Tec Empresarial
P-ISSN: 1659-2395; E-ISSN: 1659-3359

EVALUATING THE PERFORMANCE OF PRIVATE AND PUBLIC MUTUAL FUNDS

Dr Rahul Pandey
M.Com, CFA Level-I, MBA (Finance), Ph.D. (Commerce), Associate Professor, Faculty of Management and Commerce, Jagran Lake City University, rahulv2003@gmail.com

Abstract
Introduction: Mutual funds are a very important financial market scheme in the current economy as it deals with multiple investments and market shares. It can boost the economy of developing nations by a significant amount.
Aim: The study aims to know the value of Mutual funds in the improvement level of sectors in private and public.
Literature Review: Mutual funds have many advantages like liquidity, diversification of markets, management by experts in finances, bulk transactions in billions of dollars and most importantly work through a cost-efficient process.
Methodology: Primary quantitative method is used to collect data and relevant information from the survey questionnaire. 55 participants took part in the survey and their responses were recorded.
Findings: It was found that mutual funds have huge benefits in terms of an economic boost for developing nations and it provides ample opportunities to invest for a hefty return.
Discussion: Transaction challenges and risks are the most important in terms of issues seen in mutual funds markets. Despite all the risks, the mutual funds market is an emerging asset of economies in developing economic nations.
Conclusion: Mutual funds in private and public sectors have huge potential in terms of market boost and economic advancements.
Keywords: ***Bonds, Cash Investment, Easy returns, Economy boost***

Introduction

Mutual funds are a type of cooperation which takes monetary exchanges in return for buying stocks of companies and bonds based on long terms, debt instrumental processes. These large corporation pools pull in investments through monetary fund's and bring down a substantial amount of risk by diversifying the process (Ben-David, 2022). 85% of people who are involved in long-term collective investments deal in collective investment procedures. In recent times the financial scope for mutual funds has increased and proliferated extensively.

Figure 1: Mutual funds projected market growth and size

(Source: Influenced by Roussanov, 2020)

From Figure 1 above it can be seen that mutual funds and the market has grown exponentially in recent years. In the past decade mutual funds have grown at a rate of 8.24% and the growth rate is 9.76% and continuously growing (Ceccarelli, 2022). The market size of the next decade has been projected much higher than the current stage of the mutual funds market.

The aim of the study is to know the challenges and the economical impact of mutual funds in public and private sector.

The research objectives can be described as follows

RO1: To find the recent performances of mutual fund schemes in the public and private sector

RO2: To find the impact of mutual funds on the economy and public finances departments

RO3: To determine the advantages and future scope of mutual funds in private and public sectors

RO4: To properly assess risks involved in the mutual fund's schemes and their mitigation strategies

The following can be formed as the questions that have to be answered through the research

RQ 1: How to analyze the recent performances of mutual fund schemes in the public sector?

RQ 2: What are the impacts of mutual funds in the economy and public sector areas?

RQ 3: What are the advantages and future scope for mutual funds in public and private areas?

RQ 4: What could be the ways to assess risks properly in mutual funds schemes and how to assess them?

Literature Review

Analyzing recent performances of mutual funds

In terms of performance, the private sector of mutual funds has performed much better as compared to the performances of public-owned mutual funds sectors. The reason behind this stark

difference lies in the allocation of funds, management in a better way and the efficient and productive way of portfolio development (Clare, 2020). In current scenarios, there is a trend of aggressive expansion of public-owned companies to capture the market. According to Cordier (2022), there are many players involved like nationalized banks and players from much smaller private sectors. Mutual funds are a type of scheme that brings in a large number of benefits for all its customers and investors. As opposed by Cremers (2019), public and privately owned mutual funds help in enabling millions of people who deal in a small amount of savings and help them spread internationally to be involved in large market capital progress and tremendous growth.

Impacts of mutual funds schemes in the public sector

There is huge potential for mutual funds in financial markets in big countries but the concerned thing is the mutual funds companies haven't been able to perform nearly as per their potential. A focus on the approach of corporate-centric financial practices is hurting the chances of mutual funds' development and growth in the financial sector (Curtis, 2019). The demographics of financial situations in most countries mostly depend on retail industries and their performance. As seen in studies there are 95% of total funds which are managed by individual investors in corporate sectors. There is huge competition seen and continuously piling up in the mutual fund markets. Financial institutions are changing their interest rates and might offer an interest rate of 3.5% daily instead of monthly (Dorfleitner, 2021). This will adversely affect the performances of mutual funds schemes and investment opportunities. The need to promote mutual funds is bigger than ever and the initiatives have to be taken as per the investment options.

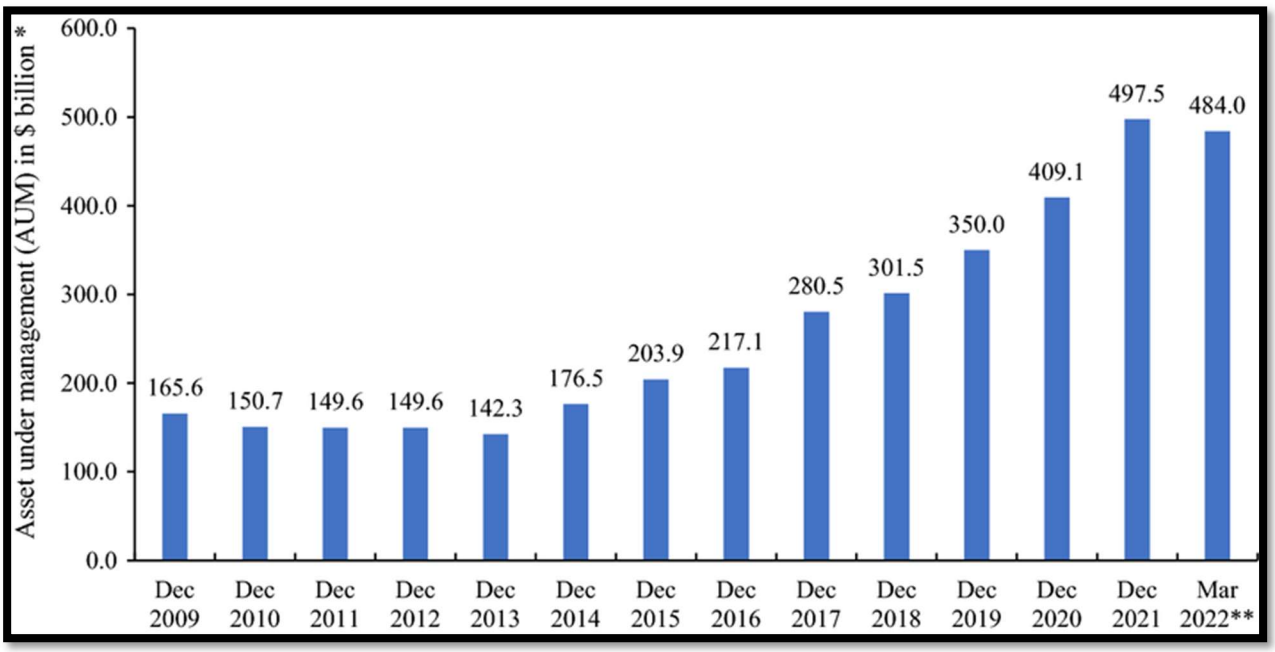


Figure 2: Mutual funds performance and recent numbers

(Source: Influenced by Roussanov, 2020)

As evident in figure 2 mutual funds performance can be seen growing steadily in the past 5 years and as of last year, the assets under mutual funds management has seen investments worth

485 billion dollars. The projected growth of mutual funds is even bigger and the assets will grow for mutual funds even more in coming years.

Advantages and future scope of mutual funds

Mutual funds have provided people with a wide range of options in investment and strategies for allocating properties and assets, management of risks and growth in a long-term period and management options at a professional level (Döttling, 2022). The investors who choose to invest with access to a large stock of monetary fund's like cash, financial stocks and bonds. This approach helps them to decrease the financial risks by a significant amount. There are many affordable and viable options like liquidity and tax-efficient strategies implementation.

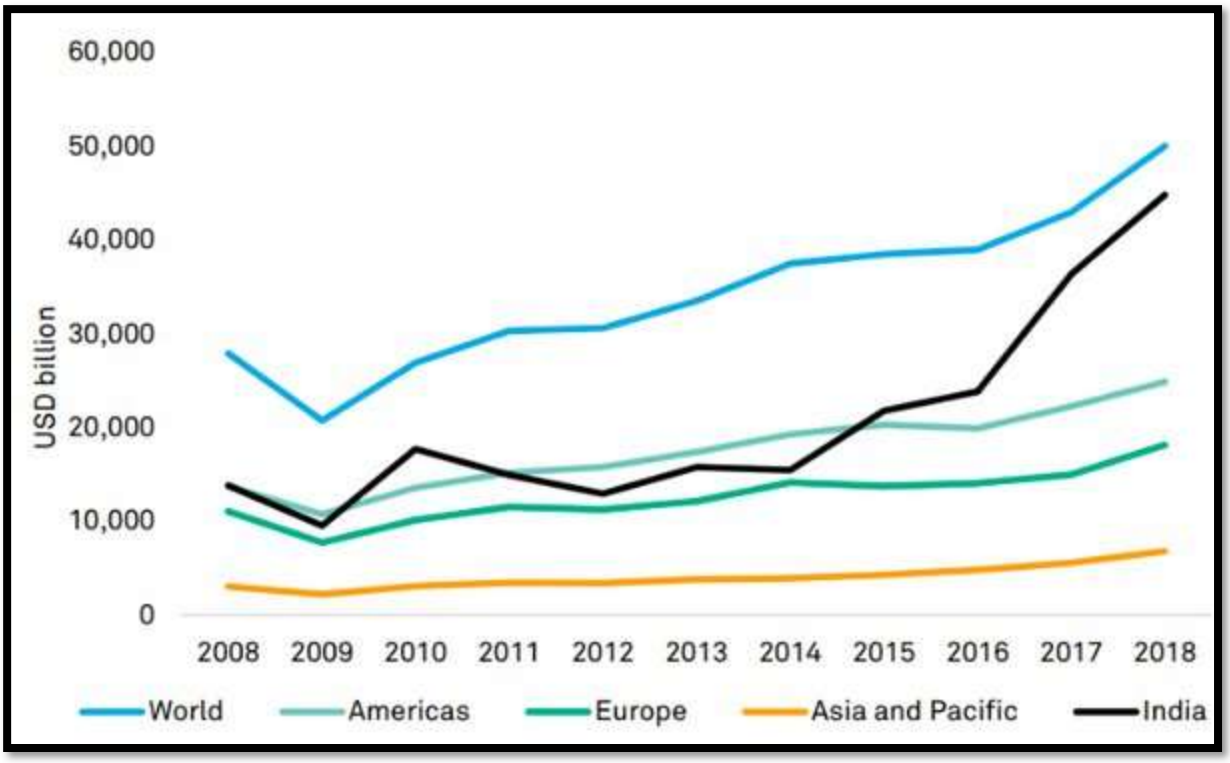


Figure 3: Mutual Funds performance projection in different regions

(Source: Influenced by Roussanov, 2020)

As evident in Figure 3 mutual funds are performing extremely well in general in countries like India but not so well in other countries of the Asia Pacific region. The countries like Americas and Europe have performed reasonably better in comparison with other Asian countries.

Risks involved in Mutual funds

The investors of mutual funds should be cautious about their investments as the return is not always guaranteed in mutual funds schemes and there is no safety of guaranteed distribution of income and capital returns. There are always lots of general risks involved which can be influenced by several global and national developments, especially in the economic sectors (Farid, 2022). There are several policies of government which can change without warning and interest rates can also alter without any prior notification.

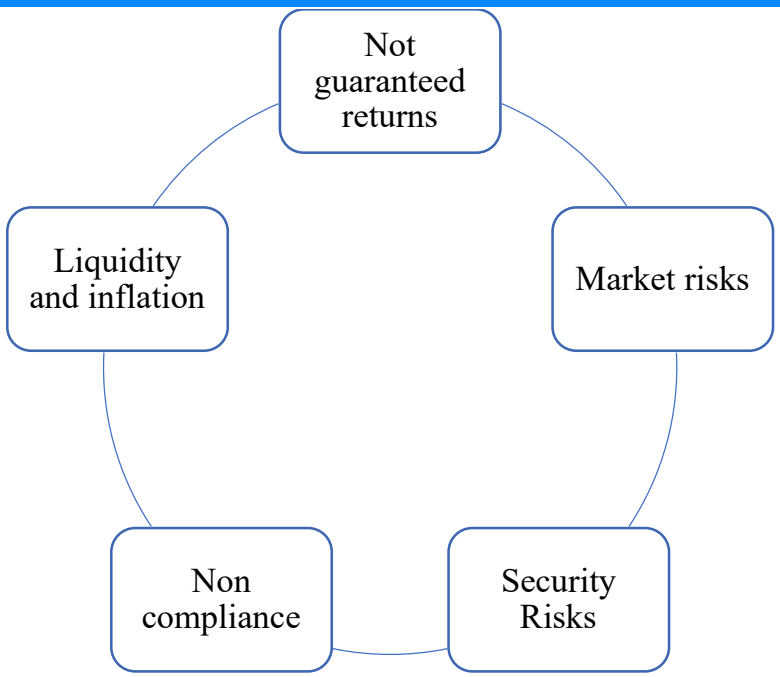


Figure 4: Various risks involved with mutual funds

(Source: Influenced by Roussanov, 2020)

Figure 4 represents several risks involved in mutual funds and related financial sectors which are huge challenges to its market growth. There is always involvement of security risks in the form of defaulting or repayment failures by companies (Jiang, 2022). The risk of liquidity could be a major security issue and risks for inflation are also great for consumer prices. Risk of management is also great and non-compliance in legal terms can also create significant risks.

Methodology

The primary quantitative method has been used to determine the value of mutual funds and other public financing departments. SPSS survey is used to collect the relevant data and information from the participants in the survey. 55 participants have responded to the questionnaire survey and their responses have been recorded and transformed into tabular and pie chart data forms (Jiang, 2022). IBM SPSS tool has been used to analyze the data collected from survey participants. Several hypotheses have been formed and their validity has been analyzed.

Findings

Hypotheses Testing

Hypothesis 1

H1: Mutual funds investment has a huge impact on the economic perspectives of a country

H0: Mutual funds investment is irrelevant in a country's economic aspects

Hypothesis 2

H1: In recent times mutual funds have become immensely popular due to public preference

H0: Other public investment sectors and markets are more popular than mutual funds

Hypothesis 3

H1: Market risks are very huge in mutual funds thus need to be careful while investing in the funds

H0: Market risks are significantly lower than other market investment opportunities and thus it is very popular

Demographic Data

Age

What is your age?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25	15	27.3	27.3	27.3
	26-30	5	9.1	9.1	36.4
	31-35	25	45.5	45.5	81.8
	36-40	10	18.2	18.2	100.0
	Total	55	100.0	100.0	

Table 1: Age Analysis
(Source: SPSS)

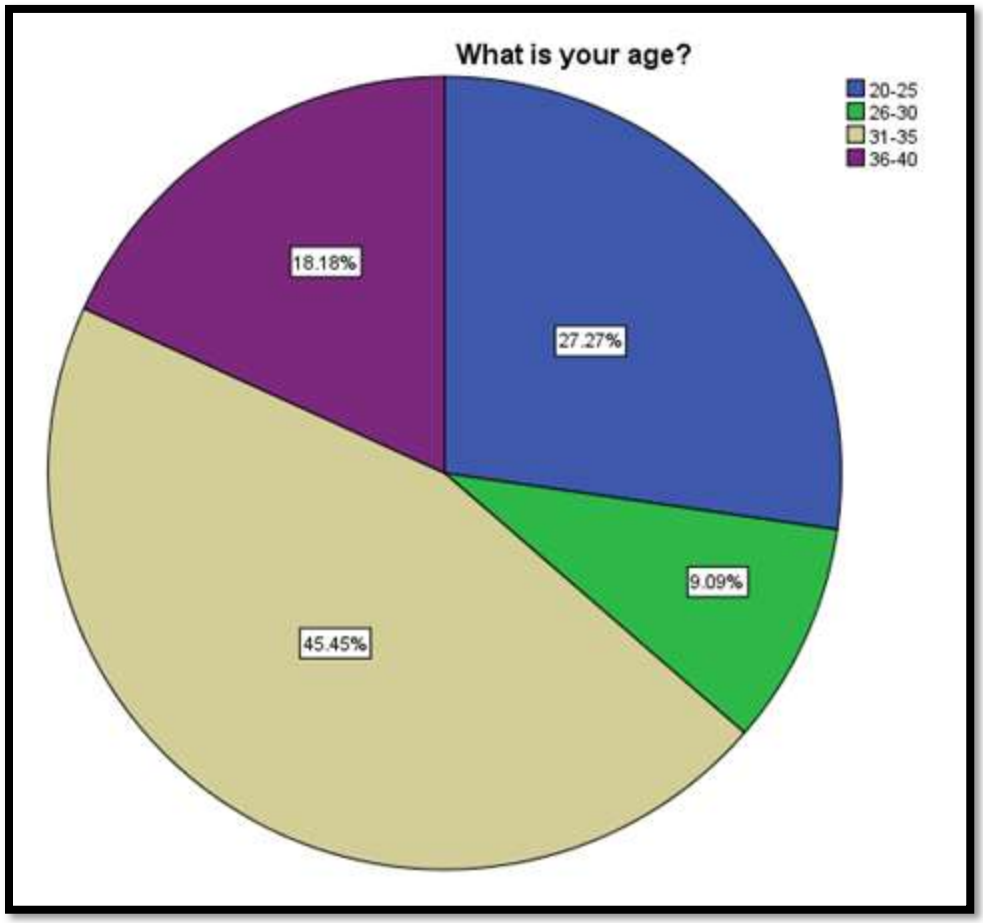


Figure 5: Age Analysis

(Source: SPSS)

There are 55 participants in the questionnaire survey and it was seen that 18.185b people were in the age group of 36 to 40, 27.27% people were in the age group of 20 to 25, 9.09% people belonged to the age group of 26 to 30 and 45.45% people were in the age group of 31 to 35.

Gender

What is your gender?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	15	27.3	27.3	27.3
	Male	25	45.5	45.5	72.7
	Others	15	27.3	27.3	100.0
	Total	55	100.0	100.0	

Table 2: Gender Analysis
(Source: SPSS)

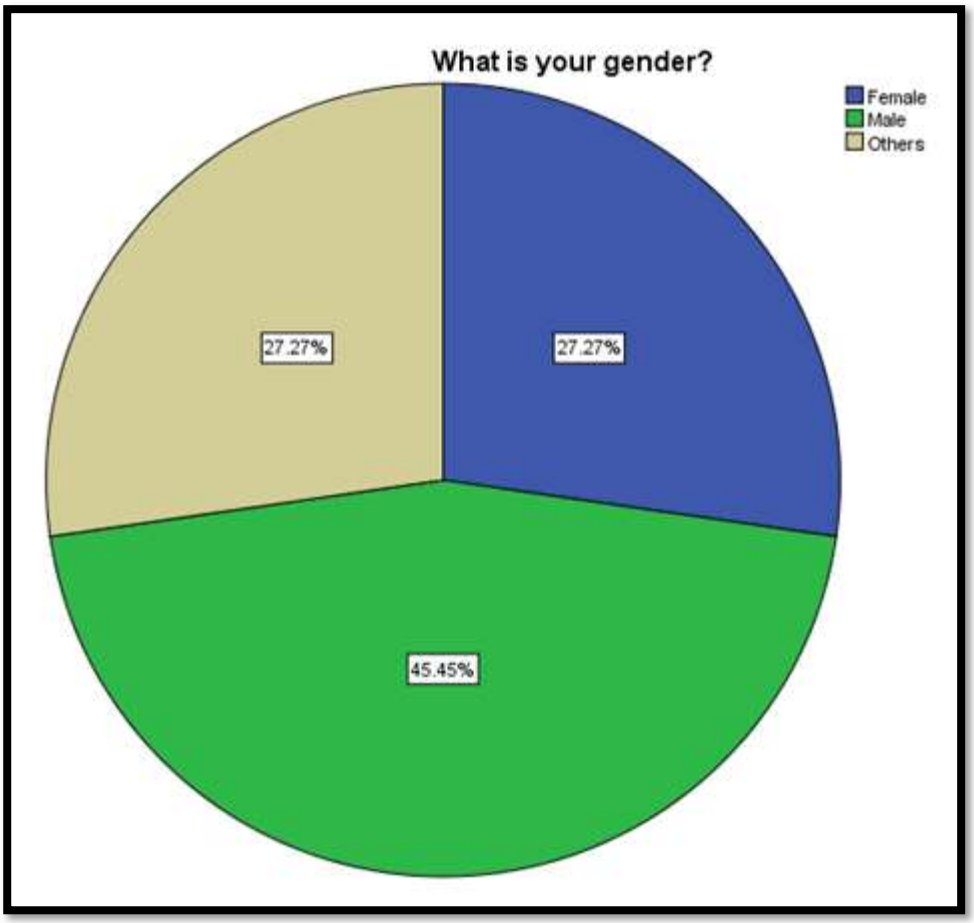


Figure 6: Gender Analysis

(Source: SPSS)

Out of the 55 participants in the survey questionnaire, 45% were male and 27% people were female. 27% of people were from other genders and were not mentioned specifically.

Monthly Income

What is your monthly Income?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	15000-25000	10	18.2	18.2	18.2
	36000-45000	25	45.5	45.5	63.6
	More than 45000	20	36.4	36.4	100.0
	Total	55	100.0	100.0	

Table 3: Monthly Income Analysis

(Source: SPSS)

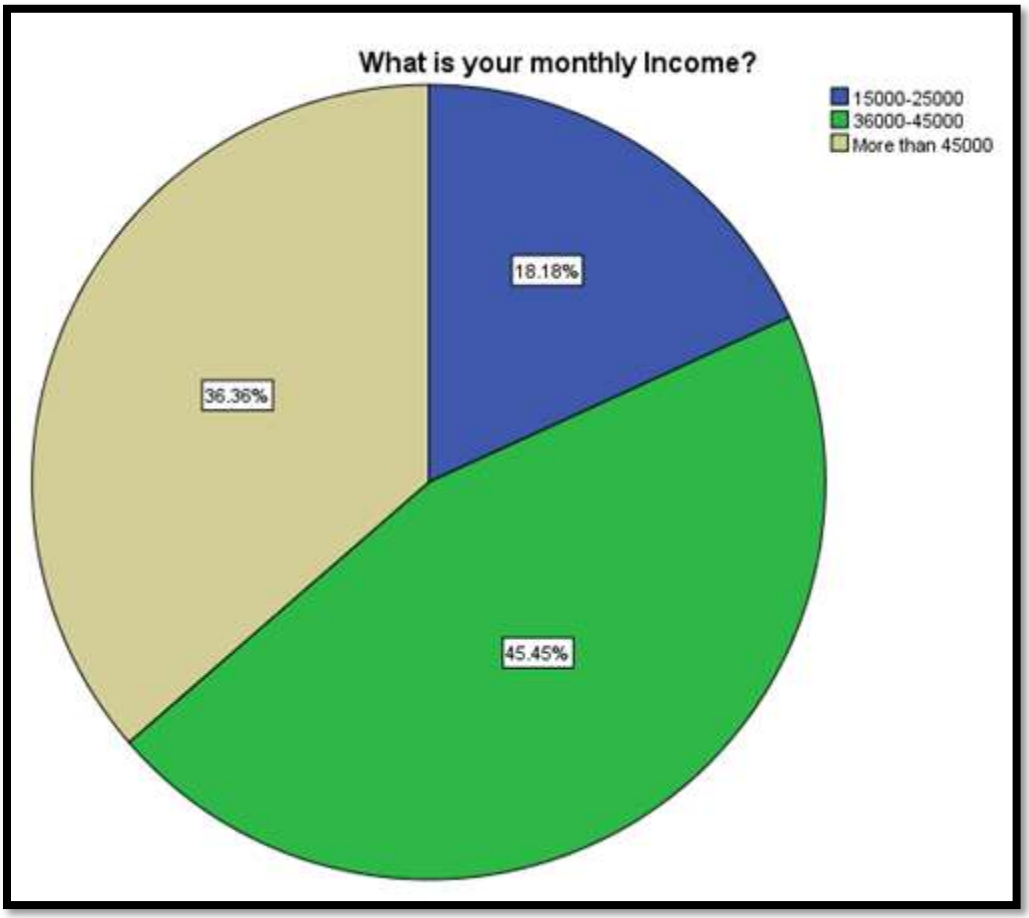


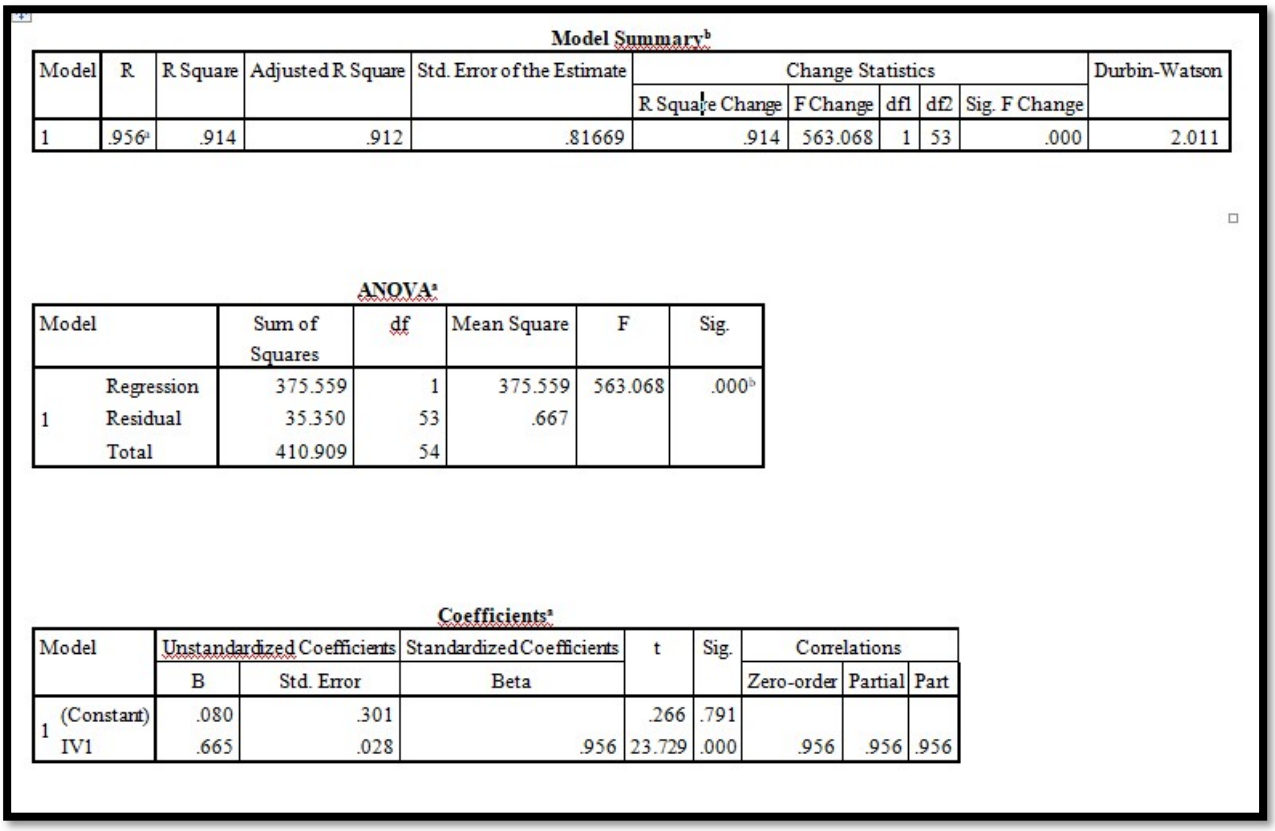
Figure 7: Monthly Income Analysis

(Source: SPSS)

While doing the monthly income analysis it was seen that 45% of people earned between 36000 to 45000 and 36% of people earned over 45000 per month. 18% of people said they earned between 15000 and 25000.

Data Analysis

Hypothesis 1



Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.956[a]	.914	.912	.81669	.914	563.068	1	53	.000	2.011

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	375.559	1	375.559	563.068	.000[b]
	Residual	35.350	53	.667		
	Total	410.909	54			

Coefficients[a]

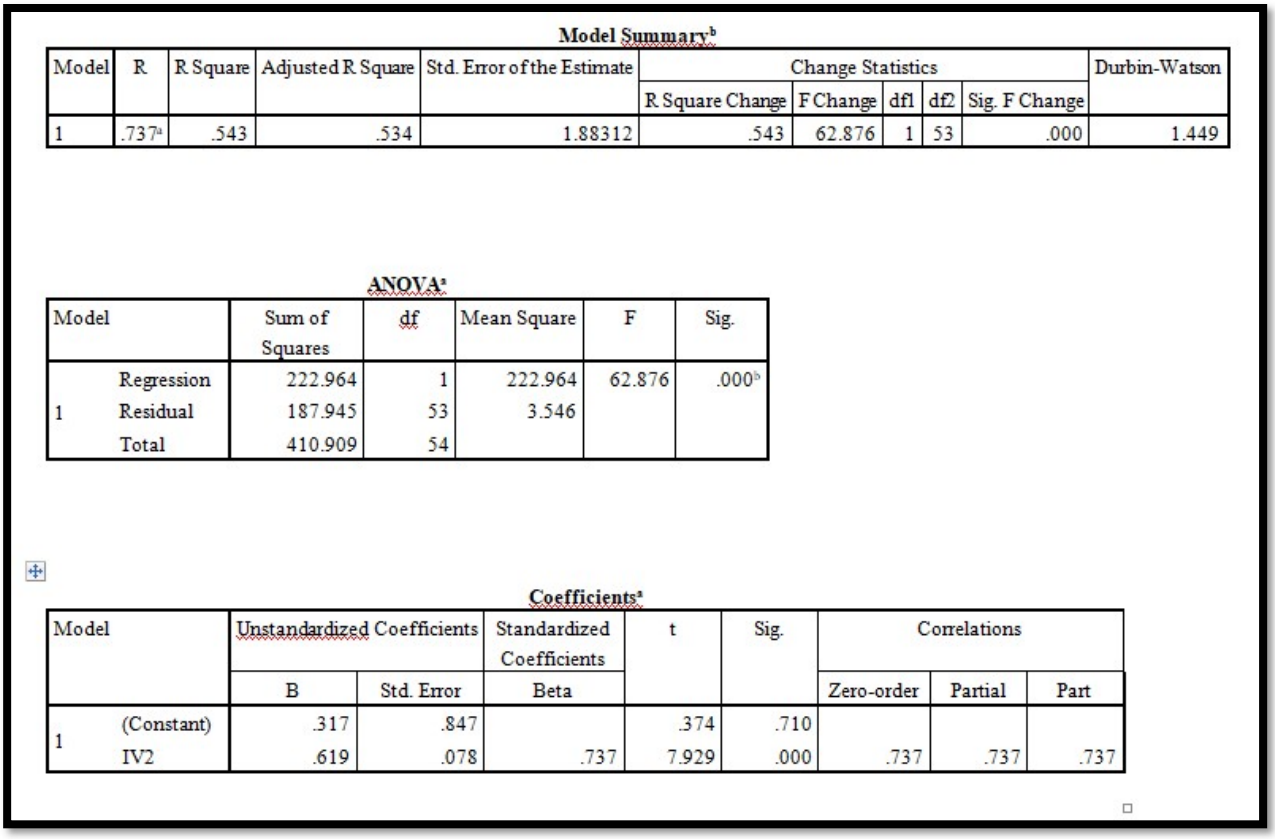
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	.080	.301		.266	.791			
	IV1	.665	.028	.956	23.729	.000	.956	.956	.956

Table 4: Hypothesis 1 and its regression analysis

(Source: SPSS)

From Table 4 it can be said that the R and R square values of IV1 analysis are 0.956 and 0.914 which is adjusted to 0.816. The value of Durbin Watson is 2.011 and by analyzing the ANOVA model it was found that the value of F is 563.068 and the value of significance is 0.000. The coefficient analysis revealed the value of significance as 0.791 and the relations of DV and IV1 as 0.000. The value is lower than 0.05 and thus signifies that hypothesis 1 is valid and relevant.

Hypothesis 2



Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.737[a]	.543	.534	1.88312	.543	62.876	1	53	.000	1.449

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	222.964	1	222.964	62.876	.000[b]
	Residual	187.945	53	3.546		
	Total	410.909	54			

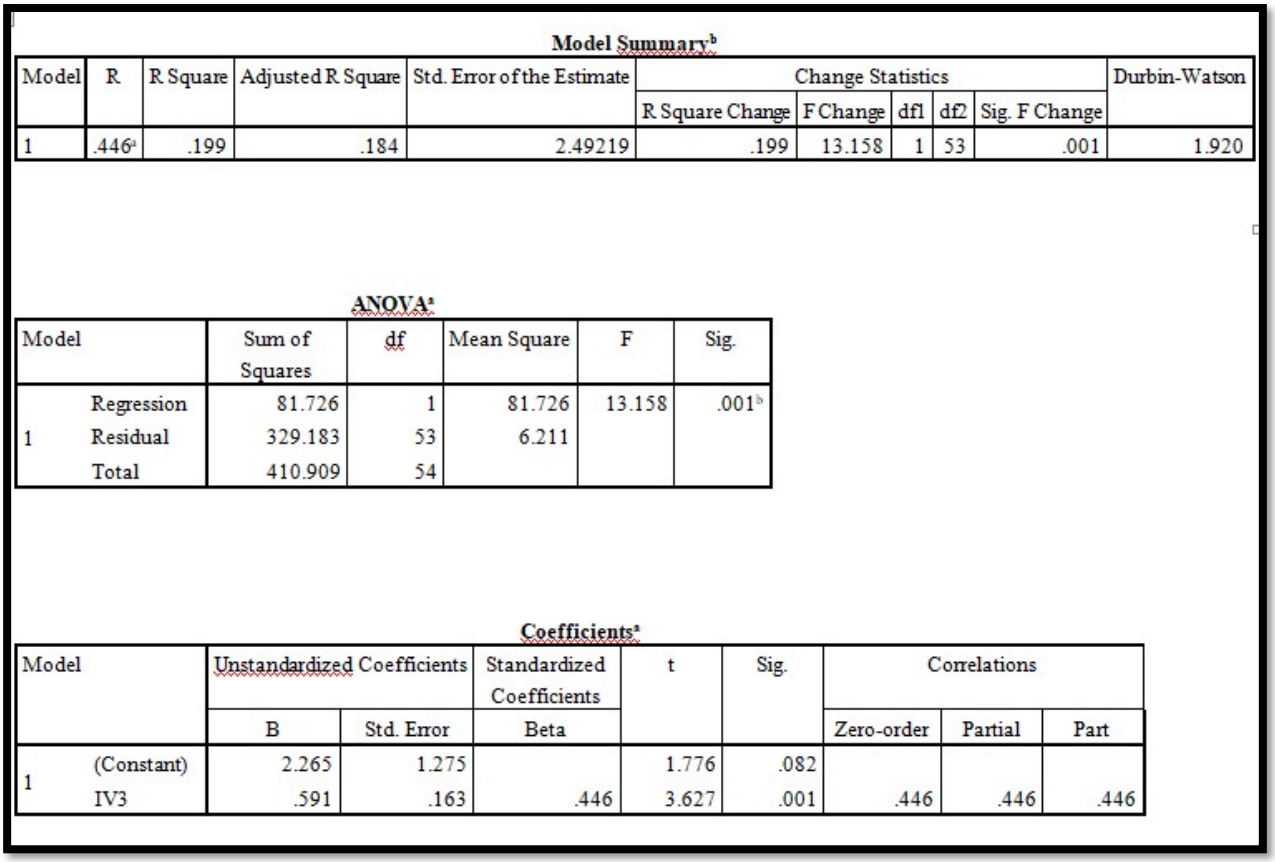
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	.317	.847		.374	.710			
	IV2	.619	.078	.737	7.929	.000	.737	.737	.737

Table 5: Hypothesis 2 and its regression analysis
(Source: SPSS)

From Table 5 it can be seen that the values of R and the square of R are found to be 0.737 and 0.543 which is adjusted to 0.534. The F change value is 62.87 and the value of significance is 0.000. The value of Durbin Watson is 1.449 and the value of significance is 0.000 and F is 62.87 and by analyzing the coefficients it was seen that the significance value is 0.000 and 0.374 for IV2. A lower value than 0.05 signifies that the hypothesis is also valid and relevant.

Hypothesis 3



Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.446[a]	.199	.184	2.49219	.199	13.158	1	53	.001	1.920

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	81.726	1	81.726	13.158	.001[b]
	Residual	329.183	53	6.211		
	Total	410.909	54			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	2.265	1.275		1.776	.082			
	IV3	.591	.163	.446	3.627	.001	.446	.446	.446

Table 6: Hypothesis 3 and its regression analysis
(Source: SPSS)

R and r square values are found to be 0.446 and 0.199 and adjusted up to 2.49. The F change value is 13.15 a dvalue of significance is 0.001. The value of durbin Watson is 1.920 and in Anova model analysis the value of significance is found to be 0.001. Coefficient analysis reveals the value of significance as 0.082 and 0.001 for IV 3. Lower value than 0.05 signifies the validity and relevance of hypothesis 3.

Correlation

Correlations

		V1	DV	IV1	IV2	IV3
V1	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (2-tailed)		.	.	.	.
	N	0	0	0	0	0
DV	Pearson Correlation	.[a]	1	.956**	.737**	.446**
	Sig. (2-tailed)	.		.000	.000	.001
	N	0	55	55	55	55
IV1	Pearson Correlation	.[a]	.956**	1	.767**	.460**
	Sig. (2-tailed)	.	.000		.000	.000
	N	0	55	55	55	55
IV2	Pearson Correlation	.[a]	.737**	.767**	1	.797**
	Sig. (2-tailed)	.	.000	.000		.000
	N	0	55	55	55	55
IV3	Pearson Correlation	.[a]	.446**	.460**	.797**	1
	Sig. (2-tailed)	.	.001	.000	.000	
	N	0	55	55	55	55

Table 7: Correlation analysis
(Source: SPSS)

Table 7 represents the correlation value of DV and IV1, IV2, IV 3. The values are found to be 0.000 which represents the validation and relevance of the hypotheses.

Discussion

The principal advantages of mutual funds are that they are cost effective and they provide investors with a lot of options which includes minimum investments and manage their funds in a cost efficient manner. The options for liquidity and diversification are biggest advantages of mutual funds (Mirza, 2020). The market shares of mutual funds are significant and projected to increase in coming years. More investments and growth in the capital investment sectors can lead to significant economic growth and market increase. There are many risks involved in mutual funds so it is not devoid of challenges which can grow into huge financial losses (Pástor, 2020). Public and privatized sectors have shown a huge increase in mutual funds sectors in recent years which is only expected to rise. The global market for mutual funds have increased at a rate of 9.8 % in last 5 years and expected to grow at a similar rate between 2022 and 2027. The market growth of mutual funds is dependent on several factors like market demand, liquidity and awareness among population regarding mutual funds.

Conclusion

In conclusion it can be said the mutual funds in public and private sectors have many advantageous effects and positive impact on the economy. The investment procedures have improved a lot in recent years and expected to rise in coming years providing a huge boost to the market.

References

Ben-David, I., Li, J., Rossi, A., & Song, Y. (2022). What do mutual fund investors really care about?. *The Review of Financial Studies*, *35*(4), 1723-1774. Retrived on 20th June 2023

Ceccarelli, M., Ramelli, S., & Wagner, A. F. (2023). Low carbon mutual funds. *Forthcoming, Review of Finance, Swiss Finance Institute Research Paper*, (19-13). Retrived on 20th June 2023

Clare, A., O'Sullivan, N., Sherman, M., & Zhu, S. (2019). The performance of US bond mutual funds. *International Review of Financial Analysis*, *61*, 1-8. Retrived on 20th June 2023

Cordier, J., & Santeramo, F. (2020). Mutual funds and the Income Stabilisation Tool in the EU: Retrospect and Prospects. *EuroChoices*, *19*(1), 53-58. Retrived on 20th June 2023

Cremers, K. M., Fulkerson, J. A., & Riley, T. B. (2019). Challenging the conventional wisdom on active management: A review of the past 20 years of academic literature on actively managed mutual funds. *Financial Analysts Journal*, *75*(4), 8-35. Retrived on 20th June 2023

Curtis, Q., Fisch, J., & Robertson, A. Z. (2021). Do ESG mutual funds deliver on their promises?. *Mich. L. Rev.*, *120*, 393. Retrived on 20th June 2023

Dorfleitner, G., Kreuzer, C., & Laschinger, R. (2021). How socially irresponsible are socially responsible mutual funds? A persistence analysis. *Finance Research Letters*, *43*, 101990. Retrived on 20th June 2023

Döttling, R., & Kim, S. (2022). Sustainability preferences under stress: Evidence from mutual fund flows during COVID-19. *Available at SSRN 3656756*. Retrived on 20th June 2023

Farid, S., & Wahba, H. (2022). The effect of fund size on mutual funds performance in Egypt. *Future Business Journal*, *8*(1), 27. Retrived on 20th June 2023

Griffith, S. J. (2019). Opt-In Stewardship: Toward an Optimal Delegation of Mutual Fund Voting Authority. *Tex. L. Rev.*, *98*, 983. Retrived on 20th June 2023

Ji, X., Zhang, Y., Mirza, N., Umar, M., & Rizvi, S. K. A. (2021). The impact of carbon neutrality on the investment performance: Evidence from the equity mutual funds in BRICS. *Journal of Environmental Management*, *297*, 113228. Retrived on 20th June 2023

Jiang, H., Li, Y., Sun, Z., & Wang, A. (2022). Does mutual fund illiquidity introduce fragility into asset prices? Evidence from the corporate bond market. *Journal of Financial Economics*, *143*(1), 277-302. Retrived on 20th June 2023

Jiang, J., Liao, L., Wang, Z., & Xiang, H. (2020). Financial literacy and retail investors' financial welfare: Evidence from mutual fund investment outcomes in China. *Pacific-Basin Finance Journal*, *59*, 101242. Retrived on 20th June 2023

Jin, D., Kacperczyk, M., Kahraman, B., & Suntheim, F. (2022). Swing pricing and fragility in open-end mutual funds. *The Review of Financial Studies*, *35*(1), 1-50. Retrived on 20th June 2023

Ma, Y., Xiao, K., & Zeng, Y. (2022). Mutual fund liquidity transformation and reverse flight to liquidity. *The Review of Financial Studies*, *35*(10), 4674-4711. Retrived on 20th June 2023

Marti-Ballester, C. P. (2019). The role of mutual funds in the sustainable energy sector. *Business Strategy and the Environment*, *28*(6), 1107-1120. Retrived on 20th June 2023

Mirza, N., Hasnaoui, J. A., Naqvi, B., & Rizvi, S. K. A. (2020). The impact of human capital efficiency on Latin American mutual funds during Covid-19 outbreak. *Swiss Journal of Economics and Statistics*, *156*(1), 1-7. Retrived on 20th June 2023

Pástor, Ľ., & Vorsatz, M. B. (2020). Mutual fund performance and flows during the COVID-19 crisis. *The Review of Asset Pricing Studies*, *10*(4), 791-833. Retrived on 20th June 2023

Roussanov, N., Ruan, H., & Wei, Y. (2021). Marketing mutual funds. *The Review of Financial Studies*, *34*(6), 3045-3094. Retrived on 20th June 2023