Evaluation of Mutual Fund

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Abstract: Mutual fund provides a readymade option to households for portfolio diversification as well as relative risk aversion through collecting and investing their savings in different risk-return profile instruments. Its performance depends on the performance of underlying portfolio. If one or more schemes perform badly in the portfolio, that can effect or hurt the investment decisions of investors and may get them out from the scenario of wealth creation process. For saving investors' money from such a hazard, it becomes necessary to evaluate the performance of mutual fund portfolio so that investors can take/judge their investment decisions rationally. This evaluation would help in checking the prime idea of "putting all eggs in different baskets" behind mutual funds and guessing that how far this idea is doing well for investors. Therefore, our study has attempted to evaluate the comparative performance of public and private sector mutual fund schemes the Indian Mutual fund Industry has witnessed a structural transformation during the past few years. Therefore it becomes important to examine the performance of the mutual fund in the changed environment. Different investment avenues are available to investors. Mutual fund also offers good investment opportunities to investors. Mutual funds are device for pooling and investing money in a wide variety and number of securities, to obtain portfolio diversification and management efficiency in other words, Mutual funds are non-banking financial intermediaries, which act as matchmakers bringing together the saving and investment opportunities. Mutual fund units provides to the investors in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders. The profits of losses are shared by investors in proportion to the investments. The Mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time.

Index Terms - Intermediaries, Portfolio, Investment, Diversification, Risk.

I. Introduction

A mutual fund is a professionally managed firm of collective investments that collects money from many investors and puts it in stocks, bonds, short term money market instruments, and /or other securities. Mutual fund now represent as the most appropriate investment opportunity for most investors. As the financial marker become more sophisticated and complex, investor needs financial intermediary which provides the required knowledge, professional expertise on successful investment. The fund manager, also known as portfolio manager trades the fund underlying securities, realizing capital gains or losses, the investment proceeds are then passed along to the individual investors. Anybody, no matter what their age, or income should and can invest in mutual funds. Mutual funds are an easy and inexpensive way for an individual to capture the money that is to be made from stocks and bonds, without buying them directly. Investing in mutual funds is the perfect way to save money for the short term and long term future, such as for, retirement, a car, a home, a vacation and more.

II. Objectives Of The Study

1. To study the Investor's perception towards the Mutual Fund.
2. To study how the Respondents are influenced by factors of Mutual Funds?
3. To study the Respondents preference to keep their savings in different sectors of investment avenue:
4. To know why investors to prefer to Invest in SBI Mutual Fund?

III. Research Methodology

Convenient sampling method has been used for this study. For the purpose of this study 50 samples were selected from people investing in mutual funds. Both primary and secondary data have been used for this study. Primary data was collected from users of e-shopping, through questionnaire. Secondary data was collected from reports, magazines, internet, books and news articles. The investigator used simple percentage analysis for analyzing the whole primary data collected.

IV. Review of Literature

Ajay shah and Susan Thomas (1994) studied the performance evaluation of eleven mutual fund schemes and conceded that except one scheme other schemes earns inferior return than the market in general. R.A Yadav and Biswadeep Mishra (1996) have evaluated performance of 14 mutual funds scheme using monthly data. The study concluded that the funds as a whole performed well in terms of non-risk adjusted measure of average returns and the fund manager of growth schemes adopted a conservative investment policy. Amitabh Gupta (2000) has examined performance of Indian mutual funds in terms of six performance measures using weekly NAV data for73 mutual fund schemes from 1994-1999, he found that the schemes have shown a mixed performance during the period. Sadhak (2003) investigates the making strategies and investment practice of Indian mutual fund .Gupta (2002) examine the growth, regulatory framework and performance evaluation of Indian mutual fund and reported poor performance. Manju (2011) tried to measure the performance of mutual fund managers on the parameters of 'stock selection' and 'market-timing' ability using Jensen's alpha and Merton-Herriksson model on a sample of 36 Indian mutual fund schemes, with S&P CNX Nifty as a benchmark. The study revealed that on an average, fund managers are not able to predict security prices well enough to outperform a buy-the-market and hold policy. The study also revealed that there was very little evidence of individual fund being able to do significantly better than expected from random chance. Finally, the study suggests that the performance of the mutual funds is not superior to the market during the study period, though a few funds are performing better than the market.Yadav and Yadava (2012) made an attempt to analyze the contribution of mutual funds and FIIs in aggregate investment in the Indian economy. They found that investment made by the mutual funds is greater than the investment made by FIIs in aggregate. The study reveals that mutual funds are mainly invested in debt instruments, whereas FIIs have dominated in equity investment. Finally, the study says that during the recession period, mutual funds played a vital role in pushing the economy upward and FIIs withdrew their investments. So, the authors opine that mutual fund works as a good pickup and boosting engine and FIIs act as a good running engine for the economy. Rakesh (2012) tried to evaluate the fund's performance, level of diversification, managers' capability to pick the undervalued stocks and time the market of 28 equity diversified mutual fund schemes of various fund houses between 2007 and 2011. The study revealed that 60% of sampled fund schemes performed better than the market and are exposed to larger risks. The rest of the schemes had poor performance with larger risk. The study found that a majority of the fund schemes were reasonably diversified. The study also reveals that about 58% of fund schemes were able to beat the market by stock selection skills. As far as the timing of the market is concerned, the fund managers almost failed to both book profits in the up market and accumulate stock in the down market. Jayakumar e (2012) made an attempt to examine the relationship between fund performance and fund characteristics using 14 open-ended funds from 2004 to 2008. The fund performance is measured by fund return, and its determinants are measured by standard deviation, fund size, turnover ratio, income ratio, and expenses ratio. The study reveals a strong positive relationship between fund performance and fund riskiness proxies by standard deviation of return, fund size and expenses ratio, and 32 The IUP Journal of Financial Risk Management, Vol. XIV, No. 4, 2017 negative relationship between fund performance and turnover ratio. Finally, the study suggested that fund managers need to enrich their knowledge and skill to react actively in accordance with the changes in the market environment.

V. RESULTS AND DISCUSSION

Results of Descriptive Statics of Study Variables

Table 4.1: **Descriptive Statics**

	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Age of the Respondents	23	46	33.30	.918	6.488	42.092
factors of Mutual Funds	1	4	2.16	.152	1.076	1.158
Duration of Investment	1	3	2.06	.132	.935	.874
sectors of investment avenue	1	6	2.62	.235	1.665	2.771
Preference of Mutual Fund schemes	1	7	3.26	.280	1.978	3.911
Reason of Investment	1	6	3.02	.243	1.720	2.959
Valid N (list wise)						

Table 4.1 displayed mean, standard deviation, maximum minimum and variance of various variable under study
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Table 4.2: **Factors affecting Mutual fund**

Factors of Mutual Funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Capital Gain	19	38.0	38.0	38.0
	Return	10	20.0	20.0	58.0
	Safety	15	30.0	30.0	88.0
	Secured Future	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

Table 4.2 Display various factors affecting investment in mutual funds. Capital gain is 38%, safety 30% return 20%. So Maximum respondents are preferring capital gain over other factors and preference is regular income.

Table 4.3: **Duration of Investment**

Duration of Investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Long Term	20	40.0	40.0	40.0
	Mid Term	7	14.0	14.0	54.0
	Short Term	23	46.0	46.0	100.0
	Total	50	100.0	100.0	

Duration of Investment

N	Valid	50
	Missing	0
Mean		2.06
Std. Deviation		.935
Variance		.874

As we can see here Maximum respondents are preferring for short term and long term rather than midterm. Hence investors preferred to keep their money in long term basis through different equity schemes and also short term basis through various debt schemes. Mean value of the factor is 2.06, standard deviation is.935 and variance is .874

Table 4.4: **Sector of Investment Avenues**

Sectors of investment Avenue

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mutual Funds	17	34.0	34.0	34.0
	Banks	12	24.0	24.0	58.0
	Postal	8	16.0	16.0	74.0
	Life Insurance	3	6.0	6.0	80.0
	Share Market	6	12.0	12.0	92.0
	Others	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Statistics

Sectors of Investment Avenue

N	Valid	50
	Missing	0
Mean		2.62
Std. Deviation		1.665
Variance		2.771

From the above analysis we can say most of the respondents are preferring to invest mutual funds that is 34%.The percentage in case of other sectors are less in comparison to mutual funds. Mean value of the factor is 2.62, standard deviation is 1.66 and variance is 2.77

Table 4.5: **Preference of Mutual Funds**

Preference of Mutual Fund schemes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SBI MF	13	26.0	26.0	26.0
	Reliance MF	9	18.0	18.0	44.0
	UTI MF	7	14.0	14.0	58.0
	Kotak Mahindra MF	6	12.0	12.0	70.0
	ICICI PRU MF	8	16.0	16.0	86.0
	HDFC MF	3	6.0	6.0	92.0
	Tata MF	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Majority of preference goes to SBI MF as principal trustee is SBI the largest bank operating over India. It is clear that the gradual shift of the mindset of people towards the private MF due to aggressive marketing, variety of schemes and return potential.

Table 4.6: **Reason for Investment**

Reasons of Investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Return Potential	15	30.0	30.0	30.0
	Diversification	8	16.0	16.0	46.0
	Transparency	6	12.0	12.0	58.0
	Verity of Schemes	4	8.0	8.0	66.0
	Tax Benefit	17	34.0	34.0	100.0
	Total	50	100.0	100.0	

Statistics

Reasons of Investment

N	Valid	50
	Missing	0
Mean		3.00
Std. Deviation		1.690
Variance		2.857

After analyzing the respondents query maximum of the respondent consider the return potential for SBI mutual fund are the main reason of their investment as some of the equity schemes have performed exceedingly well and have beaten the respective benchmark by wide margins. Equity schemes like Magnum Comma Fund. Magnum Tax gain and Magnum Balanced Fund have won ICRA awards because of good performance. Mean value of the factor is 3, standard deviation is 1.69 and variance is 2.857

VII. CONCLUSION

Due to simultaneous existence of number of channels the main problems being faced by AMC is of managing the multiple channels in delivering quality service to the customers. There need to be more emphasize placed on promotional activities to build up the brand image and also product awareness campaigns need to be started a lot of customers are not still aware of the range of options available under MF's and still look at it as equity based investment. In conclusion, for products like MF with very low brand appeal and consumption values will have to depend heavily on distributors to push their product through as they cannot differentiate themselves from their competitors and being in margins to the business. Indeed Mutual funds may represent the only opportunity in which the investors can invest in an intelligent, diversified fashion in securities of uprising sectors.

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