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SRIMAD ANDAVAN ARTS & SCIENCE COLLEGE

(AUTONOMOUS)



**Two Day National Seminar**

**on**

**“Impact and Impediments of Financial and  
Derivative Markets”**

**Date: 7<sup>th</sup> & 8<sup>th</sup> October 2015.**

**Organized By**

**Nigama Samaj of PG & Research Department of  
Commerce**

*Special Issue : October 2015*

## ***Report of the Seminar***

Nigama Samaj of PG & Research Department of Commerce of Srimad Andavan Arts & Science College (Autonomous) organized Two Day National Seminar on **“Impact and Impediments of Financial and Derivative Markets”** on 7<sup>th</sup> & 8<sup>th</sup> October, 2015. This Seminar was inaugurated by Shri.N.Gopalaswami IAS(R), Chairman-SRPV Trust and Former Chief Election Commissioner, Shri.R.Rajagopal, Chairman-NEC, Shri.M.S.Srinivasan IAS(R), Chairman-IL & FS Tamilnadu Power Company Ltd, Shri.Ammangi V.Balaji, Secretary and Correspondent-SAASC, Shri..S.Kannan, Joint Secretary-SAASC, Dr.J.Radhika Principal and Dr.M.Pitchaimani Vice-Principal cum Dean of Commerce and Management. The first technical session was handled by CA.V.Sankar Executive Director-Finance, Garuda Vaayu Shakthi Ltd, Chennai on the topic Introduction and scope for financial derivatives. He pointed out that Derivative is not a product, it is a contract. The second technical session was handled by Mr.S.R.Sridhar, Director, Srivari Impex(India) Pvt Ltd, Chennai on the topic Derivatives Dynamics-Looking Back and Looking Forward. The third technical session was handled by CA.L.Muralidharan, Chartered Accountant, Chennai. He pointed out the accounting procedures of redeemable debentures of a company.

On October 8<sup>th</sup> the fourth technical session was handled by Dr.K.V.Ramanathan, Professor of Finance and Marketing, Research Advisor, Bengaluru on the topic BSE Investor Protection Fund and Capital Market Awareness. After the technical sessions was over the next session was Paper Presentation. The Chairpersons are Dr.S.V.Devanathan, Academic Advisor, Dr.R.Narayanaswamy, Head of the Department of Commerce, National College, Mr.S.Raghavan and Ms.S.Vidya Soft Skills Trainer-SAASC. The students from various college like Sastra University, Gnanam School of Business, Bon Secours college, Valluvar college, Sengamala Thayar, Muthayammal College were the participants. The valedictory session was headed by Dr.T.K.Sridhar, Director, Singar Academy, Nungampakkam, Chennai. At last Mrs. A.Meharaj Banu, Co-ordinator of our Department gave Vote of thanks.

Total No. of Participants: **250**

**Our students: 110**

**Outside students: 140**



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## Seminar Photography

**Day : 7/10/15**







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**Day : 8/10/15**





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**Research Article**

## **A STUDY ON THE PERFORMANCE OF GOLD ETFS**

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### **ABSTRACT**

In India, gold ETFs were launched mainly with intention to increase the liquidity for the better market efficiency. The downside with gold ETFs is liquidity; some ETFs are illiquid, which has its impacts on the flexibility of buying and selling. Therefore, investors should consider this as a factor while investing in gold ETFs and should stick to funds that are liquid. Traditionally, Indians love to buy gold and want to possess it. In fact, they hardly go for ETFs which is just a piece of paper for them. But in India, during the last year, investment in gold ETFs has been raised.

***Keywords: Gold ETF, Liquidity, Investment, Gold, Security***

### **1. INTRODUCTION**

Every investor has a different perception regarding the return and risk. There is a universal rule of return and risk and that is “Higher the risk, higher the return and lower the risk lower the return”. The return and risk mixture depends upon the investors choices and his or her actions. There are so many purposes for investment such as equity shares, bond, debentures, bank deposits, gold, silver and many more, and their “risk & return” relation always differ from each other. But investment should be of such type that may create high return with minimum risk and that is expedient to do. At these criteria gold is much attractive and most productive in terms of return in current situation. India is one of the major consumers of gold. The most imperative is that every person is not able to invest in or purchase the gold. The investors who have small amount of savings or funds to invest will not be able to do this because of the prices and scarcity nature of gold. Gold investment requires a big amount to get adequate growth and return on investments. To make investment in gold possible for

such investor, there is a most popular type of investment called “Gold Exchange Traded Funds (ETFs)”.

## **2. GOLD EXCHANGE TRADED FUNDS**

Gold ETFs provides investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on stock exchange. Gold ETF would be a passive investment; so, when gold prices move up, the ETF appreciates and when gold prices move down, the ETF loses value. Gold ETF tracks the performance of Gold Bullion. Gold ETFs provide returns that, before expenses, closely correspond to the returns provided by physical Gold. Each unit is approximately equal to the price of 1 gram of Gold. But, there are Gold ETFs which also provide a unit which is approximately equal to the price of  $\frac{1}{2}$  gram of Gold.

Gold exchange-traded products may include ETFs, ETNs, and CEFs which are traded like shares on the major stock exchanges. The first gold ETF, Gold Bullion Securities (ticker symbol "GOLD"), was launched in March 2003 on the Australian Stock Exchange, and originally represented exactly 0.1 troy ounces (3.1 g) of gold. As of November 2010, SPDR Gold Shares is the second-largest exchange-traded fund (ETF) in the world by market capitalization.

## **3.**

### **REVIEW OF LITERATURE**

**Dr. Prashanthan Athma (2011)** has explained that an investor has numerous investment options by considering the risk profile and expectation of returns. The author has further stated that, the investment in gold ETF is low due to the low awareness among the investors and the sentimental attachment of the investors towards holding gold in physical.

**Brany (2011)** in his analysis he has stated that the fluctuations in the price of gold enable skillful traders to profit from these fluctuations gold is a sterile asset that does not generate cash flow, as it does not generate cash flow, as it does not have a management team or a balance sheet so he says that gold is not an investment.

**Carthe (2011)** has stated in his working paper, that gold ETF have seen record outflows in assets under management with the funds themselves experiencing heavy reductions in physical bullion holdings. In the year 2011, the gold ETF have sold 140 tonnes of gold and gold held in ETF sponsor vaults could supply India's Jewellery market, the largest in the world, for over four years.

**Stoyan Bojinov (2011)** has stated that the gold ETFs has accorded greater heights in the recent months. The gold has always been popular and safe for investors who are seeking refuge

during times of equity market turbulence. Further he added that innovation in the ETF industry has given investors seeking gold exposure dozens of options to choose, as the gold ETF provides distinctive risk/return profiles.

**Alok Goyal and Amit Joshi (2011)** in their study on performance appraisal of gold ETFS in India has analyzed the risk in the emerging security in the stock market i.e. gold ETFS. The study also aimed at the financial performance, variations and analyzes the risk behaviour of the selected gold ETFS in comparison of NSE index.

**Mukesh Kumar Mukul , Vikrant Kumar and Sougata Ray (2012)** made a study on “Gold ETF Performance: A Comparative Analysis of Monthly Returns” revealed that Gold investment has been a very important aspect for ages across the globe. This paper attempts to analyze the performance of gold Exchange-Traded Fund (ETF) with respect to risk and return against the diversified equity fund and market portfolio. The study also examines the role of gold in hedging equity investment risk. The study is based on data for the period from January 2010 to August 2011. The analysis shows that gold ETF has given good return in comparison to a diversified equity fund during the study period.

**P.Krishna Prasanna (2012)** has studied the Performance of Exchange –Traded Funds in India. This research paper examines the characteristics and growth pattern of all the 82 exchange traded schemes floated and traded on Indian Stock markets, and evaluates their performance using Data Envelopment Analysis (DEA). On an average, ETFs grew at 37% annually during the period 2006-2011 in India. These funds consistently outperformed the market index and generated higher returns. ETFs generated excess returns of 3%p.a as against CNX NIFTY, which is the Indian equity market and attracted large investments in the post financial crisis years.

**Shefali Sinha and Mahua Dutta (2013)** in their study on Performance Analysis of Returns of Goldman Sachs Gold Exchange Traded fund have analyzed the performance of the fund for the period 2007-2012. The study also identified the performance of returns of domestic price of Gold in comparison to gold ETF.

#### **4. STATEMENT OF THE PROBLEM**

Traditionally, Indians like to buy gold and they want to possess it. In fact, they hardly go for ETFs. But in India, during the last one year, investment in gold ETFs has risen. India is one of the largest consumers of gold. While conventional investment options like jewellery, gold bars and coins still exist, Gold ETFs are another effective way to invest in the yellow metal. The study aims to mainly give awareness about GOLD ETF's. Hence the study is undertaken to fill the research gap with the following objectives.



## **5. OBJECTIVE OF THE STUDY**

1. To analyse and compare the historical data of various gold ETFs in India.
2. To track the performance of gold ETF in relation to returns on daily basis
3. To support the investor in selection of the best GOLD ETF.
4. To offer suggestions based on the findings.

### **5.1 Methodology:**

Research Methodology is a way to systematically solve the research problems. It includes the overall research design, sampling procedure, data collection method and analysis.

### **5.2 Research Design:**

Descriptive research has been adopted in this study, which includes surveys and fact findings of different kinds of investors. This helps the researchers to describe the present situation that makes the analysis of investments in gold ETFs.

### **5.3 Sample size and Sampling Method**

The research is based on the secondary data collected from NSE for all Gold ETF companies listed from 1st Jan 2009 to 1st Jan 2014. The basic ideas and relevant concepts of the study were collected from books and websites.

### **5.4 Tools used for analysis and interpretation**

The collected data has been presented in the form of tables. The statistical tools like Sharpe ratio and Treynor ratio for the purpose of interpretation

### **5.5 Limitations**

1. The data is collected for the gold ETF companies during April 2009 to June 2014
2. The study is limited to gold ETFs available only in India.
3. The study is completely based on secondary data.

## **6. ADVANTAGES OF GOLD ETFs:**

- Potentially cheaper to have price exposure to gold price as compared to other available avenues
- Quick and convenient dealing through demat account
- No storage and security issue for investors
- Transparent pricing
- Taxation of Mutual Fund
- Can be traded on stock exchange like buying or selling a stock
- Ideal for retail investor as minimum lot size to trade is one unit on secondary market NAV of a unit will track price of approximately  $\frac{1}{2}$  or 1 gram of gold

## **7. DISADVANTAGES OF GOLD ETFs:**

- Mutual Funds and Securities investments are subject to market risks and there can be no assurance or guarantee that the objective of the scheme will be achieved.
- As with any investment in securities, the NAV (Net Asset Value) of the units issued under the ETF can go up or down depending on the factors and forces affecting the Bullion Market, Capital Market and Money Market.
- The Past Performance of the fund house issuing the ETF should not be construed for the future performance of the fund. It might not provide a basis of comparison with other investments.
- The name of the Gold ETF doesn't indicate the quality of the scheme or its future prospects and the returns. Investors should study the terms of offer carefully and consult their investment advisor before investing the scheme.
- ETFs are a new concept in India compared to other parts of the world.
- The sponsor of the mutual fund is not responsible or liable for any loss or shortfall resulting from the operation of the fund beyond the initial contribution made by it of an amount of Rs 1 Lac towards setting up of the Mutual Fund.
- Investors are not offered any guaranteed or assured returns.
- The scheme NAV will react to the Bullion Market movements. The investor could lose money over short periods due to fluctuation in the schemes

**Table – 1: GOLD ETFs Vs PHYSICAL GOLD**

CRITERIA	GOLD ETFs		PHYSICAL GOLD
	JEWELERS	BANKS	
Sale & Purchase	Demat Form	Bar/coin/jewellery	Bar/coins
Selling Back	Sell back on Exchange	Conditional or unconditional	Markup,10-15% ideally restricted
Security of Asset	Responsibility of fund	Investors concern	Investors concern
Transparency	Very High	Very high	Very low
Impurity Risk	Nil	High	Nil
Pricing	Transparent	Neither Standard or Transparent	Not Standard
Denomination 1 gm and in multiples of 1gms	Standard Denomination	Standard Denomination	Standard Denomination
Wealth Tax	No	Yes	Yes
LTCG Tax	Applicable after 1yr	Applicable after 3 yr	Applicable after 3yr

Buying physical gold is very different from buying and owning gold ETFs, though one must admit that ultimately the value of both would remain the same, barring marginal differences

**8.**

**FINDINGS AND RECOMMENDATIONS:**

**Table – 2: ANNUALIZED DAILY AVERAGE RETURNS OF GOLD ETFs**

<b>Close Ended Gold ETFs</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
Axis Gold	NA	0.05	0.11	0.05	-0.02
Gold Bees	0.09	0.08	0.11	0.04	-0.02
Gold Share	0.09	0.08	0.11	0.05	-0.06
HDFC	NA	0.11	0.11	0.05	-0.02
ICICI	NA	0.09	0.11	0.05	-0.02
Kotak Gold ETF	0.09	0.08	0.12	0.05	-0.02
Quantum Gold Fund	0.09	0.08	0.11	0.05	-0.02
Reliance Gold Fund	0.09	0.08	0.12	0.05	-0.02
Religare Gold ETF	NA	0.11	0.11	0.05	-0.02
SBI Gold ETF	0.10	0.08	0.12	0.05	-0.02
Birla Sunlife Gold ETF	NA	NA	0.13	0.05	-0.02
IDBI Gold ETF	NA	NA	0.2	0.04	-0.01
MG Gold ETF	NA	NA	NA	0.04	-0.02

The above table states that the SBI GOLD ETF performance is well during 2009-2011 as compared to other four years, HDFC was well during 2010-2011 and IDBI has performed well during 2011-2012

**Table - 3 ANNUALIZED SHARPE RATIO OF GOLD ETFs**

<b>Close Ended Gold ETFs</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
Axis Gold	NA	0	0.05	-0.01	-0.07
Gold Bees	0.03	0.03	0.05	-0.02	-0.07
Gold Share	0.04	0.03	0.05	-0.02	-0.01
HDFC	NA	0.08	0.05	-0.01	-0.07
ICICI	NA	0.05	0.04	-0.01	-0.06

Kotak Gold ETF	0.03	0.03	0.05	-0.01	-0.07
Quantum Gold Fund	0.03	0.03	0.05	-0.01	-0.06
Reliance Gold Fund	0.03	0.03	0.05	-0.01	-0.07
Religare Gold ETF	NA	0.06	0.05	-0.01	-0.06
SBI Gold ETF	0.05	0.03	0.05	-0.01	-0.07
Birla Sunlife Gold ETF	NA	NA	0.04	0.00	-0.05
IDBI Gold ETF	NA	NA	0.1135	-0.02	-0.05
MG Gold ETF	NA	NA	-0.02	-0.06	-0.02

The Sharpe index assigns the highest values to assets that have best risk adjusted average rate of return. The risk free rate has been taken from the risk free rate of SBI on whole since it cannot be calculated on own. Sharpe ratio measures the total risk of the funds on the basis of return per unit of total risk. From the above table it is clear that SBI GOLD ETF performed well during the financial year 2009-2010 compared to other 4 years.

**Table - 4 ANNUALIZED TREYNOR RATIO OF GOLD ETFS**

Close Ended Gold ETFs	Returns				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Axis Gold	NA	-0.01	-2.02	-0.22	-2.44
Gold Bees	-8.77	0.84	-2.17	-0.21	-0.59
Gold Share	-3.24	0.36	-1.44	-0.19	-1.20
HDFC	NA	0.72	-1.65	-0.05	-0.05
ICICI	NA	0.31	-2.33	307.13	-1.13
Kotak Gold ETF	-3.91	0.81	-1.16	-0.15	-0.69
Quantum Gold Fund	-83.51	0.71	-2.26	-0.29	-1.19
Reliance Gold Fund	-12.33	0.55	-1.34	-0.18	-0.61
Religare Gold ETF	NA	0.67	-0.59	-1.24	-0.78
SBI Gold ETF	-1.08	0.43	-2.37	-0.14	-1.11
Birla Sunlife Gold ETF	NA	NA	-0.52	1.07	-0.65
IDBI Gold ETF	NA	NA	-4.63	0.48	-0.47
MG Gold ETF	NA	NA	NA	-0.54	-2.74

Treynor is a measurement of the returns earned in excess of that which could have been earned on an investment that has no diversifiable risk per each unit of market risk assumed. Above Table shows the Treynor measures of Gold ETF listed in NSE. In the year 2009-10 SBI performed well. It has been inferred from the table 4 that in the year 2010-2011 GOLD BEES and in the year 2011-2012 BIRLA Gold ETF has performed well. In the year 2012-2013 ICICI Gold ETF and 2013-2014 HDFC has performed well

## **SUGGESTIONS**

Awareness : The investor awareness programmes should be conducted by organizations concerned to build awareness among investors. If the financial sector has to grow, people should be educated about investment opportunities. The Association of Mutual Funds in India (AMFI) has initiated a programme under which each fund house needs to organize at least five investor awareness programmes every month. So, many such programmes have to be conducted by concerned organizations.

Security: The RBI should consider the unit of Gold ETF as a pledge, so the investors can avail loans from the banks. Gold ETFs turn out to be a safe investment option for investors to hedge their assets against the uncertain global market scenario.

Expenses: An investor will lose a percentage of his investment's value each year to the fund's expense ratio. An expense ratio is the recurring annual fee charged by funds to cover its management expenses and administrative costs. The companies with 0 to 1 percentage of expenses ratio may provide higher returns. Hence the investors have to analyse the expenses ratio all the time to invest.

Safe Return: Managing risk by building a diversified portfolio that holds several different type investments. This approach provides the reasonable expectation that at least some of the investments will increase in value over a period of time. So even if the return on other investments is disappointing, the overall results may be positive. So, the investors may prefer to invest on half yearly or quarterly basis.

Risk Measures: Risk is unavoidable by an investor. Risk is unpredictable. But still some measures can be undertaken. Risk will be predicted by using risk metrics like standard deviation which is often practiced by investors. So, the investors must watch carefully the ongoing trade and volume to minimize risk.

## **9. CONCLUSION**

A Gold saving fund offers the option of Systematic investment plans which are suitable for those who want to invest in disciplined manner on a long term basis. Gold ETF is an emerging option



of the various investment alternatives available to the investor. In spite of the merits of holding Gold ETFs, the investment in the same is low due to the low awareness among the investors and the sentimental attachment of the investors towards holding gold in the physical form. Every investor has a different perception about the risk and return. Some wants to make higher profit and for it they are ready to take risk of any degree and there are such people also who does not want to make aggressive investment but they prefer to make sensible decisions regarding investments.

There are so many reasons behind the growth and emergence of Gold ETFs such as fluctuation equity market, weakening of Indian Rupee against US Dollar and growing uncertainty about global economy. All these factors make Gold ETFs as a strong asset. On the other hand, Gold ETFs provide the opportunities to institutional investors as well as to small investors, to make investment in gold through ETF scheme.

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## FUND MANAGERS TIMING IN UTI'S SELECT SCHEMES (EQUITY & DEBT)

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### ABSTRACT

The performance of mutual fund portfolios has been the subject of extensive examination in the literature of finance. Performance evaluation measures of this sort have typically employed a one parameter risk return benchmark like those developed by different scholars. Such investigations have effectively focused on fund manager's security selection skills diversification etc. These are referred to as micro security selection skills. Apart from that portfolio manager's performance might also achieve better performance in terms of return by engaging in successful macro market timing activities. A fund manager should be efficient enough to foresee these changes in the market, or in other words, enter into transactions in the market at the most appropriate time. This is what is referred to as the timing ability of the fund manager. This paper also made an attempt to evaluate the market timing ability of the fund managers of UTI with reference to its select schemes on the basis of Treynor & Mazuy (1966) method. For this purpose the models developed and tested by experts have been made use of.

**Keywords:** *Market Timing Ability, Fund Managers, Equity & Debt Schemes*

## **1. INTRODUCTION**

Mutual funds are dynamic financial institutions which play a crucial role in an economy by mobilizing savings and investing them in the capital markets. Therefore, the activities of Mutual funds have both short and long term impact on the savings, capital markets and the national economy. Mutual funds, thus, assist the process of financial deepings and intermediation. They mobilize funds in the savings market and act as complementary to banking, at the same time they also compete banks and other financial institutions. In the process stock market activities are also significantly influenced by Mutual funds. Mutual funds have attained commanding heights in the financial scenario of India. Till 1986, there was only one Mutual fund in our country because no other public or private sector institution was allowed by government of India to join Mutual fund market. In 1987, the Banking Regulation Act was amended to allow the commercial banks as well as Insurance sector to launch Mutual funds.

The Mutual fund market added a new dimension in 1993 with the opening up of it to the private sector and foreign institutional investors. Now-a-days private as well as public, domestic as well as foreign sector, 38 Mutual funds players are in the market with total investible funds for Rs. 6,13,979 crore and having a number of 882 schemes, out of which 641 schemes are open ended. Mutual funds are ideal vehicles for individual investors who don't have the time, willingness or ability to manage their own portfolio. Now these days' different types of Mutual fund schemes are available in the market, which provide aggressive return to an aggressive investor at a level of risk. But an unknown investor is not aware about how to mobilize funds in the market & judge the ability of a fund manager. The performance of mutual fund portfolios has been the subject of extensive examination in the literature of finance.

Performance evaluation measures of this sort have typically employed a one parameter risk return benchmark like those developed by different scholars. Such investigations have effectively focused on fund managers security selection skills diversification (or lack thereof) etc. These are referred to as micro security selection skills. Fama (1972) and Jensen (1972) addressed these issues and pointed out the empirical measurement problems involved in evaluating properly by the constituents in investment performance when portfolio risk levels are non stationary. It may be possible that fund managers, in addition to using stock selection techniques, might also generate superior

performance by timing the market correctly. In an active sense market timing implies altering the beta of the portfolio return by balancing the bond and equity composition of the mutual fund. In a passive sense, it involves a shift in the allocation between debt securities and equity securities. This basically means, when the market is unfavorable or in the down trend, the fund managers should shift their positions from equity to debts securities and when the market is favourable or up trend, it would be beneficial to liquidate debt and commit to equity. A fund manager should be efficient enough to foresee these changes in the market, or in other words, enter into transactions in the market at the most appropriate time. This is what is referred to as the timing ability of the fund manager. A number of studies, as mentioned in the review of literature has established some evidence that mutual fund portfolios do not in fact maintain a constant risk posture over time and conclude that attempts at market timing may well be a dimension of fund manager's decision process.

## **2. STATEMENT OF THE PROBLEM**

There has been a marked trend of increase in personal investment in general and capital market securities in particular. This is evidenced by the increasing value of investible funds in the hands of mutual funds. UTI is considered as an important player in mutual funds industry. Hence a study evaluating the performance of select schemes where investor's interest in terms of huge value of funds involved in the UTI would be of interest and use. The measures for assessing the performance of managed fund have been evolving and over a period of time several aspects of performance have been identified, isolated and measuring tools developed. Particularly to evaluate the performance of fund managers of schemes of UTI models were applied and identified the efficiency of the market timing of schemes.

## **3. OBJECTIVES OF THE STUDY**

Performance assessment of financial securities and mutual fund schemes is to be based in analyzing the return and risk on such securities. Several models have been suggested by financial researchers, which assess specific aspect of performance of funds. The specific objectives of the study are:

- To assess performance in terms of various abilities of fund managers using appropriate models and by comparing against benchmark.

- To assess the Equity & Debt schemes performance based on market timing ability of fund managers.
- To draw conclusions based on the findings.

#### **4. REVIEW OF LITERATURE**

A paper entitled, Market Timing Abilities of Indian Mutual Fund Manager: An Empirical Study, by **Amitabh Gupta (2000)**, examined the market timing abilities of Indian Fund Managers in terms of two models, one proposed by Treynor and Mazuy and the other by Henriksson and Merton. The empirical results reported have not provided evidence to the market timing abilities of the Indian Fund Managers.

**S P Kothari, Jerold B Warner (2001)** in their study on standard mutual fund performance measures used the simulated funds whose characteristics mimic actual funds. It was found that performance measures used in previous mutual fund research have little ability to detect economically large magnitudes of abnormal fund performance, particularly if a fund's style characteristics differ from those of the value-weighted market portfolio.

A joint paper entitled, Performance Analysis of Mutual Funds in India, by **Narasimhan.M.S and Vijayalakshmi.S (2001)**, evaluated the performance of the Mutual Funds in terms of achieving diversification benefit and fund manager's timing ability. The study found that there was a general shift in the investment strategy of holding a diversified portfolio and in optimizing the risk-returns of investments to invest in predictive winners of the period.

An empirical study entitled, "Selectivity and Timing Skills of Mutual Funds in India: An Empirical Analysis", by **Biswadeep Mishra (2002)**, analyzed the timing and selectivity skills of Mutual Funds from April 1992 to December 1996. In this article, the author used the generalized varying parameter regression procedure to examine mutual fund's selectivity, beta stationary and timing skills. The study found that about 25% of the scheme possesses timing skills and 29% had negative timing ability. The study concluded that the selected mutual fund schemes had no timing ability.

**Roy & Deb (2003)** used conditional performance evaluation on a sample of 89 Indian MF schemes measuring with both unconditional and conditional form of CAPM model. The results suggest that the use of conditioning lagged information variables improves the



performance of mutual fund schemes, causing alphas to shift towards right and reducing the number of negative timing coefficients.

**Sethu G (2005)**, in his paper, "Market Timing: An analytical Framework", market timing was an important instrument of active portfolio management. The author developed a simple, yet general analytical framework for the market timing component of active asset management. The described model integrated the present value formula and the Single Period Capital Asset Price Model

**Sondhi H. J and Jain P. K. (2005)**, in their article, "Financial Management of Private and Public Equity Mutual Funds in India: An Analysis of Profitability", pointed out the financial performance of equity Mutual Funds in terms of profitability for a nine year period, 1993-2002. The overall results of this study indicated that the private sector mutual fund provided better returns than the public sector funds.

**Soumya Guha Deb, Ashok Banerjee, and Chakrabarti B.B (2007)**, in their study entitled, "Market Timing and Stock Selection Ability of Mutual Funds in India: An Empirical Investigation", examined the market timing and stock selection ability of the Indian Mutual Funds managers with a sample of 96 Indian equity Mutual Funds schemes. The study used unconditional and conditional measures. The results of the study indicated that the Indian mutual fund managers had a lack of market timing ability and presence of stock selection ability in both models during the study period.

**Madhumita Chakraborty, P.K. Jain and Vinay Kallianpur (2009)** conducted the performance evaluation of some select growth funds in terms of their returns and risk-adjusted approaches taking treasury bills as risk free asset and using BSE- 100 as benchmark index. The study revealed that the performance of funds was satisfactory and the fund managers possessed indefinable performing capabilities.

**Bapna, Yogesh Mehta and Vishal Sood (2010)** compared the performance of public and private sponsored nineteen ELSS mutual funds by using the Sharpe ratio and using S&P CNX Nifty as a market benchmark for six years (2003- 2008). The study indicated that the private sponsored funds were able to outperform public sponsored funds.

**Shanmugham and Zabiulla (2011)** studied the stock selectivity strategies of equity mutual fund managers in India by using conditional and unconditional Jensen's measure. The study

evidenced the relevance of using conditional evaluation measures for Indian fund managers to assess their selectivity performance.

## 5. METHODOLOGY

The total number of schemes selected for the study is 17. It is classified as open and close ended schemes. It is seen that the maximum number of schemes outstanding at any point of time during the study period. All the schemes were considered for analysis especially equity and debt schemes. The schemes satisfying these criteria numbered 17. The schemes selected for the study, its classification and the percentage of schemes selected to the total is show in table 1. This comprises of 71% of the open ended schemes (10) and 29% of close ended schemes 5. Out of 10 open ended schemes (5) from equity and (5) from debt on the other hand out of 7 closed end schemes all from equity.

TABLE – 1 SCHEME SELECTED FOR THE ANALYSIS

Types of schemes	Equity	Debt	Total
Open ended	5	5	10
Close ended	7	-	7
Total	12	5	17

### Computed Annual Reports of UTI

#### 5.1 DATA COLLECTION

The study is based on secondary data. The data were collected from published documents and the annual reports of the UTI schemes. The NAV resale prices and repurchased prices announced by the institution and published widely from time to time were the basic data. Other necessary information was also collected from the Center for Monitoring Indian Economy Reports and dailies like The Hindu, Business Line and the Economics Times and also from Association of Mutual funds Industry (AMFI) newsletters. The relevant literature was collected from related books, journals and magazines. The collected data were analysed to measure the performance of UTI, applying the models developed by experts.

#### 5.2 TOOLS OF ANALYSIS

In the process of measuring performance of the schemes statistical tools as suggested by earlier researchers have been used. The analysis is made categorizing the data and applying the recommended tools. Particularly to analyse the market timing ability of fund managers and schemes Treynor & Mazuy model is applied.

#### 5.4 RISK FREE RETURN

The yield on 91 days T bills has been used as a surrogate for risk free return as has been the accepted practice in most of the studies at the national and international level.

#### 5.5 MARKET RETURN AND RISK

For calculating market return and risk the Bombay stock exchange index is treated as the Benchmark portfolio for use in the models. There are many other indices, which are also eligible to be considered as equivalent. But since this index covers securities compatible with mutual funds, this is considered as more appropriate and used as the bench mark measure.

### 6. SCOPE AND LIMITATIONS OF THE STUDY

Performance in general is multi faceted with reference to UTI. Performance may be dealt with regard to many aspects. They are first, managerial efficiency involving the functional efficiency of the managers like finance, marketing, personal etc. Secondly another aspect with specific reference to UTI is its mobilization of funds through sale of units or schemes. The third aspect is with regards to the portfolio management efficiency of the fund managers. This study is confined to the third aspect namely assessing the performance related to portfolio management.

### 7. ANALYSIS AND DISCUSSION

Treynor & Mazuy suggested a slightly difference methodology for testing market timing ability. This test enables the separation of the gains of market timing skills from the gains of micro stock selection skills.

$$(R_{pt} - R_{ft}) = \alpha + \beta (R_{mt} - R_{ft}) + \gamma (R_{mt} - R_{ft})^2 + e_{it}$$

Where  $R_{pt}$  is the return on fund period t.

$R_{mt}$  is the return on the market index in period t

$R_{ft}$  is the return on the risk less asset in period t

$E$  it is the residual return in period t

$$\gamma_t = \max (0, R_{mt} - R_{ft})$$

$\alpha$ ,  $\beta$  and  $\gamma$  are constants.

**TABLE – 2 NUMBER OF SCHEMES AS PER  $\gamma$  VALUES OF TREYNOR AND MAZUY MODEL**

CATEGORY	OPEN ENDED		CLOSED END	
OBJECTIVE	$\gamma > 0$	$\gamma = 0$	$\gamma > 0$	$\gamma = 0$
EQUITY	4	1	4	3
DEBT	3	2	-	-
TOTAL	7	3	4	3

Source: Appendix

$\gamma$  is the measure of the funds timing ability and will be zero if there is no market timing. If it is positive it means that market timing ability exists. The calculated data was used to fit the quadratic function of the above model and the  $\gamma$  values arrived at, relating to the 17 schemes. The data has been classified as number of schemes with positive and zero  $\gamma$  values. It could be seen from the table that, a total of 17 schemes 7 schemes show positive gamma values of which are open ended schemes and 4 are closed end schemes. Out of 7 open ended schemes 4 are equity, 3 are debt schemes. Out of 7 closed end schemes all are equity schemes. Out of 10 schemes 3 schemes show equal to 0  $\gamma$  values. All 3 schemes are open ended schemes. Of the 3 schemes 1 is equity and 2 are debt schemes. A performance during the study periods shows that there has been good timing ability exhibited by the fund managers. During the study period 65% of the schemes show good market timing ability. The fund managers have shown good timing ability in the case of open ended schemes, but there had been a decline in efficiency with regard to equity schemes. What the results of the application of these models indicate is that the fund managers, though have shown good timing ability it had been lesser during the latter period. It is a partly good sign of fund managers of the UTI.

## 8. SUMMARY AND CONCLUSIONS

Unit Trust of India established in 1964 was the first institution in India in the form of mutual fund. It launched its first scheme US-64 and was followed by many schemes with varied objectives and contents in more than 40 years of functioning. These were started with the main objectives of collecting the widely scattered small savings throughout the investor point of view UTI offers a good avenue for their savings. It was to be seen whether the objectives with which UTI was established and various schemes started were fulfilled. The statement of the problem, objectives of the study and scope had been detailed. A review of literature relevant to the study is made. Most of the studies on performance evaluation had made use of

the model developed by Hendrickson particularly to find the ability of market timing of fund managers.

## **9. FINDINGS**

1. 11 schemes show positive  $\gamma$  values, which constitute 64% and shown good timing ability during the study period.
2. Out of 17 schemes 11 schemes shows positive  $\gamma$  values and remaining 6 schemes shows equal to  $\gamma$  values.
3. Out of 11 schemes 7 are open ended and 4 are closed end schemes.
4. Out of 7 open ended schemes 4 are equity, 3 are debt schemes.
5. Out of 7 closed end schemes all are equity schemes.
6. Out of 17 schemes 6 schemes are shows equal to  $\gamma$  values. Out of 6 schemes 3 are open ended schemes and out of 3 schemes 1 from equity schemes and 2 are from debt schemes.

## **10. CONCLUSION**

From the foregoing analysis a good conclusion could be arrived at. What the results of the application of these models indicate is that the fund managers shown good timing ability. Better performance has been shown by the market timing ability of fund managers. Though the number of schemes shown positive value the dividend declared by some of the schemes are negative. But the fact remains that investor's trust had not been honoured which does not speak well about the institution. With regard to these schemes the basic ability of analyzing the market and acting swiftly, which is expected to be acquired from out of experience in the stock market on the part of the fund managers, has been exhibited.

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## APPENDIX

### MARKET TIMING ABILITY OF FUND MANAGERS WITH REFERENCE TO SELECT SCHEMES – TREYNOR & MAUZY MODEL

Open ended schemes	Alpha	Beta	Gamma
<b>EQUITY</b>			
US 64	0.0634	0.2651	0.1205
HUS 92	0.0720	0.04347	0.1347
CCGF 86	0.0944	-0.0620	-0.2319
MSPL91	0.0556	0.3058	0.2193
MSG86	0.0352	0.2892	0.4725
<b>DEBT</b>			
ULIP 71	0.0417	-0.0261	-0.0331
CRTS 81	0.0553	0.6066	0.1325
SCUP 93	0.4204	-0.0848	-0.5721
CCCF 93	-0.0740	0.1434	0.3406
RBUP 94	-0.0746	0.0410	0.1525
<b>CLOSED END</b>			
<b>EQUITY</b>			
MEP 91	0.0505	0.1816	0.1457
MEP 92	0.0513	0.3347	0.2197
MEP 93	4.9714	0.3806	0.3734
MEP 94	0.0427	0.5487	0.5492
MEP95	0.0930	0.0154	0.0218
MS86	0.0074	0.1759	0.2020
UGS2000	0.0338	0.3871	0.3825

Source: computed from Data collected



## INDIAN MUTUAL FUND INDUSTRY IN THE CURRENT SCENARIO

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### ABSTRACT

Mutual Fund is an institutional arrangement wherein savings of millions of investors are pooled together for investment in a diversified portfolio of securities to spread risk and to ensure steady returns. These funds bring a wide variety of securities within the reach of the most modest of investors. It is essentially a mechanism of pooling together savings of large number of investors for collective investment with an approved objective of attractive yield and appreciation in value. The Mutual Funds offers different investment objectives such as growth, income and Tax planning. In the recent times the Indian Capital Market has witnessed new trends, one of them being the spectacular growth of Mutual Funds. There are more than 600 schemes offered by Mutual Funds, and these funds have mobilized substantial amount of the household savings. The present paper focuses on the growth of Mutual Fund Industry in India over the past few years.

**Keywords:** Mutual Fund, diversified portfolio of securities, risk, investors, capital market

### 1. INTRODUCTION

Mutual Fund is pool of money, collected from investors and is invested according to certain investment objective.

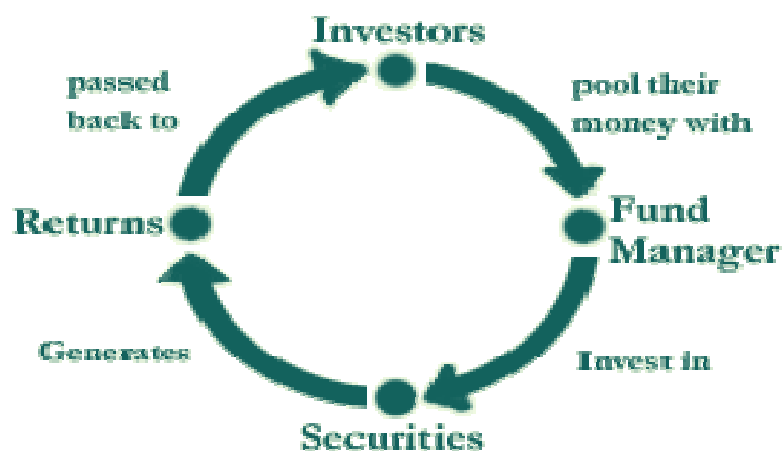
Mutual funds are financial intermediaries, which collect the savings of investors and invest them in large and well-diversified portfolio of securities such as money market instruments,

corporate and government bonds and equity shares of joint stock companies. Mutual funds are conceived as institutions for providing small investors with avenues of investment in the capital market. Since small investors generally do not have adequate time knowledge, experience and resources for directly accessing the capital markets, they have rely on an intermediary which undertakes informed investment decisions and provides the consequential benefits of professional expertise.

The advantages for the investors are reduction in risk, expert professional management, diversified portfolios, and liquidity of investment and tax benefits. By pooling their assets through mutual funds, investors achieve economies of scale. The interests of the investors are protected by SEBI, which acts as watch dog. Mutual funds are governed by the SEBI (Mutual Funds) regulations 1993.

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund:

## 2. Mutual Fund Operation Flow Chart



### **3. MUTUAL FUND INVESTMENT IN INDIA**

A mutual fund is a group of investors operating through a fund manager to purchase a diverse portfolio of stocks or bonds. Mutual funds are highly cost efficient and very easy to invest in. By pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. Also, one doesn't have to figure out which stocks or bonds to buy. But the biggest advantage of mutual funds is diversification. Diversification means spreading out money across many different types of investments. When one investment is down another might be up. Diversification of investment holdings reduces the risk tremendously

Mutual funds (MFs) have been a significant source of investment in both government and corporate securities. Mutual fund investment India has been for decades the monopoly of the state with UTI being the key player, with invested funds exceeding US\$10 bn. The state-owned insurance companies also hold a portfolio of stocks. Presently, numerous mutual funds exist, including private and foreign companies. Nationalized banks have established Mutual Funds as well. Foreign participation in Mutual fund investment in India and asset management companies is permitted on a case specific basis.

UTI, the largest India mutual fund in the country was set up by the government in 1964, to encourage small investors in the equity market. UTI has an extensive marketing network of over 35,000 agents spread all over the country. The UTI scripts have performed relatively well in the market, as compared to the Sensex trend. However, the same cannot be said of all mutual funds in the Mutual Fund Investment India scenario.

All Mutual Funds are allowed to apply for firm allotment in public issues. SEBI regulates the functioning of mutual funds and it requires all MFs to be established as trusts under the Indian Trusts Act. The actual fund management activity shall be conducted from a separate asset management company (AMC). The minimum net worth of an AMC or its affiliate must be Rs. 50 million to act as a manager in any other fund. MFs can be penalized for defaults including non-registration and failure to observe rules set by their AMCs. MFs dealing exclusively with money market instruments have to be registered with RBI. All other schemes floated by MFs are required to be registered with SEBI.

In 1995, the RBI permitted private sector institutions to set up Money Market Mutual Funds (MMMFs). They can invest in treasury bills, call and notice money, commercial paper, commercial bills accepted/co-accepted by banks, certificates of deposit, and dated government securities having unexpired maturity up to one year

#### **4. PRIVATE MUTUAL FUND IN INDIA**

Fund is an ideal investment vehicle where a number of investors come together to pool their money with common investment goal. Each Mutual Fund with different type of schemes is managed by respective Asset Management Company (AMC). An investor can invest his money in one or more schemes of Mutual Fund according to his choice and becomes the unit holder of the scheme. The invested money in a particular scheme of a Mutual Fund is then invested by fund manager in different types of suitable stock and securities, bonds and money market instruments. Each Mutual Fund is managed by qualified professional men, who use this money to create a portfolio which includes stock and shares, bonds, gilt, money-market instruments or combination of all. Thus Mutual Fund will diversify your portfolio over a variety of investment vehicles. Mutual Fund offers an investor to invest even a small amount of money.

"Mutual Funds schemes are managed by respective Asset Management Companies sponsored by financial institutions, banks, private companies or international firms. The biggest Indian AMC is UTI while Alliance, Franklin Templeton etc are international AMC's.

"Mutual Funds offer several benefits to an investor such as potential return, liquidity, transparency, income growth, good post tax return and reasonable safety. There are number of options available for an investor offered by a mutual fund.

#### **5. GROWTH OF MUTUAL FUND BUSINESS IN INDIA**

The Indian Mutual fund business has passed through three phases. The first phase was between 1964 and 1987, when the only player was the Unit Trust of India, which had a total asset of Rs. 6,700/- crores at the end of 1988. The second phase is between 1987 and 1993 during which period 8 funds were established (6 by banks and one each by LIC and GIC). The total assets under management had grown to Rs. 61,028/- crores at the end of 1994 and the number of schemes were 167. The third phase began with the entry of private and foreign sectors in the Mutual fund industry in 1993. Kothari Pioneer Mutual fund was the first fund



to be established by the private sector in association with a foreign fund. The share of the private players has risen rapidly since then.

Within a short period the growth statistics of the business of Mutual Funds in India is given in the table below:

Net assets of mutual funds as at 31.03.2012

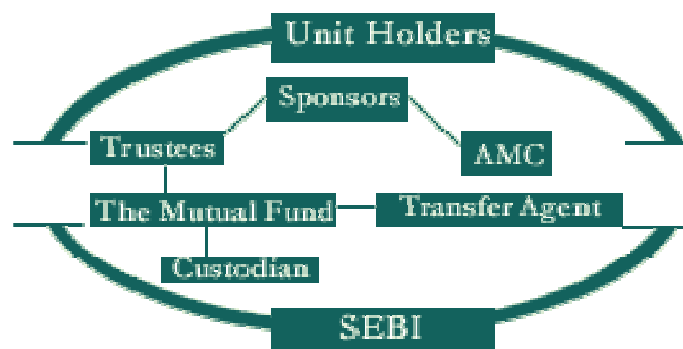
[Source: Website of SEBI]

The net assets of all domestic schemes of mutual funds were Rs.1,07,946.10 crores as on March 31, 2012 as against Rs. 68,193.08 crores as on March 31, 2011 . The details are given below:

	Amount (Rs Crs)	Percentage (%)
UTI	72,333.43	67.00
Public Sector	10,444.78	9.68
Private Sector	25,167.89	23.32
Total	1,07,946.10	100.00

There are 34 private Mutual Funds in the fray and they have seized about 25% of the market share in the brief period of 7 years, mobilizing above Rs.25000 Crores from the public. Fig

**ORGANISATION OF A MUTUAL FUND**



## 6. MUTUAL FUND CAN BE CLASSIED INTO

### ✚ Functional Classification

### ✚ Portfolio Classification



### ✚ Functional Classification

#### Open Ended Scheme

Open-ended schemes are those, which do not have a fixed maturity period. You can enter into or exit from the scheme at any time. Buying and selling of units is related to the Net Asset Value (NAV). Thus, open-ended schemes offer liquidity, and this is one of the key benefits.

#### Close Ended Scheme

Close Ended Schemes are those that have stipulated maturity periods (ranging from 2 to 15 years). You can invest directly in the scheme at the time of the initial issue and thereafter you can buy or sell the units of the scheme on the stock exchanges where they are listed. The market price of the units could vary from the NAV of the scheme on account of demand and supply situations, investor's expectations and other market factors. One of the characteristics of close-ended mutual fund schemes is that they generally trade at discounts to the NAV; but closer to maturity the discount narrows.

### ✚ Portfolio Classification

#### Growth Fund

The Fund invests 85 % in stocks and 15% in Debts. The main objective is to provide long term capital appreciation.

#### Income Fund

The fund invests 85 % in Debt & 15% in stocks. The Main objective is to Provide Regular Income.

### **Balanced Fund**

The fund invests 50-60 % in stocks & 40-50% in debt instruments. The Main Objective is to provide long term growth of Capital & Regular Income.

### **Liquid Fund**

The funds invest 100% in Government and Public sector bonds, Money market instruments & corporate debt. The main objective is to provide an attractive rate of return while emphasizing Capital preservation and liquidity

### **Gilt Fund**

The fund invests 100% in State/Central Government securities. The main objective is to provide risk free returns & liquidity.

### **Sector Fund**

The fund invests 100% in individual sector stocks. The main objective is to provide growth of capital over a period of time.

### **Tax Saving Schemes**

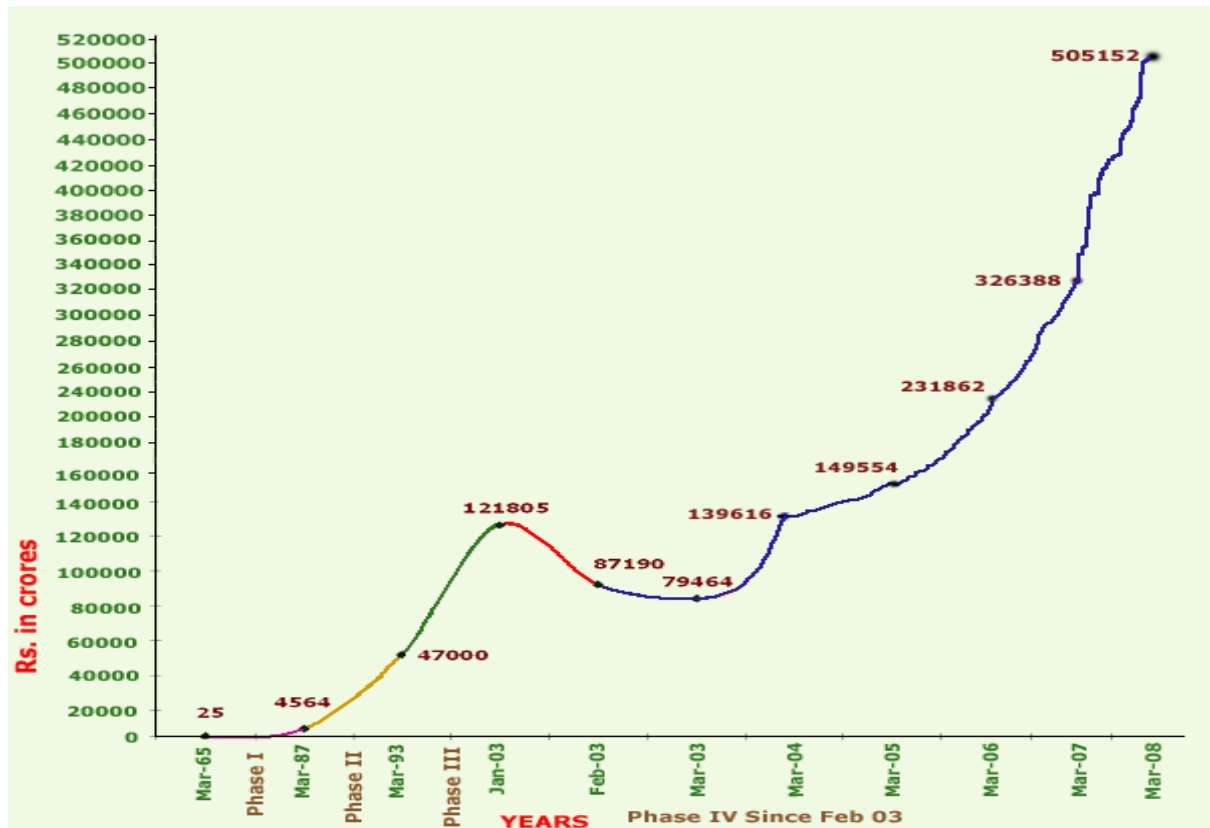
The fund invests 100% in stocks. The main objective is to provide Capital Appreciation. Units at this scheme are subject to lock in period of 3 years from the date of allotment and also rebate of 20% is allowed under section 88 of IT act.

### **Index Funds**

Index schemes are a type of mutual fund in which the portfolio weightage for each stock will be similar to the index, which they are mirroring, like BSE Sensex or the NSE 50. The portfolio of these schemes will consist of only those stocks that constitute the index. Index funds are expected to provide a rate of return over time that will approximate or match, but not exceed, that of the market, which they are mirroring.

**The Graph Indicates The Growth Of Assets Over The Years.**

## Growth in Assets under Management



Erstwhile UTI was bifurcated into UTI Mutual Fund and the Specified Undertaking of the Unit Trust of India effective from February 2003. The Assets under management of the Specified Undertaking of the Unit Trust of India has therefore been excluded from the total assets of the industry as a whole from February 2003 onwards.

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**Research Article**

## **A Comparative Study on Equity Analysis of Banking Sector**

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### **ABSTRACT**

This project is titled **A comparative study on Equity analysis of Banking sector** with Banking companies in the Indian stock market reference of National stock Exchange. An investor has various alternative options of investment for his savings to flow to. Savings kept as cash are barren and do not earn anything. Hence savings are invested in assets depending on their risk and return characteristics. The objective of the investor is to minimize the risk involved in investment and maximize the return from the investment. The objective of the study is to compare the performance of Nifty Bankex and Banking companies listed in the Nifty 50 in Indian stock market. . the secondary data have been collected from the website for analyzing the performance of the companies using technical analysis of charts, beta value, and returns.

### **1. Introduction**

Each investment alternative has its own strengths and weaknesses. Some options seek

to achieve superior returns (like equity), but with corresponding higher risk. Other provide safety (like PPF) but at the expense of liquidity and growth. Other options such as FDs offer safety and liquidity, but at the cost of return. Indian stock market is semi-efficient by nature and, is considered as one of the most respected stock markets, where information is quickly and widely disseminated, thereby allowing each security's price to adjust rapidly in an unbiased manner to new information so that, it reflects the nearest investment value. And mainly after the introduction of electronic trading system, the information flow has become much faster. But sometimes, in developing countries like India, sentiments play major role in price movements, or say, fluctuations, where investors find it difficult to predict the future with certainty

### **1.1 Objective of the Study**

- To do equity analysis of chosen securities
- To ascertain the return both firm wise and industry wise as a whole
- To understand the movement and performance of stocks
- To recommend increase/decrease of investment in a particular security.
- To know about the share price movement of banking sectors.

### **1.2 Scope of the Study**

A better understanding about the stock market will provide lot of opportunities available for investment. The study will help investors to decide about in which all company to invest in banking sectors which is most profitable to them. The study will help investors decide about the right time to buy or sell. This study about analysing the performance of banking sector based on their price movements in the market. This study tries to compare the prices of banking sectors which listed in these NSE nifty

### **1.3 Limitations of Study**

- This study is limited to some selected banking(listed in the NSE nifty)
- Dividend is not considered in the calculation of Return. Price change is only taken into consideration.
- Situations in stock market are always subject to change



- The study is done with historical data and hence cannot be used for a longer data

#### **1.4 Assumptions Of The Study**

- This study assumes than an investor purchases the share at the beginning of the month and he sells the share at the end of the month.
- Investors make the decision on the basis of previous returns and risks that are unsystematic risks.
- For calculating the returns of each industry this study assumes that the indexes are taken in to consideration.
- The investors give preference to the securities that have given positive return price

## **2. RESEARCH METHODOLOGY**

It is the outline of the research. “It is the arrangement of conditions for collection and analysis of data in a manner that aim to combine relevance to the research purpose with economy in procedure”.

#### **Period of study: -**

This study is conducted for twelve months, i.e., from September 2014 to August 2015

#### **Tools used**

Various technical and charting tools were used to analyze the data. The tools used are:

- Average
- Returns
- Line Charts
- Beta

#### **Sampling Technique**

The two types of sampling are Probability sampling & Non probability sampling. Sampling

technique used is non probability sampling.

In this study, Judgment sampling method is used for selecting the sample. Totally a sample of Nine companies are taken from banking sectors were taken from NSE nifty which largest stock exchange in India. The listed banking are

- Axis Bank
- Bank Of Baroda
- HDFC Bank
- ICICI Bank
- Indusind Bank
- Kotak Mahindra Bank
- PNB
- SBI
- Yes Bank

### **3. Analysis and Interpretation**

Various technical and charting tools were used to analyze the data. Give as follows:  
Nifty Bankex

#### **Interpretation**

The above charts shows that the sep-2014 the Nifty bank Index has negative value so it decreases than the Aug-2014 rabidly increased and stared to decrease in the month of Nov-2014 again decreased in the month of Dec.2015 But in the month of Jan.15 the index increased after its started to decreased and has negative value of Feb-15, and March15 and Apr15 stared to increase and Jan15 negative value finally in the month of Aug15 Its started to down the Nifty bank Index

**Table 1 Returns of Banking Industries**

	axis bank	Bank of Baroda	PNB	SBI	HDFC	ICICI	KotakMahinra	Yes bank	IndusInd Bank
Sep-14	-4.92133	3.534137	-6.41776	-0.60958	3.449707	-7.91688	-2.32276	-2.30749	6.166197

Oct-14	16.33572	3.014518	4.908148	10.51233	4.492064	13.47006	10.4237	22.48367	15.85552
Nov-14	9.512972	16.96611	15.19579	18.91372	4.967922	7.853564	7.430971	3.718042	4.214692
Dec-14	4.405653	-0.30353	2.163574	-2.97138	-0.57985	0.632695	5.06546	8.747095	6.929176
Jan-15	17.05812	-10.9005	-13.4414	-0.92993	13.21459	2.152365	4.567909	11.70909	8.442894
Feb-15	4.165958	-4.11597	-12.7076	-2.36284	-0.57085	-4.03382	5.79471	-0.05797	5.326362
Mar-15	-8.55371	-11.7171	-12.7756	-11.4702	-4.52763	-8.85454	-6.02834	-5.35994	-3.33315
Apr-15	1.356658	3.363914	10.63019	1.011047	-3.31476	4.96038	1.579396	2.905302	-7.02032
May-15	3.099683	-3.78698	-3.81847	3.113994	6.244943	-4.19749	4.974886	5.104533	6.087643
Jun-15	-4.51828	-11.3469	-9.66482	-5.53658	1.580125	-2.91568	-0.89269	-4.35793	-0.14303
Jul-15	2.603095	23.13562	8.789625	2.778306	4.169985	-1.81818	0.262293	-1.76572	12.03163
Aug-15	-11.4647	4.084507	-6.41776	-8.40585	-7.57433	-8.10185	-6.43237	-16.8285	-12.2379

### Interpretation

The above charts shows that the all banks return in the month of Sep.2014 have negative returns except BOB, HDFC, IndusInd. In the month of Oct.2014 all Banks returns are increased especially Axis and IndusInd Banks returns given high return. In the month of Nov.2014 all Banks are have passitive return and SBI return has high return. In the month of Dec. 2014 all banks have positive returns and Yes Bank return was high. In the month of Jan. 2015 all Banks started to down continuously. Finally all banks returns are keeps on changing.

**Table 2 The average returns of the Banking Industries**

Banks	Average Returns
Axis	2.423319917
BOB	0.993986
PNB	-1.96301
SBI	0.336915
HDFC	1.795993
ICICI	-0.730781333
Kotak Mahindra	2.035264
Yes Bank	1.999181833
IndusInd Bank	3.526642833

### Interpretation

The above charts shows that the average returns of the banking Industries. Considering the all bank the overall return of the IndusInd(3.52) bank returns was high and second highest return was axis bank(2.42). The Kotak Mahindra bank (2.03) was also near

by axis bank. The PNB(-1.96) and ICICI bank (-0.73) returns are negative and have poor performance among the bank

**Table 3 Beta values of Banks**

Banks	Beta value
Axis	1.45
BOB	0.62
PNB	0.93
SBI	1.22
HDFC	0.70
ICICI	1.05
KOTAK	0.83
YES	1.47
INDUSIND	1.02

### **Interpretation**

The above 11chart states that Yes bank's beta value is higher compared to other banks. It means that a change in index return lead to a more change in stock return. Thus it is a riskier one. Axis bank is in the second stage with reference to the risk.ICICI bank, SBI bank, IndusInd Bank are all above 1 so its also riskier.HDFC& Kodak mahenra,Bank of Baroda , PNB is having the beta values was less than 1 so its all less risk.

### **FINDINGS**

- Comparing the banks return the IndusInd bank return is higher. It means that the banks performance is better than the other banks. Axis Bank is the second best performed bank.
- ICICI and PNB banks performance was bad compared to other because its return is the lowest.
- BANK indices return is comparatively less because some companies performance is not so good.
- Axis and Yes bank is more riskier than the other banks. These banks return is also more. This proofs that 'if we want to get more return, we want to face more risk'. If an investor want to invest in the one whose risk and return is normal, it is better to invest in KODAK MAHINDRA
- IndusInd Bank and SBI also riskier than the other banks.

- The Nifty bank Index performance was poor in this time periods because the banking Industries performance was also poor.
- If we go banking Industries we have more risk we cannot get more returns.

## **SUGGESTIONS**

- If we want to get high return then we have to face the high risk. So avoid the risk and we should invest in normal return
- The investor want to get high return they have to invest in IndusInd Bank But have more risk
- The investor want to avoid risk and they want to get some normal return choose HDFC bank.
- The investor want to invest in banking they have to invest in Kodak Mahindra bank which is normal risk with high return.

## **4. Conclusion**

The company's performance is based on the prices at which it is been traded. The security prices keep on changing. The price changes based on behavior of investors. If the investors buy more of a share, that shares price keep on increasing. If the investors sell more, the price decreases. So it is the investors who have to decide in which security to invest. The investors if want to get more return has to invest in the security which is more risky. An investor who is not ready to take much risk, he can invest in the securities which are less risky but such security will give less returns. Investors has to see the price movement of each security each day and then invest. Investor can get good return if he invests in the best one.



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**Research Article**

## **FINANCING FOR HIGHER EDUCATION AND RASHTRIYA UCHCHATAR SHIKSHA ABHIYAN (RUSA) IN IND**

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### **ABSTRACT**

Financing higher education in India has been a complicated problem due to theoretical and practical problems. Education assumes significance as a provider of input for economic, political and social development, besides as a source of knowledge. Economic growth in recent years has been based on availability and quality of knowledge in any country, which in turn depends on access and affordability to education. Hence, importance of education has increased to supply adequate and qualitative human capital. Functioning of education sector depends on availability of various resources, of which to a large extent on financial resources. Finances for education are mobilized from different sources like government spending, fees, educational loans, and others. Among these, educational loan has been seen as an alternative way of financing for education. In this background the present paper tries to analyse the trends and patterns of educational loan in India. Further, an attempt has been made to understand pattern of student loans provided by selected commercial banks. The study finds that educational loan is increasing over the years. The new economic policies being adopted by the Government of India consisting of structural adjustment and stabilization policies are feared widely to adversely affect public investment in social sectors like education, and within the education sector the higher education. The key objectives of Rashtriya Uchchatar Shiksha Abhiyan (**RUSA**) are to improve access, equity and quality in higher education through planned development of higher education at the state level. Such planning will include creating new academic institutions, expanding and upgrading the existing ones, developing institutions that are self-reliant in terms of quality education, professionally



managed, and characterized by greater inclination towards research and provide students with education that is relevant to them as well the nation as a whole. In this background the present paper tries to analyse the trends and patterns of financing on higher education in India. Further , an attempt has been to understand patterns of RUSA and financial status of RUSA.

**KEY WORDS:** *Financing, Higher education, Budget, Grants for Education, SHEC, RUSA.*

## **1. INTRODUCTION**

Today, the higher education system as a whole is faced with many challenges such as financing and management, access, equity, relevance and reorientation of policies and programmes for laying emphasis on values, ethics and quality of higher education together with the assessment of institutions and their accreditation. These issues are of vital importance for the country, since higher education is the most powerful tool to build a knowledge- based society for the future. The enormity of the challenge of providing equal opportunities for quality higher education to an ever-growing number of students is also a historic opportunity for correcting sectoral and social imbalances, reinvigorating institutions, crossing international benchmarks of excellence and extending the frontiers of knowledge. Higher education needs to be viewed as a long-term social investment for the promotion of economic growth, cultural development, social cohesion, equity and justice. In order to meet the XII Plan aim of inclusive growth and to ensure genuine endogenous and sustainable development along with social justice and equity, the higher education sector has to play a pivotal role, especially in generating research-based knowledge and developing a critical mass of skilled and educated personnel.

The objectives of RUSA would be achieved through need based and customized equity interventions, quality improvement programs, and obtain mandatory accreditation. Faculty issues would be addressed through creation of new posts, filling of existing posts by full time faculty and faculty improvement programmes. Equity interventions are being built into the scheme rather than as standalone, low impact interventions. The following components would address the equity issues in a more holistic and integrated manner, thereby making a significant impact on the enrolment of deprived and marginalized sections: • Girls hostels and girls toilets • New hostels wherein 50% of capacity would be used for SC/ST and socially and educationally backward classes • Converting existing buildings into fully disabled friendly environments (e.g. providing ramps, tactile pathways) • Special

facilities/equipment's for the disabled (e.g computers, lab equipments) • Model Colleges in each district • Special innovative programmes for focus groups and ODL strategies.

## **2. OBJECTIVES OF THE STUDY:**

\*To Understand the reasons behind financing for higher education and RUSA in Indian society. \*To study the categories of Higher education institutions. \*To study the budget analysis of higher education and 12<sup>th</sup> five year plan. \*To analysis of budgetary allocation for major programmes in higher education like RUSA and TEQUIP. \*To analysis the Financial status of RUSA and Study the Features of RUSA scheme. \*To examine relationship between public expenditure on higher education and gross enrolment of students in higher education. \*To suggestions for improving quality of Higher Education and RUSA.

## **3. DATA SOURCE AND METHODOLOGY:**

In this study of descriptive in nature. The study is mainly based on secondary data and information. The information were collected from various published sources. Such sources include books, journals, government reports, 12<sup>th</sup> five year plan, Higher educational budgets and various publications, research articles, websites, etc.

## **4. CATEGORIES OF HIGHER EDUCATION INSTITUTIONS IN INDIA:**

There are four broad categories of higher education institutions in India, centrally funded institutions, state funded institutions, deemed institutions and private institutions. While the centrally-funded institutions (Central Universities, IITs, NITs, IISERs, Institutes of National Importance etc) receive generous funding from the centre, they have a limited coverage in terms of enrolment. About 94% of the students enrolled in government funded (48% of total enrolments) or government controlled private institutions come under the state higher education system. It is worth noting that most private education institutions (52% of all enrolments) are affiliated to state universities and come under their academic and administrative control. Thus, any efforts for development in this sector must recognize the importance of state higher education institutions and aim to improve their status.

## **5. BUDGET ANALYSIS OF HIGHER EDUCATION:**

\*The budget of 2013 -14 proposes a fund outflow of Rs 65,867 crore for education, against Rs.61,427 crore in 2012-13. If we compare then there is only 17% increase from the current fiscal's estimates against 18% hike in the budget spending that was last year and 24 % in the year 2011-12. \* The Department of Higher Education has been allocated Rs. 16,210

crore against Rs. 13,479 last year with increase of 20.26%. This amount is also includes provision for various higher and technical institutions.

\*UGC has been allocated Rs 5,769.00 crore, which is inclusive of allocation for Central Universities and Deemed Universities. \* For the "National Mission for Education through ICT", has been provided Rs. 400.00crore has been made. \*IGNOU, which has been in the forefront of distance education mode, has made a provision of Rs.125.00 crore.

\* For technical education, There is a provision of Rs. 7,299 crore . It includes assistance to IITs, NITs, IIMs, etc. Out of this, Rs. 1,300.00 crore for NITs, Rs. 2,400.00 crore for IITs and Rs. 350.00 crore for IIMs – this allocation is including new ones. Indian Institutes of Science Education and Research (including IIS, Bangalore) has been provided Rs. 859.50 crore. Apart from the provisions for various ongoing schemes in the Technical Education sector, aprovision of Rs. 700 crore has been provided for Polytechnics in the States.

\*SMT. SMRITI ZUBIN IRANI, Minister of HRD, has pointed out that the Union Budget 2014, announced on July 10, 2014: The Budget focuses on education and skill development. In particular, the Plan Budget of Higher Education has been considerably increased in 2014-15. Overall, the Budget of the Ministry of HRD (Plan & Non-Plan), of both the Departments of Higher Education and Department of School Education & Literacy taken together, will witness an increase of 12.3% from Rs. 74,621 crores to Rs 83,771crores.

## **6. HIGHER EDUCATION IN INDIA AND 12<sup>TH</sup> FIVE YEAR PLAN (2012–2017):**

This report attempts to look at the Twelfth Five Year Plan's recommendations on higher education from a private sector perspective and suggests strategies for quality improvement in higher education. With the objectives and proposals of the Plan as the basis, the report mentions that the private sector has played an instrumental role in the growth of the sector. Private institutions now account for 64% of the total number of institutions and 59% of enrollment in the country, as compared to 43% and 33%, respectively, a decade ago. The Government has also given the required thrust to the sector in its Five Year Plans. During the Eleventh Plan period (2007–2012), India achieved a Gross Enrollment Ratio (GER) of 17.9%, up from 12.3% at the beginning of the Plan period. The budgetary allocation for major programmes in higher education like RUSA and TEQUIP and allocation towards financial aid for students of lower income families is given below.

**Table-1: ALLOCATION AGAINST MAJOR PROGRAMMES (RS. Cr.)**

Sl. No.	PROGRAMME	2012-13 (Actual)	2013-14 (RE)	% of Change	2014-15 (BE)	% of Change
1.	RUSA	--	240	--	--	--
2.	TEQIP	188.6	433	229.5	450	3.9
3.	FINANCIAL SUBSIDY	115.4	195.2	69.1	232.6	19.1
	a.Interest Subsidy	---	1722	--	2081	20.8
	b. Scholarship	115.4	230	99.3	248	7.8
4.	Consortium for Higher Education & Technical Resource (CHEERS)	---	---	---	202.5	--
5.	Technical Education Quality Improvement project of (EAP)	88.3	110	--	80	27.2

Source: Higher Educational Budget in India, 2014-15

**Table- 2. : GER, QUALITY AND PUBLIC SPENDING (Higher Education) GLOBALLY**

Country	% of GER (Higher Education)	Public Spending as % GDP
Norway	73.8	9.7
USA	94.8	16.2
Korea	97.0	6.5
China	25.9	4.6
India	19.4	3.3

Source: HRD Report -2014

## **7. RASHTRIYA UCHCHATAR SHIKSHA ABHIYAN (RUSA) IN INDIA:**

Rashtriya Uchchatar Shiksha Abhiyan -**RUSA** (in English: National Higher Education Mission) is a Centrally Sponsored Scheme (CSS), Its started in September 2013, which seeks to improve overall quality of existing State higher educational institutions by ensuring their conformity to prescribed norms and standards and adoption of accreditation as a mandatory quality assurance framework. RUSA would enable reforms in the affiliating system and governance, academic and examination (and evaluation) reforms in the State higher educational institutions. Regional imbalances would be corrected in access to higher education by facilitating access to high quality institutions in rural & semi-urban areas. RUSA would also improve equity in higher education by providing adequate opportunities of higher education to socially deprived communities; promote inclusion of women, minorities, SC/ST/OBCs and differently abled persons. Great emphasis will be laid on the improvement

of the quality of teaching learning processes in order to produce employable and competitive graduates, postgraduates and PhDs. With respect to the planning and funding approach, some key changes are envisaged; (a) funding will be more impact and result oriented, (b) various equity related schemes will be integrated for a higher impact, (c) instead of unplanned expansion, there will be a focus on consolidating and developing the existing system by adding capacities and (d) there will be a greater focus on research and innovation.

The higher education system in India today suffers from many shortcomings. Our Gross Enrolment Ratio (GER) is only 19.4%, this means that only a fraction of the population in the age group of 18-23 years is enrolled in higher education institutions. In addition to very low access to higher education in general, there are wide disparities between various social groups. The GERs for SCs, STs and OBCs are far below the average GER and those of other social groups. There is also a wide gender disparity; GER for males is 20.9% while that for females is only 16.5%. There are also differences in the quality of institutions and enrolments between rural and urban areas and between developed states and not so-developed ones.

There are 3064 state universities and about 8500 colleges that can be covered under RUSA. The funding will be provided in the (Centre : State) ratio of 90:10 for Special Category States ie North-Eastern States, Sikkim, J&K, Himachal Pradesh and Uttarakhand and 65:35 for Other States and UTs. Funding will be available to private government-aided institutions also, subject to their meeting certain pre-conditions, for permitted activities based on pre-determined norms and parameters.

RUSA will have a completely new approach towards funding higher education in state universities; it will be based on key principles of performance-based funding, incentivizing well performing institutions and decision-making through clearly defined norms. A management information system will be established to gather essential information from institutions. RUSA will aim to provide greater autonomy to universities as well as colleges and have a sharper focus on equity-based development, and improvement in teaching learning quality and research. It will be a new flagship scheme of the government that will pave the way for far reaching reforms at the state level. Once eligible for funding under RUSA, after meeting the prerequisite commitments, the states will receive funds on the basis of achievements and outcomes.

The main agency through which RUSA will work in the States will be the State Higher Education Council (SHEC), an autonomous body that will function at an arm's length from the state governments. It may be immediately created through an executive order to be issued by the States, but must be accorded statutory status within 5 years. RUSA has suggested a composition and structure for the Council. The Council will be expected to perform planning, monitoring & evaluation, quality assurance and academic functions, as well as advisory and funding functions. It will plan for the development of higher education at the state level and the State Higher Education Plan prepared by it would constitute the main instrument to guide the entire transformative process in the state higher education sector. SHEC will be assisted by the State Project Directorate and the State Technical Support Group. In every institution, the Governing Body and a Project Monitoring Unit will oversee the project progress.

**The key objectives of RUSA** are to improve access, equity and quality in higher education through planned development of higher education at the state level. Such planning will include creating new academic institutions, expanding and upgrading the existing ones, developing institutions that are self-reliant in terms of quality education, professionally managed, and characterized by greater inclination towards research and provide students with education that is relevant to them as well the nation as a whole.

#### **8. COMPONENTS OF RUSA:**

RUSA is envisaged as a prime vehicle for strategic funding of state institutions so as to ensure that issues of access, equity and quality are addressed in an equitable manner with the state as a composite unit of planning. The following are the primary components of RUSA that capture the key action and funding areas that must be pursued for the fulfilment of the targets: **1.** New Universities, **2.** Up gradation of existing autonomous colleges to Universities, **3.** Conversion of colleges to Cluster Universities **4.** Infrastructure grants to Universities, **5.** New Model Colleges (General) **6.** Upgradation of existing degree colleges to model colleges, **7.** New Colleges (Professional), **8.** Infrastructure grants to colleges **9.** Research, innovation and quality improvement, **10.** Equity initiatives, **11.** Faculty Recruitment Support, **12.** Faculty improvements, **13.** Research Universities, **14.** Vocationalisation of Higher Education, **15.** Leadership Development of Educational Administrators, **16.** Institutional restructuring & reforms, **17.** Capacity building & preparation, Data collection & planning, **18.** Management Information System.



## **9. FINANCIAL STATUS OF RUSA:**

The total outlay for RUSA for the 12th Plan is Rs. 22,855 crores, out of which, an amount of Rs. 18,027 crores would be the central share. The central funding will be in the ratio of 65:35 for general category States and 90:10 for special category states (North-Eastern States, Sikkim, J&K, Himachal Pradesh and Uttarakhand). After the disbursal of the initial preparatory grants and funds under the continuing schemes to the participating states, RUSA was rolled out in its entirety in May, 2014 with the states submitting their State Higher Education Plans (SHEPs) and funds being approved by under various components of the Scheme.

## **10. STATUS OF FUNDS RELEASED IN RUSA:**

The total funds released under RUSA, with the approval of the Project Approval Board is Rs.279,05,70,700. The break up is as follows;

\*Preparatory Grants - These are funds given to States and Union Territories to undertake baseline surveys, data collection and compilation, organise meetings, consultations, workshops, trainings, hire consultants, preparation of SHEPs etc. Till date Rs. 74,04,90,000 as preparatory grants were released 23 States and 4 UTs.

\*Model Degree Colleges -Rs. 1,77,07,80,000/- has been given to the states of Andhra Pradesh, Odisha, Uttar Pradesh, Tripura and A&N Islands as first instalments for 45 new Model Degree Colleges. Furthermore, Rs. 20,68,50,000 as second Instalments for 23 Model Degree colleges in the States of Punjab and Assam were released. Thus a total of Rs.197,76,30,000 has been released for Model Degree Colleges.

\* Based on funds released, Rs.2,24,40,700 has also been released for Management, Monitoring, Evaluation and Research (MMER) purposes.

\* Compliance to regulatory norms including accreditation, as a quality assurance framework is mandatory and is required for institutions to receive funding under RUSA. There is a need to build and strengthen the capacity of National Assessment and Accreditation Council (NAAC). Towards this end, Rs. 4,00,00,000 has been released for “National Quality Renaissance Initiative” to strengthen the accreditation system in the states to NAAC.

\*Tata Institute of Social Sciences (TISS) has been engaged for the Leadership Development and Capacity Building of educational administrators/academic leaders/policy makers etc under RUSA. In this regard, the proposal of TISS called “Need Assessment and Strategic Planning for RUSA” was considered and Rs1,00,00,000 released to TISS.

## **11. SALIENT FEATURES OF THE RUSA SCHEME:**

1.The central funding would flow from MHRD to institutions, through the State Governments. 2. The funding to states would be made on the basis of critical appraisal of State Higher Education Plans. The plans would describe each state's strategy to address issues of equity, access and excellence in higher education. 3. All funding under the RUSA would be norm based and future grants would be outcome dependent. 4. Certain academic, administrative and governance reforms will be a precondition for receiving funding under RUSA. 5. The states would be free to mobilize private sector participation (including donations and philanthropic grants) through innovative means, limited to a ceiling of 50% of the state share. The scheme covers Government and Government aided institutes.6.In order to be eligible for funding under RUSA, states will have to fulfill certain prerequisites, which include the academic, sectoral and institutional governance reforms.7. RUSA follows a "Bottom Up" approach for planning and budgeting, with the institutions and states being the driving agents.8. Institutions are required to prepare "Institutional Development Plans" (IDP). These IDPs are then aggregated to form a State Higher Educational Plan (SHEP). 9. All SHEPs are reviewed and compiled to estimate the next year's fund requirements for program implementation activities under RUSA.

## **12. CONCLUSION**

Nowa-days, higher education becomes a critical input in human resource development and is essential for the country's economic growth. India is also expanding its higher education system by launching a new Centrally Sponsored Scheme (CSS) - Rashtriya Uchchatar Shiksha Abhiyan (RUSA)/National Higher Education Mission. This is for the first time since independence that Higher Education is being expanded in a mission mode which will particularly benefit State Universities and Colleges. This scheme is key to reformation of State Higher Education System in the country. The higher education system in India today suffers from many shortcomings. Our Gross Enrolment Ratio (GER) is very low. RUSA will have a completely new approach towards funding higher education in state universities; it will be based on key principles of performance-based funding, incentivizing well performing institutions and decision-making through clearly defined norms. A management information system will be established to gather essential information from institutions. RUSA will aim to provide greater autonomy to universities as well as colleges and have a sharper focus on equity-based development, and improvement in teaching learning quality and research.

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