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- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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A COMPARATIVE ANALYSIS OF MARKET RETURNS AND FUND FLOWS WITH REFERENCE TO MUTUAL FUNDS

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ABSTRACT
In the present study, we investigated the performance of public-sector and private-sector mutual funds for the period of 2005 to 2007. It was mainly undertaken to analyze the returns fetched by two categories of MFs namely Private sector sponsored and the Public sector sponsored funds by using average returns of individual fund and their index value on monthly basis. Selected funds of LIC (Public sector) and Reliance (Private sector) were chosen for the purpose of analysis. Statistical techniques like Mean, Standard Deviation and Coefficient of Variation were applied to study the consistency in returns subject to market risks of each fund. Correlation Coefficient was used to find the degree of relationship between market returns and fund flows. The study revealed that performance of all the funds seemed to be volatile during the study period, as such it was quite difficult to earmark one particular fund that out performed consistently well during all the years of study namely 2005, 2006 and 2007.

KEYWORDS
Market returns, Funds, Mutual Funds, LIC Funds.

INTRODUCTION
Mutual Fund is a trust that pools the savings of numerous investors to invest in various financial instruments like stocks, bonds, debentures, etc through which it facilitates the investors in achieving their financial goals. Investors need not worry about the return as Mutual funds are managed by professionally well experienced and trained Managers. Investors can diligently monitor the performance of the fund's NAV and if necessary can liquidate their units. MF investments are well-diversified and so the investors generally do not run the risk of keeping all the eggs in one basket. The most popular investment avenue among investing community, especially small and medium category investors, The Mutual Fund was instigated in India with the setting up Unit Trust of India in 1964. The main objective for its formation was to attract the small investors and it was made possible through the collective efforts of the Government of India and RBI. Its AUM enhanced many fold and it enjoyed complete monopoly till 1987. After 1987 public sector banks like SBI and many insurance companies started setting their Mutual Funds and this accelerated the growth of Mutual Fund Industry. SEBI which regulates the functioning of MF's modified and revised its regulations in the year 1993 which paved the way for private players to enter the market. Though private MF entities found it difficult to attract new investors in their early stages, trends in the Primary market and Secondary market during 1994 seemed to be in their favor. Private sector MF's started capturing a sizeable market share by their innovative products. Introduction of open ended funds and novel announcements in budget 1999 steered a healthy growth trend in the MF industry. By 2003, private sector mutual funds had extracted a lion's share of the mutual fund assets from the UTI and the PSU bank-sponsored funds. Stock market boom during the last decade facilitated the growth of MF industry to leaps and bounds which can be well under stood from the table following table.

TABLE 1: GROSS FUND MOBILISATION (RS. CRORES)

FROM	TO	UTI	PUBLIC SECTOR	PRIVATE SECTOR	TOTAL
01 April 98	31 Mar 99	11,679	1,732	7,966	21,377
01 April 99	31 Mar 00	13,536	4,039	42,173	59,748
01 April 00	31 Mar 01	12,413	6,192	74,352	92,957
01 April 01	31 Mar 02	4,643	13,613	1,46,267	1,64,523
01 April 02	31 Mar 03	5,505	22,923	2,20,551	2,48,979
01 April 03	31 Mar 04	-	68,558	5,21,632	5,90,190
01 April 04	31 Mar 05	-	1,03,246	7,36,416	8,39,662
01 April 05	31 Mar 06	-	1,83,446	9,14,712	10,98,158
01 April 06	31 Mar 07	-	3,38,619	15,99,873	19,38,492
01 April 07	31 Mar 08	-	6,83,623	37,80,752	44,64,375

Source: www.sebi.gov.in

The table(1) spells out that 85% of the total gross fund mobilization was in private sector (37, 80,752 Crores) and only 15% of funds were mobilized by public sector (6, 83,623 Crores). Though the private players entered into the industry only in 1996, its growth is really alarming when compared with public players.

This may be due to the variety of schemes, attractive and effective advertisements, innovative marketing strategies, customer service etc. Mutual Fund investments have emerged as the highly favored invest vehicle amongst majority of the investors as it confers the convenience of diversification even for a small investor. It enables an investor to manage his investment professionally by utilizing the services of a full-time fund Manager while at the same time he is able to monitor the NAVs of the schemes. A MF investor also enjoys economies of scale as the transaction costs are kept low. Beyond all these, an investor is able to liquidate his investment into cash whenever he wants.

REVIEW OF LITERATURE

In the recent scenario, the investors, regulators, academicians and press has been paying extensive attention on stock market volatility and moreover, the option traders also been following the similar path since the option value is mainly dependent on the volatility of the underlying assets. Further, it was found that significant academic attention has been given on the impact of price over mutual fund trading. Much of literature available focuses only on Mutual fund market growth, future trends; etc but very limited literature is available on the Comparative analysis of Market Returns with its Fund Flows. Only individualistic country like USA, Europe have concentrated on the research in Mutual fund flows with its relevant market returns, wheareas analysts, academic researchers in collectivistic countries like India have paid least attention in these areas. Edelen, Roger M. and Warner, Jerold B., (2008) in their working paper series with the help of semi-weekly and daily flow data basis tried to study the relationship between markets returns and unexpected aggregate flow specifically with reference to US equity funds. Panwar, Sharad and Madhumathi, R.,(2006) in their working papers series examined the characteristics and performance evaluation of selected mutual funds for the period 2002 – 2005. In their study, public-sector sponsored and private-sector sponsored mutual funds of varied net assets were used as samples to investigate the differences in characteristics of assets held, portfolio diversification and variable effects of diversification on investment performance. The authors found that public-sector sponsored funds do not vary considerably from private-sector sponsored funds in terms of mean returns(%), nevertheless, there is a considerable difference between public-sector sponsored mutual funds and private-sector sponsored mutual funds in terms of average standard deviation, average variance and average coefficient of variation (COV). Phalippou, Ludovic and Massa, Massimo, (2004), authors examined how actively managed equity mutual funds choose the liquidity level of their equity portfolio and the effects of this selection on performance. Warner(2001) report predicted the unexpected aggregate mutual fund flows was positively correlated with concurrent market return at daily frequency and also they found that flows from returns with in a day and one day return lagged response of aggregate flow of market returns. Remolona, Eli M., Kleiman, Paul and Gruenstein, Debbie (July 1997) authors analyzed the short-term effect of Market returns and mutual fund flows by using instrumental variables on flows. Many prior studies mainly focused on the price effect of money inflow into a mutual fund on individual mutual funds. (Chan and Lakonishok, 1993, 1995, 1997; Keim and Madhavan, 1997; Jones and Lipson, 1999), some other literatures were about the relation between the aggregate cash flow into all mutual funds and market-wide returns. Warther (1995, 1998) concludes his study by stating that there prevails a very strong contemporaneous relationship between unexpected flow and stock returns on a monthly frequency. But he also argues that this relationship is not sufficient to infer causality between flow and returns because return could drive flow or flow could drive return, or a third factor such as new information could drive both. There is a hypothetical assumption that private-sector outperforms public-sector due to several factors such as responsibility, commitment and so on. Therefore, this study is an attempt on testing this hypothesis on the mutual fund industry. Although many studies document the investment performance of mutual funds irrespective of whether they are public-sector sponsored or private-sector sponsored, the present study was undertaken mainly to compare the performance of public sector and private sector mutual fund with regard to their fund flows and the market returns with the following objectives:

- To compare the performance of public sector sponsored and private sector sponsored mutual funds for a period of three years ie., 2005 to 2007.
- To compare the market returns with that of fund flows and
- To evaluate the performance of the funds based on its market risk.

RESEARCH METHODOLOGY

The study was mainly undertaken to examine the returns fetched by two categories of MFs namely Private sector sponsored and the Public sector sponsored funds by using average returns of individual fund and their index value on monthly basis. Selected funds of LIC (Public sector) and Reliance (Private sector) were chosen for the purpose of analysis. Reliance Capital Ltd. is one of the India's leading and amongst the fastest growing private sector financial services companies, and ranks among the leading private sector financial services and banking companies, in terms of net worth. This study is purely based on the secondary data collected from www.nseindia.com, www.amfiindia.com, www.mutualfundsindia.com, www.sebi.gov.in and www.moneycontrol.com. The average monthly returns and the index value for 2005 to 2007 of individual funds was collected from www.nseindia.com and the Karl Pearson's correlation coefficient (r) was calculated for individual fund to find out the extent of relationship between the market return and the fund flows. Other statistical tools like coefficient of variation (CV), standard deviation (σ) and mean (μ) were applied to find the performance of funds flows based on its market risk.

The limitations of the study is that only selected open ended schemes of LIC and Reliance Mutual Fund for the period of 2005-07 had been considered for study. Hence, the findings of the study may not be generalized upon the open ended schemes of other mutual funds of different periods. The performance of a scheme can be evaluated on various parameters, but the most important is the total returns from the scheme, hence our analysis examines only average monthly flow-return correlations from 2005 to 2007 and not based the daily returns, historical performance of the schemes etc.

ANALYSIS

TABLE 2: AVERAGE MONTHLY RETURNS OF LIC AND RELIANCE MUTUAL FUNDS IN 2005

SN.O	NAME OF THE FUND		JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	MEAN	SD	CV
Public Sector Mutual Funds																	
1	LIC Equity Fund	Return	1.21	2.853	4.515	0.138	8.642	8.657	7.471	14.59	2.857	11.459	4.18	13.379	6.66	4.78	71.78
		Index	5.299	0.768	7.617	5.105	7.3	11.722	4.878	13.448	2.991	9.505	0.849	13.398	6.91	4.42	64.04
2	LIC Bond Fund	Return	0.995	0.737	0.723	1.742	1.382	0.358	0.43	1.247	0.774	0.238	0.218	1.183	0.84	0.49	58.10
		Index	1.368	0.361	0.198	0.856	1.304	0.744	0.274	1.394	1.775	0.134	0.405	0.391	0.77	0.56	73.25
3	LIC Growth Fund	Return	4.071	1.107	4.509	3.579	13.099	7.974	12.389	15.199	4.611	11.827	0.715	11.447	7.54	5.05	66.92
		Index	0.864	0.022	0.284	0.674	0.688	0.555	0.219	0.574	0.723	0.288	0.433	0.143	0.46	0.26	57.83
4	LIC Balanced Fund	Return	1.078	0.817	2.228	0.67	4.623	3.993	2.682	3.993	1.885	6.038	0.051	9.683	3.15	2.74	87.22
		Index	3.609	0.68	7.917	1.274	14.863	10.303	4.983	16.419	1.489	6.653	3.428	16.617	7.35	5.91	80.44
5	LIC Fixed Maturity	Return	0.261	0.422	0.528	0.731	0.392	0.309	0.416	0.506	0.368	0.238	0.244	0.234	0.39	0.15	38.35
		Index	1.498	0.588	0.594	1.082	2.815	1.164	0.954	2.044	3.066	0.728	2.055	0.973	1.46	0.85	57.84
Private sector mutual funds																	
6	Reliance Retail Plan Fund	Return	1.294	0.441	0.982	1.682	1.378	0.437	0.84	1.559	1.097	0.342	0.471	1.61	1.01	0.50	49.50
		Index	5.299	0.768	7.617	5.105	7.3	11.722	4.878	13.448	2.991	9.505	0.849	13.398	6.91	4.42	64.04
7	Reliance Equity Fund	Return	3.934	0.333	10.265	4.936	12.132	14.352	2.838	17.318	0.657	9.189	10.57	10.445	8.08	5.47	67.63
		Index	3.645	0.637	7.784	3.917	9.293	11.558	5.869	13.311	3.696	9.292	1.622	14.45	7.09	4.57	64.43
8	Reliance Growth Fund	Return	3.941	4.936	30	1.472	13.281	8.236	4.889	17.305	6.038	0.736	15.2	7.205	9.44	8.32	88.14
		Index	3.645	0.637	7.784	3.917	9.293	11.558	5.869	13.311	3.696	9.292	1.622	14.45	7.09	4.57	64.43
9	Reliance Regular Savings Fund	Return	0.939	0.312	0.464	1.736	1.46	0.38	0.754	1.584	0.965	0.295	0.512	1.382	0.90	0.53	58.72
		Index	1.368	0.361	0.198	0.856	1.304	0.744	0.274	1.394	1.775	0.134	0.405	0.391	0.77	0.56	73.25
10	Reliance Equity Opportunities Fund	Return	2.384	0.142	6.553	1.064	14.941	10.831	5.011	11.966	1.692	8.303	7.635	17.408	7.33	5.62	76.70
		Index	0.465	0.459	0.288	0.646	0.817	0.728	0.328	0.699	1.72	0.474	0.19	0.255	0.59	0.41	69.44

Source: www.nseindia.com

Table No.(2) demonstrates the average monthly returns of selected mutual funds of public and private sector and their market returns in the year 2005. The mean returns was calculated, which shows that Reliance Growth Fund had the highest mean returns of 9.44% with that of their market return of 7.09%, which was followed by Reliance equity fund with 8.08% returns for which the market returns was only 7.09% and Reliance equity Opportunity fund with 7.33% market return and market return by only 0.59%. Further LIC growth fund showed a mean return of 7.54% with market return of only 0.45%. The above mentioned funds were the main schemes in which the percentage mean returns of individual fund were higher than that of the market returns. The rest of the funds showed positive returns, but the returns of most of the fund was found lesser than their market returns. The standard deviation and coefficient of variation was calculated to know the volatility of returns of individual funds as well as market returns. The standard deviation was found to be least for LIC fixed maturity fund with 0.15 for which the deviation in the market returns was 0.85 and it was followed by LIC Bond fund with the standard deviation of 0.49 for which volatility in the market return was found to be 0.56. Further, the volatility in the returns of Reliance retail plan was found to be 0.50 but the deviations in the market return was 4.42. The volatility in the returns of rest of the schemes though showed a low figure, but it was found to greater than these above mentioned schemes. Therefore, the consistency of the above mentioned schemes is higher when compared with other schemes of mutual funds. Therefore, the investors of these funds would have benefited from constant returns in most of the time in 2005.

The percentage variation in the returns of LIC Fixed maturity fund was found to be the least with 38.35% when compared to other funds and it was followed by Reliance retail plan with 49.50% variations in their returns. The above table further explains that the coefficient of variation for Reliance growth fund was highest with 88.14%, which was followed by LIC balanced fund with 87.22%. This indicates that the investors have to take minimum risk in investing in the funds which have least coefficient of variation and maximum risk in investing in the funds having high coefficient of variations, since there is high volatility in their returns.

TABLE 3 - AVERAGE MONTHLY RETURNS OF LIC AND RELIANCE MUTUAL FUNDS IN 2006

S.NO	NAME OF THE FUND		JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	MEAN	SD	CV
Public Sector Mutual Funds																	
1	LIC Equity Fund	Return	4.011	6.131	3.59	1.59	14.87	0.154	5.387	3.024	5	0.455	5.416	8.82	4.87	4.00	82.12
		Index	5.36	1.769	4.361	1.294	16.02	0.153	6.187	0.445	6.73	0.662	8.958	6.04	4.83	4.57	94.66
2	LIC Bond Fund	Return	0.211	0.075	1.306	0.255	0.598	1.143	0.191	0.131	0.19	0.376	0.398	0.21	0.42	0.40	94.51
		Index	1.165	0.003	0.507	0.164	0.068	0.701	1.423	0.697	0.36	1.138	0.135	0.23	0.55	0.48	87.30
3	LIC Growth Fund	Return	1.386	3.382	0.08	3.143	15.49	0.447	3.957	1.09	5	1.394	7.651	7.68	4.22	4.37	103.54
		Index	0.524	0.343	0.018	0.314	0.094	0.12	0.279	0.06	0.39	0.807	0.06	0.05	0.26	0.24	93.29
4	LIC Balanced Fund	Return	1.27	2.113	1.598	0.308	7.579	0.815	2.934	1.08	1.85	0.596	3.361	5.02	2.38	2.11	88.84
		Index	6.6	2.796	1.799	1.096	17.11	0.032	7.027	1.695	6.88	0.25	9.44	8.81	5.29	5.03	95.04
5	LIC Fixed Maturity	Return	0.242	0.278	0.37	0.183	0.19	1.94	1.641	0.191	0.19	0.194	0.197	0.19	0.48	0.62	127.27
		Index	5.138	1.451	2.699	0.044	0.112	1.703	3.652	1.515	1.52	1.812	0.069	0.24	1.66	1.56	93.95
Private sector mutual funds																	
6	Reliance Retail Plan Fund	Return	0.298	0.044	1.506	0.512	0.7	1.353	0.313	0.573	0.47	0.282	0.367	0.69	0.59	0.43	73.14
		Index	5.36	1.769	4.361	1.294	16.02	0.153	6.187	0.445	6.73	0.662	8.958	6.04	4.83	4.57	94.66
7	Reliance Equity Fund	Return	10.18	6.648	7.082	3.153	5.487	6.29	9.357	14.18	6.38	0.216	6.938	16	7.66	4.35	56.73
		Index	4.986	2.078	3.636	0.386	16.58	0.081	5.973	0.128	6.96	0.39	9.221	7.04	4.79	4.87	101.77
8	Reliance Growth Fund	Return	17.54	2.941	6.255	1.408	19.51	1.762	8.082	2.075	3.95	2	3.114	3.58	6.02	6.17	102.47
		Index	4.986	2.078	3.636	0.386	16.58	0.081	5.973	0.128	6.96	0.39	9.221	7.04	4.79	4.87	101.77
9	Reliance Regular Savings Fund	Return	0.231	0.027	1.258	0.133	0.729	1.124	0.344	0.079	0.23	0.162	0.05	1.03	0.45	0.46	101.31
		Index	1.165	0.003	0.507	0.164	0.068	0.701	1.423	0.697	0.36	1.138	0.135	0.23	0.55	0.48	87.30
10	Reliance Equity Opportunities Fund	Return	8.144	0.357	0.554	0.334	15.28	4.341	0.749	1.706	5.72	0.341	12.349	7.31	4.76	5.12	107.54
		Index	1.03	0.056	0.098	0.299	0.302	0.266	0.21	0.352	0.24	0.621	0.209	0.36	0.34	0.26	77.35

Source: www.nseindia.com

Table No (3) depicts the average monthly returns of selected mutual funds of private and public sector and their monthly market returns in the year 2006. The average returns of individual fund as well as for the market was calculated which clears out that Reliance equity fund had the highest mean returns of 7.66% with that of market return of 4.79%. It was followed by Reliance growth fund with 6.02% return, LIC equity fund with 4.87% and Reliance equity opportunity fund with4.76% returns. All these funds showed better returns when compared to their market returns. The remaining funds though it showed a positive trend, but their returns were much lower than their market returns.

The Standard deviation was found to be minimum for LIC Bond fund with 0.40 for the fluctuations in the market return was 0.48. It was followed by Reliance retail plan fund with 0.43 and for which the volatility in the market returns was 4.57. The Reliance regular saving fund had the standard deviation of 0.46 with that of market return volatility of 0.48. Therefore, these funds were more consistent with respect to their returns when compared with other funds. Only two funds namely LIC growth fund (σ = 4.37) and Reliance equity opportunity fund (σ = 5.12) showed a comparatively higher deviations in their returns with that of their market returns.

The percentage variations in the return of LIC fixed maturity fund was highest (127.27%), which was followed by Reliance equity opportunity fund with 107.54%, LIC growth fund with 103.54% and Reliance regular savings fund with 101.31% variations in their returns. Hence, it was clear that these funds were found to highly riskier for investments when compared to other funds since there was high volatility in their returns.

TABLE 4: AVERAGE MONTHLY RETURNS OF LIC AND RELIANCE MUTUAL FUNDS IN 2007

S.NO	NAME OF THE FUND		JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	MEAN	SD	CV
Public Sector Mutual Funds																	
1	LIC Equity Fund	Return	2.219	5.212	0.431	2.278	7.738	5.173	3.419	9.789	3.393	9.727	10.068	3.93	5.28	3.30	62.49
		Index	2.714	2.107	2.339	7.987	8.911	6.374	4.539	2.873	8.133	9.852	11.124	5.098	6.00	3.17	52.74
2	LIC Bond Fund	Return	2.262	1.53	1.577	3.512	0.055	4.548	0.397	1.698	0.223	0.338	5.121	0.211	1.79	1.76	98.28
		Index	0.232	0.375	0.363	0.372	0.361	0.418	0.728	0.96	0.279	0.444	0.765	0.45	0.48	0.22	45.90
3	LIC Growth Fund	Return	2.716	1.761	3.633	5.468	3.98	0.419	9.916	5.542	2.834	9.906	8.627	5.672	5.04	3.11	61.78
		Index	0.244	0.316	0.298	0.441	0.425	0.468	0.421	0.464	0.313	0.444	0.478	0.438	0.40	0.08	20.17
4	LIC Balanced Fund	Return	0.511	3.189	4.592	2.978	2.625	0.759	2.26	2.196	3.571	6.358	3.148	3.051	2.94	1.56	53.06
		Index	3.624	2.952	2.155	6.462	8.235	3.685	6.016	4.253	6.083	10.074	10.625	4.991	5.76	2.72	47.28
5	LIC Fixed Maturity	Return	0.194	1.545	0.321	0.191	0.19	1.879	1.645	0.192	0.19	0.194	0.194	0.379	0.59	0.67	112.7
		Index	0.679	0.709	0.907	0.439	0.355	0.035	1.879	3.481	3.376	0.801	2.14	0.49	1.27	1.17	92.03
Private sector mutual funds																	
6	Reliance Retail Plan Fund	Return	0.556	0.787	0.502	0.271	0.86	0.626	0.488	0.246	0.302	0.231	0.354	0.189	0.45	0.22	49.53
		Index	2.714	2.107	2.339	7.987	8.911	6.374	4.539	2.873	8.133	9.852	11.124	5.098	6.00	3.17	52.74
7	Reliance Equity Fund	Return	5.172	13.901	2.683	4.569	10.268	3.073	12	16.955	0.039	12.187	14.493	7.227	8.55	5.47	63.94
		Index	3.187	2.29	2.355	7.89	8.805	5.426	5.262	2.756	7.624	10.198	12.835	4.974	6.13	3.38	55.10
8	Reliance Growth Fund	Return	7.759	1.382	4.541	4.631	3.603	0.749	0.472	4.757	7.143	9.136	12.156	2.893	4.94	3.55	72.01
		Index	3.187	2.29	2.355	7.89	8.805	5.426	5.262	2.756	7.624	10.198	12.835	4.974	6.13	3.38	55.10
9	Reliance Regular Savings Fund	Return	0.386	0.55	0.288	0.189	0.916	0.44	0.635	0.292	0.317	0.389	0.384	0.308	0.42	0.20	46.20
		Index	0.232	0.375	0.363	0.372	0.361	0.418	0.728	0.96	0.279	0.444	0.765	0.45	0.48	0.22	45.90
10	Reliance Equity Opportunities Fund	Return	2.803	5.689	1.681	2.105	8.621	1.385	6.337	4.193	5.209	0.68	0.401	0.683	3.32	2.66	80.19
		Index	0.34	0.408	0.442	0.44	0.297	0.297	0.748	0.918	0.283	0.575	0.367	0.375	0.46	0.20	42.92

Source: www.nseindia.com

The table No 4 illustrates the percentage returns of selected mutual funds of LIC and Reliance with that their market returns in 2007. The mean returns was calculated, which shows that reliance equity fund had the highest mean returns of 8.55% with that of their market return of 6.13%. It was followed by LIC growth fund with 5.04% returns for which the market returns was only 0.40% and Reliance equity Opportunity Fund which had a mean return of 3.32% when compared to the market return by only 0.46%. Further LIC Bond fund showed a mean return of 1.79% with market return of only 0.48%. The above mentioned funds were the only schemes in which the percentage mean returns of individual mutual fund were greater that the market returns. The rest of the funds showed positive returns, but it was found lesser than their market returns.

The standard deviation and coefficient of variation was calculated to know the volatility of returns. The standard deviation was found to be least for Reliance regular savings fund with 0.20 for which the deviation in the market returns was 0.22 and it was followed by Reliance retail plan fund with the standard deviation of 0.22 for which volatility in the market return was found to be 3.17. The volatility in the returns of rest of the schemes though showed a low figure, but it was found to greater than the volatility in market returns. Therefore, the consistency of the above mentioned schemes of private sector mutual funds is higher when compared with other schemes of public sector mutual funds. Therefore, the investors of these funds would have benefited from constant returns in 2007.The percentage variation in the returns of LIC Fixed maturity fund was found to highest (112.71%) when compared to other funds. It was followed by LIC Bond fund with coefficient of variation of 98.28% and then Reliance equity opportunity fund with 80.19%. This clearly indicates that the investors have to take high risk in investing in these schemes, since there is high volatility in their returns.

CORRELATION BETWEEN RETURNS AND FLOWS

Warther (1995) finds a very high correlation (R2 =55%) between monthly flow and returns, as they documented that variation in aggregate flow only accounts for 3% of the variation of daily market index returns, thus providing limited evidence on the common public view that mutual fund flow would cause the movement of security prices. Most of the prior studies focus on the mutual fund flow with the movement of security prices, but here we study the correlation between the fund flows with their market returns for the selected public sector sponsored and private sector sponsored mutual funds. The funds were ranked based on the extent of correlation found between the returns of each schemes with index value. It was clear from the above that LIC equity fund in the year of 2005 topped the ranking and the same fund was ranked second in 2006 as well as in 2007. The LIC balance fund –growth was ranked second in the year 2005, listed top in 2006 and ranked fourth in 2007. In the private sector sponsored mutual funds, Reliance growth fund was ranked seventh in 2005, third in 2006 and listed top in 2007. It was further inferred that from the table that Reliance retail plan fund and Reliance regular saving fund were the only funds which showed a very low negative correlation in 2006 and 2007, which means that the returns of these funds were inversely related to its market return. Therefore, it was found contrary to the study of *Eli M. Remolona and e.tal (1997), which stated the flows* into funds have generally been highly correlated with market returns. This is because of two-way causation between flows and returns, in which fund investors react to market movements while the market itself moves in response to the investors' behavior.

FINDINGS OF THE STUDY

The present study reflected that the correlation between market returns and fund flow was high for LIC equity and LIC balance fund-growth. Though the mean return of Reliance growth fund, Reliance equity fund and Reliance equity opportunity fund had shown a remarkable return in the year 2005 and 2006, it had been equally risky for the investors, since the volatility in the returns was very high for these funds. In the LIC MF, the return of LIC fixed maturity fund in 2005 and 2006, LIC bond fund in 2007, LIC growth fund in 2006 and LIC balance fund –growth in 2005 had high variations when compared with its market return. There is no significant difference in the performance of private and public sector sponsored MFs, as each fund has been performing well during different years of the study.

CONCLUSION

The growth rate in the mutual fund industry was 100% in the past few years, but the savings rate in India was found to be 23% only. There is huge scope in the future for the expansion of the mutual fund industry. A number of foreign based asset management companies are venturing into the Indian market. SEBI has approved the participation of mutual funds in commodities derivatives. In the year 2004-05, the private sector sponsored MFs had a lion's share 78.53% of the total NAV while public sector sponsored MFs accounted for 21.47% only. Similarly during 2007-08 the private sector MFs has tremendously increased to the extent of 82.28% of the total NAV and public sector MFs 17.72% only. This shows that the private sector MFs are growing at a fast pace when compared to public sector MFs. This may be due to the variety of schemes, attractive and effective advertisements, innovative marketing strategies, customer service etc. But, in the present study there is not much evidence to support the above statements. Hence, it was concluded that the performance of all the funds seemed to volatile during the study period, as such it was quite difficult to earmark one particular fund that out performed consistently well during all the years of study namely 2005, 2006 and 2007.

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