CHAPTER - VII
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter deals with the summary of findings, suggestions and conclusion. The findings are summarised and analysed. The Mutual funds are one of the best growing industries with the inflow of the financial resources for the economy and the stock market. The main purpose of this research is to study the growth of mutual fund industry in India and to identify the factors influencing the mutual fund investment decision making in order to find out the most influencing factor and also to examine the investor’s scheme preferences.

Investors found to be highly motivated by various attractive features of the mutual fund product. The study aims at identifying those factors and to order them according to the opinion of the investors which helps the industry to identify the expectation of the investors and also to understand their behavior towards investment in financial market.

The growth and development of mutual funds is due to number of factors. The prominent among them are growth of capital market, entry of private sectors both Indian and foreign sponsored Joint ventures, collaborations and mergers of fund houses. Product innovation which includes innovative schemes floated in the mutual fund market by the fund houses, increase in assets under management of the fund houses, increase in income of the young population, increase in savings pattern of the individuals, buoyant stock market are contributing factors to the growth of the industry at such levels and proper monitoring and regulatory framework of SEBI also contributed to its growth.

The study also with the expressed objective of evaluating the performance of selected mutual funds is analysed with the help of Secondary data obtained from the respective mutual fund companies websites. Sharpe and Treynor ratios were calculated to find out the top performer both in the public and private sector mutual funds.

The following are the core objectives of the study.

- To study the growth of mutual funds.
- To evaluate the performances of selected mutual funds Schemes.
- To study the investors’ preferences in mutual fund schemes
- To analyze the factors that influences the investors’ choice of mutual fund scheme.
- To offer suggestions for better performances of mutual funds.
The following statistical tools are used to obtain the torrent.

- Percentage Analysis
- t test
- Chi-square analysis
- ANOVA followed by Duncan Multiple Range Test (DMRT)
- Factor Analysis
- Friedman test
- Correlation Analysis
- Regression Analysis

Summary of Findings

7.0 Profile of the Respondents

1. Out of total sample of 500 mutual fund investors Majority of the respondents are in the age group 30-40 years (30.6%). 29.8 % are in the age group of 40-50. This is closely followed by the age group with. The investors within the age group of below 30 are covering.28.2%of the sample. Only 11.4% of the total samples fall under the age group of above 50 years.

2. Among the 500 respondents 68.6% are male investors and 31.4% of them are female investors.

3. In the sample of 500 respondents 12.4% of them have school level education, 44.2% are graduates, 24% of the sample group are post graduates % 19.4% are well educated with professional degree.

4. As to the marital status 71.4% of the respondents are married and 28.6% of the Sample group belongs to unmarried category.

5. As regard to the occupation 196 (39.2%) are employed in service sector Out of 500 respondents, followed by 136 (27.2%) are doing business, 117 (23.4%) of them are professionals and 51 (10.2%) are retired.

6. From the study it is inferred that 263 (52.6%) belongs to nuclear and 237 (28.6%) are in joint family.

7. As regard of the income of the respondents 107 (21.4%) of them are with the monthly income of Rs 25000- Rs.30000 followed by 97 people (19.4%) with Rs.10000-Rs.15000, 91 (18.2%) of them are with the monthly income of less than 10000, 82 respondents (16.4%) with above Rs.30000, 64 (12.8%) with Rs.20000-Rs.25000 and 59 (11.8%) of them are having monthly income ranging between with Rs15000-20000.
8. With regard to the monthly income of the family of the respondents participated in this study it is found that 102 (20.4%) of them with the monthly income Rs 30000- Rs.50000 followed by 93 (18.6%) with less than Rs.10000, 82 (16.4%) with Rs.25000- Rs.30000, 58 (11.6%) with above 50000, 58 (11.6%) with Rs15000-Rs.20000, 54 (10.8%) with Rs.20000-Rs.25000 and 53 (10.6%) of the respondents are with the family income ranging between Rs10000- Rs.15000.

9. It is inferred from the analysis that a maximum of 166 (33.2%) of the respondents save below 5% and 128 (25.6%) of the respondents save between 5 to 15%. It is also observed that between 15 to 25 % savings is made by 130 (26%) of the respondents .It is also found that 76 (15.2%) of the respondents savings is above 25 %.

10. 39.2% of the respondent’s investment in mutual funds is below 25,000 Rs. per annum and 33.0% of the respondents invests between 25,000 Rs, to 50,000 Rs. A sum between 50,000 Rs. to 1,00,000 Rs. is invested by 14.8% of the respondents. It is also found that 13% of the respondents investments is above1,00,000 Rs. per annum.

11. It is evident from the study 42.0% of them invests out of their current income, 36.4% of them invests out of the income from other source (Gifts & additional incomes like bonus, incentive, commission) and 21.6% of them uses their past savings to invests in mutual funds.

12. It is prudent from the study that 200 (40.0%) of the respondents make systematic investments in mutual funds, 190 (38.0%) of them invests at random and 110 (22.0%) of them invests only during January to March for availing exemption from income tax.

7.1 Growth of the industry

1. The study reveals that the mutual funds are considered as one of the important investment source available for small investors in India.

2. In India, Mutual Fund concept took roots only in sixties, after a century old history elsewhere in the world.

3. Mutual funds are one of the best growing industries with the inflow of the financial resources for the economy and the stock market.

4. The study reveals that the industry has grown in terms of number of mutual fund companies operating in India.

5. It is found from the study that assets under management of mutual fund industries showing an increasing trend during the period of study and at present it reached Rs. 10.59 lakh crores.
6. The study also reveals that mutual fund as an attractive investment avenue has grown in number of mutual fund schemes with different plans and options.

7. The growth is also reflected in huge mobilization of resources. Mutual fund companies play a vital role in bringing the household savings to stock market.

8. The growth is also reflected in number of schemes offered that too catering to the need of investors.

9. The negative outcome of the study is mutual fund companies lost investors in the year 2011-12 and 2012-13, but it regained the investors in the financial year 2013-14 and there is increase in investors accounts in the first seven months period from April 2014-October 2014.

10. It is found from the study that many investors consider mutual funds mainly for tax exemption next to maximum yield. Mutual fund investments companies should take steps to retain those investors who come only for tax exemption and should convert them as regular investors. Fund houses as well as investors can claim for increase in the Exemption limit exclusively for mutual fund investment under Income tax Act. This will bring more retail investors to this investment.

11. The study also reveals that compared to the past, in the year 2013 and 2014 the mutual funds mobilized more resources and also increased its asset base. This shows that the industry is in the growing phase and also has more ample space to grow in the near future.

7.2 Scheme Preferences

1. There is significant difference between mean ranks towards the different types of investments. Further Friedman test applied to rank the investor preferences towards various types of investments reveals that majority of the respondents prefer to invest in bank deposits first followed by Provident funds/LIC and mutual funds ranked third by the investors. Though company deposits and shares are available investors selected mutual fund as third option in their investments. This is good news for the fund houses. The following table presents the ranking of different types of investments according to investors choice of investments.
7.1 Ranking of Different Types of Investments

<table>
<thead>
<tr>
<th>Different types of investments</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits</td>
<td>1</td>
</tr>
<tr>
<td>LIC policies</td>
<td>2</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>3</td>
</tr>
<tr>
<td>PF/Savings Scheme</td>
<td>4</td>
</tr>
<tr>
<td>Shares</td>
<td>5</td>
</tr>
<tr>
<td>Company deposits</td>
<td>6</td>
</tr>
<tr>
<td>Debentures</td>
<td>7</td>
</tr>
</tbody>
</table>

Bank deposits with the least mean score ranked first and considered as first preferred investment by the investors. It is followed by LIC policies which stood in the second place. Mutual Fund Investment which is the topic of the research ranked third by the investors and the other investments like Provident Fund savings, Shares, company deposit and debentures are ranked in fourth, fifth, sixth and seventh place respectively.

2. The study reveals the fact that 67% of the respondents prefer open-ended funds and 33% of them prefer close-ended. Fund houses should take this issue seriously and try to float more open-ended funds.

3. It is found from the study that Investors make systematic investment in mutual funds and the second category investors invest only at random. Third category investors invest in mutual funds only for claiming tax exemption. It is quite common that people think about investments and payments only at the time the income tax falls due in order to avail tax exemption. It is suggested that mutual fund companies should make use of this opportunity and should introduce more attractive schemes at that time.

4. Fried man test reveals that Under the objectives of investing in mutual funds, It is found from the study that there is significant difference between mean ranks towards the Objectives of investment in mutual funds. The various objectives of investing in mutual funds is ranked by the investors in the following order.
Table No.7.2  Ranks of objectives of investing in mutual funds

<table>
<thead>
<tr>
<th>Objectives of investment in Mutual Funds</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>High return</td>
<td>1</td>
</tr>
<tr>
<td>Tax exemption</td>
<td>2</td>
</tr>
<tr>
<td>Risk diversification</td>
<td>3</td>
</tr>
<tr>
<td>Capital Appreciation</td>
<td>4</td>
</tr>
<tr>
<td>Liquidity</td>
<td>5</td>
</tr>
<tr>
<td>Professional Management</td>
<td>6</td>
</tr>
</tbody>
</table>

The respondents are of the opinion that high return is the primary objective of investment in mutual funds followed by tax exemption in the second place. High return being the primary objective of investing in mutual funds stood in the first place. Tax exemption is in the second place. This is followed by risk diversification which is in third rank. Capital appreciation ranked fourth by the investors and liquidity and professional management which are the other objectives of investing in mutual funds are ranked in fifth and sixth place respectively.

Mutual funds yield good returns compared to other investments. As investors expect considerable return on investment fund managers should make use of their expertise to secure adequate and satisfiable return for their investors.

5. The study reveals the fact that majority of the investors prefer minimum rate of return between 20 percent to 30 percent. Return is the main motive for investors. Mutual fund yields high return. As far as minimum rate of return is concerned expectation of the investors under nuclear family is more than the investors in joint family.

6. With regard to types of fund investors prefer to invest in equity funds. Balanced fund is the second option. The secondary data analysis of the growth of mutual fund industry reveals that investors at present moving towards debt oriented funds.

7. Under Scheme preference Options growth option is their first preference followed by dividend payout option.

8. The Study reveals the fact that under sectoral funds investors prefer to invest in Banking Sector and IT sector is their second option. From the secondary data analysis it is found that FMCG sector is also gaining importance currently which attracts more investors.
9. In the present study majority of the responders choose to invest in mutual funds only through banks than investing through brokers.

7.3 Motivating Factors influencing the investors

1. Independent sample t test that is used to analyse the motivational factors reveals the fact that the investors have more opinion on factors motivating investment in mutual funds which is above the average level. As the mean score of all the factors is above three they are also highly motivated by all the twenty variables which is categorized into five major factors appropriately grouped under financial factor / Economical factor, Brand image, quality factor, macro factors and Investor service.

2. Independent sample t-test analysis reveals that according to Gender classification male investors are found to be better motivated than female investors as far as the motivating factors are concerned and it is also found that they have more information on various features of mutual fund than female investors. It is a known fact that women save more than men but as far as investments are concerned they have less investments knowledge than male investors. Therefore it is suggested that Female investors should bring their savings out of safe and earn additional income on their savings by making proper investments.

3. It is clear from the analysis that the mean level of motivation of Married investors are slightly better than Unmarried with regard to all factors motivating investment in mutual funds except investor services factor as they don’t differ significantly. It is suggested that the fund houses should pay more attention to unmarried investors in order to bring their money to the market. It is also suggested to the investment companies that they should target the Young population with rising income level.

4. Further t-test analysis reveals that the Mean level of motivation of investors of nuclear family are slightly better than Mean level of motivation of investors of joint family on Investment in Mutual Fund. It is found from the study that the Nuclear family investors are more motivated than joint family investors. It is suggested that AMC’s can concentrate on investors in joint family and create awareness .Where the family income requirement is more under joint families they may be educated in that regard by the fund houses.

5. Anova applied on the sample reveals that Investors under different age group don’t differ significantly with regard to motivational factors. All the age groups are highly motivated and more or less in the same level of motivation.
6. It is evident from the analysis that Graduates have better motivation than school level qualified investors. Even the professionals are better motivated. Based on Duncan Multiple Range Test (DMRT) up to HSC qualified investors significantly differ with other educationally qualified investors at 5 % level but there is no significant difference between under graduates, post graduates and professionals with regard to Finance/Economic, Brand Image and Overall Motivation for Investment.

7. It is evident from the analysis that there is no significant difference between occupations with respect to all factors motivating investment in mutual funds. The respondents of the study are under different occupations which imply that mutual fund companies consist of investors under different occupations. Based on the mean score retired people are slightly better than investors in other occupations closely followed by investors in service sector and business. Therefore it is suggested that AMC’s can pay more attention to retired people to retain them and frame such schemes which may be suitable for them. It is also suggested that mutual fund Company’s should target the investors under other occupation and should create more awareness to retain the present and to attract the potential investors

8. Based on Duncan Multiple Range Test (DMRT) investors in only one earning member in the family are significantly different with investors in the families with two and three earning members at 5 % level. But there is no significant difference between investors in the families with two and three earning members with regard to Finance/Economic factors motivating investment in mutual funds. Family consists one earning member will have more interest in getting additional income to the family at low investment cost. So they are highly motivated as far as finance factor is concerned. Fund houses should target the families with more earning members in order to route their excess earnings to mutual funds.

9. It is clear from the study Investors with low income are more motivated than with high income group. It is quite common that investors with low income require more additional income. This motivates them to save and invest.

10. From the analysis it is found that investors with savings percentage above 25% differ significantly from others at 5% level. It is due to the reason they may have more expectations than others with above 25 % savings and investment.

11. Based on Duncan Multiple Range Test (DMRT) with respect to Overall Motivation for Investment in Mutual Funds, investors with the invested amount between Rs.50,000-Rs.1,00,000 and above Rs.1,00,000 have similar opinion and they are highly motivated
compared to others. But investor with below Rs.25,000 invested amount and the investors with the invested amount between Rs.25,000–Rs.50,000 have different opinion from others. Their level of motivation is less and the mutual fund houses should concentrate on these investors to improve their motivation level in order to bring in more investment.

12. Further it is noted from one way analysis of variance applied on the sample that there is no significant difference between minimum rate of return and factors motivating investment in mutual funds. This is also due to the reason that investors prefer capital appreciation than the dividend payment option.

13. The Chi-Square analysis reveals the fact that 46.8% of joint families do systematic investment in mutual funds and 21.5% invest only during January –March for tax planning and 31.6% invest at random. Whereas in nuclear family 33.8% make systematic investment in mutual funds and 22.4% of them invest only January –March for tax planning and 43.7% invest at random. It is prudent that nuclear family mostly invest at random only. It is suggested that fund houses should take this issue seriously and should encourage and create awareness among general public to make systematic investment in order to retain the investors.

14. It is found from the study that there is association between Monthly Income (Individual) and systematic investing in Mutual Funds by investors. But it is evident from the study that respondents with lesser income make systematic investment than the respondents with higher income. High income respondents choose to invest at random only to make book profit. It is suggested that random investors to be encouraged by the fund houses to become systematic investors.

15. The Chi-Square analysis further reveals that there is no association between age of the respondents and minimum rate of return expected by them.

16. The study also proves that there is association between type of Family and Minimum rate of return. With regard to minimum rate of return the nuclear family has more expectation than joint family.

17. It is evident from the study that there is association between Educational Qualification and Minimum rate of return. Expectation of upto school educated investor is more than investors highly qualified.

18. It is clear from the Chi-Square analysis that there is association between Occupation and Minimum rate of return.

19. Chi-Square analysis also proves that there is association between Percentage of savings per annum and Minimum rate of return. Minimum rate of return expected by the investors varies with different percentage of savings.

20. Based on the analysis it is found that there is significant difference between mean ranks towards Factors motivating investment in mutual funds. Further Friedman test is
applied to identify the most influencing factors. As per the analysis and the mean score obtained by the respective the factors are ranked in the following order.

**Table No.7.3  Ranking of factors motivating investment in mutual funds**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Factor/Economic Factor</td>
<td>1</td>
</tr>
<tr>
<td>Quality Factor</td>
<td>2</td>
</tr>
<tr>
<td>Brand Image</td>
<td>3</td>
</tr>
<tr>
<td>Macro Factors</td>
<td>4</td>
</tr>
<tr>
<td>Investor Services</td>
<td>5</td>
</tr>
</tbody>
</table>

High return, tax benefits, low cost of investment and the fund’s past performance which are grouped as financial factors found to be highly influencing the investors followed by the qualities of mutual fund which consists of liquidity, flexibility, innovative features and so on. Brand image also encourage investors ranked third in the order and outside factors also contribute to this. Various services offered by fund houses also taken into consideration by the investors but it stands last in the order. It is suggested that mutual fund houses should take into consideration these factors and should concentrate on providing more investor services which may bring more people to them as investors.

21. Correlation Analysis of the motivating factors reveals that the Correlation Coefficient with regard to motivating factors influencing the mutual fund investors the study reveals the fact that there is positive relationships between all the motivating factors.

22. Regression Analysis in the study reveals that the dependent variable is Motivation, the value of **R square is 0.301** simply means that about 30.1% of the variation in motivation is explained by the estimated SRP that uses Age, Educational Qualification, Occupation, No. of earning members in the family, Monthly Income (Individual) , Percentage of savings per annum, Total amount invested in mutual funds, Minimum rate of return expected from Mutual Fund investment and Time frame preferred on investing in mutual fund as the independent variables and R square value is significant at 1 % level. The coefficient value of 0.549 indicates that the relationship between Motivation and the nine independent variables is quite strong and positive.
23. As per the Factor analysis applied on the twenty variables all the twenty variables are condensed into five major factors such as Finance/Economic factor, Quality, Brand Image, Macro Factor and Investor Service Factor were extracted out of attributes. These factors account for about 68.037 percent of variance in the data.

7.4 **Performance Evaluation of Mutual Funds**

1. Based on the performance evaluation of mutual funds for the period 2008 to 2014 it is found that private sector sponsored mutual funds generates high returns.

2. It is also evident from the study that private sector funds are exposed to high risk compared to public sector funds.

3. The standard deviation which is referred to the risk associated with the funds is high in case of private sector sponsored mutual funds and low in case of public sector sponsored mutual funds.

4. The public sector funds ranked first under sharpe measure of evaluating mutual funds under both growth plan and dividend plan.

5. With regard to Treynor measure private sector fund ranked first under dividend option and public sector funds ranked first under growth option.

6. Baroda Pioneer consistently performing better and was ranked first from the year 2008 to 2104 except in the year 2013 and 2014.

7. LIC Nomura mutual fund is the poor performer in terms of average annual returns, sharpe as well as under Treynor measure.

8. Birla sunlife records high returns in the year 2013 and 2014 and therefore on average annual returns it occupies the first place while all other funds fairly performed.

9. Average 91 days Treasury bill yield was poor in the year 2009 and 2010 and increased to better returns from 2011 to 2014.

10. Both public and private sector funds yield more returns than the 91 days Treasury bill rate except few funds which records lesser than the Treasury bill rate of return.

7.5 **Suggestions to the fund houses**

1. It is suggested from the study undertaken that mutual fund companies need to penetrate to rural areas. The growth of mutual fund industry is prominent only in metros and other developed cities of India.

2. It is also suggested that fund houses has to float more open ended fund which attracts the investors.
3. The investors give more importance to returns and the cost of investment than other features of the product which requires the attention of the companies to concentrate on these issues.

4. It is found from the study that more risk associated with private sector funds which is an alarming issue for the private sector fund companies. Therefore it is suggested that private sector funds should adopt appropriate strategy for minimizing the risk for the investors and to gain the confidence of the investors.

5. In mutual fund industry, equity oriented schemes found to be dominated. But the debt oriented schemes tend to gain more attraction in the near future in order to satisfy the needs of the customers, which includes security and liquidity in terms of tax point of view. This is another area of attention of the mutual fund companies.

6. More investor awareness programs can be organized by SEBI and AMFI.

7. The young generation with surplus income prefers to invest in mutual funds. Therefore the companies have to target those investors.

8. It is very important for the fund houses to keep a track on investors behavior and expectations, as they frequently change according to their changes in the life style, earnings, attitude and preferences.

These are some of the general suggestions other than the suggestions given along with the findings of the study.

7.6 Suggestions to the investors

1. It is evident from the study that more risk associated with private sector sponsored funds but according to the risk involved they also generate more returns compared to public sector funds.

2. It is also suggested that the Investors has to ensure the expertise of their fund managers capability of managing the portfolio.

3. Public sector sponsored funds are more secured than the private sector sponsored funds but compared to private sector funds public sector funds yield only moderate returns.

4. It is also suggested that the investor has to get the details of the portfolios about their investments.

5. Total dependence on fund manager ability is not advisable unless the investor is also updated with the market trends.
6. It is also found from the study that the funds which are consistently performing better are also turned poor. Therefore it is evident that the past performance is not a guarantee for future performance and the investors should not make investment based upon past performance of the funds.

7.7 Conclusion
The Mutual funds can be considered as one of the important investment source available for small investors in India. Mutual Fund industry has to face competition not only from within the industry but also from other financial products that may provide many of the same economic functions as mutual funds but are not strictly Mutual Funds. In the future, Mutual Fund industry has to face competition not only from within the industry but also from other financial products.

The post survey developments are likely to have an influence on the findings. Behavioral trends usually take time to stabilize and they get disturbed even by a slight change in any of the variables. Hence, surveys similar to the present one need to be conducted at intervals. Unless the Mutual Fund schemes are changed to the needs of the investors, and unless the AMCs understand the fund selection of the investors, survival of funds will be difficult in future.

7.8 Societal Implications
The study will be useful for individuals and institutional investors in selecting mutual funds. It also helps fund managers to identify the most influencing factor that attracts the investors to mutual funds and also helps them to concentrate on those areas which they should follow in order to maximize returns for their investors. The study also analyses the growth of mutual fund industry and find out the causes which are impediments to its growth As mutual fund is one of the major mobilizer of funds to the economy and the mutual fund industry manifests huge opportunity for growth, the study also helps the Government to reenergize the mutual fund industry by enhancing the levels of investor education.
7.9 **Scope for further research**

This study ascertained the various predominant factors influencing the mutual fund investors. As the investor’s behavior tends to change frequently research of this kind can be conducted in frequent intervals. A comparative study between other public sector and private sector mutual funds can be done by budding researchers. 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 mutual fund industry is a growing industry the growth of the industry can also be studied by the prospective researchers.