CHAPTER: 3:

LITERATURE REVIEW
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One of the interesting areas for the research is performance evaluation of mutual fund. Various kind of specific study has been already done on this topic. This matter is always affecting the value of your investment that’s why continuous evaluation is require in mutual fund and stock market investment. The area of research provides diverse views of the same. The research gives absolute results for the investments purpose among the various investments avenues.

Friend, et al., (1962) has been carried out research on the selected 152 mutual fund schemes and found the result that most of the mutual fund schemes are generated average 12.4% annually, which has quite near to the benchmark return of 12.6%, the other interesting result found that alpha was negative correlated on 20 basis points. The general conclusion drawn from the research was not found any significant relationship between turnover & expanses and fund returns.

Treynor (1965) identify the “Characteristic Line” for with respect to the average market return and expected rate of return for specific portfolio. He also found that performance of the any portfolio always concern with risk factors. The other concept has developed by the researcher that expected require rate of return connected with the risk preference of an individual investors or portfolio mangers.

The most important research done by William F & Sharpe (1966), explored the composite measure of risk and return. During the period 1944-63 they measured the performance of 34 open ended schemes. They found the result from the research that Dow Jones Industrial Average was significantly grater then the
slope (Reward to Variability ratio) and it has ranging from 0.43 to 0.78. Fund performance and expanse ratio was also indirectly or inversely related each other, as 0.050 correlation coefficient detected. The final conclusion drawn from the research that good performance was well connected with low expanse ratio but not connected with the size of the fund.

Jenson (1968) was explored the concept of risk adjusted return with the help of various portfolio techniques. During the period 1945-66 he identified the capacity and ability of the 115 fund managers for the selection of specific scrip (Stock). The result found that 76 funds were not able to generate a handsome return, while remaining 39 funds has generated the higher return as compare to average return. Based on the gross return of the funds 67 funds generated below return as compare to average return, while 48 funds generated huge return during the same period. Researchers concluded that, their is no significant relationship between expectations of require rate of return and ability to predict the future price change.

Fama (1972) developed techniques to differentiate from the capabilities to select the best securities at a different level of risk and observed return. He introduced the concept of the multi period model for the purpose of evaluation of various securities for a specific time period on a cumulative basis. He found the identical result from the research that the total return of the portfolio compresses with the security selection and risk factors. He has developed the theories of the modern portfolio management. He has nicely explained the traditional concept of the capital market equilibrium and selection of security.
Mayer’s (1977) concluded his research based on the stochastic dominance model renewed the result of the sharpe’s with concern that the data was significantly connected with past and future time period in case of selected mutual fund.

Klemosky (1977), during the period 1968-75, he has evaluated the consistency performance of 158 funds. During the first four years time period higher consistency in performance and for remaining two years consistency was very poor, which observed by the researchers.

Ippolito’s (1989), the basic conclusion drawn from the efficiency theory based on the consistent informed investors. He predicted risk adjusted return for selected mutual fund schemes, and also identified that there were no significant relationship between expanses and turnover with the performance of the selected mutual funds. He has also concluded that most of mutual funds have a positive alpha and it was not concern with load charges.

Rich Fortin and Stuart Michelson (1995), were jointly conducted a research based on the 1161 with out load funds and 1326 with a entry load funds, found the result that without fund load had a higher expense ration while with fund load had a higher expances ratio, the performance of the without load funds has provided a superior returns during the specific time period. The general conclusion drawn by the researcher that the investors has investing their financial resources for long term nature so they can easily recovered the entry load charges and able to generate the good return which was equal to the without load funds.
Dellva, Wilfred L and Olson, Gerard T (1998), carried out research with the sample size of 558 selected mutual fund schemes. The initial result found that, availability of the information in the public domain increased the performance of the funds and reduced the expanses ratio. The other statistics from the research indicates that, fund have garter efficiency gave optimal risk adjusted returns. Fees redemption had given a significant impact on the expanse ratio. The interesting conclusion given by the researcher that most of the international funds had larger expanses ratio as compare to the local fund.

Fernando, Chitru S et., al. (1999) experienced from the result that, there were no significant relationship between performances of the funds, change in the risk elements and splitting or combination of various mutual fund schemes, but explore the some new opportunities for small investors due to marketability of the funds.

Statman Meir (2000), concluded that, most of the socially responsible investment considered as to be tool for the corporations. He also concluded from the research that, most of the socially responsible mutual funds were under performed during the period 1990-98 on S&P 500, while socially responsible securities out performed during the same time duration.

Maria Do Ceu Cortez and Florinda Silva (2002), evaluated the impact of the conditioning information variables spreaded among the investors on a sample of selected portuguses stock funds. He explore the result that, unconditional Jenson alpha gave the batter performance till the public information variables incorporated. It has also noticeable that alpha was quite equal to zero, while beta
was concern with public related information variables. The other interesting result carried out that, most of the mutual fund managers were not able to gave the higher return to the investors, due to incapability of fund managers of selection of stock and market timing, while short term fund managers were able to provide the higher expected return to the investors.

Gupta Ramesh, (1989), examined the performance of selected mutual funds in India with a specific comparison of expected return earned with the same of component of risk and return. A perfect trade off between risk-return was established for the purpose of comparison across the funds with different level of risk. His research identified the result that, total return connected with investors risk preferences and also concern with fund mangers ability to bear the risk & target risk. The most important result was concluded that performance of the mutual fund totally relay on the security selection and investment timing in specific category of securities.

During the period of 1993 Hlavka, Das,Gulbe and Elton (1990) were conducted a research and result depicted that fund investing in the various diversified kind of assets could able to generate the higher returns. In general the benchmark model was not applicable in case of non-listed of unlisted securities. Another result found from that study was investment in unlisted securities increased the performance of portfolio. Again the decision was made by fund managers based on the cash surplus, which can be investing in various unlisted stock apart form primary market.
Vidhayshankar.S (1990) carried out the research and concluded that, move the financial resources from company (equity) and bank deposits to mutual fund schemes, due to priority base development of the capital market and economy with a specific investor’s protection through the interference of SEBI. He has also found that mutual funds have a bright future in Indian capital market as a promissable/reliable saving instrument in this decade.

Bansal L K (1991), concluded from the research that, mutual fund is a channel between capital market and investors, and also called as potential intermediary. During 1985 to 1986 mutual fund is considered as to be investment agency with potential benefits of safety of principal, pure liquidity and capital appreciation given by the industry. Various mutual fund schemes give guaranteed return depicted good progress in the specific segment. In this era commercial banks floated maximum funds in the market with the primary responsibility of the banks and fund managers, it indicates that investors are secured in terms of investment in mutual fund.

Salar. K (1991) evaluated and examined the methodology for the performance measurement of mutual funds, and pointed out that Treynor and Sharpe gave score to mutual fund concern with the differences in terms of risk factors. The Treynor and Sharpe index, generally utilized for the performance evaluation of the portfolio with different levels of risk.

Batra & Bhatia (1992) evaluated the performance of different mutual fund schemes with respect to the mobilization of funds and return. The result was found that, SBI, UTI & LIC mutual funds provided average dividend from 11% to
16%. The tremendous performance has been shown by the Canbank mutual fund, PNB mutual funds and Indian bank mutual funds during the same time period when actual research carried out. The other interesting result found that many of the schemes was quite good as compare to industrial securities.

Gupta L. C. (1992), conducted a research of household groups with specific objective of identifying investor’s preference for individual investors, so as the mutual fund organization designing the schemes according to the requirement of the mutual fund investors, it has shaping the mutual fund industry in a wide manner.

Gangadhar V (1992) examined that, mutual fund is considered as primary investment avenues for mobilization of house hold sector's financial resources as it always gives constant return, low level of risk and capital appreciation. In India open ended funds were more popular as compare to any other investment vehicles due to the diseconomies of scale, size and liquidity. The general conclusion drawn from the research that most of the investors choose the mutual fund as high return investment avenues with lower level of risk.

Sharma Seema & Lal C (1992) identified that, during 1950 to 1986 the house hold sector saving increased from 73.6% to 83.6%. During 1970 -1990 tremendous mobilization of the funds from the house hold sector to financial sector and economy. it has created a powerful impact in construction of healthy financial market.

Sahu R K (1992), has conducted a research and defined that, mutual fund consider as appropriate investment avenue to provide a more strength in capital
market. During the study time period total assets of mutual funds were near to Rs. 30000 Cr., while total mobilized resources in equity class was less than 15% of total market capitalization.

Anagol (1992) examined certain aspects of the regulatory framework for mutual fund in India. He has concluded that there is immediate need for implementing the self regulatory structure in India for mutual fund players. The specific structural regime suggested by the researcher that, liberalization in financial market and fund sweeping deregulation.

Uma Shashikant (1993) examined critically that, the base and significant of the operation mechanism in the mutual fund industry. She also identified that money market mutual fund are more attractive for conservative investors with a low level of risk and lower return with respect to the short term investment horizon.

Shah Asish & Rama Murthy Y (1993-94) defined from the research that, there are various factors affected in the selection of different kinds of mutual fund schemes. It has also found that liquidity, capital appreciation, safety and higher expected return were the most influencing factors for selection of any mutual fund schemes. The general preference of the household sector towards the expected return was near to 7% in 1989-90. Mutual fund considered as alternative options for direct purchase of security and it should be managed by the mutual fund managers and analysts through the valuation and portfolio management techniques. The conclusion drawn from the study that, mutual fund managers could use portfolio selection techniques before making investment in risky class of assets rather than rely on individual’s judgments.
Vaid, Seema. S (1994), during the period 1987 to 1992 mobilizations of the funds from the household sector has continuously increased by 58.40%. UTI (Unit Trust of Income) captured the maximum 83.90% of industry mobilization during the same time period. The noticeable result found from the study that a growth scheme depicts a healthy investment pattern with 81.8% of equity scrips in the portfolio. He has also identified that rural and semi-urban areas were untapped market for the mutual players, investors who belong from the semi urban & rural area has changed their investment pattern due inferior quality of return provided by the mutual fund players. During 1985 to 1986, off shore funds has shown tremendous performance.

Shukla & Singh (1994) identified the result from the research that educational qualification of the portfolio managers has been able to generate extra and excess return. They concluded that professionally qualified portfolio managers have ability to take more risk and have a better skill of diversification. Most of the equity portfolio managers used a diplomatic approach for investment in equity class of assets. From the total sample size three portfolio fund managers were outperformed others.

Shah and Thomas (1994) evaluate the performance of eleven mutual funds schemes on the basis of market price data. The study computed the weekly returns for these schemes since their commencement to April 1994. Jenson and Sharpe measures were used to evaluate the performance of the schemes. The study concluded that except UGC 2000 of UTI, none of the schemes earned superior return than that of the market.
Shome (1994) examined the various growth schemes performance during April-93 to March-94 with BSE (30) as market proxy. The result found from the research that out of total sample size 10 specific mutual fund schemes have a marginally lower average rate of return as compare to market return, while the risk (SD) was significantly higher then market. The interesting fact of the study that size of the fund does not associated with the performance of the mutual fund.

Shah Ajay & Thomas Susan (1994) carried out the research based on the sample size of 11 mutual fund schemes with prevailing market price. Average weekly return was calculated for 11 mutual funds since inception of the specific schemes till April-94 were measured using Sharpe & Jenson models. The result found from that study that only one scheme (UTI UGS 2000) was able to generate the higher expected return due to proper diversification and potential high risk.

Kale & Uma (1995) evaluated the performance of the 77 selected mutual fund schemes organized by the eight mutual fund companies. The found the interesting result that growth fund with 47% Compounded annual growth rate, tax planning fund with 30% compounded annual growth rate, balance fund 30% compounded annual growth rate and income fund with at least 18% compounded annual growth rate.

A research were conducted by Sujit Sikidar and Amrit pal Singh (1996). The research was connected with the behavioural aspects of north eastern regions investors towards the mutual fund and stock market investment portfolio. The
research resulted that self employed and salaried holders invested their money/fund in any mutual fund schemes for availing the advantage of tax brackets. In the eastern region SBI and UTI schemes are most attractive among the investors as compare to other schemes. When research was conducted, not a single fund made a big hit in this region.

During the period of 1996 the research was conducted by Madhusan V Jambidekar (1996). The research was based on the various aspects of the mutual fund. The concentrated part of the study was awareness level for concept of mutual fund, factors influencing for buying decision of mutual fund and important sources of information among the investors. The result found from the study that open ended schemes and income schemes were more preferable as compare to close ended schemes and Growth schemes during the prevailing market situation. The first preference was given to the liquidity, capital appreciation and safety of principle rather then other factors. Magazines and new papers are the primary source of information for collecting the information about the various mutual fund schemes. After sale service was the main evidential factor for selection of any mutual fund schemes.

Sahadevan and Thiripalraju (1996), in their research paper titled “Mutual Funds – Data Interpretations And Analysis”, analyzed the performance of private sector funds they compiled and analyzed the monthly average return and standard deviation of 10-selected private sector funds. The investigation reveals that in terms of the rate of return, 5 funds viz., Alliance 95, ICICI Power, Kothari Prima, Kothari Pioneer Blue Chip and Morgan Stanley Growth Fund out performed the
market, during the period of comparison. The analysis also shows that, by and large, performance of a fund is not closely associated with its size.

Yadav R A & Mishra, Biswadeep (1996) examined the performance of the selected fourteen close ended scheme for the period of April-92 to March-95 with Bombay Stock Exchange as proxy benchmark. The result found from the research that 8 (57%) mutual fund scheme has a higher average return then the average market return due to lower treynor index & high level of sharpe index. Out of fourteen open ended mutual fund schemes 8 schemes performed very good due to high diversificability. It's also noticeable that 57% of mutual fund schemes did not generate a reasonable risk premium during the same time period of study. Eight schemes have a positive alpha provided a high positive return in terms of market timing skill of the fund mangers. Most of portfolio mangers of growth fund used the conservative policy for the purpose of investment in growth schemes and also restrict themselves to bear high potential risk.

The research was carried out by Kothari, Warner and Jerold (1997), titled “Evaluating the performance of Mutual fund”. The study basically examined the various empirical properties of performance measures for any mutual fund schemes with the help of simulation processes utilizing with random and random stratified samples of AMEX and NYSE stocks. Apart form the simulation process this study also concern with Jenson alpha, Treynor measure, Sharpe ration, Fama French three factor model and appraisal ration. The result found that the performance of standard category mutual funds was absolutely unreliable and
could depict the faulty picture about the performance. The study also showed that measured performance was quite high and large even when actual performance was normal and ordinary. This creates a benchmark to evaluate the performance of mutual funds. Results between numerical and reported value were different due misrepresentation of fund value by fund managers rather than original performance. Finally the general conclusion drawn from the study was process based 3 factor Fema Franch Model much better then CAPM valuation model.

Thiripalraju M & Sahadevan S (1997) defined that, mutual fund consider as small scale investment vehicle and its give tremendous opportunities for the lower and middle income groups to invest their financial resources in the equity share or stock market. Most of the houses hold sector investors change their preference for investment in terms of real assets to financial assets. He has concluded research that middle income group have change their mindset and also interested to invest their fund in equity share, mutual fund and bond/debenture.

Rao and Nayaran (1997) conducted a research titled “Performance evaluation of Mutual funds”. This study tries to evaluate the performance of selected mutual fund open ended schemes with the help of risk return analysis, sharpe ratio, treynor’s ratio, Fema measures, Jensen ratio and relative performance index during the period of September 1998 to April 2002. The result found from this study was term debt fund were performing very well in the bearish market condition.
Rao, Mohana P (1998) pointed that, LIC mutual fund is dominating player in the mutual fund industry followed by UTI mutual fund schemes. They have conducted face to face interview with 120 respondents and identified that 96% of the respondents were satisfied with good return and better service provided by the UTI and already invested their fund in various UTI schemes. The interesting result found that one fourth respondents belong from the metro cities, which hold more the 50% shareholding in any schemes. Before selecting the mutual fund, investors consider the various factors i.e. constant income/growth options, investor’s services and capital appreciation, etc. he has also found that most of the investors preferred close ended schemes rather then open ended schemes.

Syama Sunder (1998), conducted a research. The study was based on the mutual fund operation mechanism for private institutions with respect to the Kothari Pioneer mutual fund. The result found from the study that level of awareness was very poor in small cities (i.e Visakapatnam) during the inception of mutual fund concept. Agents and stock brokers play an important role to circulate the concept of mutual fund among the small investors. As per demographics elements large number of investors preferred open ended schemes and also consider various other factors for investment in mutual funds.

Kumar V K (1999) examined the problems, product specification and roles of the intermediaries faced by IMFI. He concluded the study that more awareness programs should be conducted to develop the confidence from the investors and also suggested to use of distinct marketing approach & distribution channels.
Mishara (2000), carried out a research and measured the performance of selected mutual fund schemes. In this research paper, tries to evaluating the performance of portfolio with respect to the movement of the securities and stock market. The result found from the study that risk factors are slightly associated with the lower partial movement of the stock or portfolio. In short lower moveable stocks or portfolio was able to generated rate of return which is equal to the risk free rate of return.

Irissappane Aravazhi (2000) examined the performance of 34 close ended schemes and investment pattern during 1988-98 and takes a view of the mangers & investors from Delhi, Mumbai, Pune and Chennai. The result indicates that investors expect the return which is equal to market return. Market volatility is lower then the risk of the sixteen selected schemes with the lower beta. Performance index Sharpe and treynor played a mock role among the actual market participant with a negative values. He further concluded that managers of the 26 fund were not able to capture the maximum gain due to improper scheduling of investment.

A study was conducted by shanmugham (2000). The research was concern with individual investor’s perception about the investment pattern and strategies. A survey has been conducted among 201 investors with the identical region. The result found from the study that there were various influencing factors for investment decision like sociological and psychological factors. Most of investors decided their investment pattern based on their needs and wants. The research area for the above study was limited to local loop only.
Otten, Roger and Bams donnish (2000), were jointly conducted a research to evaluate the performance of European mutual funds using survivorship bias controlled 506 sample funds from the 5 most significant mutual fund regions using four factor asset pricing model developed by Carhart (1997). The study results that priority given by the investors to the small and high book value to market value European mutual funds. The another interesting result found from the study that small cap mutual fund schemes was an attractive investment avenues for investors because its always out performed with their present benchmark. Lastly out of 5 mutual fund regions 4 regions having a positive alpha where only single region UK mutual funds significantly out performed.

Wolasmal Hewad (2000), conducted research and tries to identify the performance of mutual funds with respect to the combination of risk and return levels associated with portfolio using a single value of Treynor ratio, Sharpe ratio and Jenson measures. The research evaluated 80 various mutual fund schemes. Out of 80 mutual fund schemes none of the mutual fund schemes were fully diversified, that means there is some amount of unsystematic risk associated with portfolio that can not be eliminated with the help of diversification. Another noticeable result carried out from the study that none of the mutual fund portfolio would lend on Markowitz’s efficient frontier curve.

Agrawal, Ashok motilal (2000) has found the result that during 1987-95 mutual funds showed a tremendous performance like shining star. The aggregate investible amount of the mutual fund industry shows remarkable growth in 1987
and it touched to Rs. 8059 Cr. by 31st December-1995 from Rs. 4564 Cr, in 1986-87.

Narshima and Vijaylakhsmi (2001) explain an empirical evaluation of diversification and timing performance. The study reveals that the mutual funds in India complete each other to show superior performance. The study analyzed the performance of 46 MF’s schemes of various asset management companies. The research was carried out by Ahmed, Parvez; Gangopadhyay, Partha & Nanda, Sudhir (2001). The research was connected with the performance evaluation of bond and equity mutual funds. Initially funds were allocated in the emerging primary market. The above study performed with the help of Sharpe’s ratio, Treynor’s ratio, Jensen’s measure. The study was based on the owners fund and debt funds with respect to unit holder’s interest. The result found that the US security market consistently out perform over the emerging security market, But the emerging bond market out perform the US bond market over a studied time period. The researchers also found that the overall emerging security market funds under perform with respect to the specific indexes. There were also proved that higher risk and lower return of securities and Sharpe ratio through the research by researchers.

The research study was conducted by Stehle, Richard and Grewe, Olaf (2001) titled “Long-Run Performance of German Stock Mutual Funds”, and evaluated the risk adjusted performance of various open ended mutual fund schemes of German securities using sharpe measure and jenson measure. The study results the return of any specific benchmark and return of the mutual fund schemes
comprise with identical component of return. The another result found form this study that choice of any specific benchmark was not associated with the performance of any german mutual fund schemes (return). If we are taking about the investment strategy, the above research identifies that risk was the same for the specific mutual fund schemes and selected benchmark, that means the average performance of the mutual fund portfolio and specific benchmark is neutral.

Roshni Jayam’s (2002) found the result from the research then equity portfolio had a high chance in terms of future capital appreciation. The researcher has also found that, investors have clear idea about the risk preference and investment objectives; based on these, investors can pick up the mutual fund scheme from pool of the schemes. The individual investors should take the correct judgment based on their needs. Other interesting fact connected with the investment pattern that well diversified equity fund ware safer as compare to other schemes. The researcher’s also recommended (SIP) systematic investment plan with growth feature was provided reasonable return towards with higher expected cash inflows.

A research was conducted by Fernandes and Kshama (2003). The research paper is based on the performance evaluation index fund with special reference to the Indian context. In this study, researchers tried to identify tracking error with respect to evaluated index funds. The study revealed that effect of the tracking error at lower level as compare to other countries index funds. Tracking error was
not affected at much more higher level in Indian index funds. At the same point other index funds behave in random manner.

The research was conducted by Roy, Bujan Deb and Saiket in (2003). The researcher evaluated the performance of 89 mutual fund managers through the Mazuy Model, Treynor measures and Merton-Henriksson Model with respect to Indian context. The study found that the alphas shift from left to right due to large gap in availability of information for fund managers. In research found negative coefficient between alphas and timing of information available for fund managers. The general differences in result of conditional and unconditional model identify the superiority and applicability of the performances.

Gupta (2004) was made a household investors survey. The main objective behind this research was to identify data and information which was concern with the investor’s preference on financial assets and mutual funds. The conclusion drawn from the research was more suitable for policy makers that design the financial products as per needs of the investors in future. It has also relevant to the performance of the mutual funds.

During the period of 2004, study was conducted by Engstrom and Stefan (2004), which was relevant to the investment strategies associated with performance evaluation of mutual funds with portfolio characteristics. This study tried to identifies the relationship between fund manager’s investment strategies and performance evaluation of specific mutual fund with the essential elements of the portfolio using traditional alphas model which was developed by Jenson in 1968 and conditional alphas model developed by Ferson and Schadt (1996) The result
found from the study that there was weak relationship between past track recorded return of portfolio and existing performance of portfolio. It also depicted that mutual fund schemes with a diversified and versatile portfolio performed very well as compare to the less diversified portfolio. However diversification could be possible by existing fund investment space and also unlisted securities were available for investment.

Pendaraki.K (2005) conducted a research relevant to the mutual fund portfolio construction. The researchers was developed a multi criteria methodology and it was utilized for the Greek market of mutual fund. The methodology and model was concern with multi criteria decision analysis and fund selection and composition tree. The goal programming model was applied for to determine the performance evaluation of single mutual fund schemes. The results found that applicability of all developed models were suitable for performance evaluation of mutual funds.

The study was carried out by Carlos Juan (2005), This research was based on the portfolio performance which was concern with the various factors or benchmarks. The result found form the research that it was more suitable to apply the characteristic-based model and factors based model to evaluate the performance of the mutual fund or any specific portfolio rather than approaching other statistical model like capital asset pricing model, French Fema factors and Linter model. The information was collected from the past performance and those values put into the linear model and try to identify the performance (risk and return) of any individual portfolio or benchmark. The another result found form
the research that factor model was applicable in case of the portfolio benchmark was gives same output either in short run or in long position. Performance of Russell indexes was evaluated by using different factor models, constructed portfolio of any mutual fund schemes was absolutely not relay on the factors it’s based on the personal biases of the fund managers and individuals. Therefore, as per empirical findings, choice of various variables or factors would more appropriate then type of model used for evaluating the performance of any mutual fund schemes.

A study was conducted by Bello Y and Zakri (2005). The research was conducted for comparison of randomly selected conventional funds with socially responsible security concern with the same value of net worth and net assets. The objective behind the research was to examine difference in elements of assets held, ability of portfolio diversification and multiple effect of portfolio diversification in performance of mutual fund. The result found that in terms of essential elements socially responsible security has not differed as compare to conventional funds. During the studied time duration both of the indexes S&P-500 and Social index underperformed. The general effect of the diversification was not differed between two indexes.

Sodhi H J & Jain P K (2005) evaluated 19 private and 17 public sector equity mutual fund schemes. During the period 1993-2002 the mean & median return of the selected schemes were higher then BSE 100 index and lower then risk free rate of return (364 days T bills). LIC dhanvika & Can-bonus funds were performed very poorly while; alliance equity fund shows incredible return and
acquired first rank during the same time period. They concluded that most of the selected mutual fund schemes generated good return as compare market return. Due to fund management skills, stock selection ability, appropriate market timing and popularity, private equity mutual fund performing very well. From the 75% of the public sector mutual funds were not being able to generate the reasonable return due to high safety and absolutely safe game played by the fund managers. Public sector funds did not depict the consistent performance during the study time period.

Rao D N (2006) conducted research focused on the 4-step model or a 4 step process for selecting the right & appropriate equity based mutual fund schemes with special reference to equity mutual fund in Saudi Arabia. The researchers also developed 4 step model for selection of equity mutual fund schemes are as follows.

(1). Step: I Comparison of returns for various funds within the same category.

(II). Step: II Compare returns of specific fund with the return of specific index.


(IV). Step: IV Calculate the risk-related parameters and compare between each other.

The research found that the most of the Arab securities has been existence form the last one year which the fund was invested by investors and the high volatility of security market contributed comparatively poor and lower performance towards these funds. The above 4 step model applied for six various types of equity mutual fund categories in Saudi Arabia and the result found that the funds
invested in the European security and Asian security were performing consistently and generated higher return as compare other categories. The Asian economies especially India and china are more attractive for future investment prospects. The funds invested in Asian market are more precisely continue with present performance in next future.

The most popular studies examines & evaluated by Bhattacharjee, Kaushik and Prof. Roy, Bijan (2006), selected mutual fund schemes were able to bailout the average market value during the studied time duration. The research also examined the strong or week interrelationship between fund managers ability and composition of portfolio. The research also tried to identifies the intrinsic value of fund’s future performance associated with the past performance by utilizing the single index model. The research found that there were lots of positive sings given by market and mutual fund managers having more quantitative information about the return of securities which was not available in public domain. When unit holders holds their investment for a longer time period they were generated higher average return as compare to the market return. In short the researchers concluded that measuring the actual performance of any individual mutual funds is far batter in longer time span.

Research was concern with the topic of performance evaluation of mutual funds from the whole world with the help of 10568 sample size from actively managed equity mutual fund schemes from the nineteen countries by, Miguel A.; Miguel, Antonio F.; Ramos, Sofiann (2006), using various kind of models, mainly International market model developed by Carhart in 1997, domestic market
model, domestic four factor model developed by Carhart in 1997 and international 4 factor model. From the above study researchers had identified that size of the fund was perfectly correlated with the performance of the portfolio. Large portfolio always performed very well as compare to small size of funds. There was a significant negative relationship between the performance of large size fund and small size funds. The study reveled that these fundamental applies in foreign as well as domestic funds and it was proven by the researcher through the statistical tests. Another interesting result found from the study that age of funds negatively correlated with the performance of mutual funds, that means newly launched or younger funds performed very well in the worldwide market. The result also depicted that young mutual funds gives better return mainly in abroad market fund and US market funds.

Panwar, Sharad and Madhumati (2006) jointly conducted a research titled “Characteristics and performance evaluation of selected mutual funds in India”. The basic idea behind this research was to identify the differences in elements of private sector sponsored and public sector sponsored funds and also identify the in what extent portfolio diversification was possible among the public sector and private sector sponsored mutual funds. The researchers were used traditional portfolio measurement approach for this study.

Rao (2006), conducted research for performance evaluation of selected open ended mutual fund schemes with the help of hypothesis testing, Sharpe ratio and return based yield. The result found from the study that out of 42 plans one dividend plan and four growth plans could able to generate higher amount of
return other then which is contrary to the overall opinion prevailing in the mutual fund sector. The comparison has been made through the Sharpe ratio between growth plans and dividend plan showed the resulted that growth plans performance was quite good as compare to dividend plans. F-test and T-test also shows the result that there was a significant relationship in performance differences in dividend plans and growth plans.

Banerjee and Ashok Et.Al. (2007) were conducted a research in the year of 2007 using the tool of (RBSA) return based style analysis to evaluate the performance of selected equity mutual fund schemes with the help of quadratic optimization of asset class model which was developed by William Sharpe. This model is useful to identify the relative performance of equity mutual fund associated with the style benchmark. The result found form the study was equity mutual fund schemes were generated a positive return during the period of January 2000 to June 2005. Another interesting result has found from this research that the ELSS (Equity Linked saving schemes) were more attractive as compare to other growth fund schemes. The average returns of the all growth funds were not positively correlated but quite significant. During this research sample time period the volatility of ELSS funds was higher then the other growth funds.

Research was carried out by Panwar, Sharad and Madhumati in (2006). The objective behind the research was to separately identify the differences in elements of private sector and public sector sponsored funds secondly the up to what extent diversification is possible in case of private sector and public sector sponsored funds. Another aspects associated with the study was to compare the
performance of mutual fund schemes between public sector and private sector sponsored funds. The initially using Sharpe information ratio, Jensen’s alpha, Excess standard deviation adjusted return (ESDAR) and discovered the portfolio risk elements measured through the public sector and private sector sponsored fund. The overall result found that public sector and private sector sponsored funds both are out performed during the specific time period. The study also revealed that public sector and private sector sponsored funds were correlated in terms of differences in elements with respect to the portfolio diversification.

Sehgal, Sanjay, Jhanwar & Manoj (2007), evaluated a past study concern with the aimed to evaluate performance of mutual fund portfolio if mutual fund managers shows their extraordinary stock selection skills over a short time duration of one year using one-factor capital asset pricing model or CAPM three-factor, risk-adjusted abnormal returns (RAR), Fama-French model and Four-factor Carhart model. The result demonstrated from the research that short-term diligence in equity mutual fund schemes performance does not necessarily relay on extraordinary stock selection skills. Ordinary factors in security returns explained some of the abnormal returns among top graded mutual fund schemes in India. Only the champion mutual fund portfolios were using the daily data and sorted on four-factor alphas’ gives an annual abnormal return of 10% relative to past returns. The short-span of time performance were much more better then long horizon when daily data was utilized for portfolio evaluation, that means utilizing the data frequency does not affect performance of any mutual fund schemes in short time period.
Sanjay Kant Khare (2007) examined that, investors want to purchase bonds or stock with a lower transaction cost (expanses) through the mutual fund investment with significant advantages of low level of risk & appropriate diversification features. The researchers found the result that retail & individual investors revert back their financial resources from the financial market (Primary/Secondary) and invested in various mutual fund schemes due to higher growth rate of 23% p.a. during the same time period mutual fund were significantly popular among the rural areas because of high level of corporate governance diversified products and transpierces in management.

Another research was conducted by Agrawal, Deepak (2007). The research identifies the mechanism of pricing in Indian mutual fund industry with empirical valuation approach. Its also identifies the data and value at both fund investors and fund managers levels. The basic theme of this research that the mispricing about the any mutual fund schemes associated with wrongly evaluated market and security risk-return. During the studied pricing duration, if the security return is negative, that stated security is overpricing, while the security return is positive means it’s under pricing. Various performance measurement tools wear applied for measuring the performance of any mutual fund schemes with BSE (SENSEX) and its used correlation analysis, co-efficient of determination, null hypothesis and standard deviation. The result found from the study that return was increased during the 3 months time period and standard deviation was significantly increased for the same time duration. Increasing in the standard deviation means higher value deviated from the actual mean value during the
studied time period. The study also found that there was a significant relationship between variance and coefficient of variation. Increasing in variance indicates higher variability in the security returns during the studied time period. The another interesting result found from the study that as compare to short horizon, longer time period having a less covariance and it’s also in decreasing manner.

A study was conducted by Karoui, Aymen, Meier and Iwan(2008). This research was based on the portfolio elements and performance of mutual funds of newly launched 829 US equity mutual fund schemes during the time period of 1991 to 2005 with the help of Crahart 4 factor asset pricing model. The result found that newly launched equity mutual fund schemes were outperformed by 0.12% per month from the last three years track records. However there were different trends in this better risk adjusted performance predicted using 4 factor asset pricing model which was developed by Carhart (1997). The large number newly launched mutual funds started to outperformed, older mutual funds continuous out of the track form one to three years time span. These results recommended that the initially performance of any equity mutual fund schemes favorable due to risk taking ability of investors and fund managers but not exactly skill of fund managers. The further results stated that at the time of inception of funds having a higher standard deviation and unsystematic risk which can not be examined under the 4 factor corhart model.