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An Empirical Analysis of Performance and Evaluation of Mutual Funds in India

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ABSTRACT
The mutual fund sectors are one of the fastest growing sectors in Indian Economy and have awesome potential for sustained future growth. Mutual funds make saving and investing simple, accessible, and affordable. The advantages of mutual funds include professional management, diversification, variety, liquidity, affordability, convenience, and ease of recordkeeping—as well as strict government regulation and full disclosure. Financial markets are becoming more extensive with wide-ranging financial products trying innovations in designing mutual funds portfolio but these changes need unification in correspondence with investor's expectations. Thus, it has become imperative to study mutual funds from a different angle, which is to focus on investor's perception and expectations. This research paper focused attention on number of factors that highlights investors' perception about mutual funds. It was found that mutual funds were not that much known to investors, still investor rely upon bank and post office deposits, most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list. It was also found that maximum number of investors did not analyze risk in their investment and they were depend upon their broker and agent for this work.

Keywords: *mutual fund, economy, investing, variety, financial products, taxes*

I. INTRODUCTION

One of the sectors of the Indian economy that is expanding the fastest is the mutual fund industry, which has tremendous potential for long-term expansion. Saving money and investing are made easy, accessible, and affordable through mutual funds. Professional management, diversification, variety, liquidity, affordability, simplicity, and ease of recordkeeping are all benefits of mutual funds, in addition to tight government regulation and full transparency. Financial markets are expanding as a result of a wide range of financial products attempting advances in portfolio design for mutual funds, but these changes must be unified to meet investor expectations. Therefore, it is essential to examine mutual funds from a different perspective, one that focuses on investors' perceptions and expectations. This study concentrated on a variety of elements that illustrate how investors see mutual funds. The majority of investors used to invest in mutual funds for little more than three years before withdrawing their money from the funds that were not producing the anticipated outcomes. It was discovered that investors relied on bank and post office deposits because mutual funds were not well known to them. The equity option and the SIP investment method were the top priorities for investors. Additionally, it was shown that the majority of investors relied on their broker and agent to perform the risk analysis on their investments.

Mutual funds are organizations that, in exchange for a fee, gather money from a variety of sources—individuals or institutions—by issuing "units," invest it on their behalf in accordance with preset investment objectives, and manage it. They spread the funds among a variety of financial vehicles that can be divided into two main groups: equities and debt. Individuals and institutions can and do independently invest in equities and debt securities, but this needs time and expertise, both of which have limitations. Mutual funds have arisen as specialized financial middlemen, bridging the time and talent gap. They have a group of knowledgeable individuals who are able to choose the finest equities and debt instruments and build a portfolio that guarantees to provide the best 'restricted' returns at the lowest feasible cost. In essence, outsourcing money management is involved.

Mutual funds combine the funds of investors with specific investing objectives. Depending on the goals of the mutual fund scheme, the money is invested in a variety of securities, and the earnings (or losses) are distributed among investors according to their contribution. Securities investments are made in a diverse range of markets and sectors. Because not all stocks will move in the same way at the same time and in the same amount, diversification lowers risk. According to the

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amount of money deposited by the investors, mutual funds issue units to the investors. Unit holders are investors in mutual funds. The investors split the gains or losses in proportion to their initial investments. The mutual funds typically release a number of schemes with various investment objectives that are introduced periodically. Before receiving contributions from the general public, a mutual fund must register with the Securities and Exchange Board of India (SEBI), which oversees the securities markets.

II. REVIEW OF LITERATURE

According to a study by Singh and Jha (2009) on mutual fund awareness and acceptance, consumers primarily like mutual funds because of their return potential, liquidity, and safety, even though they may not fully understand systematic investing plans. Before investing in mutual funds, investors will take a number of variables into account. In a study on women investors' perceptions of investing, Desigan et al. (2006) discovered that women investors "in general are indecisive in investing in mutual funds due to a variety of reasons, including lack of knowledge about investment protection and their various investment procedures, market fluctuations, various risks associated with investing, assessment of investing, and resolution of complaints regarding their various investment-related issues. Saving is a behavior that women, in particular, have ingrained. Even in the past, when women were largely dependent on their husbands' income, they used to save for both future activities and crises. Women were not aware of the numerous investment options back then. But as time went on, the situation completely shifted.

The main advantages for small investors are due to effective management, investment diversification, simple administration, nice return potential, liquidity, transparency, flexibility, affordability, a wide range of choices, and proper regulation governed by SEBI, according to a study conducted by Ramamurthy and Reddy in 2005. The study also examined current trends in the mutual fund industry, including various exit and entry policies of mutual fund companies, various real estate, commodity, bullion, and precious metals schemes, the entry of the banking industry into the mutual fund industry, and online purchases and sales of mutual funds.

Anand and Murugaiah (2004) investigated a number of marketing-related strategic problems. They discovered that this type of industry recently needs fresh operating and survival tactics. In order to thrive and compete with other market participants around the world, they must embrace innovative marketing strategies and methods that allow them to seize the greatest possibilities with the fewest risks.

Purpose of the study

This research report concentrated on a number of elements that highlight investors' perceptions of mutual funds, including the need to identify the type of investment that investors desire.

- To learn the investor's preferences for various investment opportunities.
- To determine the level of investor knowledge on risk analysis and investment.
- To determine whether investors prefer to switch between funds and investments.
- To determine the preference of investors for the type of fund holding, and lastly.
- To determine the preferred information mode and time of fund holding for investors when choosing a mutual fund or investment scheme.

Summary Size

A total of 125 respondents from Rohtak make up the sample size. The respondents are divided based on a variety of factors, including income, age, gender at work, marital status, family size, religion, educational background, and annual savings.

The Data Collection Tool

Through the use of standardized surveys, the data is gathered. It is set up to gather the necessary data from mutual fund investors. Depending on their knowledge, the information source, and the investment decision-related elements that influenced their choice of a specific plan fund.

The Hypothesis

- The majority of investors choose to save their money in mutual fund schemes since they are among the safest and most lucrative investment options.
- The majority of investors prefer to choose short-term investments in mutual funds in order to save on taxes, and they rely on the advice provided by agents and brokers when making these decisions.
- The majority of investors are aware of the risks associated with their mutual fund investment or scheme.

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- The majority of investors transfer from one fund or plan to another in an effort to earn more from shifting market conditions.
- The majority of investors who have held their mutual fund investments for longer than a year have not experienced losses.

Source of Data

The primary and secondary data sources would be questionnaires for the primary data and published books, journals, and reports from the Securities and Exchange Board of India (SEBI), the Association of Mutual Funds of India (AMFI), the Reserve Bank of India (RBI), and other authorized data sources for the secondary data.

III. DATA ANALYSIS TOOLS

The gathered data and information will be categorized, tabulated, and processed, and the results will be presented in a methodical way. The Chi-square test, frequency tally, mean, and median are employed as statistical techniques.

3.1 Final Results and Commentary

The survey demonstrates that, of the 150 respondents, 125 are mutual fund investors and the other 25 are not. Form of Investment Preferred by Investor: In order to gather data for this study, respondents were asked to rank common investment options such as life insurance plans, gold, units of UTI and mutual funds, bank deposits and FDs, post office savings plans, currency holdings, real estate investments, and investments in shares, debentures, and commodities. According to the respondents' rankings (with 1 being the highest and 9 being the lowest), the following table was created.

Table 1: Shows the type of investment that investor's desire.

	Life Insur-ance Sche-me	Curren-cy Holdin-g	PPF	BAN-K DEPO-SIT	POST OFFIC-E SCHE-ME	GOLD	UNITS OF UTI &MUT-UAL FUNDS	REALTY SECTOR	SHARE, DEBEN-TURES ETC.
VALID	125	125	125	125	125	125	125	125	125
MEAN	5.73	3.07	5.05	6.24	5.10	6.36	4.92	4.81	3.67
RANK	3	9	5	2	4	1	6	7	8

Table 1 above makes it clear that gold is still the most likely investment avenue. Bank deposits and fix deposits are on position 2, life insurance plans are on position 3, post office plans are on position 4, PPF is on position 5, mutual funds, the real estate sector, shares of debentures and the commodity market are on positions 6, 7, and 8, and currency holding is on position 9. When ranking common investment avenues according to investor desire, it becomes clear that investing in gold is the most likely option. Investors generally choose to invest in safe modes first, followed by high returns. Bank deposits and fixed deposits are next. The fact that mutual funds rank sixth among investors' choices shows that they prioritize safety as an investment option or, more precisely, as a manner of investment, with returns coming in second.
2. Investors were asked to rate their preference for several investment options using a 5-point Likert scale (very unimportant = 1, strongly important = 5, etc.). Respondents were asked which investment window they preferred based on safety, liquidity, dependability, tax advantages, and high return. In order to obtain a clear conclusion, median values were used.

Table 2: Shows the many investment options that investors prefer.

	Gold	FDs'	Shares& Debentures	PO Schemes	MFs'	Life Insurance Policies	NSS Schemes	PPF
Safety	4	4	1	5	3	4	5	5
Liquidity	5	4	4	3	3	2	1	2
Reliability	4	5	2	4	3	4	5	4
Tax Benefits	1	2	3	5	4	4	5	4
High Returns	4	3	5	1	4	2	2	2

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Table 2 above makes it evident that, with the exception of tax benefits, gold is the most popular investment option and that mutual funds performed about averagely across practically all criteria. Among all prominent investing channels, it has been discovered that mutual funds have an average performance across all criteria, including safety, liquidity, dependability, tax advantages, and large returns.

Knowledge of risk and return in mutual funds to explore this issue, respondents were asked if they were aware of the risks associated with their mutual fund investments. The outcomes are displayed in the table below:

Table 3: Understanding risk factors for investing in mutual funds.

	Frequency	Percent	Cumulative Percent
Yes	91	72.8	72.8
No	34	27.2	100
Total	125	100	

As seen in the above table, 73% of investors are aware of the risks associated with their mutual fund investments. It indicates a risk-conscious investor. The answer to the question, "Do investors consider risk when making mutual fund investments?" is displayed in Table 4 below.

Table 4: MF investment risk analysis by investor.

	Frequency	Percent	Cumulative Percent
Yes	66	52.8	52.8
No	59	47.2	100
Total	125	100	

Although risk awareness was at 73%, it is remarkable that only about 53% of investors examine the risk in their mutual fund investments. The majority of investors are aware of investing risks, but they lack the information necessary to understand the risks associated with their mutual fund investments. In response to a question on whether investing in mutual funds is a secure way to buy stock, 121 of the 125 respondents said that it is.

Table 5: Displayed using a frequency tally.

	Frequency	Percent	Cumulative Percent
Yes	121	96.8	96.8
No	4	3.2	100
Total	125	100	

According to the above table, a significant portion of investors believe that mutual funds are a safer option than direct investments in the stock market. In the study, investors were also questioned about whether they believed that investing in mutual funds was a profitable strategy. In response, 92 (73.6%) investors responded favorably, whereas 33 (26.4%) did not. Look at table 6.

Table 6: A profitable investment strategy is mutual funds.

	Frequency	Percent	Cumulative Percent
Yes	92	73.6	73.6
No	33	26.4	100
Total	125	100	

A question was posed to respondents asking, "You switch over from the scheme or fund for?" in order to learn about the factors that influence an investor's decision to leave a fund or scheme. Profitability or security, respectively. The results are displayed in the table below with a Chi-square test for the question mentioned above and the respondent's occupation.

Table 7: Justifications for changing investments.

	Frequency	Percent	Cumulative Percent
Profitability	74	59.2	59.2
Security	51	40.8	100
Total	125	100	

According to Table 7 above, 59.2% of investors switch from a fund or scheme in an effort to profit from a changing market environment, while the remaining 40.8% switch for the security of their invested funds. Respondents were also

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questioned about whether they were prepared to invest in newly introduced funds and schemes or in already established ones. According to Table 8, just 15% of respondents rely on new funds or schemes, while 85% of respondents choose current funds or schemes.

Table 8: Preferences for investments and funds.

	Frequency	Percent	Cumulative Percent
Existing Fund	106	84.8	84.8
New Fund	19	15.2	100
Total	125	100	

Many investors change funds in order to benefit more from shifting market conditions. Conversely, 85% of investors prefer to participate in already-established mutual fund plans because they believe that investing in recently launched funds or plans may be high-risk.

A query was posed about the investor's current fund holdings, asking what type of fund they now hold: (a) equity fund, (b) debt fund, (c) balanced fund, or (d) any other fund. This was done in order to learn more about the investor's fund-holding preferences.

Table 9: Displays the outcomes as

	Frequency	Percent	Cumulative Percent
Equity Fund	60	48	48
Debt Fund	30	24	72
Balanced Fund	33	26.4	98.4
Others	2	1.6	100
Total	125	100	

According to Table 9 above, 48 percent of investors invest in equity funds, 24 percent invest in debt funds, 26.4% invest in balanced funds, and only 1.6% invest in other forms of funds. The tests used in the current study's analysis show that the majority of investors favor equity investments.

A question was posed asking participants to check the options that best described their preferred method of receiving information: (a) friends and family, (b) TV and radio, (c) mail, (d) newspapers and magazines, (e) brokers and agents, and (f) making their own decisions. Here is frequency tally table 10 for the aforementioned query, which shows that 25.6% of investors invested in mutual funds based on recommendations and information from friends and family, while 30.4% of investors sought the assistance of brokers and agents.

Table 10: Information mode preference

	Frequency	Percent	Cumulative Percent
Friends &Relatives	32	25.6	25.6
TV/Radio	12	9.6	35.2
Mails	2	1.6	36.8
News paper & Magazines	14	11.2	48
Brokers &Agents	38	30.4	78.4
Self Decisions	27	21.6	100
Total	125	100	

The results of the second question, which asked investors about how long they had been holding their current fund, are as follows:

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Table 11: Duration of investment holdings

	Frequency	Percent	Cumulative Percent
Less than 1 Year	18	14.4	14.4
1-3 Years	66	52.8	67.2
4-6 Years	25	20	87.2
7-9 Years	10	8	95.2
More Than 10 Years	6	4.8	100
Total	125	100	

According to the studies, 67.2% of investors want to hold their mutual fund investments for one to three years, while 20% prefer to hold them for four to six years. Therefore, it can be said that 88% of investors keep their investments for at least six years.

IV. SUGGESTIONS

Investors are advised to keep their investments for a long time while considering their risk tolerance and saving habits, to use private financial consultants to help them create an investment portfolio that will lower their risk exposure, to avoid investing in highly volatile securities, to gather as much information as they can before making an investment, and to conduct periodic reviews of their investments and risk analysis. To manage the risk associated with investments, investors should carefully and sensibly diversify their mutual fund holdings. Additionally, it is advised that investors develop a practice of regular saving because little sums of money saved over time will grow into larger capital bases, allowing them to continually make extra income despite shifting market conditions. One of the main recommendations is to put a decent portion of your money in liquid securities so that you can cover any unforeseen circumstances.

V. CONCLUSION

One of the most popular types of investment vehicles is a mutual fund. For people with middle incomes, investing in mutual funds produces greater interest and comes with a respectable principal amount at the conclusion of the mutual fund's maturity period. Mutual funds are safe, with almost zero risk, providing an optimum return on investment, and defending the interests of investors. Since customers can easily be misled by the marketing and deals pushed by numerous financial institutions, it is crucial to develop a solid understanding of mutual fund investments, businesses in the industry, and mutual fund experts. Mutual fund companies should offer full support to investors in the form of advisory services, investor participation in portfolio design, full disclosure of relevant information, proper consultation given to investors in understanding the terms and conditions of various mutual fund schemes, promotion of such a type of fund design that will ensure to satisfy investor needs, and mutual fund investment. On the other hand, it is necessary from the perspective of the government and regulatory bodies that more laws be in place to protect investor funds from being exploited, more tax rebates on mutual fund investments, a proper and effective grievance system, the right to investor education, and more control over asset management companies be in place.

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