REVIEW OF LITERATURE

3.1. Introduction

3.2. Literature in India

3.3. Literature At International Level
3.1. Introduction:

The review of earlier studies guides us in the methodologies to be used, estimation procedures and interpretation of results. The review of previous studies helps to state the objectives clearly and concisely. Further review of literature helps to identify the concepts relating to the research topic & potential relationship between them. It also helps to identify appropriate methodology, Research design & techniques used for analysis of data.

In addition to this it helps to identify data sources used for research & to learn how others structured their reports. It also finds out some gap in earlier literature & provides new insight for conducting new enquiry.

The chapter deals with various books, magazines, newspapers’ & journals which are reviewed to gain background knowledge of the research topic. On going through the books and literature lot of material on the theories/ technicalities of the Mutual Fund Investment were available. The well-written books and journals and the websites do provide abundant information on performance of various schemes of Mutual Funds. The following literature provides insight into issues related to Mutual Fund.

3.2. Literature in India:

Vidyashankar¹ (1990) found out a shift from bank or company deposits to Mutual Funds. He claimed that healthy and orderly development of capital market made mutual fund superior than company and bank deposits. SEBI interference has also helped by giving adequate protection to the investors. The study identified that Mutual Funds in Indian capital market have a bright future as one of the predominant instruments of savings by the end of the century.

Sarkar A. K.² (1991) analysed mutual fund evaluation methodology and pointed out that sharpe and Treynor performance measures ranked Mutual Funds alike in spite of their differences in terms of risk. Sharpe and treynor index could be used to rank performance of portfolios with different risk levels.

Anagol³ (1992) identified the urgent need for a comprehensive self regulatory regime for Mutual Funds in India in the context of divergence in its size constitution.
regulation among funds and sweeping deregulation and liberalization in the financial sector.

**Gangadhar V.** (1992) identified Mutual Funds as the prime vehicle for mobilization of household sector saving as it ensures the triple benefits of capital appreciation, steady return and low risk. He identified that due to the size, economies of operations and liquidity of open end funds, they are very popular in India. Investors opted for Mutual Funds with the expectation of higher return for a given risk, greater convenience and liquidity.

**Gupta L.C.** (1992) undertook a household survey of investors with the objective of identifying investors' preferences for Mutual Funds with the intention to help policy makers and mutual funds in designing mutual fund products and in shaping the mutual fund industry.

**Lal C. and Sharma Seema** (1992) identified that the household sector's share in the Indian domestic saving increased from 73.6% in 1950-51 to 83.6% in 1988-89. The share of financial assets increased from 56% in 1970-71 to over 60% in 1989-90 bringing out a tremendous impact on all the constituent of the financial market.

**Ansari** (1993) stressed the need for mutual funds to bring in innovative schemes suitable to the varied needs of the small savers in order to become predominant financial service institution in the country.

**Sahu R.K. and Panda J.** (1993) identified that the savings of Indian public in mutual funds was 5 to 6 of total financial savings, 11% to 12% of bank deposits and less than 15% of equity market capitalisation. The study suggested that Mutual Funds should develop suitable strategies keeping in view the saving potential, growth prospects of investment outlets, national policies and priorities.
Shukla and Singh\textsuperscript{9} (1994) attempted to identify whether portfolio manager's professional education brought out superior performance. They found that equity mutual funds managed by professionally qualified managers were riskier here but better diversified than the others. Though the performance differences were not statistically significant, the 3 professionally qualified fund managers reviewed outperformed others.

Jayadev M.\textsuperscript{10} (1996) compared monthly returns of UTI Mastergain and SBI Magnum Express growth oriented mutual funds with benchmark returns. He used risk adjusted performance measures suggested by Jenson, Treynor and Sharpe for this comparison. It was found that, on the basis of Jenson and Treynor measures Mastergain performed better but its performance is not upto benchmark on the basis of Sharpe ratio. Whereas Magnum Express performed below the benchmark on the basis of all those three measures. However, Mastergain could not reduce its unique risk whereas Magnum Express has reduced its unique risk because of it well planned diversification. These two funds were found to be earning lesser returns either adopting marketing or in selecting under priced securities.

Gupta O. P. \& Sehgal S.\textsuperscript{11} (1998) study covered the period of June 1992-1996. They analyzed the investment performance of 80 schemes managed by 25 mutual funds, 15 in private sector and 10 in public sector. They evaluated the performance on the basis of fund diversification and consistency of performance. The paper concluded that consistency of performance is supported by portfolio diversification.

Rao Mohana P.\textsuperscript{12} (1998) opined that UTI followed by LIC Mutual Fund dominated the market with 54 and 15 schemes respectively. His interview with 120 respondents showed that 96% invested in UTI due to better service and return. 50% of shareholding and 25% of unit holding respondents were from metro cities. Investors' services, income cum growth option and capital appreciation were very important aspects while choosing a fund. He identified that the close ending schemes were very popular among investors and respondent in general expected private sector funds to
improve the quality of services, investors' confidence besides reducing fraud and mismanagement.

**Rajarajan V.** (1999) studied investors from Chennai and found that the stage of life cycle of individual investors is an important variable in determining the size of investments in financial assets and the percentage of financial assets in the risky category.

**Chander** (2000) measured the investment performance of selected mutual fund schemes and also analyzed the extent to which fund characteristics such as nature, sponsorship and investment objectives have influenced their performance. Both primary as well as secondary data was used for this. Sharpe measure, Treynor measure and Jensen differential measure were used for the evaluation of performance of mutual funds and concluded that majority of the sample mutual funds have recorded superior performance as compared to benchmark portfolio.

**Singh and Singla** (2000) evaluated the performance of 12 growth oriented Mutual Funds over a period October 1992 to September 1996 on the basis of monthly returns compared with benchmark return. The performance was evaluated by using 3 risk adjusted performance measures namely treynor index, Sharpe index and Jensen Measure. They concluded that the mutual funds did not perform better than there benchmark indicators in terms of both risk-adjusted measures and non-risk adjusted measure of the average returns.

**Narasimhan M. S. and Vijayalakshmi S.** (2001) undertook their study for the period January 1998 to March 1999. They analysed the top holding of 76 mutual fund schemes. 62 top holding stocks were held in portfolio of several schemes. But only 26 companies showed the positive gain. In the case of 11 funds, the top Holdings represented more than 90% of the total corpus. The risk level in top holding was higher compare to the return. The correlation between portfolio stocks and diversification benefits was significant at 1% level for 30 pairs and at 5% level for 53 pairs.
Saha, Tapas Rajan\(^\text{17}\) (2003) identified that pioneer ITI Treasury Scheme was the best among debt schemes. Prudential ICICI Balanced Fund, Zurich (I) Equity Fund were the best among the equity funds. He concluded that the efficiency of the fund managers was the key in the success of mutual funds and so the AMCs had to ensure more professional outlook for better results.

Singh, Jaspal and Subhash Chander\(^\text{18}\) (2003) identified that back record and growth prospects influence the choice of scheme. Investors in mutual funds expected repurchase facility, prompt service and adequate information. Return, portfolio selection and NAV were important criteria for mutual fund appraisal. The researchers used ANOVA test on their data and found that, occupational status; age had insignificant influence on the choice of scheme. Salaried people and retired people are having priority for past record and safety in their mutual fund investment decisions.

Mukhopadhyay\(^\text{19}\) (2004) analyzed the profile of 200 investors in the city of Kolkata. He did his research for investigating the basic factors responsible for selecting the financial asset for investment. He found that the people in their later life cycle stage prefer less risky investment while the people in their earlier life cycle stage are aggressive in risky investments. Indian stock market lacks the proper investors’ educational infrastructure and hence people are not aware of the existence and functioning of mutual funds which have better future prospects. The study found out that because of under developed nature of Indian Financial Market even the investors’ activities are also lagging behind.

Roy and Deb\(^\text{20}\) (2004) evaluated the performance of Indian fund managers by using both conditional and unconditional methodologies. They also studied the issue of persistence in fund performance by using the methodology of Fama and MacBeth (1973). The sample consisted of 133 open ended Indian Mutual Funds over period 1999-2003. They found that conditional measures of past performance predicted the future fund returns significantly.
Ramamurthy and Reddy\textsuperscript{21} (2005) studied the recent trends in the mutual fund industry. Their study concluded that efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI benefits more to the small investors in mutual fund industry. They also examined recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in mutual fund, buying and selling of mutual funds through online.

Muthappan and Damodharan\textsuperscript{22} (2006) evaluated within framework of risk and return the performance of 40 Indian Mutual Fund schemes during the period April 1\textsuperscript{st}, 1995 to March 31\textsuperscript{st}, 2000 by using the five performance measures such as Sharpe ratio, Treynor ratio, Jensen measure, Sharpe differential return measure and Fama's components of performance. The study revealed that returns in majority of the schemes were higher than the market but lower than 91 days Treasury bill rate. The risk involved on an average basis was higher than the market. 15 schemes had an above average monthly return. Growth schemes earned average monthly return. They concluded that the sample schemes were not properly diversified and even could not maintain conformity with their state investment objectives as regards risk and return.

Rao\textsuperscript{23} (2006) considered 21 growth plans and 21 dividend plans for analysing the performance of selected open ended equity Mutual Funds during the period April 1, 2005 to March 31, 2006 by focusing on the two dominant investment style that is growth and dividend schemes. The analysis was done by employing the performance measures such as monthly compounded mean return, risk per unit return and Sharpe ratio. The growth plans showed relatively better performance than the dividend plan reiterating the fact that investments style matters in performance evaluation of the mutual funds.

Aggarwal\textsuperscript{24} (2007) described an overview of size and asset allocation of mutual fund in emerging market. He analyzed pricing mechanism of Indian mutual fund industry with the help of empirical studies on its valuation. In his study data analysis is being
done on the basis of primary data collected from fund managers and mutual fund investors.

**Gupta and Aggarwal**\(^{25}\) (2007) studied the performance of mutual fund operations in India. Quarterly performance of Equity-diversified mutual funds was studied from January 2002 to December, 2006 with the help of Capital Asset Pricing Model (CAPM) and Fama-French Model. The study suggests further research to determine the relationship between the performance determinant factor portfolios and their effect on mutual fund returns.

**Sanjay Kant Khare**\(^{26}\) (2007) opined that investors could enjoy the advantages of diversification and low risk by purchasing stocks or bonds with much lower trading cost through mutual funds. The researcher identified that, with a higher savings rate of 23%, channeling savings into Mutual Funds sector has been growing rapidly as investors were gradually keeping out of the primary and secondary market. Mutual Funds have penetrated into rural areas with diversified products, better corporate governance and through introduction of financial planners. The present work is based on the review of 27 foreign and 46 Indian studies related to mutual fund. The review of foreign studies ensures that Mutual Funds have a significant impact on the price movement in the stock market. The average return from the schemes was below that of their benchmark. The researcher concluded that good performance were associated with low expense ratio and not with the size.

**Anand and Murugaiah**\(^{27}\) (2008) adopted Fama’s methodology for their study. It evaluates the performance of 113 selected schemes of equity mutual funds of 25 fund houses. They covered a period between April 1999 and March 2003. They examined activities of Indian fund managers on the basis of the components and sources of investment performance. They also attempted to identify relationship between observed return and ability to pick up the best securities at given level of risk. The empirical results reported the fact that the mutual funds were not able to compensate the mutual fund investors for the additional risk. The study concludes that the during negative performance of the funds market factors are more influential while in times
of generating positive return by the funds, the impact selectivity skills of fund managers was more influential. The study also observed closer correlation of the fund return with selectivity; expected market risk and market return factors.

**Guha**\(^{28}\) (2008) presented his study by using William Sharpe’s quadratic optimization of an asset class factor model. He has analyzed equity mutual funds in India on return-based style analysis. He found that “Style Benchmarks” of each of his sample has optimum exposure to 11 passive asset class indexes. The study also analyzed the relative performance of the funds with respect to their style benchmarks. The results of the study showed that on an average the funds have not been able to beat their style benchmarks.

**Sehgal and Janwar**\(^{29}\) (2008) evaluated the performance of selected equity-based mutual funds in India. Argument was made that multi-factor benchmarks control for style characteristics such as size, value and momentum and therefore they can provide better selectivity and timing measures compared to one-factor CAPM. In the analysis if daily data is used instead of monthly data it showed improvement in timing ability, and to some extent in stock selectivity. It was concluded that trading skills of more active fund managers can be seen in higher observation frequency examined in a multi-dimensional framework with additional measures for timing of style characteristics.

**Singh and Jha**\(^{30}\) (2009) conducted a study on awareness & acceptability of mutual funds and found that before investing in mutual fund investors considers various factors. Mutual Fund investment is basically preferred by the investors due to return potential, liquidity and safety. He also found that the investors are less aware about the systematic investment plan.

**G. Prabakaran and G. Jayabal**\(^{31}\) (2010) analysed the performance of 23 income and equity oriented mutual fund schemes in terms of risk-return and risk-adjusted parameters of performance evaluation using bank interest rate and BSE-Sensex as risk-free and market surrogates respectively. The study was undertaken in
Dharmaputri district of TamilNadu state. Their study found the mismatching of risk and return for schemes with their stated investment objectives. Of 23 schemes, 11 equity schemes were of high risk-return nature, 1 equity scheme of high return-low risk nature, 8 income schemes of low risk-return nature and 3 equity schemes of low risk and low return nature. On the basis of Risk-adjusted analysis he concluded that 13 schemes had reported superior performance in terms of Sharpe and Treynor ratio; 14 schemes in terms of Jensen measure and 12 schemes in terms of Sharpe differential return measure. In terms of Fama’s performance measure 12 schemes were superior stock pickers.

Himanshu Joshi\(^{32}\) (2010) considered 15 mutual fund schemes covering three categories i.e. equity, Hybrid and Debt funds. The study was conducted in bearish market (January 2008 to December 2008) for evaluating the comparative performance. For analysis of performance he utilized the relative performance index, risk-return analysis and Sharpe’s ratio methods. The study made a comparative analysis of these three categories of funds and found that there is no significant difference in returns for various funds of the same category. In bearish market Bond funds beat equity and balanced funds, and there is insignificant difference in comparative performance of equity and balanced funds. Thus, in the bearish market, portfolio diversification in debt fund gain profit.

Muncherji and Rijwani\(^{33}\) (2010) studied individual behavior of the investors who are academician by profession. In their study they have analyzed the relative importance of factors considered important in the selection of mutual fund. They concluded that there are three important factors which dominate the decision of an individual while making investment in mutual funds. Those are past performance, size of the funds and cost of the transaction.

Prashar\(^{34}\) (2010) in her paper studied the factors which affect the perception of investors while investing in mutual funds. She has highlighted her findings state wise. She has also suggested few marketing strategies which vary from one state to another.

S.C. Bhatnagar and Kavita Panjwani\(^{35}\) (2010) analysed the performance of 15 open-ended equity diversified mutual funds. They also examined the volatility, return
per unit and fund sensitivity to market by applying numerous tools of portfolio analysis. The study showed that 14 funds had outperformed the benchmark index (BSE 100). Results of the volatility and risk per unit of return revealed that DSP Blackrock had underperformed and SBI Magnum Equity outperformed among all the schemes. The highest ranking was given to HDFC Top 200 as per Sharpe and Fama’s ratio.

Zabiulla\textsuperscript{36} (2010) analysed the performance by using a market data of over 40 months (April 2006 – July 2009) of 12 sectoral mutual funds from Pharma, FMCG and Technology sectors. Traditional risk-adjusted and time-tested models of performance were employed for analyzing the data. The study found that in terms of the time-tested models, Reliance Pharma and Franklin FMCG fund had outperformed the market portfolio. In terms of Sharpe and Treynor rankings DSP Blackrock Technology fund had shown the mixed performance. Based on the downside and relative risk criteria, a large number of funds had shown poor performance.

Saini, Anjum, and Saini\textsuperscript{37} (2011) used the variables like type of mutual fund scheme, objective behind investing in mutual fund scheme, sources of information, deficiencies in the services provided by the mutual fund managers, role of financial advisors and brokers, investors’ opinion relating to attractive factors for investment in mutual funds, challenges before the Indian mutual fund industry etc. The researchers analysed the mutual fund investments in relation to investor’s behavior relating to the variables. Investors’ opinion and perception had also been studied.

Vikas Kumar\textsuperscript{38} (2011) used risk-adjusted portfolio performance models of Treynor, Sharpe and Jensen for evaluating the performance of 20 open-ended schemes for the period, from January 2000 to December 2009. He has used benchmark index i.e. BSE 100 index for comparison and found out that out of twenty, five schemes performed better in terms of monthly average returns and risk involved in these schemes. Even in portfolio performance model these schemes performed quite well.

Ajaz and Gupta\textsuperscript{39} (2012) covered their study in across the states of Jammu and Kashmir and Punjab. They investigated the preferences of investors towards mutual fund schemes. The data collected from the survey was analyzed with the help of
various statistical tools. The findings of the study revealed that preferences of investors are having significantly affect because of investment returns, perception of investors, information sources, investors valuation, investors objectives and investments decisions.

**Chaturvedi and Khare**\(^{40}\) (2012) attempted to examine the investment pattern and awareness among the Indian Investors about different investment instruments available in Indian financial market. The research found the age, education, occupation and income level of an individual impact his investment decision. The study was conducted to find out the awareness and preferences of investors for different investment option available to them. They also analyzed the factors influencing perception and preferences of investors while investing in these different investment alternatives. The researchers have measure the level of awareness of investors about several investment avenues available in the market; they have attempted to rank the investment products in terms of awareness and at the same time analyzed the relation between awareness and socio-economic factors relating to the investors. The study also found out the preferences of investors for different investment products; and finally identified the factors influencing investor awareness and preferences.

**Jain and Mehra**\(^{41}\) (2012) conducted their study in the state of Rajasthan to check the awareness among the management academicians about mutual funds, their concept and the services they provide. The results showed a low level of awareness about mutual funds in Rajasthan among management academicians. If the awareness is spread among the management academicians they can pass it on to their students which will help the industry to achieve new heights. Hence there is a vast scope and several opportunities were available in the state of Rajasthan.

**Junare and Patel**\(^{42}\) (2012) conducted their study in Ahmedabad and Gandhinagar in month of September –November 2011. They attempted to study the investors’ preference and performance level of Mutual Funds in the present market. A survey had been used to collect primary data from 246 respondents. On statistical analysis of the data it was concluded from that, the awareness level of the respondents regarding
mutual funds was very less. People were neither aware of the advantages of mutual fund investment nor its basic functioning.

Sahi, Dhameja, and Arora\(^{43}\) (2012) conducted a study for the purpose of understanding the investor's preferences. They have considered various demographic, socio-economic and psychographic variables. They have used Classification and Regression Tree (CART) methodology on 377 sample size of individual investors. They analyzed the data for understanding an individual investor's preference for the investment alternatives. They tried to determine whether psychographic variables were better predictors than demographic and socio-economic variables. And then they concluded that financial service providers should consider the psychographic variables along with demographic and socio-economic variables, to understand and advise the prospective investors. This would enable the financial service institutions to target their financial consumers more sharply, and develop appropriate marketing strategies.

3.3. Literature At International Level:

Smith and Tito\(^{44}\) (1969), on the basis of their study suggested modified Jensen’s measure, based on estimating equation and slope coefficient. This new measure when used for examining the inter-relationships between the three widely used composite measures of investment performance produced little differences. But when the performances were compared with the market they differed widely. Hence the researchers suggested a fourth alternative, identifying some aspects of differentiation in the process.

Klemosky\(^{45}\) (1973) undertook a period of 6 years beginning from 1966 to 1971. He analysed investment performance based on quarterly returns of 40 funds. He suggested that by using mean absolute deviation and semi-standard deviation as risk surrogates, biases in Sharpe, Treynor, and Jensen’s measures, could be removed.

Lehmann and Modest\(^{46}\) (1987) provided empirical evidence on whether the choice of alternative benchmark affects the measurement of performance. The author has
shown that the choice of a benchmark portfolio is the first crucial step in measuring the performance of mutual funds.

Greinblatt and Titman\(^4\) (1994) empirically contrasted the Jensen Measure, the positive period weighting measure and a measure developed from the Treynor and Mazuy (1966) quadratic regression on a sample of 279 mutual funds and 109 passive portfolio. They also analyse the determinants of mutual fund performances such as net asset value, load, expenses, portfolio turnover and management fee. They concluded that the turnover was significantly positively related to the ability of fund managers to earn abnormal returns.

Nagy and Obenberger\(^5\) (1994) found out that earlier studies of retail investor studied relationships between economic and behavioral and demographic variables. Economic perspective has been given more weightage as a motivational factor. The authors examined various behavioral variables affecting individual investor behavior which gives a comprehensive understanding of the investment decision process of an investor. The variables are grouped into seven summary factors that focus major investor considerations. They collected data through a questionnaire distribute among a random sample of individual equity investors having substantial holdings in Fortune 500 firms. The study revealed that individuals take their purchase decisions on classical wealth-maximization criteria along with other variables.

Gruber\(^6\) (1996) examined the reasons for mutual fund popularity and concluded that customer services including record keeping and the ability to move money around among funds; low transaction cost; diversification and professional management were the major factors behind the popularity of mutual funds. Further with the use of a sample of 270 mutual funds during the period 1985-1994, he examined how actively managed open ended funds have performed relatively to an appropriate set of indices. By applying single index model and four-index model concluded that the mutual funds underperformed the market. The results emphasized that investors in actively managed mutual fund may have been more rational than have been assumed in the past.
Goetzmann and Peles\textsuperscript{50} (1997), in their study found out evidence of, dissonance effect and a strong endowment effect. Hence they concluded that investor belief is based on actual rather than hypothetical choices about investments. Their findings are consistent with an endowment effect. In their study they also attempted to differentiate between an endowment effect and beliefs conditional upon past choice. The experimental evidence in the cognitive psychology literature suggests that both mechanisms should influence investor beliefs and actions.

Grable\textsuperscript{51} (1997) attempted to classify the individuals into risk tolerance categories by using socio economic variables such as gender, age, marital status, occupation, self-employment, income, race, and education. These variables are used individually as well as in combination to differentiate levels of investor risk tolerance.

Fernando, Chitru S et., al.\textsuperscript{52} (1999) observed that splitting of fund do not enhance the performance quality and even any change in risk characteristics. But it helps in gaining the market because of good response from the small investors as they are able to purchase the units due to it’s reduced price.

Redman, Gullett and Manakyan\textsuperscript{53} (2000) examined the risk-adjusted returns using Sharpe's Index, Treynor's Index, and Jensen's Alpha for three time periods: 1985-1994, 1985-1989, and 1990-1994. The sample size was five portfolios of international mutual funds and he benchmarks for comparison were the U. S. market proxied by the Vanguard Index 500 mutual fund and a portfolio of funds that invest solely in U. S. stocks. The result shows that the portfolios of international mutual funds outperformed the U. S. market and the portfolio of U. S. mutual funds for 1985 through 1994. During 1985-1989, the international fund portfolio outperformed both the U. S. market and the domestic fund portfolio. But during 1990-1994 returns declined below the stock market and domestic mutual funds.

Statman, Meir\textsuperscript{54} (2000) on the basis of his studies regarding Socially Responsible Investing emphasizes that, corporations should use socially responsible investing as a tool. His study covered a period from 1990 to 1998. The study compared the performance of socially responsible stocks with socially responsible mutual funds using S & P 500 Index. And he identified that, socially responsible stocks outperformed while socially responsible mutual funds underperformed.
Maria Do Ceu Cortez and Florinda Silva\textsuperscript{55} (2002) used Portuguese stock funds as sample. They analyzed the implications of conditioning information variables on these funds. He identified that unconditional Jensen’s alpha ensured superior performance till incorporation of public information variables. They concluded that alpha was not statistically different from zero whereas beta was related to public information variables.

Hallahan, Faff, and McKenzie\textsuperscript{56} (2004) used Risk Tolerance Scores (RTS) and associated demographic information on a large database. They found that people’s self assessed risk tolerance generally associated with RTS. Furthermore, they found that socio-economic demographic factors were also significantly related to the RTS. The relationship between age and risk tolerance is having a significant nonlinear structure.

Otten and Bams\textsuperscript{57} (2004) provided a comprehensive assessment of existing mutual fund performance model using a survivorship-bias free database of 2436 U.S. open ended equity funds from January 1962 to December 2000 and this has been done by assessing both the statistical and economic relevance of performance models. The results based on statistical significance found that the elaborated multifactor conditional models were superior to the unconditional models. They also found conditional models add strong economic relevance because of the ability to detect patterns in fund betas and this enable the investor to monitor the dynamic behavior of mutual fund managers.

Bollen and Busse\textsuperscript{58} (2005) determined empirically whether the stock selection ability and market timing ability persisted over a relatively short horizon of 3 months by taking daily returns of 230 domestic equity Mutual Funds over a period from January 2, 1985 to December 29, 1995. They utilised both the stock selection four-factor model of Carhart (1997) and the market time model developed by TM (1966) and HM (1997). Further the author modified the two timing regressions by including the three additional Carhart factors (size, book-to-market and momentum) in the two timing models. So, they used stock selection, market timing, and mixed strategy models to identify abnormal returns and found that the ranking quarter of 25-39 basis points and that post ranking abnormal returns disappeared when funds were evaluated over
longer periods. At the end the suggested that superior performance was a short lived phenomenon.

**Karllson and Persson**[^59] (2005) investigated whether fund attributes like risk, size, age, expenses, turnover and management tenure influence the mutual fund returns. The sample consisted of 44 Swedish Mutual Funds between January 2000 and December 2004. Simple and multiple regressions were used for investigating the relationship between mutual fund returns and find attributes. They found that the fund size had positive impact on performance and expenses and turnover ratios were negatively related to performance. Further they concluded that the performance of mutual funds investing in Swedish securities was predominantly dependent on the risk level of the fund.

**Bauer et al.**[^60] (2006) investigated the performance and persistence in performance of survivorship-bias controlled sample of 143 New Zealand mutual funds for the period of 1990-2003 by applying the single factor and multi factor performance models. The overall result suggested that Mutual Funds were not able to outperform the benchmark indices. They also found from evidence for short term (6 months) persistence in risk adjusted return for all funds and the documented persistence was mainly driven by 'icy hand' rather than of 'hot hands' and this means the funds that underperform in one period were likely to underperform in following period too.

**Maditinos, Sevic, and Theriou**[^61] (2007) investigated about Greek investors’ (professional as well as common layman) decision making while evaluating the various investment avenues to their investment portfolio. They analysed the various methods and techniques used by these investors while making addition to their investments. They identified that individual investors depend more on newspapers/media and noise in the market whereas professionals rely more on fundamental and technical analysis.

**Thanou**[^62] (2008) in his paper studied 17 Greek Equity Mutual Funds between the years 1997 and 2005. He used the CAPM performance, Treynor and Sharp indexes for risk adjusted performance evaluation of each of the fund. A Comparative study was undertaken for total nine year period as well as for three sub-periods displaying different market characteristics. Then, he compared the rankings obtained by the two


indexes and found significant differences in rankings between up and down market conditions. He also analyzed the fund managers’ performance, distinguishing superior security selection ability and market timing. Results indicate that the majority of the funds under examination were in line with closely the market, achieved overall satisfactory diversification and some consistently outperformed the market. In case of market timing he found mixed results, with most funds displaying negative market timing capabilities.

Fünfgeld and Wang\textsuperscript{63} (2009) in their studied impact of self stated attitudes and behaviors, on decisions regarding daily financial affairs. It also studied impact of gender, age and education. They narrated five dimensions of financial attitude and behavior of an investors such as spending tendency, anxiety, decision styles, interest in financial issues, need for precautionary savings and anxiety. On the basis of these dimensions they classified the investors in five subgroup and found that socio-demographic factors such as gender age and education have significant impacts.

Chou, Huang, and Hsu\textsuperscript{64} (2010), attempt to establish a model which can be used to measure attitudes and behavior towards investment risk. Past investment experience of Taiwanese investors was taken as basis and further records their responses in different economic situations. Empirical results found no difference by gender to investor propensity to take a risk. However, higher and lower perceptions of risk were indicated by investors according to their personal investment experience. Investors with little experience in stocks and structured notes were found to have significantly heightened perception of risk. Thus the model proposed is relevant in finding a positive correlation between experience and propensity of risk. With respect to financial products other than mutual funds, investor propensity and perception of risk tend to show a negative correlation.

Schmidt and Brandt\textsuperscript{65} (2011) research attempted to study the factors which are important from the individuals’ point of view while investing in capital markets through mutual funds. For this purpose they conducted a primary survey in Germany in 2009 and 1672 respondents data was collected. For analyzing this data they used an attitude-behavior model (TPB) established by Schmidt (2010) as the basis and
extended it to derive differential prognosis for the willingness and intention to invest in mutual funds. They analyzed multiple latent nonlinear effects within existing TPB variables of the structural equation model (SEM). Furthermore, they included additional variables that could influence the relations.

The reviews focused light on the importance of mutual funds in the Indian financial scenario highlighting the need for adequate investor protection, single regulatory authority, higher return for a risk as per investors' expectation, greater convenience and liquidity and the expectations that mutual funds should act as important agent of economic growth and foster investors' interest.

Empirical studies in general evaluated the performance of mutual funds in comparison with their respective benchmark maybe single index based on multiple index based and also evaluated the performance in terms of selectivity and market timing abilities of fund managers. However recent studies were mainly concerned with the analysis of persistence in mutual fund performance.

The review of literature was that researchers have done considerable work on the performance persistent and market timing ability of mutual funds internationally. Various statistical tools varying from computation of basic statistical measures like mean, standard deviation and correlation Coefficient to rigorous statistical and financial models like single index model multiple index model etc. have been used. In India the researchers have extensively explored the area of performance evaluation of mutual funds by using various performance measures such as Sharpe, Treynor and Jensen's alpha. Further some work in the areas of selectivity and market timing abilities of fund managers has also been undertaken. The studies on mutual fund investment performances have long sought to draw a distinction between the ability to time the market and the ability to forecast the returns of individual asset. The subject of mutual fund performance has received a great deal of attention in the literature of financial economics.

However, reviews on investors’ awareness about investing in Mutual Funds, their preferences are scantly available. The present study attempts to find out the not only the awareness & perceptions of mutual fund but also the reasons because of which the
investors remains away from mutual fund industry. It tried to find out extent of awareness in region under study.

References:


