



Literature review on Investment Pattern and Performance of Selected Equity Mutual funds in India

KEYWORDS

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Many studies on the performance evaluation and investment pattern of mutual funds have been carried out in India and other economies. Reviews of the following research and studies throw light on various contributions made in determining investment patterns and performance of Mutual Funds. Many research works have been published in various publications, which explain what Mutual Funds are and their significance in Indian Economy, capital market especially. These publications are about a variety of aspects ranging from regulation and control, Investor expectations, Investor risk capacity, protection, and growth and development of MFs as an investment instrument. Studying and evaluating performance of mutual fund has also been a very important research topic.

Sharpe, William F (1966) developed a composite measure of return and risk. He studied and evaluated 34 open-end mutual funds for the period 1944-63. The findings determined that good performance was associated with low expense ratio instead of the investment size.

Treynor and Mazuy (1966) studied and evaluated the performance of 57 fund managers on the basis of their abilities in identifying right market timings. The research showed that, investors were reliant on fluctuations in the market. Improvement in the return was due to the fund managers' ability to identify opportunity in under-priced stocks.

Fama (1972) developed methods to find out the observed return due to the ability of the fund manager to invest in the right stocks at a given level of risk from that of predictions of price movements in the market.

Rao, D.N.& Rao, S.B, (2010) carried out a study, on the investment patterns of the five investor groups in eight different fund categories; studied the portfolios of the investor groups and identified the dominant investor groups as per investment size and folios. Important findings are (a) Corporates are the dominant investor group with a share of almost 48% of the total investment (AUM) in the industry and prefer non-equity funds which offer high security & liquidity while the next dominant investor group was the Retail investors' group with 24% of the total investment.

Tarak Paul, (2012), assesses the Gap between Expectations and Experiences of Mutual Fund of around 260 Investors in Guwahati city and has found out that there is a significant gap between the mutual fund investors' expectations and experiences.

Sarish, (2012) studied mutual funds and the benefits of investing in mutual fund, its drawbacks and have done detailed study on various aspects of mutual fund. This paper aims at exploring the potential of mutual funds in India with all problems, complexities and variables, and suggesting the means and ways of meeting the challenges for developing the mutual funds in tandem with its potential of economic growth. This study relied on secondary data in order to identify and analyze the challenges and opportunities for mutual funds.

Bansal and Kumar,(2012) attempted to study the performance of selected mutual funds schemes based on risk-return relationship models, and return on mutual funds also compared with return on equity shares of different sectors of Indian economy. The analysis has been made on the basis of mean return, intercept, beta, Sharpe ratio, Treynor ratio, and Jensen Alpha. The overall Analysis finds UTI schemes being best performers and others showing below average performance.

Bhaskar Biswas, (2013), investigated out performance and under performance of diversified funds. It involved studying the performance of some ten best and ten worst performing diversified equity mutual funds for the period of last three years (2009 -2012). In this paper of selected diversified equity funds have been analyzed by analyzing their arithmetic mean return, risk can be analyzed by standard deviation , beta measures market sensitivity, alpha measures the risk return relationship and Sharpe ratio measures the risk premium of portfolio.

Alekhyia, (2012), studied performance evaluation of Public & Private Sector Mutual Funds in India and comparative performance of public and private sector mutual fund schemes the Indian Mutual fund Industry has witnessed a structural transformation during the past few years. This paper has evaluated the performance of Indian Mutual fund equity scheme of 3 years past data from 2009 to 2011. To appraise investment performance of mutual funds with risk adjustment the theoretical parameters as suggested by Sharpe, Treynor and Jensen.

Dhanda, Batra and Anjum, (2012). Attempted to study the performance evaluation of selected open ended schemes in terms of risk and return relationship. For this rate of return method, Beta, Standard Deviation, Sharpe and Treynor ratio has been used.BSE-30 has been used as a benchmark to study the performance of mutual funds in India. The findings of the study reveal that only three schemes have performed better.

Soongswang and Sanohdontree, (2012) in their study examine the performances of 138 open-ended equity mutual funds managed by the seventeen asset management companies in Thailand during the period 2002-2007. Several different investment horizons of fund performances were analyzed using various evaluation methods: the Treynor ratio, Sharpe ratio, Jensen's alpha and Data Envelopment Analysis (DEA) technique. Findings show that performances of the funds measured by the first three methods, which are based on risk and return, significantly out-perform the market for all time periods of investment.

Vasantha, Maheswari and Subashini, (2013) evaluated the Performance of some selected open ended equity diversified Mutual funds and studied HDFC top 200 fund, Reliance top 200, ICICI Prudential top 200, Canara Robeco equity diversified fund, Birla Sun Life frontline equity mutual funds over the period of 60 months data. The analysis has been made on the basis of Sharpe ratio, Treynor ratio and Jensen .

Bansal, Garg and Saini, (2012), This paper examines the performance of selected mutual fund schemes, that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe & Treynor's ratio.

Poornima & Sudhamathi, (2013) In this research paper an attempt is made to analyze about the performance of the growth oriented equity diversified schemes by using Sortino ratio. 102 growth oriented equity diversified schemes which were performing during the period April 2006 to March 2011 were selected for the study. This research paper clearly reveals the fact that careful evaluation using appropriate performance measure will lead the investor in selecting the best funds.

Goel, Sharma and Mani, (2012) investigated the performance related characteristics of open ended mutual funds. For the purpose of performance evaluation, risk adjusted performance, asset size and expense ratio of the mutual

funds have been studied for past five years. Through this study, the relation between performance related characteristics and the performance of Indian mutual funds has been studied. Results have confirmed the presence of performance persistence in mutual funds. This study has contributed towards existing knowledge for the relationship between mutual fund's performance and their characteristics.

Palanisamy, Sengottaiyan, and Palaniappan, (2012) studied Investment Pattern in Debt Scheme of Mutual Funds. Data collected through interview schedule and statistical tools used such as percentage analysis, weighted ranking analysis and Chi-square analysis. The study concludes that debt scheme are suitable for genuine investors as there exists a variety of investors needs depending on purpose, expectations and risk taking abilities.

Loomba (2011) evaluates the performance and growth of Indian mutual funds vis-à-vis the Indian equity market. The overall analysis finds that Nifty returns outperformed Franklin Templeton Large Cap Equity Scheme returns. Kruskal Wallis H-test was applied to know whether the returns significantly differ or not and the results indicated that the returns of schemes don't differ significantly.

Jain and Gangopadhyay, (2012) analysis of Equity Based Mutual Funds in India attempted to analyze the performance of equity based mutual funds. The analysis has been made using the risk-return relationship and Capital Asset Pricing Model (CAPM). The overall analysis finds that HDFC and ICICI have been the best performers, UTI an average performer and LIC the worst performer which gave below- expected returns on the risk-return relationship.

The research till now focuses on evaluation of performance of various mutual funds scheme, however this research along with performance evaluation also aims to study investment pattern of various investor groups as well as determine if a relationship exists between investment pattern and performance of funds.

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