ABSTRACT

A mutual fund is a trust that pools the savings of a number of investors who share a familiar monetary goal. The money consequently composed is invested by the fund manager in various types of securities keeping in mind the objective of the scheme. These investment options could range from equity to debt to money market instruments. The profit earned through these investments and the capital appreciation realized by the mutual fund scheme is shared by its unit holders in fraction to the number of units owned by them. No other commercial instrument would have seen such high levels of success in such short duration of time. Therefore this demands the need to study the growth and performance of this industry in detail. Following are the specific objectives of the study:

1) To interpret the recent regulatory reforms in the Indian mutual funds industry in the last decade and their implications on performance.
2) To analyze the intensity of competition in the Indian mutual funds industry.
3) To compare the performance of public sector sponsored mutual funds with private sector mutual funds.
4) To evaluate the performance of growth, income, balanced and tax saver schemes.

For the achievement of the above mentioned objectives secondary data has been used. Benchmark for better analysis of the results has been taken as S&P CNX 500 and BSE SENSEX. The period of this study was 1st April 2000 upto 31st March 2010. 91 day Treasury bill returns has been taken as the risk free rate of return. Various Techniques like Sharpe’s Ratio, Treynor’s Ratio, Four Firm Concentration Ratio, etc have been used. Four types of schemes studied are Income, ELSS, Balanced and Growth. AMCs selected are Unit Trust of India AMC Limited, State Bank of India Financial Pvt. Limited, Reliance Capital Asset Management Limited, HDFC Asset Management Company Limited and ICICI Prudential Limited.

The Indian mutual fund industry has evolved from a single player monopoly in 1964 to a fast growing competitive market with active participation of foreign AMCs that too on the back of a strong regulatory framework. This industry has had a swift growth because of factors like infrastructural expansion and boost in personal disposable incomes. With the rising risk enthusiasm, personal assets, and consciousness of investors, mutual funds in India are becoming a preferred investment option. With regards to the regulatory reforms also the impact on the performance has been positive signaling the healthy intentions of the bodies
governing this industry which are making efforts in the form of such changes for the development of this segment. Even the restrictions are to enable them to run faster with the rapidly changing global scenario. The Net Asset Value of the Fund is the cumulative market value of the assets the fund holds, net of its liabilities. And this very NAV has been taken as the basis to evaluate the performance in this study. The study shows that there have been drastic upward movements in the NAVs, which show that they have performed very well in terms of their market value. It can also be concluded that mutual funds in India are becoming better and better in handling market and fund specific risk both. The more experience they are gaining in the economy the more adaptable they are becoming. On the basis of the study it can be summarized in one line that private sector mutual funds are better than public sector sponsored mutual funds and amongst the private sector schemes considered in this study Reliance mutual funds have surpassed all the others.