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## CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<b>ETHICAL DECISION MAKING: GUIDING PRINCIPLES</b> <i>M. R. JHANSI RANI, DR. C. B. VENKATA KRISHNA PRASAD &amp; K. UDAY GOWRI SHANKAR</i>	1
2.	<b>MONETARY POLICY COMMITTEE AND SPECTRE OF COMMITTED BANKING</b> <i>DR. S. N. MISRA &amp; SANJAYA KU. GHADAI</i>	7
3.	<b>HUMAN RESOURCE ACCOUNTING IN KRL: A CASE STUDY OF KOCHI REFINERIES LIMITED</b> <i>DR. SAMIR M. VOHRA</i>	10
4.	<b>ORGANISATIONAL CULTURE OF BHARATIYA MAZDOOR SANGH: IDENTIFYING THE DIMENSIONS OF OPINIONS ON THE OFFICE BEARERS</b> <i>DR. R. VANNIARAJAN &amp; DR. C. VADIVEL</i>	15
5.	<b>GROUP LENDING AS AN INSTRUMENT OF CREDIT RISK MANAGEMENT IN CAMEROONIAN MFIS</b> <i>CLAUDE ESSOMBA AMBASSA</i>	19
6.	<b>A STUDY ON RELATIONSHIP BETWEEN STORE LOYALTY AND SATISFACTION IN CUSTOMERS OF ORGANISED RETAILERS IN INDORE</b> <i>CHITRA SAWLANI &amp; DR. RAJENDRA JAIN</i>	26
7.	<b>DIMENSIONALITY OF CUSTOMER LOYALTY: A STUDY IN THE INDIAN CONTEXT</b> <i>HARSANDALDEEP KAUR &amp; HARMEEN SOCH</i>	31
8.	<b>COMPARATIVE ANALYSIS OF MUTUAL FUNDS/SCHEMES AMONGST THE REGIONS OF AMERICAS, ASIA - PACIFIC AND EUROPE - AFRICA - MIDDLE EAST</b> <i>DR. K. KANAKA RAJU &amp; DR. S. RAVI DHARMA RAJU</i>	36
9.	<b>IMPACT OF FOREIGN DIRECT INVESTMENT ON NON-LIFE INSURANCE SECTOR IN INDIA</b> <i>DR. T. JOSEPH &amp; S. SIVAPRAKKASH</i>	41
10.	<b>PRODUCTIVITY ANALYSIS FOR STATE BANK OF INDIA: A FRAMEWORK FOR EVALUATING e-BUSINESS MODELS</b> <i>SWAYAMBHU KALYAN MISHRA &amp; DR. KISHORE KUMAR DAS</i>	45
11.	<b>A PROFITABILITY ANALYSIS OF SELECTED DISTRICT CO-OPERATIVE MILK PRODUCERS' UNIONS LIMITED OF NORTH GUJARAT</b> <i>PATEL RAJESHKUMAR G., PATEL NITINKUMAR P. &amp; BAROT HIMATKUMAR V.</i>	50
12.	<b>COMPARATIVE STUDY OF CAPITAL STRUCTURE: A CASE STUDY OF TATA POWER &amp; ADANI POWER</b> <i>AMALESH PATRA</i>	55
13.	<b>ORGANIZATIONAL COMMITMENT OF TEACHERS IN HIGHER EDUCATION WITH SPECIAL REFERENCE TO KUMAUN UNIVERSITY</b> <i>BHANU PRATAP DURGAPAL</i>	61
14.	<b>ECONOMIC DEVELOPMENT AND EMPOWERMENT OF RURAL WOMEN THROUGH DEVELOPMENT PROGRAM WITH SPECIAL REFERENCE TO CHHATTISGARH STATE</b> <i>KUMUDANI SAHU, DR. S. N. JHA &amp; DR. L. S. GAJPAL</i>	66
15.	<b>THE EFFECTS OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL COMMITMENT IN INDIA'S INFORMATION TECHNOLOGY INDUSTRY</b> <i>MAHADEVAMANGALAM NAVEEN &amp; DR. G. HARANATH</i>	70
16.	<b>TELEVISION VIEWING BEHAVIOUR OF CONSUMERS AND TELEVISION ADVERTISEMENTS' IMPACT ON CONSUMERS' PURCHASE DECISION</b> <i>T.VIJAYA CHITHRA &amp; DR. S. KOTHAI</i>	75
17.	<b>MODERN BANKING SERVICES: A STUDY ON CUSTOMER PERCEPTION AND BEHAVIOUR WITH SPECIAL REFERENCE TO CENTRAL BANK OF INDIA</b> <i>SUCHITRA</i>	80
18.	<b>INNOVATIVE STRATEGIES FOR TALENT MANAGEMENT: A CASE STUDY OF ENTERPRISE RENT-A-CAR</b> <i>NIMITHA ABOOBAKER</i>	84
19.	<b>A STUDY OF ARCS: TOOL TO CLEAN NPAs OF THE INDIAN BANKING SECTOR</b> <i>NEETU GUPTA</i>	87
20.	<b>VALUE BASED PERFORMANCE APPRAISAL SYSTEM: A CASE STUDY FROM BRAC BANK LIMITED</b> <i>SAIMUNA TASKIN</i>	92
	<b>REQUEST FOR FEEDBACK &amp; DISCLAIMER</b>	97

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## COMPARATIVE ANALYSIS OF MUTUAL FUNDS/SCHEMES AMONGST THE REGIONS OF AMERICAS, ASIA - PACIFIC AND EUROPE - AFRICA - MIDDLE EAST

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### ABSTRACT

*Mutual funds are useful to capital formation. The main objectives of this paper are to test whether there is any significant difference from one region to another region in terms of number of mutual funds as well as the total net assets value. The SPSS 16.0 version was applied to derive the results by applying the techniques of paired sample statistics, paired samples correlations and paired samples test. The study found that the number of mutual funds as well as total net assets of one region to another region was positively correlated. The Europe - Africa - Middle East holding higher number of mutual funds/ schemes followed by the Americas and Asia - Pacific. The higher total net assets owned by the Europe - Africa - Middle East followed by the Asia - Pacific and Americas, due to concentration of higher number of countries or stock exchanges were prevailing with the available market. Hence it is suggested to strengthen the total net assets value of mutual funds to view a better capital formation in all the countries which is useful to develop the world.*

### KEYWORDS

mutual funds, NAV, Americas, Asia - Pacific and Europe - Africa - Middle East.

### INTRODUCTION

It is a non-depository or non banking financial intermediary which acts an important vehicle for bringing wealth holders and deficit units together indirectly. Mutual funds are corporation which accept dollars from savers and then use these dollars to buy stocks, long term bonds, short term debt instruments issued by business or government units, these corporations pool funds and thus reduce risk by diversification. The mutual funds available in the form of income fund, Money Market Funds, Balanced Funds, Specialized fun, **Americas, Asia - Pacific and Europe - Africa - Middle East** s, leveraged funds, dual purpose fund, Real estate fund, performance funds, and Specialty funds are constituted as a portfolio classification of mutual funds. The functional classification of funds consists of open-end fund and close-end fund. The geographical classification of mutual funds consists of domestic mutual funds and offshore mutual fund. The main advantage of mutual funds, reduce the risk specifically for small investors through the diversification, economies of scale in transaction cost and professional finance management. The other benefits are diversified investment, revolving nature in investments. The holders of mutual funds procured returns in the form of dividends, capital gains, increase or decrease in net asset value and sale shares and purchase of mutual funds. The concept of mutual fund originated in Britain during the 19th century and spread across the European Nations. In United States of America the concept of mutual fund attract the attention of investment professionals around the beginning of the twentieth century.

The mutual funds sell their shares to public and redeem at Current Net Asset Value (CNAV) of shares which is calculated as follows

NAV = Total market value of all mutual fund holdings –Liabilities/ No of funds outstanding shares

The holding period return (HPR) is measured as follows

HPR = Income from Charge + Interest or Capital or Cash gains or dividend + disbursements/NAV at beginning of period.

The sharpe's index is applied to determine the efficiency of mutual funds as it takes the risk and return of investment.

Sharpe's Index = Portfolio Return -Riskless rate of return/ standard deviation

Treynor Index = Portfolio Return -Riskless rate of return/ Beta

Jensen's Index = Risk –free rate+(Market Rate of Return-Risk free rate)X Beta.

### REVIEW OF LITERATURE

**Laura T. Starks (2015)** opined that actively managed funds are more active and charge lower fees when they face more competitive pressure from low-cost explicitly indexed funds. Overall, our evidence suggests that explicit indexing improves competition in the mutual fund industry. **William G. Droms and David A. Walker, (2014)** concluded that risk-adjusted and unadjusted investment returns are not related to whether a fund is load or no-load, and asset size, expense ratios, and turnover rates are not related to investment performance. They emphasized that performance is not affected by fund size, given the explosive growth of international mutual funds. **Zoran Ivković (2009)** emphasized on Socially responsible mutual funds have shown an increase both in total net assets and in number of investors; but the sector is by far behind the United States. **Chiulien C. Venezia, v (2007)** Opined that higher degree of market concentration always associates with poor performance, a fund's market share becomes larger, the negative influence on fund performance of market concentration will get stronger. The smaller a fund's market share the stronger negative impact on fund performance of market concentration, suggesting that mutual funds endowed with too weak or too strong market power can erode their performance. **Miranda Detzler, James Wiggins (1997)** said that international mutual funds allow individual investors to diversify abroad at a reasonable cost. The active international funds provide global diversification of benefits. **Overview Graciela L. Kaminsky, Richard K. Lyons and Sergio L. Schmukler,** opined that international mutual funds are key contributors to the globalization of financial markets and one of the main sources of capital flows to emerging economies. Due to large redemptions and injections, funds' flows are not stable. Withdrawals from emerging markets during recent crises were large, which is consistent with the evidence on financial contagion's of the mutual fund industry devoted to screened funds.

### RESEARCH PROBLEM

Is there any significant difference from one region (America to Asia - Pacific, Asia - Pacific to Europe - Africa - Middle East, Europe - Africa - Middle East to Americas) to another region in terms of mutual funds/ schemes.



**OBJECTIVES OF THE STUDY**

Based on the research problem the following objectives have adopted:

- 1) To test whether there is any significant difference from one region of world to another region of world in terms of mutual funds and schemes.
- 2) To know relationship between mutual funds of one geography of world geography of world.
- 3) To offer a suitable suggestions to view the better performance of mutual funds.

**METHODOLOGY OF THE STUDY**

The data collected from the SEBI, Hand book statistics of 2013, PP 239, as a source of Investment Company Institute. The data obtained from the year 2005 to 2013 regarding worldwide number of mutual funds/ schemes. For this purpose all countries are divided into Americas, Asia - Pacific and Europe - Africa - Middle East .Region of Americas consists of Argentina, Brazil, Canada, Chile, Costa Rica, Mexico, United States. The aggregation of mutual funds in all the countries of a particular concern to the total number of mutual funds of America's in a particular year. The Asia - Pacific region consists of China, Japan, Korea Rep, Newzeland, Pakistan , Philippines and Taiwan. The Europe - Africa - Middle East comprises Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and South Africa. The aggregation of all these countries mutual funds equaling to the mutual funds of the Europe - Africa - Middle East. The data are as of September 2013. The same application available for the total net assets of mutual funds (Hand Book Statistics of SEBI, PP 240). **Techniques :** The SPSS 16.0 version was applied to derive the results. The paired sample tests, paired samples correlations and paired sample statistics applied to infer the results.

**FORMATION OF HYPOTHESIS**

**HYPOTHESIS -1**

**Null Hypothesis (Ho) :** There is no significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

**Alternative Hypothesis (Ha) :** There is a significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

**HYPOTHESIS -2**

**Null Hypothesis (Ho) :** There is no significant difference between number of mutual funds of Asia - Pacific to Europe - Africa - Middle East.

**Alternative Hypothesis (Ha) :** There is a significant difference from number of mutual funds of Asia - Pacific to number of mutual funds of Europe - Africa - Middle East.

**HYPOTHESIS -3**

**Null Hypothesis (Ho) :** There is no significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

**Alternative Hypothesis (Ha) :** There is a significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

**HYPOTHESIS-4**

**Null Hypothesis (Ho) :** There is no significant difference regarding total net assets mutual funds of Americas to the total net assets of mutual funds of Asia-Pacific.

**Alternative Hypothesis (Ha) :** There is a significant difference regarding total net assets of mutual funds of Americas to the total net assets of mutual funds of Asia - Pacific.

**HYPOTHESIS-5**

**Null Hypothesis (Ho) :** There is no significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

**Alternative Hypothesis (Ha) :** There is a significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

**HYPOTHESIS-6**

**Null Hypothesis (Ho) :** There is no significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

**Alternative Hypothesis (Ha) :** There is a significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

**ANALYSIS**

**INPUT TABLE 1: INFORMATION REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013**

Name of the Region in the World			
Year	Americas	Asia-Pacific	Europe-Africa-Middle East
2005	13763.0	10973.0	30677.0
2006	14475.0	11912.0	33901.0
2007	15460.0	13130.0	36041.0
2008	16459.0	14358.0	37583.0
2009	16918.0	14205.0	35718.0
2010	17984.0	14605.0	36145.0
2011	19763.0	15518.0	36509.0
2012	21061.0	16011.0	35754.0
2013	21577.0	17236.0	35603.0

Source: Investment Company Institute: SEBI, Hand Book Statistics of 2013,pp:240.

Input Table -1: This table reveals that world number of mutual funds/schemes regarding various countries of different regions (Americas, Asia-Pacific and Europe-Africa-Middle East) from the year 2005 to 2013. The number of mutual funds has been increasing from the year 2005 with reference to Americas, Asia - Pacific but mutual funds of Europe - Africa - Middle East had been increasing up to the year 2011 and afterwards has been decreasing.

**OUT PUT TABLE 1: PAIRED SAMPLES STATISTICS REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Americas	1.7496E4	9	2814.19829	938.06610
	Asia-Pacific	1.4216E4	9	1975.28777	658.42926
Pair 2	Asia-Pacific	1.4216E4	9	1975.28777	658.42926
	Europe-Africa-Middle East	3.5326E4	9	1991.63645	663.87882
Pair 3	Europe-Africa-Middle East	3.5326E4	9	1991.63645	663.87882
	Americas	1.7496E4	9	2814.19829	938.06610

Source: SPSS

Output Table -1 :Shows the paired samples statistics from one region to another region., It reflected that mean value of American mutual funds were higher than that of Asia - Pacific implies that the more number of mutual funds traded in Americas rather than Asia - Pacific like Europe - Africa - Middle East exceeds the Asia - Pacific as well as the Americas. Hence it can be concluded that more number of mutual funds traded in Europe - Africa - Middle East, followed by Americas and Asia - Pacific.

**OUTPUT TABLE 2: PAIRED SAMPLES CORRELATIONS REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013.**

		N	Correlation	Sig.
Pair 1	Americas & Asia-Pacific	9	.967	.000
Pair 2	Asia-Pacific & Europe-Africa-Middle East	9	.679	.044
Pair 3	Europe-Africa-Middle East & Americas	9	.521	.150

Source: SPSS

Output Table -2 :This table discloses that relationship between numbers of mutual funds traded from one region to another region. The table tell us that very strong relationship existed between mutual funds of America's to mutual funds of Asia - Pacific and also suggested that there was a significant difference between each other, it also revealed that the strong relationship existed from mutual funds of Asia - Pacific and Europe - Africa - Middle East, and the moderate relationship witnessed Europe's traded mutual funds to the Middle East ,America's Mutual funds. Finally it was witnessed that Asia - Pacific's mutual funds established very strong relationship with America's mutual funds, strong relationship with Europe - Africa - Middle East.

**OUT PUT TABLE 3: PAIRED SAMPLES TEST REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013.**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Americas - Asia-Pacific	3.27911E3	1034.88278	344.96093	2483.62979	4074.59243	9.506	8	.000
Pair 2	Asia-Pacific - Europe-Africa-Middle East	-2.11092E4	1589.83118	529.94373	-22331.27465	-19887.16979	-39.833	8	.000
Pair 3	Europe-Africa-Middle East – Americas	1.78301E4	2458.18558	819.39519	15940.58240	19719.63982	21.760	8	.000

Source: SPSS

**HYPOTHESIS -1**

**Null Hypothesis (Ho):** There is no significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

**Alternative Hypothesis (Ha):** There is a significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

**Analysis:** The Value of t was 9.506 at df was 8 and significant value was 0.000, hence it can be concluded that the proposed null hypothesis was rejected and alternative hypothesis was accepted and inferred that there was a significant difference from mutual funds of America's to the mutual funds of Asia - Pacific.

**HYPOTHESIS -2**

**Null Hypothesis (Ho):** There is no significant difference between number of mutual funds of Asia - Pacific to Europe - Africa - Middle East.

**Alternative Hypothesis (Ha):** There is a significant difference from number of mutual funds of Asia - Pacific to number of mutual funds of Europe - Africa - Middle East.

**ANALYSIS:** This table shows that the value of t was -39.833 at df was 8 and significant value was 0.000, hence, it can be inferred that proposed null hypothesis was rejected and concluded that there was a significant difference from mutual funds of Asia - Pacific region to the mutual funds of Europe - Africa - Middle East.

**HYPOTHESIS -3**

**Null Hypothesis (Ho):** The is no significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

**Alternative Hypothesis (Ha):** There is a significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

**Analysis:** This table tells us that the value of t was 21.760 at df was 8 and significant at 0.000, hence it confirmed that proposed null hypothesis was rejected and alternative hypothesis was accepted and came to know that there was a significant difference from Europe mutual funds to Middle - East - America's mutual funds.

**INPUT TABLE 2: INFORMATION REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013**

Year	Name of the Region in the World		
	Americas	Asia-Pacific	Europe-Africa-Middle East
2005	9750205	1438188.0	6067904.0
2006	11470489	1767218.0	7881903.0
2007	13423909	2751322.0	9030082.0
2008	10581943	1974731.0	6300307.0
2009	12579987	2584950.0	7651540.0
2010	13581058	2955902.0	8044147.0
2011	13518371	2833757.0	7344851.0
2012	15133487	3207709.0	8374729.0
2013	16458588	3232532.0	9084985.0

Source: Investment Company Institute: SEBI, Hand Book Statistics of 2013,pp:240.

**Input Table -2 :** This table discloses the information of total net assets value of mutual funds/ schemes, from the year 2005 to 2013. The table reflects that the mixed response from the total net assets of the different regions.

**OUTPUT TABLE 4: PAIRED SAMPLES STATISTICS REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Americas	1.2944E7	9	2.12708E6	7.09025E5
	Asia-Pacific	2.5274E6	9	6.48137E5	2.16046E5
Pair 2	Asia-Pacific	2.5274E6	9	6.48137E5	2.16046E5
	Europe-Africa-Middle East	7.7534E6	9	1.06183E6	3.53942E5
Pair 3	Europe-Africa-Middle East	7.7534E6	9	1.06183E6	3.53942E5
	Americas	1.2944E7	9	2.12708E6	7.09025E5

Source: SPSS

**Output Table -4 :** This table reflects that the total net assets of Asia - Pacific were more than that of total net assets of America's and the net assets of Europe - Africa - Middle East higher than that of Asia - Pacific as well as the America's. Hence it can be concluded that higher amount of total net assets of mutual funds owned by the Europe - Africa - Middle East, followed by Asia Pacific and America's.

**OUTPUT TABLE 5: PAIRED SAMPLES CORRELATIONS REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013**

		N	Correlation	Sig.
Pair 1	Americas & Asia-Pacific	9	.944	.000
Pair 2	Asia-Pacific & Europe-Africa-Middle East	9	.760	.018
Pair 3	Europe-Africa-Middle East & Americas	9	.845	.004

Source: SPSS

**Output Table -5 :** This table tell us that the relationship between two net assets of mutual funds of two different regions. It reveals that there was a very strong relationship from total net assets of America's to the total net assets of Asia - Pacific and from total net assets of Europe - Africa - Middle East America's and strong relationship existed between total net assets of Asia - Pacific to the total net assets of Europe - Africa - Middle East. Hence it was witnessed that total net assets of one region to another region was positively correlated.

**OUTPUTTABLE 6: PAIRED SAMPLES TEST REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Americas - Asia-Pacific	1.04169E7	1.53057E6	5.10191E5	9.24036E6	1.15934E7	20.418	8	.000
Pair 2	Asia-Pacific - Europe-Africa-Middle East	-5.22602E6	7.08500E5	2.36167E5	-5.77062E6	-4.68141E6	-22.128	8	.000
Pair 3	Europe-Africa-Middle East - Americas	-5.19084E6	1.35471E6	4.51570E5	-6.23216E6	-4.14952E6	-11.495	8	.000

Source: SPSS

**HYPOTHESIS-4**

**Null Hypothesis (Ho) :** There is no significant difference regarding total net assets mutual funds of Americas to the total net assets of mutual funds of Asia-Pacific.

**Alternative Hypothesis (Ha) :** There is a significant difference regarding total net assets of mutual funds of Americas to the total net assets of mutual funds of Asia - Pacific.

**Analysis :** This table reveals that the value of t was 20.418 at df was 8 and significant value was 0.000, hence it came to know that the proposed null hypothesis was rejected and alternative hypothesis was accepted and confirmed that there was a significant difference from the total net assets of America's to the total net assets of Asia - Pacific.

**Hypothesis-5 :**

**Null Hypothesis (Ho) :** There is no significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

**Alternative Hypothesis (Ha) :** There is a significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

**Analysis :** This table depicts that the value of t was -22.128 at df was 8 and significant value was 0.000, hence it came to know that proposed null hypothesis was rejected and concluded that there was a significant difference from the total net assets of Asia - Pacific to the total net assets of the Europe - Africa - Middle East.

**HYPOTHESIS-6**

**Null Hypothesis (Ho) :** There is no significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

**Alternative Hypothesis (Ha) :** There is a significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

**Analysis :** This table represents that the value of t was -11.495 at df was 8 and significant value was 0.000, hence it was observed that the proposed null hypothesis was rejected and confirmed that there was a significant difference from the total net assets of Europe to the total net assets of Middle - East America's.

**FINDINGS OF THE STUDY**

The study observed the following findings, after interpretation of the results and issues.

1. The number of mutual funds has been increasing from the year 2005 with reference to region of Americas, Asia - Pacific but mutual funds of Europe - Africa - Middle East had been enhanced up to the year 2011 and afterwards have been decreasing, but occupied a higher number of mutual funds than the other two.
2. The study found that Americas mutual funds higher than the Asia - Pacific, Europe - Africa - Middle East mutual funds higher than the Asia - Pacific as well as Americas, then Europe - Africa - Middle East followed by the Americas and Asia - Pacific.
3. The study observed that there was a strong relationship existed between numbers of mutual funds of Americas to the number of mutual funds of the Asia - Pacific and there was a significant difference between each other.
4. The study also observed that there was a strong relationship between number of mutual funds of Asia - Pacific to the number of Europe - Africa - Middle East and also further identified that there was a significant difference between each other.
5. The study found that moderate relationship existed between from total number of mutual funds of Europe - Africa - Middle East to the total number of number of mutual funds of Americas.
6. The study found that Europe - Africa - Middle East owning of higher total net assets followed by the Asia - Pacific and Americas.
7. The study found that very strong relationship existed between total net assets of Americas to the total net assets of Asia - Pacific, strong relationship existed from Europe - Africa - Middle East to the Americas and Asia - Pacific and further stated there was a significant difference from the total net assets of the one region to the total net assets of the another region.

**CONCLUSION AND SUGGESTIONS**

The study finally came to know that the number of mutual funds as well as total net assets of one region to another region was positively correlated. The Europe - Africa - Middle East owning higher number of mutual funds/ schemes followed by the Americas and Asia - Pacific. The higher total net assets possessed by the Europe - Africa - Middle East followed by the Asia - Pacific and Americas because of in this area higher number of countries / stock exchanges were prevailing with the available market. Hence it is suggested to strengthen the total net assets value of mutual funds to view a better capital formation in all the countries which is useful to develop the world.

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