LITERATURE REVIEW

“BOOKS ARE THE QUIETEST AND MOST CONSTANT FRIENDS; THEY ARE THE MOST ACCESSIBLE AND WISEST COUNSELORS, AND THE MOST PATIENT OF TEACHERS.” –Charles W.Eliot

Review of literature is very important to give better understanding and insight necessary to develop a broad conceptual framework in which a particular problem can be examined. It helps in the formation of specific problem and helps acquaint the investigator to what is already known in relation to the problem under review and it also provides a basis for assessing the feasibility of the research,

Review of literature is important to a scholar in order to know what has been established and documented as there are critical summaries of what is already known about a particular topic.

Therefore a review of literature helps in relating the present study to the previous ones in the same field.


They have advised that Investors should focus on sectors of the global economy that have the greatest potential for profit in order to beat the market averages. By combining this approach with the safety provided by mutual funds’ inherent diversification, mutual funds become an investment vehicle with all the advantages of trading individual securities and none of the disadvantages.

Like any other investment, it is essential to develop a strategy for selecting which funds to buy and sell – and when. These decisions should not be left to the emotions or to chance.
Gremillion L (2005) in his book “Mutual Fund Industry Handbook – A Comprehensive Guide for Investment Professionals” has given detailed information about working of mutual fund industry. It has also mentioned the different type of challenges faced by various professionals connected with this industry.

The book has provided a broad and comprehensive sweep of information and knowledge, which will help everybody who has serious interest in the industry.

Tyson E (2007) in his book “Mutual Funds for DUMMIES” (5th edition) has provided practical and profitable techniques of mutual fund investing that investors can put to work now and for many years to come.

By proper selection investor can identify good schemes, where fund managers invest in securities as per that match investors’ financial goals. Investors can spend their time doing the activities in life that they enjoy and are best at. Mutual Funds should improve investors’ investment returns as well as their social life.

The book helps investors how to avoid mutual fund investing pitfalls and maximizing their chances for success. Whenever any investor wants to buy or sell a mutual fund, the decision needs to fit his overall financial objectives and individual situation.

Jank S (2010) in his Discussion Paper on “Are there disadvantaged clientele in mutual funds?” has mentioned that mutual fund investors chase past performance, even though performance is not persistent over time. This means that investors buy mutual funds that had a high return in the past. On the other hand, investors are reluctant to withdraw their money from the worst performing funds. This behavior has often been attributed to the irrationality of mutual fund investors.

Sophisticated investors rationally chase past performance, because high past performance is a signal for managerial ability. No significant difference was found
between investor composition of the worst performing funds and those with average performance.

- **Singh B K (2012)** in an article “A study on investors’ attitude towards mutual funds as an investment option” from International Journal of Research in Management has reiterated the need for spreading the awareness about Mutual Funds among common masses. There is a strong need to make people understand the unique features of investment in Mutual Funds. From the existing investors point of view the benefits provided by mutual funds like return potential and liquidity have been perceived to be most attractive by the invertors’ followed by flexibility, transparency and affordability.

- **Divya K. (2012)** in the article “A Comparative study on evaluation of Selected Mutual Funds in India” from International Journal of Marketing and Technology has suggested that the investment managers whose performance is below benchmark index should have a relook at their investment strategy and asset allocation. Investing styles should be redesigned according to up & down swings of the market to generate superior performance. To increase the efficiency and popularity of mutual funds, the regulator should set the standard criteria of benchmarks which will be helpful to asset management companies.

- **Goel S et al (2012)** in the article “A Review of Performance Indicators of Mutual Funds” from Researchers World – Journal of Arts, Science & Commerce have reiterated that the Stock picking ability and lengthy tenure of fund managers are favourable for mutual funds’ performance. Performance of the Mutual Fund is also related to its ownership style. Local mutual funds perform better than the foreign mutual funds as they have better knowledge of the local market. Mutual Fund companies with larger asset base are performing better than lower asset base companies.

mentioned that Out of five private sector balanced category mutual funds (under study) two earned a return above the average returns. Two have made negative returns. All the private sector balanced category funds selected for the study have a positive Sharpe ratio.

The range of excess returns over risk free return per unit of total risk is wide. All the funds selected for the study have a positive Treynor ratio. All the funds selected for the study has positive Jensen’s alpha indicating superior performance.

➢ Narayanasamy R. and Rathnamani V (2013) in an article “Performance Evaluation of Equity Mutual Funds(on selected Equity Large Cap Funds)” from International Journal of Business and Management Invention have mentioned that all funds performed well during the period under study despite volatility in the market. The fall in NIFTY during the year 2011 impacted the performance of all selected mutual funds. In order to ensure consistent performance of mutual funds, investors should also consider statistical parameters like alpha, beta, standard deviation besides considering NAV and total return.

➢ Santhi N.S. and Gurunathan K. (2013) in the article “The growth of Mutual Funds and Regulatory Challenges” from Indian Journal of Applied Research have mentioned that as mutual fund industry has grown tremendously over past few years, Regulators are keeping close watch on any potential impact of mutual fund products on financial stability and market volatility. The growth of mutual funds has been accompanied by innovative products and servicing methods. Regulators will have to do balancing act by carefully managing risks and not imposing unnecessary regulation.

➢ Iqbal N (2013) in an article titled, “Market Penetration and Investment Pattern of Mutual Fund Industry” from International Journal of Advanced Research in Management and Social Sciences has mentioned that although mutual funds are predominantly present in urban areas but have started capturing rural markets also through new range of products, new strategies adopted for Rural Market
Penetration and with new awareness programs. As rural market integrate more and more with urban, there will be huge inflow of investors. The responsibility of various intermediaries’ especially mutual funds will increase manifold.

- **Sharma R and Pandya N K (2013)** in the article “Investing in Mutual Fund: An overview” from Asian Research Journal of Business Management mentioned that still number of people are not clear about functioning of Mutual Funds, as a result so far they have not made a firm opinion about investment in mutual funds. As far existing investors, return potential and liquidity have been perceived to be most attractive. There is a lot of scope for the growth of mutual funds in India. People should take decision based on performance of Mutual fund rather than considering whether it is private sector or public sector.

- **Sharma N. and Ravikumar R (2013)** in an article “Analysis of the Risk and Return relationship of Equity based Mutual Fund in India” from International Journal of Advancements in Research & Technology have mentioned that their study investigated the performance of Equity based mutual fund schemes using Capital Asset Pricing Model (CAPM). In the long run private and public sector mutual funds have performed well. But while comparing the performance over last 15 years it is found that private sector mutual funds have outperformed the Public Sector mutual funds. The schemes of private sector mutual funds not only performed better than those of public sector mutual funds but were also found to be less risky.

- **Vasantha S. et al (2013)** in an article “Evaluating the Performance of some selected open ended equity diversified Mutual fund in Indian mutual fund Industry” from International Journal of Innovative Research in Science, Engineering and Technology have stated that risk appetite of an investor plays an important role in selection of mutual fund. While deciding their investment in mutual funds investor should take decision based on their investment objective and analyze the fund based on various criteria such as risk prevailing in the market, variations on the return and deviations in the return etc.
Jani D and Jain R (2013) in an article “Role of Mutual Funds in Indian Financial System as a Key Resource Mobilizer” from Abhinav Journal (International Monthly Referred Journal of Research in Management & Technology) have reiterated that since fundamentals of Indian economy are relatively strong, the economy will be on a successful path in the coming year. As economy grows, Mutual Funds are going to be key resource mobilizer for Indian financial system. Indian Mutual Fund industry is going to observe good growth rate in near Future.

Nair R K (2014) in the article “Indian Mutual Fund Market – A tool to stabilize Indian Economy” from International Journal of Scientific and Research Publications has reiterated that a Mutual fund is a powerful tool to stabilize Indian economy. The products of mutual funds are playing a vital role in mobilizing scattered savings among investors and channelize these funds to infrastructural development of the country. The banks and Financial Institutions are also playing a crucial role by promoting mutual fund business in the country.

Sehdev R and Ranjan P (2014) in the article “A study on Investor’s perception towards mutual fund investment” from Scholars Journal of Economics, Business and Management have mentioned that mostly people are preferring balanced funds and debt funds. After that people look for Equity diversified and Sector funds. The factors responsible for investors’ preference for mutual funds as an investment option are benefits and transparency, returns, redemption period, Liquidity and Institutional Investor’s activity. For information on mutual funds people are mostly depending on internet rather than any other media channel.

Cici G et al (2014) in their Discussion Paper on “Market transparency and the marking precision of bond mutual fund managers” have stated that the transparency enhancing TRACE (Trade Reporting and Compliance Engine) system was associated with large and statistically decreases in cross fund bond mark dispersion.
They also find some evidence that issuer initiations into Markit’s CDS (Credit Default Swap) spread database also contributed to a decrease in bond mark dispersion, but only in pre–TRACE era.

These results support the view about people “operating largely in the dark” applied to not just retail investors but also to professional fund managers.

- **Srivastava S and Malhotra S (2015)** in an article “A Paradigm Shift in Risk Measuring Tools of Mutual Fund Industry” from International Journal of Informative & Futuristic Research have mentioned that equity funds are performing better than debt funds. A strong linear relationship was found between risk and return. Fund managers can adopt Calmar ratio and safety first ratio to analyze the risk of selected funds. No fund is risk free and Investors should invest in equity and equity related instruments to diversify the risk.

- **Prabhu G and Vechalekar N.M.** in the article “Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds” from IOSR Journal of Economics and Finance have mentioned that most of the investors are aware of various schemes of mutual funds. The mutual fund investors mainly belong to the age group from 19 years to 55 years. The investors fall in the income group of Rs 30,000 to Rs 70,000 and above. Investors prefer mutual funds due to diversification of portfolio and tax benefits. Consistent returns given by funds have been the reason of investors’ interest in MIP fund.