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Mutual Fund Performance : An Empirical Analysis of Growth Schemes

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Abstract

The Indian financial system in general and the mutual fund industry in particular continue to take new challenges and turnaround from early 1990s. During this period, mutual funds have pooled huge investments for the corporate sector. The present study examines the performance of 68 sample schemes of equity mutual funds from growth option exclusively from private sector of India for the duration of January 2007 - June 2016 along with across fund characteristics and risk adjusted measures. NSE- Nifty had been taken as proxy for the market portfolio. It is found that overall all the schemes are providing positive returns during the study period but inconsistent behavior was found due to fluctuations of returns year by year. More than half of the schemes showed return greater than market return and rest of schemes failed to capture the market. But most of the schemes were successful to capture the risk free rate of return.

I. Introduction

THE CARDINAL AIM of the Indian financial system is to provide the efficient services to the capital market for smooth functioning. During the second generation reforms the Indian capital market has been raising tremendously. (Parmar, 2010) Mutual fund investment popularity has increased drastically over the past two decade and playing a significant role in the Indian financial market. Mutual fund industry of India has developed significant growth in terms of AMCs started from Rs. 246.7 millions in 1965 to Rs. 1006 billion in 2002 to 7599.95 billion end of 2012 to 8252 billion INR in 2014. For this it is the need of hour to study the performance evaluation of mutual fund industry. The portfolio performance evaluation primarily refers to the determination of how a particular investment portfolio has performed relative to some comparison benchmarks and it is important for the investors and the fund managers to know the relative performance of the portfolio.

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VI. Conclusion

This study analysed the performance of selected mutual fund schemes of growth category by using risk adjusted measures and identified that majority of the schemes are performing better returns but with inconsistent behavior. Mutual fund market is totally dependent on the stock market movements. Funds related to large houses were succeeded to get extra returns than market and also to beat market risk. Basic statement prove wrong that higher the risk, higher the returns. No doubt, that majority of fund manager succeeded to generate additional returns for bearing diversified portfolio strategies and stock selection abilities but those failed to do so must adapt active portfolio strategies to reap additional returns from market.

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