



# A Study on Performance of Mutual Funds and Investors' Behaviour in Ahmedabad

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**Abstract:** *An investment is a commitment of funds made with the expectation of some return in the form of capital appreciation. Different investment avenues are available to the investors such as fixed deposits, insurance, post office savings/national savings certificate, gold/e-gold, bonds, public provident fund (PPF), real estate, shares, commodities, etc. Mutual fund is one of the important investment vehicle that offer good investment prospects to the investors. Mutual fund is a trust that pools the savings of various individuals by issuing units to them and then invests it in various securities such as shares, debentures and bonds as per the stated objectives of the scheme. A sample of 200 open-ended mutual fund schemes have been analysed during the period 01 November, 2015 to 31 March, 2016. Data has been gathered from the official website of Association of Mutual Funds in India, Reserve Bank of India, Security and Exchange Board of India, Bombay Stock Exchange, Value Research and mutual fund companies.*

**Keywords:** *Investment, Mutual fund, Bombay Stock Exchange, PPF.*

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## I. INTRODUCTION

Investment has been a crucial decision for individual investors since ancient times. Purchase of some asset from the surplus of income over expenditure to generate more money is investment. In other words, investment can be defined as the commitment of funds to one or more assets that will be held over some future time period. In Graham's words "Investment is putting money into something upon thorough analysis, with the expectation of gain that has a high degree of security for the principal amount, as well as security of return, within an expected period of time". Therefore, it entails arriving at numerous decisions such as investment amount, type of securities and timing. All investment choices are made in accordance with personal investment needs and in consternation of an uncertain future. Further such decision making has to be persistent and rational.

Mutual fund is an investment vehicle that pools the money of investors and invests it in a variety of securities as shares, bonds, debentures etc., according to fund's specific objectives and strategies. The money thus generated is distributed among investors in the proportion of number of units held by them. Mutual fund acts as a means of participation in the stock market for people who do not have the time and expertise to take direct investment decisions in the equities successfully. Mutual funds serve as a link between the savings of public and capital market as they mobilize savings from investors to the borrowers in the capital markets. By the very nature of their activities, and by virtue of being knowledgeable and informed investors, mutual funds influence the stock markets. Also they play an active role in promoting good corporate governance, investor protection and the health of capital markets. Mutual funds have imparted the much needed liquidity into the financial system and have challenged the hitherto dominant role of banking and financial institutions in the capital markets.

## II. REVIEW OF LITERATURE

**Study of Markowitz (1952) and Tobin (1958):** In the 1950's Markowitz and Tobin suggested a means to measure risk in terms of variability of returns, or variance. Even with the implementation of variance, it was still difficult to compare the performance of two or more investments.

**Study of Treynor (1965), Sharpe (1966) and Jensen (1968)** Another solution came about in late 1960's, by Treynor (1965), Sharpe (1966) and Jensen (1968) as Treynor index or ratio, Sharpe index or ratio, and Jensen's alpha respectively. These performance measures compare the returns of professionally managed portfolios to the return of some standard benchmark portfolios. While these traditional measures are extremely useful, they possess potential problems in addressing key factors in evaluating portfolio performance as identifying the appropriate benchmark for comparison purposes, accounting for the effects of market timing, and incorporating the consequence of transactions cost.



Study of Lehman and Modest

**Lehman and Modest (1987)** provided empirical evidence that the choice of benchmark portfolio is the first crucial step in measuring the performance of mutual funds.

**Study of Singh and Singla** In India Singh and Singla (2000) evaluated the performance of twelve growth oriented mutual funds for October 1992 to September 1996. They used Treynor index, Sharpe index and Jensen measure and concluded that mutual funds did not perform better than their benchmark indicators.

**Study of Soongswang and Sanohdontree (2014)** Soongswang and Sanohdontree (2014) analyzed 138 open ended equity mutual funds in Thailand by applying Treynor ratio, Sharpe ratio and Jensen's alpha and DEA techniques. Authors found that performance of the funds measured by first three methods significantly outperformed the market for all time periods. While, those evaluated by last method, resulted in varied outcomes as out-performing and under-performing funds.

### III. METHODOLOGY

Primary objective of this report is to study the performance of mutual funds and the behaviour of Indian individual investors towards the investment of their savings. It is very useful to know investing pattern.

#### Objectives of Research

Primary objective of this report is to study the performance of mutual funds in India and also study the behavior of Indian individual investors towards the investment of their savings.

#### Secondary objectives:

- ✓ To study the performance of mutual funds with respect to different performance attributes.
- ✓ To develop a framework for performance measure of mutual funds in India.
- ✓ To study the behavior of Indian individual investors towards the investment of their savings.
- ✓ To study the perception of Indian individual investors towards the investment in mutual funds.

#### Sample size

In this study we have to use 200 sample size. From that 176 respondents are male and others are female.

#### Sampling area

In this study we have to collect information from Ahmedabad area and its nearby location.

#### Sampling techniques

We used questionnaire as a sampling instrument. To study filled up questionnaire we took help of the SPSS statically software and MS excel.

#### Sources of Data:

- ✓ Primary Source of Data:-The Primary data have been collected from the people of rural and urban area through a Personal Interview.
- ✓ Secondary Source of Data: - Secondary data will be collected from the government websites, journals, articles, research papers.

#### Limitation of study:

The major limitation faced during the research is the availability of secondary data. Such mutual fund schemes have been excluded from the study which has resulted in the decrease of sample size. Due to time and resource constraints, investors were contacted only from the National Capital Region for the present study.

#### Measure

For the responses we choose liker scale of 5 points (1= very low, 2= low, 3= moderate, 4= high, 5= very high)

### IV. RESULTS

#### Pilot Study

Pilot study of both questionnaires i.e., for MFI and NMFI has been done and some respondents were approached for filling up the questionnaires. On the basis of feedback received some modifications in the language of the questions and in the manner of asking questions regarding the savings and investments of respondents were done.

**Validity**

Validity refers to the degree to which our test or other measuring device is truly measuring what we intended it to measure. The validity for both the questionnaires was checked by sending them to expert’s panel and were found valid enough to conduct the study.

**Reliability**

Reliability refers to the consistency of a measure. Reliability test has been done using Cornbrash’s alpha technique. Cornbrash’s alpha ranges from 0 to 1.00, with values close to 1.00 indicating high consistency. The value of Cornbrash’s Alpha coefficient came out as 0.72 for the questionnaire of MFI and 0.77 for the questionnaire of NMFI.

**V. CONCLUSION**

In Indian mutual fund industry, most of the mutual fund schemes have been performing inefficiently. However, when analyzed within their category as Growth, Income, Balanced and ELSS, situation is much better and approximately half of the schemes in each category have been performing efficiently. Load fee and expense ratio have been found as the major cause of inefficiency in mutual fund.

There are some attributes of mutual fund schemes as their age, asset ratio and past performance that affect their efficiency performance. Older schemes and schemes with high asset ratio are performing inefficiently.

**Tables**

Table-1 Demographic characteristic of respondent

Demographic Factors	Classification	No. of Respondents	Percentage
Gender	Male	178	89.0
	Female	22	11.0
Occupation	Household	17	8.5
	Business man	98	49.0
	Government employee	17	8.5
	Private employee	64	32.0
	Students	4	2.0
Annual income	Less then 1 year	12	6.0
	1-3 year	54	27.0
	3-5 year	96	48.0
	More then 5 year	38	19.0

**ANOVA**

Table-2 Showing ANOVA test of rasearch variable( income) and Investment in Mutual Fund

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	77.064	3	25.688	125.696	.000
Within Groups	40.056	196	.204		
Total	117.120	199			

**ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Fixed Deposit	Between Groups	2.727	3	.909	1.176	.326
	Within Groups	50.259	65	.773		
	Total	52.986	68			
Insurance	Between Groups	1.403	3	.468	.549	.651
	Within Groups	54.538	64	.852		



	Total	55.941	67			
Post office Saving	Between Groups	3.449	3	1.150	1.851	.168
	Within Groups	13.667	22	.621		
	Total	17.115	25			
Gold	Between Groups	.344	3	.115	.169	.917
	Within Groups	39.333	58	.678		
	Total	39.677	61			
Bonds	Between Groups	.372	3	.124	.498	.689
	Within Groups	3.733	15	.249		
	Total	4.105	18			
Public Provident Funds	Between Groups	.679	3	.226	.532	.670
	Within Groups	4.250	10	.425		
	Total	4.929	13			
Real Estate	Between Groups	1.572	3	.524	1.023	.388
	Within Groups	36.375	71	.512		
	Total	37.947	74			
Mutual Funds	Between Groups	1.118	3	.373	.662	.577
	Within Groups	67.559	120	.563		
	Total	68.677	123			
Shares	Between Groups	2.108	3	.703	.934	.428
	Within Groups	67.721	90	.752		
	Total	69.830	93			
Commodities	Between Groups	1.846	3	.615	2.058	.119
	Within Groups	13.154	44	.299		
	Total	15.000	47			

<b>Table -4</b>					
<b>ANOVA</b>					
Please give rank for your preference of different mutual fund schemes?					
	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Between Groups	29.119	3	9.706	2.896	.035
Within Groups	1662.169	496	3.351		
Total	1691.288	499			