Chapter: 8

BIBLOGRAPHY

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8.1 BIBLIOGRAPHY

41. Kaplia, Raj and Kapila, Uma: “Banking & Financial Sector Reforms in India”.


8.2 PERIODICALS AND JOURNALS

1. Business India, Mumbai
3. Business World, Mumbai
4. Capital Market, Mumbai
7. Chartered Financial Analyst
8. Chartered Secretary, New Delhi
9. Dalal Street Investment Journal Mumbai
10. Economic & Political Weekly, Mumbai
11. Express Investment Week, Mumbai
12. Fortune India, Mumbai
13. Indian Journal of Accounting
15. Journal of Investing, New York
17. Indian Journal of Finance
20. Journal of Finance
22. Review of Financial Studies
23. The Quarterly Journal of Economics
24. The Journal of Business
25. The Journal of Political Economy
27. Journal of Applied Corporate Finance by Stem Stewart & Co.
28. Financial Management Association
29. Journal of Instructional Techniques in Finance
32. Journal of Investing
33. Journal of Investment Management
34. Journal of Performance Measurement
35. International Journal of Risk Assessment and Management
36. Global Finance Journal
37. Journal of Behavior Finance
38. Journal of Alternative Investment

**8.3 News Paper**

The Economic Times

The Financial Express

The Hindu

The Indian Express

The Times of India

The Business Standard
8.4 Web Sites

www.amfiindia.com
www.prudentchannel.com
www.sbfmf.com
www.hdfcmf.com
www.camsonline.com
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www.utimf.com
www.rbi.com
www.icicimf.com
www.franklintempleton.com
www.moneycontrol.com
www.valuereserachonline.com
www.indiainfoline.com
www.karvy.com
www.mutualfundindia.com
www.principalmf.com
www.icra.com
www.aiginvestment.co.in
www.axismf.com
www.barodapioneer.in
LIMITATIONS

Following are the limitations of the study;

- The analysis is completely based on the past performance of the schemes and does not assure any future performance.
- The research is based on the secondary data collected from the sources like fact sheets, magazine, newspaper, website etc. so, all the limitations of secondary data is applied here.
- Only equity schemes are considered for the purpose of research and hence research is completely done on equity diversified schemes and is not relevant to any other schemes.
- Time span of the study is only 6 weeks which is too short to gain all knowledge of mutual fund industry. Hence it is the limitation of the study.
- Reliability of sources could also be the limitation of the study.
5.2) RECOMMENDATIONS:

From my research I can make following recommendations,

➢ Though equity schemes provides higher return than debt and balanced fund, relying only on equity diversified schemes may sometime lead to loss of money thus some amount of fund should also be invested in other schemes. Thus the portfolio should be diversified. However over-diversification is also not beneficial as it leads to nothing. Diversification is also possible in different AMC’s along with different schemes.

➢ While making an investment only NAV of the fund should not be considered, due consideration should also be given to the future prospect of the company rather than just present performance. Also past performance and dividend history should be considered.

➢ For a person with fixed income the best option is to go for SIP (Systematic Investment Plan) as it leads to systematic and regular investment without much burden.

➢ AMC’s use NFOs to create excitement and push their fund however we may not find much difference in the existing and New Fund Offer. It is important for investor to understand that NFOs are merely marketing devices. There are number of funds that have proved their mettle and investor should opt for them because they have a track record.
Limitations of the study

Following are the limitations of this study conducted:

a) The analysis is done on the data of just two years.

b) Conclusion and analysis is done on the basis of just ten schemes of the mutual funds in the large market.

c) The statistical tools taken in the study might have compatibility problem with the mutual fund industry.

d) The conclusion is just on the basis of the statistical analysis, there are other factors influencing the mutual fund industry, for e.g. Indian economy, AMFI regulations, expense ratios, etc.

e) The data collected under the study are secondary.

Findings

16. The research conducted shows that there was totally negative return in the year 2008 as compared to expected return.

17. The scheme having more variance had more return.

18. The year 2008 had market down turn in its mid due to global economic crisis, which had affected the schemes performance.

19. The NAV of all the schemes shows that in the January 2008 they had given highest return and in December 2008 they had given the lowest return.

20. The NAV of all the schemes also shows that in December 2009 they had given the highest performance and in March 2009 they had given the lowest return.

21. The schemes had also been affected by the market’s overall performance.

22. The schemes have been judged on the basis of the financial data, so the fund managers investment style and experience has not been analyzed.
Following are the limitations of this study conducted:

f) Sample study period is just two years, which is too small to conclude the performance of the equity diversified schemes.

g) Sample size is too small; only ten selected equity diversified schemes can’t give conclusion and interpretation of whole market of mutual fund.

h) The statistical tools and financial measurement i.e. P/E ratio and P/B ratio taken in the study might not prove appropriate for the mutual fund industry of India.

i) The data collected under the study are secondary; they might be collected primarily for other purpose.

j) The data collected might have standard error and some of them were not available, the study can be biased.

k) Fund Manager invests in the different securities as per his style of investing, so one can’t conclude the fund’s performance on statistical and financial data.

Summary
The research study conducted by selecting 10 equity diversified schemes shows the overview of the mutual fund industry of India. The study is based on systematic sampling, so I would like to suggest that this study can be biased and no conclusion can be derived from this study.

Conclusion
The study conducted shows that the schemes have performed very well in the last phase of 2009 and badly in the starting phase of 2008. This study indicates that the schemes are affected by the market’s volatility and the risk bearing capacity of the fund manager.

The schemes under study are judged on the basis of beta, R2, P/E ratio, P/B ratio, NAV and return. The study reveals that SBI Magnum Midcap had given highest performance in the year 2009 and Reliance Equity fund had given lowest performance in the year 2009.
The study is done on the basis of my personal readings and judgments so it can have some lacking points as per my understanding.

**Finance Journals**

Maintained by Don Chance

Please do not email me with questions about journal quality. I will not respond to questions about journal quality. This list makes no statements with regard to the quality of any of these journals or any journals on this list.

This list contains all journals that I am aware of that academics in finance would likely use as outlets for their research. It specifically excludes economics journals except where obvious connections to banking or finance are in the title or in the content (e.g., Journal of Money, Credit, and Banking). It also includes some general journals of high quality (e.g., Journal of Business). I have also not included journals in real estate or insurance. No offense is intended, and I may add some of these later. If you know of any finance journals I should add, please send an email to dchance@lsu.edu.

Many journals have two sites, one maintained by the publisher (dealing more with promotion and subscription issues) and one maintained by the editor. Some of these links are for one type, and some are for the other. Usually you can find either from the other.

Also, some journals include the word “The” as part of their titles, such as The Journal of Finance. Others do not, such as Journal of Financial Economics. I have omitted the word “The” here as I think it is easier to find the journal title without having so many alphabetized with the letter “t.”

***ASIDE***

Before we get started, however, I would like to take this opportunity to express a beef I have with a lot of journals. We all have our complaints about rejections, but my complaint deals with the quality of the service provided by journals. Although I have no empirical evidence, I believe that the quality of the journal is highly correlated with the quality of the service provided by the editor. In other words, the crappier the journal, the poorer the service. Such editors often take the job in the hope that their department chairs and deans will be impressed. Little do the chairs and deans know about the poor quality of the journals and the bad service provided by the editors.

I propose the following code of conduct for journals and their editors.

1. The editor will promptly acknowledge all submissions, with an indication that the article is being reviewed and an estimate of the date given to the referee for expected return of the review. Email makes this easy
2. The editor will strive to find impartial referees. A referee whose own work is highly criticized or praised in the paper should be avoided.

3. The editor will contact the referee with a request for whether the referee would be willing and able to review the paper by a specific date.

4. The editor will stay abreast of the status of each paper. The author should not be required to ask the editor to follow up on a delinquent referee. If the author is willing to wait, the editor will get a new referee if necessary.

5. The editor will discount reviews that stagger in late from delinquent referees. Delinquent referees are already discredited; hence, their opinions are questionable. There may be a few circumstances in which a delinquent referee makes a valid point, but the editor must be absolutely certain that the referee is correct before giving it any weight.

6. The editor will carefully examine referee reports and will not use those that clearly indicate poor effort or hasty preparation.

7. The journal will provide an unbiased appeals process.

8. The editor will be alert to those situations in which the referee appears to have made a conscientious effort but makes no constructive suggestions. Any good editor should be able to recognize destructive suggestions and handle accordingly.

9. Articles accepted for publication will be processed in a manner befitting the significance and timeliness of the findings. The editor will not accept or even consider articles when there is an unusually large backlog unless the author is informed in advance.

10. The editor will contact authors informing them of the expected dates on which they should receive the page proofs. The authors will not receive a surprise package of proofs the day before catching a plane for a 30-day trip to the other side of the world. The author will not be made to feel that failure to return the proofs within 48 hours will result in sacrifice of his or her firstborn child.

11. The editor will disregard the affiliations of authors and referees, especially any significant differential between the quality of the two.

12. The editor will actually pay attention to the comments of referees. If none of the two or more referees recommends rejection of the article, the editor will not reject the article on this pass. If the editor rejects the article in spite of two or more good reviews, then the editor should have sent the paper back to the author (with manuscript fee) before sending it out for review. (This has happened to me twice at the same journal. Notice to "___ ___ ___" (insert journal name), I will not submit any more articles to you nor will I referee for you again.)

13. The editor will take the referee's comment "shorten the paper" with considerable skepticism, recognizing that this is the most frequent comment made by referees who either cannot come up with something substantive to say or are trying to tell the editor "I'm so smart I could see the point in half that much space." Referees who make legitimate criticisms that a paper is too long will point out exactly what sections should be deleted but few do so. While editors must be concerned about excessively long papers, they will recognize that a carefully executed and verifiable study requires that all details be revealed.
14. Another referee comment to be taken with skepticism is any comment that says that something the author did is questionable, doubtful, debatable, or wrong without explaining exactly why the referee feels this way. Referees are prone to making such off-hand remarks without explanation but in that case, the author cannot determine exactly what it is that the referee objects to.

15. The journal will keep files on individuals who have submitted or refereed for the journal. All of the above do not apply when delinquent or careless referees submit their own papers.

If you submit to a journal and find it violating the above rules, do not confront the editor. You will only lose. The editor has power, influence, and knows a lot of other editors. Instead I recommend you (1) do not submit to the journal again and (2) tell all of your colleagues (and doctoral students, if any) of this experience, encouraging them not to submit to the journal.

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OK, I've said enough. Here are the journals. (Editors: Do you see yourself in here?)

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**Active Portfolio Management**

Is a systematic and proactive approach to investment with the goal of beating the market. This strategy is based on the premise that markets are not efficient and that there is scope to earn abnormal profits through an active investment strategy.

**Annualized Return**

The return a fund would have generated over a year on a compounded basis. This method is the best
indicator to measure the performance of a fund.

**Asset Management Company (AMC)**

A Company registered with SEBI, which takes investment/ divestment decisions for the mutual fund, and manages the assets of the mutual fund. e.g. for Sun F&C mutual fund, the AMC is Sun F&C Asset Management (India) Pvt. Ltd.

**Asset Allocation**

It is the process of allocating the overall corpus to different assets like equities, bonds, real estate, derivatives etc.

**Back-end Load**

A kind of redemption charge that an investor has to pay for withdrawing his money from the mutual fund. It is basically imposed to discourage investors from exiting the fund. It is also popularly referred to as an Exit Load.

**Balanced fund**

A fund that invests substantially both in debt and equity.

**Bottom-up Investing**

It is a strategy of selecting the company for investment first and then cross checking it by evaluating factors pertaining to the industry and the economy. It is the opposite of the top-down approach to investing.

**Closed-ended fund**

A fund where investors have to commit their money for a particular period. In India these closed-ended funds have to necessarily be listed on recognized stock exchanges which provides an exit route.

**Contingent deferred sales charge (CDSC)**

An exit charge permitted under the regulations for a no-load scheme

**Continuous Offer Period**

Is the date from which the units are available for sale and repurchase at a price linked to NAV of the scheme.

**Corpus**
The total investable funds available with a mutual fund scheme at any point of time.

**Credit Risk**

It is the risk that the issuer of a fixed income security may default on payment of interest and repayment of principal. It is also referred to as default risk.

**Dated Security**

A debt instrument that is long term in nature and has a fixed date of redemption.

**Debt fund**

A fund that invests in debt securities like Government securities, Treasury Bills, corporate Bonds etc. These funds are generally preferred by investors wanting steady income and not willing to take higher risks.

**Dematerialization**

The process of converting the physical/paper shares in Electronic form. SEBI had made it compulsory to get the shares of some companies dematerialized. In this process the investor opens an account with a Depository Participant (DP) and the number of shares the investor holds is shown in this account.

**Depository Participant**

An authorized body who is involved in dematerialization of shares and maintaining of the investors accounts.

**Discount/Premium to (Net Asset Value) NAV**

It is the difference between the unit price and NAV. If the price is higher than the NAV, the units are trading at premium: if the price is lower, the units are trading at a discount.

**Diversification**

It is the investment strategy of not putting all one's eggs in one basket. By diversifying a portfolio across different industries, overall risk of the portfolio is reduced.

**Dollar Cost Averaging**

The strategy of dividing the investible amount into a number of equal parts and buying at regular intervals to take advantage of lower prices. This strategy is more beneficial in a bear phase.

**Efficient Portfolio**
A portfolio which ensures maximum return for a given level of risk or a minimum level of risk for an expected return.

**Factor Fund**

It is a mutual fund that has a core philosophy of investing in a particular factor or style in the market. They are also referred to as Style Funds. Examples of factor funds are Mid-cap funds, Low P/E funds, Growth funds etc.

**Financial Pyramid**

An investment plan in the shape of a pyramid structure where the safest investments are at the base and the riskiest investments at the peak.

**Fixed Income Security**

A type of security that pays fixed interest at regular intervals. These comprise gilt-edged securities, bonds (taxable and tax-free), preference shares and debentures. Less risky than equity shares and have little scope for capital appreciation.

**Front-End Load**

An initial amount charged by a fund for its administrative expenses or for paying commissions to brokers. If the charge is made at the termination or redemption, it becomes a back-end load.

**Gilt-edged Security**

Government securities and bonds, usually with a low interest rate. Considered safest investments, as the government security is free from default risk. Originally such certificates were edged with gold and hence the name.

**Gilt fund**

Funds that invest predominantly in government securities and treasury bills. It is good for investors who desire safety of principal and adequate liquidity.

**Go-Go Fund**

A mutual fund which invests in highly risky but potentially profitable investments. Such a fund usually has a short life.

**Equity/Growth fund**

A fund that invest primarily in equities and has capital appreciation as its investment objective
Fund Manager

A professional manager appointed by the Asset Management Company to invest money in accordance with the objects of the scheme.

Fundamental Analysis

A method of investment analysis based on the fundamentals like turnover, net profit, growth, and vision of a company. The boom or depression of the stock markets are not considered in this analysis.

Income Fund

A fund that usually invests in debentures, bonds, and high dividend shares. Preferred by investors who want regular income. It pays dividends to the investors out of its earnings.

Index Fund

A fund whose portfolio is benchmarked against a popular index like the BSE Sensex or the BSE Natex. Such an investment philosophy reflects the belief that the market is efficient and trying to beat the market over the long term is futile.

Initial Offer Period

The dates on which the initial subscription to the units of the scheme can be made. It is similar to the IPO of an equity issue. This initial offer period is followed by a continuous offer period.

Interest Rate Risk

The change in the price of a debt security due to changes in the market interest rates is the interest rate risk. For debt oriented mutual fund schemes, this interest rate risk affects the NAV of the fund. A rise in the interest rates leads to a fall in the price of a fixed income security.

Interim Dividend

An advance installment of the dividend finally declared. More often one, but sometimes two such payments are made. The final dividend is often at least equal, and sometimes more. The interim dividend is a fair indication of a company's profitability, during the working year.

Liquid Fund

A fund that invests its corpus in short term instruments like call markets, treasury bills, Commercial Paper (CP), Certificate of Deposit (CD).

Liquidity Risk

It is the risk in a fixed income security as well as in equities that these securities may not be sold in the
market at close to their value. Liquidity risk is characteristic of narrow markets like India.

**Load**

A charge by the fund when an investor buys (entry load) or sells (exit load) units in the fund.

**Market Capitalization**

Represents the market value of the company. It is a product of the current market price and the number of shares outstanding.

**Market Instrument**

A fully negotiable instrument for short-term debt.

**Market Lot**

A fixed minimum number of shares, in which or in multiples of which, shares are bought and sold on the stock exchange. The advent of dematerialization of shares will do away the significance of market lot.

**Net Asset Value (NAV)**

This is calculated as total assets minus all expenses and divided by the number of outstanding units. This is the main performance indicator for a mutual fund, especially when viewed in terms of appreciation over time.

**No-Load Fund**

Shares of an open-ended fund, which can be bought directly from the fund without any sales charge or brokerage. US-64 is an example of a no-load fund.

**Offer Price**

The price at which units can be bought from a fund.

**Offshore Fund**

A fund domiciled outside the country where investments are made. It is often a tax haven, not subject to the tax laws of the holder's country.

**Pari Passu**

Ranking equally. After conversion of debentures into shares, the new shares created carry the same rights as the existing shares of the company to receive dividends, rights and bonus shares, and to participate in the company’s profit and loss.
Passive portfolio management

Exactly the reverse of active portfolio management. The portfolio manager assumes that markets are efficient and all information is already analyzed and reflected in the prices of shares. This strategy is based on the premise that it is impossible to consistently beat the market.

Rating

Evaluation of credit risk in fixed income securities. This evaluation is specific to the security rated and is done in India by Crisil, Icra, Care and Duff & Phelps.

Record Date

It is the date announced by the company/mutual fund, which is a cut-off date for corporate benefits like dividends, rights, bonus etc. Only investors whose names appear in the company’s registers on that date are eligible for the said benefits.

Reinvestment Plan

It is a plan where the earnings of a mutual fund scheme are reinvested back in the fund.

Reinvestment Risk

It is the risk that the interest on fixed income instruments cannot be reinvested at the same rate. This problem becomes pronounced in a falling interest rate scenario.

Sector fund

Such funds invest only in stocks belonging to a specific industry usually aimed at growth. For e.g. Kothari Pioneer Infotech Fund. Sector funds are generally considered to be risky in nature.

Securities

Financial documents which give the owner specific rights of ownership; these include: equity and preference shares, debentures, treasury bills, government bonds, units of mutual fund, and any other marketable documents.

Sinking Fund

Money regularly set aside in a separate fund and invested by a company for the repayment of debt instruments (fixed deposits, debentures, other loans) or the redemption of preference shares, or for replacement of assets.
Sponsor

Sponsor is the parent organization that contributes the initial capital of the asset management company (AMC). e.g. Kotak Mahindra Finance is the sponsor for Kotak Mahindra Mutual Fund.

Switching

Transferring from one scheme to another in a group of schemes operated by a Mutual Fund, where the rules so permit. A switching fee may or may not be charged.

SWOT Analysis

A type of fundamental analysis of the health of a company by examining its strengths(S), weakness (W), business opportunity (O), and any threat (T) or dangers it might be exposed to.

Systematic Risk

This is the market risk that a security faces and is essentially non-diversifiable in nature. This risk is caused by macro level factors like changes in inflation, interest rates, budget announcements etc.

Tax saving fund

Such funds allow the income tax payees to claim a rebate under the Income Tax Act.

Technical Analysis

A method of prediction of share price movements based on a study of price graphs or charts on the assumption that share price trends are repetitive. Since investor psychology follows a certain pattern, what is seen to have happened before is likely to be repeated. The technical analyst is not concerned with the fundamental strength or weakness of a company or an industry; he only studies price and volume behavior.

Top-Down Investment

An approach to stock selection which evaluates the prospects of the economy first, then the prospects of the industry and then finally the prospects of a particular company to take an investment decision. It is the opposite of a bottom-up approach to investing.

Transfer Agents

Professional firms, now mostly computerized, which maintain the records of shareholders of their client companies.

Treasury Bills

These are bills of exchange, i.e., IOUs, issued by the Reserve Bank of India for short-term loans, 91 days
to 364 days.

**Trustee**

The trustee is the legal owner of the mutual fund. The trustee takes into custody or under its control all the capital and property of every scheme of the mutual fund and hold it in trust for the unitholders of the scheme.

**Unsystematic Risk**

This is the proportion of risk that is specific to a particular company. This diversifiable risk could arise due to company specific factors like operational factors, financial factors, labor unrest etc.

**Value Investment**

Investment in shares whose intrinsic value is above their market price. Fundamental analysts often make recommendations of value investment, as they can spot undervalued shares.

**Vulture Fund**

It is a fund that takes over the non-performing assets of bank or financial institution at a discount and issues pass-through units to the investors.

**Venture Capital Fund**

A limited company formed to provide venture or risk capital to new industries.

**Zero Coupon Bond**

A coupon is an interest warrant attached to a debt instrument, and the coupon rate is the rate of interest. A zero-coupon bond carries no interest, but is sold at a discount to its face value, which is the maturity value. The difference between the discounted price and the maturity value represents the interest on the bond.