



## **An Investor's Perspective on Mutual Funding**

**Dr. G. Velmurugan**

Professor, SSL, Vellore Institute of Technology, Vellore-632014, India  
[gvelmurugan@vit.ac.in](mailto:gvelmurugan@vit.ac.in)

**Dr. R. Subashini**

Associate Professor-DTM, SMEC & Assistant Director (SW), Vellore Institute of Technology,  
Vellore -632014, India

**Dr. N. Saravanabhavan**

Asst. Professor, SSL, Vellore Institute of Technology, Vellore-632014, India, SSL, Vellore Institute of  
Technology, Vellore-632014, India

**Mr. Manikandan. S**

Student (Reg No. 19BCC0108), SSL, Vellore Institute of Technology, Vellore -632014, India

### **ABSTRACT**

The mutual fund industry has grown rapidly over the previous two decades. The number of plans increases as mobilisation increases. A considerable number of money has been used to help the underprivileged in recent years. In India, the mutual fund industry is critical in meeting the demands of a huge number of regular investors. Mutual funds must meet specific requirements in order to be successful. Mutual fund performance and how it compares to other funds Mutual funds aid regular individuals in identifying investment opportunities and making investment decisions. This study looks at the performance of mutual funds. The fundamental goal of the study is to find out how investors feel about mutual funds. A thorough examination of the existing literature was carried out.

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## INTRODUCTION

Mutual funds (MF) have given millions of small investors' new opportunities by bringing investment to their doorstep. A small investor in India typically opts for bank deposits, which do not provide inflation protection and often yield negative real returns. He has limited access to price sensitive information and, even if it is available, he may not be able to understand publicly available information couched in technical and legal jargon. In the financial world, he finds himself to be an outcast. Mutual funds have arrived to provide much-needed assistance to these investors. Individual investors view MFs as low-cost financial intermediaries/portfolio managers who process data, discover investment opportunities, design investment strategies, invest funds, and track progress. As a result, the success of MFs is largely due to the combined efforts of skilled fund managers and astute investors. To ramp up performance to satisfy investor criteria, a good fund manager should examine investor behaviour and comprehend their needs and expectations. This study looks at the performance of mutual funds. The fundamental goal of the study is to find out how investors feel about mutual funds. A thorough examination of the existing literature was carried out.

## REVIEW OF WORKS IN THE FILM FILM FILM FILM

Patel & Modi, (2017)<sup>1</sup>"Investment decisions are less dependent on demographic factors and investor risk-taking ability is moderate across all age groups, on a study of 100 investors from South Gujarat show that investment decisions are less dependent on demographic factors and that investor risk-taking ability is moderate across all age groups."

Neha (2016)<sup>2</sup>, "a study of 188 mutual fund investors from Tezpur, Assam, found that age is still an important determinant. Young Delhi investors between the ages of 21 and 30 exhibit a strong interest in Mutual Funds because they believe it is a good time to establish a job or business, and it is the proper age for long-term investments."

Taparia & Babu, (2019)<sup>3</sup>. "A study conducted on 120 investors in Kolkata and found that the age range of 20-30 had the most active investors, followed by 30-40 and 40-50. "Investment knowledge influences students' investment interest," according to a study of 172 Indonesian business school students."

Using CAPM, Jain (2012)<sup>4</sup>"investigated the performance of equities mutual funds in India." The findings reveal that private-sector MFs outperform public-sector MFs over time. HDFC and ICICI were the best performers among the sample companies, whereas LIC did not fare well. As a result of the entire analysis, private sector mutual fund schemes are less hazardous but more rewarding than public sector mutual fund schemes."

Karrupasamy and Vanaja (2013)<sup>5</sup> "Most large cap, small cap, and mid size schemes have surpassed the category averaged as well as the benchmark indices. They also suggested that investors searching for a short-term investment should consider large cap schemes, while those looking for a longer-term investment should consider small and mid-size schemes."

Baker, Haslem, and Smith (2008)<sup>6</sup> "investigated the relationship between equities Mutual Fund performance and features and discovered that large funds perform better, implying the presence of significant economies of scale." The research found a link between cash holdings and performance."

Anand and Murugaiah (2006)<sup>7</sup>"found that the market element had a greater impact on fund performance when the funds were doing poorly, while selectivity abilities of fund managers had a greater impact on fund performance when the funds were performing well. The selectivity, predicted market risk, and market return characteristics were also found to have a stronger relationship with the fund return."

Panwar and Madhumati (2006)<sup>8</sup> "investigated the variations in characteristics of assets held, portfolio diversification, and varied effects of diversity on investment performance using a sample of public-sector and private-sector Mutual Funds." Discovered that while public-sector funds and private-sector funds do not differ significantly in terms of mean returns, there is a significant difference in terms of average standard deviation, average variance, and average coefficient of variation between public-sector and private-sector mutual funds."

Sapar N. Rao and Madava R, (2003)<sup>9</sup> "Studied the performance evaluation of Indian Mutual Funds in a bad market using relative performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure, Jensen's measure, and Fama's measure. Monthly closing NAVs were used as the source of information. The data comes from the Association of Mutual Funds in India's website. September 1998 to April 2002 was the study period (bear period). For computing the relative performance index, a sample of 269 open ended schemes (out of a total of 433) was chosen. After eliminating funds with returns that are less than risk-free returns, 58 schemes were chosen for further investigation. During the time, the sample mutual fund schemes' mean monthly (logarithmic) return and risk were 0.59 percent and 7.10 percent, respectively, compared to 0.14 percent and 8.57 percent for the market portfolio. According to the performance measures, the majority of the 58 mutual fund schemes in the sample were able to meet investor expectations by providing excess returns over projected returns based on both premium for systematic risk and total risk."

Garg (2011)<sup>10</sup> "The purpose of the study was to examine the performance of mutual funds over a one-year period. There were two things highlighted by the results: the top performing mutual funds and the worst performing mutual funds. According to the research, the best performing mutual fund for the year was the Reliance Regular Saving Scheme Fund, while the poorest performing mutual fund for the year was the Robeco Infra."

Nazir et al. (2010)<sup>11</sup> "Applied two models for mutual fund growth factors," wrote fixed effect and random effect models were used. These three ratios, assets turnover, family proportion, and expense, all yielded positive results. Management fee and risk adjusted return, on the other hand, offer them a negative result."

Rehman and Baloch (2016)<sup>12</sup> "examined Mutual Fund performance utilising sharp ratio for the calculation of the fund's adjusted return and concluded that the majority of the funds do not outperform the market and also discovered that most fund characteristics, such as expense ratio, management charge, fund size, and fund age, have an effect on the fund's adjusted return."

Rao (2015)<sup>13</sup> "The fund's performance will be measured using five portfolio performance parameters: Beta, Standard Deviation, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha. The CNX NIFTY Index is used as a benchmark."

Gurunathan (2013)<sup>14</sup> "The study focused on how the expansion of large cap mutual funds has been followed by innovative products and servicing methods. Regulators will have to strike a balance between minimising risks and imposing needless regulation."

Jain (2012)<sup>15</sup> "The primary focus of the research was on the performance analysis of 45 equity mutual fund schemes provided by two public sector companies and two private owned companies from April 1997 to April 2012 (15 years)." The CAPM model was employed for the performance study, which focused on the risk-return connection."

BHATT(2015)<sup>16</sup> "indicated that the corporate investor group has a strong preference for debt funds,

whilst the retail investor group prefers equity and balanced schemes." Furthermore, the study's findings will be valuable for fund managers, policymakers, and asset management companies to prepare/modify new schemes/current mutual fund schemes based on the investment amount of available investor groups."

"Nidhi and Ravi (2009)<sup>17</sup> "investigated investors' perceptions of risk-return tradeoffs for mutual fund services." A total of 100 existing mutual fund investors were polled in order to identify important holes in the present framework for mutual funds, as well as the need to revamp existing mutual fund services by recognising "Investor Oriented Service Quality Arrangements" (IOSQA). "IOSQA identifies seven Cs that should be fostered in order to ensure customer satisfaction," Nidhi and Ravi (2009) continue, "Communication, Confidence, Credibility, Commitment, Concern, Competence, and Continuous Improvement (CI) are seven Cs that should be fostered in order to ensure customer satisfaction." Investor oriented service quality arrangement (IOSQA) is a suggestion for aligning investor expectations and AMC actions for complete satisfaction."

N.Geeta and M. Ramesh (2011)<sup>18</sup>"investigated numerous factors influencing people's investment habits as well as respondents' attitudes on various investment possibilities." They discovered that because Kurumbalur is a tiny town, potential investors are unfamiliar with the numerous investment options. The stock market, equity, bonds, and debentures are all poorly understood."

Kavitha Ranganathan (2006)<sup>19</sup> "examined various facets of individual investors' fund selection behaviour while investing in Mutual funds in Mumbai, and suggested that mutual funds are the best option for an individual who lacks time, knowledge, or experience to make decisions involving his hard-earned savings." In India, the mutual fund business is still in its infancy, but it has the potential to grab the semi-urban market beyond the metropolitan. The market in rural areas is still untapped."

"Parihar et al. (2009)<sup>20</sup>"investigated various demographic characteristics and their impact on investors' attitudes toward mutual funds." They extolled the advantages of mutual funds for investors. The respondents were from the city of Agra and represented a variety of demographic characteristics, with the research study concluding that the majority of investors are still hesitant to invest in mutual funds. The primary cause of this observed phenomena was reported to be a lack of investor awareness of the conceptual clarity of the mutual fund industry's operation."

Singh Binod Kumar (2011)<sup>21</sup> "researched the impact of several demographic characteristics on investors' attitudes toward mutual funds." The study used a rating system to look into numerous elements that influence whether or not people choose mutual funds as an investing vehicle. "Most respondents are still puzzled about mutual funds and have not established any attitude toward mutual funds for investing purposes," according to their study. One of the study's promising and motivating findings is that the majority of respondents are unaware of the many functions of mutual funds. When demographic aspects were examined at their most fundamental level, it was discovered that gender, earning capacity, and educational background all had a considerable or significant impact on investors' decision to invest in mutual funds. In contrast, among the demographic characteristics, life expectancy in years and occupation were determined to have the least impact on people's attitudes about mutual funds."

J. Stephen King (2002)<sup>22</sup> "the enormous asset size of the fund that stays active, indicated that if the rate of expansion in the number of mutual funds continues to lessen or if the number of funds actually decreases, mutual fund expense ratios are also likely to drop. It is projected that there will be fewer mutual funds in the future, and that their average expense ratios would be lower."

Panigrahi et al (2020)<sup>23</sup> "An examination of ten equities linked saving scheme mutual funds." The average return, coefficient of determination (R<sup>2</sup>), S.D, Beta, Sharpe ratio, and Jensen alpha are some of the financial measures and instruments used for analysis. They got a better return in ELSS mutual funds, and they also get a 1.5 lakh tax break."

S Tripathi, and DRGP Japee (2020)<sup>24</sup> "I looked into fifteen equity mutual funds in various categories depending on company market capitalization. For the appraisal of funds, many financial ratios were used. They discovered that the majority of equity mutual funds are doing well, but that a steep drop in the NIFTY 50 in 2019 is harming the mutual fund's return."

KB Sharma (2020)<sup>25</sup> "From the selected five Debt funds, it was discovered that three funds performed well and two funds did not perform well over the study period." The steep drop in the NIFTY index in 2019 has had an influence on the performance of all of the funds. The statistical metrics employed to evaluate performance were alpha, beta, and standard deviation."

S Ahmad and D Alsharif (2019)<sup>26</sup> "studied on fourteen Islamic and conventional mutual funds performance in Saudi Arabia based on financial ratios, tools, and people's perspectives in the debate." Islamic mutual funds were found to be the most beneficial in this study because they are lower risk than conventional mutual funds and provide a higher return. The study's data is based on monthly data from 2013 to 2017."

S Tripathi (2020)<sup>27</sup> "It was established that while most individuals are aware of mutual funds, only a small percentage of people invest in them." Equity, hybrid, and loan are the three most popular options among respondents. A Systematic Investment Plan is preferred by 75% of respondents (SIP). Respondents are also knowledgeable of how the stock market works. Respondents are aware that their money is invested in the stock market by the Asset Management Company (AMC). Primary data was employed in the study."

Sharad Panwar and Dr. R. Madhumathi (2006)<sup>28</sup> "Conducted a study on the performance evaluation of selected mutual funds in India and compared the performance of public sector sponsored mutual funds and private sector sponsored mutual funds. They discovered that private sector mutual fund schemes outperformed government-sponsored funds in their research."

Manisha Raj et al. (2018)<sup>29</sup> "Analyze and compare the performance of private sector mutual funds, such as HDFC mutual funds, with public sector mutual funds, such as SBI mutual funds. They compared mutual funds using a variety of approaches and procedures, including standard deviation, volatility, beta values, Sharpe ratio, Treynor ratio, and how much risk is involved, as well as where higher returns might be earned. As a result of this research, we've discovered that SBI mutual funds in general outperform HDFC mutual funds."

Satish Kumar Rangasamy et.al. (2016)<sup>30</sup> "researched mutual fund performance in the Indian environment." They assess mutual fund performance and provide information to retail investors. This research aids the investigator in comprehending the many types of mutual funds and determining the best performing mutual fund from a list of mutual funds. They employed techniques like as ranking, average return, standard deviation, and sharpe ratio to evaluate performance. The investor will be able to invest in the appropriate mutual fund categories as a result of this."

## CONCLUSION

Without a doubt, the Indian economy will return to a high growth path in a few years as a result of structural reform initiatives. As a result, mutual fund companies must improve their abilities and technology. The success of a mutual fund, on the other hand, will be determined by how well the proposals are implemented. In the case of Mutual Fund investors, we believe that two critical abilities are required for effective investing: a sense of timing and investment discipline, both of which must be used simultaneously.

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