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ARTICLES



ABSTRACTS OF DOCTORAL DISSERTATIONS



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PRINCIPAL,
Shri Venkatesh Mahavidyalaya,

are dissatisfied about the service delivery and the product features of Reverse Mortgage Loan. Majority of the bank employees are dissatisfied about the product features of Reverse Mortgage Loan. Shockingly most of the employees do not know about the Reverse Mortgage Loan product.

Based on our findings we would like to suggest that there is an urgent need to change few features of the product like extend the product to commercial properties/ inherited properties / rented properties, remove the age gap cap, offer the product / service to joint owners other than wife and husband, reduce the costs drastically to match the international markets. The regulatory authorities, financial institutions and other stake holders need to introduce major reforms in the areas of valuation of properties, civil code and other laws like tenancy laws. Training should be given to the bank employees.

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*Abstract of Doctoral Dissertation*

# A Study of Mutual Funds With Special Reference to Investors in Kolhapur District[1]

NAUSHAD MAKBOOL MUJAWAR*

## I. Introduction

TRADITIONALLY INDIANS ARE savers who prefer to invest money in safe and risk-free instruments like bank-deposits, post-office deposits and life insurance. Since Independence almost in every planning period the gross domestic savings (GDS) have been increasing. As a percentage of GDP at current market price, GDS was 10.4% in 1950-51 and 13.9% at the end of first planning period and remained above 32% since 2004-05 till 2011-12. Despite constant increase in GDS over forty years, the major portion of household sector's savings has run towards the most secured avenues like bank-deposits (40.88%), pension and provident funds (17.32%) and life insurance policies (10.56%). It is quite surprising that only 1.53% of household's savings were invested in UTI and other MF schemes. Though India has vast growth potential backed by a resilient economy, commensurate with an accelerated GDP growth rate of 7.4%, and high GDS, a little percentage of GDS go in mutual funds compared to developed countries, where approximately 80% of savings go into mutual funds and 20% in bank-deposits. Low penetration of mutual funds in small cities is another important issue in India. The geographical spread of MFs showed that they have so far concentrated on metro and top 10 cities. Most Asset Management companies (AMCs) and distributors have a very limited focus beyond top 20 cities. Top 5 cities contributed approximately 71% of total AUM, with only Mumbai accounting for about 42.10%. The smaller towns and villages have been neglected where retail investors are in abundance. Relatively low penetration levels combined with rapid growth in the AUM point to the high growth potential for Indian MF industry. Extremely high savings rate of retail investors' presents an

1 The Thesis was submitted to Shivaji University, Kolhapur Maharashtra, in 2014, for the award of Ph.D Degree, awarded, in December 2015, under the supervision of Prof. C.S Shreshthi, Former Professor, Chhatrapati Shahu Institute of Business Education and Research (CSIBER), Kolhapur, Maharashtra 416115, INDIA

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opportunity, however, low mutual fund participation rates is a great challenge. India has the highest savings rate in the world, only its channelizing towards Mutual Funds is required. Presently, there are 45 mutual funds in India which is less than US which has more than 800. This gap postulates that there is a big scope for expansion of mutual funds in India. Further, B and C class cities are growing rapidly, where MFs will find ample scope to develop.

Kolhapur, one of the prosperous districts in Western Maharashtra, known for co-operative societies, is comprised of three Tier-I cities --Kolhapur, the district headquarter, Ichalkaranji and Jaysingpur, four Tier-II and five Tier-III cities located in 12 talukas and 1196 inhabited villages . Out of district's total population of 38,74,015 spread over 7.6 lakh households, nearly 29.65% population lives in urban areas and the rest in villages. Approximately its 65% population is engaged in primary sector, 17% and 18% in secondary and service sectors respectively, having per capita income of ₹ 68, 292/- at current price. Before 25 years, other than bank and post office investments, there was only one option of mutual fund of UTI. However, with the entry of bank-sponsored and foreign-collaborated MFs, people got new vistas of investment. As per one estimate, there are 2, 71,000 folios in Kolhapur district having multiple folios. Hence, it is estimated that there are 50,000 unique investors. There are 257 authorized distributors of mutual funds. This simply explains that there is an immense scope for development of mutual funds in Kolhapur district. However no extensive study has been so far done at district level focusing on various issues of MF investment in relation to investors in Kolhapur district. Therefore, Kolhapur district is purposefully chosen for the study and in the light of foregoing discussion the research problem is defined and entitled as 'A Study of Mutual Funds with Special Reference to Investors in Kolhapur District.'

## II Objectives, Hypotheses, Data and Methodology

2.1 *Objectives of the Study*

The objectives of the study are

i To trace the history and development of Mutual Funds in India and resource mobilization during 2002-03 to 2011-12.
ii. To evaluate the performance of selected pubiic sector Mutual Fund schemes.
iii. To examine the risk perception of investors in Kolhapur district.
iv. To study the investor's preferences towards Mutual Fund investment and the factors influencing their investment decision.
v. To study the attitude of investors in Kolhapur district towards Mutual Fund investment.
vi. To analyze the perceptions of investors in Kolhapur district about Mutual Fund Industry.
vii. To study the opinion of investors and Investment Advisers about various aspects of Mutual Fund investment.

2.2 *Hypotheses*

The hypotheses of study are

i. There is consistent growth in resource mobilization by Mutual Funds in India.





ii. Public sector mutual fund schemes have consistently performed to accrue benefits to investors.
iii. Investors' attitude towards investment is significantly influenced by their demographic characteristics.
iv. Investors' preference to various aspects of mutual fund investment is significantly influenced by their demographic characteristics.
v. Investors and Investment Advisers in Kolhapur district hold similar opinion about preferred investment objectives, investment avenues, channels of investment, mutual fund sector, schemes, degree of safety of financial assets and factors determining success of mutual funds and factors affecting choice of mutual fund house and schemes.
vi. Investors and Investment Advisers in Kolhapur district hold similar opinion about factors attracting inves.ors towards and distracting them from Mutual Fund investment.

2.3 *Sample Selection and Data Sources*

Corresponding to the nature of the study, it is invariably divided into two parts and the samples are selected accordingly.

2.3.1 *Sample Design*

2.3.1.1 *Selection of Public Sector MF Schemes*

UTI MF is selected being pioneer of mutual fund industry in India, while SBI MF and Canara Bank MF are selected as they have boosted the MF industry in India and oldest among others and LIC MF is selected as it has added the dimension of 'risk-coverage' to MF schemes. Schemes launched by these public-sector MFs constituted the universe of the study. Only five 'growth' and five 'income' schemes of above MFs are randomly selected considering the availability of data and their survival till date of study.

2.3.1.2 *Selection of Investors and Investment Advisers*

The investors having reasonable knowledge of MFs are selected, first by fixing up quota and then by applying purposive convenience sampling method. Initially, it was decided to incorporate 600 investors, 50 investment-advisers; however, the researcher encountered difficulties in tracing MF investors, particularly beyond Kolhapur, Ichalkaranji and Jaysingpur cities. Through 'snow-ball system', 514 investors were ultimately contacted. Out of 497 filled questionnaires, 489 usable questionnaires of investors and 32 of Investment Advisors were finally incorporated in the study and thus sample size was arrived at 521, from whom primary data were collected during the period of 2011-13.

2.32 *Data Sources*

The secondary data of NAV of selected schemes are collected from Factsheets of concerned MFs and websites of AMFI. For the second part of the study the primary data are collected from sample investors and Investment Advisers through structured questionnaires.

2.33 *Data Analysis*

Performance of MF schemes is compared against their chosen benchmarks i.e. BSE Sensex and S & P CNX Nifty for growth schemes and G-Sec Composite

Index and T-Bills Index for income schemes. Risk-return analysis of schemes is done by using the following measures.

i. *Total Risk ($\sigma$):* It is measured by standard deviation of scheme return to know the quantum of risk.
ii. *Systematic Risk ($\beta$):* Beta measures the relative volatility of scheme's return with market index. It reflects the sensitivity of scheme's return to fluctuations in market-index. A beta greater than one means the scheme's return is more volatile than the benchmark-index and vice versa. Beta is calculated as follows:

$$\text{Beta} = \text{Cov}(I_r\, MF_r) / \text{Var}(I_r)$$

where, $\text{Cov}(I_r\, MF_r)$ = Covariance between Market Index's return and Scheme's return and $\text{Var}(I_r)$ = Variance in Market Index return.

iii. *Sharpe Ratio:* It adjusts excess return for total risk including risk caused by lack of diversification. It is computed by dividing the difference between actual return ($R_p$) and risk-free return ($R_f$) by Standard Deviation of fund's portfolio ($Q_p$), which signifies total risk.
iv. *Treynor Index:* It assumes the reward per unit of systematic risk (Beta). The fund's performance is measured in relation to market performance. Treynor's index adjusts the excess return on portfolio for risk as measured by Beta ($\beta$) of the portfolio and computed dividing the difference between actual return (Rp) and risk-free return ($R_f$) by Beta of the fund's portfolio ($\beta_p$)
v. *Jenson's Alpha ($\alpha$):* Risk is the key dimension of performance measurement and a decisive factor in determining a Fund Manager's skill. Jenson's Alpha measures whether the scheme is generating excess returns over the normal returns, reflecting Fund Managers' stock-selectivity skill. Basically it measures the differential return. The higher the value, the better is the performance. Jenson's Alpha is computed by using the following formula:

$$\alpha = (R_p - R_F) - \beta_p (R_B - R_F)$$

where, $R_p$= portfolio return, $R_F$= riskless return, $\beta_p$= portfolio beta, $R_B$= benchmark return

vi. *R-Squared ($R_2$):* To ensure that an appropriate benchmark was chosen for comparison of scheme return, R-squared is used along with beta. Lower R-Squared indicates less reliable beta as a measure of fund's volatility.
vii. *Appraisal Ratio:* It is used to determine whether the observed Alpha is due to skill or chance. It is computed by dividing Alpha by the Standard Error of the regression. Appraisal Ratio = $\alpha / \sigma_e$, where, $\alpha$ = Alpha, and $\sigma_e$ = Standard Error of the regression (i.e. Non-systematic Risk).

2.4. *Testing of Hypothesis:*

i. *ANOVA Test (F-Test):* It is applied to explain difference in resource mobilization by UTI, public and private sector mutual funds during study period.
ii. *Chi-Squared Test ($\chi^2$):* In the study, $\chi^2$ is applied to know whether or not there exists any association between the opinion and preferences of sample investors and Investment Advisers.





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iii. *Kruskal Wallis (H-Test):* It is applied to know whether or not there is a difference in performance of sample schemes of UTI, CanaraRobeco, SBI and LIC Nomura MFs.
iv. *Spearman's 'Rho':* It is used to understand the rank difference as given by Investors and Investment Advisers in case of factors attracting investors towards and obstructing them from MF investment. It is then tested by applying 't' test to interpret the results.
v. *Factor Analysis:* Investors' perceptions captured in five important factors regarding Indian MF industry are analyzed using Centroid method which maximizes the sum of absolute loadings of each factor.

## III. Major Findings and Conclusions

- During 2002-03 to 2011-12, Indian MF industry has shown an impressive growth in respect of number of AMCs, number of schemes, resource mobilization, AUM. However, because of withdrawal, there was heavy redemption pressure on MF industry which reduced the net resource mobilization. One of the reasons behind this was more participation of big and HNW Investors , who exited early from mutual funds with big amount. Middle-class small investors' share in mutual funds is just 26%, though they are loyal long-term partners.
- Geographical spread of MF industry has remained mainly urban-focused and tier-II and III cities, towns and villages have remained out of orbit of mutual funds. Only a few mutual funds have presence in Kolhapur district.
- There is a lack of well-knitted chain of mutual fund distributors at taluka level. Resultantly in small cities, towns and villages, there is not enough awareness about mutual funds. Kolhapur district has been less tapped by MF Industry despite there is an abundant potentiality for it. Villages are far away from the concept of mutual funds. It seems that proper steps have not been taken to divert the investment saturated in co-operative banks and gold towards mutual funds.
- The help-desk for investors in Kolhapur district is available in the form of Kolhapur Investors' Association, the sub-brokers like Banks (Public and Private) and Individuals including ARN Holders, Chartered Accountants, Financial/ Investment Advisers, one Mutual Fund Office at district level, office of UTI Mutual Funds and AMCs Offices (Karvy and Camps). However, all this support is accessible only at district level. Mutual funds is not the prime area of activities of Kolhapur Investors' Association.
- Out of 257 ARN Holders, many have discontinued their profession due to reduction in commission and lack of up-to-date training. Chartered Accountants and Financial/ Investment Advisers showed poor interest in fund distribution.
- As per Sharpe Index (reward for risk) and Treynor Index (reward for volatility) 90% and as per Jenson's Alpha 45% of growth schemes have generated satisfactory return. However, out of 20, 8 growth schemes (40%) have outperformed the market return (BSE Sensex) and 12 growth

(60%) are found to have performed below benchmark. Sharpe Index indicates that UTI's 2, CanaraRobeco's 3, SBI's 2 and LIC Nomura's all 5 growth schemes are underperformer. In terms of Treynor Ratio SBI's 3 growth schemes namely SBI Magnum Tax Gain Scheme-1993-Growth (47.06), SBI Global Fund-94-Growth (32.05) and SBI Magnum Equity Fund-Growth (25.17) outperformed the market. SBI Blue Chip Fund-Growth (1.10) underperformed. LIC's all 5 growth schemes have failed to generate superior returns in terms of Alpha measure.

- Mean risk-free return (Rf) of all growth schemes as indicated by Sharpe Index was 0.18 whereas that of BSE Sensex was 0.26, which means that all the growth schemes could not beat the market return. Only 25% of growth schemes could achieve their stated objective of 'high return for high risk.' Nearly 50% growth schemes have generated low return despite investors carried high risk. Out of 20 growth schemes, UTI Banking Sector Fund Regular-Growth Option showed consistency in performance.
- Most of the high-risk funds have not produced higher return. Majority of sample MF schemes have failed to achieve their stated objectives. It implies that a large number of investors have lost their capital. Statistical analysis reveals that growth schemes of UTI, CanaraRobeco, SBI and LIC Nomura have not achieved their stated objective of high risk-high return. These schemes have not generated return sufficient to cover market risk.
- In terms of average total risk and average return, all income schemes have registered good return. UTI's income schemes generated average return of 7.34% as against the average total risk of 4.59% whereas Canara Robeco's income schemes gave average returns of 7.34% at the average total risk of 5.08%. In case of SBI, its income schemes produced average return of 6.63% at the average total risk of 5.34% and LIC's income schemes have generated average returns of 7.18% against average total risk of 3.85%.
- Analysis of Sharpe Ratio reveals that all income schemes are underperformers. The average Sharpe Ratio of income schemes is found -0.85 whereas its benchmark return is + 0.21, which means that no income scheme could perform better than market.
- Ranking of MF schemes as per Sharpe and Treynor's Ratio shows marginal variation. It is due to the fact that total risk and market risk exposures of each schemes is different. Sharpe considers total risk while Treynor considers market risk. Statistically, this difference between performance as per Sharpe Ratio was not significant as indicated by H= -22.57 for growth schemes and -5.157 for income schemes which was less than Chi-Square table value of 7.815 at 0.05 level of significance.
- Mean Treynor Ratio for all growth schemes was found to be 9.10 which is less than its benchmark return of 13.66. It means that 'reward for volatility' was not satisfactory. However, 6 schemes have outperformed the market inclusive of 3 of SBI, 2 of Canara Robeco and one of UTI. 14 schemes underperformed as indicated by Treynor Ratios.
- SBI Magnum Tax Gain -1993-Growth is the best growth scheme as indicated by its Treynor Ratio of 47.06 which was higher than its





benchmark return of 24.16. As per Treynor Ratio, UTI Long-Term Advantage Fund-Series IG (-69.73) is the worst performer.

- Institution-wise analysis revealed that UTI Banking Sector Fund Regular (Growth Option) outperformed as indicated by its Treynor Ratio of 23.00 while UTI Long-Term Advantage Fund Series IG (Treynor Ratio = -69.73) was the worst performer. Canara Robeco Emerging Equities Growth Option (30.66) and Canara Robeco Equity Tax Saver Regular (17.41) were outperformers whereas Canara Robeco Infrastructure Regular (5.30) was the worst performer among 5 growth schemes of Canara Robeco. SBI's 3 growth schemes namely SBI Magnum Tax Gain Scheme-1993-Growth (47.06), SBI Global Fund-94-Growth (32.05) and SBI Magnum Equity Fund-Growth (25.17) outperformed the market. SBI Blue Chip Fund-Growth (1.10) underperformed. LIC Nomura's all schemes are underperformers. However, the best among them is LIC Nomura MF Index Nifty-G with Treynor Ratio of 5.67 whereas the worst performer is LIC Nomura MF Infrastructure–G (Treynor Ratio = -10.46)
- Mean Alpha was found to be -0.70 which was less than market Alpha of -4.22, which means there was no superior performance of growth schemes. The best among 20 growth schemes was SBI Magnum Tax Gain Scheme-1993-G as indicated by Alpha value of 16.93 and the worst was LIC Nomura MF Index Nifty-G as indicated by Alpha value of -14.11.
- 9 growth schemes (45%) showed positive Alpha whereas 11 schemes (55%) showed negative Alpha. Institution-wise analysis revealed that three schemes each of one UTI, Canara Robeco and SBI Mutual Funds had positive Alpha. However, no scheme of LIC Nomura showed positive Alpha. Superior performance of nine growth schemes was not due to Fund Managers' skill of stock selectivity but by chance or booming stock market. It was not statistically significant.
- Out of 20 growth schemes, 5 schemes fell in high risk-high return category and 10 in high risk-low return category. This shows that the majority of growth schemes have failed to achieve stated objective of high-return for high-risk. No income scheme fell in these two categories. Five growth and 5 income schemes fell in low risk-low return category. Out of 20 income schemes LIC Nomura's all 5 schemes fell in low risk-low return category.
- Majority of investors in Kolhapur district are middle-aged male graduate urbanites, married and holders of middle-sized families, having annual income of around Rs.1,80,000/- and saving maximum Rs. 30,000/- per annum. Educated and salaried class, which has moderate income and saving levels, living in urban areas of Kolhapur district is mostly attracted towards mutual fund investment.
- Majority of investors in district are moderate to petite risk-takers. Only 19.02% have prepared their mind to accept high risk for getting high return. 'Low-Risk High-Return' matrix is mostly favoured by majority investors. They are apprehended by sudden decrease in NAV and think more of 'potential loss than potential gain' likely to generate from their investment.

small investors. The study reveals that especially small investors are very sensitive towards risk and they do not regard MF investment as less-risky or risk-free mode of investment. The performance analysis of sample schemes has also disclosed the failure of managing risk and out-performing the market returns. On this background it is suggested that MFs may use the derivative products as risk-management tool which are available in equity and debt instruments in a wide range. However, high degree of trading skill and ability of correct market forecasting are the pre-conditions for its use. If used cautiously, derivatives will prove the powerful tool of risk management in the hands of Fund Managers. The ultimate result of these efforts would be benefitting investors in terms of safety of capital and increased returns and diminishing the drop-outs from the mess of Mutal Fund investment.

- MFs must strive to increase the baseline of small investors who are most loyal and long-term partners. It will be helpful to minimize redemption pressures. Removing misconceptions about MFs from the minds of investors is an integral part of the efforts of infusing confidence among investors.
- There should be a true product differentiation. The pension-oriented products, insurance-linked and health-insurance linked products may, for example, be designed. The products compatible to meeting the needs of target-investor groups should be developed. MF products should be designed to meet the unique needs of each segment of the society. More and more sector-funds may be evolved to make it simple and understandable to investors.
- MF industry has the biggest challenge as how to direct traditional investment in co-operative societies towards mutual funds. Better return, better risk-management and better customer-service would go a long way in fostering confidence among investing people.
- Achievement of investment objective within stipulated time-frame is vital for small investors because their needs are linked-up to 'time.' Suppose, if the investor has chosen a specific MF scheme with a mind to avail big amount at the time of his daughter's marriage or higher education. Time is the essence in this case. If his expectation is not fulfilled on that time but at a later stage, the MF investment would be almost meaningless for him.
- All mutual funds have not reached to small cities, towns and villages in Kolhapur district. Banks, Post Office and LIC have already reached deeper in district even at village level. The branch networking of these institutions could be used for popularizing mutual fund products. The network of SHGs may also be used for this. There is a need to open Mutual Fund Advisory Office at taluka level, which would be helpful in deep retail penetration.
- Investors' education especially related to risk and return of growth schemes may bring common investors back to MF investment radar. In the pioneering period of late 1980's and early 1990, the MF products were marketed with the sugar-coated slogan of 'an assured return risk-free asset-class.' The subsequent boom period made it fruitful too. However, this gave a wrong impression in the minds of investors





that MFs give high return at a very less or no risk at all. But the subsequent market crash shattered investors' hopes. Therefore, the education on that should be based on facts. The investors should be taught to invest by knowledge and not just by herd mentality.

- There is a need to create awareness about mutual fund investment through special awareness programmes. If done properly there is a tremendous scope to tap the savings of potential retail investors.
- Some MFs have 'target-profit' funds but there is no 'target-loss' fund. Further, there is no option of 'stop-loss' system for MFs. As mutual funds are the variants of share market operations, each and every option available to the shareholders must be available to unit-holders. If the investors are given an option to limit their potential loss up to certain limits, as done in shares, it would go a long way to attract more investors from low income strata of society. The technique of 'stop-loss' minimizes risk at one hand and gives stimuli to the feeling of safety on the other, which is a non-compromising issue for every investor. Further, this will help investors to determine their 'risk-range.'
- When there occurs at least 30% reduction in face value of a particular scheme, and the Fund Manager fails to revive it in time, the concerned scheme should be closed. Such a condition must be clearly mentioned in offer document. Because, there are some evidences that schemes have been continued even after 80 to 90% reduction in their face-value. Such schemes should be closed and the 'dead-money' (i.e original investment minus loss in face value) should be brought back in the market for fresh investment. If such dead-money comes again as investment in any other avenue, it would give a momentum to economy. However, if such an investment is allowed to stay in the heavy loss-making schemes, such money is of no use for economy.
- To retain the investors for long time in the schemes, the performance of schemes has to be improved. Investors should get substantial return on schemes, more than risk-free returns. The return on MF schemes should be more than other financial assets like bank-deposits and post-office saving schemes. This would help to reduce the redemption pressure on Mutual Funds.
- Still investors in Kolhapur district believe in the advice rendered by C.As, Brokers, and Financial Advisers etc. These mediators should be tapped and properly trained. Furthermore, adequate commission may be offered to gear up them towards and popularizing mutual funds among masses and for efficient fund distribution.
- LIC agents and small saving agents may be well acquainted with the benefits of mutual funds and they may be trained in cross-selling techniques.
- Co-operative banks have a wide network branches in small cities, towns and villages in Kolhapur district. The authorization of co-operative banks to distribute mutual funds would increase rural penetration in the district. Through cross-selling, these banks may increase the participation of retail investors in MFs.

- MFs are not yet fully regarded as the best indirect mode of reaping the benefits of equity market hence it finds almost the last place in investors' portfolio. They are hardly ready for compromise on safety of investment for getting higher return.
- Investors assign the first preference to bank-deposits. However, 82% people in district prefer to deposit money in co-operative banks and societies than public and private sector banks due to their intimacy with them. They gave the second preference to post-office schemes and sixth preference to mutual funds.
- Investors mostly prefer bank-deposits as the safe and regular income asset, post-office schemes for their faith in government, gold as the mid-night liquid asset. MF schemes are not regarded as less risky as propagated.
- Majority of investors prefer to invest money on advice of and through Chartered Accountants. Very less number of investors uses Internet as channel to invest through. They rarely browsed Mutual Fund Bazzar on Internet.
- 95.30% investors use to choose mutual funds for investing their money in anticipation that it would fulfill their objectives, whereas only 1.02% chooses it for diversification of investment. Encouraging past performance of mutual funds motivates investors to choosing a specific scheme.
- Only 3.27% are sole MF investors who don't have large portfolio. 41.92% investors have time-horizon of investment upto 5 years and only 7.57% investors have it 10 years plus.
- 52.76% investors show apprehensive mindset towards mutual funds and 81.80% are found to be worried about potential loss than being hopeful about potential gain.
- Possibility of capital appreciation, high tax-benefits and entry with small capital are strong factors that attract investors towards MFs.
- Majority of investors believe that 'portfolio construction' and 'Fund Managers' skill' as two main factors which determine the success of MFs.
- Investors and Investment Advisers in Kolhapur district are not of the same mind in respect of preferred investment objectives, investment avenues, channels of investment, MF sector, MF schemes, degree of safety of financial assets and factors determining success of MFs and affecting choice of MFs, their schemes and MF houses.
- In all, 20 perception statements are incorporated in the study. The responses to these statements are analyzed by using Factor Analysis, which reveals that:

i. As regards 1st Factor 'Mutual Fund is the less risky mode of investment' (loading: -0. 9022) shows that investors did not regard MFs as risk-free mode of investment but they perceive it as the best shield against the potential loss of investing directly in share market (loading: 0.95529).

ii. Regarding 2nd Factor on 'Performance of Indian Mutual Funds', investors believe that MFs produce more return in long-term and are always beneficial to investors (loading: 0.98652). Investors don't view that large-corpus MFs succeed in generating handsome returns (loading: 0.37636)



iii. Regarding 3rd Factor entitled 'Benefit of Fund Managers' Expertise' it is found that MFs' performance depend upon skill of Fund Managers (loading : 1.0605). But they differ with the statement 'Fund Managers always foresee the risk and succeed in minimizing it' (loading : -0.49).

iv. As regards 4th Factor captioned as 'Better Investor Service', it is shown that MFs maintain continuous rapport with investors through letters, SMS and e-mails (loading: 1.4998). Investors also believe that MFs chalk out schemes to meet their diverse needs (loading; 0.9791).

v. Regarding 5th Factor on 'Prominent Drivers of Mutual Funds' Performance', it is found that investors mostly believe that good regulation and good corporate governance drives the performance of MFs (loading : 2.121). Further they regard that stock market trends and fluctuations in interest-rates affect the performance of MF schemes. (loadings: 1.3846 and 1.0645 respectively). The loading value of 0.980 attached to the statement 'Fund Managers' ability to manage the funds' shows that investors regard that Fund Managers' role as crucial in performance of Mutual Funds.

## IV Suggestions

- A good network of distribution at taluka level would be helpful in penetrating small cities, towns and villages of Kolhapur district. There are abundant small savings in the rural areas, but the proper efforts are required to divert them towards mutual funds. In this connection the network of co-operatives and self-help groups may be strengthened.
- There is big number of government and semi-government employees in the district, employed in district level government offices, Zilla Parishad, Nagar Parishad, Grampanchayat, Kolhapur Municipal Corporation, MSEB, Schools, Colleges and Shivaji University. This salaried class who is interested in safe and steady growth of returns may be systematically tapped and be converted into investing community. However, low may be the investment, but it may be channelized towards mutual funds. For that the special investor education campaigns may be organized for the specific target-group like salaried class, professionals, traders and businessman etc. on continual basis. The mediators need to be trained substantially and of course the issue of commission, which is very sensitive for brokers/ distributers, needs to the sorted out satisfactorily.
- The people need to be well convinced about the safety, liquidity, transparency, profitability and other dimensions of mutual funds. Not only that, the guidance about choosing mutual funds and schemes compatible to their needs has to be provided through easily accessible help-desks.
- Man works for 8 hours but his money works for 24 hours. Hence, the safety of hard-earned money is the matter of paramount importance to

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