PERFORMANCE OF MUTUTAL FUNDS AND INVESTOR'S BEHAVOUR A STUDY ON SELECTED MUTUTAL FUNDS

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ABSTRACT:

An investment is a commitment of funds made with the expectation of some return in the form of capital appreciation. Different investment avenues are available to the investors such as fixed deposits, insurance, post office savings/ national savings certificate, gold/e-gold, bonds, public provident fund (PPF), real estate, shares, commodities, etc. Mutual fund is one of the important investment vehicle that offer good investment prospects to the investors. Mutual fund is a trust that pools the savings of various individuals by issuing units to them and then invests it in various securities such as shares, debentures and bonds as per the stated objectives of the scheme. Further, this investment avenue offers several benefits to the investors as diversification, professional fund management, liquidity, transparency etc. Today a wide variety of mutual fund schemes are available for the investors such as Open-ended, Close-ended, Interval, Growth, Income, Balanced, Equity Linked Saving Schemes (ELSS) and Exchange Traded Funds (ETF), etc. These schemes are catering to the investors' needs, risk and return tolerance. In spite of the wide variety of mutual fund schemes available and large potential investors' base, Indian mutual fund industry is still lacking far behind in terms of total assets with respect to other developed nations as it manages only 0.5 percent of the total mutual fund assets worldwide. The swift growth of Indian mutual fund industry and low investors base necessitates the investigation of some crucial issues of the performance of mutual fund schemes in terms of their efficiency. It is of paramount importance for policy makers, governing bodies and mutual fund companies to analyse that how many Indian mutual fund schemes have been performing efficiently.

Keywords: Investments, Mutual Funds, Income funds, balanced funds, equity funds, ELSS funds, ET Funds.

INTRODUCTION:

Since ancient times investment for individual investors has been an important decision. Buying some assets from additional income is an investment; in other words, the investment can be defined as the liability of money with one or more assets created in the future, in Graham's words, "Investments are accurate Puts money in the analysis, hopes for a highly secure profit of the original amount, as well as with the performance of a guarantee on the expected time period. "Therefore, it needs access to many decisions, such as the amount of investment, type of stock and moment all investment options are made in accordance with

the fear of personal investment and uncertain future. Apart from this, the decision making process should be consistent and rational.

About 500 BC, in the early days people used to invest to invest in cattle, sheep and agricultural products such as grains, vegetables and such as silver, gold and precious metals and in the form of land, as their savings, these were the traditional means of investment. When we consider olden days the major purpose was keep money with them by investment. In those days, the investment was primarily for the purpose of keeping money. In the 20th century much more banking systems were introduced which made a great revolution in banking industry

In low risk investment options we do have NSC,PPF, Fixed deposits, and also we do have bonds will have savings but low returns, which provides minimum returns with proper maintaining of actual principle amount. The concept of modern investment establishes that there is a certain risk in any form of investment. Currently, many modern investment vehicles are available to investors. For instance Fixed deposits which will be giving a low returns on investment or PPF which is called as public provident fund and also government securities etc. High-yielding options such as commodities, real estate, stock market and Mutual Funds, these investment options give different returns for the risks and returns of various types of investor needs.

Low risk investment options, is a popular way for conservative investors with fixed deposits almost default zero risk and without the uncertainty of future cash flows. For 10 years, with an age of 7 days, the choice of time and money can be withdrawn subject to prior penalties determined by the Bank on the submission date, providing a liquidity of gain for investors is, NSC, which is called as National service certificate issued by the Postal department, which is given to employees from state and central government or mostly to other salaried people.

In Investment option we do have multiple options but corporate bonds and also the securities issued by government which is in accordance with SEBI will receive the interest amount from the company on a maturity period or for a specific period of time. A investment holder who receives interest from time to time at the end of the maturity period. RBI guarantees the central government or issued by state governments is a negotiable instrument that identifies the government's debt obligations. The short term securities will have a maturity period of less than a year and will also have a longer period of maturity.

The central and state government will be issuing dated securities where as Treasury bills are issued by central government. Virtually the default value of government securities is risk free, so, goes without saying risk-free gilt-edged instruments. The Public Provident Fund (PPF) has worked as an investment and savings tool for investors and also serves as a retirement planning tool. The plan went to the center started in 1 9 68 government and contribute to the fund for retail investors and tax-approved income.

High risk investment options, are the roots of the commodity market in the 17th century, when it was marketed in Japan were rice futures. Today precious metals, other metals, are to facilitate trade in

agricultural products, commodities, livestock and energy. The investment in e-Gold offers to buy gold in small denominations of one gram for small investors and opportunities for many of them. Modern investment system has been developed at a rapid pace with the beginning of the stock market trading security trade marks the last step in the development of modern investment. People depending on that investment in the stock market appreciation of their economies and, as a result, any investment is generally presumed to risk, securities, portfolio value factors and forces upward to move towards the bottom and the stock market factors and the company's performance strengths, more individual changes in the general market conditions, the level of interest rates, Win Exchange rates, changes in government policy, laws fiscal, regulatory requirements are the current political and economic environment, therefore, investors should have a handful of knowledge about performance values and should re-evaluate and update, changed expectations and goals in light of their various re-evaluated investment commitments. STOCKS produce high returns only when the weather is conducive to investment and divestment, which needs expertise and investment to understand market movements in turn. For these investors, who have such experience and time, mutual funds have become an art form of investment that reduces risk at a lower cost and increasing diversification.

PERFORMANCE OF COMMON MUTUAL FUNDS:

For years, academics and professionals have tried to measure the performance of Mutual Funds. In the first years, in the financial sector, the return on investment was considered the only indication of its performance and the risk component was not well thought out. Then, in the 1950s, Markowitz (1952) and Tobin (1958) suggested a way to measure risk in terms of variability or variance in the product. Even with the implementation of the variance, it was still difficult to compare the performance of two or more investments.. An investment with a higher yield and a lower variation than another is, for example, the investment of better performance. But in cases where one investment yields a higher yield and a larger gap than the other, a better investment can only be valued if the additional return of the first investment adequately compensates for the additional risk.. Therefore, only one feasible measure that combined the two risk and reward parameters was required. One key to simultaneously managing the risk and return problem was to use the coefficient of variation, which is the standard deviation, divided by the average or expected yield. This method allows evaluating the relative variability when there are two or more average yields

Not the same Treynor (1965), Sharpe (1966) and Jensen (1968) developed a different solution, respectively, the Treynor index, the Sharpe index and the Jensen alpha. These performance measures compare the performance of professionally managed portfolios with others. return of a series of standard reference portfolios. While these traditional measures are extremely useful, they present potential difficulties in assessing the key factors when assessing the performance of the portfolio as an adequate benchmark for comparison, taking into account the effects of the integration of transaction costs. Market synchronization In addition, the above performance measures are based on capital market theory, which is based solely on the expected return and the risk associated with an investment.. While other factors such as costs, asset size,

cost indices, current and historical performance, the minimum initial investment and the seniority of the Mutual Fund plan are important characteristics that must be met. that must be taken into account. These findings have improved research on the performance of mutual funds and have tried to differentiate the performance of funds of different characteristics. The most important findings of these studies are discussed below. The performance of mutual funds was examined, followed by the following characteristics: past performance, asset size, cost relation, cost, risk, investment style and age.

RESEARCH METHODOLOGY:

SCOPE OF THE STUDY

In the research we do have investors who invest in the mutual funds will be our research population. The information requested from investors is very sensitive and indicative because they contain information about their savings and investments. Most investors are reluctant to discuss their investments and related matters. In addition, they may discover that it is not safe to provide this type of information about emails and phone calls. So we can do only single way that is collect data with making personal. As a result, due to time and limited resources, the investor's focus was limited to investors in the HYDERABAD region. The selection of the sample from this population was discussed in more detail.

OBJECTIVES OF STUDY:

On the basis of literature review and gaps found in the review, following objectives have been framed for the study-

1. To study the Conceptual frame work of mutual fund industry in india
2. To Investigate the performance and perception of mutual fund through DEA analysis
3. To study the behvaiour of investors for investing in mutual funds
4. To study the Demographical profile of the Mutual Fund Investors]
5. To offer suggestions and conclusions.

HYPOTHESIS:

Basing on the objective a common hypothesis is found that is

H_0: *The efficiency of mutual funds for the sample will not perform effectively.*

H_1: *The efficiency of mutual funds for the sample will perform effectively*

DATA COLLECTION:

The analyzing of performance of various mutual funds a sample of 119 mutual funds was taken consideration, which are open ended mutual funds such as Income based, ElSS, Equity Based, Growth based The below data provides the sampling frame for the mutual fund schemes studied and various other

questions were also studies through survey. The sample size was 440 for primary data and the period of study April 1, 2010 to March 31, 2016.For Equity based mutual funds there are 48 samples and where as for income based there are 30 mutual funds and for balanced fund there is a sample of 23 mutual funds and last for ELSS funds there is a sample of 18 and the total sample is of 119.

DATA ANALYSIS:

In making data analysis the chapter finds the result where we can see that it provides objective study. And when we discussed about the performance it can be achieved by DEA analysis and the behvaiour has been discussed by various scores and ranks and Demographical analysis is achieved by ANOVA, T-Test, percentages, Mean, Standard Deviation.etc.

LIMITATION:

The data which is collected from investors are to be treated as crucial as that belongs to their savings what they have invested. Most investors are reluctant to discuss their investments and related matters. The contour is chosen in a pleasant way and is carried out in a single step, so that the customer's feedback is influenced by, time, status and impression. Given that the information system and the emergency to be investigated have their own specific

DATA INTERPRETATION:

➢ When we are making the conclusion for DEA Run, It was clearly found that the highest amount of Mutual fund schemes are more inefficient than the number of schemes which are efficient when the DEA run was performed on Income, balance Equity and ELSS mutual funds .The below table shows the findings available for All the DEA Run analysis. When we talk about the efficient mutual funds we have ELSS in Top and followed by Balance, Equity and at the end Income.

➢ The score of 1 was achieve by 13 mutual fund schemes through DEA analysis run 2 and a total could not achieve a score of 1 for making the mutual fund schemes efficient and among 35 inefficient schemes 13 are near to efficient. Hence we can state it clearly that 26 mutual fund schemes are efficient or near to efficient schemes and the rest of 22 out of 48 are to be treated as inefficient schemes.

➢ DEA Run 3 which is to be done on mutual funds which are income based the number of mutual funds which are income based are 30 and has to be performed based on their efficiency score. When performed DEA run 2 only 9 income mutual funds schemes has a efficiency scores of 1.00 and the rest 21 inefficient income related mutual fund schemes and 7 mutual funds schemes which are near to 1 efficiency but not 1.00.when we add 9 with 7 which are near efficient schemes then the total will be 16 mutual fund schemes which are efficient and also near to the efficiency score of 1.00

➢ When we compare the DEA run 4 With DEA Run 1 all eight Schemes which are efficient in DEA Run 4 were inefficient in DEA Run 1 and the 8 Mutual Fund schemes which are inefficient in DEA Run 4 were having a much higher score than DEA run.

> ➢ The DEA Run 5 was carried on ELSS Mutual funds the number of ELSS schemes in the sample was 18, to carry out their efficiency level they have come out on the score of 1 to be called as efficient. Among these 18 ELSS Mutual fund schemes 16 were efficient in DEA Run 1. The ELSS mutual funds are top in priority as they a great efficiency score of 1 for all the 18 ELSS mutual Fund schemes, complications and, in the light of the respondent, the evaluation is maintained only in urban of the Hyderabad region.

FINDINGS AND SUGGESTIONS:

DATA ENVELOPMENT ANALYSIS RUN - 1:

The DEA Run was performed and we can find that 26 schemes of mutual funds are efficient in number of 119 which can on the efficient frontier. No input attribute is required to get reduced and we can clearly state that these schemes are the best when compared with the rest and the remaining schemes are inefficient as their scores don't lie or come in the score of one of the required reduction in inputs for the various mutual funds which are inefficient for getting the efficiency can be traced the values of input can be achieve when we make a reduction in value of input which can also be called as target value or virtual input. Efficient MUFU as MUFU49, MUFU50 or MUFU108 which has a efficient value or score are 1 and they don't require to follow any other mutual fund schemes and for which they don't require any other or peer groups target values., they don't require any change

DATA ENVELOPMENT ANALYSIS RUN – 2:

DEA Run 2 was to apply on 48 Equity related schemes of Mutual Funds for which the analysis in calculating the efficiency and their performance. The score of 1 was achieve by 13 mutual fund schemes through DEA analysis run 2 and a total could not achieve a score of 1 for making the mutual fund schemes efficient and among 35 inefficient schemes 13 are near to efficient. Hence we can state it clearly that 26 mutual fund schemes are efficient or near to efficient schemes and the rest of 22 out of 48 are to be treated as inefficient schemes. In the given below tables we can make a clear picture of Efficient mutual fund schemes and also near to efficient schemes and also inefficient schemes.

DATA ENVELOPMENT ANALYSIS RUN – 3:

In the total of 16 mutual funds of DEA run 3, 14 were already efficient in DEA run 1. Fourteen income mutual funds which are inefficient has a slightly high efficiency score when it is to be compared with DEA run 1.so we can observe a moderate increment in the income schemes efficiency score when it is with entire sample mutual fund schemes..

DATA ENVELOPMENT ANALYSIS RUN – 4:

The DEA Run 4 is for Balance schemes 23 where their performance is evaluated for efficiency. In the total of 23 only nine schemes came to be efficient and the rest are not efficient their numbers are as follows

MUFU20, MUFU21, MUFU40, MUFU44, MUFU52, MUFU97, MUFU113, MUFU114 and MUFU115 they stand on a score of 1 and the near to schemes are 6 and 8 balance Mutual fund schemes are inefficient.

DATA ENVELOPMENT ANALYSIS RUN – 5:

The DEA Run 5 was carried on ELSS Mutual funds the number of ELSS schemes in the sample was 18, to carry out their efficiency level they have come out on the score of 1 to be called as efficient. Among these 18 ELSS Mutual fund schemes 16 were efficient in DEA Run 1.Only for MUFU 118 and MUFU 119 their efficiency scores are higher in DEA Run 5.This clearly shows that when they are analysed among themselves the mutual funds (ELSS) are to be more efficient. The ELSS mutual funds are top in priority as they a great efficiency score of 1 for all the 18 ELSS mutual Fund schemes.

When we have compared all the relations in all the ways for making a proper understanding of mutual funds in demographical profile we could found that maximum relations shows a null hypothesis impact which has no impact on all the relations, The relations are as follows:

- The annual Income and Annual savings relations which has shown a No significance difference
- The Age and qualification relation which has also showed a No significance difference
- The Annual Income and Profession which also showed a Null hypothesis acceptation and
- The relationship between Profession and annual savings also showed a Null hypothesis acceptation.
- The only acceptation of alternative hypothesis is Gender values which show that gender is making a impact on investing in mutual fund by the investors and shows a positive sign of change.

So the demographical profile of the respondents shows that the null hypothesis is accepted in overall. Where we compare all the possible outcomes of the demographical profile. The respondents or investors are not keen in terms of age and profession, Annual income and Annual savings, Gender, Qualification

CONCLUSION:

In the Indian mutual fund industry, most mutual fund plans were inefficient. However, in its category analysis, growth, income, balance and ELSS, the situation is much better and nearly half of each category has worked well. The load fee and expense ratio are the main cause of inefficiency in investment funds. For inefficient patterns, there are patterns of effectiveness respectively between pairs in specific gravity that follow these patterns and can achieve efficiency. Therefore, for inefficient patterns, target values or there are virtual inputs to achieve performance. These target values show that the expense ratio and the load fee must be reduced to achieve efficiency.

Some investment functions of investment funds, such as their age, their share of assets and past performance, affect efficiency. Older plans and plans with high assets have an inefficient performance. However, it is likely that investment funds that performed well in the past will perform better in the future.

The amount invested by the number of investors in mutual funds is very low. Investors are of the opinion that mutual funds have a low return and a risky mutual route. Their liquidity is experienced as high, but the

tax benefits and the general description of the procedures are low for them. Additionally, investors assess the mutual fund plans based on their structure, size, appearance, design and professional experience. In addition, investors expect good regulation, expert advice and a solid mechanism for hiring mutual funds. Most investors have invested in mutual funds, growth plans and variable income plans.

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