

A Study on Efficiency and Influential Factors of Open-end Mutual Funds in Taiwan

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Abstract

Since the portfolio performance of mutual funds is influential to investors' wealth, it becomes an important area of research. The popular indices of performance evaluation, Sharpe index, Treynor index and Jensen's alpha, have a number of shortcomings reported in the literature. This study tries to use a non-parametric approach, Data Envelopment Analysis (DEA), to evaluate the performance of the open-end common stock mutual funds in Taiwan and further to examine the effect of influential factors on efficiency. The research period of this study extends from 2002 to 2004 and this study consists of 126 samples.

The research results reveal that the poor performance of mutual funds is due to low pure technical efficiency, not scale efficiency. Moreover, the efficiency measures from DEA are positively related to three traditional performance indices. The regression analysis further examines the relationship between efficiency measures and influential factors and finds that mutual funds performance is positively related to asset size but negatively related to turnover.

Keywords: Data Envelopment Analysis (DEA), Mutual Fund, Performance Evaluation

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