A Comparative Study on Performance of Selected Mutual Funds in India

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Abstract

In India capital request blesses with a multifariousness of adventure options in discrepancy to the investors, to help them to put coffers into colorful adventure accoutrements and to make certain the productive return. Alongside different range fiscal particulars, collective fund ensures the topmost return and least troubles to the fiscal specialists. enhancement of different collective fund schemes in the Indian capital request has end up being one of the most reactant adventure road in producing noteworthy enterprise development. The Asset the director's associations are taking inviting part in fiscal related cornucopia and they advance enterprise practice among the investors at present there are 44 Asset Management Companies(AMCs) contain the collective fund assiduity. In this unique circumstance, close observing and prosecution assessment of collective finances has gotten precipitously abecedarian. This collective fund assiduity has seen brilliant development in recent times. This disquisition is planned for assessing prosecution of collective finances and likewise to reviewing the job of advantage the operation companies in reference to public and private sector. The primary thing of this disquisition work is to contemplate plutocrat affiliated prosecution of named collective fund schemes through the factual parameters, for illustration, (beta, standard divagation, treynor's measure, Sharpe rate). The findings of this study will probative to investors for their investment choices in future. Keywords collective Fund, fiscal prosecution, adventure, Return, Risk, Net Asset Value.

INTRODUCTION

A collective fund is a consummately overseen establishment of collaborative investments that pools cash from multitudinous investors and puts it in stocks, bonds, short-term plutocrat request instruments, as well as different securities. collective finances have come priceless instrument for a wide compass of bookmakers, from people looking to put commodity away for withdrawal to refined socialites concentrated on guarding their means and businesspeople to make wealth. Mutual Fund is a trust that pools the reserve finances of colorful investors who partake a typical financial ideal. Anyone with an investible overflow of as little as two or three thousand rupees can put coffers into collective fund units as indicated by their expressed ideal and strategy. Mutual Fund Company pools cash from a gathering of individualities with normal enterprise objects to buy securities, for illustration, stocks, bonds, plutocrat request instruments, a combination of these instruments, or significantly different means so as to admit the price of improvement and consummately oversaw vessel of protections at a relatively ease. In a collective fund, the fund director, who's likewise notable as the portfolio director, trades the finances underpinning securities, admitting capital earnings or losses, and gathers the tip or interest income. The gains are passed along to the investors. The price of a share of the collective fund, known as the net asset value (NAV), which is determined on day by day base, in light of the absolute estimation of the collective fund divided by the volume of outstanding shares presently issued. collective finances have added to the Indian frugality as well as served to the retail fiscal specialists to accumulate wealth. This paper is planned to the donation assessment of collective finances in fiscal inclusiveness with a measurable help of progress made by collective fund assiduity. As Investors are turning out to be further information arranged and veritably much apprehensive about their enterprise choices so they're getting a charge out of the making sure about advantages of investment in collective finances. Because of proliferation in family reserve finances and enhancement in transferring of investment through different requests, the degree for collective fund assiduity has expanded monstrously. In this point of view, it gets critical to examine the performance of the named collective finances.

REVIEW OF LITERATURE

Lot of research has been done on Evaluating performance of mutual funds in foreign as well as in India.

1. Bansal, Garg and Saini, (2012), inspected the exhibition of selected mutual fund schemes that the hazard profile of the total mu3tual fund universe can be precisely thought about by a basic market index that offers comparative month to month liquidity, returns, systematic and unsystematic hazard and complete fund investigation by utilizing the unique reference of Sharpe and Treynor's proportion.

2. Gupta and Sehgal (1998) evaluated execution of 80 mutual fund schemes more than four years (1992-96). The examination tried the recommendation identifying with fund diversification, consistency of execution, parameter of execution and risk return relationship. The investigation noticed the presence of deficient portfolio expansion and consistency in execution among the sample schemes.

3. RoshniJayam's (2002) study brought out that equities had a decent possibility of gratefulness in future. The specialist was of the view that, investors ought to effectively pass judgment on their investment objective and risk appetite picking plans, diversified equity funds were commonly more secure than others and index funds were the best when market movements were not sure. The researcher proposed Systematic Withdrawal Plan (SWP) with development alternative was progressively appropriate for financial specialists needing customary cash inflows.

4. DubravoMihaljek (2008) concentrated on specific the ramifications of policy responses. He has recognized two significant issues: I) under estimation of the development in credit risk arising from fast credit development, ii) Risk of a sharp slowdown or inversion in bank intermediated capital streams.

RESEARCH METHODOLOGY

The current study made an attempt to anatomize the performance of the named collective fund schemes with the request during the time of the examination. So as to negotiate the objects and a relative analysis of these schemes is made with the request grounded on threat and return. Different statistical and fiscal tools are employed to assess the exhibition of these collective fund schemes under the present study. These tools and ways incorporate standard divagation, beta, Treynor's and Sharpe proportion. The current disquisition depends on supplementary information which is gathered from different sources like published periodic reports of the financing agencies, online bulletins, journal books, magazines, leaflets, journals and other distributed and online material. The NAV of the named scheme have been varied for two times and a monthly return. At that point these schemes have been varied with the bench mark return to assess the performance of these schemes.

OBJECTIVES OF THIS STUDY

It focuses on the performance evaluation of named equity collective fund schemes of colorful collective finances performing in the India. The specific objects of the study are as follows

1. To assess the performance of mutual funds with extraordinary reference to Sharpe model and Treynor's model.
2. To distinguish security market return with fund return for the study period.
3. To analyze the return from selected mutual funds schemes under different 3 categories
4. To know whether the mutual funds are able to provide reward to changeability and volatility
5. To recognize which company is performing admirably for investment in Mid Cap Funds of Mutual Funds.

GROWTH OF MUTUAL FUND INDUSTRY IN INDIA

The Indian Mutual Fund assiduity has witnessed considerable growth since its commencement in 1963. The growth has been reflected in increase in the number of collective fund companies, increase in client base, increase in number of schemes, increase in fund mustered by collective fund assiduity, increase in means of the assiduity, take up of nonsupervisory aspects of collective finances by the SEBI, conformation of AMFI and so on.

The emotional growth in the Indian collective fund assiduity in recent times can largely be attributed to colorful factors similar as rising ménage savings, comprehensive nonsupervisory frame work, favorable duty programs, offering variety of products, investor education crusade, positive part of distributions and over all the launch of profitable reforms in 1990.

PERFORMANCE OF INDIAN MUTUAL FUNDS

This chapter consists of the profile of named collective finances and schemes and performance analysis of the colorful schemes. In this chapter the performance of named collective finances have been anatomized on the base of threat- return relationship using standard performance evaluation measures similar as Sharpe indicator, Treynor indicator, Jensen measure and etc. These measures were considerably used in colorful other studies before.

PROFILE OF SELECTED MUTUAL FUNDS

In this study five mutual fund companies have been selected for the purpose of performance evaluation. A brief introduction of each of the five mutual funds is given below:

1. **DSP Black Rock Mutual Fund (DSPBRMF)**

DSP Black Rock is a leading mutual fund investment company in India. It is a joint venture between the DSP group, one of the oldest financial services firms in India, and Black Rock, the largest listed asset management company in the world. DSP Black Rock got SEBI registration in 1997. DSP Black Rock Investment Managers Private Limited is one of the premier AMCs in India. Since inception DSP Black Rock mutual fund has launched more than 330 schemes of various types.

2.ICICI Prudential Mutual Fund (ICICIPRUMF)

ICICI Prudential Assets Management Company Ltd. (IPAMC) is a joint venture between ICICI Bank of players in the financial service sector. It was registered in 1993. Since inception, it has contributed significantly to the growth of Indian mutual fund industry. Till date it has launched around 770 schemes and offers a wide range 149 of retail and corporate investment solutions across different asset classes like equity, fixed income and gold.

3.Kotak Mahindra Mutual Fund (KMMF)

KMMF started its operations in 1998 with its asset manager Kotak Mahindra Asset Management Company Limited (KAAMC), wholly owned subsidiary of Kotak Mahindra Bank. It has over 10 lakhs investors & more than 250 schemes of various types. It offers schemes catering to investors with varying risk- return profiles and was the first fund house in India to launch gilt scheme investing only in government securities.

4.Reliance Mutual Fund (RMF)

Reliance Mutual Fund (RMF) is a leading mutual fund in India which was incorporated in 1995. RMF, a part of the Reliance Group is one of the fastest growing mutual funds in India which has launched around 490 schemes so far. It offers investors a well -rounded portfolio of products to meet various investor requirements and has presence in 179 cities across the country. It constantly endeavors to launch innovative product and customer service initiatives to increase value to investors. Reliance Capital Asset Management Limited is acting as AMC of Reliance Mutual Fund.

5. TATA Mutual Fund (TMF)

Tata Mutual Fund (TMF) started its operation in 1995 with the backing of Tata Group. TMF, a brand from Tata Assets Management Limited, one of the based on the dictum that managing wealth is as important as creating wealth. TMF has earned the trust of lakhs of investors with its consistent performance and world-class service thereby has launched around 290 schemes of varied nature.

6. DSP Black Rock Equity Fund-D

It is an open ended growth scheme, seeking to generate long term capital appreciation from a portfolio substantially constituted of equity and equity related securities. The scheme was launched in 29-04-1997.

7. DSP Black Rock Opportunities Fund-D

This scheme was launched in 16-05-2000. This is an open ended Growth scheme, seeking to generate long term capital appreciation. The secondary objective of the scheme is income generation and the distribution of dividend from a portfolio constituted of equity and equity related securities concentrating on the investment focus of the scheme.

8. DSP Black Rock Bond Fund-D

It is an open ended income scheme aims to generate attractive return, consistent with prudent risk, from a portfolio which is substantially constituted of high quality debt securities, predominantly of issuers domiciled in India. As a secondary objective, the scheme seeks to generate capital appreciation. It was launched in 29-04-1997.

9. DSP Black Rock Bond Fund-G

An open ended growth scheme launched in 29-04-1997, aims at providing long term capital appreciation from a portfolio substantially constituted of equity and equity related securities.

10. DSP Black Rock Balanced Fund-D

An open ended balanced scheme launched in 27-05-1999, seeks to generate a long term capital appreciation and current income from a portfolio constituted of equity and equity related securities as well as fixed income securities.

11. DSP Black Rock Balanced Fund-G

It is an open ended growth scheme launched in 27-05-1999. The objective of the scheme is to generate long term capital appreciation as well as current income from a portfolio constituted of equity and equity related securities as well as fixed income securities.

12. ICICI Prudential FMCG-D

It is an open ended income/dividend scheme launched in 07-06-1999 with the objective of generating long term capital appreciation through investments, made primarily in fast moving consumer goods sector that are fundamentally strong and have established brands.

13. ICICI Prudential FMCG-G

This was launched in 31-03-1991. This is an open ended scheme having growth option and aims at generating long term capital appreciation.

14. ICICI Prudential Income Fund-D

It is an open ended scheme launched in 09-07-1998 with dividend option. The scheme aims at maximizing income while maintaining optimum balance of yield, safety and liquidity.

15. ICICI Prudential Income Fund-G

This scheme was also launched in 09-07-1998 with growth option. It is an open ended scheme aims at maximizing income.

16. ICICI Prudential Balance Fund-D

It is an open ended balanced scheme launched in 03-11-1999. The objective of the scheme is to optimize the risk- adjusted return by distributing assets between both equity and debt markets.

17. ICICI Prudential Balance Fund-G

This scheme was also launched in 03-11-1999 with growth option. This is an open ended scheme aims to invest in equity and debt securities so as to give the investors balanced returns.

18. Kotak 50-D

It is an open ended equity scheme launched in 29-12-1998. It has both incomes and dividend plans. The investment objective of the scheme is to generate capital appreciation from a portfolio of predominantly equity and equity related securities.

19. Kotak 50-G

It is an open ended equity scheme with growth option launched in 29-12-1998. It aims at providing long term capital appreciation from a portfolio of equity and equity related securities.

20. Kotak Bond Deposit-G

It is an open ended debt scheme with an investment objective to create a portfolio of debt and money market instruments including repos in permitted securities of different maturities so as to spread the risk across a wide maturity horizon and different kinds of issuers in debt markets. The scheme was launched in 25-11-1999 with growth option.

PERFORMANCE ANALYSIS OF THE SELECTED MUTUAL FUND SCHEMES

The performance of the selected mutual fund schemes has been analyzed on the basisof risk-return relationship using the important risk-adjusted performance evaluationmeasuressuch asSharperatio,Treynorratio,Jensen alpha,SDR,M-squared Fama's net selectivity.
(M^2)and

Return

MonthlyadjustedNetAssetValue(NAV)dataareusedinordertocalculateaveragereturno fthe schemes. Theformulausedforthis purposeisas follows:

$$R_p = \frac{NAV_t - NAV_{t-1}}{NAV_{t-1}}$$

$$R_p = Portfolio\ Return$$

$$NAV_t = Net\ Asset\ Value\ at\ the\ end\ of\ the\ period$$

$$NAV_{t-1} = Net\ Asset\ Value\ at\ the\ beginning$$

Correlation Co-efficient (r)

Itexplainstherelationshipbetweenthescheme returnandthe marketreturn.Itrangesbetween -1 and +1. Table 6.7 depicts the correlation co-efficient of the selectedschemes.

CorrelationCoefficient(r)oftheSelectedSchemes

MutualFundSchemes	**r**
DSPBlack Rock Mutual Fund	0.8448
ICICIPrudentialMutualFund	0.8652

Kotak Mahindra MutualBond	0.3166
Reliance Mutual Fund	0.4417
TataMutualFund	0.7170
DSPBlackRockEquityFund-D	0.8897
DSPBlackRockOpportunitiesFund-D	0.6924
DSPBlackRockBondFund-G	0.7148
DSPBlack Rock Bond Fund-D	0.3007
DSPBlack Rock BalancedFund-D	0.3880
DSPBlack Rock BalancedFund-G	0.8401
ICICIPrudential FMCG-D	0.9415
ICICIPrudentialFMCG-G	0.8555
ICICIPrudential Income Fund-D	0.9393
ICICIPrudentialIncomeFund-G	0.3968
ICICIPrudential BalancedFund-D	0.3767
ICICIPrudential BalancedFund-G	0.6114
Kotak50-D	0.7406
Kotak50-G	0.8457
KotakBondDeposit-G	0.8566

Source: CompiledbytheResearcher.

The standard deviation of the selected schemes ranges from 0.1936 (Kotak LiquidFund-G) to 9.3538 (Reliance Vision Fund-B) as depicted in Table 6.12.It is clearfrom the Table that 23 % of the schemes were more risky as compared to the market.The standard deviationis higher in case of DSP Black Rock Equity Fund-D (8.1824),DSPBlackRockOpportunitiesFund- – D(8.4120),RelianceGrowthD(8.3513),RelianceGrowth-G(7.6452),RelianceVisionFund-B(9.3538),TataEquityOpportunities Fund-D (7.7359) and Tata Equity Opportunities Fund-G (8.0431) asagainst the market standard deviation of 7.6020, indicating that the scheme returns arehighly volatile and as such the schemes are highly risky. The magnitude of risk is lessin case of other schemes. The Table also shows that the most risky scheme wasRelianceVisionFund-Bandtheleastriskyschemewas KotakLiquidFund-G(0.1936)duringtheperiodofstudy.

Co-efficient of Determination (R^2)

R-squared measures the correlation between beta and its benchmark index. It indicatesthe degree of diversification.R^2 ranges between 0 and 1, where 0 represents nocorrelation and 1 represents full correlation. If R^2value lies between 0.75 and 1, thebeta of the fund should be trusted. Again if R^2 value is less than 0.75, it indicates thatbeta is not particularly useful and fund will not give similar returns to their benchmarkindex. The lower the R-squared, the less reliable is the beta and vice versa. Low R^2indicatesthattheschemehasnotwelldiversifiedandithasfurtherscopefordiversification, while high R^2 implies that the scheme has well diversified and it haslittlescopefordiversification.

SUGGESTIONS

• Further and further investor education programmes by SEBI and collective fund companies. Wide hype, shops, forums, circulars. may be useful for furnishing further mindfulness about collective finances.

• Collective finances should take applicable measures to make confidence in the being as well as the target investors. They should insure the investors about more return with lower threat and better client service. translucency in operation may be helpful in this regard.

• Collective finances should access into pastoral and semi-urban requests in order to cover implicit investors of vast section of society. In this respect collective finances may expand their branches in pastoral and semi-urban areas and may employ agents from those areas.

• Collective finances should insure authentic and timely exposure of applicable information to the investors. Livery account programs should be evolved. SEBI should regularize the account practices of collective finances. Confluence of Indian account norms with IFRS and the SEC guidelines on record keeping in USA may be useful in this respect.

• As a measure to develop and train the fund directors of the underperformed finances schemes, the SEBI and AMFI may arrange shops forums where outperformed fund directors from within the country as well as from abroad may be invited to partake their experience.

• Fund directors should take care of the bullish and bearish trend of the request in order to form their portfolios. In the bull- run, investments may be made in debt securities, while in the bear- run, investment in equities may be safe.

• Collective finances may give loan installation to investors against collective fund units in order to attract further guests.

• It’s set up that a fund director is managing a large number of schemes at a time. This creates a problem in taking care of managing colorful aspects of all the schemes. It's suggested that a fund director should be entrusted with the operation of a single scheme, for its better operation.

• Illegal trade practices, charming announcements. should be controlled by strengthening regulations

• collective finances and SEBI should suppose for simplification of KYC morals and visage card demand so as to ease lesser participation of investors.

• Vacuity of large number of schemes is a hindering factor of collective finances growth as investors are frequently confused with the wide variety of schemes. They're facing selection problem. So a nation-wide check should be conducted by collective finances while launching any new scheme so as to introduce investor-friendly products.

CONCLUSION

Significant growth has been noticed in Indian Mutual Fund Industry in terms of asset under operation, resource rallying, deals in stock exchange by collective finances, number of collective finances and number of schemes. The rising ménage savings, comprehensive nonsupervisory frame work, favourable duty programs, variety of products, investor education crusade, and positive part of distributors and over all the launch of profitable reforms in 1990 have contributed a lot for the emotional growth of collective fund assiduity in India. To add up, it can be said that Indian collective fund assiduity, despite its limitations during the earlier ages, is likely to come one of the stylish options for investment by small investors.

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