



MUTUAL FUNDS' PERFORMANCE IN INDIA: IMPACT OF FOREIGN STRATEGIC ALLIANCE

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ABSTRACT

Entry of foreign private players and foreign joint ventures has become one of the main sources of capital flows to emerging economies. The Mutual fund sector in India too is growing vibrantly and rapidly and is the key contributor to the globalization of financial markets. With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investor a wider choice of fund families. The effect of entry deregulation was seen in the number of mutual fund houses increasing, with many foreign mutual funds setting up funds in India and also the industry witnessed several mergers, acquisitions and joint ventures. Joint ventures with foreign companies brought new technologies and business practices into the company, while the domestic companies already have the relationships and requisite governmental documents within the country along with being entrenched in the domestic industry. In this paper an attempt is made to evaluate the role of foreign joint ventures in the Indian mutual fund industry. The performances of two growth oriented equity schemes of two foreign players, ICICI Prudential mutual fund and Principal mutual fund are evaluated on the basis of monthly returns compared to benchmark returns. For this purpose, risk adjusted performance measures suggested by Jensen, Treynor and Sharpe are employed. Also, the paper assessed that whether the joint venture mutual fund are offering the advantages of selectivity. The paper gives an insight into the benefits and performance of the joint ventures in the mutual fund industry.

KEYWORDS: *Foreign joint ventures, Jensen, mutual fund, performance, Selectivity, Sharpe, Strategic alliance, Treynor.*