents and enlisted brokers play pivotal role in marketing of mutual fund schemes as they are the main retailers. They are the principal agents in canvassing educating investors, creating interest, overcoming problems, if any, and finally in obtaining action. The personal involvement of the agency force is necessary in the marketing of a scheme successfully.
In view of its longevity and special position it enjoys, UTI has built up a distribution network consisting of local offices, branch offices, franchises, chief representatives and agents. Though the agents work on commission basis, they are able to distribute its products satisfactorily. The other three types of mutual fund organizations barring LICMF have insignificant distribution of network. The public sector banks have not made any special arrangements to propagate the schemes of their mutual fund subsidiaries. Except a few, the private sector mutual funds have confined their operations to the cities and big towns. Promotional efforts are sine-qua-non for popularizing mutual fund products and gaining investors' acceptance through various plans and programmes. After-sales-service has a great significance in inducing customers to buy a product.

7.6 FINDINGS OF THE SAMPLE SURVEY

The summary and conclusions that have emerged from the sample survey of the urban and rural household investors of Nellore district, the agents and Asset Management Companies are as follows.

7.6.1 Responses of Investors

To assess the perception of investors, the researcher mailed questionnaire and collected the responses from 910 investors in the district. From a total of 586 respondents from the urban area and 324 from the rural area invested in different financial instruments and 482 from the urban area and 262 from rural area respondent
investors invested in mutual fund organization schemes. Findings of the sample survey of the household respondents are summarized here under.

i. Men, urbanites, prime age group between 31-40 years and those with a monthly income of Rs.10001 to 20000 from both the areas, post graduates, salaried persons from urban respondents, under graduates, landlords from rural respondents have pre-dominantly invested their funds in different financial institutions.

ii. More than 54 per cent of the urban respondents and 60 per cent of the rural respondents saved over 15 per cent of their income. There is not much difference in the percentage share of rural and urban based respondents.

iii. When the rural and urban respondents' instrument-wise investments are considered, insurance occupied the first and fore-most place followed by bank deposits and units of mutual funds respectively. Since the sample is heavily loaded with mutual fund investors more than 80 per cent respondents invested in different mutual funds. Tax benefit might be the contributory factor for the urban people's preference to the insurance, provident fund and NSC investments.

iv. The instrument preferences of the sample households belonging to different age, education, occupation, and income groups are assessed. Age-wise: respondents with less than 30 years of age preferred bank deposits, service age between 30-60 years prefer LIC and people with more than 60
years, of age preferred deposits in banks and NBFCs. More than 65 per cent responded investors belong to the earning age group of 31 to 50 years. Many among the urban respondents who have studied up to Intermediate opted to put their money in NBFC's, undergraduates in bank deposits, postgraduates and professionals in insurance as their priority. The rural respondents with Intermediate qualification keep their money in bank deposits, graduates in mutual funds and professionals in insurance. Many of post-graduates from urban areas and under-graduates from rural areas invested their money in different financial instruments. Occupational-wise: self-employed, salaried persons and others from urban areas are interested to invest in insurance, business and retired respondents in bank deposits. From the rural sample, except salaried and land-lords all others preferred mutual fund investment. Monthly income-wise: Urban respondents having a monthly income of more than Rs.5000 in insurance, those below Rs.2500 in provident fund and those between Rs.2500-5000/-bank deposits as their preference. In rural areas respondents whose monthly income is below Rs.5000 prefer insurance, Rs.5000-10000 income group prefer bank deposits, and those with more than Rs.10000 mutual funds as their priority of investment.

Approximately 97 per cent of the total sample investors opine that NSC is the safest investment followed by bank deposits (85%), 87 per cent of total sample respondents felt that investments in new shares is very risky and
the deposits in non banking finance companies, is also considered unsafe investments by more number of respondents. Nearly 50 per cent of respondents considered mutual fund investment as "reasonably safe" and hence many people are attracted by the different schemes of mutual funds.

vi. Reduction in interest rates, market conditions and failure of finance companies might be the cause for negative growth during the period in the fresh investments in bank deposits, shares and deposits in NBFC's. Due to the encouragement by the Government people's attention is diverted nowadays towards NSC, mutual funds and bonds.

vii. All the 910 sample responded investors are not the investors in mutual funds. Only 482 from urban areas and 262 from rural areas invested their money in different mutual fund schemes. Others who has not invested their money in mutual funds indicate the reasons for not investing in mutual funds: more number of urban respondents have said that the lack of surplus funds on hand due to the high cost of living and in rural areas the lack of faith and awareness are the reason for not invested in mutual funds.

viii. In order to measure the interest in mutual funds and the first year of entry into the schemes is ascertained. 40.87 per cent of the urban investors started their investments after private sector entry, among the rural respondents the private sector influence is less (33.97%). More number of respondents invested in the mutual funds before private sector entered into the field.
ix. Agent's influence in motivating the investments is greater (31.54% of urban and 40.46% of rural) than that of friends (23.03% of urban and 33.59% of rural) and other agencies. The influence of outside agencies is thus seen more in the urban areas than in the rural areas. The different agencies have an effect on rural and urban investors to make their investments in different mutual fund organizations.

x. Name and fame, the previous performance, liquidity, variety of schemes and tax benefit factors influenced the more number of sample respondents to make investments in mutual funds. There is significant association between different areas and different factors influenced the people to invest in mutual funds.

xi. When the level of investors is considered, UTI attracted more investors followed by the private sector financial institutions and bank mutual fund organizations. 87 from the urban and 28 from the rural investors of UTI invested in other organizations also. Private sector attracted more urban investors (146) than that of the rural investors (45).

xii. Respondents were asked to indicate their preferences of mutual fund organizations on a four point scale and the responses are on expected lines. UTI gets the top most choice followed by the private sector mutual funds. The third and forth choices are in favor of institutional and bank sector mutual funds. According to their ages the younger age respondents preferred the private sector and old age respondents prefer the UTI as their
first choice to invest their money— with the increase of educational qualifications of urban respondents the percentage of investors in UTI schemes declined and investments in private also increase gradually, but the all category respondents from rural areas prefer to invest in UTI schemes only, self-employed from the urban and rural, business men and people with more than Rs.20000 monthly income from the urban area respondents preferred private sector mutual fund schemes as their first choice. Other sample investors from all categories indicated that the UTI schemes were their first priority.

xiii. More number of urban respondents hold amount varying between Rs.5001-10000 in UTI and private sector mutual funds and Rs.10001-15000 in bank and institutional mutual funds. Rural respondents hold varying amounts of Rs.10001-15000 in UTI and other institutions and Rs.5001-10000 in private and bank sector mutual funds. More than 20 per cent of all respondents hold an amount more than of Rs.25000 in private sector mutual funds.

xiv. There was a great increase in the growth rate in the fresh investments made by the respondents in private sector and UTI schemes, but there was a negative growth rate in case of bank and financial institution mutual funds. Private sector attracted more number of investors than the other organizations in all the years. Some of the respondents invested in more than one organization and more than one time.
The respondents from the urban and rural set-up (37.9%) indicated that earning extra income is their main objective in investing in mutual funds followed by other (gilt-edged, liquid, MM, Specialized etc.,) objectives (29.17%), growth (19.89%) and balanced fund (9.14%) as their objective to invest in different mutual fund schemes. Very few respondents preferred the tax savings schemes.

The sample survey reveals that all the age groups responded investors prefer to invest their money in different mutual fund schemes with an investment objective of regular income and other (special) investment objective Schemes. Younger age group respondents preferred to the other (special) investment objective schemes. Education levels also influenced the investors to choose their investment in different investment objective schemes of mutual funds. All the educated respondents from the sample preferred the income schemes of mutual funds. Occupation-wise classification reveals that self-employed, business class and other class respondents preferred other (special) investment objective schemes and the other occupational group respondents preferred the income objective schemes. All the monthly income group respondents also preferred to invest their money in regular income schemes. But the respondents who have the monthly income of more than Rs.20000 preferred to invest their money in the other (special) investment objective schemes.

80.71 per cent of the urban and 79.01 per cent of the rural investors were satisfied with the efforts made by the mutual fund organizations in
bringing to the notice of investors the new schemes as and when they are introduced.

xvii. As for as the services rendered by all mutual fund organizations to the investors: more number of investors was very much satisfied with the promptness of the receipt of certificates and the accuracy of certificates. In providing the periodic information, customer services and response to queries the private sector organization fares better than the other organizations. Urban investors are more satisfied than rural investors relating to the after sale services.

xviii. It is noticed that when compared to the urban investors, the rural investors have poor knowledge about the technical terms such as NAV, repurchase price, redemption price, SEBI and AMFI. More number of respondents said that they had heard of the terms of SEBI, AMFI and redemption of price but they didn't know what actually they mean.

xix. Most of the respondent investors are well satisfied with the supply and collection of applications by the agents. Rural investors are not satisfied with the services of the agents relating to the sorting out of problems, redressing the grievances, information about new schemes and tax exemptions.

xx. It is observed from the sample respondents that more than 51 per cent of
the rural and 44 per cent of the urban investors said that they faced some problems like lack of agents network (36.49 per cent), lack of response from the fund organizations, (22.13 per cent) and inability to locate the designated branches (21.55 per cent) to invest their money in different mutual fund schemes.

xxi. As per the worthiness of mutual fund investments is, 50.41 per cent of the urban and 43.51 per cent of rural investors considered somewhat worthy to invest in mutual funds, 23.65 per cent of urban and 28.63 per cent of rural investors considered as 'sure' to invest their money. It is interesting to observe that most of the sample respondents have expressed their desire to invest their money in other schemes (special) followed by income schemes, growth schemes, balanced and tax saving schemes.

xxii. Questioned whether they would invest in mutual fund schemes in future, 57.88 per cent of the urban and 43.89 per cent of the rural mutual fund investors replied in the negative. Among them more than 50 per cent replied that income derived from mutual fund investments is very less compared to the income coming from other financial assets like bank deposits, NSCs, bonds, debentures. Lack of surplus funds and other reasons were also cited by some respondents as a reason for not investing in mutual funds.
To sum up, it may be concluded that the names of many mutual fund organizations in both public and private sectors are not known to many people. Agents exercise greater influence in making investment decisions. A high percentage of mutual fund investors have not really grasped the meaning of concepts like redemption Price, NAV, different services of SEBI and AMFI etc. They have found it difficult to provide answers to some of the questions. It appeared that most of the small investors have made investment in a particular scheme without weighing the pros and cons of alternative schemes. A high percentage of the sample households seems to have relied on the advice of friends, relatives, agents etc. With minor variations the perceptions of the urban and rural households are similar.

7.6.2 Responses of Agents

Through a second questionnaire the researcher collected the opinions of the 63 agents in the district who worked as intermediaries between the mutual fund organizations and investors. Their replies are summarized hereunder.

i. Out of 63 respondent agents only 4 are women agents and more number of them are in the age group of 40 years and below.

ii. All the respondent agents are agents to LIC, 60 are doing agents’ work to UTI and 54 are working as agents to different mutual funds.

iii. Almost all the agents of UTI are primarily the agents of LIC. UTI has zonal offices, branch offices, Franchisees, Chief Representatives and a large network
of agents. The public sector bank mutual funds, the mutual funds of the institutions and private sector mutual funds do not have such distribution network. Only 4 public sector mutual funds and few private sector mutual funds are represented by agents in the study area.

iv. Almost all the agents accept that the advertisements and offer documents are the main source to know about the mutual funds schemes.

v. Only UTI conducts training programmes on a regular basis and 51 out of 63 agents interviewed felt that the training programmes are more beneficial to them to enroll more number of investors.

vi. The rating by agents of investors' preferences of different assets shows that LIC policies are the most preferred, next come post office saving schemes, NSCs and mutual fund products occupy the fourth place. The assessment is based on a subjective evaluation of investor's preferences and hence it has its own limitations.

vii. Agents' assessment of preferences of mutual fund schemes of the investors shows that income schemes are highly preferred, followed by other special schemes, growth and balanced. The least preference to ELSS schemes is due to the fact that only income tax payees make investment in such schemes and in the ultimate analysis they have not proved to be beneficial in terms of income earning.

viii. As for as the services rendered to the prospective investors are concerned, all the agents replied that they bring to the notice of investors information about
new schemes, supply and collection of application forms promptly, 41 of the total respondents said that they would guide investors in arriving at decisions. The areas of service which they are not able to attend satisfactorily are sorting out of complaints, repurchase and redemption of units.

ix. The agents influence over the decision making by the investors seems to be great.

x. Barring 14, all the others meet regularly their regular and prospective customers to enlist them either as LIC policy holders, NSC schemes and schemes of mutual funds. In their attempt to maximize their income they try to induce investors to make investments in more than one asset.

xi. Only 24 agents visit rural areas regularly to attract investments. They said that they were obtaining good response from the rural investors.

xii. In the opinion of the agents, they are the main source of information to the customers about the different mutual fund schemes.

xiii. Most of the agents are the investors of mutual fund schemes and they preferred private sector schemes to UTI and Bank mutual funds.

In nutshell, UTI continues to hold monopoly because of its distribution network. The marketing efforts of UTI are quite successful in inducing the prospective investors to invest in its schemes. The mutual funds of public sector banks and financial institutions lag behind because the parent institutions do not seem to take any interest in promoting the business of the mutual funds. Many names of the
private sector mutual funds are not known to the investors in Nellore District, but in recent years this sector is trying hard to spread its tentacles even in the rural and semi-urban areas.

7.6.3 Responses of the Asset Management Companies (AMCs)

12 public sector and 28 private sector AMCs operating in India, were sent questionnaires. 10 of them responded, i.e. the response rate is 25 per cent. (The period of study was five-year from 1996-97 to 2000-01) The analysis of data from the respondent AMCs was analyzed and from that the following conclusions were drawn.

i. Functional-wise, open-ended schemes were numerous (36) than close-ended (17), though in terms of amount mobilized during the period under study the former and the later mobilized more or less the similar quantum of amounts (Rs.3678 crores and Rs.3631 crores).

ii. Based on objective-wise analysis of the schemes, it can be concluded that ‘income’ schemes were top performers with promotion of 19 schemes and mobilization of Rs.4347 crores, whereas the ‘tax-saving’ scheme were the least performers with the corresponding figures of 4 schemes and Rs. 15 crores.

iii. Analysis of investors’ responses as perceived by managements of AMCs revealed that 44 out of 53 schemes (83 per cent) could get positive response from the investors.
iv. Objective-wise schemes investors' positive response was higher (100 per cent) for 'other' schemes, and it was lowest for 'tax-saving' schemes (50 per cent).

v. On the dimension of increase in Net Asset Values (NAVs), highest number of 'other' objective schemes (8 out of 10 i.e. 80 per cent) registered 1 to 10 per cent increase in NAVs. On the contrary, not a single AMC out of 4 'tax-saving' objective schemes noticed positive increase in NAVs.

vi. From the viewpoint of management of AMCs, 'income' objective scheme was rated as the preferable investment as against 'tax-saving' objective schemes.

7.7 SUGGESTIONS

i. Indian public sector commercial banks entered into mutual fund industry without prior permission from RBI which is regulatory authority over the banks, being the central bank. These banks started operating mutual funds without proper guidelines as to their set-up and functions. A few managements of private non-banking financial companies offering mutual funds resorted to inept practices such as purchase of shares at prices higher than the market prices. The unit scheme- 64 crisis of UTI which was a classic example of failure of
Asset Liability Management (ALM), and it was later bailed out by the Government. Hence RBI and SEBI, two regulators, should ensure adequate safeguards while granting permission to NBFCs to operate mutual fund subsidiaries.

ii. For granting tax rebates under Income Tax Act, 1961, no monetary limit is set with respect to investments in NSCs and deposits in post office savings bank (CJD Rules, 1959), unlike a ceiling of Rs.10000 on investment in units of mutual funds. This tax discrimination militates against investment in mutual funds. There should be level playing field, treating mutual fund investments on par with the other comparable investments for tax concessions.

iii. Currently there are two sets of restrictions operating on the investments made by mutual funds – one set prescribed by UTI Act, 1963 and UTI regulations and other set issued by SEBI. The former is applicable exclusively to UTI and the latter covers all other mutual funds. Our analyses of secondary data focusing on investment pattern of the mutual funds, reveals that more than 50 per cent of the investment was made in equity shares whose market has been witnessing violent ups and downs. Mutual funds for their success depend on capital market buoyancy. It is suggested that UTI and SEBI should ensure the
judicious investments, directing Asset Management Companies (AMCs) of mutual funds for bringing necessary diversification in investments and balancing risks and returns.

iv. The present restrictive ceilings on investments in American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) of Indian companies and Venture Capital Funds (VCFs), should be relaxed, giving scope for enhancing the investments in these securities so as to augment the earnings of the Indian mutual funds.

v. In the process of educating investing public in mutual funds, the Association of Mutual Funds in India (AMFI) brought out two books ‘Making Mutual Funds Work for you’ and ‘Selling Mutual Funds Made Easy’ in English. They should be translated into regional languages so as to broad-base the knowledge of mutual funds with the prospective investors in semi-urban and rural areas. A few more booklets highlighting different dimensions of mutual funds are the need of the hour.

vi. In contrast to banks, financial companies, insurance companies and NSS the mutual funds do not make use of advertisement in print and electronic media. In popularizing mutual fund schemes advertisements come next only to agents, and friends. Hence mutual funds should
vii. There is, at present, no well designed marketing net-work for delivery of different mutual fund products in rural areas. For effective reach of all rural investors, existing net-work of banks' rural branches and post-offices can be utilized to the maximum.

viii. Empirical data reveal that investors prefer more to put their money in other objective schemes, that is, other than income-, growth-, tax saving-, and balanced schemes. There is a greater need to introduce new products through better product conception and engineering so as to suit the investment needs of different classes of investors.

ix. In comparison to the popularity of mutual funds in developed countries like USA in which they account for 40 to 54 per cent of financial savings, growth of mutual funds in India is sluggish whose share in house- hold savings increased from 0.3 per cent in 1980-81 to 5.2 per cent 1999-2000. To position the mutual funds in a highly competive capital market in India, the following recipes to the managements of Indian mutual funds are suggested: avoiding emotional reaction to market movements, taking long term view of investments, holding a
mix of investments, investing regularly, setting realistic expectation and seeking advice from informed sources.

18 per cent of our sample respondents have not made any investments in mutual funds. Most of the rural investors do not have good knowledgeable about the product features of different mutual fund schemes, let alone the returns, services and their comparative position. So many awareness programmes like seminars, meetings, conferences and exhibitions must be planned to increase the level of awareness in investing public in general and rural segments in particular.

Our empirical analysis brings to light the fact that 34 per cent of the mutual fund investors made investments at the instance of agents who operate mostly on part-time basis. Further, rural investors have very limited or no access to these agents. To correct this situation, appointment of agents on full-time basis with proper incentive structure, is suggested. Institutions and professionals as distributors of those products should be tried to widen distribution net-work.

Agent sample survey reveals that agents do not show much of an interest in the training programmes. Other financial institutions stand positively in comparison to mutual fund organizations on the dimension of training. Hence strengthening of the training programmes
by AMFI is suggested for imparting advanced skills to the agents in marketing the mutual fund products.

When the mutual fund organizations launch any new schemes, it is desirable that they should subject themselves to rating by the reputed credit rating agencies. The ranks should be determined on the basis of the risk adjusted returns logged by the schemes in each category covering 3 months, 6 months and 1 year periods. SEBI must launch a novel, comprehensive, and scientific system for measuring the performance of all types of mutual fund schemes.

Investments in National Saving Schemes (NSCs) are guaranteed by the Government. Provident fund contribution of employees is protected by the Provident Fund Act. Life insurance policy cannot be regarded as a saving or investment instrument, since it covers the risk of human life at a financial cost by the Life Insurance Corporation of India. Bank deposits also enjoy insurance coverage through Deposit and Credit Guarantee Corporation. But the investment in mutual funds falls outside any such guarantee. To protect the mutual fund investors loosing their money, protection fund should be created.

Law of nomination has been recognized and provided by legislations such as Insurance Act, 1938, Banking Regulation Act, 1949, Public
Provident Fund Act, and the recently enacted Companies (Amendment) Act, 1999. With the rapid growth of mutual fund industry and increasing investments in mutual fund schemes by the investment public, the issue of nomination facility to the unit holders has assumed added significance. Hence the facility of nomination should be extended to mutual fund investors.

HINTS FOR FURTHER RESEARCH

The following areas should be studied in future by other scholars so as to ameliorate the difficulties faced by the investing community, fund management and other research organizations. This must be aimed at the protection of the investors from the onslaught of market volatility and to help the investors to select a specific scheme which will suit their requirements etc.

The following thrust areas need further research and study to arrive at a holistic perspective of the role of mutual funds in the Indian economy in the backdrop of the new mantra of globalization, liberalization and privatization.

i. The role of SEBI in regulating the mutual fund industry with special reference to investment protection;
ii. The self-regulated body AMFI's role in protecting and promoting the interests of mutual funds and their unit holders;

iii. The factors that influence the investment decision of the investors, especially in the rural India;

iv. Mutual fund organization and their fund mobilization campaign;

v. The evaluation performance of private sector mutual funds;

vi. The comparative growth of different schemes that have been launched by the mutual funds in India and