

Mutual Fund Investment Scenario of North East India

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Abstract

Mutual fund worldwide plays important role in mobilizing household savings. There exist barriers in the sale of mutual fund products and the absence of full knowledge for capital market and equity on the part of investors in the north east states of India. The objective of the study is to find out the challenges and opportunities of mutual fund as a base of investment avenue in north east states of India. The research is exploratory in nature and critically examines the working of mutual fund system in the economically backward and industrially underdeveloped states of north east India. Based on a sample of 240 investors, the study also examines the preferences and behavioural aspects of mutual fund investors of north east states of India. Findings of the study suggest that mutual fund industry is growing steadily in the north east states of India, nevertheless mutual fund houses operating in the north east India are not able to convert the household savings which remains unexploited for so many years into gainful mutual fund investment. In addition, the female sector has not been fully tapped in most of north east states. Even the higher income group of this segment remains almost untouched. The findings of the study also include the behavioural aspects of the mutual fund investors of the north east states of India. The study has significant implications for academicians, mutual fund houses, brokers, regulators and investors and provides avenues for further research.

Keywords : *Mutual Fund Investment Scenario of North East India*

Introduction

Mutual funds are back after witnessing wealth erosion for nearly three years. The year 2014 has been a revival year for equity mutual fund investors of India. There has been a relatively slow growth for Indian mutual fund industry in the period 2010-13 with compound annual growth rate (CAGR) of approximately 3.2 per cent. According to The Association of Mutual Funds in India (AMFI), average assets under management (AUM) stood at INR 8,140 billion as of September 2013 however, it has increased to INR 8,800 billion in December 2013. A report by Crisil states that tenure-wise analysis of AUM across

investor types and categories for the half year ended September 2014 showed that 64 per cent of retail AUM stayed in equity mutual funds for more than two years, higher than 62 percent seen in the preceding six months. The Indian mutual fund industry, offers Indian and global investors, an avenue to invest safely and securely, at a reduced cost, in a diverse range of securities, across a wide range of industries and sectors. Mutual fund worldwide plays important role in mobilizing household savings. Small investors in north east region of India are typically uncertain and unaware about timing and merits of investing in mutual funds. Has the mutual fund industry as it works in this part of India ignored all these facts? It is high time to examine and re-examine the philosophy of the mutual fund industry in the context of the states of north east India.

Need for the Study

Mutual fund investment in the north east states of India shows a high degree of disparity in the composition and trend of investment in between the states in the region. It is true that certain amount of variation cannot be avoided, but the degree of variation in this context is so big at times and it arouses interest to study the investment behaviour of the investors in the region. In spite of the favourable conditions prevailing in the Indian stock market, growing economy, concessions and exemption granted to the north east states, slew of measures taken up by Security Exchange Board of India (SEBI) and the government of India for encouraging savings and investment in mutual funds, no remarkable increase is seen.

In addition, despite the present impressive growth of the mutual fund industry, the industry has not achieved its rightful position in the terms of options confronting an investor. Other alternatives such as real estate, gold, deposits and other household saving have reduced the industry flows. The investor mix has not changed significantly which provide an opportunity for the industry to tap more into the broad-basing of savings and surpluses across the demographic and regions. The big challenge for mutual fund industry is to reach and spread further to the semi-urban and rural areas of the country. All these factors gave a lead to conduct the study to throw light on the mutual fund investment scenario in the states of the north east India and to understand the investing behaviour of the investors of the region.

Research Objectives

The research attempts at examining and analyzing the working of mutual fund system in the economically backward and industrially underdeveloped states of north east India. The basic aim of the study is to find out the challenges and opportunities of mutual fund as a base of investment avenue and also examines the preferences and behavioural aspects of mutual fund investors of north east states of India.

Research Methodology

The research is an exploratory research. To serve the objectives of the study, both secondary and primary data were extensively used. Pre-tested questionnaire carefully drawn up with open-ended and multiple choice questions was developed, direct personal interviews with selected investors and brokers were incorporated in the course of study. Every attempt was made to get clarification of all enquiries from the respondents and to obtain unbiased report. The study covered 240 investors who had been carefully selected from the seven states of north east India - Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. The sampled investors consisted of retail investors, households and High Net-worth Individuals (HNIs). The study is supplemented by a small survey of the brokers and agents operating in the region under study. The data collected have been carefully analysed so as to arrive at significant conclusion having practical implications for mutual fund houses, brokers, regulators and policy makers, investors, researchers and academicians.

Review of Literature

Mutual fund and its growth is an important phenomenon of the present day financial market. USA is the pace-setter for the mutual fund industries worldwide. The first mutual fund in the USA, Massachusetts Investors' Trust, was set up in 1924. Discussion on the history of mutual fund industry and its working in this part of India remains incomplete over the years although the origin of the industry dates back the year 1963 in India. This is the year in which the Unit Trust of India (UTI) introduced the concept of mutual fund in the country. The first scheme launched by UTI was Unit Scheme 1964 which was not even heard of till the early half of 1990s in the rural areas of north east states of India. One of the reasons for it may be that people of the region were not conscious about the mutual fund investment till the year 1986. It was only from the period when the public sector funds like State Bank of India followed by Canara Bank (Dec, 1987), Punjab National Bank (Aug., 1989), Indian bank (Nov., 1989), LIC (1989), GIC (1990), Bank of India (Oct., 1992) entered into the industry that a little progress was made in the field in the region. A little more progress was visible with the entry of private players in 1993, the first being the erstwhile Kothari Pioneer (now merged with Franklin Templeton). But these private players, as seen from the various reports, could not effectively enter into the vast market of this part of India due to many reasons. Lack of good communication system, unsatisfactory law and order situation, political instability, want of financial literacy, industrial backwardness, too much dependence on return assured schemes like I PF, NSC, etc. have been considered to be prominent.

During the 1970s and 80s, mutual funds have been studied in great detail. Most of these studies have been concerned with measuring mutual fund performance, with management's ability to "time" the market, or with management's ability to select under-

priced securities. Studies in these categories include those by Treynor and Mazuy (1966), Jensen (1968), Kon and Jen (1979), Henriksson and Merton (1981), Chang and Lewellen (1984), and Jagannathan and Korajczyk (1986), to name a few. Fabbozzi and Francis (1979), Alexander and Stover (1980) and Milter and Gressis (1980) also have made attempts to find out whether the portfolio managers might, however, achieve differential return performance by engaging in successful "micro" market-timing activities as well as careful, "micro" security selection effort. These studies have generally concluded that mutual fund managers can not consistently time the market or select under-priced securities. This has led to the conclusion that long-term individual mutual fund performance can best be described as random.

Mutual fund as an avenue of investment, its implications and the various behavioural aspects of the investors are rigorously researched upon by many. Ippolito (1992) studied reactions of investors towards portfolio manager's performance and showed a strong positive and statistically significant relationship between past performance and current fund growth. Investors are attracted by good performance of the funds and schemes. Goetzman and Peles (1997) gave a psychological explanation for investor behaviour. They collected data from two groups of mutual fund investors -educated and casual and the responses from the two groups showed that overtly optimistic perception of past performance may explain investor's aversion to switching from poor performance. Incorporating manager's option to disconnect past and future performance in explaining empirical performance -flow asymmetry, Lynch and Musto (1997) argue that to investors flows are less sensitive to lower returns as past return contain less information about future performance of funds.

Mutual fund investment in India, including management and working of different schemes has been reviewed by earlier writers like Khan (2001), Jatana and Boquire (2007) a host of writers in their books and articles published from time to time. However, their studies have still to cover the changes which are taking place in the industry vis-a-vis the potentiality of mutual fund investment in the north and eastern states of India in general and the north east states of India in particular.

Various aspects of mutual fund investment touching upon regulations of mutual funds, investor's behaviour, perceptions trends and growth were studied by researchers like Shankar (1990), Sarkar (1991), Agarwal (1992), Sarma C.Lall (1991), Barua k. Samir et.al. (1991), Bamzai (2001), Atmaramani (1995, 1996), Srinivasan (1999). These studies indicate that mutual fund as an investment avenue is attracting investors tremendously.

Jambodekar V Madhusudan (1996) found that open-ended scheme is most favoured among other things and that this scheme and income scheme are preferred over closed-ended and growth schemes. Safety of principal amount and investor services are the main deciding factors for investing in mutual funds and news papers are used as the main source of information.

Behavioural aspects of the investors of the north east region of India in direction of equity and mutual fund investment was studied by Sikidar and Singh (1996) and they found that mutual funds are preferred by the salaried and self-employed individuals for the tax benefits. UTI and SBI schemes were preferred in that region over any other fund. Shanmugham (2000) found that individual investors depend on economical, sociological and psychological factors for investment decisions.

The study and findings of Manjesh and Reddy (2005) on the pros and cons of money market mutual funds and that of Sondhi and Jain (2005) on the performance of equity mutual fund classified as private sector and public sector undertakings have no special applicability with mutual fund investment in NE region. Further, the studies and findings of Badla and Garg (2007), Singh and Jha (2009) on awareness and acceptability of mutual fund and Badrinath and Gubelini (2011) were simply general attempts to analyse mutual fund working for the country as a whole. Nowhere, there has been special mention of mutual fund performances of north east region. In the light of the various studies discussed above, the present study is an attempt to fill the research gap that exists in the field of mutual fund study in the north east states of India.

Analysis

From table 1 it is evident that 22 mutual fund schemes have penetration in the north east states and 20% of the sampled investors invest their savings in SBI mutual fund across the states. The entry of HDFC mutual fund has been greatly felt in Guwahati, the capital city of Assam. Out of the remaining mutual fund schemes, Bajaj Allianz, Birla Sun Life, ICICI Prudential have high varying degrees of penetration in different states. In some states like Manipur and Nagaland, Bajaj Allianz, Reliance and ICICI are quite new whereas they are not so new in the case of other states. Others like Birla Sunlife, ICICI Prudentials have bases in the capital cities of the north east states.

Table 1 shows that SBI, HDFC and UTI have higher per cent of the sampled investors than the other schemes in operation in north east states. Perhaps their value added services provided by their banks like SBI, HDFC have helped them in attracting investors. UTI being the first and foremost mutual fund reaching this part of India has its own advantage of securing more business. The other mutual fund schemes including Reliance and Birla Sun life are also not lagging much behind. ICICI Prudential mutual fund, instead of having a good coverage in other parts of the country cannot make headway in this field in this area. With the coming of more ICICI bank branches in the north east region a deeper penetration of ICICI Prudential mutual fund is expected sooner than later. Same may be true with Axis mutual fund. If the expansion of Axis Bank continues as it is today, Axis mutual fund will accelerate its progress. The analysis was based on only 22 mutual fund houses and their schemes.

Table 1
Mutual Fund Schemes and Number of Investors (Sample of 240)

Name of Scheme/ Fund House	Number of respondents							Total	PC of Total
	Assam	AP	Mani- pur	Mizo- ram	Megh- alaya	Naga- land	Trip- ura		
SBI MF	4	7	25	7	2	4	1	50	20%
HDFC MF	20	1	15	-	3	-	3	42	16.8%
UTI MF	-	8	19	6	-	-	-	33	13.2%
BIRLA SUN LIFE MF	3	2	16	-	-	4	-	25	10%
RELIANCE MF	3	4	7	-	1	3	3	21	8.4%
AXIS MF	2	-	9	-	-	3	4	18	7.2%
ICICI MF	-	-	10	6	-	-	-	16	6.4%
KOTAK MAHINDRA MF	7	1	2	-	-	-	-	10	4%
BAJAJ ALLIANZE MF	-	1	2	5	-	-	-	8	3.2%
DYNAMIC MF	-	1	3	-	-	-	-	4	1.6%
BOB MF	-	-	-	-	4	-	-	4	1.6%
DSP BLACK ROCK MF	1	-	-	-	-	1	2	4	1.6%
LIC NOMURA MF	-	1	1	-	-	1	-	3	1.2%
FRANKLIN TEMP- LETON MF	2	-	1	-	-	-	-	3	1.2%
FIDELITY MF	-	-	2	-	-	-	-	2	0.8%
FAIR WEALTH MF	-	-	1	-	-	-	-	1	0.4%
MIRAE ASSET MF	-	-	1	-	-	-	-	1	0.4%
AVIVA MF	-	-	1	-	-	-	-	1	0.4%
UBI MF	-	-	-	-	-	1	-	1	0.4%
MOTILAL OSWAL MF	-	-	-	-	-	-	1	1	0.4%
SUNDARAM BNP	-	-	-	-	-	-	1	1	0.4%
PARIBAS	-	-	-	-	-	-	-	-	-
TATA AIG	-	-	1	-	-	-	-	1	0.4%
TOTAL	42	26	116	24	10	17	15	250*	100%

*Exceeds 250 as investors invest in more than one Scheme/Fund

Table 2 evidences that most of the investors under study regard print media (30.8%) and friends and relatives (35.8%) to be important sources of information for investment in mutual funds. It was found that in most of rural and semi-urban areas friends and relatives have directly or indirectly influenced the investors about mutual fund investment. Electronic media and internet were respectively used mainly by 16.7% and 22.1% of the respondents. 8.3% of the respondents relied on information provided by others which comprises mainly brokers and agents of mutual fund institutions.

Table 2
Source of Information

Sl.No.	Sources of information	No.of responses	Percentage of valid cases
1.	Print media	74	30.8%
2.	Electronic Media	40	16.7%
3.	Friends and Relatives	86	35.8%
4.	Internet	53	22.1%
5.	Others	20	8.3%
	Total	273*	113.8%

**exceeds 240 due to multiple responses*

Principal aims for investing in mutual fund by the investors under study are depicted by table 2. North east people, realising that their incomes were insufficient for meeting future expenses, wanted assurance for growth and regular income (57.1%) after a certain period of time. Here, the most convenient vehicle would be mutual fund on open-ended schemes which give both growth and regular income. Of course, tax planning (16.3%) as principal aim of investment cannot be ignored especially for the government and semi-government employees. 12.9% of the respondents considered high degree of liquidity as the principal aim for investment in mutual fund and fixed/regular income and windfall gain with 12.5% each were least preferred.

Table 3
Principal Aim of Investment

Sl.No.	Principal aim of investment	No.of responses	P.c. of cases
1.	Growth and regular income	137	57.1%
2.	Windfall gain	30	12.5%
3.	Tax planning	39	16.3%
4.	Fixed/regular Income	30	12.5%
5.	High degree of liquidity	31	12.9%
	Total	267*	111.3%

**exceeds 240 due to multiple responses*

Further analysis, on growth and regular income which accounted the highest percentage (table 3), highlighted the different aspects of the types of growth and income preferred by the investors under study. From table 4, it is evident that the investor's preference of growth, income and balanced/hybrid with 50.4% is more than 2 ½ times the other preferences. It means that while investing in mutual fund the first preference is one leading with 'growth' as goal. Mutual fund houses have to study carefully this piece of information for their own benefit and benefit of the investors in this part of the country. The approach of brokers and agents has to be streamlined and remodelled to capture a sizable market.

Table 4
Mutual Fund Preferences

Sl.No.	Principal aim of investment	No.of responses	P.c. of valid cases
1.	Growth, Income and balanced/hybrid	121	50.4%
2.	Income, growth and balanced/hybrid	50	20.8%
3.	Growth, balanced/hybrid and income	47	19.6%
4.	Income, balanced/hybrid and growth	22	9.2%
Total		240	100.0%

Analysing factors for choosing mutual fund scheme or schemes (table 5), it was found that 44.2% of the investor look at the performances of the mutual fund schemes for investment. Aims and objects of the fund schemes accounted for 20% while 18.3% look at the sector whether public or private. Reputation of the fund house and minimum investible amount were considered by 17.9% and 17.1% respectively.

Table 5
Factor for Choosing Mutual Fund Scheme

Sl.No.	Factors	No.of responses	P.c. of valid cases
1.	Sector(Govt./Private)	44	18.3%
2.	Minimum Investible Amount	41	17.1%
3.	Aim and object of the fund	48	20.0%
4.	Performance of MF	106	44.2%
5.	Name of the fund house	43	17.9%
Total		282*	117.5%

*exceeds 240 due to multiple responses

From the table 6, it is found that 49.4% of the respondents considered valuable performance indicator to be net asset value (NAV) while investing in mutual fund. Also average return stands second in term of percentage in the list of mutual performance indicator with 28.5%, about 23.0% of the investor take the market price to be valuable.

Table 6
Mutual Fund Performance Indicator

Sl.No.	MF performance indicator	No.of responses	P.c. of cases
1.	Market price	55	23.0%
2.	NAV	118	49.4%
3.	Cost or book value	12	5.0%
4.	Average return	68	28.5%
Total		253*	105.9%

*exceeds 240 due to multiple responses

The modal age group of all mutual fund investment in different schemes excepting UTI mutual fund was 25-35 years of age (Table 7 & 8). This age group happens to be the group with high propensity to save and invest in schemes having the element of risk i.e., equity. They also form major portion of youth who are just employed or self employed in the changing economic scenario of the north east India. With the investors growing older it seems that their risk appetite has reduced and in the age group of 55-65 a very few investors opt for mutual fund. The modal age group of UTI mutual fund was 35-45. This may be because of the fact that UTI mutual fund is the oldest mutual fund house and people of a little advanced age have more confidence in it.

Table 7
Age Group Distribution of Investors

Age group	Responses	
	N	Percent
25-35	130	54.17%
35-45	77	32.08%
45-55	25	10.42%
55-65	8	3.33%
Total	240	100.0%

Table 8
Age Group Distribution Scheme-wise/Fund-wise

Sl. No.	Age group of investors	SBI MF	HDF C MF	UTI MF	Birla Sun Life MF	Reliance MF	Axis MF	ICI CI MF	Others	Total
1.	25-35	31	31	08	15	15	17	07	06	130
2.	35-45	23	12	16	10	06	02	06	02	77
3.	45-55	08	02	08	01	02	01	02	01	25
4.	55-65	01	01	03	00	02	00	01	00	08
5.	65 and above	00	00	00	00	00	00	00	00	00
Total		63	46	35	26	25	20	16	09	240

Mutual fund, being an avenue for investment for small savers, can target the potential rural investors. From the table 9, it is inferred that the study shows one interesting picture. A single agency, as given in table 9, cannot work effectively single handed. The activities of co-operative societies, clubs and similar organisations and Panchayati Raj Institutions which are supposed to be torch bearers in the rural areas of north east region have not been felt to the extent they ought in so far as they relate to providing financial literacy on mutual fund to the rural population. The reason may be that these institutions in north east regions are not so close with public. The involvement of rural folk which constitutes more than 90% of the population in these organisations/institutions has not reached the desired level. More often than not members of these institutions themselves have very poor knowledge of mutual fund investment. Added to this factor a sizeable population in the hill areas of the region, co-operative societies and similar institutions are organised and run by people residing in urban areas. As a result their existence and their influence cannot bring financial inclusion of household savings in mutual fund Industry. Hence, for convincing the rural population the right agency cannot be singled out. Only a combination of all agencies working together can bring the desired result.

Table 9
Agency to Convince Rural Population

Sl. No.	Right agency to convince rural population	No. of responses	Pc of cases
1.	Co-operative societies	45	18.8%
2.	Clubs and similar organisation	37	15.4%

3.	Panchayati Raj	22	9.2%
4	All the above	142	59.2%
Total		246*	102.5%

**exceeds 240 due to multiple responses*

Findings from brokers and agents opinion

To gain a better understanding of the challenges face by mutual fund houses in increasing penetration in the region under study bankers and brokers were interviewed and were asked the causes for holding mutual fund back on increasing their presence in rural India. Brokers were asked to give their views on a variety of issues awareness, financial literacy, adequate information, regulation, distributional channels, infrastructural facilities etc. The respondents were asked to score on a five-point Likert scale, scores ranging from a "strongly agree" to "strongly disagree".

Brokers /agents of mutual fund companies were of the view that investors of the region under study was not fully aware of the working or mechanism of mutual fund industry and the products. Majority of the respondents (86.9%) with mean score above 4 on the five-point scale, agreed that majority of the investors in the north east states of India have little knowledge about mutual fund and the schemes under it. The respondents (87.2%, mean score above 4) felt that investors were not adequately informed about mutual funds. Undoubtedly, lack of awareness and inadequate information is one big factor for low degree of penetration by mutual fund companies in the region. Lack of financial literacy of the people of the north east states of India particularly the rural population of the region is understood as a big hindrance for expansion of mutual fund both in numbers of investors and volume of investment. This is evidenced by 76.7% of the respondents with mean score above 3 in the five point scale agreeing to this fact.

56.7% of the respondents agreed that agents dealing with mutual funds also deal with other investment products and this may be another cause of hindrance for pushing mutual fund products to the investors. Majority of the investors under study belonged to the upper income group of above Rs. 3,00,000 per annum and they belonged to high salaried group and business persons and as such they were more interested in those product with income tax rebates. Mutual fund products with tax exemptions would be welcomed by the investors.

Majority of the respondents agreed that penetration of mutual funds in the rural areas of the region under study can be increased by following aggressive selling strategy, increasing financial literacy to enable the rural folks better understand the complex nature of investment in mutual fund schemes. Distribution through the self help groups among female population, local bodies like clubs and Panchyati Raj could be encouraged. The

brokers and agents have a very important role to play in increasing penetration of mutual fund in the states under study and the respondents also agreed that preference of the investors towards mutual funds is basically due to the presence of brokers and agents in the regions.

Table 10
Opinions of the Brokers/Agents

Sl. No.	Statements	Opinion Scale					Mean score
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
1.	Investors are not fully aware of mutual fund and its products	-	-	3.3%	73.3%	23.3%	4.25
2.	Investors are not adequately informed about mutual fund and its working.	-	-	13.3%	63.3%	23.3%	4.10
3.	Lack of customer information is an obstacle for mutual fund penetration	-	-	33.3%	53.3%	13.3%	3.80
4.	Lack of financial literacy is a hindrance for mutual fund penetration	-	-	23.3%	60.0%	16.7%	3.93
5.	Agents selling mutual fund products along with other non-mutual fund products cannot push mutual fund.	-	-	43.3%	56.7%	-	3.57
6.	Inadequate incentive or commission cannot motivate agents to achieve target sales of mutual funds	-	3.3%	33.3%	50.0	13.3%	3.73
7.	Aggressive sale of product can increase penetration	6.7%	6.7%	36.7%	43.7%	6.7%	3.37
8.	Providing financial literacy can increase demand for mutual fund products.	-	-	13.3%	73.3%	13.3%	4.00
9.	Distribution through self-help groups and local bodies like Panchayati Raj can help rural penetration of mutual funds	-	10.00%	43.7%	36.7%	10.00%	3.47

10	Availability of more numbers of brokers and agents are primarily responsible for changing preference of rural and semi-urban people towards mutual funds	-	-	3.3%	80.00%	16.7%	4.13
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Conclusion and Suggestions

There is no doubt that there exist barriers in the sale of mutual fund products and the absence of full knowledge for capital market and equity on the part of investors in the north east states of India, nevertheless the mutual fund industry has been growing slowly but steadily. Assam was at the top of the list in the percent of growth followed by Tripura, Arunachal Pradesh and Manipur. A change from the debt schemes to equity oriented schemes had also been noticed from the years 2007. Majority of north east investors felt that mutual fund industry has good future in these states. The only drawback is that mutual fund houses are not able to convert the household savings which remains unexploited for so many years into gainful mutual fund investment. Added to this, female sector has not been fully tapped in most of north east states. Even the higher income group of this segment remains almost untouched. To increase the retail participation in mutual funds investors need to be made aware about mutual fund complexity, they need to look beyond the traditional investment avenues.

Most of the investors have faith on Government based fund houses like SBI, UTI. By opening more service centre and better after sale service by the private company more investors can be attracted. As most of the people get to know about the mutual fund through friends and relatives, the existing customers should be given better knowledge and give information about new schemes coming up from time to time. This would help in reaching rural folks about the fund. Good inter-personal relationship has to be created with the existing customers. Fund houses can organize seminars and workshops to create awareness to the potential investors.

While choosing the scheme investors look for the past performance of the fund house so good track record should be kept as far as possible with the management of expertise fund managers. Different schemes which give good regular return with growth can be given more emphasized. More Tax savings schemes can be introduced specially for the government employees and tax savers. Making mutual fund more tax-efficient and investor friendly can attract more investors and penetration can be increased. Age group 25-35 can be the right target for the mutual fund.

Distributors should be given proper training on scientific lines on financial literacy and their knowledge updated by providing orientation and short term training course from time to time. From such training they should be able to create confidence in themselves

and in the minds of north east investors. Fund houses can appoint more financial advisors to identify the diversified needs of investors in choosing the right scheme for the right investor. Regulators and policy makers make relook at the commission policy for the agents as it is viewed as one of the motivating factors for the agents to work better. As most of the agents of mutual fund also sell other non mutual fund products, the distribution network needs to be strengthened and new and innovative incentive schemes need to be adopted.

The present study is an exploratory and preliminary investigation into the investment scenario of mutual funds in the north east India and provides areas for further research. Performance of the different fund houses operating in the north east India could be studied. Relationships between demographic and social development factors such as financial inclusion, literacy, bank penetration, occupation and mutual fund penetration which were not covered by the present study could be good avenues for future research. The present exploratory study could also be further examined as descriptive or conclusive research by taking due care with the sampling method and sample size. The state of Sikkim which was not included in the study could also be incorporated for a better representation of the north east region of India.

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Mutual Fund Investment Scenario of North East India

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