

“THE GROWTH OF MUTUAL FUND INDUSTRY IN INDIA INVESTMENT OVERVIEW”

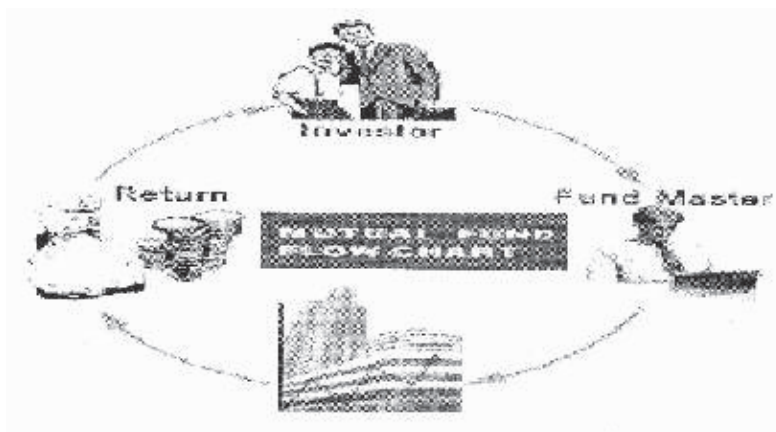
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INTRODUCTION

Mutual funds now represent perhaps the most appropriate investment opportunity for many small investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. It is no wonder that, in the birthplace of mutual funds the U.S.A. the fund industry has already overtaken the banking industry, with more money under mutual fund management than deposited with banks.

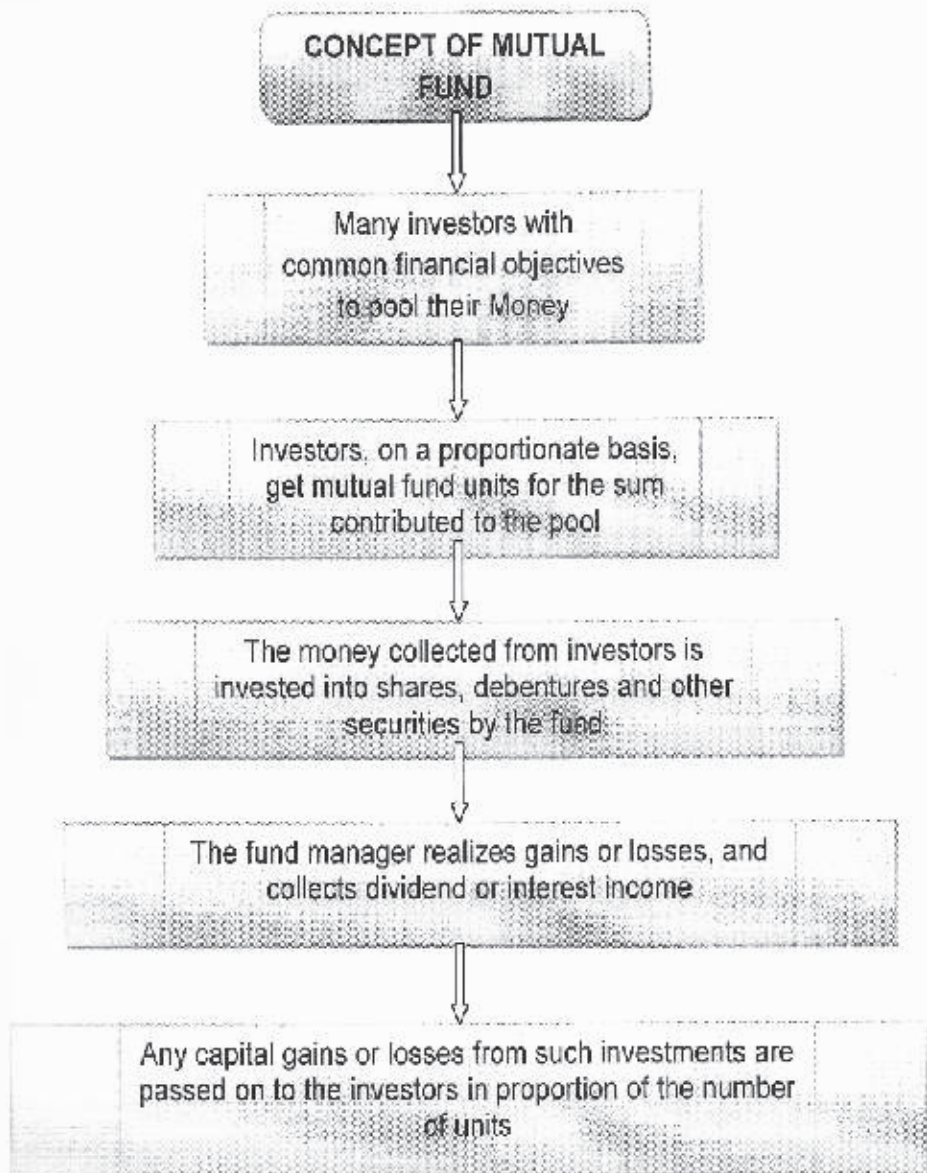
The Indian mutual fund industry has already opened up many exciting investment opportunities to Indian investors. We have started witnessing the phenomenon of more savings now being entrusted to the funds. Despite the expected continuing growth in the industry, mutual fund is still a new financial intermediary in India. Hence, it is important that the investors, the mutual fund agents/distributors, financial planners, investment advisors and even the fund employees acquired better knowledge of what mutual funds are, what they can do for investors and what they cannot, and how they function differently from other financial intermediaries such as the banks.

Mutual Fund Operation Flow Chart

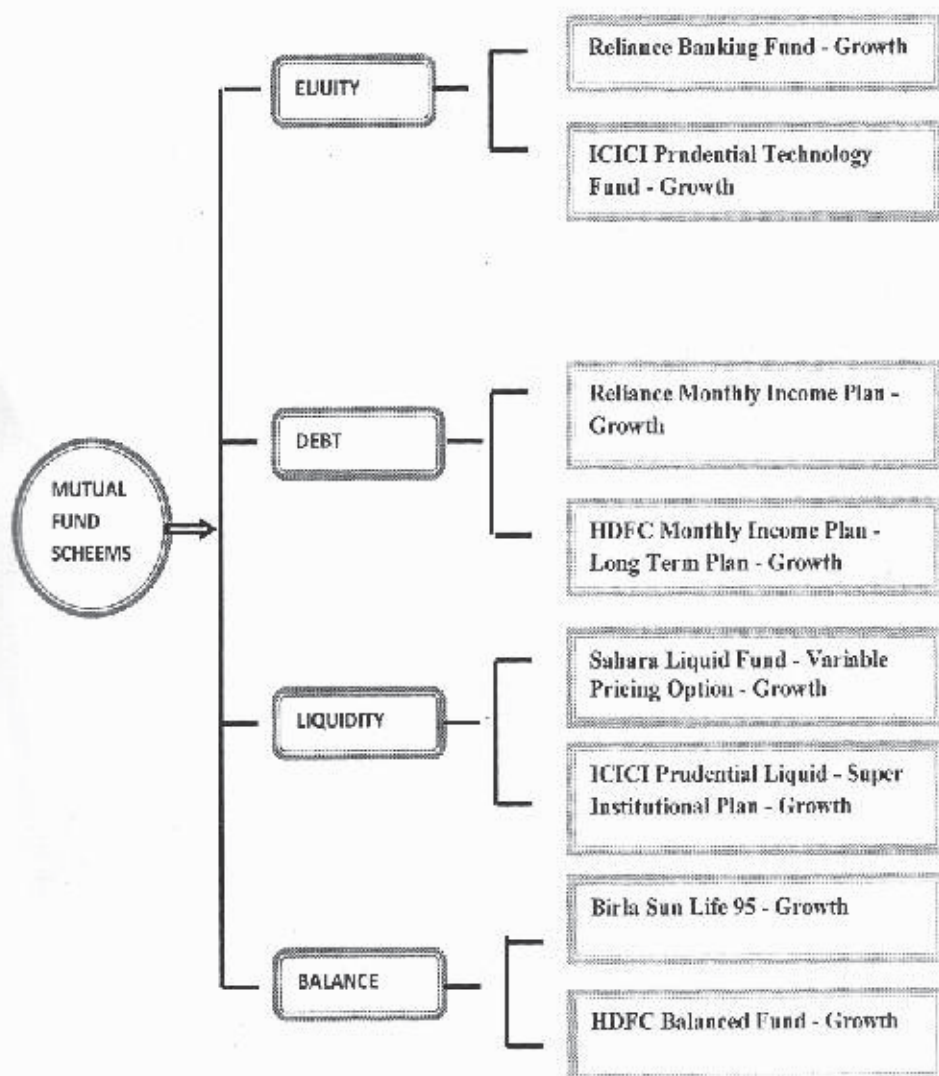


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Concept of Mutual Fund



SELECTED MUTUAL FUND SCHEMS (These are the Top Schemes in their sectors as per mutualfundindia.com)



Details about Selected Mutual Fund Schemes

1. Reliance Banking Fund Growth

Objective

The primary investment objective of the Scheme is to seek to generate continuous returns by actively investing in equity and equity related or fixed income securities of companies in the banking sector.

Type of scheme	Open Ended
Nature	Equity
Option	Growth
Inception Date	May 26, 2003
Face Value (Rs/Unit)	10

2. ICICI Prudential Technology Fund Growth

Objective

To generate long-term capital appreciation for you from a portfolio made up predominantly of equity and equity-related securities of technology intensive companies.

Type of scheme	Open Ended
Nature	Equity
Option	Growth
Inception Date	Mar 3, 2000
Face Value (Rs/Unit)	10

3. Reliance Monthly Income Plan Growth

Objective

The primary objective of the scheme is to generate regular income in order to make regular dividend payments to unit holders with the secondary objective of growth in capital.

Type of scheme	Open Ended
Nature	Debt
Option	Growth
Inception Date	Jan 13, 2004
Face Value (Rs/Unit)	10

4. HDFC Monthly Income Plan Long Term Plan Growth

Objective

The primary objective of the Scheme is to generate regular returns through investment primarily in Debt and Money Market Instruments. The Secondary objective of the scheme is to generate long term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments.

Type of scheme	Open Ended
Nature	Debt
Option	Growth
Inception Date	Dec. 26, 2003
Face Value (Rs/Unit)	10

5. Sahara Liquid Fund Variable Pricing Option Growth

Objective

The investment objective is to create a highly liquid portfolio of good quality Debt as well as Money Market Instrument with a view to provide high liquidity and reasonable returns.

Type of scheme	Open Ended
Nature	Short Term Debt
Option	Growth
Inception Date	May 27, 2005
Face Value (Rs/Unit)	1000

6. ICICI Prudential Liquid Super Institutional Plan Growth

Objective

The investment objective is to create a highly liquid portfolio of good quality Debt as well as Money Market Instruments with a view to provide high liquidity and reasonable returns.

Type of scheme	Open Ended
Nature	Short Term Debt
Option	Growth
Inception Date	Nov 18, 2005
Face Value (Rs/Unit)	100

7. Birla Sun Life 95 Growth

Objective

The scheme aims to generate long term growth of capital and current income from a portfolio of equity and fixed income securities.

Type of scheme	Open Ended
Nature	Equity & Debt
Option	Growth
Inception Date	Feb 10, 1995
Face Value (Rs/Unit)	10

8. HDFC Balanced Fund Growth

Objective

The primary objective of the Scheme is to generate capital appreciation along with current income form a combined portfolio of equity & equity related and debt & money market instruments.

Type of scheme	Open Ended
Nature	Equity & Debt
Option	Growth
Inception Date	Sep 11, 2000
Face Value (Rs/Unit)	10

Literature Review

Mutual funds are as risky as direct stocks

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Date of Published : September 9th, 2008

It's myth to believe that mutual funds are less risky than direct stocks. I would justify this statement by focusing your attention towards the recent performance of several fund houses has come as a shocker. There has also been a fall in net asset values to about 40-50 percent. This is much worse than the indices. Investments in mutual funds or direct stocks need to be done with a long term view. The difference between direct equity (stocks) and a mutual fund is that the

latter reduces the risk element as the investments are managed by professional fund managers.

The investor should not be under the misconception that a mutual fund is a cushion against risk. If the Indian stock market is in a bearish phase in general, there is very little that your fund can do if your investments were made just prior to the onset of bearishness. However, a mutual fund, unlike your direct stock investments, allows exposure to more than a handful of stocks, and the fund manager even has the luxury of holding cash which allows him to manage market volatility more effectively.

While all funds have such above mentioned options, there is plenty of difference in performance. Hence, one needs to go in for a careful construction of portfolio. I would like to end this article by saying that the chosen mutual funds will mirror the stock indices performance as they both side the same curve in any economy.

Problem Statement

As more investors are taking more initiative to diversify their investment with minimizing their risk, so our main objective is to find out that segment from which investor gets maximum return by analyzing the pervious data of different sectors of mutual funds.

Research Objective

To analyze the performance by comparing different investment sectors of mutual funds and to give proper idea for better investment by finding out the opportunities from the study.

Research design : Descriptive

Data Sources : Secondary Sources

Scope of the Study

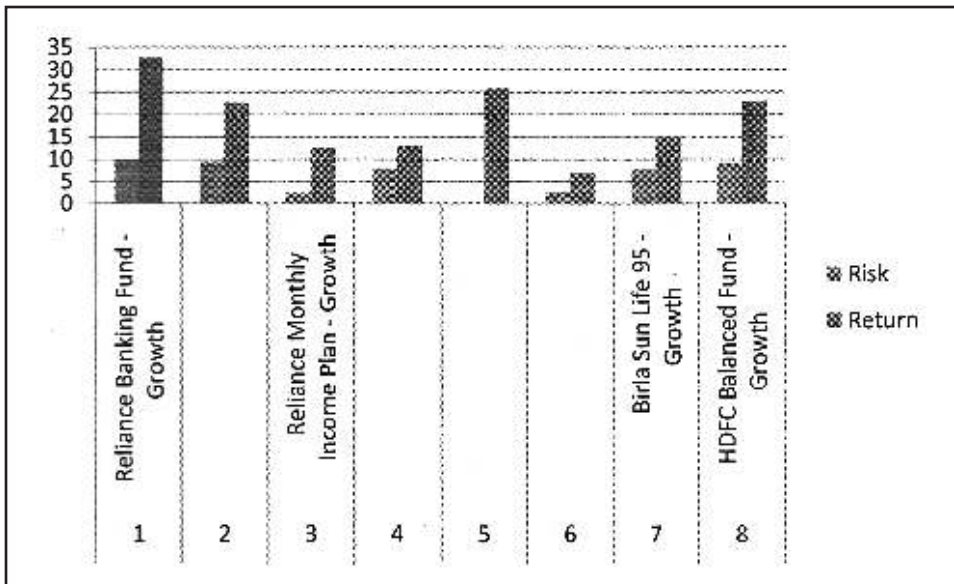
The study enables to have a better knowledge of investing option available particular in mutual fund industry in the market. The study highlights some of the most important investing options available with the Indian investors. It given an overview of pros and cons of investing in different mutual funds and help funds and help in choosing best from them

Evaluation parameters for comparison of Different Segments

Risk	Return
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Risk & Return of Mutual Fund Scheme

Sr.	Company	Risk	Return
1.	Reliance Banking Fund Growth	10.17	32.73
2.	ICICI Prudential Technology Fund Growth	9.28	22.75
3.	Reliance Monthly Income Plan Growth	2.4	12.59
4.	HDFC Monthly Income Plan Long Term Plan Growth	7.88	12.93
5.	Sahara Liquid Fund Variable Pricing Option Growth	0.13	25.76
6.	ICICI Prudential Liquid Super Institutional Plan Growth	2.48	6.93
7.	Birla Sun Life 95 - Growth	7.63	15
8.	HDFC Balanced Fund Growth	8.94	23.04



Formula for calculating Tre

$$\text{Treynor Ratio} = \frac{R_p - R_f}{\beta}$$

Where

R_f = Risk Free Return (It is taken as 8%)

R_p = Return on Portfolio (It is taken as Cumulative Growth Rate)

β = Beta

Mutual funds	$\frac{28.91 - 8.00}{1.00}$	20.91
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Interpretation

It can be seen that, the MF schemes which are giving high return as compare to less risk level like Reliance, ICICI and Shahara are good funds because there schemes are giving more then double returns as compare to their risk level.

Conclusion : On the basis of Risk, Return and Treynor Ratio.

From this study we analyze the performance of different mutual funds by finding out their risk, return & treynor ratio. In mutual fund schemes, Reliance Banking Fund Growth, ICICI Prudential Technology Fund Growth, and Sahara Liquid Fund Variable Pricing Option Growth are better performer in above selected criteria.

Recommendations

As the Mutual Fund Schemes like Reliance Banking Fund Growth, ICICI Prudential Technology Fund Growth, Sahara Liquid Fund Variable Pricing Option Growth are performing better in all the selected criteria like risk, return and Treynor ratio. So we would like to recommend investors to invest in these above mention schemes. Though these Mutual fund schemes are better in all selected criteria but we would suggest investor that not to put all your eggs in one basket so they should not depend only on one segment.

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