

## *Chapter 9*

# **RECOMMENDATIONS, IMPLICATIONS AND SCOPE FOR FURTHER RESEARCH**

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### **9.1 Introduction**

Mutual funds are ideal investment vehicles for the modern financial scenario as it offers investors an opportunity to invest in a diversified and professionally managed basket of securities at a relatively low cost. The present study discusses the relationship between stock market and equity funds in India, trend of the performance of equity funds, influence of socio-economic factors on different behavioural biases and the influence of behavioural bias of equity mutual fund investors on their investment performance. The recommendations, implications of the study and scope for the further research are discussed in the present chapter.

### **9.2 Recommendations of the study**

Based on the findings of the study, the researcher put forward the following recommendations to enhance the investment performance among investors in Kerala.

#### **9.2.1 To the Investors**

The findings of the study would be useful for the investors as it examines the relationship between stock market and equity mutual funds and provides the forecasts of performance of equity mutual funds thereby facilitating them to take investment decisions. It also provides insights into the behavioural biases existing among investors in Kerala and its impact on their investment performance. Based

on the findings, the researcher proposes the following recommendations to the investors:

1. There exists co-integration between stock market and equity mutual funds in India and causality runs from equity mutual funds to Sensex indicating that movements in equity mutual funds could cause Sensex to vary. Hence, the investors can invest in equity mutual funds as an alternative to direct investment in stock market. Furthermore, it provides diversification and professional expertise for the investors.
2. Despite the high volatile nature of equity mutual funds, they have performed greatly in the long run. Hence, the investors should try to make investment in equity mutual funds for a long term in order to reap the benefits.
3. Investors are advised to constantly review their decision making process to observe, identify and control the behavioural biases, if any.
4. Investors are suggested to consult financial advisors before making investment to make better investment decisions.

### **9.2.2 To the Asset Management Companies**

1. Small-cap funds are the most volatile category in providing returns. The AMCs are recommended to select the shares of those companies having strong financial position.
2. Investors in Kerala are highly prone to various behavioural biases. The mutual fund companies should try to educate individuals by conducting more awareness programmes in the state, which would lead to increased penetration of mutual funds in Kerala.
3. The present study suggests that behavioural biases vary among investors based on investors' gender, age, education, occupation, marital status, annual income and investment experience. Hence, it is imperative for the

asset management companies to assess the needs of investors and launch schemes accordingly.

4. Mutual funds have least penetration in Kerala. People prefer to invest in Bank deposits and Post office savings as they found them as credible sources. The AMCs should increase the credibility of mutual funds and develop a sense of trust among investors.
5. AMCs should provide proper training to financial advisors about every scheme as they are the main source of influence to the people. By gaining proper knowledge about the schemes one could identify the right scheme catering to their needs.

### **9.3 Research Implications**

Since, the empirical evidence indicates that equity mutual funds exert a positive influence on the performance of stock market in India, investors could consider equity mutual funds as an alternative to direct investment in the stock market. Furthermore, diversification and professional expertise would make the mutual funds a safe investment avenue for the investors. Although there have been various hikes and dips in the performance, equity funds have provided good returns in the long run. Hence, investing in equity funds for a longer period would be advisable.

As the investors in Kerala are significantly prone to various behavioural biases, they are advised to make investment only after receiving proper training or by consulting financial advisors. It would be better if mutual fund AMCs to take proper measures to increase the financial literacy among people by conducting awareness programmes. Investors' needs vary according to their socio-economic profile. So, mutual fund AMCs may come up with new schemes catering to their needs. Moreover, behavioural bias exerts a negative influence on the investment performance. Hence, it is imperative for the investors to constantly review their decision making process to identify and control the behavioural biases.

#### **9.4 Scope for Further Research**

The results and limitations of the present study observed several worthy topics. These topics would foster further research, expanding the findings of the present study.

1. The present study is restricted itself to one stock market index and four types of equity mutual funds. The future research could be extended to incorporate more types of equity mutual funds.
2. The researcher further recommends that studies could also be conducted to analyse the effect of various macro-economic variables such as exchange rate, gold price, crude oil price, money supply, interest rate and foreign exchange reserves on the performance of equity mutual funds.
3. The researcher recommends that a comparative analysis of the performance of Indian equity mutual funds with that of the other developing economies can also be carried out.
4. Empirical analysis on the volatility of equity mutual fund performance has not been done in the present research; hence, this area remains to be further investigated.
5. Studies could also be conducted to examine the relationship between different behavioural biases to know whether one bias could lead to other.
6. There is further scope to explore the impact of financial literacy on behavioural bias among equity mutual fund investors in Kerala.
7. Moreover, a comparative analysis on the influence of behavioural biases on the investment performance of stock market investors and equity mutual fund investors can be carried out to understand whether the magnitude of these biases is more among the investors in stock market or the mutual fund investors.