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A STUDY ON ANALYSIS OF RISK AND RETURN IN MUTUAL FUND INDUSTRY

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Mutual fund is an excellent product offering great flexibility and liquidity, which can be tailored to suit any investor's objective and it is affordable for the all people of different income levels and saving habits. Mutual funds now represent perhaps most appropriate investment opportunity for most investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk. Mutual fund satisfies these requirements by providing attractive returns with affordable risks. Risk and return on investment is the major factor which affects the investor's decision. The investors usually opt for those investments where they can achieve high return by experiencing low risk. The effort here is to analyze the risk and return of mutual funds and therefore it is entitled as "Analysis of Risk and Return in Mutual Fund industry". The object of this research work is to know measures of risk and return associated with mutual funds investment and the preference of the clients in selecting the asset management company, portfolio mode of investment, and option for getting return and so on that they prefer. This study will further help the company to make its further planning and strategy. The research provided an interesting insight into awareness about the mutual fund's differences in age groups, occupation, income levels, risk taking ability of individuals, investment options preferred etc.

Keywords: Mutual Funds, schemes Risk, Return, Investment

INTRODUCTION

In order to conduct continuous investment, it is important to know about the key financial concepts and an understanding of your investment profile and also to know how these works together to affect investing decisions and results. Although savings and investing are used interchangeably there exists difference between the two.

Savings refers to funds kept for making specific purchases in relative near future and for emergencies. Preservation of capital and liquidity of capital of funds are 2 aspects of savings. Savings usually yield a slow rate of return and do not maintain purchasing power. On the other hand, investing focus on increasing net worth and achieving long term financial goals. Investing involves risk and has to be considered only after having adequate savings and proper risk management. All investment involves some element of risk because the future value of an investment is uncertain.

Risk, simply stated, is the possibility that the actual return on investment will vary from the anticipated return or that the initial principal will decline the value. Risk implies the possibility of loss on your investment.
A mutual fund is a type of investment fund. An investment fund is a collection of investments such as stocks, bonds or other funds. Unlike other types of investment funds, mutual funds are "open ended" which means as more people invest, the fund issues new units or shares. Mutual fund is the most suitable investment for common man as it offers an opportunity to invest in diversified portfolio management. The most common feature of mutual fund unit is low cost.

STATEMENT OF THE PROBLEM

Risk and return on investment is the major factor which affects the investor's decision. The investors usually opt for those investments where they can achieve high return by experiencing low risk.

The effort here is to analyze the risk and return of mutual funds and therefore it is entitled as "Analysis of Risk and Return in Mutual Fund industry".

OBJECTIVES OF THE STUDY

- To study the type of mutual fund transactions and the process.
- To study measures of risk and return associated with mutual funds investment.
- To examine the different schemes and methods to select a better scheme of an AMC.
- To analyze the risk appetite and investors preference while investing between equity and debt.

METHODS AND TECHNIQUES USED FOR THE STUDY

This study is based on descriptive research. 150 respondents were selected by convenience sampling and hence survey method is adopted. Both primary and secondary data collected are processed and tabulated to prove the objectives set for the study. Research was undertaken by me and also with the help of manager at the office with a sample size of 100 in the form of general and expert opinion. The research provided an interesting insight into awareness about the mutual fund's differences in age groups, occupation, income levels, risk taking ability of individuals, investment options preferred etc.

DATA SOURCES

The present study is mainly based on primary data. Secondary data is also used for reference.

Primary data: To collect primary data the technique of questionnaire is used. It is prepared initially on the basis of objectives and hypothesis of this study. Questionnaire is individually filled by all the dealers. An informal discussion was held with the dealers when required.

Secondary data: Secondary data are collected from books, journals, official records and also from websites.

TOOLS OF ANALYSIS

The collected data is furnished in the form of tables. The tabulated data is further analyzed with the help of percentages.

SCOPE OF THE STUDY

The study is being conducted for mutual fund industry. Total area covered in this study is analysis on risk and return of the mutual fund industry by knowing the investment preference by investors in various types of segments and also covered data analysis like selection of different schemes which are best in terms of return and to check the measures of risk and return from the schemes.

The study will help to know the preference of the clients in selecting the asset management company, portfolio mode of investment, and option for getting return and so on that they prefer. This study will further help the company to make its further planning and strategy.

DATA ANALYSIS AND INTERPRETATION

TABLE 1 SHOWING THE AGE OF INVESTORS

AGE	RESPONDENTS	PERCENTAGE
18-24 years	18	12
24-40 years	69	46
40-60 years	45	30
60 years and above	18	12
Total	150	100

Interpretation

From this table out of total population 12% belong to the age group between 18-24 years. 46% belong to the age group between 24-40 years. 30% belong to the age group between 40-60 years and 12% belong to above 60 years.

TABLE 2 SHOWING QUALIFICATIONS OF INVESTORS

QUALIFICATION	RESPONDENTS	PERCENTAGE
10th	18	12
12th	15	10
UG	54	36
PG	63	42
Total	150	100

INTERPRETATION

The above table 2 reveals that qualified investors are more in number i.e. with 42% Post Graduates and 36% of Under Graduates. This shows that people are taking risk when they are experienced in well term

TABLE 3 SHOWING MONTHLY INCOMES OF INVESTORS

MONTHLY INCOME	NO OF RESPONDENTS	PERCENTAGE
10000	18	12
10001 to 15000	27	18
15001 to 20000	27	18
20001 to 30000	33	22
30000 and above	45	30
Total	150	100

INTERPRETATION

The above table 3 shows that 30% of the investors belong to the income group 30000 and above and 22% belong to income group 20001 to 30000. 18% belong to 15001 to 20000.

TABLE 4 SHOWING WORKING STATUS OF INVESTORS

WORKING STATUS	NO. OF RESPONDENTS	PERCENTAGE
Student	3	2
Public service	15	10
Private service	39	26
Business	18	12
Housewife	24	16
Agriculture	6	4
Professional	24	16
Retired	21	14
Total	150	100

Table 4 shows that 26% belong to private service. 16% of respondents are of housewife and professionals. 14% are retired. 12% doing business. 10% belongs to public service

TABLE 5 SHOWING THE KIND OF INVESTMENT MOSTLY PREFERRED

KIND OF INVESTMENT	NO. OF RESPONDENTS	PERCENTAGE
Saving	39	26
Insurance	9	6
Post office NSE	0	0
Gold\silver	3	2
PPF	0	0
FD	18	12
MF	69	46
Shares\debentures	12	8
Real estate	0	0
PF	0	0

INTERPRETATION

The table 5 reveals that savings a/c and FD are preferred by most of the investors very next to mutual funds. 26% of respondents opted savings a/c and 12% opted FD.

TABLE 6 COMES TO KNOW ABOUT MUTUAL FUND FROM

INFORMATION FROM	RESPONDENTS	PERCENTAGE
Advertisements	39	26
peer group	6	4
Banks	9	6
financial advisors	96	64
Total	150	100

INTERPRETATION

The table 6 shows that 64% of the investors come to know about mutual funds from the financial advisors. Only 26% from advertisement

TABLE 7 FACTORS AFFECTING INVESTMENT DECISION

FACTORS	INFLUENCE		
	MINIMAL	MODERATE	STRONG
Liquidity	40%	40%	20%
High return	25%	30%	45%
Professional management	25%	40%	35%
Diversification	35%	35%	30%
Brand image	40%	45%	15%
Price	60%	30%	10%
Risk	35%	40%	25%

INTERPRETATION

The table 7 reveals that high returns, professional management, diversification and risk are the major factors which influence the investment decision in mutual fund.

TABLE 8 RATE OF RISK ASSOCIATED WITH THE MUTUAL FUND AS PER THE OPINION OF INVESTORS

RATE OF RISK	RESPONDENTS	PERCENTAGE
Low	30	20
Moderate	75	50
High	45	30
Total	150	100

INTERPRETATION

The table 8 shows that the rate of risk associated with mutual funds are moderate i.e. 50% of the respondent's opinion that the risk is moderate only 30% says it is high.

TABLE 9 SHOWING TYPE OF RISK ASSOCIATED WITH MUTUAL FUNDS

TYPE OF RISK	NO. OF RESPONDENTS	PERCENTAGE
Systematic risk	90	60
Unsystematic risk	60	40
Total	150	100

INTERPRETATION

The table 9 reveals that systematic risk is the type of risk mostly associated with mutual funds. 60% of respondent's opted systematic risk and 40% opted unsystematic risk.

TABLE 10 SHOWING TYPE OF END-SCHEME

END SCHEME	NO.OF RESPONDENTS	PERCENTAGE
Open end	120	80
Closed end	30	20
Total	150	100

INTERPRETATION

The table 10 shows that open end scheme is the most preferred one. 80% of the respondents opted open end scheme and only 20 % opted closed end scheme.

TABLE 11 SHOWING TYPES OF MUTUAL FUND SCHEMES MOSTLY PREFERRED BY INVESTORS

TYPE OF MUTUAL FUND	NO. OF RESPONDENTS	PERCENTAGE
Equity	90	60
Debt	33	22
Hybrid	27	18
Total	150	100

INTERPRETATION

The table 11 reveals that equity fund is the most preferred type of mutual fund. 60% of respondents opted equity fund 22% opted debt fund 18% opted hybrid fund.

TABLE 12 SHOWING TYPE OF EQUITY FUND PREFERRED MOST

EQUITY	NO. OF RESPONDENTS	PERCENTAGE
Diversified equity fund	36	24
Mid cap fund	39	26
Sector specific fund	30	20
Tax savings fund	45	30
Total	150	100

INTERPRETATION

The table 12 shows that tax savings equity funds are mostly preferred type of equity mutual funds. 30% of respondents opted tax savings equity fund. 26% opted mid cap equity fund. 24% opted diversified equity fund. 20% opted sector specific funds.

TABLE 13 SHOWING AMC PREFERRED MOSTLY BY INVESTORS FOR INVESTMENT

AMC	RESPONDENTS	PERCENTAGE
SBIMF	33	22
UTI	6	4
RELIANCE	12	8
HDFC	21	14
KOTAK	18	12
ICICI	27	18
TATA	9	6
OTHERS	24	16
Total	150	100

Table 13 reveals that SBIMF is the mostly preferred asset management company. 34% of the total population opted for SBI Mutual fund.

TABLE 14 SHOWING YEARS OF INVESTMENT

YEAR OF INVESTMENT	NO. OF RESPONDENTS	PERCENTAGE
1-3 years	39	26
4-6 years	39	26
7-10 years	27	18
More than 10 years	45	30
Total	150	100

INTERPRETATION

The table 14 reveals that investors invest for more than 10 years in mutual fund. 30 % of the total population responded to more than 10 years.

TABLE 15 SATISFACTION LEVEL WITH INVESTMENT RETURNS

SATISFACTION LEVEL	NO. OF RESPONDENTS	PERCENTAGE
Highly satisfied	60	40
Moderate satisfied	18	12
Satisfied	54	36
Dissatisfied	18	12
Total	150	100

INTERPRETATION

The table 15 shows that 40% of the total respondents opted for highly satisfied and 36% opted for satisfied. 12% opted for dissatisfied.

TABLE 16 ANNUAL RETURNS FOR THE INVESTMENT

ANNUAL RETURN	NO. OF RESPONDENTS	PERCENTAGE
00-30%	105	70
30-50%	42	28
50-80%	0	0
80 and above	3	2
Total	150	100

INTERPRETATION

The table 16 reveals that reveals that out of 50 respondents 70% opted 00-30% return. 28% opted 30-50 % return. 2% opted 80 and above.

TABLE 17 SHOWING INVESTMENTS IN MUTUAL FUND SCHEME IS BECAUSE:

a) It is a good investment instrument.
b) It is better to invest in mutual funds rather than investing directly in shares.
c) They give assured and consistent risk.
d) They provide high return with low risk.
e) Very simple to invest and monitor fund performance on a regular basis.
f) Less calculation is required before investing when compared to share market
g) Mutual funds provide the benefits of cheap access to expensive stocks.
h) Mutual funds diversifying the risk of investor by investing in a basket of assets.
i) Professional funds managers manage them with in depth research inputs from investment analysts.

REASONS	RESPONDENTS	PERCENTGE
A	42	28
B	33	22
C	9	6
D	15	10
E	6	4
F	0	0
G	18	12
H	18	12
I	9	6
Total	150	100

INTERPRETATION

The table 17 reveals that most of the investors prefer to invest in mutual fund because it is good investment instrument. 28 % of the respondents opted because it is a good investment instrument. 22% opted it is better to invest in mutual funds rather than investing directly in shares.

TABLE 18 SHOWING REASONS FOR REDUCING MUTUAL FUND:

REASONS	RESPONDENTS	PERCENTAGE
Non-performance of funds	36	24
Non availability of good service	27	18
Non availability of investment support	18	12
Lack of information about fund performance	24	16
Difficulty in monitoring fund performance	30	20
Other reasons	15	10
Total	150	100

INTERPRETATION

The table 18 reveals the main reasons, as about 24% of respondents reduced mutual fund due to non-performance of fund and about 20% due to difficulty in monitoring fund operations.

FINDINGS, SUGGESSTIONS AND CONCLUSION

FINDINGS

- Qualified investors are more in number. This shows that people are taking risk when they are experienced in well terms.
- Savings account and fixed deposit are preferred by investors very next to mutual funds.
- Investors are lacking knowledge regarding the mutual fund as an investor and they are not aware about the risk associated with mutual funds. It is the financial advisors from whom the investors get advises.
- High returns, professional management, diversification and risk are the major factors which influence the investment decision in mutual fund.
- Majority of the investors opinioned that the rate of risk associated with mutual fund is moderate and the type of risk associated is the systematic risk.
- It is found that the best scheme is open-end scheme.
- Most of the investors are interested to invest in equity fund and among this tax savings fund and diversified equity funds are more opted.
- SBIMF, ICICI, HDFC, KOTAK are some of the asset management companies mostly preferred by investors.
- Majority of investors prefer to invest for a longer period like more than 10 years, and some like to invest for lesser periods.
- Return on mutual fund is highly satisfying for the investors and they get annual returns mostly up to 30% and also up to 50%.
- Investors invest in mutual fund mainly because it is a good investing instrument and also the opinion that it is better to invest in mutual fund rather than investing directly in shares.
- Major reasons for reducing MF were derived to be non-performance of funds and difficulty in monitoring fund operations.

SUGGESTIONS

- As it has been found from the above findings that mutual funds are providing better returns and gaining its importance in the finance industry. Therefore, the mutual fund companies in India should make vise decisions while making investments and provide more benefits to investors.
- As many investors get fooled by some mutual fund companies which gives false promises to investors for investing their money in their mutual fund. So government should make strict rules for all the mutual fund companies in order to safe guard the investment of all the investors.
- Develop and implement educational programs to enhance investors' understanding of mutual funds, especially focusing on the associated risks. This can include workshops, seminars, and online resources to empower investors to make informed decisions.

- Key features of mutual funds should be mentioned in advertisements. Feature like diversification, systematic investment plans (SIP), tax benefits should be mentioned in advertisements. Otherwise, people will see mutual funds as normal shares in which we invest money.
- Mutual fund should use appropriate and simple names for the schemes, which match the features of the schemes so that the investors are not confused and not feel cheated after investing.
- Financial advisors should prioritize transparent communication about the risks associated with mutual funds. This includes explaining both systematic and unsystematic risks to investors, ensuring they have a comprehensive understanding of potential challenges.
- Financial advisors and asset management companies should establish robust monitoring systems to track fund performance. Regularly update investors on the fund's progress and address concerns promptly to build trust and confidence.

CONCLUSION

The Indian mutual funds industry has transform totally for good since last decade and has shown growth and potential. Though the asset under management and number of schemes has increased significantly, but it is yet to be a household product, and needs to cover the retail segment effectively. Moreover, there are still many remote and potential areas which lack the required knowledge and infrastructure of mutual funds.

Mutual fund is an excellent product offering great flexibility and Liquidity, which can be tailored to suit any investor's objective and it is affordable for the all people of different income levels and saving habits. Mutual funds now represent perhaps most appropriate investment opportunity for most investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk. Mutual fund satisfies these requirements by providing attractive returns with affordable risks. The fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough completion in this sector mutual funds are launching a variety of schemes which craters to the requirement of the particular class of investors. Risk takers for getting capital appreciation should invest in growth, equity schemes. Investors who are in need of regular income should invest in income plans.

The stock market has also been rising for three years now. This in turn has not only protected the money invested in funds but has also to help grow these investments. This has also instilled greater confidence among fund investors who are investing more into the market through the MF route than ever before.

After doing study it is concluded that, yes mutual funds are much better investment option but as future is uncertain so no one can give a sure guarantee of good returns, no matter whether it is an equity or mutual fund. Investors can minimize their risk by doing little research before investing in the markets which help them to decide the right investment plan or product. Nevertheless, it is crucial for investors to recognize that, despite the inherent advantages of mutual funds, uncertainties in the financial markets persist. No investment comes with a guaranteed promise of returns, whether in equities or mutual funds. Mitigating risks requires diligent research and informed decision-making. Investors should leverage the wealth of information available to them, seeking professional advice when needed, to navigate the complexities of the market and align their investment strategies with their financial objectives.

In essence, the journey of mutual funds in India is a testament to their potential as a robust investment option. However, sustained efforts in education, outreach, and product innovation are essential to realizing their full potential and making them a staple in the financial portfolios of households across the nation. The evolution of the mutual funds industry is an ongoing process, and with strategic interventions, it holds the promise of becoming an indispensable tool for investors in the ever-changing landscape of the financial markets.

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