CHAPTER II

REVIEW OF LITERATURE

The present study entitled “A Study on Investors’ Attitude towards Mutual Funds” is an attempt to measure the investors’ attitude towards investments, particularly in mutual funds. This chapter examines in a nutshell the previous studies conducted by various scholars both in India and abroad. A few studies have been made and they were indirectly helpful to this investigation. A review of such studies is presented below.

Graham Mc Donald (1961)\(^1\) in the study on “Trust Investors and Public Utility Equities” highlighted that, projected growth in population and general economic activity will be a major factor in future investment valuations of utility securities. He is of the opinion that utility companies will be competing for new investment money not only with each other, but with all industries. Utilities will not grow as rapidly as the office equipment industry, or the text book publishers, or many chemicals, drug and electronic companies. The utility industry has great advantages. For steady, reliable and predictable growth, no other industry can approach its record. Real problems must be faced but that is nothing new. The same energy and imagination which has served so well in the past will take care of the future.

RBI conducted another survey in (1962)\(^2\) and it was found that, among the total number of assesses deriving income from dividend, 87% of them are individual investors.

---


Friend and Herman (1964-71)\(^3\) observed that the prices of shares issued after the establishment of security exchange commission (SEC) performed better than shares which were issued pre SEC a due to the lower level of volatility. The investors in the shares issued after the SEC better off than the who invested in the shares before SEC came into existence.

Chottiner Sherman (1964)\(^4\) in the article entitled “Optimum Investor-Stock Market Efficiency Standard” has thrown light on evaluation of the investor’s performance in the stock market. According to him, knowledge of perfect performance is valuable as it will provide. A universal standard of stock market performance, actual decision rules can be compared using the efficiency measures.

A measure of a decision rule’s deviation from optimality, this measure would provide insight into our understanding of market movement. Also, it would assist in determining how much research it is feasible to do in order to develop more rewarding decision rules. The research into perfect performance resulted in many interesting by products such as the severity of market fluctuations over the years, the effect of increasing commissions on performance and the optimum trading activity.

The National Council of Applied Economic Research New Delhi, (1964)\(^5\), conducted a survey on “Attitude of investors towards savings”. It was devoted to studying the attitudes of the population towards saving. It was found that the strongest motive for savings was the


desire to make provisions for emergencies, for old age and for children’s education. The ability to save increased with income, occupation and education. The regularity of saving habits was directly correlated to education. The age group of 35 to 44 years are saving regularly.

The National Council of Research (1964)\textsuperscript{6}, New Delhi conducted a survey on “Attitudes towards various kinds of investment”. This survey examined the forms in which households preferred to hold or invest their savings and reasons for their preferences. The survey revealed that 50% of households expressed a preference for investing their savings in physical assets and 30% in financial assets. An estimation of investment preferences within income groups indicated that the proportion of households, which considered it advisable to invest their savings in securities and business, increased with the level of income. The proportion of households’ preferences for financial assets increased with the level of education. Profitability ranked first and safety next for determining the saving preferences. Seventy per cent preferred to keep money in banks and 30% preferred National Saving Certificates as they were safe and yielded high interest.

Robins and Werner (1965)\textsuperscript{7} emphasize the need for expanding the Securities Exchange Commission (SEC) activities especially in collection of essential market data and revitalizing SEC’s staff function.

Mc Kelvey (1966)\textsuperscript{8} in his study entitled “Intangible factor in stock evaluation” pointed out that when making an investment decision, one should look for certain factors


\textsuperscript{7} Robins Sydney And Walter Werner, “Professor Stigler Revisited” Journal of Business. Jan 1965 PP 406-413.
beyond current earnings and dividends. The factor suggested in his study are growth trend, quality of growth, qualitative factors, management factors, validity of earnings, use of leverages, diversification, share holder relations and other intangible factors. The intangible factors are stocks with restricted voting rights, full of voting right, reputation of the underwriter and the length of time that the shares have been marketed. The study emphasizes that current earnings and yield are important factors in determining the attractiveness of a stock, but they are not the only ones.

The findings of a study on the behaviour of individuals in security investment decisions by Kellar (1967)\(^9\) are as follows:

Although each decision process was highly individualized, it was possible to synthesize the size of a multi step general model.

i. The expectation of desirable future “reported earnings” to be generated from “adequate company resources” by a good investment.

ii. Financial leverage in a company under consideration for investment has come optimal range relative to “adequate resources” and risk.

iii. Dividend has value only for their possible information content and any “yield floor” was considered to be beyond the range of acceptable down side risk and therefore of no consequences.

iv. Investors tend to identify with their investments and any particular stock was rarely regarded dispassionately as a mere portfolio item.

\(^8\) Mc kelvey kent J. “Intangible Factors in Stock Evaluative”, Financial Executive, Aug 1966

v. Potential market realization was the hallmark of success even among investors who held that any sale was unjustified unless the original purchase had been a mistake.

Westerfield (1968)\textsuperscript{10} in his study “A Behaviour approach to the investment management decision and to the securities markets” examined the individual investment decision. The major findings may be summarized as follows;

i. There is a significant difference between an amateur investor and non investor with respect to risk performances.

ii. Certain personality and cognitive judgmental factors are associated with choice rationality, perceived risk and risk preferences.

iii. Choice rationality, in the portfolio theory sense is exceptional on gleaning the investment scene.

Stern (1969)\textsuperscript{11} has concluded that two broad styles of investing are emerging. They are firstly “gunslinger” the aggressive investor who feels he can identify change before the next guy and capitalize on it. You can identify him, he is young, he is arrogant and he deals in concepts, not price earning ratios. He is opportunity oriented and he checks out every idea you present to him in a chart book before he acts on it. He wants access to information and he wants freedom to act quickly. Secondly, we have the “serious long term investor”. He is basically interested in earning trend, concentrates on areas of long term growth and

\textsuperscript{10} “Westerfield Rondolph, A Behaviour”- Dissertation at University of California 1968.

fundamental work. He is fewer concepts oriented and more price earnings ratio oriented. He wants to access information but he wants lots of bits and pieces, which he puts together into a cumulative appreciative mass, which helps him to take long-term judgment. To him short-term information is not the be-all and end-all. He can be aggressive on ideas, but on a long term, not on short-term basis.

Chenney (1969)\textsuperscript{12} felt that the value of investment advisory services has been questioned long. A 12 years study of performances of stocks recommended by 4 top firms revealed that the scepticism has not been justified. The evidence garnered by the study pointed out that the subscription advisory services are able to select stocks, which offer better than average return on investment. That is, they offer advice which, if followed by the subscribed, promises to provide him with a return on his investment which is greater than the increase in the standard and Poor’s (S&P) 500 composite stock index. In the aggregate, the lists of common stocks recommended by the advisory services increased in value by 353.3 per cent compared with an increase in value of 25.7\% by the S&P 500. Both the percentage includes dividend income. The above average performance of the advisory services is also true for their individuals’ lists of growth stocks, income stocks and for their lists which combine the income objective with the capital gains objective. The amount of risk inherent in a portfolio of common stocks is a difficult thing to measure but the information gathered indicates that the lists of recommended stock have also excluded defensive qualities. The investor is well advised to seek professional help with his investment programme. The subscription advisory services offer improved portfolio performance and reduce the need for

\textsuperscript{12} Chenney “How Good are the Investment advisory services?”, Financial Executive, November 1969.
protection in the form of diversification and the sound nature of the recommended lists gives the investors the opportunity to enjoy the satisfaction of managing their own investment programme to meet their needs with an exception of better than average rate of returns.

Hatfield And Rettly (1969)\textsuperscript{13} in a paper on “New Stock Issues” found that all tests shared superior short-run results for the investors in new stock issues. This very strong positively skewed characteristics of the distribution accounted for the significantly superior results. Although on the average, the investors experience as many relative losses as relative gains are substantial. These relatively modest losses probably can be explained by the fact that the underwriting syndicate will support the market for the stock after the offerings, if it experiences price weakness. On the other hand, while stock could be sold if it showed an usual strength, it is unlikely that the underwriting would feel obligated in such a case. These superior, results on the average can partially be justified on the basis of the higher risk assumed by the investors is uncertain regarding market acceptance of the stock. The result justify the later point since in all causes, greater dispersion was found in the new issue distribution of present changes.

In a study on what determines the prices of Indian stocks Barman (1969)\textsuperscript{14} analyzed the data on stock prices to find out if the changes in stock prices are determined by fundamentals or bubbles. It has been found that fundamentals are more important and the determination of stock pricing in the long run. This argues well for the discerning investor

\textsuperscript{13} Hatfield and Reilly “Investor Experience with New Stock Issues” Financial Analysis, Journal Sep-Oct 1969,Pg 73

\textsuperscript{14} R.B.Barman “What Determines the Prices of Indian Stocks? Fundamentals or Bubbles”. The ICFAI Journal of Applied Finance, Jan 1969, Pg-1
who can expect to gain by holding good quality portfolio, though the study did not go in to
the short term fluctuation of stock prices. However, visual analysis of data and the known
fact of inadequate transparency in the operations of stock market continue to loom large on
likely inefficiency of stock market in the short run. This state gives scope for the smart
operator to earn abnormally high returns with excessive volatility. This is accusing for
concern for policy makers, in the recent period. The Security Exchange Board of India has
initiated certain measures to bring about higher transparency in the operation stock market.
This effort should be continued with more vigor to inject efficiency into the stock market
even in the short run and ensure better climate for mobilization, fund for investment, so
crucial for economic growth.

Frank R. Kelle (1970)\textsuperscript{15} focused on the determinants of security values, share holder
satisfaction and the nature of successful investment practice. He found each decision process
to be highly individualized.

Schienman (1970)\textsuperscript{16} felt that most lost because they tried to apply rational measures,
fundamental and technical to an irrational market of human emotion. He demonstrated
convincingly the uselessness of most investment advice or least its application by the average
investors. The published “experts” tend to be consistently wrong, since mutual funds
performance is inconsistent.

\textsuperscript{15} Frank R. Kelle, The Behaviour of Individuals in Security Investment Decisions, The

\textsuperscript{16} Schienman William X,” Why Most Investors are Mostly Wrong Most of the
Roger E. Potler (1970)\textsuperscript{17} found empirical evidence suggesting the same basic factors motivating professionals and non-professional investors. The factors were desire for income from dividends, rapid growth and quick profits though and purposeful investment as a protective outlet for saving

In his book “The Battle For Stock, Market Profiles” Loeb(1971)\textsuperscript{18} states that successful investor requires a special kind of judgment and flair in analyzing market behaviour which is associated more with psychology than with pure fact and formula.

Will financial forecast really help investors? No one can predict the future with certainty yet the management is being asked to publish financial forecast on which investors will rely in making their investment decisions. Rather than forecast, managements should release more complete information. Kapnick(1972)\textsuperscript{19} says in recent years however certain investors may have forgotten the basic fundamentals of investment risk and have cried “foul” when they incurred losses. This has now led some of these who have the responsibility for seeing that the public investors have sound information to suggest others to assume the responsibility for evaluating the future because supposedly the investors who lost money were unable to make proper evaluations. Public forecasts are not the panacea for the investor that some believe them to be however every one must recognize that the risk in equity

---

\textsuperscript{17} Roger E. Potler in Motivating Factor Guiding the Common Stock Investor. The Journal of Finance, 25 Dec 1970 P-1184


\textsuperscript{19} Kapnick E Harvey, Will Financial Forecast Really Help Investors Financial Executives May 1972 Pg 50
securities can result in losses as well as gains and only the naive could conclude that forecasts will protect the zealous investor from taking unwarranted risks.

The social value of public information in pure exchange economy under different types of utility functions was examined by Jeffry (1975)\textsuperscript{20}. A model with time independent utility functions and complete capital markets it’s a common one in the financial literature. The dissemination of information may affect consumption decisions and hence may have social value when either capital markets are incomplete or utility functions are time dependent.

Lease And Others (1976)\textsuperscript{21} further confirmed that the market for securities are segmented, that the different group of investors concentrate on different group of assets. Apparently investors do align themselves with particular investment philosophies and distinct market segment, and apparently that alignment is systematically related to their individual circumstances. The general pattern is one of increasing conversation in investment behaviour and more self-reliance in decision making. The older the investor, short term capital gains diminish in proclaimed importance more emphasis is placed on dividend income on broker advice more time and money spent on security analysis, the female investor was found to be more conservative diversified and dividend oriented. The attitudes expressed line up logically with the behaviour observed and both displayed considerably heterogeneity across the sample.


Taking up a study on short selling and financial arbitrage, Renshaw (1977) observed the following: The return on the market as a whole is positive about twice as often as it is negative. Why should an investor sell the market short if he cannot distinguish between bull and bear market in advance?

In almost any market situation, however he can reduce portfolio variance and increase expected return by selling short individual assets. For example an investor who is unable to forecast the performance of an industry but able to anticipate the relative performance of individual companies can use a hedged position within that industry to improve his portfolio performance.

Short selling will generally be more effective and the more positive. The correlation between the asset sold and asset purchased an example is classical arbitrage where the assets are convertible at some future time at a pre determined exchange ratio, although a detailed understanding of portfolio theory may not be essential for obtaining reasonably good result in

---


classical arbitrage. It can be critical when the correlation is imperfect and faulty hedging lead to instant disaster.

“Stock market outlook: No metamorphism” an article by Zeikel (1977)\textsuperscript{24} highlights there two ways to use the past to forecast the future.

1. Extrapolation which simply assume as that trends will continue and
2. Reliance on the under lying logic of events.

The second way requires an insight into how things really work that most investors seem to lack; perhaps this is why they usually assume that the future will be like the past. Portfolio strategy is not merely a matter of picking good stock over bad ones. It is rather continuous effort to identify on the basis of the underlying logic of events unwarranted extrapolation in conventional expectation the market consensus; hence prices will continue to be dominated by the emotions of the crowd and by the crowd’s irrational tendency to extrapolate the future from the past. The dictionary defines metamorphosis as a complete change of form, structure or substance; transformation by magic, complete change in appearance, character or circumstances. No metamorphism is in prospect for the securities market.

Coplin(1977)\textsuperscript{25} emphasizes investor relation programme must have objective such as:

1. To create greater awareness in the financial community
2. To establish increased loyalty among existing share owners and
3. To attract new share owners.


\textsuperscript{25} Coplin A. Robert “Marketing Concept”, Financial Executive, Nov 1977, P-32
The use of effective communication based on inside and knowledge gained through formal and informal research among current share owners, registered representatives and other groups can achieve greater awareness in the financial community, increase loyalty among current share owners attract new stock holder and in the long run broaden the base for successful equity financing in the years ahead.

The RBI (1978)\textsuperscript{26} conducted its survey on ownership of shop markets at the end of 1959, 1965, and 1978. The 1959 study found that the number of individual shareholders accounted for 98.90% of the total numbers of shareholders and in value they held 52.05%. The holding of 52% in India compared well with 55% reported in UK and 51% in USA. The 1965 survey found value of individual share holder’s ownership to decline to 45.60%. The study also found that share holding up to ‘ 50,000 of paid up value of ordinary share capital was held mostly individuals (around 92%) and share holding exceeding Rs.50,000 were comparatively small and in significant. The pattern of ownership in favour of large financial institutions was comparable to the secular trends observed in the studies in U.K. and U.S. A.

The study conducted in1978 for the first time collected data on occupation-wise classification of individual share holders. The largest number of share holders constituting 99.30% of the total share holders and 37.60% of the paid-up value of the share holding by individuals. Further, high degree of concentration in the hands of few share holders was the striking feature of the ownership pattern. Occupation wise one third of the individual share holding contributed by professional and self employed, salaried and those engaged in household work, each accounted a little less than one fifth of the total individual holding.

\textsuperscript{26} RBI “Survey of Ownership of Shares In The Joint Stock Companies as at the End of Dec 1978” RBI Bulletin Feb 1983 P 69-128.
The survey of senior executives of financial institutions by Hindustan Thompson Associates (1978)\textsuperscript{27} found both merchant bankers and financial institutions feeling that the occupation of investor had little relevance to equity market and agreed that the signal is most important influence on an investor’s decision is the stock broker.

Close to the work of Coplin reviewed about Kennedy and Wilson (1980)\textsuperscript{28} in an article entitled 'Are the investors relations programs giving analyst what they heed?’ Brought to light the following observations. Despite the importance of investors’ relations to investors, corporate managers and regulators, theoretical and professional literature on the subject in sparse. The author surveyed both corporate investor’s relations specialists and sell-side security analyst with regard to their perception of the goals of the investors’ relation programmes, the degree which those goals are accomplished the programme activity levels and their effects on stock prices. Both groups agreed that corporate investor’s relation programme should finish timely and reliable information to the capital markets and both gave relatively high marks of the accomplishment of this objective. Unlike investors’ relations, specialists analysts did not agree that stock price performance should be one of the primary goals of the investor relations.

Both groups rated investor relations programme as moderately active in their cultivation of analysts’. The groups also agreed that investors’ relation programme have a favourable impact on market prices. Nevertheless, the overwhelming majority of investors

\textsuperscript{27} HT Association Equity Issues Phase 1 A Communicational Perspective Based on Interviews with Financial Institution and Merchant Bankers Bombay

relations, specialists believed that the capital market, under valued the common stocks of their corporations. Analysts generally felt that the information provided enabled them to understand the nature of the corporation and their operating and financial risks. The investors’ relation specialists felt, in turn that analysts were doing a fairly good job of interpreting the information they supplied. The analysts were less convinced however that this information enabled them to estimate future earnings and investment value the most crucial elements of the stock valuation process.

In a survey conducted by Reckers and Stagliano (1980)\textsuperscript{29}, the investors were asked to determine the type of data they considered most useful in making investment decision. The three major conclusions of the survey are:

1. While 91\% of the investors indicated a somewhat thorough reading of the annual report conclusions about the use of these reports must be made cautiously. It must be noted that half of the respondents apparently disregard financial statement fool notes potentially the reports may actually be misused. As has been learned from prior surveys reliability of company produced report still appears to constitute a major obstacle to more wide spread use.

2. Forecasts generally were thought to possess some positive use of decision-making. But enthusiasm on the part of stock holders for publication of forecasts was quit guarded. Complexity unreliability and lack of credibility are among the limitations which deterred more than 50\% of the respondents from agreeing that it would be a good idea to have earnings forecast required in annual reports.

\textsuperscript{29} Reckers M.R. Philip and Stagliano A.J. “How Good are Investor’s Data Sources?” Financial Executive April 1980 Pg.26.
3. Quality of management assessment and operational credits appears to be the inaccessible or unavailable major item of decision relevant even though this information is by investors.

A later survey by the Hindustan Thompson Associates (1980)\textsuperscript{30} found that portfolio value increases equity acquiring an edge over other forces of investments.

There are unquestioned benefits to a company that has vibrant investors relations programme says Goldman (1982)\textsuperscript{31} in his article entitled “How to develop investors relations programme?” The objective of the investors relations programme is:

1. increased institutional interest
2. increased analyst following
3. increase number and geographical dispersion of individual holders
4. assurance of maximum appropriate stock price
5. tangential positive effects

The program is also for consistency, credibility, avoiding, surprising, analyst assistance and continuity. The article further suggests the following effective techniques for establishing a broad financial relations program. They are monthly meetings, presentations to the industry regional meeting, shareholder meetings and written communication and publicity.

Amal Sanyal (1982)\textsuperscript{32} in the article “Portfolio choice with indivisibility” proposed an alternative or perhaps an additional rationalization of the diversified portfolio both at the

\textsuperscript{30} HT Association Lbid 1980

\textsuperscript{31} Goldman I. Alan “How to Develop an Investor Relation, Programs” Financial Executive July 1982. Pg No.26

micro and at the macro levels, by referring to the fact of substantial indivisibility involved in
the typical portfolio choice problems. He sets up the arguments in the context of a choice
between financial assets (interest bearing deposits) and physical assets, which are available
only in multiples of an indivisible minimum unit, rather than in the context of the liquidity
preference theory. He postulated the hypothesis, that the compounded rate of return on time
deposit “r” is less than compounded rate of return on price of physical asset, and that there
exists perfect certainty regarding both of these rates as well as regarding the marketability of
the real assets at any future date. As a result, in terms of the usual calculus of the rate of return, the real asset is preferred to time deposits. However, to highlight the fact of
indivisibility, if suppose the amount of saving of an agent in a single period “s” is typically
less than the current price ‘p’ of the minimum unit of the real assets than the latter though
preferred, can’t be immediately purchased. The agent has to accumulate his saving for a
number of periods until he can affect the asset purchase. He formalized a context like this
into a simple model and examined some of its properties. It should already be clear that after
an agent has managed to buy a unit of the real asset of all subsequent dates, he will be
generally holding a mixed portfolio, of some real assets, already bought and some financial
assets waiting to be converted into real assets when feasible in future. From the context, it
should be clear that the analysis would be more suited to the description of the portfolio
behaviour of households, rather than of corporate bodies who may not in general be
constrained by the said indivisibility because of their large size of savings per period. In the
context of the model developed by Amal Sanyal, it is found that not only there will be asset
diversification but also two rather curious results could be proved first is that if ‘r’ is lower
than the aggregate level, it will induce more rather than less deposit formation as a proportion
of total saving. The second is that if the inflation rate of the real asset price is higher, and provided that saving is growing fast enough, then there will be more and not less deposit formation as a proportion of aggregate savings.

Hemant R. Dani (1984)\textsuperscript{33}, in his article “The purpose of Investment” mentioned the ways in which savings could be invested to earn income. The various avenues were compared and the advantage of investing in equities was brought to light.

In an interview with the journal of financial executive Lazovic (1984)\textsuperscript{34} is of the opinion that maintaining a low profile in times of trouble, may serve short-term interest, but in the long-term it will result in less favourable reception of any messages-positive and negative. To some extent, management must commiserate with the share holder, but efforts must also be made to explain the constraints affecting the company’s performance. Instead of a blind recap of the years, the chief executive officer’s letter (in annual report) should be substantive and address issue the company faces in market place. It should express a company philosophy and direction.

A study of 31095 industrial investors by the Wall Street Journal or NBC (1986)\textsuperscript{35} revealed that 56% of the participants believed the stock market was controlled by large investors and so small investors do not stand a chance.


\textsuperscript{34} Lazorick, “Structure Your Investor Relations for the Good Times and the Bad” Financial Executive April 1984 Pg No.20

Kane (1986)\textsuperscript{36} points out the regulatory lags is longer for Government regulatory agents than for self regulating agents, shorter lags for self regulatory agents to adjust to new technology or regulatory breach is due to a strong built-in incentive that motivates self regulators more than public regulation (a pointer to Indian regulatory policy maker).

In the article entitled “Security analysis and stock selection”; turning financial information into return forecasts. Estep (1987)\textsuperscript{37} presents the T –model which provides a conceptual frame work for turning readily available financial results into forecasts. The T – model states the investment return in three terms-growth, cash – flow yield and valuation change, each of which depends on familiar accounting results like return on quit, growth and change in price book ratio. When these data are known exactly with hindsight the T model explains over 90% of the return on individual stocks or portfolio.

Ferguson (1987)\textsuperscript{38} has made a study of the mean-variance and long term returns characteristics of three investment strategies. In his analysis of which is the best strategy-buy and hold. He has attempted to find out portfolio insurance or covered writing he has attempted to find out which offers the most efficient combinations of expected returns and standard deviation of return and also which offers the highest long-term return. He also tries to find out whether these measures are relevant in choosing one of these strategies over the

\textsuperscript{36} Kane Edward J Technology and Regulation of Financial Market in the Title of the Same Name Ed Saunders and While LJ Lexington Book Mass 1986 Pp189-193


\textsuperscript{38} Ferguson Robert, “A Comparison of The Variance and Long-Term Return Characteristic of Three Investment Strategies” Financial Analysis Journal July-Aug 1987 Pg No.55
others. The study concludes that both covered writing and portfolio insurance reduce long-term annual return relative to the stock index. Neither strategy dominates the other when exercise price is a consideration.

Portfolio insurance programme with time horizon of one year and a minimum return of no more than 2% have implied exercise price less than 10% above the current price of the stock index. Their long-term annual returns exceed those of covered write with the same exercise prices. Portfolio insurance programs with time horizons of three years and a minimum annual return of no more than 4.5% have implied exercise prices less than 32% above the current prices of the stock index. Their long term annual returns exceed those of covered writes with the same exercise prices. Portfolio insurance programme with time horizon of five years and a minimum annual return of no more than 5% have implied exercise prices less than 55% of the current prices of the index. Their long term annual return exceeds those of covered writes with the same exercise prices. However, if only long term annual returns were important, no investor would consider either portfolio insurance or covered writing. The existence of portfolio in insurance and covered writing implies that investors are concerned with more than long term annual return.

Consider for example, a portfolio with a long-term annual return of 100% annually. If one were a long-term investor, one would require no other information to conclude that is portfolio is preferred. Suppose this portfolio had a 0.999 probability of making so much that in one year in a thousand that money is made, the net result is a compound annual return of 100% one is truly invested if one still wants this portfolio an important implication of this study is that no portfolio should be managed only to maximize long-term return. He also made a few other important observations in this regard. Consider investors who maximize
expected utility in markets that are efficient and in equilibrium. Obviously all securities need to be held and there must be a buyer for every seller. Define buying portfolio insurance as increasing the portfolio’s risky asset position after a small decline. Define selling portfolio insurance as decreasing the portfolio’s risky asset position after it has gone up a bit and increasing its risky asset position after a small decline. Ordinary portfolio insurance fits this definition of buying portfolio insurance and covered writing fits that of selling portfolio insurance neither strategy can dominate the other if it is optimal for one investor to buy portfolio insurance, it must be simultaneously optimal for other investors perhaps as a group to sell it to him the market could not be in equilibrium otherwise.

Note that rebalancing to maximize long-term return (taken in the ordinary sense) corresponds to a strategy of selling insurance if it is optimal for an investor to maximise long-term return by rebalancing, it must be simultaneously optimal for other investors, perhaps as a group, not to adopt rebalancing. The mortal is that no single strategy that requires trading can be optimal for every investor. If it is optimal for one investor to adopt a particular strategy, it must simultaneously be optimal for other investors, perhaps, as a group, to adopt the complementary trading strategy. The study emphasizes that there is no optimal investment strategy.

The share holders’ geographical distribution survey conducted by ICICI (1987) found metropolitan cities to account for 58.7% of the country’s share holding population. Bombay alone accounting for 35.3%. The study estimated a shareholding population of around 3 millions as of 1983-84 the rural share to be regular

39 L.C.Gupta Shareholders Survey–Geographical Distribution Delhi Minas Publications 1987
Valentine (1988)\textsuperscript{40} is of the view that expects systems may be applied to investment. The key to an expert system is its knowledge base, the set of rules; the system applies to the database of the facts. The output from an expert system will be only as good as the rules laid down for it. Construction of a viable system requires both experts in the knowledge required to develop the rules and expertise in the modeling that knowledge into a reasonable number properly formulated rules. It is important to work from the outset towards a goal that is neither too broad nor too narrow, allowing enough time for design not testing of the system. A rule based expert system is very easy to understand, as computer applications go. Everyone is familiar with what rules and how they work. When an investment professional builds an expert system, he defines asset of rules that the system must be obey. These rules are collectively called the knowledge base, as opposed to the database of facts that is in the present in the expert system and in virtually every computer application. The expert system applies the knowledge base to database in order to accomplish the task for which the system was designed. While discussing the future of expert system, Valentine holds the following view points, whatever the application, the behaviour of the expert system will be controlled by the rules provided by the investment professional. If one professional attacks his problems with an economic orientation his experts system will ‘think’ in economic terms. If another is a present value theorist his expert system will be one too. Capital market theorists will without even consciously considering it, use rules that automatically result in expert system oriented towards capital market theory. Expert system will be applied to the problems that are relevant to the type of thinker who built the thinking of the system builder.

\textsuperscript{40} Valentine L. Jerome’s. ” Appling Expert System to Investment” Financial Analyst Journal Nov-Dec 1988 Pg No.48.
Obviously the list of potential application could go on and on; cycle theorists can always ask themselves what they would do next and so can technical types value theorists and arbitrageurs. And each after completing one system can always ask once again what we do next. The progression of application could define a new relationship between the investment professional and the computer in the 1990’s. In the hypothetical world of the not-too-distant future, the computer may run expert systems that contain the professional’s current best thinking about some problem and the professional may define the rules for the next problem or define the rules already in place for the old problem. The expert system solves the problems, the professional defines both the problem and the method by which they are to be solved. As an old saying in the computer world has it, “machines should work people should think”. In the coming world of artificial intelligence this may be amended to “machine should think, people should create”.

Jay Light (1989)\textsuperscript{41} estimated that individuals have sold 38\% of their direct stock holdings over a five year period, accelerating a downward trend and he estimates that the last share of publicly traded common stock owned by individuals will be sold in the year 2003, if the current trend persists.

Key and Scott (1991)\textsuperscript{42} developed a banking matrix that lists four policy goals of regulation promoting competitive markets ensuring safety and soundness avoiding systematic risk and providing consumer protection. These are rather similar to three criteria suggest by Vittas and Long they noted that the main rationale for financial regulation is the existence of


market failure arising from externalities market power and information problems Key And Vickers (1998). But Vitas in 1992 emphasized the market failure is a necessity but not a sufficient condition for regulation. The other condition is that regulation can correct market failure in an effective and efficient manner. Much of the debate alternative theories is about the cost effectiveness rather than the rationale. He classified financial regulation objective into six types; macroeconomic allocate structural prudential organizational and productive in contrast to macroeconomic and allocate controls, prudential, organizational and productive controls are necessary because problems imprudence, fraudulence, moral hazard, adverse selection and free rider problems are endemic to financial system the main policy issue is how to device effective measures without undermining competition.

Prema Chandra Athukorala and Kunal Sen examine in The determinants of private corporate investment In India With Emphasis On The Implication Of The Policy Reforms Initiated In (1991) and found that the result suggest that the net impact of the reforms on corporate investment has been salutary. The adverse impact of the decline in the public investment has been outweighed by the positive effects of the decline in the cost of capital and favourable changes in investor perception brought about by the reforms. While it is not possible to generalize from a single country case, the results cast doubt on the existing cross-country evidence of a negative impact of structural adjustment reforms on private investment.

---

43 Prema Chandra Athukorala and Kunal Sen reforms and investment in India department of economics and Australia south asia research centre research school of pacific and Asian studies, the Australian national university JEL classification E22 O11 o16.
L.C Gupta again conducted a surveying (1991)\(^4\) enquiring into several aspects of individual investors. Some of the interesting findings of this survey are as follows: “Understanding Indian investors”, by Jawaharlal (1992)\(^5\) is a macro study of the factors that influence the investment decisions of the investors.

Vittas and Long (1992)\(^6\) suggest three criteria for evaluating regulation and structural which are; stability and efficiency and fairness. “How to manage your investment ‘Risks and Returns” by David L.Scott (1992)\(^7\) is a study on the choice of investments in share markets and risks involved in them.

A Study, “Trend of Domestic Savings and Investment in India” was conducted By Pyare Lal Singh (1992)\(^8\), faculty of commerce, Banaras Hindu University, Varanasi-5, 1992. It was disclosed that the Economic development of any country is generally measured in terms of National income, determined by savings and investment. In this paper, the author analysed the trend of domestic savings and investments in India. He revealed that sector-wise savings showed that during 1981-91 there witnessed a considerable increment from 6.95% to

---


30.99%. The household savings increased from 90.05% in 1981-82 to 122.99% in 1990-91. The financial assets contributed 56.08% of the total household savings in 1981-82.

L.C.Gupta Made A Household Investor Survey in April (1992). The main objective of the survey was to provide data on the investor preferences on mutual funds and other financial assets. The findings of the study are more appropriate to the policy markets and mutual funds to design the products for the future.

The issue of voluntary disclosure of information by firms with heterogeneous share holders was examined by Kim (1993). It shows that in a rational expectation setting better informed share holders prefer less disclosure than well informed share holders this is due to difference in the adverse risk showing effect and the beneficial cost saving effect of disclosure among share holders with different risk, tolerance and information acquisition cost functions.

L.C Gupta (1993) while analyzing the socio-economic profile of Indian investors concluded that the mutual fund investment has been associated with the middle class households of India.

A Trend Analysis on “Household Sector Savings in India” was conducted by G.Raju(1993) Research Scholar, Kerala University and his article appeared in Southern

49 L.C.Gupta Mutual Funds and Asset Preference (Delhi: Society for Capital Market Research and Development)


Economist, March 1993. It was pointed out that the household sector savings made a significant contribution to the gross domestic savings in India. He revealed that 82.2% of net savings was contributed by the household sector in 1988-89. The corporation of household sector savings showed that the savings in the form of financial savings increased from 8.6% in 1950-51 to 42.5% in 1988-89. The reason was mainly due to development of banking, capital market, insurance and prevailing economic policy.

S. Mahalati, V. Chari and Niketa Singh Dikhit (1993)\textsuperscript{53} presented a paper on “Investment Pattern of Retired Army Officers – A Case Study”. This paper was an attempt to find out how far an Army Officer planned for his future (after retirement) by his own savings and investments. His savings should give him a return to maintain his life style and support his children. It was found that the sources of savings were savings from salary, Provident Fund, Insurance schemes, government securities, and parental property. The investment avenues were fixed deposits, house construction, land, government securities, shares and gold. The reasons given were the financial security given by government and the need for basic need such as shelter. Gold was purchased for fulfilling social customs. It was found that investments provided them with additional income.

Swaminathan And Bhaskaran (1994)\textsuperscript{54} made an empty to focus on the implication of individual investor behavior for the pricing of close-ended funds and small firms. Specifically, they developed a two security noisy rational expectations model of close ended


\textsuperscript{54} Swaminathan and Bhaskaran,”The Implications of Individual Investors Behaviour for the pricing of close-ended funds and small firms”, Unpublished Ph.D Thesis, University of California, 1974
funds and compared their predictions to that of a model of investor sentiment. Their empirical test examined the time series implications of the two models. The results indicated that discount forecast small firm returns. They also showed that the forecasting power of discounts was not related to that of any known fundamental forecasting variable. This evidence of the pricing of close end funds and small firms and suggests that there may be sentiment related variation in small firm expected returns.

In the paper on the speed of adjustment of prices to private information in Rozeff (1995)55 explore how quickly stock raises adjust to private information, the results of the study indicate that on an average of 85% to 88% of the private information, the informed trader has at the beginning of each trading day, it incorporated into price by the end of the day. The stock of private information decays quickly, prices adjust to private information rapidly adjustment rate of the prices to private information are slightly lower for over the counter stocks relative to exchange listed stocks and slightly faster for stocks with higher average daily trading volume.

A survey of ownership of shares in joint stock companies and of government securities made towards the close of 1954 by RBI (1955) found that 91.5% of the share holding was accounted for by salaried persons.

An article on “Investment – Mind the Risk” highlighted the relationship of risk and return. Investors desired perfect safety of capital, highest possible income and the highest and quickest capital appreciation. But risks were inevitable and were of four basic types such as

business risks, valuation risks, political risks and risk associated with error of judgment. So
the investor should be cautious in all cases.

Gokhran.S (1996)\textsuperscript{56} made an assessment of the reforms in the capital market in Indian
using conceptual framework on the theory of regulation and new political economy. He used
Tobin’s (1984) formal definition of financial market efficiency in terms of information
arbitrage efficiency, fundamental valuation efficiency full insurance efficiency and functional
efficiency, where a perfect market does not need regulations. To asses the impact of the
reforms, relevant market indicators were seen, before and after a particular reform to make an
elevation. The reforms were examined from the following points of view viz., regulatory
effectiveness, competitive condition, information, transaction costs and restriction on
speculations. In an overall assessment, it was indicated that the logical sequence of the
reforms was going in the right direction beginning with consolidation of regulatory authority
followed by dealing with the forces that causes market failures, weak competition
asymmetric information and high transaction costs. The downside of the reforms was firstly
a lack of fixed term of appointment for the head of Securities and Exchange Board of India
(SEBI) leaving it vulnerable to interest groups. Secondly, persistence of non competitive
market structure causing price distortion and misallocation of resources, and thirdly listing
requirement allowing easy entry for public issues, the latter needing a revision of listing
criteria in a major stock exchange.

\textsuperscript{56} Gokhran.S Indian Capital Market-An Assessment Economic and Political Weekly Vol 31
No.15 April 1996 pp 965-961.
L.C. Gupta (1996)\textsuperscript{57} makes a critical evaluation of Securities and Exchange Board of India (SEBI) effectiveness as a regulatory authority. His work addressed broadly four areas:

1. The progress problems of assuring fairness to investors
2. The regulatory policy regarding speculation
3. Regulatory problem concerning new issues
4. Problems of government level of SEBI

Gupta cites a report of the society for capital market research (1994-95) which indicates that 85\% of the respondents were of the view that the SEBI was unable to provide the requirement protection to the investor. The main source of the complaint were the manipulation of price or what is known as price rigging, and secondly the lack of transparency in terms of client-broker relationship especially system of sub brokers who continue to remain outside the preview of any regulation, is also indicated as a serious setback to transparency in the market transactions and investor protection. Gupta points out that the entrance of uninitiated inadequately informed speculators with punter mentality who being prone to noisy dealings, were bringing down the existing levels of efficiency in the market. He also referred to the disclosure and investor protection guidelines which in his opinion are confusing requiring repeated classification which was a costly exercise in terms of regulatory costs and also counter productive as it gives enough scope for non compliance. With regard to the government of the SEBI, Gupta features that there may be evidence of the theories of the predatory regulator prevailing within SEBI due to a lack of coherence in the management of the governing board of SEBI.

Malkiel B.G. (1996)\textsuperscript{58} when analyzing the tolerance of individuals suggested that the investment choice must be keyed to two considerations, namely, a person’s capacity to bear risk and a person’s attitude towards risk.

Stephen Morris (1996)\textsuperscript{59} in his article entitled Speculative Investor Behaviour and Learning says as traders learn about the true distribution of some assets, dividends a speculative premium occurs as each trader anticipates the possibility of re-selling the asset to another trader before complete learning has occurred. Small differences in prior beliefs lead to large speculative premiums during the learning process. This phenomenon helps explain a paradox concerning the pricing of initial public offerings. The result casts light on the significance of the common prior assumption economic models.

V. Pattabhi Ram (1996)\textsuperscript{60}, Chartered Accountant in his article “Investment Potpourri”, explained how-Indian investors were confused in making investment decisions. He suggests how investors should rank their investments by taking into consideration the effect of tax laws on the income. He points out that Sec.10, Sec.80c and Sec.88 provides tax exemptions and rebates which are to be considered by an investor before making decisions.

\textsuperscript{58} Malkiel B.G. A Random Walk-Down Wall Street 6\textsuperscript{th} Edition, New York WW Norton 1996


Gordon J.Alexander, Jonathan D.Jones and Peter J.Nigro (1997)\textsuperscript{61} analyses the various characteristics and investment knowledge of investors in a telephonic survey of 2000 mutual fund investors. Results shows that the overall investors are knowledgeable about cost risks and returns associated with mutual funds. The result suggested that there is no much room for improved in investor education for a larger segment. Edward S.O. Neal (2002)\textsuperscript{62} evaluated the performance of selected mutual funds from 1999-2001 and the implications of the dividend policy was correlated with the performance of the mutual fund.

T. Freeda (1998)\textsuperscript{63} in her thesis “A Study on the saving and investment habits of working people in Coimbatore town” brought out the fact that the most highly regarded form of investment among the people was investment in bank which ranked 90%, other important saving outlets according to opinion expressed are investments in household assets, 89% investment in gold, and silver 87%. Investment for the purpose of payment to life Insurance and provident fund 86%, investment in Post Office and National Plan Certificate 83%. 75% considered investing their money in business as being more profitable and 71% considered savings in education.


Rohini Jayakar (1999)\textsuperscript{64} in her article ‘Investing for Tomorrow’ suggests investment avenues and tips to investors. As the budget 1999 provided tax concessions for mutual funds of sectors like InfoTech, Pharmaceuticals and FMCG, investments could be beneficial. The launch of gold denominated funds and schemes could make the outlook brighter. With income-tax rates falling steadily, investment is an insurance policy as a tax-saver was less attractive. Investors could make use of tax exempt investments under sec.10 and sec.80C of income Tax Act.

Shah, Ajay (1999)\textsuperscript{65} presented a comprehensive assessment of the impact of reforms measures introduced in the Indian capital market in the nineties and concluded that developments like sharp reduction in transaction costs, enhanced liquidity reduced leverage and evidence of superior information processing by the market agents contributed to greater efficiency in the market.

R.H.Patil, The Capital Market in 21 Century (2000)\textsuperscript{66} noted that exchanges as we understand them today may not be in there about two decades. The first major transformation is growing cross country listings. The other major development related to mergers and strategic partnerships among stock exchanges of different countries. The sum total of the development will be the emergence of large global exchange beyond the regulatory purview of any national regulator. One should not thus rule out the emergence of international organization such as WTO for maintaining law and order in global capital market.

\textsuperscript{64} Rohini Jayakar, “Investing for Tomorrow”, Business Today, May 22, 1999


Russ Wermers (2000), in the article entitled Mutual Fund Performance: An Empirical Decomposition into Stock Picking Talent Style Transactions Costs and Expenses used a new database to perform a comprehensive analysis of the mutual fund industry. He found that funds hold stocks that outperform the market by 1.3 per cent per year, but their net returns underperform by one per cent of the 2.3 per cent difference between these results, 0.7 percent is due to the underperformance of non stock holdings, whereas 1.6 percent is due to expenses and transaction costs. Thus, funds pick stocks well enough to cover their costs. Also, high turnover funds beat the Vanguard index 500 fund on a net return basis. Our evidence supports the value of active mutual fund management.

Malcolm Baker And Jeffrey Wurgler (2000), in the article entitled, The Equity Share in New Issues and Aggregate Stock Returns says that the share of equity issues in total new equity and debt issues is a strong predictor of U.S stock market returns between 1928 and 1997. In particular, firms issue relatively more equity than debt just before periods of low market returns. The equity share in new issues has stable predictive power in both halves of the sample period and after controlling for other known predictors. The authors do not find support for efficient market explanations of the results. Instead, the fact that the equity share sometimes predicts significantly negative market returns suggests inefficiency and that firm’s time the market component of their returns when issuing securities.


Pradap Kar (2000)⁶⁹ and others have estimated that only 9% of the Indian households invest in shares, around 12% invest in mutual funds and concluded on certain investment attributes. They concluded that unless the needs of the investors are critically examined and identified, their savings cannot be transformed into productive capital.

A Consulting Firm—Praxis of Delhi (2000)⁷⁰ on analyzing the pattern of response to the public issues of different companies concluded that, of the four metros Mumbai ranked first with 66.53% response to equity and hybrid issues in 1999-2000. Chennai accounted only for 2.07% and it is an indication that Chennai investors are risk averse.

Surinder Pal Singh (2000)⁷¹, Chief Executive Engineer, Financial Focus, a Delhi based consulting and share brokerage firm in his article “Risk tolerance is a function of individual’s psychological make-up”, described the impact of Risk Tolerance in investment decisions. The investments strategy should be chosen according to the risk preference of the individual. A risk average investor would choose a combination of current income and capital preservation strategy. A more risk tolerant investor would choose a combination of current income and total return strategy.

---


Peter Blair Henry (2000)\textsuperscript{72} in the article entitled Stock market liberalization economic reform and emerging market equity prices observes that stock market liberalization is a decision by a country’s government to allow foreigners to purchase shares in that country’s stock market. On average a country’s aggregate equity price index experiences abnormal returns of 3.3 percent per month in real dollar terms during an eight-month window leading up to the implementation of its initial stock market liberalization. This result is consistent with the prediction of standard international asset pricing models that stock market liberalization may reduce the liberalization country’s cost of equity capital by allowing for risk sharing between domestic and foreign agents.

James P. Weston, (2000)\textsuperscript{73} Competition on the NASDAQ and the Impact Of Recent Market Reforms. This paper examines the effect of recent market reforms on the competitive structure of the NASDAQ. The results show that changes in inventory and the information costs cannot explain the post reform decrease in bid-ask spread. This is interpreted as evidence, that the reforms have reduced NASDAQ dealers’ rents. Additionally, it is found that the difference between NYSE and NASDAQ spreads have been greatly diminished with the new rules. Further the reforms have resulted in an exit \textit{ceteris paribus}, from the industry for market making. Overall the results provide strong evidence that the reforms have improved competition on the NASDAQ.

\textsuperscript{72} Peter Blair Henry in the article Entitled Stock Market Liberalization Economic Reform and Emerging Market Equity Prices the Journal of Finance Volume 55 issue 2 April 2000 Page No 529-564

Robert M. Conroy and Others (2000)\(^{74}\) in their study on US stock prices, find evidence of mean reversion over long horizons is mixed possible due to lack of a reliable long time series. Using additional cross-sectional power gained from national stock index data of 18 countries during the period 1969 to 1996. They find strong evidence of mean reversion in relative stock index prices. The findings simply a significantly positive speed of reversion with a half life of three to three and half years. This result is robust to alternative specifications and data. Parametric contrarian investment strategies that fully exploit mean reversion across national indexes outperform buy and hold and standard contrarian strategies.

Ronald Balvers (2000)\(^{75}\), and others in the article entitled, “A Test of The Relative Pricing Effects of Dividends and Earnings Evidence From Simultaneous Announcements In Japan” studied the pricing effects of dividend and earning announcements by taking advantage of the unique setting in Japan where managers simultaneously announce the current year’s dividends and earnings as well as forecast next year’s dividends and earnings defining surprises as deviations from analysts forecasts, he finds that share price reactions are significantly affected by earnings surprises, especially management forecasts of next year’s earnings, the information content of dividends is marginal and is restricted to announcements of next year’s dividends consistent with Modigliani and Miller’s dividend irrelevance proposition, current dividend surprises have no material impact on stock prices in Japan.


David Hirshleifer (2001)\textsuperscript{76} in his article entitled Investor Psychology and Asset Pricing, the basic paradigm of asset pricing is in vibrant flux. The purely rational approach is being subsumed by a broader approach based upon the psychology of investors. In this approach, security and expected returns are determined by both risk and wrong valuation. This survey sketches a framework for understanding decisions biases, evaluates the prior arguments and the capital market evidence bearing on the importance of investor psychology for security prices, and reviews recent models.

B.Karthikeyan (2001)\textsuperscript{77} has noticed a significant difference among the four age groups in the level of awareness for KVP, NSS, DSRE and the over all score confirmed that the level of awareness among the old age group investors was higher than the young age group investor. No difference was observed between male and female investors except for the scheme NSS in the semi urban area and KVP in the urban area. There was no clear pattern to claim that higher education implies greater awareness among investors. However differential awareness was observed among education categories.

R.H.Patil(2002)\textsuperscript{78} in his article entitled “Reforming Indian Debt Market”, observes while equity markets in India have got radically transformed since the year 1991-92 securities scam, the government securities market have not changed, expect that the RBI has significantly improved the settlement process. Recognizing the need for introducing

\textsuperscript{76} David Hirshleifer in His Article Entitled Investor Psychology and Asset Journal of Finance Vol 56 Issue 4 August 2001 Pp 1533-1597.


transparency and to reform the secondary market in the government securities and money market instruments the RBI soon operationalise the Negotiated Dealing System (NDS). Simultaneously the Clearing Corporation of India (CCIL) promoted by major banks financial institutions and primary dealers will be a key market infrastructure to significantly improve market efficiency and integrity. Together with NSD, CCIL will introduce major reforms in the government securities and money market function today.

T.G. Arun & J.D. Turner (2002)\textsuperscript{79} “Financial Sector Reforms in Developing Countries: The Indian Experience”. This study is based on the premise that the success or failure of financial sector reforms, depends heavily on country specific factors and makes an attempt to examine these factors in the Indian context. The financial sector reform analyzed in this paper includes the deregulation of interest rates, increasing competition and foreign ownership and the introduction of financial supervision. They argue that an economic rationale for a gradualist approach to financial reform is that it is stability enhancing. Furthermore they suggested that India’s complex political economy has resulted in a gradual approach to reform and this approach has been successful along the dimension of banking stability.

Shreeya Pattanaik (2002)\textsuperscript{80}, ‘The state of Indian stock market under liberalization’ discusses the working of Indian Stock Market (ISM) from both qualitative, quantitative and perspectives so as to find out how far the goal of liberalization policy has been achieved. In particular, it studies whether and how far the ISM is characterized by volatility. Among other


things, it finds that A) the ISM is still speculative, volatile, and riddled with certain
drawbacks, B) the share price behaviour in India, particularly short-term one cannot be
explained in terms of economic fundamentals, C) the state ISM can hardly be said to be a
barometer of the state of the Indian economy, D) hyper liquidity on the secondary market
does not necessarily ensure a vibrant new issue market and E) a significant negative
relationship between the rate of interest and stock market variable is absent.

S.Balaji Iyer and R.Kumar Shaskar (2002)\textsuperscript{81}, Investors’ Psychology – A Study Of
Investor Behaviour In The Indian Capital Market. In the chaos of the Indian stock markets
world, over display tremendous uncertainty, volatility and unpredictability. Rooted as the
valuation of stocks may be in their own fundamental strength, their value in the ultimate
analysis is determined by market participants. This study intends to provide an insight into
the workings of an investor’s mind. It examines various aspects of individual and mass
psychology. It identifies factors behind valuation fundamental mismatch. In a market like
India, where the quest for transparency and efficiency is still on, various intriguing, valuation
discordance form the highlights of the study. It also seeks the views of various market
participants and incorporates them into the study, the study identifies the whole gamut of
investor’s psychology and the resultant behaviour in stock markets in general, with particular
reference to India.

Shlomo Benartzi and Richard H.Thaler (2002)\textsuperscript{82} how much is investor autonomy
worth? It was stated that there are worldwide trends towards defined contribution savings

\textsuperscript{81} S. Balaji Iyer And R Kumar Shaskar, “Investors’ Psychology – A Study of Investor Behaviour in The Indian

\textsuperscript{82} Shlomo Benartzi and Richard H.Thaler, How Much is Investor Autonomy Worth? Journal of Finance Vol 57
Issue 4 August 2002
plans, where investors are often able to select their own portfolios. How much is this freedom of choice worth? We present retirement investors with information about the distribution of outcomes they could expect to obtain from the portfolios they could expect to obtain from the portfolios they picked for themselves, and the same information for the median portfolio selected their peers. A majority of the survey participants actually prefer the median portfolio to the one they picked for themselves. The authors investigate various explanations for these findings and offer some evidence that the results are partly attributable to the fact that investors do not have well-defined preferences.

R.Gaston Gelos and Shaang- Jin Wei (2002) in the article entitled Transparency and International Investors’ Behaviour does country transparency affect portfolio investment? The authors examine this and related questions using some new measures of transparency and a unique micro dataset on international portfolio holdings. They distinguish between government and corporate transparency. There is clear evidence that international funds invest systematically less in less transparent countries. On the other hand, herding among funds tends to be more prevalent in less transparent countries. There is also some evidence that during crises, funds flee non-transparent countries by a greater amount.

Paul Brockman and Dennis Y.Chung (2003) in their article entitled Investor Protection and Firm Liquidity: The purpose of this study is to investigate the relation between


investor protection and firm liquidity. It is conclude that less protective environments lead to wider bid-ask spreads and thinner depths because they fail to minimize information asymmetries. The Hong Kong equity market provides a unique opportunity to compare liquidity costs across distinct investor protection environments, but still within a common trading mechanism and currency. The empirical findings verify that firm liquidity is significantly affected by investor protection. Regression and matched-sample results show that Hong Kong based equities narrower spreads ad thicker depths than their chin based counterparts.

Randi Naes and Johannes Atle Skelto (2003) in their article entitled Strategic Investor Behaviour and the Volume – Volatility Relation in Equity Markets examined the Volume – volatility relation using detailed data from a limit order driven equity market. Estimates of the intra day slope of the demand and supply schedules of the order book are found to capture regularities in spreads, trade size and submission strategies which are believed to be related to asymmetric information. On daily level, the order book slope should also capture differences in dispersion of beliefs about stock values. The relationship between their daily slope measure and the contemporaneous volatility across companies and time supports models where strategic trading and dispersion of beliefs increase both volume and volatility.

---

Warren Bailey and others (2003)\textsuperscript{86} in his article entitled Regulation Fair Disclosure and Earnings Information: Market Analyst and Corporate Responses: with the adoption of regulation fair disclosure (Reg FD), market behaviour around earnings release displays no significant change in return volatility (after controlling for decimalization of stock trading) but significant increase in trading volume due to difference in opinion. Analyst forecast increases in other measures of disagreement and difference of opinion suggest greater difficulty in forming forecasts beyond the current quarter. Corporations increase the quantity earning. Thus, Reg FD seems to increase the quantity of forming available to the public while imposing greater demands on investment professionals.

Mani Shanker Aiyer(2003)\textsuperscript{87} Stock Market Scam And UTI Imbroglio- JPC Report X Rayed: the issue dealt with in the report of the joint parliamentary committee pertain to the ‘persistent and pervasive’ failure of the key regulators to perform their duties and the failure of governance pertaining to the failure of the ministry of finance to perform its duties they also include the failings of the departments of government and regulator as well as the investigative agencies(CBI enforcement directorate etc.,) which fall directly under the Prime Minister.

Cheol S. Eun and Sanjiv Sabherwal (2003)\textsuperscript{88} in his article entitled Cross Border Listings and Price Discovery: Evidence from U.S Listed Canadian Stocks examined the


\textsuperscript{88} Cheol S. Eun and Sanjiv Sabherwal, “Cross-Border Listings and Price Discovery:
contribution of cross listings to price discovery for a sample of Canadian stocks listed on both the Toronto stock Exchange and a U.S exchange. They find that prices on the TSE and U.S exchange are co-integrated and mutually adjusting. The U.S share of discovery ranges from 0.2 per cent to 98.2 per cent, with an average of 38.1 per cent. The U.S share is directly related to the U.S. Share of trading and to the ratio of proportions of informative trades on the U.S exchange and the TSE, and inversely related to the ratio of bid ask spreads.

Jos Van Bommel (2003)\(^{89}\), in his study entitled Rumours; A Kyle (1985) model with private information diffusion is used to examine the motivation to spread stock tips. An informed investor with limited investment capacity spreads imprecise rumors to an audience of followers. Followers trade on the advice and move the price. Due to the imprecision of the rumor, the price overshoots with positive probability. This gives the opportunity to trade twice:, first when he receives information, then when he knows the price to be overshooting. In equilibrium, rumors are informative and followers increase their profits at the expense of uninformed liquidity traders.

Harjeet S. Bhabra Richard H. Pettway(2003)\(^{90}\), in their article entitled, “IPO Prospectus Information and Subsequent Performance” found that initial public offerings under perform in the long run; however, there is very little evidence on their cross sectional variation. Using a random sample of IPO’s from 1987 through 1991 and gathering their


prospectus data, they show that financial and operating characteristics as well as offering characteristics have a limited relation with the one year stock returns. They also find that firms that subsequently reissue equity or merge outperform their matched firm benchmarks over three years. Underperformance is most severe for the smaller and younger firms. They find that prospectus information is more useful to predict survival failure compared to subsequent equity offerings or acquisitions.

Benzamin C. Ayers (2003)\(^91\) in his article entitled Shareholder Taxes In Acquisition Premiums: The Effect Of Capital Gains Taxation exploit cross temporal differences in capital gain taxes are associated with higher acquisition premium for taxable acquisitions. They model acquisition premium as a function of proxies for the capital gains taxes of target shareholders, taxability of the acquisition, and tax status of the price setting shareholder as represented by the level of target institutional ownership. Consistent with a lick in effect for acquisition premiums, results suggest a unique positive association between shareholder capital gains taxes for individual investors and acquisition premiums for taxable acquisitions, which is mitigated by target institutional ownership.

Aigbe Akhigbe (2003)\(^92\) “Does An Industry Effect Exist for Initial Public Offering the study examines the impact of initial public offerings on rival firms” finds that the valuation effects are associated with IPO in regulated industries and the first IPO in an industry

---


following a period of dormancy. Significant negative industries, those in relatively risky industries, those in high performing industries, and those in the technology sector. IPO firms that use the proceeds for debt repayment appear to represent a more significant competitive threat to rival firms relative to IPO firms that use their proceeds for other purposes.

Sanjay K Hansda and Partha Ray (2003), Stock Market Integration and Dually Listed Stocks-Indian ADR and Domestic Stock Prices, In search of the micro foundation of the commonly held view of a dominant NASDAQ and satellite Bombay stock Exchange (BSE), the study looks into the price interdependence of 10 Indian companies, which have floated American Depository Receipts (ADR). The strong correlation between the prices of the dually listed stock is corroborated by the finding of a bi-directional causality in a vector auto regression model. The competing domestic stock exchange, National Stock Exchange (NSE) too is found to share the same bi-directional relation scrip wise, with the NASDAQ New York Stock Exchange. Furthermore, the impulse response pattern indicates that a positive shock in the domestic (international) price of scrip gets transmitted in terms of a strong positive movement in the international (domestic) price the very next day. Thus, the quotes of both the market share not only stock wise bidirectional causality, but markets also are efficient in processing and incorporating the pricing information.

Jan Du (2004), Financial Integration for Indian Stock Market, A Fractional Co-integration Approach, noted that the Indian stock market is one of the earliest in Asia being

---


in operation since 1875, but remained largely outside the global integration process until the late 1980s. This paper empirically investigates the long run equilibrium relationship and short run dynamic linkage between the Indian stock market and the short run dynamic linkage between the Indian stock market and the stock markets in major developed countries after 1990 by examining the Granger Causality relationship and the pair wise, multiple and fractional co-integrations between the Indian stock market and stock markets from these three developed markets. Indian stock market is integrated with nature markets and sensitivity to the dynamics in these markets in the long run, in the short run, both US and Japan, Granger causes the Indian stock market but not vice versa. Further it is found, that Indian stock index and the mature stock indices form fractionally co-integrated relationship in the long run with a common fractional, non stationary component and find the Johansen method is the best to reveal their co-integration relationship.

Jaspal Singh and Subbash Chander(2004)\textsuperscript{95}, “An emphatically analysis of perception of investor towards mutual funds”. This papers attempts to study the perception of investors towards mutual funds that have crossed ` 1,20,000 crores mark by November 2002 and analyzing the reason for withdrawal and or not investing anymore in mutual funds. Investors perception regarding day to day disclosure of net asset value by the funds and provision for more tax relations on investment in mutual funds by the government have emerged as important requirements for the investors and the reason of ineffectiveness of controlling bodies like SEBI and others that resulted in investors disillusionment as regard mutual funds investment has emerged as one of the major reasons of withdrawal from mutual funds. The

funds have under performed as against expectation and the management has been inefficient, there by discouraging investors to keep their savings perked in mutual funds.

Chiraphol N.Chiyachantanat (2004)\textsuperscript{96}, the Impact of Regulation, Fair Disclosure on Information Asymmetry and Trading: An Intraday Analysis. This study examines the impact of regulation fair disclosure (FD) on liquidity, information asymmetry and institutional and retail investors trading behaviour. The main findings suggest three conclusions. First regulation FD has been effective in proving quality and in decreasing the level of information asymmetry. Second retail trading activity increases dramatically after earnings announcements but there is a significant decline in institutional trading surrounding earnings decline in information asymmetry around earnings announcement period. Last the decline information asymmetry around earnings rate in the pre-announcement period and more active trading of retail investors after earnings releases.

Dennies J. Whalen & Charles D. Collver (2004)\textsuperscript{97}, Informed Trading around Earnings Announcements: another look this study is an empirical test of the Easley, Hara, and Srinivas (1998) multi market sequential trade model of stock and option markets. They employ two approaches to determine the information content of signed stock and option trades executed around quarterly earnings announcements. The first approach expands the vector auto regression technique of Hasbrouck to include signed option trade volumes and inter trade


durations. Estimates from the VAR model provide insight into whether both equity and option trades are viewed ad informative by the equity specialist. The second approach focuses on the information content of the earnings releases to determine whether signed equity and option trades executed prior to the announcements are informed. Results indicate that although informed traders prefer to transact in both markets around earnings announcements, option market transactions contain no incremental information.

Shane A. Corwin and Others (2004)\textsuperscript{98} in the article entitled The Development of secondary market Liquidity for NYSE Listed IPO’s studied the NYSE listed IPO and found that limit order submissions and depth relative to volume are unusually low on the first trading day. Initial buy side liquidity is higher for IPO with high quality underwriters’ large syndicates, low insider sales, and high pre market demand, while sell side liquidity is higher for IP that represent a large fraction of outstanding shares and have low pre market demand. Their results suggest that uncertainty and offer design affect initial liquidity, though order flow stabilizes quickly. They also find that submission strategies are influenced by expected underwriter stabilization and pre opening order flow contains information about both initial prices and subsequent returns.

Tomas Dvorak (2005)\textsuperscript{99} in his article entitled Do Domestic Investors has an Information Advantage? Evidence from Indonesia, using transaction data from Indonesia,


shows that domestic investors have higher profits than foreign investors. In addition clients of

global brokerages have higher long-term and smaller medium (intra month) and short (intra
day) term profits than clients of local brokerages. This suggests that clients of local brokerages have short – lived information advantage, but that clients of global brokerages are better at picking long-term winners. Finally, domestic clients of global brokerages have higher profits than foreign clients of global brokerages, suggesting that the combination of
local information and global expertise leads to higher profits.

The seminar On Expanding Access to The Securities Market(2005) \(^{100}\) was focused on
the issue of expanding access to the securities market the benefits of engaging in securities
market and the recent initiatives of the government and apex institutions was traced using this
background the presentation outlined at twin fold approach regulatory and operational to
address the issue of access and the need to identify/create surrogates organization(individuals) who can facilitate and enable the development of this new set of
investors.

SEBI in Asociation with National Council of Applied Economics Research (NCAER)
(2005) \(^{101}\) conducted a survey of Indian investors in 1998-99 and then followed it up in 2000-
01.The survey of 2000-01 was based on a sample of 2, 88, 081 geographically dispersed rural
and urban areas. The findings of this survey were released in September 2003. The survey
estimated that a total of 13.1 million or 7.4 per cent of all Indian household totaling 21
million individuals directly invested in equity shares or debentures or both.

\(^{100}\) “Expanding Access to The Securities Market” – G N Bajpai, Former Chairman, SEBI,
5-Aug-05

\(^{101}\) Indian Securities Market – A Review Vol Viii, 2005, Pp7-8
Rene M. Stulz (2005)\textsuperscript{102}, in his article entitled, The Limits Of Financial Globalization: Despite the dramatic reduction in explicit barriers to international investment activity over the last 60 years, the impact of financial globalization has been surprisingly limited. It is argued that country attributes are still critical to financial decision-making because of twin agency problems that arise because rulers of sovereign states and corporate insiders pursue their own interest at the expense of outside investors. When these twin agency problems are significant, diffuse ownership is inefficient and corporate insiders must co-invest with the other investors, retaining substantial equity. The resulting ownership concentration limits economic growth financial development and the ability of a country to take advantage of financial globalization.

Joshua S.W. Bhuny (2005)\textsuperscript{103}, The Response of Indian Stock Market to Movement of Asia’s Emerging Markets from Isolation towards Integration? This paper investigates the existence of independence between the Indian stock market (ISM) and Asia’s emerging markets since 1990. This study analyses whether the MSCI Asian index has significantly influenced the Bombay stock exchange index during and after the Asian financial crisis. To address this issue the author first uses a rolling correlation and conduct unidirectional and bi directional causality tests using a granger causality test. Then the author examines impulse response functions and variance decompositions of forecast errors based on a VAR model. These tests provide evidence that the influence of the Asian market on the Indian market has


\textsuperscript{103} Joshua S.W. Bhuny, “The Response Of Indian Stock Market To Movement Of Asia’s Emerging Markets from Isolation towards Integration” Finance India Vol Xix No 3. Sep 2005 P 937,
increased during and after the Asian financial crisis. He interpreted these results as evidence that the Indian market is moving towards integration with other Asian markets. He concludes that the influences of the Asian markets on the movements in the ISM has been raising since periods during and after the crisis.

J. Dennis Rajakumar (2005)\textsuperscript{104} in Corporate Financing and Investment Behaviour In India noted that financial sector reforms were an integral part of economic reforms initiated since 1991 with a view to make the various segments within the financial system more efficient and complement to market-based decision making in the real sector. The financial sector reforms in effect should improve the rate of capital formation and thereby foster economic growth of the various reform measures. He noticed that the greater emphasis was placed on broadening of the equity market with the removal of control over terms and pricing of capital issues. He also observes that changes in the corporate financing pattern initiates a movement towards greater equity financing. However contrary to expectation the desired impact on investment, on the other hand this change in financing practice seems to have been more of a drag on investment.

Priya Basu (2005)\textsuperscript{105}, India’s financial sector recent reforms future challenges assesses progress with financial sector reforms over the past decade in India and analyses the new challenges that confront India’s policy makers and financial regulators with regards to sustainability of growth and poverty reduction highlights an extensive reform agenda


\textsuperscript{105} Priya Basu, “India’s Financial Sector, Recent Reforms, Future Challenges”, Macmillan, 2005
pointing for the need for a progressive reduction in fiscal deficits future developing capital markets and improving access to finance for the underserved.

Richard S. Dale (2005)\textsuperscript{106}, Financial Markets Can Go Mad: Evidence of Irrational Behaviour during the SOUTH Sea Bubble, This paper explores investor behaviour the South Bubble, the first major speculative boom and bust on the stock markets. Previous literature databases whether investors during this episode acted rationally. Newly acquired data involving parallel markets for the South Sea Company’s stock and subscription receipts are analyzed, and widening valuation gaps are observed between these substitutable financial instruments. Rational explanation do not prove adequate the anomalies are explained by the biased decision-making of investors, and their tendency to view financial markets as wagering markets. The implication of the findings for the current debate on rationality in financial markets is identified.

P.K. Muthappan (Sep2006)\textsuperscript{107} in his article titled “Factors Influencing mutual fund Investment Decision making”, studied factors that influenced the mutual fund investment decision making among the investors. The various factors influencing the selection of the mutual fund such as track record of the mutual fund, efficient service, degree of transparency, high return, reputation of the mutual fund, easy acceptability, good infrastructure and low cost of service were analyzed by using Garret’s ranking technique.


There are certain negative factors and forces that discourage and forbid investment in mutual funds in India. It is observed that fear of fraud was most discouraging factor and ranked as first followed by lack of investor education, lack of professionalism in management of funds, portfolio manipulation, reckless management of funds, on compliance of the objectives of the schemes and poor grievance handling mechanism.

Minir Rakshit (2006)\textsuperscript{108} ‘On Liberalization Foreign Institutional Investment’ criticizes the approach and recommendation of the 2004 Government of India expert group on foreign institutional investment flows. The group’s approaches raise several important analytical and policy issues. The most crucial of these relate to effects of FII flows on 1. Aggregate and sectoral investment 2. Behaviour of financial, including foreign currency markets with special references to their volatility, and 3. Efficiency of fixed and monetary instruments in attaining the objectives of macro stabilization and growth. The article examines the macroeconomic impact of FII flows in the light of the Indian experience, and draws some policy conclusions regarding the role of such flows. It also addresses the issue of volatility in the Indian context. It finds that there is no coherent macroeconomic model behind the expert groups analysis and recommendations; no appraisal either of the optimal scale of capital inflows or the relative merit of FII vis-à-vis other categories of capital receipts at the current juncture of the economy and no examination of monetary/fiscal problems associated with FII or of the quantitative impact of such flows on investment and other macro variables.

C.P Chandrasekhar, and PrathratimPal,(2006)\textsuperscript{109} In ‘Financial Liberalization In India’ noted that, the Indian experience with reforms in the financial sector indicates that’s, inter alias, these are the important outcomes of such liberalization. First, there is increased financial fragility, which the irrational boom, in India’s stock market, epitomizes. Second, there is a deflationary macroeconomic stance, which adversely affects public capital formation and the objectives of promoting employment and reducing the poverty. Finally, there is a credit squeeze for the commodity producing sector and decline in credit delivery to rural India and small scale industry. The belief that the financial deepening that results from liberalization would in myriad ways neutralizes these effects has not been realized.

R.H Patil, Current State of the Indian Capital Market (2006)\textsuperscript{110}, stated that, in the early 1990s, India figured low in the global ranking of the state of capital market. The adoption of sophisticated IT tools in trading and settlement mechanisms has now placed India in the lead. The National Stock Exchange has played an important role in this transformation. Shorter settlement periods and dematerialization have been other major developments. But all is not entirely positive. The introduction of individual stock further poses a major risk; so also the large inflow of funds through participatory notes.

Mark Loewenstein and Gregory A. Willard (2006)\textsuperscript{111} in the article entitled The limits of investors behaviour: “Many models use noise trader risk and corresponding isolations of


\textsuperscript{111} Mark Loewenstein and Gregory A. Willard, “The Limits Of Investors’ Behaviour” Journal of Finance Vol 61 Issue 1 February 2006 Pp231-258
law of one price to explain pricing anomalies but include a storage technology in perfectly elastic supply or unlimited asset liability. Storage allows aggregate consumption risk to differ from exogenous fundamental risk but using aggregate superfluous. Using (i) limited asset liability and limited storage withdrawals, or (ii) an endogenous locally risk less interest rate eliminates violations of the Law of one price. The main result use only budget equations and market clearing and require virtually no assumptions about behaviour.

Rafael Porta (2006)\(^{112}\) and others in their article entitled what works in securities laws? Examined the effects of securities laws on stock market development in 49 countries and found little evidence that public enforcement benefits stock markets, but strong evidence that the laws mandating disclosure and facilitating private enforcement through liability rules benefit stock markets.

Francesco Franzoni and Jose M. Marin (2006)\(^{113}\) in the article entitled, Pension Plan Funding and Stock Market Efficiency, argue that the market significantly overvalues firms with severely underfunded pension plans. These companies earn lower stock returns than firms with healthier pension plans for at least 5 years after the first emergence of the underfunding. The low returns are not explained by risk, price momentum, earnings momentum, or accruals. Further the evidence suggests that investors do not anticipate the impact of the pension liability on further earnings, and they are surprised when the negative


implications of underfunding ultimately materialize. Finally, underfunded firms have poor operating performance, and they earn low returns, although they are value companies.

V. Mohan Nayak(July 2008)\textsuperscript{114} in his article titled “Service Standards of LIC Mutual Funds: A Study”, stated that the investments in mutual funds are not a one–time activity. It is a continuous activity, the same investor if satisfied will come to company again and again and become a royal customer.

C. Gnana Design and Prabhu (August 2008)\textsuperscript{115} in their article titled “Investors Protection: Role of consumer forum”, have stated that the governments enacted Consumer Protection Act in 1986 for providing a simple, speedy and inexpensive redressed mechanism to address the grievances of the consumers which has been not only preventive in nature but also compensatory in nature. The Consumer Disputes Redressal Forum is an important and consumer friendly redressed. Every investor can easily get access to consumer forum for their investment related.

Mayank, V. Bhatt and Chetan C. Patel (September 2008)\textsuperscript{116} in their article stated that is well known that now–a-days, mutual funds are the most popular and safe parameters for investor to invest. Keeping the present and future aspects regarding the mutual fund in India, it is easily concluded that this market will give enough to an investor for long period.


Index Model is easily understood and helps investors to decide which mutual fund schemes are performing well and which mutual fund schemes are not.

G. Prabakaran and G. Jayabal (June 2009)\textsuperscript{117} have taken the following as the main objective of the study to quantify the risk tolerance of the mutual fund investors, to identify the socio-economic variables and correlate the same with risk tolerance, and to describe the overall picture on the risk tolerance of the mutual fund investors. Empirically it has been proved that the mutual fund investors are from low and moderate risk tolerant groups and the socio-economic variable do alter the risk tolerance of individual investors. The mutual fund organizations must consider these socio-economic variables of the investors that have important influence on investment decision making.

Kavitha Chavali and Shefali Jain (Feb 2009)\textsuperscript{118} analyses in their study showed the following results:

- 85 per cent of the respondents are aware of mutual funds and invest in the various instruments available in the market.

- The main motive for 50 per cent of the salaried class responds is tax minimization on the capital appreciation, 20 per cent of the responds preferred returns and 15 per cent of the responds preferred to save for post retirement requirements.


• 40 per cent of the respondents preferred bank deposit as a mode of tax saving investment as long term bank deposits are tax saving instruments. It is also one of the reasons they have a lot of faith in banks. 32 per cent of the respondents preferred government securities.

• 12 per cent of the respondents have invested in mutual funds but do not know much about how it works. They have knowledge just required for investment purposes.

• 64 per cent of the salaried class people have not invested in the equity-linked saving schemes not knowing much about its benefits.

• 53 per cent of the investors are willing to invest more in these schemes if they get complete knowledge and guidance from the companies. So efforts should be taken by companies to create awareness about these funds.

• 45 per cent of the investors select a fund based on the Net Asset Value of the fund, 40 per cent of the investors on the basis of a projected by companies and 35 per cent of them on the basis of brand name and reputation of the AMC and their track record while investing in mutual funds. 10 per cent of the respondents look only for the charges applicable like the entry and exit loads. As long as the fund is performing well and giving good returns, they are not much worried about it.

• 27 per cent of total respondents want to continue with the scheme because of the lock in period and entry loads.
Renu Jatana And Disha Rathore (Feb2009)\textsuperscript{119} studied that the performed was concerned with a initial GETFs were not that much succeed comparatively our regular mutual funds behind this the new concept of GEFT among the general investor. But as the Dollar is depreciating and Rupee getting appreciated investors are paying interest to the newer concept of as dollar factor giving tremendous jumps to their AUM as well as to their volume because dollar is negatively co-related to the gold and if US fed also continue to cut rates, gold and GEFT can give good return to investors. In March 2007 the AUM of Benchmark Gold BES was `96.2crores and in the month of Sep 2007 it was `127.17crores, nearly 33 per cent jump. The total value of the AUM of GEFT is `475 Crores as per AMFS’s data.

Hitesh S.Viramgami (Mar2009)\textsuperscript{120} in his study concluded among various sectors operating in mutual fund industry, private sector blue-chip companies like Indian oil, ONGC, SAIL, and GAIL and soon be able to invest a part of their surplus funds, estimated at around `2, 50,000 Crores in mutual funds in SEBI regulated mutual funds have opened salutary avenues for development of capital market and mobilizing savings. For their orderly growth, it should be remembered that investor’s interest should be protected and they should not be prejudiced after investments made by them. The investment, services of higher order and equity should be guaranteed besides regular, timely payment of interest and principal according to the promises made.

\textsuperscript{119} Renu Jatana And Disha Rathore,”Prospects of Gold Exchange Traded Fund in India”, Southern Economist February 1, 2009, Pp.17-20

J.N. Mukhopadhyay and Veena Viswathan (Jan-Dec2009)\textsuperscript{121} in their study stated that the last few years had been momentous for the Indian stock market with the index reaching their all times historic heights followed by sharp declines. As the small investors have low risk bearing capacity and lack the requisite expertise to directly invest in the capital market, the mutual funds were supposed to be an avenue whereby the surplus of the household sector could be diverted it all market. Furthermore, it was expected that mutual funds could with their professional management outperform the stock market while diversifying away the risk. It is observed from the analysis that during the sharp downturn in the markets from 10th May 2006 to 14\textsuperscript{th} June 2006 these same schemes not only gave negative returns but also underperformed the index. While the Nifty went down by 29.9 percent during this period, the funds from UTI, Prudential and Reliance mutual fund went down by 30.6 per cent, 30.97 percent and -34.3 per cent respectively.

RESEARCH GAP

This research could reviewed more than 120 articles related in the field of mutual fund investors and mutual funds companies. But most of the reviews are based on the performance of the mutual funds. Any one of the review and research could not related the investors’ attitude. After 2005 the mutual fund companies are increased rapidly and also increased the investors. It is a pioneer study. This topic researched first time in this area.

All these researches at the International level and at the National level shows that still there are ambiguous areas in mutual fund. There is no universally applicable techniques and hence, the researchers aimed at making an earnest attempt in analysing the investors attitude towards mutual fund in Thoothukudi district. So that, this research is very useful to the mutual fund companies and investors.
CONCLUSION

In this chapter the various literatures over a period of 30 years have been reviewed and presented. From this review, one is logically led to believe that a lot of research has been pursued in the field of mutual fund over the years. To sum up the review of literature, it may be seen that research has been pursued on various aspects of investment, such as investment experience, investor styles, investment decision factors, statistical tools used for investment strategy, regulation of financial market and so on. A lot of ground is yet to be covered in the direction of individual investor attitude in mutual fund, individual investors’ influences and factors motivating their attitude. The various changes in technology, media, communication, man’s behaviour, growth in the number of companies and the changing phase of corporate issues have all contributed to changes in the individual investment attitude and it has provided scope for research in this direction.