

**Investigation of performance and volatility of Pakistani Conventional mutual funds:
Comparison with Islamic mutual funds**

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Dedication

“I dedicate my all efforts to my affectionate, loving and kind parents, Teachers, Friends
whose spiritual inspiration helped me in all the path of lives.

Abstract

Purpose: The main purpose of this research is to investigate the differences in terms of performance and volatility between conventional and Islamic mutual fund in the context of Pakistani capital market. The study determines the mutual funds that an investor considers significant while making his investment.

Design/methodology/approach: To achieve the objectives of this research standard method used for evaluating the mutual funds performance and volatility, for example, ARCH/ GARCH model. Secondary data used in research and 5 equity based mutual funds taken from conventional sectors as well as from Islamic sector. This study covered the time period from 2007 to 2013. KSE-30 Index used as benchmark for conventional mutual funds and KMI-30 Index used as benchmark for Islamic mutual funds.

Findings: The study concludes that KMI-30 index is more volatile than all Islamic mutual funds and market gave high positive returns as compared to Islamic mutual funds and KSE-30 index is highly volatile than all conventional mutual funds and gave more positive returns than all mutual funds. The overall performance of conventional mutual funds is better than the Islamic mutual funds because conventional mutual funds gave high positive returns and majority of returns of Islamic mutual funds were in negative. The conventional mutual funds of Pakistan are more volatile than Islamic mutual funds as it can be seen through GARCH parameters.

Research limitations/implications: The main limitation is that the samples of conventional and Islamic mutual funds were from equity side. The findings could be better validated if the sample includes the other types of mutual funds.

Practical implications: The study assist decision making specialists to have a better look at efficient ways of selecting mutual fund's techniques. The research findings expected to be useful to the financial institutions, managers as well as practitioners in the area of investment decision-making. Investors may get benefit by this research that where they have to invest to secure their investment.

Originality/value: So far there is no published evidence on the relative performance and volatility of equity based conventional and Islamic mutual funds in Pakistan. Therefore, this study adds new knowledge to the literature of mutual funds.

Key Words: Performance management, Returns, NAVs, Islam, Volatility, ARCH/ GARCH, Mutual Funds

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TABLE OF CONTENTS

CHAPTER # 01:

1.1 Introduction	1
1.2 Research Objective	5
1.3 Research Questions.....	6
1.4 Significance of the Study	6

CHAPTER # 02:

2.1 Literature Review	8
2.2 Theoretical Framework	26
2.3 Conceptual Framework.....	33
2.4 Research Hypothesis	34

CHAPTER # 03: DATA& METHODOLOGY

3.1 Nature of Study & Data	35
3.2 Data Processing	36
3.3 Methodology	36
3.3.1 ARCH Model.....	37
3.3.2 GARCH Model	37

CHAPTER # 04:

DATA ANALYSIS	40
4.1 Results Interpretation Islamic Mutual Funds.....	40
4.2 Results Interpretation Conventional Mutual Funds.....	49

CHAPTER # 05:	
5.1 CONCLUSION	58
5.2 Future Research	59
5.3 Practical Implications	60
5.4 Limitations	60
CHAPTER # 06: REFERENCES	62
APPENDIX	68
Table-1	68
Table-2	68
Output of Results (Stata Script).....	69
Similarity Report	