ABSTRACT

The Investment process requires skill, knowledge, time and the ability to take risk. The Investors can invest in direct equities of public limited companies listed on the stock exchanges or through mutual funds; both have their advantages and disadvantages. However, direct equity investing, though perceived as more dynamic by investors, is feasible only for those investors who are able to understand the working of equity markets and have the time to track it regularly. However, investors who are not equally skilled and committed in terms of devoting time and energy towards their investments for such investors, the better way is to choose the indirect route by investing in mutual funds.

The Asset under Management (AUM) of the Indian Mutual funds are not growing at an increasing rate when compared to the AUM of Asset Management Company’s (AMC’s) in other developed countries. Majority of the Indian retail investors do not have awareness towards equity mutual funds. It is very imperative and prudent to understand the attitude of the Investors when it comes to Indian scenario. Any Financial decision requires a rational approach especially in case of investing in equity mutual funds. The Investors will evaluate on the basis of benefit, returns, cost and risk associated with the decision. Individual investors have less business knowledge and many of them lack complete information on the investment options. Investors have to measure performance of their investments relatively i.e. investors weigh risk and return before making such investments.

Indian Equity market is filled with lot of volatility due to which retail investors are in ambiguity. The present research helps to evaluate the performance evaluation of the open ended equity funds. In the first component of the present study, performance analysis of 30 Open ended equity growth mutual funds (15 large cap funds and 15 mid and small funds) is carried out. To analyze the performance of funds the Net Asset Value (NAV) of the mutual fund is taken during the period 2009 to 2014. The Historical data of net asset value of the equity mutual fund helps investors to gauge performance of fund over a period of time.

The present research work is carried out to assist retail investors in terms of evaluating the performance of selected Indian Equity mutual funds. In the present research it was observed that, both the funds mid cap and large cap funds have outperformed the benchmarks CNX Mid cap and Nifty for large cap respectively. The mean returns are higher than the benchmark returns. But if we observe the Standard deviation of both the funds we observe that the mean Standard Deviation (SD) of the funds is higher than the mean SD of benchmarks showing greater volatility. Hence it may be concluded that both Mid Cap and
Large Cap funds are performing positively in the stock markets despite volatility. The performance evaluation of mid cap and large cap funds shows that there is a low negative correlation between the two funds and there is no relationship between the performances of funds at 5% significance level.

The Asset under Management (AUM) of the Indian Equity mutual funds is less compared to the AUM of AMC’s of other developed nations. It is very important for all the AMC’s/distributors to know the attitude of Indian Investors. So, the second component of the research focuses on the attitude of Investors towards equity mutual funds. Though much research is carried out to find the attitude of investors towards equity mutual funds, there was limited study done using Left-Right brain concept. In the present study, the left-right brain concept (cognitive-emotive behavior) is used. It is observed that, when the factors are correlated with brain dominance it is found that Security factor, which is a left brain dominated factor, is closely and positively related to brain dominance. This shows that mutual fund decision making is based on security which is significantly related to brain dominance.

The Risk as a factor has emerged both in performance of mutual funds and also as a factor has significant relationship with brain dominance. The Risk factor has to be more pronounced. It is observed that, Investors have to be educated about risk as they are more concerned with risk. Other factors like brain dominance, independent decision and money for investments are all left brain factors having a strong relationship with brain dominance. This shows that investors who are left brain oriented are more independent thinkers and invest only when they have adequate money and knowledge with them.

The only emotive factor which has relationship with brain dominance is Fear. Fear, being emotive and right brain activity, has significant relationship with investments. Fear in mutual fund decision making is related to fear of future and fear of returns. This is similar to the risk. Calculating risk is a left brain activity whereas associated to it is an emotive aspect which is fear. As the risk is high fear is also high. However, fear among investors has to be removed by giving them complete information about investments. It is even observed that Brain dominance is independent of demographic profile. The factors like security, risk, business oriented, Independent decision, money for investment and fear have influence of brain dominance on equity mutual funds. The security, being a left brain trait, is highly correlated to brain dominance of individuals and investment in equity mutual funds. There is significant relationship between risk and brain dominance. Business orientation, being right brain dominance, has a significant relationship between brain dominance of individuals and
investment in equity mutual funds. There is a significant relationship between fear, brain dominance and investment in equity mutual fund. From the research work carried it may be inferred that there is a significant relationship between left-right brain dominance and behaviour of an individual.

The result of the present study may be applied by AMC’s, Portfolio Management Companies, Regulatory body and other companies operating in the Finance Industry. This will be helpful for all the AMC’s to understand the attitude of Investors before launching any equity financial product (New Fund offer).