PERFORMANCE AND PROSPECTS OF MUTUAL FUNDS
WITH SPECIAL REFERENCE TO LARGE CAPITAL EQUITY
ORIENTED SCHEMES

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ABSTRACT
A Mutual Fund is a trust that pools the savings of the number of investors who shares a common financial goal like capital appreciation and dividend earning. The money collected from the investors systematically invested in capital market instruments such as shares, debentures or other securities. The income earned through these investments realized by its investors in the proportion of number of units owned by them. Because of diversification investment and professionally managed by the fund house at a relatively low cost create an opportunity for the investors to invest in this market. As on 31st March 2015, the mutual fund industry AUM was Rs. 11.88 lakh crores of 45 fund house of total 11606 schemes.

Keywords: Mutual Funds, Fund of Funds schemes, Asset Under Management.

INTRODUCTION
A Brief History of Mutual Funds
The origin of mutual fund industry in India is by Unit Trust of India (UTI) in the year 1963. In 1963, UTI was established by an Act of Parliament. UTI was set up by the Reserve Bank of India. The first scheme, and for long one of the largest launched by UTI, was Unit Scheme 1964. In 1978 UTI was separated from the RBI and the Industrial Development Bank of India took over the regulatory and administrative control. It had a monopoly till 1987-1988, the assets under management (AUM) of UTI had grown to Rs 6,700 Crores.

In the year 1987 public sector banks and institutions were allowed to establish mutual funds. The State Bank of India established SBI Mutual Fund in June 1987 followed by Canbank Mutual Fund (Dec 1987), LIC Mutual Fund (June 1989), PNB Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 1989), Bank of India Mutual Fund (Jun 1990) and GIC Mutual Fund (Dec 1990). From 1987-88 to 1992-93, the AUM increased 7 times from Rs 6,700 crores to Rs 47,004 crores. During this period, investors showed interest in mutual funds, allocating a larger part of their savings to investments in the funds.

In 1993 permission granted for the entry of private sector funds. This gave the open market for the private players and Indian investors a broader choice of 'fund families' and increasing competition to the existing public sector funds. Foreign fund management companies were also allowed to operate mutual funds, most of them coming into India through their joint ventures with Indian promoters. 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 revised more comprehensive Mutual Fund Regulations in 1996. The current Mutual Fund industry now functions under the SEBI (Mutual Fund) Regulations 1996.

Budget of the Union Government in 1999 declared tax free of all mutual funds dividends in the hands of the investors.

**NEED OF THE STUDY**

The need for studying the performance of Equity oriented mutual funds is to help the retail investors to make valued judgment in selecting equity oriented funds. Information regarding investors at micro level is not available or published. Therefore, this has to be collected with such survey.

**HYPOTHESIS OF THE STUDY**

**Null hypothesis**

$H_0$: There is no significant difference between the returns of various large cap equity oriented mutual funds respective schemes/products of Mutual funds.

**OBJECTIVIES**

1. To know the investors interest in various types of large cap equity oriented schemes.
2. To study the performance of selected large cap equity oriented selected schemes.
3. Comparative analysis of selected schemes with benchmark performance to find out the benchmark return and fund return.
4. To identify the return in terms of investment.

**LITERATURE REVIEW**

1. **Ippolito (1992)** states that investor is ready to invest in those fund or schemes which have resulted good rewards and most investors’ is attracted by those funds or schemes that are performing better over the worst.

2. **Sujit Sikidar and Amrit Pal Singh (1996)** conducted a survey to peep in to the behavioral aspects of the investors of the North-Eastern region in direction of equity and mutual fund investment. The survey resulted that because of tax benefits mutual funds are preferred by the salaried and self-employed individuals. UTI and SBI schemes were catch on in that region of the country over any other fund and the other fund had been proved archaic during the time of survey.

3. **Madhusudhan V Jambodekar (1996)** conducted his study to size-up the direction of mutual funds in investors and to identify factors influence mutual fund investment decision. The study tells that open-ended scheme is most favored among other things that income schemes and open-ended schemes and income schemes are preferred over closed-ended and growth schemes. Newspapers are used as information source, safety of principal amount and investor services are priority points for investing in mutual funds.

4. **Raja Rajan (1997)** underlined segmentation of investors and mutual fund products to increase popularity of mutual funds.

5. **Goetzman (1997)** opined that investor’s psychology affects mutual fund selection for investment in and to withdraw from fund.

6. **Debasish (2009)** studied the performance of selected schemes of mutual funds based on risk and return models and measures. The study covered the period from April 1996 to March 2005 (nine years). The study revealed that Franklin Templeton and UTI were the best performers and Birla Sun life, HDFC and LIC mutual funds showed poor performance.
7. **Prabakaran and Jayabal (2010)** evaluated the performance of mutual fund schemes. The study conducted is on a sample of 23 schemes which were chosen basing on the priority given by the respondents in Dharmapuri district in a survey and covers the study from April 2002 to March 2007. The study used the methodology of Sharpe and Jensen for the performance evaluation of mutual funds. The results of the study found that 13 schemes out of 23 schemes selected had superior performance than the benchmark portfolio in terms of Sharpe ratio, 13 schemes had superior performance of Treynor ratio and 14 schemes had superior performance according to Jensen measure.

8. **Garg (2011)** examined the performance of top ten mutual funds that was selected on the basis of previous years return. The study analyzed the performance on the basis of return, standard deviation, beta as well as Treynor, Jensen and Sharpe indexes. The study also used Carhart’s four-factor model for analyze the performance of mutual funds. The results revealed that Reliance Regular Saving Scheme Fund had achieved the highest final score and Canara Robeco Infra had achieved the lowest final score in the one year category.

**RESEARCH DESIGN AND METHODOLOGY**

**Data:** Primary & Secondary Data.

**Sample:** Total 122 large cap open ended equity oriented schemes top 5 schemes will be analyzed in respect of AUM dated 31st March 2015. Total 71 large cap close ended equity oriented schemes top 5 schemes will be analyzed in respect of AUM dated 31st March 2015.

**DATA ANALYSIS**

**Qualification, Age and Monthly Family Income of Investors**

Majority of investors are Post Graduate, while under others professionals like CA, Cost Accountant, Company Secretary and diploma holders have been considered.

From the above bar chart, we can say that the highest number of investors belong to the age group between 31 to 40 years and in the second position of age group between 41 to 50 years.

Different earning groups of people are investing money in mutual funds. But earning groups below rupees fifteen thousand have not been consider because they are less savers due to high cost of living in Delhi even though if they save then also mutual funds investment may not be best attractively option for them it may be cause of lack of awareness because now only investing rupees five hundreds a investors can join in this investment arena.

**Preference Level while investing in Mutual Funds**

<table>
<thead>
<tr>
<th>Preference Level for Investment in Mutual Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Risk</td>
</tr>
<tr>
<td>Liquidity</td>
</tr>
<tr>
<td>High Return</td>
</tr>
<tr>
<td>Company reputation</td>
</tr>
</tbody>
</table>

Majority of Investors are giving most preference to higher return before investing in mutual funds.
Which factor of mutual fund allure you most?

<table>
<thead>
<tr>
<th>Factors allure to invest in MF</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market oriented investment</td>
<td>7</td>
</tr>
<tr>
<td>Better return</td>
<td>9</td>
</tr>
<tr>
<td>Professionally manage investment</td>
<td>3</td>
</tr>
<tr>
<td>Regular income</td>
<td>5</td>
</tr>
<tr>
<td>Tax Benefits</td>
<td>6</td>
</tr>
</tbody>
</table>

From the above graph it is clear that better return is the main criteria for choosing investment in mutual funds but also tax benefits, Market oriented investment and Regular income are the other factors of mutual funds’ investments.

**From Total Saving Percentage of saving in Mutual Funds**

<table>
<thead>
<tr>
<th>Total saving Percentage of Mutual Funds</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10%</td>
<td>6</td>
</tr>
<tr>
<td>10-25%</td>
<td>12</td>
</tr>
<tr>
<td>25-50%</td>
<td>10</td>
</tr>
<tr>
<td>50-75%</td>
<td>2</td>
</tr>
<tr>
<td>Above 75%</td>
<td>0</td>
</tr>
</tbody>
</table>

Out of Total savings majority of investors invest 10-25% of savings in mutual funds.

**Expectations of Return**

<table>
<thead>
<tr>
<th>Expectations of Return</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10%</td>
<td>2</td>
</tr>
<tr>
<td>10%-15%</td>
<td>10</td>
</tr>
<tr>
<td>15-20%</td>
<td>14</td>
</tr>
<tr>
<td>Above 20%</td>
<td>4</td>
</tr>
</tbody>
</table>

Majority of investors expect return from the scheme 15-20% where they invest. As because Investors have Prior knowledge of mutual funds returns so there expectation of return is realistic.
Majority of investors prefer to select a scheme which has already given good return in the past.

Factors focused most while selecting a particular Fund

From the chart majority of investors before investing prefer to invest on the scheme in respect of growth of NAV fund but also growth of asset under management, company reputation and fund manager’s track record also effect on investment decisions.

large cap equity Scheme you prefer most for investing

Here investors prefer to invest diversified schemes because of flexibility of changes investment as per opportunities.
FINDINGS & CONCLUSIONS

From the Primary data analysis I have come to the conclusion that smart and educated customers only prefer to select investment mutual fund as an option for investment. Majority of the Investors belongs to the age group between 30 to 50 years they are investing money in the various mutual funds schemes out of which between 31 years to 40 years are most risk takers and most aggressive while considering their return expectations. A stable earning is also a factor to invest in regular interval in Mutual funds various schemes because of Systematic Investment Plan (SIP) option choose. High expectation of return attracts investors to invest in the mutual fund investment. While investing in the Mutual fund investments investors are cautious they are risk spreader which is result of they are investing a certain percentage of investment in Mutual fund not the full savings money. When it’s come to select scheme to invest investors prefer to look at past track record of specific scheme and then they select a scheme. As because investors investing in large capitalized scheme and it have been observed from the primary survey that diversification type of schemes is the most preferable type of option while selecting investment nature.

CONCLUSION

Diversification nature of investment schemes are the most preferred choice of investment strategy. Open ended schemes are better option to invest in terms of return prospective and those types of schemes are preferred most who has given good return in the previous year’s whereas closed ended schemes major schemes funds AUM reduces over the years due to poor performance.

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