JOURNAL OF ACCOUNTING, FINANCE AND AUDITING STUDIES

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Market Timing Ability of Fund Managers in India: An Analysis

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Keywords
Market Timing Ability, Mutual Funds, Growth, Income, Balanced and Tax-Saving Schemes.

Jel Classification
E64, F38, O47.

Abstract

The mutual fund industry in India consists of public sector, private sector and foreign funds. All the three sectors were studied to compare the selectivity and timing performance on the basis of sponsorship of funds. However, from these only active funds belongings to Growth, Income, Balanced and Tax-Saving Schemes were selected for the study.

The period of study is five years from April 2007 to 31st March 2011. The rationale for selecting the study period of 5-years from 1st April 2007 to 31st March 2011 stems from two reasons. Firstly, during this period, the stock market experienced higher volatility, as such chosen to find-out whether the funds have succeeded in surpassing the market performance even under depressed market conditions. Secondly, the five years were long enough to capture different market phases and to draw meaningful conclusions.

Regarding timing performance empirical results have indicated that the majority i.e. 85 percent of fund managers have shown superior timing performance. As such, it is evident that Indian fund managers during the reference period were more inclined towards timing performance and market timing was evidenced, suggesting that there is a trade –off between a fund managers stock selection and market timing performance. This is indicative of the evidence of activity specialization among fund managers, implying that no manager can excel in both the activities.