



PERFORMANCE EVALUATION OF SECTORIAL MUTUAL FUNDS IN INDIA

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ABSTRACT

Investment was identified as the source & means to satisfy the various wants. Mutual funds are an integral part of the financial market, which have become an investment avenue for a large number of investors in recent years. There are a number of investment opportunities available to an investor. Each of these investments has its own risk and return features. Mutual fund refers to a fund managed by an investment company with the financial objective of generating high rate of returns. Before investing, investment management companies carry out a detailed research and analysis on the market condition & market trends of stock and bond prices. These things help the fund managers to speculate properly in the right direction. The mutual fund industry started in India as a small division with the UTI Act, 1963 under RBI. Over a period of 40 years, the industry has shown high growth and success with stupendous returns. The most important trend in the mutual fund industry is the aggressive expansion of foreign owned mutual fund companies which were subsequently regulated by SEBI. The present study has focused on performance evolution of sectorial mutual funds in India.

Data gathered from secondary sources, and analyzed with the help of statistical tool moving averages on respective returns of asset management companies' (AMC's). It gives a magnificent opportunity for investors to make investments in various categories of large cap (or) sector funds. In India, there are various companies' offering diversified schemes to investors for making viable investments with stupendous returns in long run.

Keywords: Stupendous returns, Sectorial funds, Investment Avenue.

Introduction

Financial system plays a vital role in the economic growth of a country. It is a complex, well integrated set of sub systems of financial institutions, markets, instruments and services which facilitates transfer & allocation of funds efficiently & effectively. An investor can invest directly in individual securities or indirectly through a financial intermediary. Globally, mutual funds have established themselves as the means of investment for the retail investors. It plays momentous role in mobilizing the savings of small investors and channelizing the same for productive ventures in Indian economy.

In India, mutual fund industry started with the formation of Unit Trust India (UTI) in 1963, which introduced unit-1964 scheme in the following year. With the establishment of Securities Exchange Board of India (SEBI) to regulate securities market, the industry was opened up for private sector in 1992. The period of 2000-2010 was best for mutual fund as it was seen monster inflows of funds from investors, it reached Rs. 428,741 cr. Due to the many benefits provided by mutual funds, and this sector has witnessed a tremendous growth in the past two decades.

Funds vary with schemes. Based on investor's objectives different types of mutual funds have evolved (like, open ended, closed ended, equity, growth, tax saving, sectorial

schemes). As part of the evaluation, the asset management companies (AMC's) have started offering variety of products/ schemes to customers along with different risk's and returns.

During the past 5 years, realty, infra, banks, minerals, natural recourses etc. these are the different sectors which have been growing at phenomenal rates in India. These investment opportunities availed by directly investing in companies and other avenue to participate with diversification into spread of companies to reduce the risk. The present study refers with the different sector funds and comparison to growth funds offered by AMC's. The main focus of this research is to evaluate the performance of the sectorial mutual funds in India.

OBJECTIVES:

1. To understand the consciousness of sectorial mutual funds in India.
2. To evaluate & compare the performance of sectorial mutual funds to growth funds with selected AMC's in India.

LITERATURE REVIEW:

Several studies explained the study of the various mutual funds performance. Anand and Murugaiah (2006) applied the measurement tools of modern portfolio theory to performance

of mutual funds. The study aimed to examine the degree of correlation that exists between fund to market returns, to understand the impact of fund specific characteristics on performance, and evaluate the diversification and selective skills of fund managers.

Supar & Madava (2012) examined the performance of Indian mutual funds in a bear market through relative performance index, risk- return analysis, Treynor's ratio, Sharpe ratio, Sharpe measure, Jensen's measure and results of performance measure. Most of the mutual fund schemes were able to satisfy investor's expectations by giving excess returns over expected returns based on both premiums for systematic risk and unsystematic risk.

Selvam and Palani swamy (2011) studied the risk& return relationship of Indian mutual fund schemes. The study revealed that there is no significant relationship between risk& return of sampled schemes.

Rama Krishna (2012) inspected the short term performance persistence of select Indian equity- growth mutual funds during 2008-2011 by mean variance analysis.

Prakash and Sunder (2014) scrutinized the relation between performance of mutual funds to fund characteristics like asset size, cash holding, loads, turnovers& expensive ratios. It provides a solid support to decision making for mutual fund investors.

Based on literature study, it is observed that none of the researcher focuses on sectorial mutual funds in various schemes in different AMC's. Hence, present study is conducted to fulfill this gap.

RESEARCH METHODOLOGY:

Secondary data were taken as a basis of analysis in this research. The data were collected from secondary sources like fact sheets of companies through websites, Journals, Reports of RBI & SEBI. The last listed price's (LLP's) of selected scheme from selected companies is gathered from AMFI website. The congregate data was analyzed with the help of statistical tool moving averages on respective returns of Asset Management Companies (AMC's) as sectorial wise. Microsoft Excel and fillers were used for all the calculations.

ANALYSIS& RESULTS:

AMC's offer exceptional investment avenues in financial markets globally. Indian financial market offers 5 types of sectorial mutual funds namely Banking, Fast Moving Consumer Goods (FMCG), Pharmacy, Information Technology (I.T.) & Infrastructure.

Table 2.1 explicates about 1year, 3year, 5year & 10 year moving averages in which the performance of sectorial mutual funds are compared with growth funds by using moving averages method. The present study examines the sector funds, which provide substantially better returns compared to other mutual fund schemes. Especially, Banking & Pharma sectors mutual fund schemes have given

phenomenal returns with low volatility compared to other categories. Infra-structure fund schemes are under performed compared to other sector funds because of high volatility nature.

Figure 2.1 reveals that; Investors should look at long term perspective when investing in sectorial mutual funds. At present many filter tools are available in online for finding the better schemes in mutual funds.

CONCLUSION

In this study, it gives a magnificent opportunity for investors to make investments in various categories of sector funds. In India, there are various companies' offering diversified schemes to investors for making viable investments with stupendous returns in long run. The present study provides a solid support for decision making on mutual funds to investors. The study would also help in creating awareness and insight knowledge of sectorial mutual funds among the investors. Investors can build good investment portfolio using sectorial mutual fund schemes.

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Table 1: Comparative analysis of performance of sectorial mutual funds to Growth funds

SECTOR	No. of schemes Available (Sample)	Returns (in terms of %)			
		1 year	3 year	5 year	10 year
Banking	14	39.68	18.66	12.74	24.08
FMCG	2	19.65	24.56	26.32	26.87
Pharma	3	46.34	28.04	25.45	22.15
I.T.	5	30.64	26.31	24.27	18.75
Infrastructure	23	60.88	18.34	14.56	16.24
Large cap.	87	35.05	17.09	11.06	16.46

Source: Calculated Data by using Moving averages.

Figure 1: Comparative analysis of performance of sectorial mutual funds to Growth funds

