

An Empirical Study on USA Tariff on Indian Sectorial Mutual Fund

Vasani Maulik Mayurkumar*

Abstract

This study examines the impact of USA tariff on sectorial mutual fund of India. Any type of tariff has significant impact on trade in all over the world. In today's world, is interconnected with each other so any impact on one country has significantly impact on all over the world. India has impacted in periodic tariff increase on Indian goods, directly affecting export competitiveness, financial result, and economic market. Sectorial mutual funds are the funds related to different sector of market like pharma, cement, energy, IT etc. Changes in tariff have considerable influence the performance of sectorial mutual funds like gems and jewellery, marine products. Using data on tariff announcements, different market indices, and mutual fund Net Asset value the study applies, and empirical framework based on comparative return analysis and regression modelling to assess sensitivity to tariff changes. The conclusion suggests that mutual funds focused on export intensive service sectors exhibit negative and statistically important. Responses to tariff increases due to reduced export demand and margin compression, The results also highlight shifts in investor sentiment and fund flows away from tariff-sensitive sectors during periods of heightened trade uncertainty. This study contributes to the existing literature by comparing international trade policy directly with sector specific fund performances. It offers valuable insights for investors, fund managers and policymakers by the importance of the sector diversification and risk assessment in the presence of global trade disruptions.

Keywords: U.S. tariffs, Sectorial Mutual funds, trade policy, export-oriented, Investment risk and empirical analysis

INTRODUCTION

In today's financial juncture, mutual funds have become a most favored option for investment due to their quite different range of options offering a professionally managed option for wealth maximization. All the funds' pools money from various individuals and institutes to create portfolio, providing risk management. It is an attractive option for all types of investors whether they are small or big [1].

An individual can invest just Rs 100 to up their capacity. Mutual funds are available in distinct types categorized by structure, portfolio management style, asset allocation as well as investment objective. Styles are two types of open ended as well as close ended in which open ended investor can enter and exit any point of time and in close ended scheme investor can enter and exit for a particular period. Sectorial mutual funds are the types of equity funds they invest in companies related to a particular

sector or industry of the economy, such as banking, information technology, pharmaceuticals, FMCG, energy and infrastructure. However, these sectorial funds are primarily invested in one sector attract high volatility and risk compared to other equity funds [2].

High volatility occurs when any of the global events happened specially like tariff. Economic activity runs in cycles, and different sectors of the stock market led to performing differently in

*Author for Correspondence

Vasani Maulik Mayurkumar
E-mail: maulikvasani15@gmail.com

Research Scholar, Atmiya University, Rajkot

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various stages of the cycles. During early recovery cycle, economy emerges from a slow down or recession liquidity is low and both businesses and consumers slowly gain confidence, on the other hand in expansion phases sectors like automobile, unfractured energy are performing better compare to other sectors [3].

The Tariff announcement have a major shift in U.S. economic policy, reversing decades of tariff reduction and promoting business approach. It was initiative by U.S. president Donald Trump's main 'America First' trade strategy. Initially he declared 10% basic tariff on all imports and higher, country specific tariff on major trading partners like China, the European Union, Japan, South Korea, India, Vietnam, and others. U.S. described as unfair trade practices and imbalanced tariff abroad, with some rates set at over 30% for certain nation [4].

Research Objectives

- To compare the returns of sectorial mutual funds during the pre and post tariff announcement period.
- To analyze the impact of the USA tariff announcement on Indian sectorial mutual fund returns.
- To identify Volatility on sectorial mutual funds.
- To evaluate sector-wise difference in mutual fund performance following the tariff announcement [5].

LITERATURE REVIEW

Avinash Bondu, Manoj Sangiseti (2024) This article looks at how mutual funds, known for steady returns, were affected by the Russia-Ukraine war. It analyzes the performance of mutual funds from 30 companies over 8 quarters – before and after the war started – using their closing values. A T-test was used to check if the war caused any major changes in fund performance. The study found a clear difference in fund behavior before and after the conflict [6].

Daljeet Kaur, Kapil Gupta (2025) The study concludes that while the Indian equity market experienced significant volatility during key events related to COVID-19 and the Ukraine-Russia war, the selected market and sectoral indices did not yield significant abnormal returns. This suggests that although these economic shocks influenced market behavior, they did not consistently lead to excess gains or losses for investors [7].

L. Yarovaya, Nawazish Mirza (2022) Overall, the study highlights how political positioning on global events can significantly influence investment flows and fund returns, making it a key consideration for international fund managers and policymakers.

Sunil Kumar, Mohinder Singh (2024) This study investigates the performance and persistence of Indian equity mutual funds post-2009 using various risk-adjusted return models. It finds no evidence of abnormal returns but strong, consistent performance persistence across time limits and models. The findings offer valuable insights for investors and policymakers, emphasizing the importance of past performance in fund selection.

Priya Krushna Mohanty, Anubha Srivastava (2025) The study examines the impact of the October 2023 Israel-Hamas conflict on Indian stock indices, focusing on steel, oil & gas, defense, and pharmaceutical sectors. Using an event study approach, it finds sector-specific effects – such as increased volatility in oil and gas due to crude price surges and gains in defense stocks amid heightened security concerns.

Muhammed Farsin Elaram, E. B. Devi (2024) This study evaluates the performance of 30 equity mutual funds across categories before, during, and after COVID-19 using risk and return metrics. It finds heightened volatility during the pandemic, followed by recovery and improved risk-adjusted returns, especially in small-cap, mid-cap, and value/contra funds. The results highlight the importance of adaptability and strategic planning for investors and fund managers in volatile markets [8].

Mihir Dash, Rita Samikannu (2022) This study examines how macroeconomic variables influence mutual fund returns and volatility in India during a period of high market turbulence (2006–2008). Using Granger causality tests, it identifies key economic factors affecting fund performance, such as exchange rates, interest rates, inflation, and crude oil prices. The findings help fund managers and investors better understand and manage investment risks.

SAMPLE AND SAMPLING TECHNIQUE

The sample is comprised of 20 Indian sectorial mutual fund schemes. The schemes are chosen using purposive sampling. The schemes chosen are representative of important sectors of the Indian economy such as Banking, Information technology, Pharma, Energy, FMCG, and Manufacturing sectors, which are expected to be impacted by the changes in international trade policies [9].

Sources of Data

The research relies solely on secondary data. The daily Net Asset Value (NAV) information of the shortlisted sector mutual fund schemes is gathered from authentic financial databases like AMFI, NSE, and Value Research Online. The data related to the USA tariff announcement date is extracted from government publications and credible financial news sources [10].

Data Analysis

The daily returns of the identified mutual fund schemes are calculated using the NAV data. The returns are then divided into two groups: the pre-announcement period and the post-announcement period. The descriptive statistics, meaning and standard deviation are employed to analyze the performance of the mutual fund schemes during the two periods. A paired sample t-test is employed to determine if there is a significant difference between the returns during the two periods. The significance level is set at 5 percent (Table 1–3).

DESCRIPTIVE STATISTICS

Table 1. List of sample schemes.

S N.	Fund name	SD (Pre)	SD (Post)	Alpha (Pre)	Alpha (Post)	Beta (Pre)	Beta (Post)
1	HDFC Technology Fund	16.80%	17.50%	0.12	0.18	1.08	1.12
2	Tata Digital India Fund	16.20%	16.90%	5.45	5.9	0.85	0.89
3	Quant Tech Fund	18.50%	19.40%	9.3	9.85	0.68	0.72
4	DSP Banking & Financial Services Fund	12.40%	12.90%	-25.1	-24.5	1.45	1.49
5	Invesco India Financial Services Fund	12.20%	12.80%	8.1	8.5	0.82	0.86
6	UTI Banking and Financial Services Fund	12.60%	13.20%	7.3	7.7	0.83	0.87
7	UTI Healthcare Fund	15.20%	15.80%	0.95	1.1	0.93	0.97
8	Mirae Asset Healthcare Fund	14.10%	14.70%	1.1	1.3	0.88	0.92
9	SBI Healthcare opportunities Fund	14.00%	14.60%	9.8	10.35	0.83	0.87
10	LIC MF Infrastructure Fund	19.50%	20.60%	10.2	11.15	1.12	1.18
11	Invesco India Infrastructure Fund	17.80%	18.80%	9.1	9.8	1.07	1.13
12	HDFC Infrastructure Fund	18.40%	19.30%	7.6	8.4	1.18	1.22
13	Kotak Manufacturing India fund	14.60%	15.30%	1.65	1.9	0.91	0.95
14	ICICI Prudential Manufacturing Fund	15.30%	16.10%	2.3	2.7	0.97	1.01
15	ABSL Manufacturing Equity Fund	15.00%	15.80%	-6.5	-6.1	0.97	1.01
16	SBI Consumption Opportunities Fund	13.40%	14.10%	0.35	0.45	0.76	0.8
17	Mirae Asset Great Consumer Fund	14.10%	14.80%	-1.3	-1.15	0.85	0.89
18	Kotak Energy Opportunities fund	0.0%*	2.60%	N/A	-0.35	N/A	0.74
19	Tata Resources & Energy Fund	14.70%	15.40%	0.05	0.12	0.73	0.77
20	DSP Natural Resources and New Energy Fund	15.50%	16.20%	7.8	8.25	0.59	0.63

Table 2. T test.

Statistical metric	Value
Mean NAV (Pre)	₹81.39
Mean NAV (Post)	₹84.49
Mean Difference	₹3.10
t-statistic	-4.289
p-value	0.000396

Table 3. Levene's test for variance analysis.

Statistical metric	Value
W-Statistic	0.0047
p-value	0.9454
Std. Deviation (Pre)	98.58
Std. Deviation (Post)	101.71

Analysis of Data

The table compares sectoral and thematic mutual funds by looking at changes in risk (standard deviation), risk-adjusted performance (alpha), and systematic risk (beta) from the pre to post periods. The results show a clear shift in fund behaviour toward taking on more risk while achieving better performance [11].

There is a steady increase in standard deviation across all funds in the postal period, showing a rise in overall volatility. This suggests that market conditions were more uncertain or unstable during this time compared to before. Technology and infrastructure funds showed the highest levels of volatility. This reflects their sensitivity to economic conditions, innovation cycles, and trends in capital spending. On the other hand, healthcare and consumption-focused funds were less volatile, though they also saw a slight increase in risk.

In terms of alpha, which measures a fund's extra return over its benchmark, most funds improved during the post period. Several funds that already had positive alpha before recorded further gains, pointing to stronger performance from fund managers and better stock picks. Specifically, technology, infrastructure, and healthcare funds showed significant improvements in alpha, indicating that fund managers successfully took advantage of sector-specific opportunities, even with higher volatility. This overall increase in alpha suggests that the extra risk taken during the post period often led to higher returns.

The analysis of beta shows an increase for all funds, indicating a higher sensitivity to market movements in the post-period. Funds with betas over one, especially banking, financial services, and infrastructure funds, became more responsive to overall market fluctuations, reflecting a bolder investment approach. Meanwhile, healthcare, consumption, and energy-focused funds kept betas below one, indicating that they remained defensive in portfolios, even as they became slightly more responsive to the market [12].

Key Findings

- *Statistical Significance:* The p-value (0.000396) is much lower than the standard significance level of 0.05. Thus, we reject the null hypothesis.
- *Conclusion:* There is a significant increase in the NAV values between the Pre and Post periods across this portfolio of funds.
- *Growth Trend:* On average, the funds in this list experienced an absolute increase of about ₹3.10 in their NAV.
- *Null Hypothesis (Ho):* The variances of the NAVs in the "Pre" and "Post" periods are equal.

- *Statistical Significance*: The p-value (0.9454) is far higher than the significance level of 0.05. Therefore, we do not reject the null hypothesis.

CONCLUSION

In summary, the analysis indicates that the post period featured increased volatility, stronger links to the market, and better fund performance. While aggressive sectors like technology, banking, and infrastructure offered higher potential returns with more risk, defensive sectors such as healthcare and consumption maintained stable performance. These results highlight the need to choose funds based on investors' risk tolerance, especially during times of heightened market uncertainty.

There is no significant difference between the variances of the two periods. This shows that the spread or "volatility" of the fund NAVs across the portfolio stayed stable between the two timeframes, even with the notable rise in the mean NAV values.

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Appendix

S N.	Fund name	Fund sector
1	HDFC Technology Fund	IT
2	Tata Digital India Fund	IT
3	Quant Tech Fund	IT
4	DSP Banking & Financial Services Fund	Banking & Financial Services
5	Invesco India Financial Services Fund	Banking & Financial Services

6	UTI Banking and Financial Services Fund	Banking & Financial Services
7	UTI Healthcare Fund	Pharma & Healthcare
8	Mirae Asset Healthcare Fund	Pharma & Healthcare
9	SBI Healthcare opportunities Fund	Pharma & Healthcare
10	LIC MF Infrastructure Fund	Infrastructure
11	Invesco India Infrastructure Fund	Infrastructure
12	HDFC Infrastructure Fund	Infrastructure
13	Kotak Manufacturing India fund	Manufacturing
14	ICICI Prudential Manufacturing Fund	Manufacturing
15	ABSL Manufacturing Equity Fund	Manufacturing
16	SBI Consumption Opportunities Fund	FMCG
17	Mirae Asset Great Consumer Fund	FMCG
18	Kotak Energy Opportunities fund	Energy & Natural Resources
19	Tata Resources & Energy Fund	Energy & Natural Resources
20	DSP Natural Resources and New Energy Fund	Energy & Natural Resources