Factors Affecting Selection, Performance, Opportunities and Challenges of Mutual Funds in India

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Abstract

After 1991’s Liberalisation Privatisation Globalisation policy, large number of financial institutions have entered into the market with emerging products. Mutual fund is one of them. As number of mutual fund players have increased in the financial market, it becomes necessary to evaluate their performance and factors affecting it. Mutual fund is financial instrument where people invest their money as per their predetermined objectives. This paper has tried to review various studies on mutual funds. Various studies on mutual funds in India and abroad are analyzed to find out the current scenario, growth prospects, industry structure, challenges and performance of different mutual fund during the period of 2000-2013 (July). It is found that there is huge growth potential in semi urban and rural markets, mutual funds have not outperformed the market, equity funds are more popular among investors.
**INTRODUCTION**

A Mutual Fund is a trust that collects the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized are shared by its unit holders in part to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers a prospect to invest in a diversified, professionally managed basket of securities at a comparatively low cost. The flow chart below describes broadly the working of a mutual fund:

![Flow Chart of Mutual Fund](Source: mutualfundsofindia.com)

**History of the Indian Mutual Fund Industry**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases.

**First Phase – 1964–87**

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management.

**Second Phase – 1987–93 (Entry of Public Sector Funds)**

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.
Third Phase – 1993–2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

Fourth Phase – since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth.

The graph indicates the growth of assets over the years.

Types of Mutual Funds Schemes in India

Wide variety of Mutual Fund Schemes exists
to cater to the needs such as financial position, risk tolerance and return expectations, etc. The table below gives an overview into the existing types of schemes in the Industry.

Types of Mutual Fund Schemes

- **By Structure**
  - Open-Ended Schemes
  - Close-Ended Schemes
  - Interval Schemes

- **By Investment Objective**
  - Growth Schemes
  - Income Schemes
  - Balanced Schemes
  - Money Market Schemes

**Other Schemes**
- Tax Saving Schemes
- Special Schemes

**Index Schemes**

**Sector Specific Schemes**

**Mutual Funds – Organisation**

There are many entities involved and the diagram below illustrates.

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**OBJECTIVES OF STUDY**

This paper has tried to review the literature on performance of mutual funds in India and general areas like factors affecting selection, challenges and opportunities for mutual funds in India and research gap is identified.

The research papers collected have been divided into two broad areas:

1. General studies on mutual funds
2. Performance of mutual funds in India.

This study has identified the common tools, methodologies used by the researchers in India and abroad.

**LITERATURE REVIEW**

The literature review has been divided into two categories:

**General Studies on Mutual Funds in India and Abroad**

Miguel A. Ferreira, Aneel Keswani, António F. Miguel, Sofia B. Ramos (July 2011) analysed the factors affecting performance of 16,316 open-end actively managed equity mutual funds in 27 countries during 1997-2007 by using Carhart four-factor model. They find that mutual funds underperform the market overall. The U.S. funds had shown decreasing returns to scale is not an universal truth as the performance of funds located outside the U.S. and funds that invest overseas is not negatively affected by scale. Factors affecting were liquidity constraints faced by funds that, by virtue of their style, have to invest in small and domestic stocks, Country characteristics.
Padmini Sundaram (2012) examined the mutual fund industry with descriptive research in Brazil, Russia, China & India. It was found that BRIC had different mutual fund Industry, distribution channels, Expenses, etc. In India Reliance mutual fund had highest Average AUM. There are no entry loads in India and Indian Mutual fund Industry is showing decreasing AUM since 2009.

Mr. G. Lenin Kumar, Ms. S. Gayathri, Ms. S. Karthika studied the structure of Indian Mutual fund Industry and suggested that Need for governance, Penetration in rural areas, product innovation, competition from substitute products are the emerging challenges.

Manasa Vipparthi and Ashwin Margam conducted a study in Warangal sample size of 400 to study the dependency of choice of public and private sector mutual funds on demographic profile and the factors affecting investor perception of the choice of public and private sector mutual funds. They suggested that the investors’ perception depends on the demographic profile and investors’ choice of investment is related to the investors Age, Marital status and occupation. Liquidity, Flexibility, Tax savings, Service Quality and Transparency had a huge impact on investor’s perception.

Donald Nelson, William H. Wells, Kevin J. Perry and Donald Hanson (1999) studied whether the fund directors were implementing the best practices for as outlined by the Investment Company Institute (ICI) and consistency of implementation of the ICI’s 15 best practices across large family funds (more than 20 funds) and small family funds (fewer than 20 funds through survey and descriptive data analysis. It was found that the ICI proposed best practices were operational or in the process of becoming operational by the majority of funds and larger (older) and smaller (younger) fund families degree of implementation was not different.

Jeffrey J. Yankow, Thomas I. Smythe and Vance P. Lesseig (1999) examined both fixed income and equity funds, by separating load and no-load funds, and by using a richer empirical model by taking individual retail mutual funds advertising in the 12 monthly issues of Money magazine. They suggested that advertising effects the flow of funds but differently for equity and bond funds and by distribution channel, advertising appears to be most helpful in the broker-sold channel, independent of whether ads promote performance or not. Investors in the broker-sold channel chase performance more aggressively. Advertising was also helpful for funds marketed directly to consumers. They further found that advertising has no result on bond fund flows in the broker-sold market and is connected to a lower flow to funds in the direct-found channel.

Droms et al. (1994) had investigated investment performance of international mutual funds by a using pooled cross-sectional/time-series regression method and concluded that performance is unaffected by fund size during volatile growth of international mutual funds.
Cooper et al. (2005) had inspected whether mutual funds alter their names to take advantage of emerging investment styles, and found that the fund experiences an average cumulative abnormal flow of 28%, with no upgrading in performance.

Yuan et al. (2008) had studied the impact of mutual funds’ ownership on firm performance in China, by collecting a sample during 2001–2005 and concluded that equity ownership by mutual funds had a affirmative effect on firm performance.

Klapper et al. (2004) had explained the growth of mutual funds in world and found that mainly in Asia, mutual funds grew around the world during the 1990s, equity funds outweigh in Anglo-American countries and bond funds in most of Continental Europe and in middle-income countries. The main factors identified are capital market development (reflecting investor confidence in market integrity, liquidity and efficiency) and financial system orientation.

Bruce A. Huhmann and Nalinaksha Bhattacharyya (2004) examined whether information about the risk-return trade-off, credibility, convenience information, is present in advertisements of mutual funds in Barron’s and Money over two years. It was found Mutual fund advertisements were not providing the necessary information for optimal investment decisions, using techniques known to increase the likelihood that their advertisements are noticed, using techniques known to decrease the readership of their advertisement, absence of convenience information.

Bala Ramaswamy and Mathew C.H. Yeung (2003) studied the factors which mutual fund and insurance advisors considers while choosing mutual fund to sell in emerging markets with reference to Malaysia with the help of conjoint analysis and determined that they considers past performance, transaction cost, size of fund, aggressive & qualified fund manager and govt supported funds.

Dr. Bhagwan Das, Ms. Sangeeta Mohanty and Nikhil Chandra Shil (October 2008) has studied and compared the selection behavior of retail customer for mutual fund and Insurance in Cuttack and Bhubaneshwar. It was found that majority of people, i.e. govt employees prefer to invest in mutual fund, males are the major customer for insurance and mutual fund and newspaper was the major source of information for the investors. So insurance and govt deposits are the major competetors of mutual funds.

R.A. Rabika Begum and Dr. P.S. Valamarthy (2011) examined the motivating factors behind investment in Chennai by Factor Analysis. 19 variables were converted into 5 major factors and then it was concluded that Investor considers economic factors as most important.

Ms. Kavita Rangnatham studied the financial behavior of investors towards mutual funds in Mumbai during September-October 2004 through factor analysis and concluded that Investors prefer savings for retirement, pension and provident funds, growth and income schemes for motives of safety, liquidity, tax benefits, capital appreciation, etc.
Dr. Sisira Kanti Mishra used exploratory approach to study the different AMC in mutual fund industry, i.e. HDFC mutual fund, ICICI mutual fund, Templeton mutual fund, Reliance mutual fund, covering a period of 3 years, from 2008-09 to 2010-11 and concluded that the industry had Rs. 4,78,258 crores in assets under 35 players, leading to a compounded annual industry growth rate of 26.89% as against the global average of 4% over the last five years, despite the slowdown. ICICI mutual fund and Reliance mutual fund had shown a consistent performance.

D.N. Rao and S.B. Rao conducted an study to analyse the patterns of investment of the investor groups fund wise, the investment portfolios of the investor group, the trends of folios of the investor groups fund, the investment holding periods of the investor group, the patterns of investment among the investor groups fund wise and portfolio wise per AMFI classification. Corporates accounted for almost 48% of the total investment (AUM) in the industry and more oriented towards non-equity funds which offer high security and liquidity, e.g. Liquid/Money Market and Debt-oriented funds. Retail investors’ group accounted for almost 24% of the total investment (AUM) in the industry and skewed towards equity oriented schemes (almost 80%) which offer high return, capital appreciation coupled with high risk and rest for Debt-oriented funds.

Mohammad Reza Tavakoli Baghdadabad had evaluated the performance of 65 international mutual funds through the optimized risk-adjusted measures during monthly period of 2001-2010 and found the prominence of using the new optimized measures with the conventional measures in the appraisal of mutual funds’ performance.

**Studies Related to Performance of Mutual Funds in India or Abroad**

M. Jayadev (June 1992 to March 1994) Evaluated the performance of Two growth oriented mutual funds as ‘Capital Growth Unit Scheme’ or popularly ‘Mastergain 1991’ of UTI and ‘Magnum Express’ of SBI Mutual Fund through risk adjusted performance measures, e.g. Jenson, Treynor and Sharpe ratios and found that Mastergain has performed better according to Jenson and Treynor measures but not on sharpe, the fund managers of two funds had shown poor ability of market timing and selectivity. Both The mutual funds have not performed superior than their benchmark index.

Sathy Swaroop Debasish (2009) evaluated the performance of 23 schemes offered by six private sector mutual funds and three public sector mutual funds over the time period April 1996 to March 2009 (13 years) risk-return relationship models and measures and found that Franklin Templeton and UTI performed better, Birla SunLife, HDFC and LIC mutual funds had below-average performance.

Dr. S. Anand and Dr. V. Murugaiah (2006) examined the performance of 113 selected schemes having exposure more than 90% of corpus to equity stocks of 25 fund houses mutual funds examine the degree of correlation that exists between fund and market return, the impact of fund specific characteristics on
performance, diversification and selectivity skills of fund managers. It was concluded that the mutual funds were not outperforming the market, fund managers were able to provide excess returns in comparison to risk lev.

Deepak Agarwal (2011) analyze the Indian Mutual Fund Industry NAV for 1 week to 5 years (10th May, 2002 to 10th May, 2007) along with the index-value of BSE Sensex for the same period. It was concluded that There is relationship between MF industry NAV and the Sensex movements which affects the MF performance and performance of the fund Managers affects the returns of the firm.

Dr. S.M. Tariq Zafar, Dr. D.S. Chaubey and Syed Imran Nawab Ali (2007-08) evaluated thirteen most preferred public and private sector equity diversified growth schemes over a period of one year, viz., 2007-08 through Jenson’s, Treynor’s and Sharpe’s ratio and found that none of the funds can be called as best or worst performer due to different rankings on different ratios. But in fact Taurus, ICICI and Reliance are the best funds w.r.t. portfolio return out of which Taurus had the highest beta amongst all the funds.

Prof. Jalpa Patel and Prof. Mitesh Patel (2012) studied the performance of diversified equity growth schemes of 43 companies for the period of 2003 to 2010. It was concluded that there was rank conflict as Sharpe’s & Treynor’s Measures give the same result but in case of Jensen’s Alpha measures were different.

Lonnie L. Bryant, Hao-Chen Liu studied the relationship between U.S. equity mutual fund management structure, fund risk and performance from 1999 to 2001 by selecting the group of fund managers who manage more than one mutual fund with different stated objectives. They concluded that “the management structure that mutual fund complexes employee have a significant effect on the risk exposure of the individual fund managed. On average, a multiple fund management structure, where a fund manager operates multiple funds simultaneously, has a 7% increase in objective style-drift risk exposure than the unitary fund management structure. However, this increase in risk exposure is not accompanied by an increase in fund performance. Large portion of mutual fund excess performance is idiosyncratic and remains unexplained by fund characteristic variables. However, once an investor settles on a general investment objective, the expected fund performance can be significantly improved by choosing those funds that are managed by a manager that operates a single fund.”

**ANALYSIS**

Previous studies on mutual fund have been examined by the help of comparative tables.
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<thead>
<tr>
<th>Title</th>
<th>Author</th>
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<th>Tools</th>
<th>Conclusion</th>
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<tr>
<td>Risk-adjusted performance of international mutual funds</td>
<td>Onur Arugaslan, Ed Edwards, and Ajay Samant</td>
<td>2008</td>
<td>Risk-adjusted returns</td>
<td>MF with higher average returns were less attractive when compared with their riskiness</td>
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<td>Mutual fund performance: An analysis of monthly returns</td>
<td>M. Jayadev</td>
<td>1996</td>
<td></td>
<td>Mutual funds have not performed superior than their benchmark index</td>
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<tr>
<td>Investigating performance of equity-based mutual fund schemes in Indian scenario</td>
<td>Sathya Swaroop Debasish</td>
<td>2009</td>
<td></td>
<td>Franklin Templeton and UTI were the best performers on basis of risk-return relationship models</td>
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<td>An empirical study on Indian mutual funds equity diversified growth schemes</td>
<td>Dr. S.M.Tariq Zafar, Dr. D.S. Chaubey &amp; Syed Imran Nawab Ali</td>
<td>2007-2008</td>
<td></td>
<td>MF with higher average returns were less attractive when compared with their riskiness</td>
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<tr>
<td>Performance of mutual fund in India (diversified equity growth)</td>
<td>Prof. Jalpa Patel &amp; Prof. Mitesh Patel</td>
<td>2012</td>
<td></td>
<td>Rank conflict</td>
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<td>A study of fund selection behaviour of individual investors towards mutual Funds – With reference to Mumbai city</td>
<td>Ms. Kavita Rangnatham</td>
<td>2004</td>
<td>Factor analysis</td>
<td>Investors prefer savings for retirement, pension and provident funds, growth and income schemes for motives of safety, liquidity, tax benefits, capital appreciation</td>
</tr>
<tr>
<td>Evaluating mutual funds in an emerging market: Factors that matter to financial advisors</td>
<td>Balaswamy and Matthew C.H. Yeung</td>
<td>2003</td>
<td></td>
<td>Size of funds, past performance and cost of transaction were most important factors</td>
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<tr>
<td>Perceptions of investors on mutual funds – A comparative study on public and private sector mutual funds</td>
<td>Manasa Vipparthi &amp; Ashwin Margam</td>
<td>2013</td>
<td></td>
<td>Choice of investment is related to the investors age, marital status and occupation. Liquidity, flexibility, tax savings, service quality and transparency</td>
</tr>
<tr>
<td>Market timing and the determinants of performance of sector funds over the business cycle</td>
<td>Abhay Kaushik, Anita Pennathur &amp; Scott Barnhart</td>
<td>2010</td>
<td>Carhart four factor</td>
<td>Fund managers have positive timings turn into negative timings when compared with sector specific index</td>
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<tr>
<td>The determinants of mutual fund performance: A cross-country study</td>
<td>Miguel A. Ferreira, Aneel Keswani, António F. Miguel, Sofia B. Ramos</td>
<td>2011</td>
<td></td>
<td>Equity mutual funds around the world underperform the market.</td>
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<tr>
<td>Analysis of components of investment performance – An empirical study of mutual funds in India</td>
<td>Dr. S. Anand &amp; Dr. V Murugaiah</td>
<td>2006</td>
<td>Correlation</td>
<td>Mutual funds were not outperforming the market</td>
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<tr>
<td>Measuring Performance of Indian Mutual Funds</td>
<td>Deepak Agarwal</td>
<td>2011</td>
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<td>Sensex movements which affects the MF performance and performance of the fund managers</td>
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<td>The BRIC mutual fund industry</td>
<td>Padmini Sundaram</td>
<td>2012</td>
<td>Descriptive research</td>
<td>BRIC had different mutual fund Industry, distribution channels, expenses, etc.</td>
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<tr>
<td>Best practices implementation in mutual funds, Journal of Financial Regulation and Compliance</td>
<td>Donald Nelson, William H. Wells, Kevin J. Perry, Donald Hanson</td>
<td>1999</td>
<td></td>
<td>Mutual funds are well regulated</td>
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<tr>
<td>Does mutual fund advertising provide necessary investment information?</td>
<td>Bruce A. Huhmann &amp; Nalinaksha Bhattacharyya</td>
<td>2004</td>
<td>Hypothesis Testing</td>
<td>Mutual fund advertisements were not providing the necessary information</td>
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<tr>
<td>Investment patterns and its strategic implications for fund managers: An empirical study of Indian mutual funds industry</td>
<td>D.N. Rao &amp; S.B Rao</td>
<td>2010</td>
<td></td>
<td>Corporates accounted for almost 48% of the total investment (AUM) in the industry</td>
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<td>Economies of scope and scale in the mutual-fund industry</td>
<td>John Banko, Scott Beyer and Richard Dowen</td>
<td>2010</td>
<td>Regression</td>
<td>Economies reduce expenses</td>
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<td>The impact of advertising on fund flows in alternative distribution channels</td>
<td>Jeffrey J. Yankow, Thomas I. Smythe and Vance P. Lesseig</td>
<td>1999</td>
<td>Pooled sample analysis</td>
<td>Advertising effects the flow of funds</td>
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<td>Evaluating mutual funds in an emerging market: Factors that matter to financial advisors</td>
<td>Bala Ramaswamy &amp; Mathew C.H. Yeung</td>
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<td>Conjoint analysis</td>
<td>Considers past performance, transaction cost, size of fund, aggressive and qualified fund manager and government supported funds</td>
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<td>Mutual fund vs. life insurance: Behavioral analysis of retail investors</td>
<td>Dr. Bhagwan Das, Ms. Sangeeta Mohanty &amp; Nikhil Chandra Shi</td>
<td>2008</td>
<td>Survey</td>
<td>Insurance and govt deposits are the major competitors of mutual funds</td>
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<td>Indian Mutual Fund Industry: Current State &amp; Future Outlook</td>
<td>Dr. Sisira Kanti Mishra</td>
<td>2012</td>
<td>exploratory</td>
<td>ICICI mutual fund and Reliance mutual fund had shown a consistent performance.</td>
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<tr>
<td>Management structure and the risk of mutual fund managers</td>
<td>Lonnie L. Bryant, Hao-Chen Liu</td>
<td>2009</td>
<td>CAPM Pricing model</td>
<td>Managers managing more funds lead to higher risk exposure</td>
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<tr>
<td>A framework of assessable mutual fund performance</td>
<td>Cheng-Ru Wu, Hsin-Yuan Chang, Li-Syuan Wu</td>
<td>2008</td>
<td>Analytic hierarchy process methodology</td>
<td>mutual fund style is most important criteria for evaluation</td>
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<td>A replacement method in evaluating the performance of international mutual funds</td>
<td>Mohammad Reza Tavakoli Baghdadabad</td>
<td>2013</td>
<td>optimized risk-adjusted measures during monthly period of 2001-2010</td>
<td>New measures of portfolio evaluation were identified</td>
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<td>Klapper et al</td>
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<td>Descriptive study</td>
<td>Factors for growth are investor confidence in market integrity, liquidity and efficiency and financial system orientation</td>
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<td>Indian Mutual Fund Industry: Opportunities and Challenges</td>
<td>Jayant R Kale and Venky Panchapagesan</td>
<td>2012</td>
<td>Descriptive study</td>
<td>Identified factors affecting, challenges for mutual funds</td>
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<td>Droms et al</td>
<td>1994</td>
<td>cross-sectional/time-series regression</td>
<td>performance is unaffected by fund size</td>
</tr>
<tr>
<td>Changing names with style: Mutual fund name changes and their effects on fund flows</td>
<td>Cooper, M. J., Gulen, H., &amp; Rau, P. R</td>
<td>2005</td>
<td>Sample study</td>
<td>mutual funds alter their names to take advantage of emerging investment styles</td>
</tr>
</tbody>
</table>

Highlighted cells indicate common tools used by researchers.

**INTERPRETATION**

Previous studies have identified these facts:

(a) **Tools** which are generally used by studies:
- Risk adjusted Returns
- Hypothesis Testing, Factor analysis, Correlation and survey. Large number of researchers have used risk adjusted measure to compare performance of mutual funds.
(b) **General results:** Mutual funds have not outperformed the market.

(c) **Challenges** ahead are

1. Lack of financial education and awareness among investors.
2. Limited Distribution network: The second critical issue for fund houses to distribute their products in smaller cities is the availability of quality distribution infrastructure.
3. Distribution cost: Cost of founding a distribution network in B-15 cities is quite high.
4. As of FY13, 46 per cent of total individual wealth in India is invested in physical assets (gold and real estate).
5. Heavy reliance on institutional sales.

(d) **Opportunities** identified during literature review are:

1. Fund houses could benefit from large network of bank branches because banks sponsored AMCs such as HDFC MF, SBI MF have a greater benefit over the other asset management players.
2. Technology can be used for reducing the cost of creating a distribution network in B-15 cities.
3. Progressively rising disposable income in the tier 2 and tier 3 cities, have showed the hidden potential for investments in mutual funds.
4. Young investor demands higher rate of returns, more transparency and the freedom to select from a wide range of product alternatives.

(e) **Factors** affecting the selection are identified as: safety, liquidity, tax benefits, capital appreciation, mutual fund style, advertising, economies of scale and scope.

(f) **Major competitors of mutual funds** are: insurance, government deposits and physical assets.

**CONCLUSION**

Investors generally prefer growth oriented equity schemes with some fixed source of income. Mutual fund industry growth rate is increasing in emerging countries like India, China, Malaysia, Brazil, etc. Challenges are lack of investor confidence and education, high distribution cost, increased competition, innovation and corporate governance. Large number of studies suggested that fund managers have not performed better than index, returns are not equitable to risk. Mutual funds are considered for safety, liquidity and return by the investors. HDFC mutual fund, Bank sponsored mutual funds have highest AUM. The mutual fund industry growth can be revived by using technology, changing distribution networks and launching investor awareness programs in rural areas.

**SCOPE FOR FURTHER RESEARCH**

Majority of studies are based on foreign market and determinants of mutual funds in India are not investigated yet on a large scale. This study can be used to find out out
the gap and further studies can be conducted on that. Areas less explored are performance parameters, determinants a key factors, challenges and opportunities of mutual funds in India. Future research could be based on this gap.

This research would be useful for researchers, academicians, asset management companies and portfolio managers.

REFERENCES


