



AN EMPIRICAL STUDY ON SELECTION OF PUBLIC AND PRIVATE SPONSORED MUTUAL FUNDS

Josephine Alice Mary

M.Phil Scholar, The American College, Madurai

Abstract

The study attempts to identify the factor preferable by the investors while selecting public and private sponsored mutual funds and to know which sector mutual funds are highly preferred and got satisfied by investors. The survey was administered through structured questionnaires. The data was collected by direct and telephone interview method and it was statistically analyzed. Finally, through the analysis we found that most of the investors are looking for the reputation of the company, and product returns as the major factor for selection and they are highly satisfied with the performance of private sponsored mutual funds.

Keywords: *Mutual Fund, Risk return, Investors, Schemes.*

Introduction

Investment decisions are influenced by various motives. Every investor is making investment to earn a better return. Risk – Return relationship act as central part of investment decision. Mutual funds are considered to be one of the best available investment options compare to other alternatives as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Like all investments, mutual fund also carries certain risks. The investors should compare the risks and expected yields while taking investment decision.

Indian mutual fund industry has registered a healthy growth over the last 15 years. It has two distinct types of sponsors, public-sector and private-sector. The number of funds floated by public sector sponsors is minimal compared to private-sector players. They are required to be registered with Securities and Exchange Board of India (SEBI), which regulates securities market, before it can collect funds from the public.

In this study we mainly focus on the factors that are preferred by the investors while selecting the mutual fund. There are so many factors that influence the selection. From the analysis we incurred that most preferable factor is product returns offered by the company along with its reputation. Other factors such as fund history, risk, scheme qualities, and performance of the funds should also be given mere importance. Investors should compare the performance of their schemes with those of other mutual funds under the same category. Satisfaction level of Public and private sponsored mutual fund depends upon the above mentioned criteria.

Review of Literature

Madhusudhan V Jambodekar (1996) did a study to find out the awareness about Mutual Funds among investors and to identify the factors which influence the purchasing decision and the choice of a particular fund. Newspapers and Magazines are the primary source of information through which investors get the information about Mutual fund schemes and fund provider service is the important factor while choosing Mutual Fund Schemes.

Panwar and Madhumathi (2006) in their study identified the differences in characteristics of public-sector and private-sector sponsored mutual funds and found the extent of diversification in the portfolio of securities of public-sector and private-sector sponsored mutual funds and compared their performance using traditional investment measures. The study found that public-sector sponsored, private-sector Indian sponsored, and private-sector foreign sponsored mutual funds did not differ statistically in terms of portfolio characteristics such as net assets, common stock percent, and market capitalization.

Mittal and Gupta (2008) in their paper examined the awareness of the investors about mutual funds and various factors affecting the investment decision in the mutual funds. The study revealed that mutual funds had comparative advantage over other options due to high return, high safety, high liquidity and high convenience with moderate volatility. When compared to other investment options, it ranked third most preferred option, Insurance and government bonds having first and second positions. The overwhelming majorities (85%) of the respondents were aware of the mutual fund product and risk associated with it and most of them were satisfied with the service provided by mutual fund.

Rao and Daita (2013) in their study attempted to analyze the influence of fundamental factors such as economy, industry, and company on the performance of mutual funds. Efforts was made to carry out an in-depth analysis of the economy through a collection of monthly data pertaining to key macro-economic variables covering a period of 228 months spread

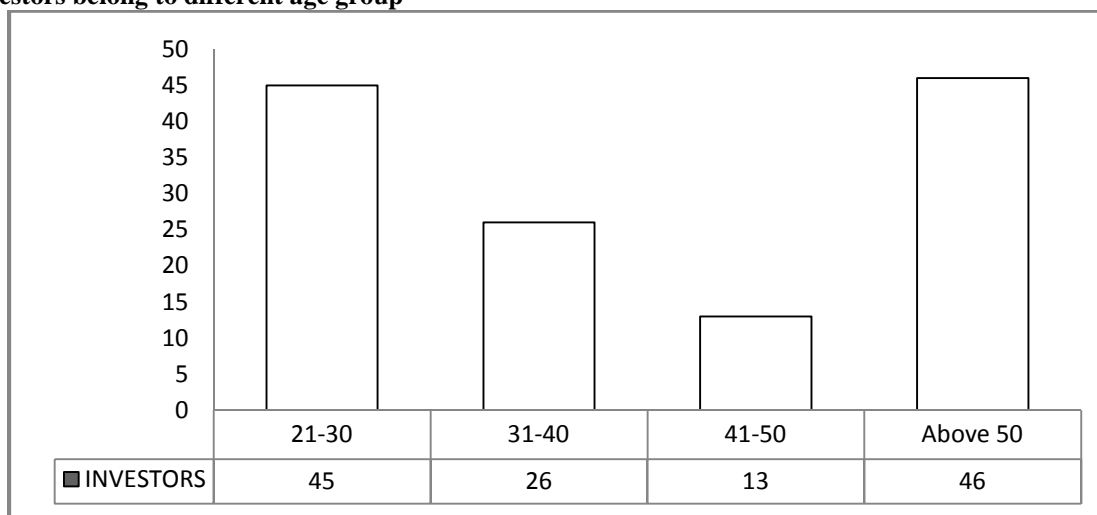
over 19 years. The casual relationship between real economic variables and their impact on statistics, correlation matrix, and Granger’s causality test. To appraise the mutual fund industry various aspects such as assets under management, investor type, and product classification were studied with the help of percentage analysis.

Sundar and Prakash (2014) in their study examined the awareness among the investor community in choosing the best mutual fund scheme as it conducted a comparative analysis of the mutual funds of three AMCs. This study also showed that much information about mutual funds is not available publicly. There is no information on fund styles or comprehensive league tables to allow the comparison of mutual funds in the market

Research Methodology

Participants of the study were investors in the mutual fund. Data is collected through Structured Questionnaire. In this study, for data collection convenience sampling method is used. The sample size selected for the study constituted of 132 investors. Among 132 investors, 79 respondents are collected through direct interview and 53 from telephone interview. Data collected from the respondents are fed into SPSS. One way ANOVA, frequency analysis was used to analyze and interpret the data.

FIG 1 Investors belong to different age group



Inference

When compared to other age categories, age group of above 50 and 21-30 come forward to invest in mutual funds. Investors in the age group of above 50 make investment in the mutual fund to earn better return from their investment.

1.1 Objectives of investment in the mutual fund and age of the investors

To test whether there is significant relationship between Objectives of investment in the mutual fund and Age of the investors

One way Anova

	Sum of Squares	df	Mean Square	F
Between Groups	1.122	3	.374	.340
Within Groups	138.455	126	1.099	
Total	139.577	129		

H0: Null Hypothesis: There is no significant relationship between Objectives of investment in the mutual fund and Age of the investors.

H1: Alternative Hypothesis: There is significant relationship between Objectives of investment in the mutual fund and Age of the investors.

Inference:As computed value 0.796 is greater than 0.05 Ho is accepted. It shows that there is no significant relationship between objectives of investment in mutual fund and age of the investors. Hence objectives of investment taken by the investors in the mutual fund are depending upon other factor

1.2 Factor preferable by the investors while investing in the mutual funds

Frequency analysis

A. Public sponsored mutual funds

S.no	FACTOR	Frequency
1	Schemes with different qualities	7
2	Reputation of Company with product returns	36
3	Company Expertise in Managing money	18
4	Entry and Exit Load	7
5	Fund History	17
	Total	85

B. Private sponsored mutual funds

S.no	FACTOR	Frequency
1	Schemes with different qualities	20
2	Reputation of Company with product returns	46
3	Company Expertise in Managing money	28
4	Entry and Exit Load	9
5	Fund History	24
	Total	127

Inference

While making investment in public and private sponsored mutual funds the most preferable factor by the investors is Reputation of company and product returns. Entry and Exit load is considered to be least preferable factor by the investors in both public and private sponsored mutual funds.

1.3 Satisfaction level with the public and private sponsored mutual funds by the investor

Frequency Analysis

Mutual fund	Frequency
Public sponsored	21
Private Sponsored	68
None	41
Total	130

Inference

Among 130 samples of investors, 68 of them are satisfied with the private sponsored mutual funds. Due to market risks and other factors 41 of them are not satisfied with public or private sponsored mutual funds. Only 21 investors are satisfied with public sponsored mutual funds.

Findings

- The objective of investment taken by the investors in mutual funds has no relationship on age factor. The Investment objective in mutual fund is influenced by other factor.
- Most invested mutual fund by the investor is Private Sponsored mutual funds.
- Most satisfied mutual fund by the investor is Private Sponsored mutual funds.
- Company Reputation and product returns is the most preferable factor look by the investors while investing public and private sponsored mutual funds.

Conclusion

Diversifying investments has always been a prudent strategy. Mutual funds help to diversify investment portfolio by offering investment opportunities in equities, debt and combinations of the two. It is always advisable to spread investment and invest



a part in Mutual Funds too. Selection of mutual funds should be based on quantitative factors such as risk, volatility, returns, as well as qualitative factors such as fund history and performance of the funds. So this study guides future investors to analyze the factors influencing in the selection of funds as well as to know performance of the mutual fund.

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