ABSTRACT

Mutual Fund is a financial intermediary that pools the savings of investors for collective investments diversified portfolio of securities. A fund is “mutual” as all of its returns, minus its expenses, are shared by the fund’s investors. A mutual Fund serves as a link between the investors and the securities market by mobilizing savings from the investors and investing them in the securities market to generate returns. The changing dimensions of economic reforms such as liberalization of financial markets, free entrée of foreign players into Indian capital markets, such as in insurance, Mutual Funds direct portfolio investments and Foreign Institutional Investors (FII) has resulted in a rapid restructuring of the economy in tune with global trends.

The performance of mutual funds in India has started on the day of the concept of mutual fund took birth in India. The year was 1963. Unit Trust of India invited investors or rather to those who believed in savings, to park their money in UTI Mutual Fund. The performance of mutual funds in India in the initial phase was not even closer to satisfactory level. People rarely understood, and of course investing was out of question. But yes, some 24 million shareholders were accustomed with guaranteed high returns by the beginning of liberalization of the industry in 1992.

The Assets under Management of UTI was Rs.67bn. by the end of 1987. Let me concentrate about the performance of mutual funds in India through figures. From Rs.67bn. the Assets under Management rose to Rs.470 bn. in March 1993 and the figure had a three times higher performance by April 2004. It rose as high as Rs.1540bn. The net asset value (NAV) of mutual funds in India declined when stock prices started falling in the year 1992. Those days, the market regulations did not allow portfolio shifts into alternative investments. There was rather no choice apart from holding the cash or to further continue investing in shares.

A period of general economic decline; typically defined as a decline in GDP for two or more consecutive quarters. A recession is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market. A recession is generally considered less severe than a depression, and if a recession continues long enough it is often then classified as a depression. Through a recession, companies which are poorly managed get restructured and forced to be more efficient else they will go out of the business. Financial sectors become more transparent one silver lining during recessions is that when it is over, the overall quality of the balance sheets of companies and affected industries improve, paving the path for greater resiliency during future hits to the economy.

Mutual funds are the most important among the newer capital market institutions. Several public sector banks and financial institutions have set up mutual funds on a tax exempt basis, virtually on the same footing as Unit Trust of India. They have shown significant progress. Narasimham committee has recommended for the creation of an appropriate regulatory framework to promote sound, orderly and competitive growth of mutual funds business. It has also recommended for the creation of proper legal framework to govern the establishment and operation of mutual funds and equality of treatment between various mutual funds including UTI in the area of tax concession.

The main reason that prompted to study the performance of the selected mutual fund schemes is the need to examine whether the number of mutual fund schemes has increased swiftly after the reforms particularly in the private sector Mutual Funds. This back drop has motivated to explore the growth of Mutual Funds and its competitiveness in India. This study has examined the nature and pattern of competition existing between different sectors of Mutual Funds and within the Mutual Funds. After the recession period the investor was not keenly interested to invest in the mutual funds. Hence, to analyze the financial position of these funds, the study was conducted.

The reform process has sent signals to a wave of changes in savings and investment behavior adding a new dimension to the growth of financial sector. The review of the existing literature shows that research work has been carried out in India and elsewhere on the performance evaluation of mutual funds during recession period. The researcher carried out ten schemes within the period of five years from 2006 to 2011. During the period between 2007 and 2009 (the recession period) the investors struggled to invest in mutual funds due to the recessive nature of funds mobilization due to economic crisis. But it has regained and attained its apex as the liberation and globalization gives force to the investors to invest in mutual funds.

In research, the methodology needs to be cautiously designed to capitulate results that are as objective as realistic. Able-bodied comprehensible modus operands empower that new-fangled research investigator to re-examine the study. Good methodology follows the standards of the established convention. Research methodology is a way to systematically solve the research problem.

The data thus collected from secondary sources were subdued into simple tabular form appropriate statistical tools like average, standard deviation, co-efficient of variance, Annual growth rate, compound of annual growth rate and ANOVA were employed.

To identify the pre and post-recession period that occurs between 2006-07 and 2009-11. During the recession period the investors struggled in an abundant manner. The research analyses the cause and effect of mutual funds position in recession period and escalating from the clutches and regained their position in future. The study is limited to India and accordingly it covers only the Indian mutual fund schemes. It covers the performance evaluation of selected mutual fund schemes .The study considered selected open ended mutual funds schemes.