Chapter: 2

RESEARCH METHODOLOGY

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2.1 INTRODUCTION:-

Mutual Fund is one of the financial instruments in capital market, here the study based on the empirical investigation on the performance of Mutual Fund schemes, main purpose of the study is to identify which of the month and year schemes provided highest return and minimize the risk. Research need because of the capital market is unexpected volatility and some time reaction was positive and negative. Good and bad news affects price movement, that needs to identify how much market or bench mark provided return. On years 2008 started with large IPO offering of Reliance Power, which sucked the liquidity from the market and more companies have lined up plans to raise money from the markets.

Investors need to identify trade – off return and risk. The year 2009 had unprecedented global liquidity crisis that led to a share slowdown in growth. The industrial growth index was zero. Time valuations are attractive for investment decision and strategies for active diversification of portfolio. March 2009 sensex and Nifty down by 37% & 36 % respectively. Mutual fund industry has been affected by stock market movements. Mutual fund increased their stock/ scrip fund holding from 4.1% to 21.2% of the total market capitalization. It had opportunity to research in this field, with focus on competitive structure of the mutual fund industry. Equity diversified fund directly affect the stock movements while index, income and balance fund are less affects.

Assets Management Company design fund for particular investors and sectors like information technology, fast moving consumer goods, international financial instruments…. So mutual fund industry is high competitive and fund manager investment style and research team also affecting risk and return of the funds. An important practical motivation for mutual fund performance evaluation is to help an investor decide in which funds to invest.

Indian capital market is extremely unanticipated due to political risk, liquidity risk and others factors affecting it. The Indian equity markets rallied smartly ever-increasing on December 2009, it gains by the end of the December month. The Sensex and Nifty fell 2.31 % and 2.85% respectively while mid cap index was down sharply by 10%.
February 2009 Global equity markets also fared poorly aimed rising recession, the Dow Jones closing the month down 8.83% and NASDAQ down 6.38%. Domestic mutual funds were also net sellers of Rs. 864 crs this month. 2009 shows equity market had been high fluctuation during year and Budget 2009 shows high debt fund fiscal policy.

2.2 PROBLEM IDENTIFICATION:


As per the past research, no of articles and research papers should highlight the performance of mutual fund industry. As we have been seen that research is very essential for this filed because it’s guide the investors when and how to take decision about which of the financial instrument select for invest. Capital market is not so easy to predict, so many point need to count the predict the capital market like fundamental analysis, efficient market, technical analysis and theory of portfolio management like Markowitz, portfolio optimization, single index model, factor analysis and Sharpe index model.

Here the researcher took many tools for analysis of performance of mutual fund. Its’ included Price Earnings Ratio, Book Price Ratio, Return and Net Asset value and Assets Under Management. Further take to considering the performance index model. Sharpe performance evaluation model, model represents return on security with risk free return on investment and then take into considering the variance on security. Jenson model represents same liked sharpe’s model difference is that under these model beta considering for portfolio measurement. Treynors performance model indicates alpha from market return. Pricing earnings ratio, price book ratio researcher follow the model of F – test, test of one way classification of rows and columns. The model indicates rows variance from the average and columns variance from the average of the averages.

The study constructs portfolio with maximum Sharpe ratios from an equity diversified schemes and income, balance and index to identified the selection of funds.
2.3 REVIEW OF LITERATURE:

An attempt has been made to review some existing literature available and having broad relatively with the subjective area.


NAV 2007 Mutual Fund, Insight, volume V, number 2, value research in this journal sanjeev pandiya has evaluate the market and needs of mutual funds. He had evaluated NAV of selected fund and shows the fluctuations on unit price. Sanjeev mentioned highlight market capitalization of Mutual Fund.

Nucleus Investment, 15 September to 15 October 2007, Volume 1, publication by Asit Mehta investment Intermediates Ltd, the agency providing the facility for investor for mutual fund investment. Asit Mehta has own researcher team doing work on performance measurement of the fund input and capital appreciation.


Portfolio Statement Sept 2007, Fund Manager speaks, Tata Mutual Fund under Tata Assets Management Company. Tata Mutual Fund issued every month fact sheet which mentioned fund performance and compare with indices returns, also mentioned systematic investment plan return compare with lump sum investment.

Applied Finance, Sept 2007 Volume 13 No: 9. The Institute of Chartered Financial Analysts of India, University Press ICFAI, how to maximum take the benefit for fluctuation of the capital market. Here the author accent how to take maximum benefits for fluctuation of capital market, trading of units

Journal Capital Market October 22, No: 04 2007, Volume XX11/17 issuing by capital market publishers India Pvt. Ltd, What is the future situation for the capital market and how much fund will come to the mutual fund industry. The data indicates how capital market reacts and take advantages of it.

Indian Journal of Finance, Volume Number 4, October – November 2007, Prof. Vedulla Shekhar, the article mention that how the fund manager role follow the active investment strategies. The research paper shows the strategic of fund manager, diversification of different sector as per the mention on the fact sheet. Active and passive strategic of investment affects on fund return.

Investment Monitors, The complete Magazine for Indian Investors, volume VIII issue 12 under the analysis of technical and mutual funds scheme cost and data of last three years performance of risk and return. The magazine shows the technical analysis and how much investor paid for transaction cost and tax.

Money Today, make you richer your financial diet, The Indian Today Group, RNI no. deleng/ 2006 / 18800, Indian GDP growing, how it’s affected the number of the investment opportunities in the capital market.

Journal of Financial Management and Analysis Volume – 20 No; 1, US congress library card No; 90 – 640754, the financial analyses based on how to used different types of ratio. (Financial Decision Making): The fund having own features of investment on equity, debt and money market Mutual Fund.

E.J. Elton And M.J. Gurber (1996) have tried to prove that past performance is predictive of future risk adjusted performance and form a combination of actively managed portfolios with the same risk as a portfolio of index fund but higher mean return. The research paper weight on portfolio index return means market return and could fund provided same return.
Fisher and Gorden, Security Analysis and Portfolio Management, his study based on how to verified the risk under the calculated of Beta and Portfolio risk adjustment return. Beta played role for risk measurement of the fund. Risk involved on the fund than tried to reduce it and increased return. Beta indicates diversification of the portfolio.

Bala Ramasamy, Matthew C.H., have examined the growth in terms of size and choice, in the Mutual Funds industry among emerging markets has been impressive. The papers give you an idea about future market of Mutual Fund, Also highlight tax benefit received to invest in Mutual Fund.


The Character Accountant; Journal of the Institution of Character Accountants of India, Volume 56; No 03 September 2007. Guide the researcher how to calculate the risk and return. The papers be evidence for total risk which mention systematic and unsystematic risk. How to calculate the beta value.

Charactered Financial Analyst March 2007. The ICFAI Press, the magazine states the how to used different type of covariance and correlation and risk and return. The correlation of the fund return also needs to check out. Portfolio construction and diversification of portfolio as per the market shows sector wise return.

Funds Watch; Nj Investment Mutual Funds; September 15 2007. NJ Investment Consultancy, selected Investor portfolio, how to construction of the portfolio for individual investor in Mutual Fund. Nj Investment Mutual Fund magazine explained individual portfolio construction and selection of selected fund for active investment strategic.

Accounting & Finance; Publisher of Tata Mcgraw Hill & Mcgraw Hill, How to calculated the beta and Price Earning Ratio. The Fund Performance also communicated return inform of Price Earnings Ratio and Price Book Ratio.
Indian Economy Review, Capital Market Publisher India Private Limited. Over all review for Assets Management Company, strategies follow by the fund managers. The Capital Market publisher high light the economic situation and how the fund performance under particular political and business risk.

Indian Journal of Finance, Volume I Number – 2, June and July 2007. The data for balance scrod card of the selected schemes of mutual funds, the research paper was evidence for selected schemes performance and balance scored card of the fund.

India Today, Newspapers for India under NO. 28587/75, data based on the fund performance of the equity related scheme and how the FII investment affected the diversification of the assets. The Fund Performance also confirmed how Foreign Institutional Investors purchased Mutual Fund, might the Fund diversification of the portfolio.

Fund Manager, Business Standards October 2007, Going Global Market for Investment, Evolution of the diversification of the assets to one sector to another sector, Fund demonstrates return as well as risk. Equity diversification fund has highly risky compare with balance fund and risk.


Obaidullah M.,(1992),”Are Price / Earnings Ratios Indicators of Future Investment Performance?”, Indian Journals of Finance and Research, vol 2 (1); 5-12: the future investment means portfolio diversification, every time need to adjustment of fund risk, that wise portfolio diversification.
Huang Stanely S.C. and Randall Maury R., Investment Theory, Englewood Cliffs, New Jersey (1987); Investment Theory proved when to invest, to hold, to sell. The theory indicates the investment process and when to invest, how much to save the money.


Brown, Stephen J., 1979. Optimal portfolio choice under uncertainty: a Bayesian approach. The optimum portfolio should achieve with strategic planned. The fund manger must need to study the different approach to measure the risk and return. Optimum portfolios means not just reduce risk but reduce average risk and increased average return.

In V. S. Bawa, S. J. Brown, and R.W. Klein, eds.: Estimation Risk and Optimal Portfolio Choice (North Holland, Amsterdam). The fund has need to identification of the risk and return. The estimation of risk and return was very difficult due to economy and political risk. The Optimal Portfolio means proportion of the fund allocation.


Chen, Zhiwu, and Peter J. Knez, 1996, Portfolio performance measurement: Theory and applications, Review of Financial Studies 9, 511—555. Portfolio performance evaluation was needed. Capital market affects by number of factors and political and market risk. Research team has been Assets Management Company pocket watch the market return or bench mark return.


Sharpe, William F., 1964, Capital asset prices: A theory of market equilibrium under conditions of risk, Journal of Finance 19, 425—442. William model confirmed how much risk free return plus risk premium. The risk premium is high when fund has high risk, the fund manger should concentration portfolio diversification.


Mehta, Sheetal (2003), “Make the most of MIPs” , Outlook Money, October 31. Monthly Income Plan shows monthly return on the fund how to take both schemes objectives.
Monthly Income Plan provided floating rate of return while transferring scheme provide schemes return.


2.4 RESEARCH DESIGN:

The research design is the conceptual framework within which researcher study is conducted and it construct the blue print for collection of data, measurement of data, statistical tools for analysis and analysis of variance. Research design included an outline of what the researcher will do from writing the hypothesis and its operational implication to the final analysis of data.

Decisions regarding what, when, how much, by what means concerning an inquiry or a research study constitute a research design, further more researcher design means arrangement of conditions for collection and analysis of data in a manner that aims to
combine relevance to the research purpose with economy in procedure. Good researcher design is often features like flexible, appropriate, efficient, and economical. Here hypothesis testing research is those where the researcher tests the hypothesis of casual relationship between variables. Researcher ensures the minimization of bias and maximization reliability of the evidence collected. Coding should be done carefully to avoid error in coding and for this purpose the reliability of researcher to be believed.

Fund managers of the assets management company also do the researcher to identify the market and would find period to buy, to hold and to sell the scrip. Fund managers having good researcher team who continuous analysis of economic market, fundamental analysis, efficient market and technical analysis of the particular index. Today researcher team should identify the international financial market and how international financial instruments value could identified. Financial crisis affect market total risk and total return, its indicate how to diversified the portfolio, how to totally remove the unsystematic risk.

Researcher decided proper plan to action and define variable. Variable also identified dependent and independent. Researcher specified research processing and analyzing of the data.

2.4.1 TITLE OF THE PROBLEM:

Title of the problem is

“An Empirical Investigation on the Performance of Mutual Fund Industry in India”.

(Here the schemes of the mutual funds included equity funds, balance funds, index funds, monthly income funds, long – term, short term, technology, fast moving consumer goods, real estate’s…..)
2.4.2 OBJECTIVES OF THE STUDY:

The objectives of the study imposed which of the criteria researcher believed to require research.

1) To evaluate the growth of mutual funds

2) To examine the return from selected MF

3) To documents investments on selected assets allocation trends of mutual funds

4) To minimize risk and remove the unsystematic risk

5) To identified systematic risk

6) To identified return variance

7) To identified capital market return with security market return.

8) To evaluate the overall performance of mutual funds

2.4.3 SAMPLING DESIGN:

1. UNIVERSE:

The universe of the study consists of the all the assets management companies (AMC), included selected five start mutual funds under the different objective of the study.

SAMPLING UNIT:

The sample unit included Equity Schemes Diversification Funds, Balanced Schemes, Income Balanced Schemes, Monthly Income Funds, Long – Term and Short – Term Funds. All the schemes rating the five starts by Mutual fund Insight.
SOURCES LIST:

Sample should collect on secondary sources. It’s included the mutual fund fact sheet and magazine the “Mutual Fund Insight”. and addition to others journals, magazines, articles, books and the publisher and unpublished documents of the mutual funds have been consider in the research.

SAMPLE PERIOD:

Sample study should take from period January 2005 to December 2009.

SAMPLE SIZE:

Sample size of the study was as below:

§ Equity Diversified Mutual Fund 19th Schemes

Birla Sun Life Equity Fund 3.A
DSPML Equity Fund 3.B
Franklin India Prima Fund 3.C
HDFC Equity Fund 3.D
HDFC Top 200 3.E
Prudential Growth Fund 3.F
Kotak Opportunities Fund 3.G
Magnum Contra Fund 3.H
Magnum Global Fund 3.I
Reliance Growth Fund 3.J
Reliance Vision Fund 3.K
Sundaram Select Midcap Fund 3.L
Tata Pure Equity Fund 3.M
<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>Row</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTI Master Value Fund</td>
<td>3.N</td>
</tr>
<tr>
<td>HDFC Taxsaver Fund</td>
<td>3.O</td>
</tr>
<tr>
<td>Magnum Tax Gain Fund</td>
<td>3.P</td>
</tr>
<tr>
<td>Sahara Tax Gain Fund</td>
<td>3.Q</td>
</tr>
<tr>
<td>Principal Personal Tax Saver Fund</td>
<td>3.R</td>
</tr>
<tr>
<td>Sundaram Paribas Tax saver Fund</td>
<td>3.S</td>
</tr>
<tr>
<td><strong>$ Balance, Index and Income 15th Schemes</strong></td>
<td></td>
</tr>
<tr>
<td>Birla Sun Life Midcap Fund</td>
<td>4.A</td>
</tr>
<tr>
<td>HDFC Balance Fund</td>
<td>4.B</td>
</tr>
<tr>
<td>HDFC Prudence Fund</td>
<td>4.C</td>
</tr>
<tr>
<td>Magnum Balanced Fund</td>
<td>4.D</td>
</tr>
<tr>
<td>Principal Child Benefits Fund</td>
<td>4.E</td>
</tr>
<tr>
<td>UTI CRT’s 81 Fund</td>
<td>4.F</td>
</tr>
<tr>
<td>UTI Mahila Unit Fund</td>
<td>4.G</td>
</tr>
<tr>
<td>Birla Sun Life Index Fund</td>
<td>4.H</td>
</tr>
<tr>
<td>Magnum Index Fund</td>
<td>4.I</td>
</tr>
<tr>
<td>Tata Index Sensex A Fund</td>
<td>4.J</td>
</tr>
<tr>
<td>UTI Sunder Fund</td>
<td>4.K</td>
</tr>
<tr>
<td>Franklin Infotech Fund</td>
<td>4.L</td>
</tr>
<tr>
<td>Magnum Pharam Fund</td>
<td>4.M</td>
</tr>
<tr>
<td>Magnum FMCG Fund</td>
<td>4.N</td>
</tr>
<tr>
<td>Prudential ICICI Fund</td>
<td>4.O</td>
</tr>
</tbody>
</table>
§ Long and Short term Period 10th Schemes

Birla Bond Index Fund 5.A
DSPML Bond Retail Fund 5.B
Kotak Bond Regular Fund 5.C
Templeton India Income Fund 5.D
UTI Bond Advantages Fund 5.E
Birla Monthly Income Plan 5.F
DSPML Saving Plus Moderate Fund 5.G
LIC Monthly Income Plan Fund 5.H
Prudential Monthly Income Plan Fund 5.I
Tata Monthly Income Plan Fund 5.J
Prudential Flexible Plans 5.K

2.4.4 SIGNIFICANCE OF THE RESEARCH:

Mutual fund is one of the financial instruments play in capital market, after 2002 high growth of mutual fund industry in India. Mutual fund provides more benefit to small investors, who cannot easily play in capital market. Mutual fund pool the money for saving to investment.

Mutual Fund main feature is to analysis before investment how much risk and return. The confidential level or reliability is the expected percentages of times that the actual value will fall within the stated precision limits. The significance level indicates the likelihood that the answer will fall outside that range.
2.4.5 HYPOTHESIS

The broader hypothesis for the study would be as under.

Ho: There would be no significant difference in performance of various five starts Mutual Fund in various sectors.

H1: There would be significant difference in performance of various five starts Mutual Fund in various sectors.

Above Hypothesis would be expected to review with following sub – parameters which are as under.

a) Level of Risk
b) Level of Return
c) Correlation of Book Value Ratio and Price Earnings Ratio.
d) Assets Under Management
e) Diversification of Assets
f) Net Assets Value.

2.4.6 DATA COLLECTION

This study is completely based on the secondary data. This data is collected from various source specially from the journal – “Mutual Funds – Insight “ based on Value Research Magazines, and addition to others journals, magazines, articles, books and the publisher and unpublished documents of the mutual funds have been consider in the research.

2.4.7 FINANCIAL AND STATISTICAL TOOLS FOR MEASUREMENT

Here the researcher has used following techniques to study the performance of Mutual Funds which are as under:
**Average:**

Average means numbers or names, arrays or references that contained numbers. Other words average means number representations of numbers.

**Standard Deviation:**

The Standard Deviation is a measure of how widely values are dispersed from the average value (the mean). Standard Deviation assumes that its arguments are a sample of the population. If data represents the entire population, then compute the Standard is calculating suing the “n-1” method.

**Beta:**

A relative measure of the sensitivity return on security is to change in the broad market index return. Beta measure the systematic risk, it shows how prices of securities respond to the market forces. Beta is calculated by relating the return on a security with return for the market. Market will have 1.0, if the beta is greater than 1 than the stock is said to be very riskier than market risk, beta less than 1 than the stock is said to be not that much riskier as compare to the market risk. Beta involved market risk, and market risk involved political risk, inflation risk, and interest rate risk.

**R – Square:**

R – Square measures the funds correlations to the market R – Square are between the 0 and 1.

**Sharpe Ratio:**

A Sharpe ratio indicates the risk premium of portfolio relative to the total amount of risk in the portfolio. Sharpe ratio summarizes. The risk and return of a portfolio in a single measure that categories the performance of funds on the risk adjusted basis. The larger the Sharpe ratio, the portfolio is over performing the market and vice – versa.
**Earnings Per Share:**

P/E Ratio are the weighted average price to earnings ratio of all the stocks in fund’s portfolio. P/E ratios are ratios of share prices to earnings. The P/E ratio of a stock is equal to the price of a share of the stock divided by per share earnings of the stock. The focus of this article, however, is the P/E ratio of the overall stock market index rather than P/E ratios of individual stocks. For a stock index, the P/E ratio is calculated the same way—the average share price of the firms in the index is divided by the average earnings per share of these firms. Two types of measurement issues arise in computing P/E ratios. One of them concerns the time period over which share prices and earnings are measured. The price in a P/E ratio is usually the current market price of the stock or index, such as the weekly or monthly average of the daily closing prices.

**NAV:**

NAV means the market value of the assets minus the liabilities on the day of valuation. In the other words, it is the amount which the shareholder will collectively get if the fund is dissolved or liquidated.

NAV: \[
\frac{\text{Assets + Accrued Income} - \text{Liabilities} - \text{Accrued Liabilities}}{\text{Number of Share or Units Outstanding}}
\]

**Price to Book Ratio:**

A very basic price ratio for a company is price book ratio, sometimes called the market book ratio. A price book ratio is measured as the market value of a company’s equity issued divided by its book value of equity.

Price – book ratio are applying because book values represents in principle historical costs. The stock price is an indicator of current value. So a price book ratio simply measures what the equity is worth today relative to what it cost.


2.4.8 PERIOD OF STUDY

The Performance of sampled scheme would be plan review for two and half years.

2.4.9 Tools of Analysis

**Sharpe’s Performance**

Sharpe’s performance index gives a single value to be used for the *performance ranking of various funds or portfolios*. Sharpe Index measures the risk premium of the portfolio relative to the total amount of the risk in the portfolio. This risk premium is the difference between the portfolio’s average rate of return and the risk less rate of return. The standard deviation indicates portfolio the risk. The index assigns the highest values to assets that have best risk-adjusted average rate of return.

\[ St = \frac{Rp - Rf}{6p} \]

Sharpe’s index = portfolio average return – risk free rate of return / S.D. Of the portfolio return

**Jenson Measure**

The absolute risk adjusted return measure was developed by Michael Jensen and commonly known as Jensen’s measure. It is mentioned as a measure of absolute performance because a definite standard is set and against that the performance is measured. The standard is based on the manager’s predictive ability successful prediction of security price would enable the manager’s to earn higher returns than the ordinary investor expects to earn in a given level of risk.

\[ Jenson = \frac{Portfolio Average Return - Risk Free Rate of Return}{Beta} \]

**Treynor’s Performance Index**

The Treynor index, an investor should know the concept of characteristic line. The relationship between a given market return and the fund’s return is given by the characteristic line. The fund’s performance is measured in relation to the market
performance. The ideal fund’s return rises at a faster rate than the general market performance when the market is moving upwards and it’s rate of return declines slowly than the market return, in the decline. The ideal fund may place its fund in the treasury bills or short sell the stock during the decline and earn positive return.

\[
Rp = a + B (Rm - Rf)
\]

- \(Rp\) = Average return of portfolio
- \(Rf\) = Risk less rate of return
- \(a\) = The intercept
- \(B\) = A measure of systematic risk
- \(Rm\) = Average market return

**ANOVA TEST (ONE WAY CLASSIFICATION)**

The F-test was developed by R.A. Fisher. The object of the test is to find out whether the two independent estimates of population variance differ significantly or whether the two samples be regards as drawn from the normal populations. F-Test is based on ratio of variance. That variance represents rows and columns and degree of freedom, it’s also represents how rows affect and column affect. The ANOVA single factor imply ratio of variance, the average variation with the average of the average.
2.10 LIMITATION OF THE STUDY

1. The research done only selected a scheme which was related with five rating star and the value research magazine.

2. The data would not collect to the Assets Management Company data sheet, but collection from the market or secondary source.

3. The research analysis was based on the past performance of the only selected Equity Diversified Scheme.

4. The research had been based on the Net Assets Value, that NAV continuous fluctuation

5. The research analysis compares the Net Assets Value and Expense Ratio, but NAV continuous fluctuation.

6. Fund manager investment style based on capital market situation. It could not possible always pursue the mentioned objectives.

7. Equity Diversified schemes having different objectives due to sector wise allocation of the fund.

8. Performance measurement techniques should not give equal weight to each of the schemes.

9. Sharpen Performance evaluation is based on variance, not cover market risk and that risk also affect fund return.
Reference:

www.prudentichannel.com

www.sebi.org

www.bseindia.com

www.nseindia.com

www.nseindia.com

www.mutualfundinsight.com

www.icra.com

Investment Management; V.K. Bhalla, Security Analysts & Portfolio Management; 13th Edition, the Bhalla mention number of the formula, like daily

Investment, William F. Sharpe, Gordon j. Alexander, Jeffery V. Bailey, In the chapter of portfolio management mention how to create efficient frontier, and minimize the market risk.

Management of Financial Service, V.K. Bhalla First Edition., no of the finance intermediates play important role in the capital market

Indian financial System Bharati Pathak Second Edition, the author mentions the work going on the Indian Capital Market, How the different Components Work under it.


Financial Analysts, under University of ICFAI, detail mention how to calculate the Sharpen Ratio, Jenson Ratio, Treyonr’s Ratio.
Chapter: 1 Overview of Mutual Fund Industry in India

Mutual fund is the pool of the money, based on the trust who invests the savings of a number of investors who shares a common financial goal, like the capital appreciation and dividend earning. The money thus collect is then invested in capital market instruments such as shares, debenture, and foreign market. Investors invest money and get the units as per the unit value which we called as NAV (net assets value). Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified portfolio management, good research team, professionally managed Indian stock as well as the foreign market, the main aim of the fund manager is to taking the scrip that have under value and future will rising, then fund manager sell out the stock. Fund manager concentration on risk – return trade off, where minimize the risk and maximize the return through diversification of the portfolio. The most common features of the mutual fund unit are low cost.
Investors in India opt for the tax-saving mutual fund schemes for the simple reason that it helps them to save money. The tax-saving mutual funds or the equity-linked savings schemes (ELSS) receive certain tax exemptions under Section 88 of the Income Tax Act. That is one of the reasons why the investors in India add the tax-saving mutual fund schemes to their portfolio. The tax-saving mutual fund schemes are one of the important types of mutual funds in India that investors can option for. There are several companies in India that offer – tax – saving mutual fund schemes in the country.

Chapter: 2    Research Methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In ii researcher pursue various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary to know not only the research methods and techniques but also the methodology. Researcher not only needs to know how to develop certain indices or tests, how to calculate mean, standard deviation and beta.

Research method part of research methodology, research methodology start with title of the research problem and researcher set the objectives of the research, which helpful for society, and other researcher for further research. After objectives need to review of literatures means idea generation and inspired to do the research. Research methodology included sample design. Sample design shows types of sampling method, sample size, sampling period.
Research methodology follow the step, after sampling design then need to identified the hypothesis means set of assumption for study. Mutual Fund set assumption regarding equity schemes provided same return and risk. Researcher goes behind financial and statistical tool to arrive at conclusion.

Chapter: 3 Analysis of Equity Diversified Schemes

The Indian equity markets smartly rill in the last two decades. The Sensex and Nifty was continuous growing. Equities generally provide superior returns over the long term 5 to 10 years other assets classes, along with fact that both long – term capital gains as well as dividend are tax free. The study included nineteen scheme under equity diversified.

This chapter places of interest performance of equity diversified schemes and as per the market indices schemes provided return or not. Ideology is that return increased while increased risk. Selection of schemes based on five start rated schemes of Mutual Fund which rated by rating agency, further reflect on the inception performance of the schemes. Equity diversified schemes also having tall risk compare to others schemes, same provided high capital appreciation. Analysis shows the beta value of the schemes from last five years. Performance analysis of the fund needs to follow the financial and
statistical tools to reach goal. Mutual Fund performance should identify to pursue performance evaluation technique. Rank gives schemes wise and also analysis the year wise performance of equity diversification schemes.

Chapter: 4 Analyses of Balance, Index and Income Schemes

The analyses of balance fund an open ended equity fund, but primary objective of these schemes has to generate regular incomes so as to make monthly and quarterly distributions to investors. Further the scheme features is to growth capital. In short balance index and income fund to provide regular dividend to unit holders and also take advantage of market fluctuation. Fund manger allocation based equity related securities 65% to 75% and remaining investment on debt & money market instruments. Researcher selects fifteen schemes under study.

These chapter highlights that can scheme achieve the desired objectives which set on fact sheet. Can fund manger follow investment pattern that mentioned on key information memorandum? The research analysis the index fund which invest on particular sector like infrastructure and telecommunication etc. Research shows performance of index fund with indices provided return.
Chapter: 5  Analyses of Schemes with Period of Time

This chapter pursues schemes which are based on period of time. It includes schemes like liquid fund and floating rate of return schemes. Further it’s included liked monthly income plan and floating transfer to equity diversified schemes. The main objectives of the schemes are to generate income through investment in debt securities and money market instruments.

The researcher selects ten schemes for analyses of the performance of the fund. The schemes feature income consistent with a high level of liquidity, through a portfolio mix comprising of money market and debt market only, safety and marketability is very high under these schemes. Researcher found that money market instruments and whole sale price index are more affect return on these schemes.
Chapter: 6 Overall Performance Evaluation of Mutual Fund

Overall performance shows evaluation of equity diversified scheme, balance funds, index fund, income fund, schemes based on period of time, which analyses fund performance on third chapter, analysis of net assets value and assets under management, other measurement liked price earnings ratio and book price ratio position of schemes.

As per the rated assigned of schemes, performance rank was not equal. Sharp’s, Treynor’s and Jenson’s performance had been different rank each of same scheme and same year. Beta value of the fund and standard deviation affects fund return. Jenson technique indicated alpha of the fund, high alpha shows good performance of the fund. High beta indicated highest risk. Researcher found that a risk scheme does not provided high return. 2007 shows high return but schemes rised negative return.
Chapter: 7  Summery, Finding and Suggestion

The research done only selected a scheme which was related with five rating star and the value research magazine. The data would not collect to the Assets Management Company data sheet, but collection from the market or secondary source. The research analysis was based on the past performance of the only selected Equity Diversified Scheme. The research had been based on the Net Assets Value, that NAV continuous fluctuation The research analysis compares the Net Assets Value and Expense Ratio, but NAV continuous fluctuation. Fund manager investment style based on capital market situation. It could not possible always pursue the mentioned objectives. Equity Diversified schemes having different objectives due to sectors.
2.4.8 PERIOD OF THE STUDY:
2.4.9 TOOLS OF THE ANALYSIS:
2.4.10 LIMITATION OF THE STUDY: