6.1 INTRODUCTION:

Mutual funds in India are emerging as an important instrument of household savings. It has the potential to rival bank deposits for attracting household savings. Given its present and potential importance a study of the performance of mutual funds and the role of regulations in preventing investor-manager conflict of interests becomes crucial. The few studies which have dealt with funds performance, in terms of returns net of expenses have not considered the role of regulations in influencing fund behaviour. We started the study by examining some popular measures used to convey risk weighted return. The Sharpe Ratio and Treynor Index are among the widely reported in various mutual fund annual reports and mutual fund specific journals such as Mutual Fund Insight. Since these measures do not reflect the truer risk of returns below mean or minimum acceptable returns, we felt it would be important to arrive at a better measure and see if it affected the ranking of funds. We then sought to examine if regulations have influenced performance. Further since regulations also control operating expenses and management fee of funds, the study focuses on the effectiveness and need for such controls. Lastly it studies the increasing size if individual funds in terms of assets managed and the possibilities for new areas of potential regulation.

The last one and half decade has seen enormous expansion in the size of mutual fund industry in India. Especially, the private sector has showngalloping growth. With unmatched advances on the information technology
front, increased role of institutional investor in the stock market and SEBI still in its infancy, the mutual fund industry players gained unparalleled and unchecked power. To ensure the safety of investment of small investors against whims and fancies of professional fund managers have become need of the hour.

The present study was undertaken to know the perceptions of small investors, who are the most exploited lot in the Indian capital market, about the tall claims of mutual fund managers as regards only they being dependable guardians for small investors on one hand and role of SEBI on the other. The study also examined, whether the claims of mutual funds as the media for providing diversified portfolio of securities so to earn better return is justified or not by measuring the performance of most preferred mutual funds.

6.2 OBJECTIVES OF THE STUDY:

The major objective of the study was to analyze in detail the growth pattern of mutual fund industry in India and to evaluate performance of different schemes floated by most preferred mutual funds in public and private sector. Following are the specific objectives:

1. To study the growth of mutual funds over a period of time.

2. To study investors perception regarding mutual funds.

3. To evaluate performance of selected schemes of different mutual funds on the basis of risk-return relationship.

4. To assess the future prospects of Mutual Funds in India.
5. To suggest ways for selecting particular scheme for investment purpose.

6.3 METHODOLOGY:

For the purpose of studying the growth pattern of mutual fund industry in India, data was collected from websites of SEBI, AMFI, RBI and some mutual funds.

For studying perceptions of investors, a primary survey was undertaken. Usable questionnaires of 250 respondents were considered for this study. To analyze the collected data, statistical techniques like, weighted average, mean, median, chi-square, ANOVA, indexation, correlation and technique of factor analysis were applied.

For measuring the performance of mutual funds, the most preferred mutual funds by the investors in the primary survey were considered. Parameters like coefficient of determination (R), systematic risk, i.e. beta (b), intercept (a), average return for the scheme and the market, standard deviation (s) and diversifiable risk were calculated and widely accepted time tested models given by Sharpe, Treynor and Jensen were applied for the purpose.

6.4 MAJOR FINDINGS OF THE STUDY:

The following are the major findings of the study:

A. Growth of Mutual Funds Industry in India

1. During the period of the study, positive growth has been registered by mutual funds in terms of resource mobilization so far.
2. Out of the total resource mobilized by all the Mutual funds, Government sector still holds the maximum share. However, trend has moved in favour of private sector, more sharply.

3. Within private sector the funds leading in resource mobilization are Prudential ICICI, Pioneer ITI, Birla Mutual Fund, Templeton India, Alliance Capital India, etc.

4. As per scheme-wise breakup, out of the total schemes currently operative, income/debt scheme outnumbered the growth and balanced schemes. Further, open-end schemes as against close-end ones in all the three categories are more than the double in number.

**B. Perceptions of Investors towards Mutual Funds**

1. A large number of investors are moving away from mutual funds. Almost half of existing investors have decided to opt out of mutual fund investment because the investment in mutual funds is being considered as unsafe along with low return. Majority of investors belonging to salaried category and those the age group of 20-35 years intend not to invest in mutual funds anymore. The chi-square value at 5% level of significance indicates that, statistically the occupation of an investor does not influence his choice to invest in mutual funds. However, age of the investor does have impact on a decision to invest in mutual funds.
2. The ranking of investment avenues on the basis of five principles of investment by the investors have considered fixed deposits with the banks and gold to be the most safe investment avenues. NSC schemes have been the best choice from tax saving point of view. Real estate investment has been considered good from safety as well as high return point of view. UTI schemes and other mutual funds investment have been considered to be unsafe and low return providers. Most peculiar feature to be noted is that the principle of reliability has been placed at third place on ranking scale for all the principles of investment.

3. The majority of investors belonging to salaried and retired categories and those in the age group of more than 60 years gave maximum weightage to past record of the organization among the factors influencing choice of a mutual fund for investment. This is perhaps because they do not want to compromise as regards safety of their invested money. The ANOVA results indicates that on the bases of WAS, investors occupation and age both have impact on the rating of importance of different factors by the investor that influences his choice for a mutual fund.

4. Regarding options expected from a mutual fund, the analysis highlights the basic psyche of the business category investor who prefers near liquidity position because the maximum weightage
has been given to the option of repurchase of the units by the fund followed by easy transferability option. Also the fact of importance of adequate information for the professionals has been confirmed by the weightage assigned to this option by the professional group. Age-wise it is 35-50 years that insists for repurchase facility and easy transferability options perhaps because of their preference for easy switching between different investment avenues so to make enough money for current rising needs and to save for future. Also, the ANOVA results, on the bases of WAS indicate that the occupation of the investor do affects the importance attached to different options expected from a mutual funds. On the other hand, investors age do exercise influence on the importance attached by them to different options as well as among different age groups as regard the choice for options expected from mutual funds.

5. The respondents in the salaried category and in the age group of 35-50 years consider only the return provided on investment by the fund to be the best criteria of performance appraisal of a fund. Another startling fact that has emerged in the analysis is that the investors do not rate the funds performance based on its size, i.e. bigger size of the fund is not assumed to be a guarantee for better performance, like, in the case of UTI schemes. It is because salaried category investor invests their savings for the purpose of
earning more money and that is possible with good returns provided over it. The ANOVA results indicates that as regards the WAS, occupation of the investor only influences preference attached by them to different appraisal criteria, whereas, age of the investor affects both the importance attached to different criteria and the importance rating of different criteria among themselves.

6. The investors belonging to salaried category and in the age group of 20-35 years showed inclination towards close-ended, growth (equity) oriented schemes over other scheme types. This is perhaps because close-ended, schemes have a fixed time duration that is presumed to be leaving on option in the hands of an investor either to quit a particular scheme at a specified time. And a scheme of time duration of 8-9 years having objective of investing in equities of different companies are expected to yield good returns. The chi-square value indicates that statistically at 5% level of significance, an occupation of investors does not affect their choice for a particular type of fund for investment. It is true for age-wise analysis also Sector specific fund schemes are not much sought after. Even the objective of investment for availing any tax rebate is not on investor's agenda. Investment in fund units is done for earning good return. For that, investors do not mind ignoring stock investment risk by investing in growth (equity) schemes. Chi-square value points out that statistically at 5% level of
significance, there is no influence of occupation or age of investor on making decision regarding choice of a type of a scheme.

7. Analysis of experience as to returns received highlighted the finding that quite a large number of respondents belonging to salaried category and those in the age group of 35-50 years, showed varied experiences as regards returns received from investments made in mutual funds. No investor except one in professional category said to be in receipt of very high returns than expected on their investment in mutual funds. Chi-square value is statistically significant at 5% level of significance among the occupation groups with regard to return received from mutual funds, i.e. the occupation groups differ significantly as regards their perception about the returns received from the mutual fund.

8. People are moving away from government sector and prefer to invest in private sector mutual funds, despite the fact that these are presumed to be more risky. This has been shown by the analysis of investors choice for mutual funds preferred for investment.

9. Analysis of perceptions of investors towards mutual funds showed that the investors belonging to salaried and professional categories and in the age group of 20-35 years prefer day-to-day disclosure of net asset value by the funds. This is perhaps because of technology driven information explosion that the younger generation and the professionals feel that they can take objective and timely decisions
as regards their investment in mutual funds. It is salaried and retired group that wished for higher tax rebates on investment in mutual funds perhaps because the feeling is to combine tax savings with safe and handsome returns. Age group-wise, it is almost all the groups that expect higher tax rebates. Factor analysis, too, revealed that investors perception regarding day-to-day disclosure of net asset value by the funds and provision for more tax rebates on investment in mutual funds by the government has emerged as important requirements for the investors.

10. Results depicts that as regards reasons for withdrawing investment and/or not investing any more in mutual funds, the investors belonging to professionals category and in the age group of 35-50 years strongly supported the reason of ineffectiveness of controlling bodies like SEBI and others that resulted in investors disillusionment as regards mutual fund investment. Perhaps this is because the investors in these categories are very much aware of role to be played by these controlling bodies to safeguard their hard earned savings. Salaried and business category put forward the reason of low returns from mutual funds. Also, the factor analysis results show that investors generally feel that the regulatory bodies like SEBI and others have not been able to control the working of mutual funds properly and the legal framework is not appropriately designed. Moreover, the funds
have under performed as against expectation and management has been inefficient, thereby discouraging investors to keep their funds parked in mutual funds.

C. Performance of Mutual Funds

1. Coefficient of Determination

Out of selected mutual funds, among equity-diversified schemes category, schemes of Prudential ICICI and Franklin Templeton Mutual Funds have reasonably exploited the diversification strategy in that order. At the third place is Alliance Capital India Mutual Fund. Pioneer ITI mutual fund has scored below average, except one scheme. UTI, however, has posted average performance from diversification point of view. In sector specific schemes category, Prudential ICICI Mutual Fund has performed above average, whereas, Alliance Capital India and UTI have shown mixed performance. Pioneer ITI again has given below average performance.

2. Systematic Risk

Results showed that in equity-diversified category, it is Franklin templeton and Pioneer ITI Mutual Funds that has shown average beta, which indicates less riskiness of scheme portfolios. On the other hand Alliance Capital and Prudential ICICI funds schemes have emerged as having high risk prone portfolios as compared to market. UTI schemes showed high risk presence in its scheme portfolios. From diversifiable risk point of view, Pioneer ITI schemes showed presence of above average diversifiable risk with one scheme having the highest risk. The UTI schemes showed presence
of average risk with one scheme having least risk, i.e the scheme has good diversification of its portfolio. But Franklin Templeton fund schemes showed good diversification of scheme portfolios. In sector specific schemes category, schemes of all the funds showed above average-to-extremely high (i.e. beta more than 1) beta values as compare to market beta (i.e. equ to 1). This shows the extent of systematic risk presence in fund schemes.

From diversifiable risk point of view, Alliance Capital Fund schemes showed presence of extremely higher diversifiable risk. Then come Prudential ICICI fund schemes with above average diversifiable risk. All UTI schemes, except one, showed presence of higher diversifiable risk in their portfolios but Pioneer ITI schemes recorded negative diversifiable risk that showed better implementation of diversification strategy.

3. Return Earned by the Schemes

From return point of view, in equity-diversified scheme category, Alliance Capital Funds schemes have performed much better than market. Prudential ICICI fund schemes have shown above average performance. Pioneer ITI fund have registered an average performance as regards return to investors in comparison to market return. It is one of the Pioneer ITI schemes that have emerged as a winner amongst all other funds schemes. Franklin Templeton and UTI schemes however, have not been able to out perform the market. In case of sector specific category, Pioneer ITI and some schemes of UTI have registered enormous gains as compared to market. For funds namely, Alliance and Prudential ICICI, though they have been able to
outperform the market by containing loss to lower level, but have provided negative returns on investment.

4. Sharpe Index

Among schemes of equity-diversified schemes category, Alliance Capital fund schemes have shown better performance by reducing the loss per unit of risk of investors as compared to market. Prudential ICICI fund, however, has shown average performance in this regard. Further, Pioneer ITI fund schemes, too, have performed their duty well with one scheme recording highest value as against market amongst schemes under study. UTI schemes have posted poor performance, i.e. all schemes except one have given low values. Again Franklin Templeton mutual fund schemes have not done well.

5. Treynor Index

In equity-diversified schemes category, Alliance Capital and Prudential ICICI fund schemes have posted better performance by containing loss per unit of systematic risk taken by investors, though marginally. UTI schemes have shown mixed performance. Pioneer ITI schemes, on an average, have performed at par with market index. Once again Franklin Templeton India fund as posted poor performance. In case of sector specific schemes category, Prudential ICICI fund schemes have shown poor performance along with UTI schemes. Pioneer ITI, however, performed at par with market index.

6. Jensen Measure

In terms of Jensen Alpha, in equity-diversified schemes category, positive value for Alpha have been shown only by Alliance Capital fund
schemes, which indicates good market timing ability of fund managers as regards investment in securities. Franklin Templeton fund has once again shown poor results (i.e. in ability of fund managers to time the market). Prudential ICICI fund have shown average performance in this aspect. However, fund managers of UTI and Pioneer ITI schemes have failed to capture the timing aspect of the market.

In nutshell, it can be said that:

1. Out of the mutual funds selected for performance appraisal, Alliance Mutual Fund and Prudential ICICI Mutual funds have posted better performance for the period of study in that order as compared to other fund. Pioneer ITI, however has shown average performance. With preponderance of negative for different parameters, Templeton India Mutual Fund has staged a poor show. Here it is relevant to quote what one of the fund managers of Templeton India has to say about investment in Indian market. In his words, “other emerging markets, say Korea and Taiwan give larger returns (than the Indian stock markets). Perhaps, the liquidity these markets offer is an equally important factor”. Considering the poor performance posted by the schemes of these funds, remarks passed against Indian market, as a whole does not seem justified.

2. In the survey as regards perception of investors towards mutual funds, one noticeable finding that emerged from data analysis was
the development of repulsion in the minds of investors towards UTI schemes. One reason could be the scams that surfaced in the past in UTI but equally important reason is the poor performance posted by UTI in all aspects, be it return on investment, excess return earning per unit of total risk, excess return earning per unit of systematic risk, extent of beta risk and diversifiable risk, low diversification of scheme portfolios and market timing ability of fund managers.

D. Prospects of Mutual Funds

1. Though half of the existing investors in the survey have decided to opt out of the mutual funds, other half still wants to continue with their investment in mutual funds. Also, about 20% of investors surveyed fall in the category of new comers interested for making fresh investment in mutual funds. No doubt, the experience as regards return on investment from mutual funds, majority of investors has been shaky, but the role of SEBI and the management of the funds by professional managers, too, have been equally criticized. Overall responses of the investors have been mixed.

2. Performance evaluation of only five most preferred mutual funds conducted in this study reveal as on one hand UTI and Templeton India fund have under performed but on the other, funds namely, Alliance Capital India, Prudential ICICI and Pioneer ITI have posted reasonably good performance, too. Further, the fact that last few
years have been quiet turbulent for the capital markets all over the world, including India cannot be ignored. Also, the fund managers cannot escape the responsibility of poor fund management. On the whole, performance of mutual funds, too, has been mixed.

3. The growth potential of an Indian economy cannot be denied. Cyclic movements, however, could not be ruled out. Hence, growth pattern of different economic sectors looks positive, therefore, mutual funds industry is also expected to gain.

4. SEBI and other controlling bodies of capital markets have started monitoring the market movements more closely. A consistent effort is being made by them to revive the working of capital markets and mutual funds. This is expected to go a long way in reviving the lost confidence of small investors in mutual funds.

5. Last but not the least, the managers of these mutual funds need to sharpen their skills further so to manage the pooled money in a total professional way:

- Try to save as much as your budget allows, as more saving leads to more investment that will grow into bigger capital base.

- Plan your investment over a longer period of time keeping in mind your age, your financial targets, your level of risk aversion, your saving pattern and your investment objectives.
• Invest more in stock funds but do keep a reasonable part of your investment in liquid securities as money market funds, short-term bonds, etc. so to meet any contingent situation.

• Do not invest in highly volatile funds.

• Think before you invest. Do collect and analyze enough information about the funds you plan to Invest in.

• Do not confuse yourself by spreading your investment too wide but reasonable diversification of investment is a must also.

• Periodically keep reviewing objectives of your investment and try to keep your assets in balance.

• Lastly, maintain proper record of your transactions

6.5 SUGGESTIONS:

Opportunities exist for surpassing the growth potential of Indian Mutual fund Industry and making the industry more profitable through a collaborative efforts all the key stake holders to reach out the customer, viz, AMCs, distribution channel partners, service providers custodians and fund accountants. Cll. AMFI, the regulator SEBI and the media, among others. Here are the key initiatives that are required to be undertaken for the Mutual Fund industry to grow and effectively compete in a dynamic environment. In the event of a quick economic revival and positive reinforcement of growth drivers identified, the Indian mutual fund industry can grow at the rate of 22-25 percent in the period from 2010 to 2015 resulting in AUM of `16,000 to 18,000 billion in 2015.
Key growth drivers for this should be:

1. There should be increase in retail investor participation with a preference for mutual funds over other asset classes perceived to be more risky. This could result in the fulfilment of growing financial aspirations, enabled by good amount of disposable incomes and increased financial savings.

2. There should be innovations in distribution channels of mutual funds driven by increase in the number of certified personal financial advisors and banks selling mutual funds focusing in Tier 2 and Tier 3 towns.

3. The institutional investment in mutual funds should increase triggered by rising corporate revenues with increased economic activity.

4. There should be increase in the efforts to draw risk averse customers of traditional products under the fold of mutual funds.

5. The mutual fund companies should attempt to set up their branch presence in smaller towns for tapping the potential.

6. There should be decline in investment management fees by the asset management companies and also flexibility in product pricing by AMCs based on the type of services offered.

7. There should be introduction of mandatory rating for mutual fund products through Rating agencies to increase investor confidence.
8. Efforts should be put to increase the investor awareness and financial literacy resulting in an increase in the contribution of the retail investors to the mutual fund industry.

9. The public sector network of nationalized banks, private banks and post offices should be used as distribution channels of mutual funds.

10. Cooperative sector, though beset with internal administrative issues can be used as another channel to distribute Mutual Funds.

11. The large network of NGOs recognised by local authorities should be used to interact and reach out to the lower middle class and poorer segments of population to increase mutual fund penetration.

12. Mutual fund companies have to explore the possibility of innovations such as a common online platform and the usage of debit and credit cards for transactions to facilitate investors for easy payment.

13. The number of AMFI Certified financial advisors should increase so as to focus on initiatives to develop and support the above mentioned channels (for example, recruitment support). They can also individually give growth at a faster pace than banks.

14. Mutual fund companies should invest in channel innovation such as mobile and internet services. Mobile telephony can enable mobile transactions for the purchase and sale of mutual funds and SMS-based services can revolutionise the industry.
The above growth plans can be implemented in the following ways:-

1. **Financing a Sustainable Nationwide Customer Awareness Program**

   1.1 Creation of the 'Mutual Fund Education Fund'- a common corpus of funds from mutual fund companies and distributors through mandatory levy on the investment management fee and commissions earned from mutual fund sales.

   1.2 This fund should be suitably managed and administered by the AMFI purely for the purpose of Mutual Fund Education.

2. **Conducting a Nationwide Customer Awareness Program**

   2.1 The mutual fund companies should design a comprehensive content for promoting customer awareness programs on mutual funds.

   2.2 The mutual fund companies with support from AMFI and other regulatory agencies like SEBI, IRDA etc. should rollout customer awareness campaigns and provide infrastructure, content and speakers for running the campaigns on a all-India basis over a sustained period.

   2.3 The marketing firms and media companies should be involved to design effective and meaningful mass media campaigns in multiple languages using television, hoardings, flyers, street plays and other mechanisms to reach the masses.
3. Promoting Financial Planning Awareness in Educational Institutions

The universities in India should encompass modules on mutual funds, and other financial products along with concepts like risk management, asset allocation and portfolio diversification in the syllabus of commerce courses across all colleges as a mandatory course from graduation level, followed by an examination. This will lead to mass education on mutual fund concept among the new generation.

4. Introduction of customer-friendly products and product features to attract and retain risk averse and first time investors to start investing in mutual funds.

4.1 The mutual fund companies in association with AMFI should conduct a nationwide survey of customer needs across liquidity risk frequency and quantum of contribution to determine product variants and features that meet customer needs.

4.2 The mutual fund companies should allow the investible surplus of investors to be invested at any time in ongoing schemes with a flexible SIP options.

4.3 The mutual fund companies should introduce simple products that have features of capital protection with returns that are higher than traditional products and limit market risk.

4.4 The mutual fund companies should focus on the designing of products around women and children related needs given the
growing dominance of women in influencing investment decisions in households across the country.

4.5 Further commodity related, crop related and agriculture oriented fund products should be conceptualised and developed by cater to segment specific needs.

4.6 The mutual fund companies should focus on product appeal for the low income group by keeping case of investment and minimum thresholds within affordable limits.

4.7 The mutual fund companies should encourage the introduction of customized electronic transfer to funds for retail and institutional customers to facilitate them for easy investment.

5. Price flexibility should be introduced.

The mutual fund companies should do price innovations to focus on distributor compensation and administration so as to encourage them to perform better.

6. Training of the Public Sector Employee Base

Initiatives should be taken by AMFI in association with RBI to train employees in the public sector network including India Post. Nationalised Banks, Regional Rural Banks and Cooperative Banks, on sale of mutual funds and basic financial planning.

7. Opening up of the public sector branch network in tier 3 and tier 4 towns:

7.1 The mutual fund companies should commence sale of mutual fund through the branch network of India Post. Nationalised
Banks, Regional Rural Banks and Cooperative Banks by focusing on Tier 2 and Tier 3 towns.

7.2 The mutual fund companies should boost the presence of Investor Service Centres (ISCs) in tier 2 and tier 3 towns and utilize their presence to promote customer awareness of mutual funds.

8. **Focus on increasing customer engagement pre and post completion of the investment**

8.1 The mutual fund companies should focus on growing the financial advisors channel and encourage them to reach out to and engage with customers on their mutual fund needs on an ongoing basis pre and post completion of their investment.

8.2 The mutual fund companies should focus on enhancing the marketing and advisory capabilities of all distributors so that they win the trust and confidence of customers.

9. **Strengthening of AMFI**

9.1 Association of Mutual Fund Industry (AMFI) should play an active role in bringing all the stakeholders together and evolving a strong vision for the mutual fund industry across all dimensions aspirational AUM growth and profitability, retail penetration products and pricing, distribution channels operations and customer service enabled by a supporting regulatory framework.

9.2 Augment the employee base of AMFI so as to conduct nationwide customer awareness campaigns.
10. Development of a common Online Platform

AMFI should coordinate the roll out of a common online platform for all the Mutual Fund companies which will result in increasing reach reducing distribution costs and making transactions free from operational issues.

11. Acceptance and Rollout of the Unique Identification Card

Implementation of the Unique Identification Card as a valid document for KYC is very much needed. The Government has announced that a Unique Identification Card would be issued to all Citizens. This should be implemented and the card should be a valid document for KYC. This will entail undertaking public awareness campaign to make holding of the Unique Identification Card mandatory for all Indian citizens and build the supporting institutional infrastructure to issue these cards at a nominal rate through the public sector network. The Government of India could facilitate issuance of the Unique Identification Card free of cost to all Indian citizens below a specified income threshold which could be in line with the minimum taxation slab limit. This will reduce most of the KYC related problems in Mutual Fund investment process.

There is a perceived need to review risk and performance analysis capabilities and governance structures, to meet fiduciary responsibilities and the increasing demand for transparency. The Mutual Fund companies should therefore need to re-orient their business towards fulfilling customer needs. As customers seek trusted advisors, the manufacturer distributor-customer relationship is expected to be centred not on the sale of products, but for
collectively promoting the financial success of customers across all facets of their professional and personal lives. This requires creating a collaborative network of experts in funds management and financial advice, innovative product offering, efficient service delivery and supporting technology. The mutual fund industry today needs to develop products to fulfil customer needs and help customers understand how its products cater to their needs.

Given that the industry needs to collectively work towards riding over the dynamic and relatively less favourable economic environment at present, the next phase for the industry is likely to be characterized by a stronger focus on customer centricity. Other areas of focus are likely to be cost management and enabling strong governance and regulatory framework—all aimed at helping the industry achieve sustained profitable growth, going forward.

6.6 SCOPE OF FURTHER RESEARCH:

Mutual funds are such a wide area of research that no single study can cover different related dimensions. Even primary surveys for studying the perceptions of investors towards mutual funds time to time are not a regular feature in India, hence there is much potential of research on a bigger scale covering wider area.

Further, a research can also be conducted for studying perceptions of institutional investors towards mutual funds, the area which has been left out of the scope of the present study.

Another important area for carrying out research is the need to develop a benchmark for the purpose of evaluation of debt securities like different
share indices are available for performance evaluation of investments in equity shares. However, only recently Securities and Exchange Board of India (SEBI) and Association for Mutual Funds of India (AMFI) jointly have evolved a committee to work in this area.

Research is also needed to review the use of a parameter beta (b, i.e. systematic risk) for performance evaluation of a mutual fund in relation to a chosen market index as a benchmark. This is because, beta is calculated on the basis of total return earned by a given equity-diversified fund even invest solely in equities rather they, too, keep 5% to 10% of total invested funds in liquid securities for meeting any contingent occurrence. Hence, for true performance evaluation, beta should be adjusted accordingly on the basis of percentage of total investment in equities.