Chapter II

Review of Literature

Introduction

This chapter deals with the overall review of the literature available on the particular topic. Literature is the most important part of any research. In this topic, the review is taken near about 24 research articles and 28 books regarding the research topic. This chapter is divided into two parts i.e. Review of Research Articles, Review of Books, thesis and other related published or unpublished literature on this particular topic.

Mutual funds have become extremely popular over the past decade. Today more than 639,130 crore is invested in the funds industry, offering professionalism, diversification and other benefits flaunted for investors. The industry has faced up and down swings; advanced complexity and the industry seem to be under progression. It has developed variant products for mundane investors.

A number of studies have been conducted over the many decades that the industry has existed both abroad and in India. The pioneering work on the US mutual funds was done by Wharton School of finance and commerce (1962)’ for the period 1953-1958 this study examined aspects of policy, portfolio turn over rate, performance, and impact of the MF activity on the stock market. Irwin, Brown and others published it in 19652. The findings were that, on an average of the funds had not performed better than
composite markets from which they select their securities. Also those funds’ net purchases have significantly affected the price movement of individual stocks and to a lesser extent the price movements of the markets.

The Markowitz portfolio theory and the capital asset pricing model (CAPM) developed by William Sharpe (1984) and John Dintner (1969) revolutionised the evaluation of portfolio performance. Other remarkable contributions that cannot be ignored include those made by Treynor (1965), Shape (1996) and Jenson (1968) all in similar lines.

There are no dearth studies on mutual funds. The growing influence of globalization has made the investment or a study relating to investment more important because there are a number of opportunities for investment in the market. The need is to know when how and where the investment should be made which will give fair rate of return. The literature regarding mutual fund investment is availability in large quantity however some selected stand and material was considered for reference of the topic under study.
1. Mrs. Esme faeber (2006) in his study title “All About Investing” which is divided into 12 chapters which provide necessary knowledge for investing in stock, bonds, options, future. The early chapter discuss with opponents of construction and investment portfolio based on each investor need, objectives it also provide a blue print for which to invest in. 3 chapter are devoted to bonds being with a discussion of the basic characteristics types of bonds there key differences and in general it provides understanding how to assemble bond portfolio. The chapter on option and future provides sophisticated investors with a tools and strategies to take on more risk to magnify there return. Similarly it also presents and understanding of the individual securities which provides the investors with the tools and knowledge to increase their return without significantly increasing there risk. The last chapter focuses on alternative investment such as real estate and it provides the fundamental principal for investor interest in these investments. By understanding different types of investments you can apply the principal discuss to develop a diversified portfolio which can lead to financial inter dependence and the achievement of personal objectives.

This book provided an insight to go ahead with my research topic and it also proved to be a motivational factor in completion my research.
2. Dr. Amitabh Gupta (2001) “Mutual Funds in India” this study is a piece work on the working of Mutual funds in India Dr. Amitabh Gupta has publish several research paper in Reputed Journal both in India and abroad. He was also on Deputation with H.B. Mutual funds where he acquired a lot of insight into the function of Mutual funds Industries Dr. Gupta was also associated with the designing and launching of 2 Mutual funds scheme brought out by H.B. In the book Mutual fund in India the author examines the investment performance of Mutual funds during the 5 years period from 1994 to 1999 the book present important aspects such as:

1. Risk returns characteristics of Mutual funds scheme in conformity with a statistical objective.

2. Have the Indian Mutual funds schemes being able to achieve benefits of diversification?

3. Do Mutual funds manager possess superior stock selection scheme.

4. Have the fund manager being able to beat the market?

5. Is legal frame work within which mutual funds operate sufficient for the healthy growth of the Industry?
3. L.M. Bhole (2006) Professor Economics Dept. of Humanity and Social Science I.I.T. Mumbai he opined on Interest, Money policy in India, Impact of Monetary policy and essays on Gandhi and Scio-economics thoughts. “Financial Institutions and Markets structure growth and innovations” a study is an expanded version of the First publication in 1982. The book is divided into 7 parts and it content 28 chapters in all. In the first part 2 chapter present an overall view of the financial system right from the post Independence era. It also contain chapter on Financial system in Indian planning and Financial system reform part 2 of the book is primarily related with regulatory and promotional Institution in which R.B.I. is working and operation and its role as banker’s bank is enumerated. It also covers the Security Exchange Board of India (SEBI) its working and General Appraisal of SEBI. Part three includes Banking Institutions chapter especially on commercial Bank chapter 9 covering co-operative Banks its origin growth and Govt incentives to strength the development of co-operative sector since 1991 is also highlighted in this chapter.

Part 4 of the book primarily deals with non-banking financial Intermediaries and structure financial organization where in chapter 10 small saving, P.F. and pension fund are discussed in detail. This chapter also covers the current reforms in pension systems. Chapter 11 deals with insurance companies and there business, while chapter 12 covers UTI and Mutual funds in this chapter the investment pattern, return on investment, Regulatory Frame work, problem and prospectus of Mutual Funds Industry is discussed in detail. This part also covers Public deposit and non-banking
companies with more emphasis on Non-bank structure financial organization such as I.F.C.I., I.C.I.C.I., I.D.B.I., EXIM Bank, NABARD, SEDBI, SFC’S and other organization.

4. **Douglas A. Hayes (1961)** Professor, University of Michigan in his study in 1961 “Investment Analysis and Management” the study stimulate the reasoning power of prospective investors. Intelligent Decisions in the selection and management of a portfolio require a high degree of analytical judgment. Hence to fill the gap in this section and for the appropriate treatment of the subject it requires prime emphasis reasoning and interpretation rather than on description or put another way, The need for education rather than for training in clerical skills, unfortunately much of the material available to investors makes little inquiry into the fundamentals for policy and selection are predicted. In order to keep the students aware of the complex realities of the real world, heavy use is made of illustrative situations taken from actual companies and industries. In as sense much of approach is on the modified case method. In the four parts of the book the first part deals into theory and mechanics of investment operations and mechanics of transferring and holding securities. In the second part General analysis and valuations of reported earnings, valuations of fixed income securities and common stocks are discussed in detail. Third part primarily deals with Analysis procedures were the classifications relating to regulated industries, financial Institutions and government securities are discussed with the forth part dealing with portfolio management for Individual investor. There are case studies to explain the above
concept towards the end of the book.

5. **HSIU-KWAHG WU ALAH-J-ZAKON “WU” (2004)** is a Professor of finance at Boston University. “Zakon” a lecturer at the finance Department Boston University. Together designed for those who want to know the “Why as well as the “How” of investments and capital Markets **“Elements of Investments”** is a stimulating study. The selection reflects the author’s belief that theoretical and scientific analysis are the proper vehicles for the academic learning of Business. The readings are group into 5 sections.

1. Aspects of the capitals markets not usually found in conventional Text books in this section criterion for judging the performance of capital markets. The competitive positions of government securities and the impact of Investment funds in the stock market is included.

2. The problem of Bonds and common stocks as long-term investments includes a reconsideration of the common-stock theory. Price level variations and tenants of High-Grade Investment and the stock market in perspective is detailed.

3. Factor effecting stock and bond prices include evaluation of the rule of present worth, dividend growth as determinant of common-stock values, influences of Growth durations in share prices, dividend polices and the determinations of common stock values, influence of growth duration in share prices, dividend policies and the determinations of risk
premium in corporate bonds will certainly help the investor to arrive at a conclusion on crucial issue of investment.

4. This section covers portfolio selection, common-stocks and Institutional portfolios; here markowitz suggests that a rational investor, selecting a portfolio investor, in selecting a portfolio should take both expected return and variation from the average return into consideration.

5. This selection is devoted first to an examination of several forecasting techniques and second to the problem of whether forecasting shot-term price movements is infact feasible. Both Houthakker and WU by examining expired data try to determine the degree of success of a particular group of speculators in forecasting price movements.

6. **Henryk Fiszel (1963) Investment Efficiency in socialist economy** this is a translation of original. Henryk Fiszel through this study gives a mathematical formulation and analysis of the various aspects of the problem of investment ‘efficiency and covers the choice of variant, renewal of equipment and the capital goods and the role, the rate of interest may play as a regulator decision making in this economy.

   The rate of interest may play as a regulator decision making within a socialist economy. The profitability of technical and processing improvements. The size and location of production units and the problem of substitutes are also analyzed from the angle of
investment efficiency. Efficient use and direction of investment for the purpose of promoting exports at improving the balance of payments and as a check on imports is given new emphasis. The consideration of socialist economics block, organized in the basis of natural resource and specialization is analyzed from the viewpoint of investment efficiency, cost and optimum productions. Supporting material and information from industrial practice are given. The book proves to be useful aid to students taking courses in operation research Industrial organizations and finance at Universities and Technical colleges.

7. R.J. Burton (2005) Lecturer Bradford Management Centre Book: - “The stock Exchange and investment analysis” a study published by: - Universal University Books London. Mr. R.J. Burton attempted to fill the gap in the field of investment management by bringing the book which describes the mechanism of London stock Exchange and the broad principles and practical of finance. Investment and investment Analysis, without however employing advanced mathematical techniques. As such this book provides and proves to be suitable to:

1. More studying for professional qualification as company secretaries, accounts, bankers, actuaries, stockbrokers, and for those in various branches of public administration.
2. This is also useful undergraduate and students at business schools who need a basic course in investment and stock market theory.

3. Professional Advisors such as Bankers and accountants as it deals with analysis of company accounts and the effect of taxation from the professional point of view.

4. Members of general public who appreciate that investment is a serious subject which requires a relatively academic approach. This book provides an insight an all the related issues in detail.

8. Fred Blackwell Renwick (1998) Prof. Dept. of Finance University of New York: In this book entitled: “Introduction to Investments and Finance” It is an Introductory Text for the study of finance and investment and designed to help students understand the theoretical concepts and analytical foundations necessary for further field of study. The book is divided into four major sections, according to subject matter, Part I and II form a preface to financial analysis, Part III constitutes a basis for financial analysis and security evaluation, while Part IV develops a foundation. The first three chapters of Part I compromise a brief review of background material for the remainder of the book. This chapter presents a introduction to wall street and the element of finance and investment with a summary of some prerequisite economic difference between owing and financing with debt securities and common stock and some measures of the securities markets. The
next three chapter of part 2 are crucial to the understanding of the book. They treat the fundamental concept of the time value of money, internal rate of return, uniform annual revenue and fisher’s rate of return over cost and complete the foundation of other concept used through out the book. Analysis under conditions of risk and uncertainty is introduced. All the four part of books together constitutes a thorough introduction to the science, theory, and method of modern financial Analysis. Advance students, having completed courses in principles of accounting, corporation finances, and quantitative method and entering on a course of securities and analysis or portfolio management.

9. Edwin J.Gilton and Martin J.Gruber (1995) Both associate Professors of Finance at the graduate School of Business Administration, New York University. This important work represents the frontiers of knowledge in the area of investment analysis. He opined about the current theory and newest techniques in both security evaluation and portfolio analysis. It provides a unique single-volume source to the most contemporary developments for both students and practitioners in security analysis and portfolio analysis. Because of the structure of the book and the large amount of editorial material included, it can be used as either the sale text or a source of supplementary reading in courses in investment analysis.

A major feature of this book is an introductory chapter which presents an overall structure or framework for the individual articles as well as highlights and clarifies the contribution of each article.
The study is divided into two major sections, security analysis and portfolio analysis. The section on security analysis ranges from the random walk theory to empirical tests of successful stock selection techniques. The material on portfolio analysis covers the theory of portfolio selection in both a static and a dynamic framework. The problems of computational efficiency are covered in detail, as are the implications of portfolio theory for the evaluation of both individual securities and portfolio of securities.

In additional to the introductory chapter, each article is preaced by a concise introduction, highlighting points of interest and of special importance for the reader.


10. Harry C Sauvain (1965 ) Prof. of Finance at Indian University. He was the recepilant of the distinguish service award in investment education by the National association of investment club.” Investment Management.” The study which focuses on basic problem of risk related to expected rate of return. The book begins with the concept of risk in securities. It describes the causes
of uncertainty as functions of change in the economy and in the fortunes of industries and companies.

Portfolio policy is first a problem of how much risk an investor may reasonably assume. A unique feature is the analysis of constraints upon assumption of risk. Developing a basic for investment policy decision making, this book builds a coherent discipline by logical analysis of problems of investment policy, ranging from those of individual investors to the complex operations of investing institutions.

First the problem of investment management is stated in fundamental and theoretical terms. The first group of three chapters presents the problem and its setting.

The discussion of risk and return provides the base for a third group of chapters on the analysis of individual security issues. The addition of financial analysis is a major difference between this edition and the previous edition. Indeed, it is often necessary to change personal financial arrangement before estimating investment constraints. The fourth group of chapters deals with this part of the problem.

Then we come to investment polices. Investors have their choice of a wide variety of policies and combinations of policies.

The capstone is the last group of chapters on investment constraints and investment policies of principal types of financial institutions. This is where you see the practical application of the concept of investment constraints and of efforts to maximize returns within constraints. In the facts and figures about institutional
investors you see a demonstration of their solutions to the risk-return problem.

11. Thomas C. Nordings (2001) is a president of Chicago based brokerage firm specialization in research and of advanced investment strategies he is also the author of “How the expert bit the market” and many other books to his credit. The study “Advanced investment strategies” of Thomas. Nordings the author developed New techniques to take the changing market environment into consideration, while making investment decisions this techniques have been thoroughly proven by their successful use in the management of actually investment portfolio through many market cycles. This book is for investor willing to approach the subject of modern portfolio management with open mind the book is divided into 18 chapters starting with how to enter into stock market, stock market alternative and where the smart money is discussed. How to buy the stock market at a discount, how to manage a convertible portfolio for high profit potential at low risk? What is the risk? Can the risk be controlled? Are the some of the question answered in success chapter in the middle of book important new tools for prudent investment how it should be sufficient for investors employed the option the risk and reward analysis is presented in it. Super hedge a low risk market strategies high profit strategies alternative strategies for Neutral market an aggressive bear market strategies similarly managing a portfolio of convertible securities guidelines for buying convertible guidelines for selling and portfolio management are some of the important
aspects discuss in the last chapter of the book “Advance Investment Strategies”.

12. **Dr. Hari om chaturvedi (2002) a Ph.D.** in Finance from Delhi University, A teacher in Delhi School of economics has several books and Research Articles Published in Reputed Journal. His study is based on the doctoral research, analyses stock price behavior around the announcement of half-yearly financial results by companies. The objective has been to beat-the market using earnings information. The statistical analysis of the stock price reaction to earnings announcements carried out in this study has strong implications for security analysis, portfolio management, efficiency of information procession market and many other allied issues.

“**Investment Performance of equity share**” this study is an empriral work on market efficiency is divided into the categories (1) Weak form Test (Test for predictability for future return on bases of most returns. (2) Semi-strong form test (Test for stock price adjustment to publish available information) know commonly referred as event studies (3) Strong from Test (Test the extent to which stock prices reflect private information).

In this study an attempt has been made to contribute positively and modestly the understanding of the behavior of Indian stretch prices in relation to half yearly financial result. Hence this is an excellent book which pursive the market behavior and its variance in the Investment.
13. John Mc Donald (1974) examined the relationship between the stated fund objectives and their risks and return attributes. The conclusion arrived at was that, on average the fund managers appeared to keep their portfolios within the stated risk, but there is considerable overlap between funds in different groups. A similar study by Mg and Chua (1982) concluded that a majority of the fund managers did not deliver the goods, although. they stated different investment objectives. At one point or the other some funds deliver superior performance relative to the benchmark, however half of the funds consistently achieved this degree of relative performance.

14. Kon and Jen (1979) Viet and Cheney (1982) Henrickson (1984) and Chang and Lewellen (1984) evaluated the mutual funds performance in relation to market timing selectivity. The convergent conclusion pointed out that fund managers did not posses these abilities and if any little existed, it was too little to be of significant benefits.

15. Hendricks and others (1993) observed that mutual funds offer superior returns predominantly over a short period. The study suggested that strategy of selecting the top performers in the last four quarters significantly outperform the average returns on mutual funds.

17. **Renu and Josepah (2003)**, in a study on mutual funds and development. Investigated the contribution of MFs to the economy and further examined shifts in investor preferences. The findings indicate that if there should be growth in the industry, small investors (Retail investors) participation in MFs and capital market is very necessary. H. Sadhak (1997) while studying conceptual and regulatory aspects of MFs and some insight on marketing and investment practices. Throw light to fund structures in developed markets, making critical analysis.

18. **Walker, Robert Ferguson, Jack, (1976)** made a study that was published in November-December 1976 “investors guide to the index fund controversy” Their findings included arguments that cost of contracting index funds are lower than actively managed funds, transaction costs and overall administrative expenses are lower, Also that since the construction of an ideal portfolio is actually impossible, an index fund will be a good surrogate for this ideal fund e.g. an S&P 500-index fund.

19. **Mathew, J. (2002)** in a study on the changing profile of Indian MF industry published in October made analysis on how this instrument has made progressive development since inception in 1964. The findings show that the AUM rose tremendously from Rs. 25 Crore in 1964 to Rs. 1,02,394 Crores by July 2002. The wide varieties of schemes available cater for the differing investor needs.
20. Sundar Sankaran (2008) Indian Mutual Funds Handbook : A Guide for Industry Professionals and Intelligent Investors (2nd Edition) This comprehensive study by an expert lays out the working of Indian mutual funds, their operational and regulatory mechanisms, the advantages and limitations of investing in them along with sensible approaches to personal financial planning. The author’s experience of handling hundreds of training programmes ensures an engaging and easy to understand approach to mastering the subject.

21. Robert D. Edwards, John Magee, W. H. C. Bassetti (2009) Technical Analysis of Stock Trends NINTH EDITION -Expanded, Updated and Revised Long considered the definitive foundational work on technical analysis, this milestone, expanded 9th edition of “the bible of technical analysis” this study offers both proven, time-tested trading and investing techniques and updated contemporary know-how for success in different market conditions:

- How to improve your trading and investment performance by analyzing stock trends.
- How to apply the three basic principles of charting, and how to interpret common patterns.
- When to buy; how to use stops.
- How to avoid significant losses by using charts to figure out when and how far prices will fall.
- What to do during speculative frenzies.
- Contemporary updates to Dow Theory.
- Practical portfolio theory and practice.
- 500+ real-life chart examples — each an analysis and trading lesson in itself

**22. Arindam Banerjee** (2007) Mutual Funds In India: Perspectives And Strategies in his study gives answers several questions that the investors need to know about mutual funds before investing in them. The divergent areas of coverage in the study provide a unique blend of perspectives, trends and strategies that is a must for all retail investors trying to benefit the most out of these instruments.

**23. Jaspal Singh** (2005) “Mutual Funds: Growth, Performance And Prospects” in his study gives the detail about The fund mobilization by mutual funds in India which has been on the increase since their inception in 1964, i.e. with the launch of US-64, the flagship scheme of UTI. Again it was in 1987 and 1989, when public sector banks and corporations entered the mutual funds market scene of the country. Further, keeping in tune with the objective of New Economic Policy of 1991, mutual funds market was thrown open to private sector during 1993 in India. Since then, the investment trend shifted in favour of private sector funds. The corpus of mutual funds in India has been swelling with almost 60% of the total investment going into private sector mutual funds today.
24. Arindam Banerjee (2006) “Indian Capital Markets: Trends And Reforms” This study discusses the recent happenings in the Indian capital market and the regulator’s role in ensuring investor confidence in the long run. The year 2005 was the year of the Foreign Institutional Investors (FII) inflows and numerous public offers flooding the market. FIIs alone invested over $9 billion in 2005. Investors are considering Indian markets a safe and profitable ground for their investments that can generate potential returns. In recent times, several issues have crept up. Demoralization of the stock exchanges, added emphasis on the risk management framework and the possible integration of the Indian markets, to mention a few. Truly speaking, the capital market is moving through a transition that is primarily triggered by investor confidence. In such a scenario, the role of the regulator increases manifold in not only keeping a strong vigil on the market participants but also in acting with immediate effect in times of market manipulations that would likely to erode investor confidence. In the dying days of 2005, the Sebi board announced plans for the rating of IPOs. This proposal came in the light of Sebi’s revelations pertaining to the YES Bank IPO subscriptions, as well as the National Securities Depository’s (NSDL) findings with regard to mandatory Power of Attorneys (POA) obtained by brokerage.
1. **F.J Fabbozzi and J.C Francis (1979)** “mutual fund systematic risk for Bull and Bear markets, evaluates two phases and how prices of units keep changing. The study observes that markets are sentiment-driven and investors should change risk profiles in relation to the prevailing market conditions.

2. **Singh and Vanita (2002)** surveyed the mutual fund investors’ perceptions and preferences, findings indicate that investors are shifting from UTI and public sector sponsored MFs to private MFs and further that level of unawareness on risks inherent in MFs investment.

3. **Rousehop (2001)**’ in an article on behavioural finances, provides an insight on the influence of investment decision, it notes that far from being rational, investing decisions are fundamentally flawed by irrational, emotional influences. It is a challenge on the old economic thought on the notion of rational markets.

4. **Cheng-few and Rehman (1990)** in their work on market timing, selectivity and MF performance concluded that funds with no forecasting skill might consider actually passive management strategy and just provide a diversification service to their shareholders. Further that since each fund is managed for a group of investors with a specific risk-tolerance coefficient, by selecting a fund, the investors provide information about their risk-tolerance
i.e. investors willingness to accept greater risk in order to earn greater expected reward.

5. Vanketashwarlu (2004), in an article published in the southern economist made a study on investor’s perception of MFs. In an attempt to help understanding, analysing and predicting the dynamics of MFs in India the points emphasised are the need to understand the concerns of individual investor and factors that influence their portfolio decision.

6. A survey published in the CFA monthly Journal investigated a number of aspects on MF development. These include customer service and education, customer care, growth efforts, charting a new course, and survival strategies that are being used by the Indian fund industry. Points worthy noting are that there is competition among MFs to have as many schemes as possible and the industry is at the early growth cycle and this trend may stabilize subsequently.

7. Jayanta Kumar in his study “Mutual Funds Industry an Introduction” published in ICFAI journal in 2007 Seal deals with the mutual fund industry in India. It tells us as to how from one mutual fund in 1964 we have some 32 mutual funds now offering 4512 schemes and the total assets under management is Rs.556729.71 crore as on 31st October, 2007. Globally, the mutual fund industry grew by 22.47% in 2006. Indian mutual fund industry has grown by 41% in 2006-07 and by 77% in the last two years. Product innovation is the key to success in the MF industry. The most important innovation is the systematic investment plan where
retail investors (mainly salaried) can save and deposit money into mutual fund schemes from their regular salary income. Other new products in the mutual fund industry are Gold ETE, Global Funds, Real Estate Funds etc. The paper expresses the feeling: that success of the mutual fund industry depends upon the product innovation, increasing the investor’s education and increasing the overall penetration of mutual funds as a proportion to GDP.

8. “Periodic Variation in Mutual Fund Performance” by Tamal Datta Chaudhuri published in Mutual Fund Insights in October 2007 gives a brief history of mutual funds in India, and examines the returns distribution of select mutual fund schemes across various Asset Management Companies. The findings show that there is very little to choose between AMCs during the bull period as all funds do well. However, it is during the bear phase that the performance of mutual funds comes under the scanner. In the bear phase the returns pattern across all AMCs and all funds get diffused. It could be because of the redemption pressure and or inability to predict near market corrections. The diagrams indicate that the investors lose their cool during market downturn and try to exit the market in haste.

9. “Plain Vanilla to Mixed Flavor in MF Schemes” by Monica Dighe published in SEDME journal 2008 traces the growth and change in the flavor of mutual funds equity schemes and highlights the innovative names used by mutual fund equity schemes. Mutual fund route to investing in India began with debt and equity schemes, but with falling interest rates and lower yields on debt
schemes, equity schemes have been seeing a lot of interest from the Indian investor. As equity schemes moved from diversified to sector specific schemes, each mutual fund offering was trying to catch the attention of the Indian investor in an already cluttered market and to make a dent in a vast pool of offerings, mutual funds took the route of using innovative names for their schemes.

10. “Market Timing and Stock Selection Ability of Mutual Funds in India An Empirical Investigation” by Soumya Guha Deb, Ashok Banerjee and B B Chakrabarti published in ICFAI journal attempts to evaluate the performance of mutual funds and identify ways of evaluating successful fund managers for stock selection and market timing abilities using both conditional and unconditional approaches. Stock Selection skills involve micro forecasting of the price movements of the individual stocks relative to the market and identification of the individual stocks that are under or over valued relative to the equities in general. Market timing skills implies assessing correctly the direction of market whether bull or bear and positioning the portfolios accordingly. The paper is a detailed empirical investigation using both TM and HM models. The paper shows that there is ample evidence of good performance in so far as stock selection ability is concerned. The results conclude that fund managers are more inclined towards stock selection than market timing.

11. “Gold Funds”, authored jointly by Tamal Dana ‘Chaudhurj and Chandan Ghosh, Published in ICFAI journal explains the role of gold as a commodity; and hence an area of investment. It
explains why gold can be held in the portfolio by an investor. It examines the proposition that investment in gold acts as a hedge against inflation and is an alternative to holding common shares. In this context the growth of gold mutual hinds and Exchange Traded Funds (ETFs) are examined and some such-schemes launched in India are described. Although gold funds in India do not have a long history; the performance of- these funds vis-à-vis other mutual funds are analyzed in this article.

12. “Money Market Mutual Funds: A Macro Perspective” by S Manjesh Roy published in Journal of Finance FEB 2008 describes how money market offers superior avenues for deployment of bulk short-term funds in terms of risk, return and liquidity. Money Market Mutual Funds make it possible for retail investors to participate in the money market. According to the paper, lack of long-term vision on the past of the mutual fund industry has resulted in low levels of retail penetration. Other structural aspects like lack of awareness, poor infrastructure for fund transfer and regulatory restrictions have also contributed to the poor impact of MMMFs at the macro level. The paper discusses the features and advantages of Money Market Mutual Funds and evaluates their impact in India on household savings, retail penetration and corporate investment.

13. “Real Estate Mutual Funds in India”, authored by B Sujatha, published in ICFAI journal states that the real estate boom in India has increased the demand for more structured financing and investment schemes. Entry of new investment
schemes will bring about the needed liquidity in the market. The paper suggests that long-term sources of funding like pension, insurance and provident fund must be made available to housing finance companies and developers. A real estate mutual fund (REMF) is the ideal vehicle. The article provides the current SEBI guidelines for REMFs with regard to investment criteria, regulatory safeguards and structure of REMFs. The paper highlights the pros and cons of investing in these funds. It talks about the impact of these funds on the growth of real estate industry giving an outline of the REMFs in operation.

14. “Global Real Estate Funds Trends and Issues” by Steven P Laposa, PatAlford and Timothy Trf1lo published in Mutual fund Insight journal 2007 emphasizes that global real estate funds are a natural extension of the evolution of real estate in many countries and cities. As the world economy continues to expand over the next decade, the development, construction and operation of commercial real estate assets are likely to become more global, thus creating new, interactive and inter-dependent networks of local, regional and global sources of financing and ownership structures. Emergence, evolution and energy these three words best describe current global real estate markets and capital flows. There is clearly an emergence of a number of international real estate funds providing opportunities for domestic investors to participate in foreign real estate markets; Growth of equity in relation to the real estate market is yet to emerge in a big way in countries such as India, China and South Korea. If the growth forecast in Asia Pacific public equity markets reaches a comparable benchmark level as Real Estate
Investment Trusts (REITs) in the US, then there is a reasonable probability that the Asia Pacific public real estate equity markets will surpass the US REIT in terms of market capitalizations over the next five years, based on recent trends.

15. “Global Funds: An Exciting Investment Prospect” by Jayanta Kumar Seal and Joy Chakrabort, published by ICFAI journal 2007 the authors point out that investments in a global fund can reduce the geographical risk for investors who do not always have to rush into debt when markets fall — especially if their asset allocation profile suggests equity is appropriate. Currency movements should not be a deterrent investing in the right markets could also provide a currency hedge particularly where business is increasingly conducted globally.

16. “Investors’ Mutual Fund Purchase Practices at Odds with those Recommended by Investor Educators Survey Finds CFA Research Suggests Caution Needed on Internet Disclosures”, Sourced from the CFA (Consumer’s Federation of America), discusses the differences between expert recommendations and actual investor behavior. It suggests that comprehensive review is needed to determine how key educational messages can be delivered more effectively, whether certain messages are simply unrealistic, and how educational materials can better target specific groups of fund investors. To further that goal, CPA plans to distribute the survey report to securities regulators, investor advocates and educators, industry representatives and others in order to promote a broad-based discussion of its implications for
mutual fund disclosure requirements, industry information practices and investor education efforts. The paper points out some key discrepancies between expert recommendations and investor’s actual mutual fund purchase performance. Among the key factors for investors selecting a fund are funds’ expenses and its risks including the volatility of its past returns.

17. “Measuring the True Cost of Active Management by Mutual Funds” authored by Ross MMiller, published by mutual fund Insight 2008 shows as to how the true cost for active management actually works. Mutual hinds charge investors for the services they provide. However, if the returns of a fund are similar to the returns from passive investment in an index, then a mutual fund should not charge anything extra from customers for the services they provide as they have not been able to generate more than market returns. Thus, it should be investigated as to whether there has been active selection by the fund manager and whether the costs are justified. The paper develops a methodology by which the composition of a fund can be broken down into index components and active components to arrive at a decomposition of total costs. This methodology is then applied to Morningstar rated mutual funds to compute the cost of active management. It has been found that the active expense ratio is around 7%. It has also been found that the active expense ratio is higher for underperformers.
18. “Time-Changing Alpha? The Case of Australian International Mutual Funds” by Richard I-haney, Terry Hallahan, Thomas Josev and Heather Mitchell devises tests for active management and they feel that active management generates stable excess return. The article argues that this assumption is not appropriate for active management where the emphasis is on identifying profitable trading strategies. This paper models the time-changing nature of Australian international mutual fund alpha using individual hind returns and estimates alpha for mutual fund portfolios that are essentially survivorship-bias-free and focuses on Australian international funds because this sector is growing rapidly and these funds give Australian investors access to international financial markets. International equity- fund data are collected for those Morningstar funds that report their percentage of overseas equity investment in the range 90 to 100%.

19. “Rating of Mutual Fund The Danish Experience” by Tamal Dana Chaudhuri states that for a small investor, to make sense out of various types of mutual funds and various AMCs, credit rating of a fund is essential. The paper examines the effectiveness of a new rating methodology of mutual funds in Denmark viz. atp Rating, and compares it with the performance of the established rating mechanism, Morningstar Rating. The difference between the two rating methodologies is that while the atp Rating uses cost as input, Morningstar uses returns as input. “While costs are standardized, returns can be volatile. Thus, the rating of a fund can be different based on the two methodologies. Returns behaviour changes during bull and bear runs and also within the runs. Costs, on the other
hand, are more or less constant for a fund although they may differ between funds. Thus, atp Rating can be hypothesized to be more stable than Morningstar. The authors test the above hypothesis with the help of data from the Copenhagen Stock Exchange. The authors derive that funds with higher ratings (i.e. lower costs) have generated better future long-run (ten-year) performance compared to funds with lower ratings. However, the evidence is not conclusive about short-term funds.

20. “The Chinese Mutual Funds industry: An Overview” by Tamàl Datta Chaudhuri published in ICFAI journal provides an overview of the Chinese Mutual Fund Industry. The rate of growth of this sector has been significant and it has been due to China’s high rate of economic growth and consequent large flow of capital to the financial market, belief among people that mutual fund managers are professionals and can manage funds better and encouragement by the Government in development of the mutual fund market. Given China’s growing stock market activity, many foreign institutional investors have launched new funds in 2006 and 2007. China Banking Regulatory Commission (CBRC) has permitted local insurers to set up wholly owned asset-management subsidiaries, in addition to securities companies and banks. Moreover, the Government is encouraging companies to provide pension coverage to its employees through voluntary corporate schemes. The Qualified Domestic Institutional Investor (QDII) program of the Government, which will permit Chinese nationals to invest overseas through authorized Chinese asset managers, should help in taking the process of asset management further.
21. “Performance Differences Across Markets A Study of Mutual Funds” by Martin Carisson published by Journal of Commerce 2006 analyses the performance of Swedish-based internationally diversified mutual funds managed by one of the largest commercial banks in the Nordic region using Jensen’s index. The data used is on six international mutual funds floated in Sweden. The portfolio compositions of the funds are described in detail. The results show that there is no empirical evidence which indicates that managers seize superior stock selection skills when investing foally compared with investing on different markets for the selected funds. It is shown that inclusion of emerging markets creates further possibilities for diversification in a portfolio as developed markets tend to have high level of integration and move together.

22. “How does the Indian Mutual Fund Industry Compare vis-à-vis Global Standards and what should be our Future Expectations From it?” by Rahul Mukim published by ICFAI journal analyses the future expectations from the mutual fund industry in terms of increased investor awareness, product diversity and improvement in penetration and distribution. The paper presents the current scenario of the Indian Mutual Fund industry, including AUM as a percentage of GDP, penetration of mutual funds and the impediments to the growth of this industry and makes a comparison of Indian Mutual Fund Industry with global standards in types of products, regulations, risk management techniques and governance. The comparison of the Indian MF industry with respect to global standards shows that India has a lot of catching up to do in
terms of penetration, the diversity of products and the risk mitigation techniques used. However, the attitude of the regulator towards investor protection and governance of mutual funds were found to be very close to global standards. The Indian MF industry is possibly at a point of inflection on the verge, of explosive growth. The factors that point towards this are the existence of robust capital markets and the presence of an impartial regulator.

23. “Performance of Mutual Funds in India: An Empirical Study’ by Navdeep Aggarwal and Mohit Gupta published by Mutual fund insight traces the growth path of the global mutual fund industry pointing to the fact that the research on mutual funds has been confined only to a few developed markets, with the US always getting special attention. Although emerging markets such as India have attracted the attention of investors all over the world, they have remained devoid of much systematic research, especially in the area of mutual funds. In an effort to plug this gap, the present study deals with the performance of mutual funds operation in India. MFs offer small investors the opportunity to invest in diversified portfolios and free them to a large extent from the burden to make allocation decisions. It is important to know at what cost these alleged advantages are offered. The paper says that research on mutual finds have proceeded along three lines: (1) Researches dealing with the timing/investment abilities of find managers and its implications for market efficiency (2) Measurement errors and common factors underlying fund performance, and (3) Fund specific factors that may impact fund performance. Analysis was carried out with the help of Capital
Asset Pricing Model (CAPM) and Fama-French Model. In the world of CAPM this study’s findings suggest that mutual funds actually added value and investing in them was worthwhile for investors. However, application of Fama French Model opposes this. This model, which predicts returns on excess market returns, size factor and value factor, suggests that returns earned by mutual funds are actually due to exposure to these factors only and the fund managers do not add any value.

24. The Size and Structure of the World Mutual Fund Industry by Ramos, Sofia B. Published in European Financial Management, Volume 15, Number 1, January 2009 pp. 145-180(36) This paper analyses the mutual fund industry for 20 countries using a new database of more than 50,000 mutual funds. The results suggest that more developed industries provide more benefits to investors as they diversify more internationally, charge lower annual charges and present more product sophistication. The results also have important policy implications by emphasising the role of competition and contestability in industry development. Fewer barriers to entry are positively associated with a larger industry, and concomitantly with more efficiency in terms of returns and fees.

25. Robert P. Miles (2003) in his study “101 Reasons To Own The World's Greatest Investment: Warren Buffett's Berkshire Hathaway” "Robert Miles clearly understands the company well."-Warren Buffett "Every Berkshire follower should be interested in this study."-Alice Schroeder, insurance analyst Morgan Stanley a great learning tool for investors will inspire to learn about great
companies and become engaged in your own financial future." - From the Foreword by David and Tom Gardner Co-Founders of The Motley Fool, Fool.com

Discover why the model-investment-firm-turned-household-word is the perfect investment--for virtually anyone.

Robert Miles is a successful entrepreneur, business owner, and investor who believes that everyone can be a smarter investor regardless of background, education, and income. In fact Miles says that one investment is ideal for virtually everyone to own--Berkshire-Hathaway. Miles has attended the annual shareholders meeting for years, has met Warren Buffett, and is considered a company "insider" and Berkshire-Hathaway expert. In 101 Reasons to Own the World's Greatest Investment, Miles offers his insights into what makes Berkshire-Hathaway so profitable and why shareholders get such value for owning the stock. Among his explanations: Berkshire-Hathaway is run sensibly and frugally by Buffett--there are no lavish corporate head-quarters or extravagant spending by company executives. The company invests in companies it determines will produce steady profits for the shareholders rather than those companies with a history of erratic performance. This accessible, well-researched look at the leading company's investment strategy has received an "unofficial" endorsement by Buffett himself.

Robert P. Miles (Tampa, FL) is an entrepreneur and owns a small business. He is a graduate of the University of Michigan Business School, has been an active shareholder of Berkshire-Hathaway for a number of years, and is frequently asked to speak to other investor groups about Buffett.
26. Cheng-Ru Wu, Hsin-Yuan Chang, Li-Syuan Wu (2008) in their article “A framework of assessable mutual fund performance” published by Journal of Modelling in Management Volume: 3 Issue: 2 Page: 125 – 139 This paper tries to find how investors evaluate mutual fund performance, not only based on both quantitative but also qualitative criteria. His paper adopts the modified Delphi method and the analytical hierarchy process (AHP) to design an assessment method for evaluating mutual fund performance. The most important criteria of mutual fund performance should be “mutual fund style,” following is “market investment environment.” This result indicates investors' focus when they evaluate the mutual fund performance. The AHP assumes the criteria are independent between each other. However, in many real cases, the criteria to evaluate the funds' performance may not be independent. Therefore, the authors recommend correlation between each criterion can be considered in the future research. When making investment decisions, investors should be more concentrate on gathering information of mutual fund style. As for mutual fund issuers, they could also leverage these results to communicate with their clients in more efficient way. This study presents a framework of assessable mutual fund performance where the AHP were employed for finding the both tangible and intangible key criteria of performance evaluation.

that controls for “false discoveries,” or mutual funds that exhibit significant alphas by luck alone. The approach precisely separates funds into (1) unskilled, (2) zero-alpha, and (3) skilled funds, even with dependencies in cross-fund estimated alphas. It finds that 75% of funds exhibit a zero alpha (net of expenses), consistent with the Berk and Green (2004) equilibrium. Further, it finds a significant proportion of skilled (positive alpha) funds prior to 1996, but almost none by 2006. It also shows that controlling for false discoveries substantially improves the ability to find funds with persistent performance.

28. Laurens Swinkels and Liam Tjong-A-Tjoe (2007) Can mutual funds time investment styles? A study published by Journal of Asset Management (2007) 8, page 123–132. The study investigate the ability of mutual fund managers to successfully rotate between investment styles based on characteristics such as market capitalisation, valuation ratios, and price momentum. We find evidence in favour of market timing among a group of 153 US-based mutual funds with a Morningstar Midcap / Blend investments style. It also find evidence in favour of mutual funds being able to predict the direction of the valuation and momentum style returns, but not their magnitude. The results indicate that the mutual funds in our sample were not able to rotate successfully between stocks with small and large market capitalisation.
Concluding remark:-

The studies reviewed above have indicated that the progress of Indian mutual funds industry which has given spectacular return during the past two years. Several factors have boosted the return. The investor’s awareness about financial products and the risk appetite for various investment avenues have increased. Mutual fund products also giving some solutions to their financial needs, especially for children education and to maintain the same standard of living even after retirement. Some studies have suggest to Introduce new and innovative products, initiative to increase the investor’s education and awareness, Building alternative distribution network for mutual funds. Some have suggested to Increase the overall penetration of mutual funds as a proportion of GDP, Ensuring growth with financial inclusion, so as to remove imbalance in economic growth, Manage consolidation in order to improve competitiveness.

Very few studies have been concluded on Unit Trust of India. No attempt has been made for the study of UTI Mutual fund market in Maharashtra and Marathwada region in particular. Hence, the present study is a sincere attempt to highlight on the gap.

References:-
1. Dr. Hari om chaturvedi “Investment Performance of equity share” By Published by Anmol Publication Pvt. Ltd., New Delhi 2003.


