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Trend in Behavioral Finance and Asset Mobilization in Mutual Fund Industry of India

Abhishek Kumar

Student (cohort 6), Bhavan-Marshall Institute of Management, #43, Race Course Road, Bangalore, 560001

Abstract- Lessons learnt during recession have indeed put a lot of pressure in making key decisions among the rational investors. Rational investors now need more data and have to spend more time in making key investment decisions. Mutual funds have been a favourable investment opportunity and have been trusted as a safe investment.

This paper tries to analyze some of the key issues noted below:

1. To understand the growth and the potential of Mutual Fund industry and analyze its success.
2. An exhaustive cross performance study of Mutual fund industry by analyzing around 1025 mutual fund schemes of India.
3. Performance analyses of various mutual fund schemes and its contributions to assets management during the study period (2002-2009).
4. Insight about the performance of the mutual fund under short term and long term period and
5. Investor's behavior in allocating their investments among various assets available in the market compared to Mutual funds in the changing economic Scenario.

The paper would thus be exhaustive study in the field of Mutual funds performance and the progress of Mutual funds in India.

I. Introduction

As the financial market become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. Today investment is not restricted to share market or to buy some government shares which would give some tax benefits, rather it has taken the form of mutual fund which provides a high growth rate along with investor's protection along with tax benefits. Thus, mutual funds have imparted much needed liquidity into the financial system and have provided an alternative to the dominant role of banking and financial institutions in the market. There are various types of schemes available to the Indian investors, one of the classifications is of open ended schemes and close ended schemes. In open ended schemes the investors have an option to redeem and buy units at any time from the fund itself, while the close scheme did not have any option like that, but to facilitate liquidity in the market they enlist these funds on stock exchange so that the investor can buy and sell the securities any time of the year.

There are lots of mutual funds schemes in Indian market and the basic question to every investor is to which fund to invest?

There is no as such constant rule for that, as there are different types of investors with different kind of risk tolerance, financial conditions, financial goal.etc in short every investor is different and thus the funds for every investor is also different. To know which fund to invest? Investor can have information from the offer document or key information memorandum which is being provided along with the application form by the issuer of mutual fund schemes.

Offer document or KIM is prepared keeping in relation with the rules and regulations laid down by SEBI for the safety of investors. As per SEBI guidelines an offer document must contain the information regarding the performance of the mutual fund schemes in the past year as well as the future plans; where the fund wants to invest and other various investment strategies of the fund.

II. Investments Options

Every investment options has its strength and weakness, few options will give low return and few will give superior returns as well as the investment options also differs on growth and liquidity and mutual funds had combined all the advantages of investing in each alternatives while dispensing with the shortcomings. Though the existence of the mutual fund is not so long in India but, in comparison to banks and various insurance companies they are attracting small investors at a large scale.

III. What to look into a mutual fund scheme?

As per the regulation of SEBI, an abridged offer document contains useful information for the investors relating main features of the scheme, risk factors, initial issue expenses and recurring expenses to be charged to the scheme, entry or exit loads, sponsor's track record, educational qualification and work experience of key personnel including fund managers, performance of other schemes launched by the mutual fund in the past, pending litigations and penalties imposed, etc. but if the investor require any further information he can ask the mutual fund firm to provide with the same.

An investor can have an idea of the performance of the mutual fund by knowing the NAV of the mutual fund. The NAVs is disclosed on a daily basis, investors can have an access to the NAV on Web site of Association of Mutual Funds in India, and also it is published in the newspaper on a daily basis. NAV of a scheme varies day by day as they are the market value of the securities held by the scheme.

The last thing which should be looked into a mutual fund is that which scheme suits the investment objectives of yours. Investors should always keep a track of the records of the various schemes of mutual fund and should be always informed about the performance of the schemes. The investors can use BSE Sensitive Index, S&P CNX Nifty, etc. and based on that investors can decide about entering the market or exit. A mutual fund should always be selected on the basis of its merit considering performance track record of the mutual fund, service standards, professional management, it should be never be selected on any rumor in the market.

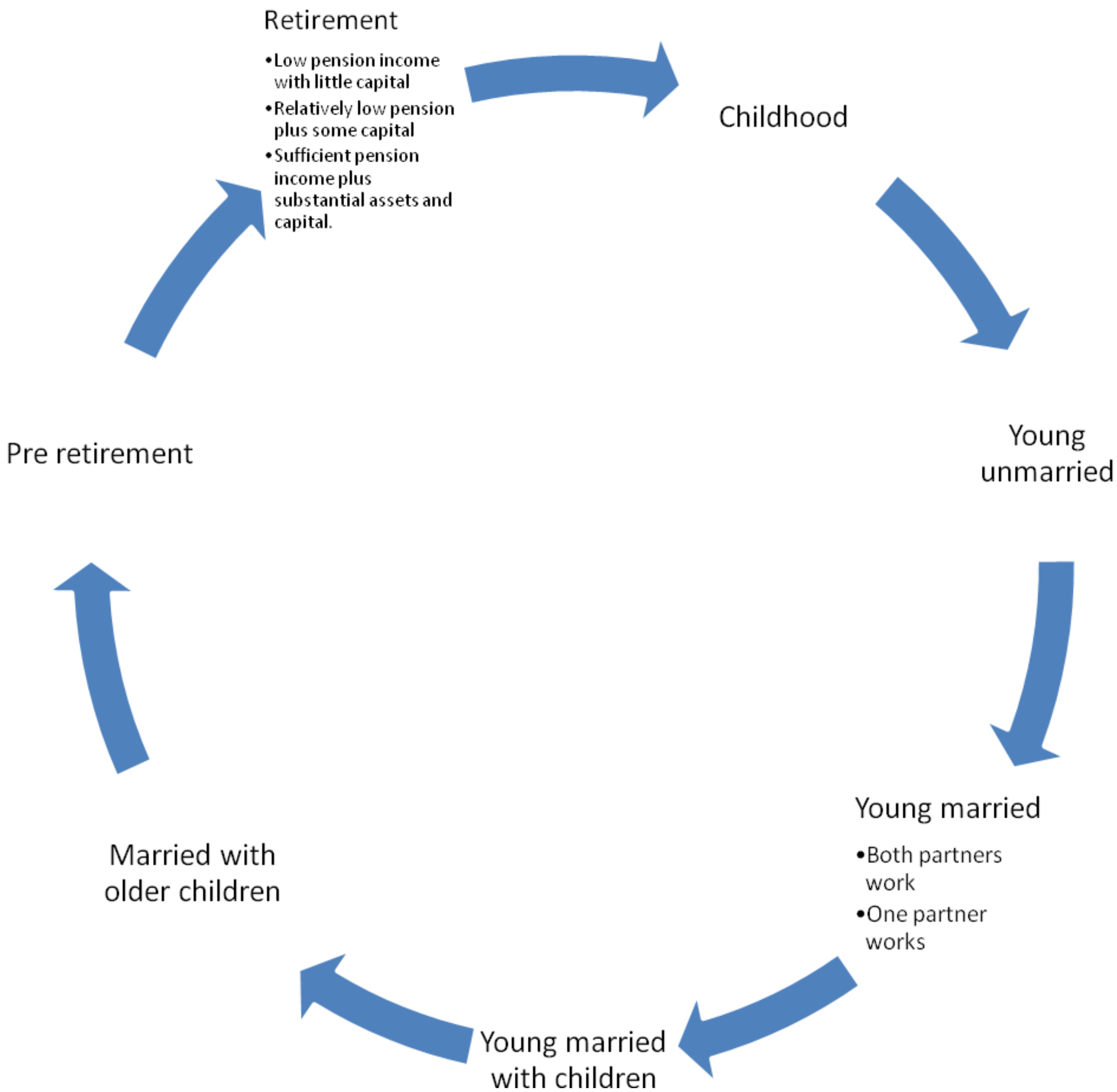
There are two type of needs for investment; investment needs and protection needs. Investment in any shares or any bond will not serve both the purposes. Mutual funds considering all these in mind provide a wide range of scheme, dealing with different type of investors in respect of risk tolerance, financial conditions and their age group and their financial goal. Mutual fund is the only one armor in the field of investments. It can form the core foundation of any investment as it can be for long term or short term, high risk or low risk, for any type of client; it may be a single investor, corporate or any institutional investor. Considering the vast area of investment, mutual funds provide with a large number of funds like; sector funds, equity funds, income funds, gilt funds, money market funds, balanced funds, ELSS funds, gold ETFs and other ETFs.

These funds differ in respect of liquidity, risk aversion, return potential, tax efficiency and other investor's financial need.

How to judge which mutual fund for which age group? Or which mutual fund suits the best for the investment needs for different investors?

Investors can be categorized on the basis of life cycle and wealth cycle. The life cycle of investors can be sub-divided in 7 different stages. This life cycle does not provide any kind of static relationship between the needs and desire for any specific kind of mutual fund scheme, but it does provide the knowledge of the ways that an individual investment desire can be met. As there are two types of needs based on investment; protection need and investment needs. The life cycle gives a relation between the needs of any person at different stages of life keeping the other factors same.

There are various other factors which have a considerable effect on the needs of investment of any individual investment strategy, they are like wealth or financial ability of the investor, financial goal as well as risk tolerance for the market fluctuations.



IV. LIFE CYCLE OF INVESTORS

Each different stage require a different financial planning depending upon various factors like clients goal, current resources and future potential income of investor, level of risk tolerance which depends not only on market conditions but also on resources availability and financial goal of investors, tax situation of the investor. Depending upon all these conditions different allocation of assets are done. A client's need keeps changing with his current resources as well as future needs, financial market conditions led to change in the investor's investment policy. Thus, an investor needs to review the progress of the current investment as well as other alternatives available in the market.

Among of all the various mutual fund schemes available in India only gilt funds, income funds and growth funds are being considered most by various mutual fund companies. As most of the investment and protection needs of investors are found out in these schemes, these schemes constitute around 75% of the mutual fund market share.

An investor is also judged on the basis of financial condition or wealth. On basis of financial condition an investor can be in five stages;

1. Accumulation stage
2. Transition stage
3. Reaping stage
4. Intergenerational transfer stage
5. Sudden wealth stage.
6.

The wealth cycle can also be formulated in a graph, but as there is no any kind of relation between various stages, thus it does not form any structure of any cycle.

Figure 1 wealth cycle stage of an investor

Wealth cycle

Accumulation stage

Reaping stage

Intergenerational transfer stage

Transition stage

Sudden wealth stage

When mutual fund started in India the major investment schemes were income funds, growth funds, gilt funds, balanced funds, ELSS funds as well as liquid/money funds, with its initial year only the income finds and growth funds were mostly liked by the investors which remains the same choice of the investors today.

Income funds:

Unlike gilt funds they are quite high on default risk as in the past there had been defaults regarding payment of interest amount plus principal amount, though they are high on default risk but in the same time they also provide a regular fixed income to the investors. They distribute maximum of their surplus of their investments and though they suffer from high fluctuation risk they are less risky then equity funds.

There are various types of debt/income funds in India like diversified funds, focused funds, high yield funds, which suit different investors and their different kind of needs.

Equity funds:

It has higher risk then the gilt funds as well as from income funds but in the same time they also provide higher return to the investors. It did not provide any fixed income to the investors but led to the appreciation of the value of capital invested.

There is different kind of equity funds available; depending upon risk measurement they are as follows;

a. Aggressive growth funds – funds which directly invest in the companies which are not researched and which are providing higher returns (blue chip companies).
b. Growth funds – these are the funds which invest for three to five years only.
c. Specialty funds – these are more volatile funds then the income funds/debt funds.
d. Diversified funds – funds invest only in equities and very less is being invested in the liquid market.
e. Equity index – less diversified but more risky funds, these funds have to be taken care of by tracking performance of the funds.
f. Value funds – invests only in low P/E ratio funds or low market value ratios companies, these funds find the companies which are undervalued and wait for the situation when their value will increase.
g. Equity income fund – these funds invest in power or utility funds as their price does not fluctuate and give higher dividend to the investors.

Measurement of performance of funds:

A performance of a fund can be measured by various techniques but the best way and the easiest way is to find the NAV values of the fund. Among the various techniques of calculating NAVs, here are some.

Change in NAV:

NAVs can be calculated in percentage and in absolute terms.

In absolute terms = (NAV at the end) - (NAV at the beginning).

In percentage terms= (absolute change in NAV/ NAV at the beginning)* 100

It is the most commonly used by investors for the evaluation of the performance having an advantage that is easily understood and applies to any type of fund. The evaluation should always be in terms of the investment objective of the fund. Though it also suffers from few limitations as it cannot be considered as comprehensive, it cannot be used effectively in terms of income funds and withdrawal plans.

Total return:

While the shortcomings of NAV (no-inclusion of dividend) is taken care of, this has also some limitations like it ignores the fact that distributed dividends also get re-invested if received during the year as well as while measuring the performance must be interpreted in the light of market conditions and investment objectives of the fund.

{(distributions + change in NAV)/ NAV at the beginning of the period}*100

Total return with dividends reinvested:

{(1+div/ex-d NAV)*end NAV} – begin NAV/ Begin NAV *100

This formula states that when a dividend is again reinvested in the fund then its value dos not remain the same as it is also invested and there will be a return on the dividend too, thus it should be also taken in consideration. This situation may arise in any funds which gives monthly returns/ quarterly returns. While evaluating the performance of the mutual funds few things should be taken care of like expense ratio, income ratio, portfolio turnover rate, transaction costs, fund size, cash holdings. These ratios also play an important part in the fund's performance. Suppose the fund shows that it had high returns on the investment but what if the expense ratio is also quite high in comparison to other funds in the same scheme, this also says that may be portfolio turnover of the funds is quite high and because of that these expenses are rising.

Mutual funds provides a return which is more than the bank deposits and less than the secondary market of any stock exchange, now they are emerging as a new strategy in the area of investment.

Drawbacks of mutual funds:

- Mutual funds respond in respect of stock market and as te entire market will fall the mutual fund value will also fall. Thus it gives that no investment is risk free.
- As they are managed by fund managers, thus they charge amount for their services in terms of fees and commissions which are charged in name of load.
- The funds are not tax free, thus if you make profit and receive income from the funds then you will have to pay for the taxes also.
- The biggest gamble is taken as the money is being managed by the fund managers and your fund performance depends upon the performance of the performance of the mutual fund manager.

Study:

Every investor is different in terms of risk, few like to take the risk and few like averse it. As already mentioned in the paper that behaviour of every investor towards market is different, depending upon the financial ability and as well as the financial goal. The dependency to measure the performance of any mutual fund scheme cannot be just evaluated by the NAV values it also depend upon the risk dependency for that fund or what is the happiness derive from the investment taking in consideration the amount of risk that investment have.

Suppose an investor is wealthier in relative to another investor he would to take bigger risk in the market while the investor with the little one would surely go for the risk aversion. Risk taking is like a gamble where you take a bet and wait for the return, and the return may give you high return or it may give you huge losses. Many investors did not like to take a bet in the stock market; many did not have sound knowledge to take any position in the market, for those investors mutual funds provide a nice opportunity to invest in the various fund schemes and indirectly to take the market return without taking the risk directly in the stock market.

Mutual funds collect the money from the individual and then invest in the various sectors of the market, thus looking in the offer document of the various schemes the investor can have an idea that what will be done with the investors money and depending up on the information the investors can deposit the money in the respective funds.

Risk aversion is the major advantage that attracts the investors. Risk aversion can also be defined in terms of absolute risk aversion and relative risk aversion.

Absolute risk averse type of investors can be distinguished in terms that, investors having more wealth would like to be less risk averse in terms of investors who would be having less wealth. Explanation can be like this that people who would be having more money would like to take the bet in the market fluctuations as even the loss would not hamper much of their living standards but in the same time an investor who is having less money would not like to go for the risk and will keep money in some safe deposit where he could be sure of the safety that the value of money will not depreciate as a loss in the value of the money may lead to a drastic change in the living standard of the investor.

Even this cannot be taken as any firm strategy to be build up any scheme as what is more money or what is less money cannot be defined and even though it can be formulated it cannot be said that it will remain the same for every investor.

Money can be compared as less or more in terms of relatedness with other investors but in that sense the idea of absolute risk aversion will go wrong. In relative risk aversion the investor with more money or wealth will be more risk averse than the investor with the less money. It can be explained in the way that when a person having a large sum of money suppose around 20 million invested in the market and there is another investor with only 1ooo invested in the market and in the same time if there is fall in the market by 50%, then the loss for the investors will be 10 million and 500 respectively. Obviously the loss for the former investor will give him a bigger shock and it will create a drastic change in the living standard of the investor where the other investor with a loss of only 500 will not be affected in his standard of living by the same very much. Thus it shows that absolute risk averse and relative risk averse follows opposite path.

As there is variance in the types of investors also now the problem arises that how to define the most suitable return for an investor and what should be the strategy for the investor to look into an investment option?

The investment can be done up on the utility derive from the investment, it work same like the diminishing marginal utility theory. Based on the various level of risk aversion any investor can select any market for investment of its money. Like if the investor like to speculate the market he can invests money in the stock market, but if like to take a medium risk and to take a little safer position he would like to invest the same in any mutual fund schemes, and if the investor does not believe in the market he would not at all invests anywhere and would like to keep the money safe in the bank, though there is a misconception in the market about the bank deposits, that they are risk free but even they are risky as they may go down if the whole economy goes down.

The biggest difficulty for any investor is that to where invest the money, and the answer is that it can be done by keeping the risk level in the mind as well as various performance measures like utility concept, Sharpe ratio, Treynor's ratio, Jensen methods which gives you value of the investments.

There are two types of mutual funds, one is open ended and the other is close ended schemes.

Open ended schemes:

The study is under following constraint:

- Period of study is taken from April 2002 to June 2009.
- Only specified schemes were taken into account

During the study period it is observed that there had been a substantial growth under the various mutual fund schemes. Though the maximum volume of fund is managed under the income scheme followed by growth and latter followed by liquid/money market schemes but if we check the no. of times there had been growth in the funds then it had been found that income funds had grown by just six times of their figure of what they have been in the month of April 2002 and all the three

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(income, growth, and liquid) funds constitute only around 31 times of their value but the major growth have been in the field of ELSS schemes were the average growth in the number of times is more than 37 times. We can also found that there had been a consecutive growth in the ELSS schemes (figure 3).

Table 1; Total assets under management during the period April 2002 to June 2009(Rs. in crores)

schemes	2002	2003	2004	2005	2006	2007	2008	2009
Income	36912	61961	57714	42,338	29,006	70,180	150,283	239,118
Growth	9006	10048	20690	40,666	80,263	105,352	108,736	119,491
Balanced	15264	2697	3644	4,373	6,173	9,023	11,837	13,260
Liquid/money	10138	20139	63015	60,875	108,776	91,201	92,239	111,215
Gilt	3972	4793	5746	4,317	2,566	1,963	2,180	5,480
ELSS	418	412	439	918	4,706	10,346	11,975	15,669
Total	75710	100050	151248	153,487	231,490	288,065	377,250	504,233

Source: AMFI newsletter

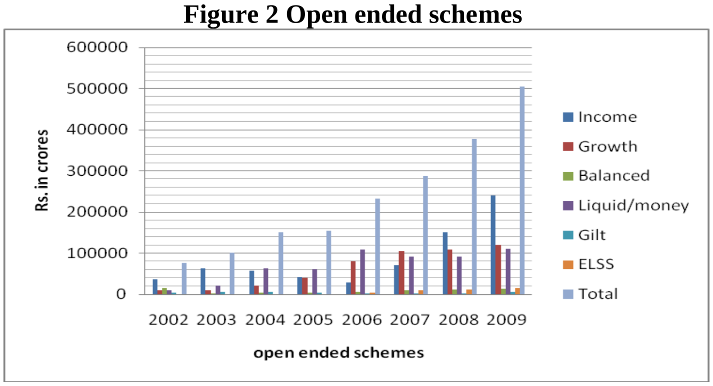
Table 2; %Growth of various mutual funds during April 2002 to June 2009

schemes	2003	2004	2005	2006	2007	2008	2009
Income	67.8614	-6.85431	-26.6417	-31.4894	141.9499	114.1394	59.11181
Growth	11.57006	105.9116	96.54906	97.37127	31.25849	3.212089	9.890928
Balanced	-82.331	35.11309	20.00549	41.16167	46.1688	31.18697	12.02163
Liquid/money	98.64865	212.9003	-3.39602	78.68747	-16.1571	1.138145	20.57264
Gilt	20.66969	19.88316	-24.8695	-40.5606	-23.4996	11.05451	151.3761
ELSS	-1.43541	6.553398	109.1116	412.6362	119.847	15.74522	30.8476
Total	32.14899	51.17241	1.48035	50.82059	24.4395	30.96003	33.66017

Source: AMFI newsletter

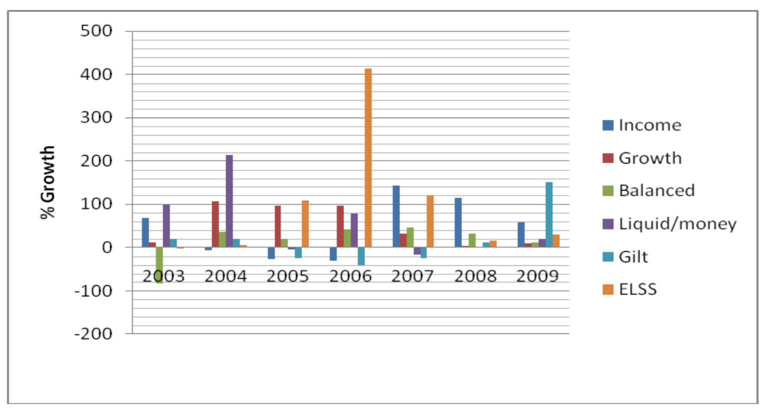
Though there is a growth in income funds under open ended scheme but it is from the period from April 2007 and during the same period the growth in ELSS is more than 400% now as there starts a growth in terms of income funds after April 2007 in the same period ELSS schemes had given a slow decline in their growth rate forming an inverse relationship with the income funds. The average growth rate in the income fund under open ended scheme is 45%, while average growth rate of ELSS scheme for the same is more than 99% where the total growth during the period for all the schemes is around 33%. There is a considerable decrease in the growth schemes during the period from April 2008, which also says that during recession the investors have given more preference to gilt funds and liquid/ money market funds as they may want more safe and secure money and not relying on the market fluctuations.

Figure 2 Open ended schemes



Source: Author

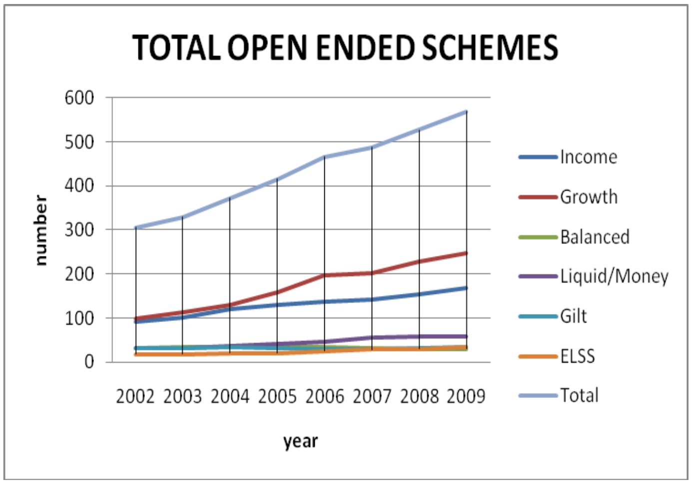
Figure 3 Growth of various schemes under April 2002 to June 2009



Source: Author

It can be observed that there is a considerable increase in the total number of open ended schemes every year. Whereas there is considerable growth under growth funds followed by the income funds while other funds could not make any mark though there is increase in the number of funds.

Figure 4 Total open ended schemes during April 2002 to June 2009



Source: Author

Close ended schemes:

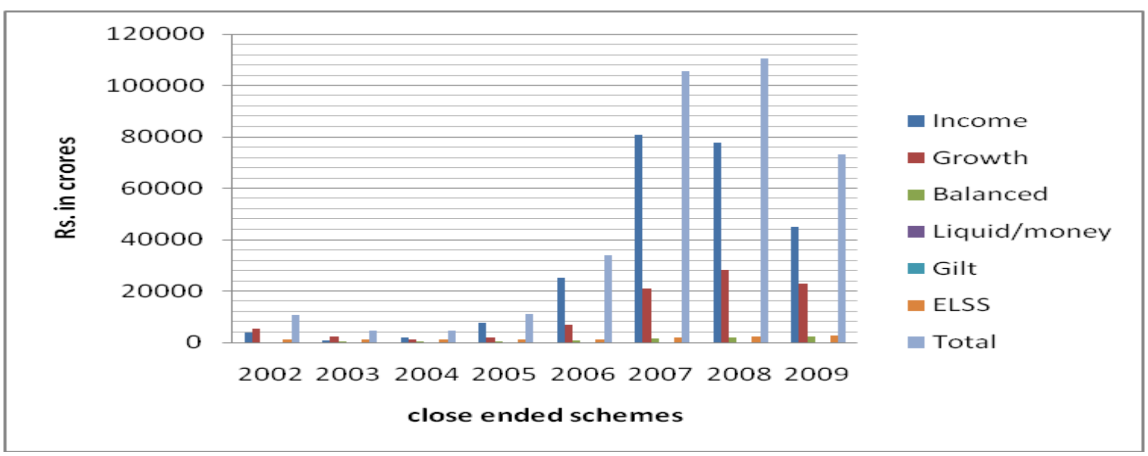
What we see in the open ended schemes is much lack in close ended schemes; one reason may because of immobility to could not sell it to the issuers any time before the fund mature. Though there had been a meager growth but the market is captured by the income funds and followed by the growth funds, the presence created by the ELSS schemes in the open market is not felt in the close ended market.

Table 3. Total assets under management during period of April 2002 to June 2009. (Rs. In crores)

schemes	2002	2003	2004	2005	2006	2007	2008	2009
Income	3931	757	1717	7,549	25,107	80,733	77,532	44,973
Growth	5387	2133	1179	1,795	6,933	21,016	28,269	23,039
Balanced	218	706	738	694	788	1,772	2,261	2,400
Liquid/money	0	0	0	0	0	0	0	0
Gilt	0	0	0	0	0	0	0	0
ELSS	1095	963	963	1,021	1,216	1,987	2,468	2,560
Total	10631	4559	4597	11,059	34,044	105,508	110,530	72,972

Source: AMFI newsletter

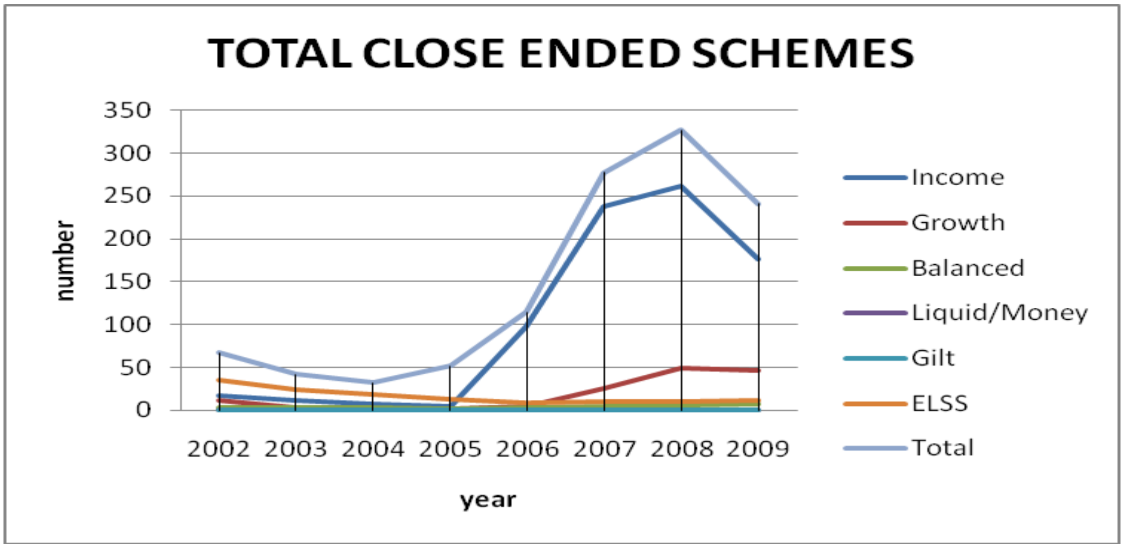
Figure 5 Total assets under management during April 2002 to June 2009 under closed ended scheme



Source: Author

The close ended market is not so developed in the Indian market scenario. Thus, it is not having a greater impact in terms of market share in comparison of the open ended schemes, then also this market saw a tremendous growth during the period from 2005 to 2008, when the number of schemes rose up to a level of more than 300 schemes from just 50, but with the hit of recession the investors loose the hope in the closed secondary market and thus tit lead to the sudden downfall in the number of the schemes under this type of funds.

Figure 6 Total close ended schemes during April 2002 to June 2009



Source: Author

Total schemes

The total schemes gives a cumulative overview of the market consists of open ended and close ended schemes together. There had been a considerable average growth of around 30% in the mutual fund investment market during the year from April 2002 to June 2009,but a considrbale change is their in the pattern of holding the market growth in terms of total assets under manegement as ELSS and income funds constiute 55% and 36% of average growth during the period where as the market is mostly captured by liquid and growth funds which constitute around 56% and 45% of the average growth in the market over the period. Though the growth is sustantial in the long run in growth and liquid/money market funds but the market is captured by incoem funds in terms of total asets under management,which is around 50%.

Table 4 Total assets under management during study period of April 2002 to June 2009. (Rs. In crores)

schemes	2002	2003	2004	2005	2006	2007	2008	2009
Income	55205	62871	59431	49,887	54,113	150,913	227,815	284091
Growth	14393	12181	21869	42,461	87,196	126,368	137005	142530
Balanced	15482	3403	4382	5,067	6,961	10,795	14,098	15,660
Liquid/money	10138	20139	63015	60,875	108,776	91,201	92,239	111,215
Gilt	3972	4793	5746	4317	2,566	1,963	2,180	5,480
ELSS	1513	1375	1402	1,939	5,922	12,333	14,443	18,229
Total	100703	104762	155845	164,546	265,534	393,573	487,780	577,205

Source: AMFI newsletter

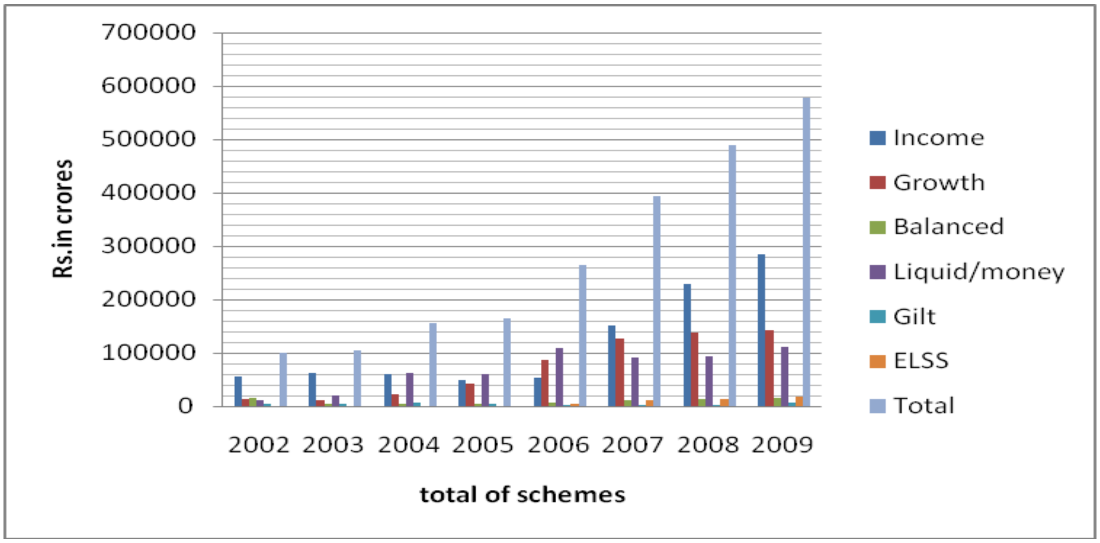
Table 5 %Growth of total schemes

Schemes	2003	2004	2005	2006	2007	2008	2009
Income	13.88642	-5.47152	-16.059	8.471145	178.8849	50.95784	24.7025
Growth	-15.3686	79.5337	94.16068	105.3555	44.92408	8.417479	4.0327
Balanced	-78.0196	28.76873	15.63213	37.37912	55.07829	30.5975	11.07959
Liquid/money	98.64865	212.9003	-3.39602	78.68747	-16.1571	1.138145	20.57264
Gilt	20.66969	19.88316	-24.8695	-40.5606	-23.4996	11.05451	151.3761
ELSS	-9.12095	1.963636	38.30243	205.4152	108.2573	17.10857	26.21339
Total	4.030664	48.761	5.583111	61.37372	48.21944	23.93635	18.33306

Source: AMFI newsletter

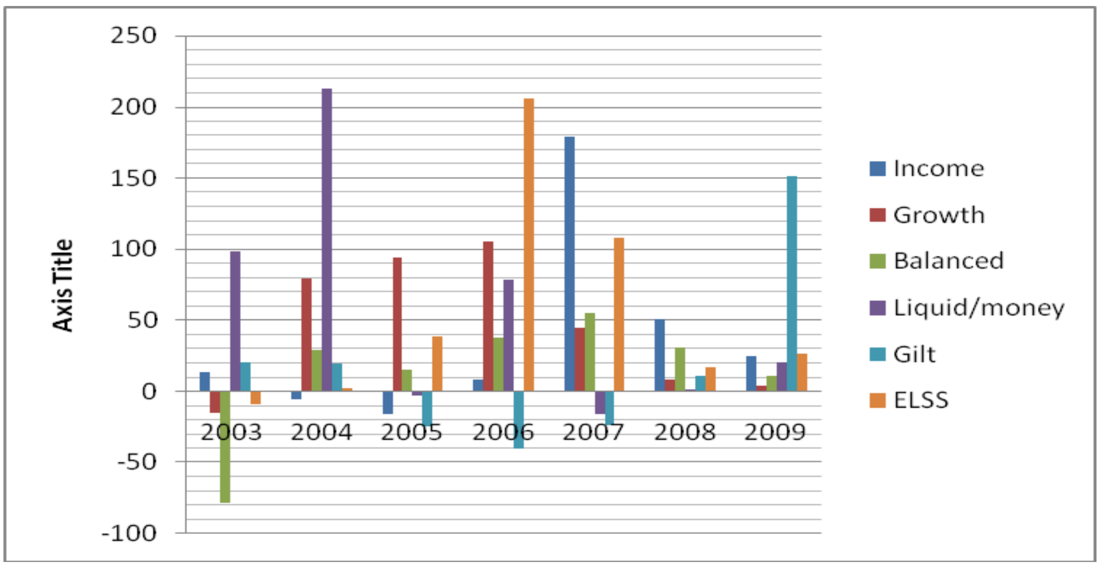
Figure 7 & 8 gives an overview of the trend analysis of the total assets under management, which states that there is a continuous growth in terms of income funds assets mobilization in the market where as growth % says that there is decrease in the growth of the income funds as well as ELSS are decreasing in terms of growth rate over the years.

Figure 7 Total assets under management during April 2002 to June 2009



Source: Author

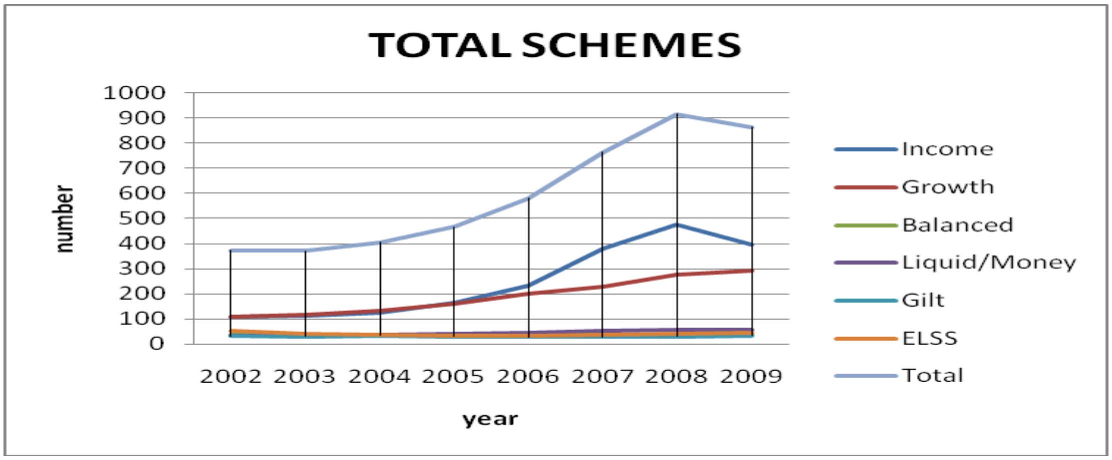
Figure 8 Growth in total mutual fund schemes in %



Source: Author

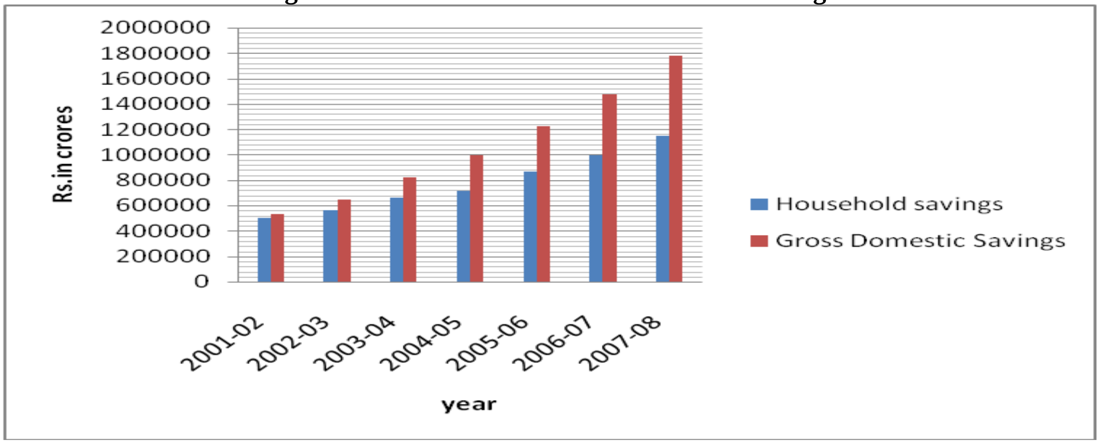
There have been a growth in the number of schemes under income and growth funds but the other schemes like balanced funds, ELSS funds or gilt funds there has not been any new schemes which can be related with the negative growth of the schemes under the following period. It is observed that there is decline in the trend of the total number of schemes launched which may be due to the negative growth of close ended schemes.

Figure 9: Total schemes during April 2002 to June 2009



Source: Author

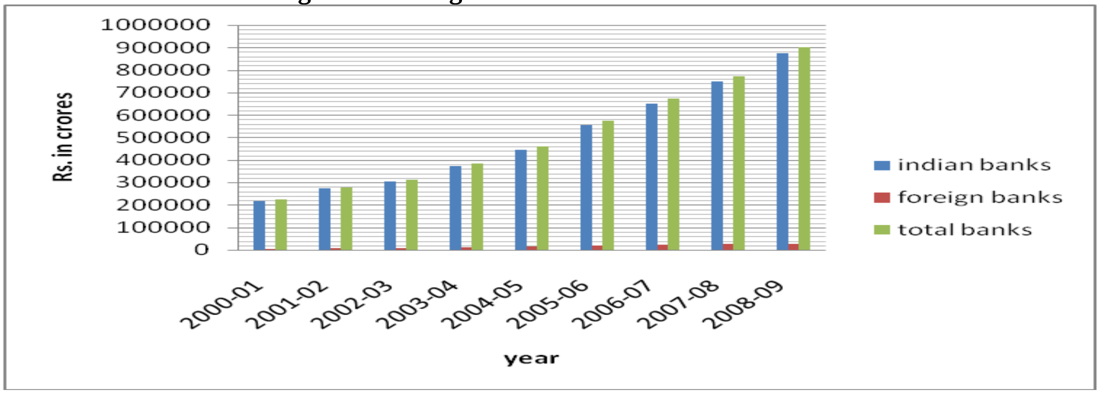
Figure 10 Households and Gross Domestic Savings



Notes: 1) 2006-07 data are provisional. 2) 2007-08 data are based on quick estimate.
Sources: Central Statistical Organisation (CSO)

The number of schemes may be going down but as we have observed that there is a continuous growth in the fund under income and growth funds which can be related to the mobilisations of savings by the household sector which is major constituted by the middle income groups who in major deposit their savings in the banks. The market is constituted with both the Indian banks and foreign banks, but the Indian investors are having more faith in the Indian banks as their maximum savings is in Indian banks (figure11.) here the data is taken only for the scheduled banks. The savings in the foreign banks shows that today still, the market is more for the Indian banks, though there is growth in the foreign banks but it is very minimal.

Figure 11 savings in scheduled commercial bank

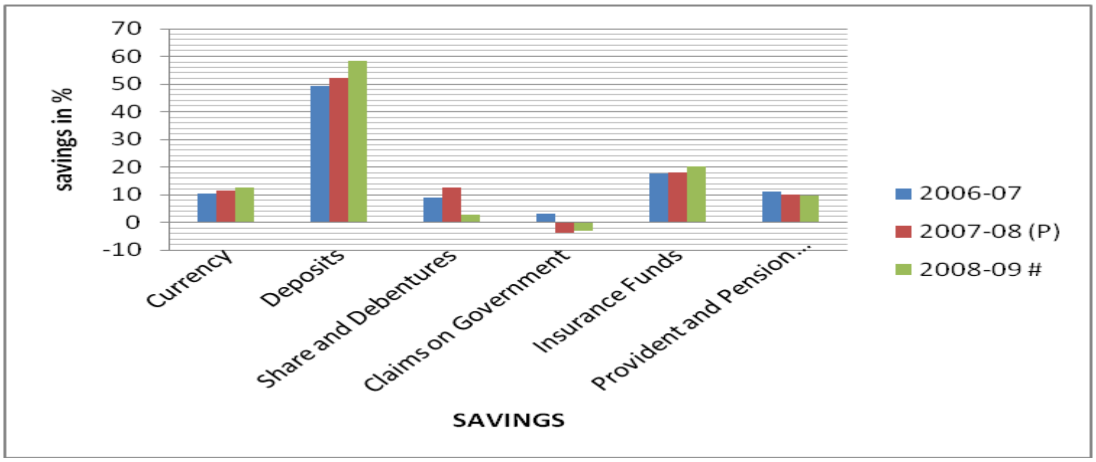


Note : Data are of weekly frequency till 1984-85 and fortnightly frequency thereafter. The data comprises of only scheduled bank.
Source: Reserve Bank of India.

Even the deposits does not give the distribution of the conclusive figure of the deposit pattern of the investors behaviour, there is huge differentiation on the pattern of the deposit in the Indian market among the investors. The Indian investor is divided into sections like

1. Currency
2. Deposits
    a. With banks
    b. With non-banking companies
    c. With cooperative banks and societies
    d. Trade debt
3. Shares and debentures
    a. Private corporate business
    b. Banking
    c. Unit trust of India
    d. Bonds of public sector undertaking
    e. Mutual funds(other than UTI)
4. Claims on government
    a. Investment in government securities
    b. Investment in Small savings
5. Life insurance funds
    a. Life insurance funds
    b. Postal insurance
    c. Statue insurance
6. Provident and Pension Funds

FIGURE 11:. % Savings in various deposit schemes.

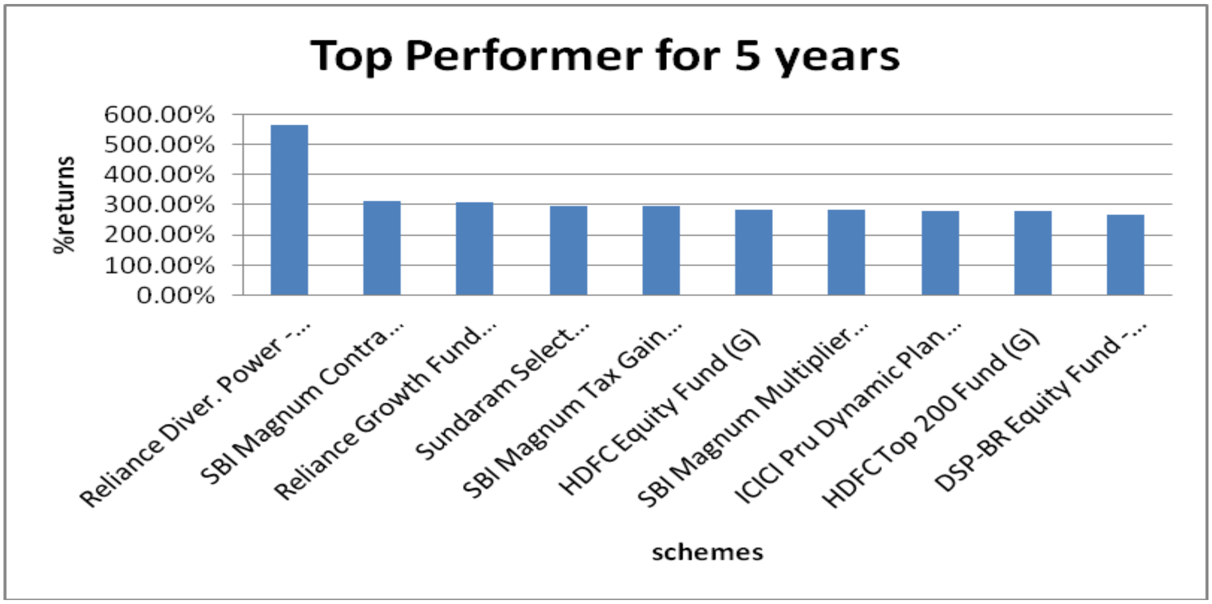


P: Provisional. #:Preliminary estimates.
Note: Components may not add up to the totals due to rounding off.
Source: Reserve Bank of India

Here it can be observed that there is tremendous growth in deposits which comes as a major source from the middle class households who does not want to deposit money in some risky assets or in stock market as they are having a income where they have to make various plans for their future thus they are not willing to go for the risky returns from the market and kept their money mainly in banks where they can be assured of their savings as well as with minimum return. Which can be verified from the fact that after savings in the bank accounts, the Indian investors opt for the insurance funds where they can give a security to them as well as their family members in any unforeseen circumstances and along with that it can be observed savings in the Insurance is followed by pension and provident funds.

Looking on the average performance 1025 mutual fund schemes available in India for the last 5 years, it is observed that the top 10 performers were from Equity diversified funds, which are also growth funds. During the observations it is found that the average return were more than 300% for the schemes, and under the growth funds Reliance Diversified Power funds have outperformed in comparison to others. His also suggest that making portfolio in the growth funds would have been more benfitable to the investors. And the top performer mutual fund are SBI, Reliance and ICICI. HDFC also has come up with the equity fund schemes which have provided with a return of around 300%.

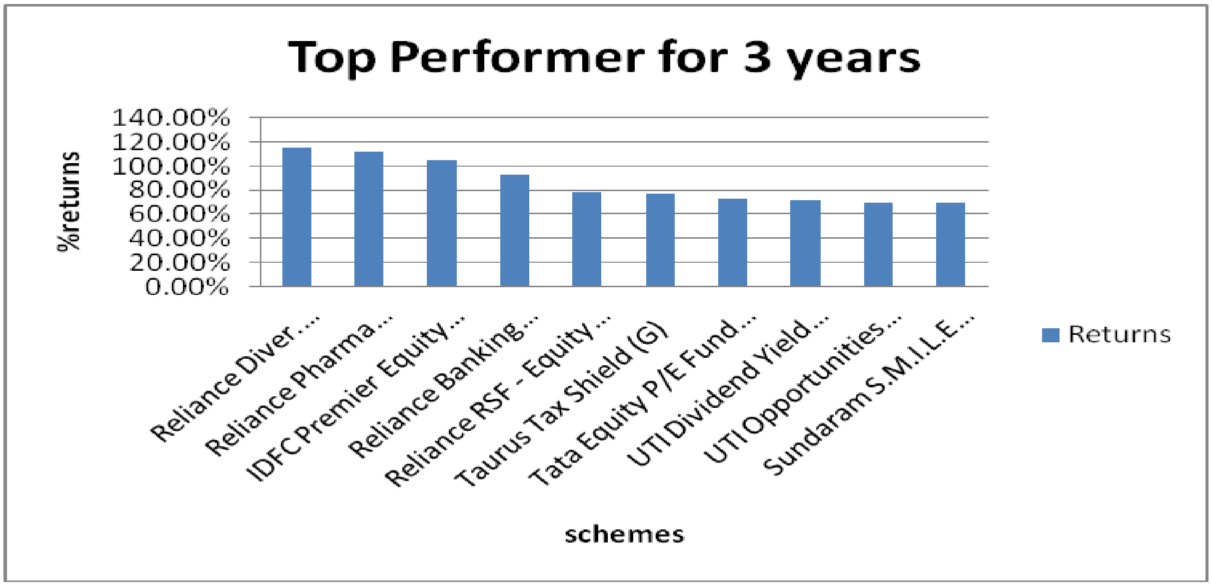
Figure 12; Top 10 mutual fund performers for 5 years



Source: http://www.moneycontrol.com/mutualfundindia/

If we compare the top 10 performers in the mutual fund sector we observed that the funds which performed best in the market in the last three years, are the same funds which have best performed in the last 5 years, it also shows that in the long run these 1o mutual funds have performed well than any other funds. But considering the cumulative return for three years it is observed that they have provided return of maximum 110% and as low as 70% which suggests that during the period of last two years or right to say that during the period of recession these growth funds have provided nominally high returns. The performance of three years is captured by Reliance mutual fund, which has constituted more than 25% of the return as well as the market among the top 10 performers with few new market players like UTI, TATA equity and Taurus.

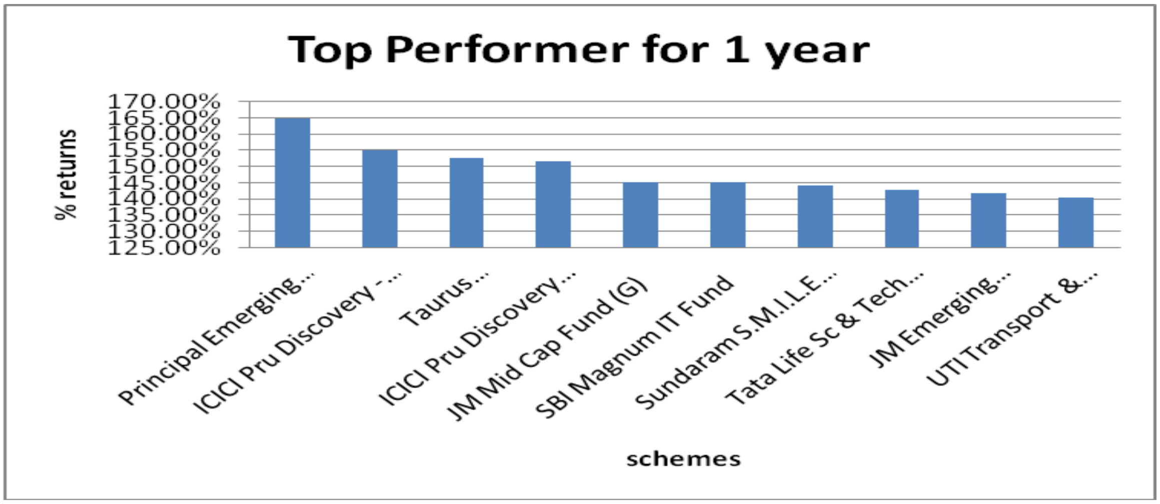
Figure 13; Top 10 mutual fund performer for 3 years.



Source: http://www.moneycontrol.com/mutualfundindia/

When compared on an yearly of past 1 year performance data, it is observed that the top performers have changed completely, where the funds have managed to provide a return of around 165% and a minmum of return is 140%, where the market players range from UTI, TATA, ICICI, Taurus and SBI. This also suggests no any mutual fund can give a steady return either in terms for short period or long period.

Figure 14; Top 10 mutual fund performers for 1 year.



Source: http://www.moneycontrol.com/mutualfundindia/

If we look into the information in table 6 we observe that the mutual fund schemes which covers around 0.67% of the total mutual fund assets managed by the industry. As well as we also found that the average return is negative in the years which are struck by recession which is around negative 2.18% but the significant result which have been found is that all the mutual fund schemes which have out performed are form growth type. Which also suggest that the growth types of mutual funds are being liked more by the investors during the last five years.

Table 6; list of last top 10 performers in mutual fund sector.

Top 10 perfromers	**Asset (rs. Cr)**	**NAV**	**1 yr**	**2 yr**	**3 yr**	**5 yr**
Reliance Diver. Power - RP (G)	5785.43	80.7	107	-2.6	30.1	46.5
SBI Magnum Contra Fund (G)	3372.4	57.05	102	-3.4	14.2	33.6
Reliance Growth Fund - RP (G)	6564.87	439.79	113.1	-3	17.1	33.4
Sundaram Select Midcap -RP (G)	1780.76	139.64	139.2	-1.7	13.8	32.5
SBI Magnum Tax Gain (G)	5386	59.05	97.6	-7.5	9.1	32.7
HDFC Equity Fund (G)	5395.96	234.5	121.2	2.8	16.4	31.1
SBI Magnum Multiplier Plus (G)	1114.8	76.7	98.3	-6.1	11.5	31.5
ICICI Pru Dynamic Plan (G)	1814.92	92.86	90.5	-0.5	11.3	30.8
HDFC Top 200 Fund (G)	6066.31	182.45	106.4	3.6	17.6	30.9
DSP-BR Equity Fund - RP (D)	1631.51	54.15	90.5	-3.4	15.7	30.6
avg. returns	**3891.296**		**106.58**	**-2.18**	**15.68**	**33.36**

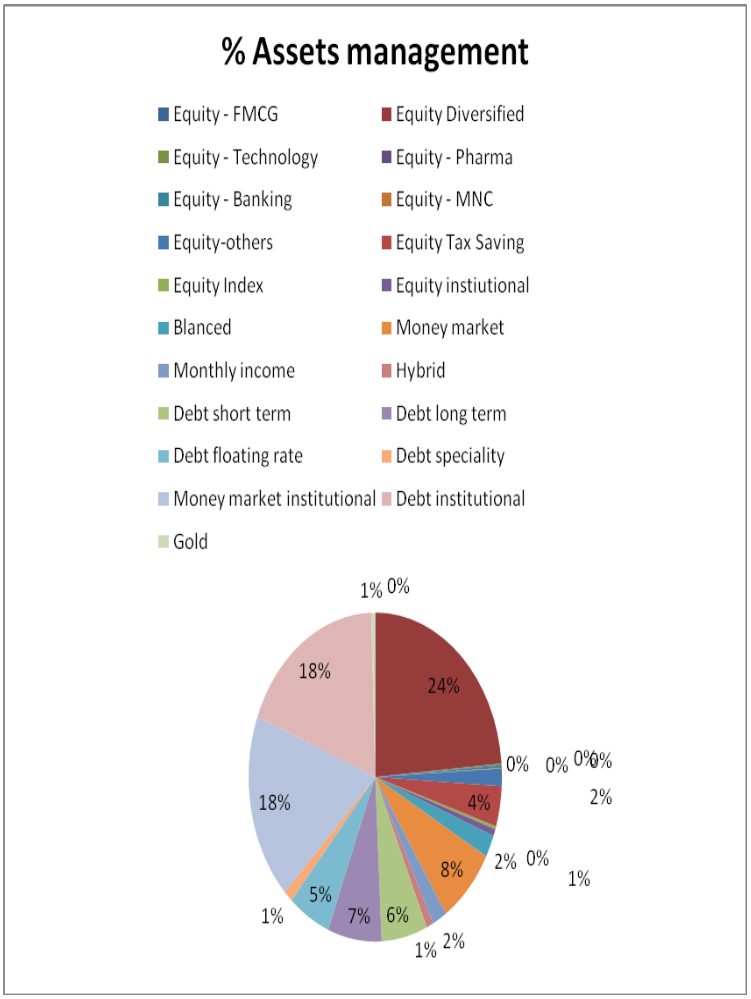
Source: moneycontrol.com

On comparing top 10 mutual funds schemes holdinhg of the total assets, it can be observed that these schemes hold more than Equity FMCG, Equity Technology, Equity Pharma, Equity banking, Equity MNC. The total assets comaprison with the total assets mobilisation shows that sectors like Equity diversified hold the major portion with 23% followed by Debt institutional and Money Market institutional hold 18% of the total assets management. Which also shows the prefrence of the investors during the period.

mutual fund schemes	% assets
Equity - FMCG	0.018833
Equity Diversified	23.66329
Equity - Technology	0.082591
Equity - Pharma	0.076247
Equity - Banking	0.251721
Equity - MNC	0.067609
Equity-others	1.730666

Equity Tax Saving	3.984631
Equity Index	0.290537
Equity instiutional	0.679146
Blanced	2.18445
Money market	7.580237
Monthly income	1.86473
Hybrid	0.896273
Debt short term	5.834547
Debt long term	6.860531
Debt floating rate	5.420283
Debt speciality	1.159086
Money market institutional	18.34275
Debt institutional	18.49861
Gold	0.513235
Total	1.00%

Total assets management by different mutual fund schemes:



Source: moneycontrol.com

V. Conclusion

Based on the above study, it is observed that the investors are shifting from depositing their money from bank deposits to mutual funds which can be observed by the increasing of the assets mobilisation of various mutual fund sectors among of which equity diversified and debt and money market are also in demand by the investors as they constitute the major sector investments. It is also observed that the mutual fund schemes are not static with any particular schemes which can give every year a same consistency in the returns, though it depends upon the efficiency how the fund is managed by the mutual fund manager. Which indirectly lies on the experience of the fund manager as well as the interpretation of the manager about the future. Thus, in result the mutual fund schemes cannot give you steady returns but in medium term period based on the study it can be said that growth funds have captured the market with their performance.

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AUTHORS

First Author – Abhishek Kumar, Student (cohort 6), Bhavan-Marshall Institute of Management, #43, Race Course Road, Bangalore, 560001, Contact no. +91-9164774155
E-mail ID: abhisheksingh271085@gmail.com