CHAPTER II

REVIEW OF LITERATURE

The review of literature plays a vital role in each study and needless to say, in this study, the literature regarding the defined problems has been collected and reviewed appropriately.

Zeithaml, V (1993)\(^1\) expressed satisfaction of individual investor with a range of varied parameters which is not easy to define in general. But, he is sure that it leads to positive assessment. Where the growing demand of investor’s expectation is following the way most of researchers admit the fact that working of customer’s mind is a mystery which is difficult to solve and also to identify critical elements of customer satisfaction and further fine-tune their operations to achieve incremental improvements. Significant gaps that exist between service expectations and perceptions is right from the first step where Asset Management Companies are not found capable enough to translate investor’s expectation, reason being financial intermediaries having inadequate knowledge and training that is not adequate to communicate the message to each player effectively. This study found that majority of investors who invest in mutual fund themselves are not clear with the objective and constraints of their investment but in addition to this most important critical gap that exists in this process is the lack of awareness about the presence of risk elements in mutual fund investment.

Anjan Chakrabarti and Harsh Rungta (2000)\(^2\) in their article “Mutual Funds Industry in India: An indepth look into the problems of credibility, Risk and Brand” deal with the importance of brand effect in determining the competitive position of the AMCs. Their study reveals that the brand image factor, cannot be easily captured by competing performance measures, influences the investors’ perception and hence their fund scheme selection.
Ramesh Chander (2000) examined thirty-four mutual fund schemes with reference to the three fund characteristics with 91-days treasury bills rated as risk-free investment from January 1994 to December 1997. Returns based on Net Asset Value of many sample schemes were superior and highly volatile compared to BSE SENSEX. Open-end schemes outperformed close-end schemes in terms of return. Income funds outsmarted growth and balanced funds. Banks and UTI sponsored schemes performed fairly well in relation to sponsorship. Average annual return of sample schemes was 7.34 percent due to diversification and 4.1 percent due to stock selectivity. The study revealed the poor market timing ability of mutual fund investment. The researcher also identified that 12 factors explained the majority of total variance in portfolio management practices.

Rhodes (2000) examined as follows, Consumers and their skills that are being tested, ‘Persistent investment performance implies that some fund managers are able consistently to outperform their peers. This implies that the funds’ managers must either have access to information that is not widespread or make use of available information in a better and speedier way than most other managers. This will allow them to trade stocks, so that the net costs of purchasing and selling stock, achieve a high relative return. Claims of persistently high relative performance must therefore relate to more skilled fund management, which might be found in better research or trading markets become more efficient. It will become more difficult for any fund manager consistently to beat her peers, to any significant degree. The gains to be made from conducting ever more thorough research will diminish. Therefore theoretically at least, it seems unlikely that a given fund manager could maintain a meaningful outperformance of her peers for a long period of time.

Shanmugham (2000) in his study analyzed the factors influencing investment decisions. He has conducted a survey of two hundred and one individual investors to study the information sourcing by investors, their perceptions of
various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

Authors Rajeswari and Ramamoorthy (2001)\(^6\) have conducted the study titled "An Empirical Study On Factors Influencing The Mutual Fund/Scheme Selection By Retail Investors", to understand the factors influencing the fund selection behavior of three hundred and fifty mutual fund investors in order to provide some meaningful inferences for Asset Management Companies (AMC) to innovatively design the products. The analysis was done on the basis of product qualities, fund sponsor qualities and investor services using questions framed on a five-point Likert scale. The evaluation was done by factor analysis and principal component analysis to arrive at the findings of the study which were as follows: the most important quality was the performance of the fund followed by brand name of the scheme; sponsor-related factor, one given more importance by the investor was the expertise of the sponsor in managing money and finally the investor service that was considered important was the disclosures on investment objectives, methods and periodicity of valuation in advertisements.

Gupta Amitabh (2001)\(^7\) evaluated the performance of seventy-three selected schemes with different investment objectives, both from the public and private sector using Market Index and Fundex. NAV of both close-end and open-end schemes from April 1994 to March 1999 were tested. The sample schemes were not adequately diversified, risk and return of schemes were not in conformity with their objectives, and there was no evidence of market timing abilities of mutual fund industry in India.

In their study entitled “Mutual Fund Investment in Emerging markets”, Kaminsky, Graciela, Lyons, Richard, Schmukler Sergio (2001)\(^8\) observe that international mutual funds are key contributors to the globalization of financial
markets and sources of Capital flows to emerging economies. They also provided an overview of emerging markets, funds size, asset allocation and country allocation.

Narasimhan M S and Vijayalakshmi S (2001)\(^9\) analysed the top holding of seventy-two mutual fund schemes from January 1998 to March 1999. The study showed that sixty-two stocks were held in portfolio of several schemes, of which only twenty-six companies provided positive gains. The top holdings represented more than 90 percent of the total corpus in the case of 11 funds. The top holdings showed higher risk levels compared to the return. The correlation between portfolio stocks and diversification benefits was significant at one percent level for 30 pairs and at five percent level for 53 pairs.

Venkatapathi Raju (2001)\(^10\) in his study under the title “Mutual funds Perceptions of Urban and Rural Investors” examined the spread of mutual fund cults to urban and rural areas in west Godavari District. A total of 870 investors, 558 from urban and 312 from rural areas were interviewed. Random sampling procedure, weighted average and percentage were employed for analysing the data. The study revealed that marketing strategies were strengthened so as to promote awareness and asset preference of investors.

King (2002)\(^11\) in the study titled "Mutual Funds: Investment of Choice for individual investors" has highlighted the emergence of products like exchange traded funds, hedge funds, managed accounts etc. which offer competition to mutual funds. The paper further discusses that the introduction of these products will see major structural changes in financial system as there will be consolidation of position by various players resulting in reduced expense ratios, lower costs and greater tax efficiency for the investor.

A study entitled, “Gender Differences in Revealed Risk Taking: Evidence from mutual fund investors” was carried out by Peggy Dwyer and James Gilkeson and John List (2002)\(^12\) The study examined 2000 mutual fund
investors, data collected in national survey, whether the risk taking behavior of mutual fund investor is correlated with gender. The study found that women take risk more than men in the largest and riskiest mutual fund investment decisions.

Rajeshwari and Ramamoorthy (2002)\textsuperscript{13} made a study entitled “Performance Evaluation of selected Mutual funds and Investment Behavior”, the prime objective of the study is to determine the financial behavior and factors influencing scheme, selection of retail investor. Principal component was employed for analysis of data. They concluded that to identify the investors under fund/scheme criteria, so as to group them into specific market segment is essential for designing of appropriate marketing strategies.

Roshni Jayam’s (2002)\textsuperscript{14} study brought out that equities had a good chance of appreciation in future. The researcher was of the view that investors should correctly judge their investment objective and risk appetite before picking schemes, Diversified equity funds were typically safer than others and index funds were the best when market movements were not certain. The researcher suggested that Systematic Withdrawal Plan (SWP) with growth option was more suitable for investors in need of regular cash.

Santi Swarp (2002)\textsuperscript{15} in his study entitled “Role of mutual fund in developing investor confidence in Indian capital markets” identified safety and tax savings as the important factors affecting investment in various avenues by the investor and developed strategies for enhancing common investor confidence such as good return, transference, investor education, guidance and the like.

Singh and Vanita (2002)\textsuperscript{16} in the paper "Mutual Fund Investors' Perceptions and Preferences-A Survey" have examined the investors' preferences and perception towards mutual fund investments by a conducted survey of one hundred and fifty respondents in the city of Delhi. The study has investigated in the following research issues like the basic objectives for investments and average time horizon, investment experiences, risk, return, safety and diversification,
preferences of financial assets and investment schemes of mutual funds. The findings of the study were that the investors' preferred to invest in public sector mutual funds with an investment objective of getting tax exemptions and stayed invested for a period of 3-5 years and the investors evaluated past performance. The study further concludes by stating that majority of the investors were dissatisfied with the performance of their mutual fund and belonged to the category who held growth schemes.

**Jaspal Singh et.al (2003)**\(^{17}\) carried out a study entitled “What drives the investors towards mutual funds?” The prime objectives of the study were to determine the factors affecting the mutual fund investors. A convenience sampling method was used to collect the data from four hundred respondents in major cities of Delhi, Mumbai, and Punjab. Weighted Average scores, ANOVA were employed for analyzing the data. They concluded that both occupation and age of respondents have a significant bearing on the rating of different factors by them affecting their decision regarding investment.

**Micheal et.al (2003)**\(^{18}\) in their study on “The information content of mutual fund print advertising” conclude how a large number of managers have differential information seeking investment advice and management. The study by Micheal Jones stated that things which were partly responsible for investor’s preference or choice by having insight from the psychology, consumer behavior and behavioral finance in nature must be taken into consideration. It concluded with the fact that what is essential is a more informed consumer investors.

**Qamar (2003)**\(^{19}\) made a study on “Saving Behavior and Investment Preferences among Average urban households”. A sample of three hundred average urban middle-class households was taken from Delhi. The aim of the study was to identify the factors influencing saving behavior and investment behavior.
The study concluded that level of literacy, educational achievement, occupational distribution and income play a vital role in choosing the saving and investment pattern by mutual fund investors.

**Ronald T. Wilcox (2003)** examined how investors choose a mutual fund and found that investors pay a great attention to past performance and also indicated that the educated investors demonstrated greater knowledge of basic finance made poorer, not better, decisions than their less financially savvy.

**Singh, Jaspal et al (2003)** identified that past record and growth prospects influenced the choice of scheme. Investors in mutual funds expected repurchase facility, prompt service and adequate information. Return, portfolio selection and Net Assets Value were important criteria for mutual fund appraisal. The ANOVA results indicated that occupational status and age had insignificant influence on the choice of scheme. Salaried and retired categories had priority for past record and safety in their mutual fund investment decisions.

**Susan Coleman (2003)** examined and compared the attitude towards risk and holding of risky assets of black, white and Hispanic households using data from the 1998 survey of Consumer Finances. The result shows that Hispanic heads of household were more risk-averse and they are unwilling to take any risk in exchange for investment returns. Black and white households are not more risk averse even though there is different asset mix. The study has also found that women and older heads of household express a higher degree of risk aversion and hold a lower percentage of risky assets. Similarly, it was found that more highly educated individuals and wealthier heads of households express a lower degree of risk aversion and hold a higher percentage of risky assets.

**Gupta and Gupta (2004)** in the paper "Performance Evaluation of Select Indian Mutual Fund Schemes: An Empirical Study", have studied the performance of 57 growth schemes using the Net Asset Values for the period April 1999 to March 2003. The paper used performance evaluation measures of
Sharpe, Jensen, Treynor and Fama to arrive at the finding that some funds performed better than the market because only few managers had the stock selection skills and as a result the funds were exposed to large diversifiable risk. Sondhi and Jain (2005), in the research paper titled "Financial Management of Private and Public Equity Mutual Funds in India: An Analysis of Profitability", have examined the performance of equity mutual funds classified on the basis of public sector and private sector. The authors have studied 36 equity mutual funds comprising of 17 companies from public sector and 19 companies from private sector drawn from 21 asset management companies. The paper evaluated the performance by comparing the returns to benchmark indices of Nifty and Sensex and found that the returns generated by private sector and public sector mutual funds are very inferior to market returns.

Elango’s (2004) analytical results indicate that private funds had a high positive association between the past and current year Net Assets Value compared to public sector. The private sector schemes outperformed public sector in terms of Net Assets Value, innovative products and in deployment of funds. Public sector funds showed low volatility as against greater variability for private sector indicating low consistency. Student ‘t’ test indicated the existence of a high significant difference between the mean Net Assets Value of private sector funds and public sector with a high statistical significance of (-) 5.95.

Kaminsky, Graciela Lyons, Richard (2004) in their study “Manager, investor, and crises; mutual fund strategies in emerging markets”, examined the trading strategies of mutual funds in emerging markets. They developed a method for disentangling the behavior of fund managers from that of underlying investors. For both managers and investors, they strongly rejected the null hypothesis of no momentum trading: mutual funds systematically sell losers and buy winners. Selling current losers and buying current winners is stronger during crises and equally strong for managers and investors.
Paula A. Tkac (2004) found that investors are irrational or in some other sense cannot look out for their own best interests. Mutual fund industry provides a variety of products and price structures to heterogeneous consumer preferences and budgets. Consumers who prefer more style, features or power willingly pay higher prices and the investor rely on and pay to the financial advisors or brokers for processing and formulating guidance regarding fund allocation. They are facing risk because of misconduct by advisory firms. They are not demanding any disclosures of their fund. The risks reduced to zero if investors are willing to pay with their own time and energy to monitor their fund position.

Sankaran (2004) in his article titled "Mutual Funds: Can You Afford to ignore them?" provides an enhanced understanding of the concept of mutual fund, types of asset classes for investment, classification of schemes, benefits and disadvantages of investing in mutual funds. The author proposes that the future direction for investors will be to invest in pension Funds, as the government is envisaging a policy to cover all kinds of investors. The funds will cater to low risk taking investor with a long-term investment horizon and will be a tough competitor for mutual funds in future. According to the author’s opinion that mutual fund industry will continue to grow in spite of competition and will be propelled in the right direction because of the investor-friendly financial markets.

Satish D (2004) opined that investors from seven major cities in India had a preference for mutual funds compared to banking and insurance products. Investors expected moderate return and accepted moderate risk. Sixty percent of investors preferred growth schemes. The image of the Association of Mutual Fund Company acted as a major factor in the choice of schemes. The investors had the same level of confidence towards shares and mutual funds.

Sharath Jutur (2004) studied fifty-eight schemes during the period (September 1998 to April 2002). He identified that the risk was low for thirty-seven schemes, below average risk for 11 and of average risk for ten schemes.
Risk-return analysis revealed that average mutual funds were found to be with low unsystematic and high total risk. The return was positive in the case of forty-six schemes, with thirty schemes yielding above five percent. Thirty-two schemes had positive Treynor ratio, thirty schemes had positive Sharpe ratio, and thirty-five schemes had positive Jensen measure due to the bearish market with low Capital Asset Pricing Model returns.

Singh, Jospal Chander, Subhash (2004) brought out a thesis on “Empirical Analysis of perceptions of investors towards mutual funds”. They carried out this study on the perceptions of investors towards mutual fund that has crossed Rs.1,20,000 crores mark by November 2002. The investors perceptions regarding day-to-day disclosure of net asset value by the funds and provisions for more tax rebates on investments in mutual funds by the government have emerged as an important requirement for the investors.

Singh and Chander (2004) in the article "An Empirical Analysis of Perceptions of Investors towards Mutual Funds" have conducted a research by examining 400 investors in the major cities of Punjab, Delhi and Mumbai by administering a questionnaire having various parameters of perceptions of investors towards mutual fund. Factor analysis was used to find the significant factors affecting perception of investors. The research was done in two parts. The first part is to find preferences and perception of mutual fund and the second is to find reasons for investors withdrawing investments from mutual funds. The study established that middle-class salaried investors and professionals preferred to have disclosure of net asset value on a day-to-day basis and wanted to invest in mutual funds in order to get higher tax rebates. Further, it is evident that small investors perceived mutual funds to be better investment alternative and public sector investments to be less risky. The study further revealed that the investor did not have confidence on the management of funds and regulators of the market and cited these as reasons for withdrawing from the mutual fund investment.
**Athanasious et.al (2005)** evaluated the performance of twenty-three equity funds during the period 1997-2000 in Greece. The performance evaluation was based on measuring risk and return of the select funds and the study proves that the investor needs to know the long-term behavior of Mutual funds in order to make the right investment decision.

**Agudo et.al (2005)** made a study entitled “Does Mutual fund management in India correspond to its investment objective classification”. Factor analysis and cluster analysis were employed for analyzing the data. They found that risk clearly identified into two groups of funds in the same manner as public classifications of the funds and cluster analysis indicated that funds that are and in fact these two are very close to one another.

**Manjesh (2005)** in his article titled "Money Market Mutual Funds (MMMFs): A Macro Perspective" has elucidated the origin, features and advantages of MMMFs as to being a very viable option for investment for the retail investor as Money Markets offer superior returns in comparison with bank deposits, and are highly liquid at relatively lower risk for short-term funds. The paper focuses on the advantages of MMMF investment for a retail investor and discusses the problems in preference of MMMFs for the retail investor in India as it is obstructed by perceived conflict of interest by the regulators (RBI and SEBI) in the matter of control of MMMFs, lack of Mutual Funds points of contact across the country, the reliance of Mutual Fund industry on corporate investment and structural constraints.

**Duke, Lawrence et.al (2006)** published a work entitled “Drivers of mutual fund investment and marketing performance in a changing regulatory environment”. The main aim of the study is to analyze the factors that affect the demand from investors in mutual fund industry. They found that reduction of fees would attract new investment capital leading to the increase in fund size.
Gottesman & Morey (2006) conducted a research to find relationship between manager's education and mutual fund performance and concluded that certainly managers with higher intelligent level acquire advance knowledge on market movements and can use these skills to get superior performance.

Jaspal Singh and Subhash Chander (2006) in their study under the title “Investors Preference for investment in mutual funds” point out investor’s perception regarding mutual funds. A sample of four hundred respondents were selected in Punjab. Weighted average scores, chi-square, mean, median were employed for analyzing the data. They found that the majority of investors (145) based their investment decision on the advice of brokers, professionals, financial advisors and newspapers advertisements. The salaried category of investors regularly track the better performing funds and also the study revealed that occupation group differed significantly with regard to their perception about the returns.

Kavitha Ranganathan’s (2006) study entitled “A study of Fund selection Behavior investors towards mutual funds with reference to Mumbai city” is to investigate the mutual fund market in India and verify whether or not the fund of Individual investor towards Mutual funds” has its objective to study the fund selection behavior of mutual fund investors. A sample of one hundred respondents was selected at Mumbai city. The study incorporates some useful managerial implication for the Asset management companies in the product designing, marketing, and management of the fund and also helps in making cost effective strategic decisions of fund manager and investors.

Laukkanen (2006) explains that varied attributes present in a product or service facilitate customer’s achievement of desired end-state and the indicative facts of study show that electronic services create value for customers in service consumption.

Muthappan P K and Damodharan E (2006) in their study evaluated forty schemes for the period April 1995 to March 2000. The study identified that the majority of the schemes earned returns higher than the market but lower than
ninety-one days Treasury bill rate. The average risk of the schemes was higher than the market. Fifteen schemes had an above average monthly return. Growth schemes earned average monthly return. The risk and return of the schemes were not always in conformity with their stated investment objectives. The sample schemes were not adequately diversified, as the average unique risk was 7.45 percent with an average diversification of 35.01 percent. Twenty-three schemes outperformed both in terms of total risk and systematic risk. Nineteen schemes with positive alpha values indicated superior performance. The study concludes that the Indian Mutual Funds were not properly diversified.

Panwar & Madhumati (2006) studied sample of public sector sponsored and private sector sponsored funds to investigate the differences in characteristic of asset held, portfolio diversification and variable effect of diversification on fund performance during 2002-2005 and concluded that private sector funds do not differ significantly in terms of mean return but differ significantly in terms of average standard deviation and average covariance.

Prasada Rao and Vedantam Saikia (2006) conducted a study entitled “Mutual Funds Exploring the Retail Customer Expectations”. With the growth of the Mutual Fund industry, there has been an increase in consumers' preferences and choices. At the same time, it has slowly become cluttered with numerous players trying to lure the Indian investors with a variety of schemes. They identified the key factors that influence customer preferences for a particular mutual fund. The factors identified the fund organizers design, their services and product mix in accordance with those preferred by customers. The technique of Factor Analysis leads to the identification of six major factors: monetary, core product, fund strength, promotional, customer expectation and service quality. This study concluded that prudent product development with the value-added features will make mutual funds more attractive for investors.
Rao (2006) in his study classified the four hundred and nineteen open-ended equity mutual fund schemes into six distinct investment styles, analysed the financial performance of select open-ended equity mutual fund schemes for the period 1st April 2005 - 31st March 2006 pertaining to the two dominant investment styles and tested the hypothesis whether the differences in performance are statistically significant. The variables chosen for analyzing financial performance are: monthly compounded mean return, risk per unit return and Sharpe ratio. A comparison of the financial performance of the 21 Open-ended Equity growth plans and 21 Open-ended Equity dividend plans was made in terms of the chosen variables. Three Growth plans and three Dividend plans had almost equal Risk per unit return. A comparison of the Sharpe ratios of Growth plans and the corresponding Dividend plans indicated that 18 Growth plans out of 21 (approximately 90%) had better risk adjusted excess returns highlighting the fact that Growth plans are likely to reward the investors more for the extra risk they are assuming. Pearson's correlation coefficient between the returns of the two plans was found to be moderate (0.5290) and F-test (1-tailed test) indicated a low probability (0.3753) of the variances of the returns of the two plans.

Bodla and Garg (2007) in their research work titled "Performance of Mutual Funds in India- an Empirical Study of Growth Schemes" have analyzed twenty-four growth schemes on the basis of simple random sampling technique. The reference period of the study is January 1997 to December 2004. The monthly net asset values have been considered for the study and the evaluation has been done by using Jensen, Treynor and Sharpe measures. The findings of the study reveal that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk.

Bollen (2007) undertook a study entitled “Mutual fund Attributes and Investors and Investor Behavior”. He examined the cash flow into and out of socially responsible mutual funds, or funds that are invested in firms demonstrating
high level of social responsibility or corporate ethics. The study concluded that the socially responsible funds attract loyal investors.

Gautam Bhardwaj (2007)\(^{46}\) in his study entitled “How to create mass market for mutual funds” has taken the analysis based on the invest India incomes and savings survey 2007. In terms of money, retail investment flows in mutual funds in the last twelve months stood at US $ 5.6 billion. The study concluded that the mutual fund penetration of the active work force is less than two percent. If the mutual fund industry manages to mobilize the necessary effort to bring the huge number of potential investors for whom mutual fund investments are not yet on the radar, the sky could literally be the limit.

Using U.S. mutual fund dating from 1984 to 2003, Kacperczyk, Sialm and Zheng (2007)\(^{47}\) found that mutual funds differ substantially in their industry concentration and that concentrated funds tend to follow distinct investment styles. Particularly, managers of more concentrated funds outweigh growth and small stocks. Managers of more diversified funds hold portfolios that closely resemble the total market portfolio. Funds with the most concentrated portfolios performed better than funds with diversified portfolios. Their study supports active fund management since investment ability was more evident among managers holding portfolios concentrated in a few industries.

Nalini Tripathy (2007)\(^{48}\) undertook a study entitled, “Mutual fund in India”. The study was conducted in Delhi. The data were collected from 100 investors randomly selected, with the objective to examine investor-related services of mutual fund. The study concluded that investor-related services played a major role in improving mutual fund investor awareness.

Noronha (2007)\(^{49}\) in the paper titled "Performance Evaluation of Equity Based Mutual Funds: A Case Study of Three Asset Management Companies in India", has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period
April 2002- March 2005. The study found that equity, tax plan and index funds offer diversification, and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of mutual funds highlighting the better earning capacity of equity, tax plans and index funds.

Raju (2007)\textsuperscript{50} brought out a study entitled “Mutual fund Investment: Preferred or induced”. The main focus of the study is on understanding individual investor’s behavioral aspects, while investing in MFs schemes in Visakhapatnam, which was based on a simple questionnaire analysis with a sample size of two hundred. They found that the retail investors are hardly conscious of MF investments leaving the scope to some extent. If at all the investors’ decision was a preferred choice, it was without complete awareness of the investor about the MF as an investment instrument and its relative features like risk, return, and load.

Sanjay Kant Khare (2007)\textsuperscript{51} in his study opined that the investors could purchase stocks or bonds with much lower trading costs through mutual funds and enjoy the advantages of diversification and lower risk. The researcher identified that with a higher savings rate of 23 percent, channeling savings into mutual funds sector has been growing rapidly as retail investors were gradually keeping out of the primary and secondary market. Mutual funds have to penetrate into rural areas with diversified products, better corporate governance and through introduction of financial planners.

Naimy (2008)\textsuperscript{52} reports that fifty-two million U.S. households and 88 million individuals invested in more than 8,100 mutual funds in 2006. The total investment was over $10.4 trillion. Based on the numbers, she states that mutual funds constitute a major financial asset for many investors and play a key role in today’s investing world. Investors can help accomplish their investment goals with the well established mechanics of mutual funds. She cites professional investment management as vital to achieving results in today’s complex markets. Mutual funds are a growing industry with many Americans’ financial future tied to the success and performance of this industry.
Wu, Chang and Wu (2008) found that how the investors evaluate mutual fund performance, not only based on quantitative but also on qualitative criteria. They conclude that the most important criteria of mutual fund performance should be mutual fund style following market investment environment. Investors should concentrate more on gathering information of mutual fund style when selecting investment vehicles. They recommend that mutual fund issuers should try to provide more information related to mutual fund style and the investment environment.

Nidhi Walia et al. (2009) in their study endeavored to give a look on investor’s perceptions towards risk-return trade off for mutual fund services. Understanding of investor’s expectations from mutual funds has become necessary issue to study due to mutual funds inability to accelerate the required pace of growth. Moreover, volatility influencing stock market movements is turning most of investors to hold stocks with calculated risk, in the shape of mutual funds. This study highlights the preferences of varied investors who desire to invest in mutual funds but also require some innovations and added quality dimensions in existing services. The critical gaps identified in the study also provide the key information input regarding the discrepancies in existing framework of mutual funds which can be extremely beneficial to AMCs in designing more lucrative solutions to suit investor’s expectations. Survey findings of this study have got significant managerial implications that can be used by AMCs in restructuring their existing practices and finally innovating new ways of service delivery.

Reddy et.al (2009) investigated investment culture among the people of a country which was referred as attitude, perception and willingness of individuals and institutions in placing their savings in various financial assets. The primary data were collected through a well structured schedule and stratified sampling technique was used for the said purpose. A total of five hundred and twenty-six respondents were selected from backward regions of the state of Andhra Pradesh. Percentages and weighted average techniques were used for the analysis. At last, it may be concluded that investing funds was no longer confined to rich business
people but also is popular among rural poor people. Rate of interest offered by banks were too low which in turn instigate people to move towards capital market but for that, capital market has to be transparent and free from scams.

Amar Ranu and Depali Ranu (2010) critically examined the performance of equity funds and found out the top ten best performing funds among two hundred and fifty-six equity mutual fund schemes in this category. They consider three criteria for selection: a) mutual funds having five years of historical performance, b) fund schemes having a minimum of Rs.400 crores of assets under management and c) funds which have average return of more than 22.47. They found that HDFC TOP 200 (Growth) option was outperforming among the top ten best performing equity funds.

Sunil Whal and Albert Wang (2010) found impact of the entry of new mutual funds on incumbents using the overlap in their portfolio holdings as a measure of competitive intensity. Their study reveals that funds with high overlap also experience quantity competition through lower investor flows, have lower alphas, and higher attrition rates. These effects only appear after the late 1990s, at which point there appears to be endogenous structural shift in the competitive environment. Their concluding remark is that ‘the mutual fund market has evolved into one that displays the hallmark features of a competitive market’.

K. Lakshmana Rao (2011) in his study deals with mutual fund investors awareness and adoption of different mutual fund schemes with educational levels. Educational level is an important factor that influences the behavior of investment decisions. Increasing educational level attainment is associated with decreased levels of risk tolerance. An investor’s level of formal education has found to influence risk tolerance. Three hundred and fifty respondents have been selected for this study, for three districts and five schemes in the Andhra Pradesh. The chi-square test has been adopted to examine the association between the formal and technical education factors with the awareness and adoption of the mutual fund schemes.
N.S. Santhi (2011)\textsuperscript{59} in her study makes an attempt to analyze the investor’s attitude towards their investment on Tax saving mutual funds. The study finds that the participation of investors in Tax saving mutual funds is comparatively less than other safer investment areas like Insurance, Postal Deposit Schemes and Fixed Deposits. The dynamic relationship between investors’ biographical information and their behavior has been examined by using relevant statistical techniques. The investors’ knowledge and satisfaction on Tax saving mutual funds and awareness on regulating bodies has also been analyzed. The study finds that a majority of the investor does not have the knowledge on schemes and awareness on controlling authorities and they are satisfied with the overall benefits on Tax saving mutual funds.

Sonu V Gupta (2011)\textsuperscript{60} in the paper titled “An analysis of investor’s perception regarding mutual fund” found that investment in mutual funds is effected by the perception of the investors. As a common investor who invests his savings into the different assets class is not very much aware of the mutual funds. The study is carried out through questionnaire survey in Naranpura area of Ahmedabad, Gujarat. Hypothesis is tested using z-test and Chi-square. The analysis suggests that a majority of investors are aware of mutual funds and are willing to invest in mutual funds. The most preferred scheme is balanced fund. Findings also suggest that investment in fixed deposit is more likely to be done than in mutual funds. Hypothesis is also proving that occupation of the investor is not considered in investment decision for mutual funds. Investment in mutual fund is not an effect tool in near future.

D. Kandavel (2011)\textsuperscript{61} in his study looks at the perception level of the retail investors towards investment in mutual funds. The small investors purchase behaviour does not have a high level of coherence due to the influence of different purchase factors. The buying intent of a mutual fund product by a small investor can be due to multiple reasons depending upon customers risk return trade-off.
Presently, more and more funds are entering the industry and their survival depends on strategic marketing choices of mutual fund companies, to survive and thrive in this highly promising industry, in the face of such cut-throat competition. Therefore, the mutual fund industry today needs to develop products to fulfil customer needs and help customers understand how its products cater to their needs.

Shafqat Ajaz (2012)\textsuperscript{62} in his study says that mutual fund industry plays a pivotal role in the optimal allocation and channelization of available idle resources in the economy. This role becomes much stronger in the developing economies like India where the prospective investors do not have much investment knowledge, information, and facilities to invest in the capital markets nor do they have risk aptitude for direct investments in risky stocks. The present study is pioneer in its nature to investigate the preferences of investors towards mutual fund schemes. The primary data were collected across the states of Jammu & Kashmir and Punjab. The various statistical tools were applied to the data so collected. The findings of the study revealed that investment returns, perception of investors, information sources, investors valuation, investors objectives and investments decisions have significant impact on retail investors preferences.
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