CHAPTER – II
REVIEW OF LITERATURE

2.1 Introduction

This chapter is relevant to refer briefly to the previous studies and research in the related areas of the subject because it helps to find out and to fill up the research gaps, if any. The collection of reviews has been made from various studies undertaken by the academicians, practitioners, researchers from time to time. These reviews will enlighten the existing knowledge of the researcher. Besides, the reviews of empirical studies explore the avenues for present and future research related to the subject matter. In order to understand the research problem the earlier attempts made by the various authors are needed to be studied. The past studies guide the researcher for getting a better understanding about the need of research, methodology, identification of variables, sampling group, and instrument on collection of data, lucid interpretation and reconciliation of the conflicting results. In case of conflicting and unexpected results, the researcher can take the advantage and he is given the medium of their published works.

Different authors had analyzed MF concept in different perspectives and the detailed analysis of the related literature promotes a greater understanding of the problem at hand and design of the study. It also provides a theoretical base for the research and helps the researcher to conceptualize the problem and to choose the design of the present study. Therefore, this chapter discusses the available studies of MF for both Indian and foreign studies.

2.2 Related Reviews

Treynor,, (1965)\(^1\) in his research stated that risk in a diversified fund of the responses to general market fluctuations and fluctuations peculiar to particular securities held by the fund devices of a satisfactory way to measure the performance of the fund with the help of the characteristics line and the portfolio possibility line.

Sharpe,, W.F., (1966)\(^2\) create an own model as regards evaluate the performance of MFs and has developed a composite measure that considers return and

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risk—which is popularly known as Sharpe’s reward to variability ratio that considers both risk and return. He evaluated the performance of 34 open-ended mutual funds during the period 1944-63 by the measures developed by him. He concluded that the average MF performance was distinctly inferior to an investment in the DJIA and ranged from 0.43 to 0.78. Further, it is reported that good performance was associated with low expense ratio and not with the fund size.

**Treynor & Mazuy (1966)**³ in their study focus on ability of MF managers to outguess the market by taking a sample of 57 open-ended funds for a period of 10 years beginning in 1953. They are conclude that there was no evidence of MF managers outguessing the market. Further, based on the statistical application authors are reported that an investor in MFs was completely dependent on the fluctuations of general market.

**Jensen (1968)**⁴ studied the ability of selected securities (115 fund managers) during the period 1945-1964. Analysis of net returns of this study indicated that, 39 funds had above average returns, while 76 funds yielded abnormally poor returns. Using gross returns, 48 funds showed above average results and 67 funds below average results.

**Friend, Blume and Crockett (1970)**⁵ in their study makes comparison about performance of 86 funds with random portfolios. This study concluded that, MFs performed poorly in terms of total risk and size of the fund did not have any impact on their performance.

**Fama (1972)**⁶ in his theoretical attempt suggesting breakdowns in performance evaluation like selectivity and timing rather than in terms of risk and return. This is followed by methods for measuring the effects of foregone diversification when an investment manager decides to concentrate in his holdings in which he things that there are only few winners. Eventually he was successful in presenting a multi period model that allowed evaluation both on period-by-period and on a cumulative basis.

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Gupta (1974) measured the performance of MFI for the period between 1962-1971 using Sharpe, Treynor, and Jensen models. The results of these models indicated that identical results. This study concludes that funds with higher volatility exhibited superior performance.

Kim, Tye (1978) in his assess the performance of MF managements through the evaluation of quarterly investment performance of 138 MFs during the period 1969-1975 using the weighted benchmark index portfolio approach. This paper reported that according to the benchmark standard the MFs performed rather poorly than expected. In addition, the return and the risk measures tented to correlate negatively although degree of correlation was not strong. There by, those funds with high-risk objective were engaged in losing games. Further more, the study reported that the strong positive relationship exists between risk-return that prevailed in 1950s and 1960s might have misled many fund managers to anticipate similar relationship in the first half of 1970s.

Woerheide (1982) tested the effect of various factors as regards investor response to suggested criteria for MFs. It was proved that size of fund, effectiveness of marketing programme and past return of funds have great impact. Among these the effectiveness of marketing programme has strong impact.

Ippolito, R. (1992) reported that fund selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.

Sitkin S.B and Pablo (1992) in their study focus on risk perception as risk assessment in uncertainty and it depends on the familiarity with organizational and managementsystem. The authors also developed a model of determinants of risk

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behavior and identified personal risk preferences and past experiences are the important risk factors and social influence also affects the individual’s perception.

Hendricks Darryll, Patel & Zeckhauser (1993)\(^\text{12}\) found that MFs offer superior returns predominantly over a short period of roughly four quarters. The study suggests that a strategy of selecting the top performers in the last four quarters significantly outperform the average returns.

Varghese Kallada (1993)\(^\text{13}\) studied about best funds. This study concluded that best performance of the scheme is PNB ELSS 92, Bonanze 80 CC and GIC Big value and worst performance scheme is Can 80 CC, Canpep 91 and Can bonus.

Sahu R K and Panda J (1993)\(^\text{14}\) identified that, the savings of the Indian public in mutual funds was 5 to 6 percent of total financial savings, 11 to 12 percent of bank deposits and less than 15 percent of equity market capitalization. The study suggested that, mutual funds should develop suitable strategies keeping in view the savings potentials, growth prospects of investment outlets, national policies and priorities.

Saha Asish and Rama Murthy Y Sree (1993)\(^\text{15}\) identified that return, liquidity, safety and capital appreciation played a predominant role in the preference of the schemes by investors. The preference of the households towards shares and debentures was 7 percent by 1989-90. Mutual funds being an alternative way for direct purchase of stocks should be managed effectively adopting investment analysis, valuation models, and portfolio management techniques. The study suggested that, fund managers could adopt portfolio selection techniques to make more informed judgments rather than making investments on an intuition basis.

Droms, W.G and Walker (1994)\(^\text{16}\) studied with the aim of investment performance of international funds during the study period from 1971-1990. This study concluded that the majority of international funds under performed in the U.S. market during the study period.

Jaideep & Sudipta Majumdar (1994) evaluated the performance of five growth schemes during the period February’1991 to August’19893. They have used Capital Asset Pricing Model (CAPM) and Jensen Measure to evaluate the performance of growth schemes. This study concluded that the selected MF schemes have not out performed well during the boom period.

Kale and Uma (1995) conducted a research regarding measure the performance of 77 schemes managed by 8 MFs. They are concluded that growth schemes yielded 47 percent CAGR, tax-planning schemes 30 percent CAGR followed by balanced schemes with 28 percent CAGR and income schemes with 18 percent CAGR.

Kaura, M.N. & Jayadev, M. (1995) evaluated the performance of five growth-oriented schemes during the year 1993-94 through the Sharpe, Treynor and Jensen measures. Based on these measures, this study reported that Master gain 91, Can bonus and Ind-Sagar have performed better than the market in terms of systematic risk but not in terms of total risk.

Baur, Sundaram and Smith (1995) outlined the pricing fundamentals of open-end and close-end funds, and described the transaction cost of buying and selling funds. The U.S.A.’s experience of mutual funds described how these institutions could change a country’s capital market and individual investment patterns. The study disclosed that the continuous redemption privilege of open-end funds had vulnerable consequences in the pricing of each type of fund, the assets held by each type of fund and the manner in which the transaction and management fees were collected.

Conrad S Ciccotello and C Terry Grant’s (1996) study identified a negative correlation between asset size of the fund and the expense ratio. The

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results of the study brought out that, larger funds had lower expense ratios due to economies of scale. Equity funds had spent heavily to acquire information for trading decision and were consistent with the theory of information pricing. The high beta, high expenses and high turnover in the aggressive growth group than in long-term growth funds and income funds suggested higher costs being associated with obtaining and using corporate information in emerging and volatile market.

Sikidar and Singh (1996)\(^{22}\) in their research conducted in North Eastern Region with the purpose of understand the behavioral aspects of the investors towards equity and MFs investment portfolio. This survey work reported that the self employed and salaried people are most of the investors in MFI. Tax concessions factors influenced among them.

Jayadev (1996)\(^ {23} \) has studied the MF performance with reference to ‘Master gain 1991’ of UTI and ‘Magnum Express, of SBI MF. He found that unsatisfactory diversification as well as insignificant selectivity and timing skills of the schemes.

Grubber (1996)\(^ {24} \) attempted to study the puzzle relating to the fast growth of mutual funds inspite of inferior performance of actively managed portfolios. The study revealed that, mutual funds had negative performance compared to the market and provided evidence of persistence of under performance. Sophisticated clientele withdrew money from mutual funds during the period of poor performance, where as mutual funds found money from disadvantaged clientele leading to the faster growth of funds.

Gordon J. A., Jonathan D. J.and et. al (1997)\(^ {25} \) analyzed the various characteristics and knowledge of investment among the investors. They are found that the investors are having knowledge about costs, risk and returns associated with MFs.


Jayadev. M (1998) in his analytical study on the performance of MF analyzed about 62 schemes of MFs during the period of 1994-95 and compared Jensen’s measure and Sharpe’s differential returns of the schemes. This study stated that there was high difference between two measures and concluded that lack of diversification was the reason for the declining trend in performance.

Rao, Mohana P (1998) discussed about LIC MF dominated the market with 54 and 15 schemes respectively through the interview with 120 respondents. It is showed that, 96 percent invested in UTI due to better service and return. 50 percent of shareholding and 25 percent of unit-holding respondents were from metro cities. Investor’s services, income–cum-growth option and capital appreciation were very important aspects while choosing a fund. This found that the close-end schemes were very popular among investors.

Morrison and Roberts (1998) in their study focus on the significance of product channel interactions and the need to consider the degree of congruence between a product and a channel when evaluating the factors influencing the decisions to use channel for a purchase.

Syama Sunder (1998) conducted a survey to get an insight into the MF operations of private institutions with special reference to Kothari Pioneer. This study reveals that awareness about MF concept was poor during that time in Visakhapatnam. Agents play a vital role in spreading the MF culture. Open-end schemes were much preferred. Brand image and return proved to be the prime considerations while investing in any MF.

Kumar V K (1999) analysed the roles, products and the problems faced by the IMFI. This study suggested that turnaround strategies of awareness programs,

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transparency of information, distinct marketing and distribution systems to rebuild confidence.

Amitabh Gupta (2000)\textsuperscript{31} in his research examined the investment performance in terms of six performance measures using weekly net annual value data for 73 mutual funds schemes from 1994-1999. He found that the schemes have shown a mixed performance during the study period.

Shanmugham (2000)\textsuperscript{32} carry out survey among the 201 individual investors about information sourcing by investors, and their perceptions of various investment dimensions and the motivating factors on investment decisions. This study concluded that among the various factors, psychological and sociological factors dominated the economic factors regarding investment decisions.

Biswa deep Mishra (2000)\textsuperscript{33} in his paper attempts selectivity and timing skills of MF. This paper reported that 25% of the schemes posses timing skills and 29% had negative timing parameter indicating that these schemes brought about changes in their portfolio based on a wrong forecast of the market trend.

Chakrabarti, A., and Rungta, H., (2000)\textsuperscript{34} in their study concluded that the brand image is the major Influencing factors among the investors for investing in MFs schemes and it helps to MFs schemes selection behavior but this brand image cannot be easily captured by computable performance measures.

Ramesh Chander (2000)\textsuperscript{35} examined 34 mutual fund schemes with reference to the three fund characteristics with 91-days treasury bills rated as risk-free investment from January 1994 to December 1997. Returns based on NAV of many sample schemes were superior and highly volatile compared to BSE SENSEX. Open-end schemes outperformed close-end schemes in term of return. Income funds outsmarted growth and


balanced funds. Banks and UTI sponsored schemes performed fairly well in relation to sponsorship. Average annual return of sample schemes was 7.34 percent due to diversification and 4.1 percent due to stock selectivity. The study revealed the poor market timing ability of mutual fund investment. The researcher also identified that, 12 factors explained majority of total variance in portfolio management practices.

Vijayalakshmi, S. (2000) studied the performance of MFs in terms of achieving diversification benefit and fund manager’s timing ability to invest in stocks with the sample of 46 schemes offering by public sector banks and financial institutions and foreign fund schemes. This study found that there was no superior performance of MF. Further, the study concluded that the fund managers have failed to invest in top performing stocks of the period.

Narasimhan M S and Vijayalakshmi S (2001) analysed the top holding of 76 mutual fund schemes from January 1998 to March 1999. The study showed that, 62 stocks were held in portfolio of several schemes, of which only 26 companies provided positive gains. The top holdings represented more than 90 percent of the total corpus in the case of 11 funds. The top holdings showed higher risk levels compared to the return. The correlation between portfolio stocks and diversification benefits was significant at one percent level for 30 pairs and at five percent level for 53 pairs.

Rajeshwari, T.R and Rama Moorthy, V.E (2002) studied the financial behaviour and influencing factors fund/scheme selection of retail investors through conducting Factor Analysis. They are identify that the investor’s underlying fund/scheme selection criteria, so as to group them into specific market segment for designing of the appropriate marketing strategy.

Singh, Y.P., and Vanita (2002) in their study examines that the investors' perception and preferences towards MF investments in the city of Delhi. This study concluded that the investors' preferred to invest in public sector MFs because their purpose is to getting tax exemptions and stayed invested for a period of 3-5 years. Moreover, the investors measured past performance of the selected schemes. Majority

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of the investors who held growth scheme MFs were dissatisfied with the performance of MFs.

Qamar (2003)\(^40\) conduct a survey with the aim of influencing factors on saving behavior and investment behavior among the households with the sample of 300 average urban middle class were taken from Delhi. The study concluded that level of literacy, educational qualification, occupation and income plays a vital role in choosing the saving and investment pattern by MF investors.

Bansal Manish (2003)\(^41\) survey of 2,819 respondents revealed that, the percentage of investors holding only UTI schemes reduced. The unit holders’ loyalty seemed to have become a myth as investors were looking for performance. Unit-holders spread their holdings over two or more funds with an urge to diversify increasing competitive mutual fund environment.

Jaspal Singh and Subahash Chander (2003)\(^42\) in their empirical research conduct with the aim of determine the factors affecting the MF investors using using convenience sampling method. Primary data collected from 400 respondents in major cities of Delhi, Mumbai, Punjab. This study concluded that personal factors (occupation and age) of the respondents have a significant bearing on the rating of different factors by them affecting their decision regarding investment.

Kamesaka, Akiko & et. al (2003)\(^43\) studied the investment patterns and performance of foreign investors, individual investors, and five types of institutional investors. This study concluded that foreign investors performed well, while individual investors performed poorly over the sample period.

Ronald T. Wilcox (2003)\(^44\) found that how investors choose MF scheme. This study found that investors consider on past performance of the schemes and also indicated that the educated investors demonstrated greater knowledge of basic finance made poorer, not better, decisions than their less financially savvy.


Lee and Marlowe (2003)\(^{45}\) studied about influencing factors on the selection of financial institutions among the consumers. They found that most important factors on convenience in terms of location of office and/or other convenience features. This is followed by retail fees, range of services offered and the existing personal relationship is the major factors on decision-making criteria for selection of financial institutions.

Saha, Tapas Rajan (2003)\(^{46}\) identified that Prudential ICICI Balanced Fund, Zurich(I) Equity Fund were the best among the equity funds while Pioneer ITI Treasury scheme was the best among debt schemes. He concluded that, the efficiency of the fund managers was the key in the success of mutual funds and so the AMCs had to ensure more professional outlook for better results.

Satish, D., (2004)\(^{47}\) studied that the investors’ perceptions from seven major cities in India had a preference for MFs compared to banking and insurance products. Investors expected moderate return and accepted moderate risk. 60 percent of investors preferred growth schemes. The image of AMC acted as a major factor in the choice of schemes. Investors had the same level of confidence towards shares and MFs.

Elango’s (2004)\(^{48}\) analytical results indicate that, private funds had a high positive association between the past and current year NAV compared to public sector. The private sector schemes outperformed public sector in terms of NAV range value, innovative products and in deployment of funds. Public sector funds showed low volatility as against greater variability for private sector indicating low consistency. Student ‘t’ test indicated the existence of a high significant difference between the mean NAV of private sector funds and public sector with a high statistical significance.

Jaspal Singh (2004)\(^{49}\) studied to know the perceptions of small investors through the primary survey conducted among 400 investors. The study found that


amongst various avenues of investment, the MFs obtains lowest preference by most of the investors.

O’ Neal, Edwards, S. (2004)\textsuperscript{50} found a strong relation between purchase rates and redemption rates indicating a significant clientele of rapid fund traders who punish poor performance with higher redemptions in US. Further, over the sample period, index funds displayed lower redemption rates than that of actively managed funds.

Anand and Murugaiah (2004)\textsuperscript{51} concluded base on that strategic issues related to the marketing of financial services and that today’s financial services industry requires new strategies to survive and continue to operate. They have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the tough competition from global players of domestic and foreign origin.

Mehry, K.D., (2004)\textsuperscript{52} focused on the ignorance of the investors about mutual funds coupled with aggressive selling by promising higher returns of the investors have resulted in loss of investors’ confidence due to inability to provide higher return. The agents or distributors of mutual funds are more governed by the commissions and incentives they get for selling the schemes and not by the requirements of the investors and quality of the products. They do not explain the risk factors to the investors.

Sankaran (2004)\textsuperscript{53} proposes the future direction for investors will be to invest in pension funds, as government is envisaging a policy to cover all kinds of investors. He further opined that MF industry will continue to grow in spite of competition and will be propelled in the right direction because of the investor friendly financial markets.


\textsuperscript{52}Mehry K.D., (2004):”Problems of Mutual Funds in India”, \textit{Finance India}, Vol.18, No.1, pp. 220-224.

Venketesh (2004)\textsuperscript{54} concludes that the fund houses incur additional expenses to market the new product which further reduces the Net Asset Value which hinders the growth of MF schemes.

Venkateshwarlu, M., (2004)\textsuperscript{55} had analysed investors from the twin cities of Hyderabad and Secunderabad. Investors preferred to invest in open-end schemes with growth objectives. Chi-squared value revealed that, the size of income class is independent of preference pattern, and dependent on the choice of fund floating institution. Reasonable returns and long-term strategy adopted by the scheme were the criteria of scheme selection. Investors perceived that too many restrictions led to the average performance of MFs in India.

Ramamurthy and Reddy (2005)\textsuperscript{56} is to analyze the recent trends in the MFI like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in MF, buying and selling of mutual funds through online and draw a conclusion that the main benefits for small investors’ due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI.

Athanasio, G. Noulas, and et. al (2005)\textsuperscript{57} evaluated the performance of 23 equity funds during the period 1997-2000 in Greece based on measuring risk and return of the selected funds and the study concludes that the investor needs to know the long term behavior of MFs in order to make the right investment decision.

Bailey, Barrie A., Heck, Jean, L., & et. al (2005)\textsuperscript{58} in their study with the objective is to examine the impact of political risk on the risk-adjusted returns of international MF using a modified event study methodology. The study suggested that


shareholders of international equity MFs earn significant abnormal returns in the face of political turmoil.

Noulas, A.G., Pappanastasiou J.A. &et.al (2005)\(^{59}\) evaluated the performance of equity funds for the period of 1997-2000 in Greek based on the risk and return associated with fund. The risk is measured with help of coefficient of variation and the systematic risk. Positive relation between risk and return for the whole period were seen, while the betas for all funds were smaller than one.

Desigan et. al (2006)\(^{60}\) found that women investors basically are indecisive in investing in MFs due to several factors like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems.

Duke, Lawrencelk and Upadhyay, Arun (2006)\(^{61}\) carry out study with the aim of analyse the factors that affect the demand from investors in MFI. They reported that reduction of fees would attract new investment capital leading to the increase in fund size.

Jaspal Singh and Subahash Chander (2006)\(^{62}\) in their empirical study focus on investor perception regarding MFs with the sample of 400 respondents and they are selected in Punjab. They found that the Majority of the investors take decision based on the advice of brokers, professionals, financial advisors and newspapers advertisement.

Mei-chent (2006)\(^{63}\) examined the performance of three types of MFs offering Taiwan MF industry over various investment horizons. This study found that aggressive funds appeared to be more attractive for both short-term (< 1 year) and long-term (>4 Years) investments. Growth-cum-income funds and growth funds were more attractive for medium term (between 1-3 years) investment. Further, fund performance was positively related to net asset value but inversely related to expense ratio.


Xavier, M.J., Balasubramanian, G. & et.al (2006)\(^{64}\) in their study demonstrated through the conjoint analysis to map the preferences of MF investors in the Indian context. The resultant utilities have been used to segment investors into three major segments like dare-devils, image-driven and the conservative.

Ranganathan, K., (2006)\(^{65}\) in his study aims to examine the related aspects of the fund selection behaviour of investors towards MFs an assess the saving objectives and identify the preferred saving avenue among individual investors in Mumbai city and it was concluded that pension and provident funds is the most popular saving instrument.

Kavitha. R. (2007)\(^{66}\) in her research aims to analyze the fund/scheme selection behavior of individual investors towards MF in Mumbai city during the period July to December’2004. It was reports that there is a fair opportunity to MFs investment in Future.

Nalini Tripathi (2007)\(^{67}\) conduct an empirical research with a sample of 100 investors randomly taken from Delhi with the aim of examine investor related services of MF. The study concluded that investor related services played a major role in improving MF investor awareness.

Navdeep, A., & Mohi, G., (2007)\(^{68}\) in their study measure the performance ofMFs operation in India through the quarterly returns performance of all equity-diversified MFs during the period from January 2002 to December 2006 with the help of Capital Asset Pricing Model (CAPM).

Noronha, M.R. (2007)\(^{69}\) in his research article examined the performance evaluation of equity based MFs of Three Assets Management Companies like Franklin, Templeton, HDFC, Prudential & ICICI through Sharpe ratio, Treynor ratio and Jensen’s ratio. This study found that the examination of sharpe ratio showed that all the above said MFs have a negative return but the funds performance was better than the market. Jensen’s ratio revealed that during the year 2003-04 the market’s performance was


superior whereas in 2004-05 the funds out performed the market. Treynor ratio depicted a very inferior performance during the period.

**Feruz, L. Macro,I & et. al (2007)**\(^{70}\) in their study a wide perspective of socially responsible investment, especially MFs. After general view of the trends in the most important collective investment industries, attention is focused on the Spanish market. Further, they can compare mature MF industries with a recent developed country in this aspect socially responsible MFs have shown an increase both in total net assets and in number of investors.

**Ravichandran, K (2008)**\(^{71}\) in his study with the aim was to know the various investment avenues and the investors risk preference towards it. This study found that preference level of investors on various capital market instruments. Further, this study reported that fund selection information sources among the investors age group of 31-40 through their friend and relatives. It is concluded with the point that, though the stock market is subjected to high risk, by using derivatives the loss can be minimized to an extent.

**Viviane Y. Naimy (2008)**\(^{72}\) compared the return of eight different US equity funds with the NYSE composite Index for the period of 2000-2007 and found that both the returns are relatively moving together. The article also criticized that investors need to be aware of problems and issues of MFs and have to reconsider other investment alternatives for better returns.

**Abhigit Kundu (2009)**\(^{73}\) in his study attempt to evaluate the stock picking performance of the growth-oriented equity fund managers in India over a 3-year period from April’2005 to March’2008 using Jensen and Fama models. This study has found insignificant evidence for superior returns due to stock selectivity of the fund managers in India. It is also found that MF schemes, on an average, have failed to outperform the market even after taking a risk higher than the market.

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Walia and Kiran (2009) conducted a research on investors’ risk perception towards the MFs services. This study identified that the investor’s expectations and parameters that caused dissatisfaction. In addition, the study found that majority of individual investors doesn’t consider mutual funds as highly risky investment. In fact on a ranking scale it is considered to be on higher side when compared with other financial avenues. The study also reported that significant relationship of interdependence exists between income level of investors and their perception for investment returns from mutual funds investment. Further, investors wants innovative products and wants to add quality in existing services given by MF companies.

Veena et.al (2010) in their study aims to ascertaining the significance of financial institutions in mobilizing financial saving of rural/ semi-urban households. A hierarchal regression carried out on this study and identified that the membership of financial institutions, specifically that of banks, insurance and informal financial institutions explains significant proportion of the variation in the rural household financial saving because it took efforts to increase the household income, to reduce the dependency ratio and to increase the number of financial institutions can prove to be fruitful in mobilizing rural household saving into the economy’s financial system.

Chen, Kraft and et. al (2011) have tested MFs that engage in tax planning and how do they respond to changes in the capital gains tax rates was investigated. It was found that there was consistency with tax planning by managers of both open-end and closed-end mutual fund and mutual fund managers may not tax plan like individuals because fund managers have incentives to consider the tax liability of both current and potential investors.

Agapova (2011) carry out the research with the aim is to examine the cross-sectional differences among Money Market Mutual Funds (MMMFs) in the context of


sponsoring fund families and found that flows to family non-MMMFs are negatively related to family MMMF flows, and family non-MMMF cash flow volatility is positively related to family MMMF cash flow volatility. Further, one of the suggestion include for this study is fund family investors also use family MMMFs as cash centers by utilizing free asset transfers within the family.

**Devasenathipathi (2011)** investigated the performance of public and private-sector MFs for the period of 2005 to 2007 through the LIC funds (Public sector) and Reliance (Private sector) were chosen for the purpose of analysis. The study revealed that performance of all the funds seemed to be volatile during the study period from 2005-2007; as such it was quite difficult to earmark one particular fund that out performed consistently.

**Binod Kumar Singh (2011)** in his research paper studied the impacts of various demographic factors on investors’ attitude towards MF. this study concluded that demographic factors like, gender, income and level of education have significantly influence the investors’ attitude towards MFs. On the other hand the other two demographic factors like age and occupation have not been found influencing the attitude of investors’ towards MFs.

**Santhi, N.S., and Balanaga Gurunathan, K. (2011)** attempt to analyze the investor’s attitude towards their investment on Tax saving MFs. For the purpose of research, Primary data have been collected from the Tax saving MF Investors’ in Tamil Nadu, India through well structured questionnaire schedule The study finds that the participation of investors in Tax saving MFs is comparatively less than other safer investment areas like Insurance, Postal Deposit Schemes and Fixed Deposits. The study finds that majority of the investor doesn’t have the knowledge on schemes and awareness on controlling authorities and they are satisfied with the overall benefits on Tax saving MFs.

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2.3 Summation

The analysis of previous reviews helps the researcher to identify the problems to be taken up for the present study through the research gaps. Based on the problems identified, the researcher has formulated the methodology for the present study. This chapter presents a review of relevant research studies relating to the present study area. From the above reviews of both empirical and conceptual work, it is clear that different authors have approached various ways in varying different levels of analysis. These different approaches helped in the emergence of more and more literature on the subject over the time. The above reviews find out following Research Gaps

4) No author focused on the growth of MFI in India with respect to its overall business like, gross mobilization of funds, redemption of funds.

5) Investors’ perceptive to related previous studies included in the review of literatures focusing on urban areas only. Therefore, this study moves to rural areas.

6) No author measures the acceptance level of MF and importance level of each influencing factor under Mutual Fund Industry. For the above reason, it was suggested that the current area of research needed to the Indian context is the study of Investor perception of MFs (the acceptance level and the important factors affecting the MFs).