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A Comparative Study on Performance of Selected Mutual Funds with reference to Indian Context

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***Abstract*: The research article is titled as comparative study on performance of selected mutual funds with reference to Indian context. The main objective of the study is to evaluate the performance of mutual funds and facilitate the retail investors in decision making. Data are taken from the NSE, BSE, money control and value research online data sources. The main tools used for the study are Simple Average Method, Standard Deviation, Ranking Method and Simple Comparative Analysis. The findings of the study revealed that TATA Balanced fund provided high average return than other categories of fund. Birla sun life cash plus and BNP Paribas Overnight fund has lowest standard deviation. According to Sharpe ratio BNP Paribas Overnight fund has shown good performance followed by Birla sun life cash plus and Reliance liquid fund. This study enabled the researcher to suggest the retail investor to invest their money in to the best fund.**

***Keywords*: Mutual Fund, Net Asset Value, Return, Net Asset Worth, Fund Performance, Risk, Investment.**

I. Introduction Mutual funds mobilize savings from a large number of investors and invest these funds in shares and other securities. The concept of mutual funds was conceived to pool resources of the small investors and deploys the same in the capital market through participation in the equity and other debt instrument. Mutual fund offer investors a diversified portfolio and also professional management at low cost. Over the past decade, mutual funds have increasingly become the investor's vehicle of choice for long-term investment. Indian economy as a whole undergoing complete reforms in terms of RBI's interest rate cut and regulating the bank transactions through Permanent Account Number besides the bad signs like volatile exchange prices, changes in oil prices. Due to all of the above reasons, financial market inadvertently facing slowdown. Obviously, mutual fund performances are subject to the market performance. In this given situation, this study aims to analyze and evaluate the performance of different categories mutual fund houses and also to find out which fund performs better than its peers in that particular category. The researcher concentrated on equity fund, balanced fund, liquid fund, index fund, gilt fund and income fund categories. The major private sector mutual funds include ICICI Prudential Mutual Fund, Birla Sun Life Mutual Fund, HDFC Mutual Fund, Tata Mutual Fund, Reliance Mutual Fund and BNP Paribas Mutual Fund to name a few.

1.1 Basic Concepts and Terms Asset Management Company An Asset Management Company (AMC) is a highly regulated organization that pools money from investors and invests the same in a portfolio. They charge a small management fee, which is normally 1.5 per cent of the total funds managed.

NAV Net Asset Value of the fund is the cumulative market value of the assets of the fund.NAV per unit is simply the net value of assets divided by the number of units outstanding.

Exit Load The non refundable fee paid to the Asset Management Company at the time of redemption/ transfer of units between schemes of mutual funds is termed as exit load. It is deducted from the NAV (selling price) at the time of such redemption/ transfer.

Redemption price and Re-purchasing Price Redemption price is the price received on selling units of open-ended scheme. If the fund does not levy an exit load, the redemption price will be same as the NAV. The redemption price will be lower than the NAV in case the fund levies an exit load. Repurchase price is the price at which a close-ended scheme repurchases its units. Repurchase can either be at NAV or can have an exit load.

Return. Return on a typical investment consists of two components. The basic is the periodic cash receipts (or income) on the investment, either of interest or dividends. The second component is the change in the price of the assets-commonly called the capital gain or loss.

Risk .Risk in holding securities is generally associated with the possibility that realized returns will be less than expected returns. The difference between the required rate of returns on mutual fund investment and the risk free return is the risk premium. Risk can be measured in terms of Beta & standard deviations.

1.2 Risks involved in investing in Mutual Funds .Mutual Funds do not provide assured returns. Their returns are linked to their performance. They invest in shares, debentures and deposits. All these investments involve an element of risk. The unit value may vary depending upon the performance of the company and companies may default in payment of interest/principal on their debentures/bonds/deposits. Besides this, the government may come up with new regulation which may affect a particular industry or class of industries. All these factors influence the performance of Mutual Funds.

1.3 Selection of Best Mutual Fund .Choice of any scheme would depend to a large extent on the investor preferences. For an investor willing to undertake risks, equity funds would be the most suitable as they offer the maximum returns. Debt funds are

suited for those investors who prefer regular income and safety. Gilt funds are best suited for the medium to long-term investors who are averse to risk. Balanced funds are ideal for medium to long-term investors who are willing to take moderate risks. Liquid funds are ideal for Corporate, institutional investors and business houses who invest their funds for very short periods. Tax Saving Funds are ideal for those investors who want to avail tax benefits.

II. Research Methodology ***3.1 Objectives of the Study***

- To do a comparative performance analysis of selected mutual fund schemes in various categories.
- To achieve a comprehensive understanding regarding the Indian mutual fund industry.
- To help the retail investors in decision making in selected categories' mutual fund schemes.

3.2 Sources of Data

Data are taken from the NSE, BSE, money control and value research online data sources.

3.3 Tools used for Analysis The major tools used for analysis are

- Simple Average Method and Standard Deviation Method
- Simple Comparative Analysis Method and Ranking Method

3.4 Limitations of the Study

- Selection of the schemes for the study is very difficult task because there are a wide variety of schemes in each selected category. So the study is restricted to the selected schemes of asset management companies.
- The results of the study is confined to the present scenario of the market, as the market in India are so unpredictable in nature and future aspects of the mutual funds may be very different from the study conducted.

IV. Analysis of Mutual Fund Performance

Mutual fund performance can be analyzed through performance measurement ratios which are used in portfolio analysis. The most commonly used composite measures are Treynor, Sharpe, and Jensen ratio to evaluate mutual funds and rank accordingly. Composite portfolio performance measures have the flexibility of combining risk and return performance into a single value. In this article, researcher used only Sharpe's Performance index to assess the Mutual fund performance in addition to the above mentioned tools.

1. Performance evaluation of large and midcap funds

Funds	year					Aver return	Std dev	Ranks	
	2018	2019	2020	2021	2022			Ave	std
Icici prudential	-5.93	5.89	11.24	39.25	13.52	12.794	19.8399	1	1
Hdfc L&M fund	-3.03	6.28	11.11	40.55	10.93	13.168	14.6226	2	3
Sbi L&M fund	-4.84	6.47	15	36.43	10.77	12.766	13.5542	3	4
Edewelss L&M capital	-2.94	11.19	16.84	34.79	4	12.776	12.8663	4	5

Above table shows that icici prudential rank first in standard deviation and rank 1st in aver. Hdfc L&M fund rank 2 in arve and rank 3 in standard deviation.sbi L&M fund rank 3rd and 4th rank in standard deviation. Edewelss L&M capital rank 4th in aver and 5th rank in standard deviation. Hdfc L&M fund is good for investors to invest.

2. Performance evaluation of midcap funds

Funds	year					Aver return	Std dev	Ranks	
	2018	2019	2020	2021	2022			Ave	std
Mirae asset midcap fund	-	12.48	23.49	45.33	6.53	17.566	252.36	2	1
Motilal oswal midcap fund	- 12.21	9.05	8.80	53.40	15.85	14.978	21.39	3	4
Pgim India midcap opportunity fund	- 15.14	2.20	47.48	60.57	2	19.302	29	1	2
Sbi magnum mid cap fund	- 18.03	-0.45	29.55	48.66	5.70	12.086	23.5	4	3

Above table shows that mirae asset midcap fund rank 2nd in average return and 1st in standard deviation. Motilal oswal midcap fund rank 3rd in average return and 4th rank in standard deviation. Pgim India midcap opportunity fund ranked 1st in average return and

ranked 2nd in standard deviation. Sbi magnum mid cap fund ranked 4th in average return and ranked 3rd in standard deviation. According to this pgim India midcap opportunity fund is best for investors.

1. Performance evaluation of large and midcap funds

Funds	year					Aver return	Std dev	Ranks		Sharpe ratio	Nav
	2018	2019	2020	2021	2022			Ave	std		
Icici prudential	-5.93	5.89	11.24	39.25	13.52	12.794	19.8399	1	1	0.77	597.87
Hdfc L&M fund	-3.03	6.28	11.11	40.55	10.93	13.168	14.6226	2	3	0.71	205.307
Sbi L&M fund	-4.84	6.47	15	36.43	10.77	12.766	13.5542	3	4	0.81	407.7821
Edewelss L&M capital	-2.94	11.19	16.84	34.79	4	12.776	12.8663	4	5	0.60	455.081

Funds	year					Aver return	Std dev	Ranks		Shrpe ratio	Nav
	2018	2019	2020	2021	2022			Ave	std		
Mirae asset midcap fund	-	12.48	23.49	45.33	6.53	17.566	252.36	2	1	0.91	22.136
Motilal oswal midcap fund	-12.21	9.05	8.80	53.40	15.85	14.978	21.39	3	4	0.88	52.905
Pgim India midcap opportunity fund	-15.14	2.20	47.48	60.57	2	19.302	29	1	2	1.28	45.34
Sbi magnum mid cap fund	-18.03	-0.45	29.55	48.66	5.70	12.086	23.5	4	3	1.04	149.0755

Above table shows that icici prudential is having highest nest asset value followed by Edewelss L&M capital second and Sbi L&M is 3rd.
According above table Pgim India midcap opportunity fund gives highest Sharpe ratio of 1.28 which show investor invest in this fund is recommended.

References.

Sarish, (2012) studied Mutual funds and the benefits of investing in mutual fund, its drawbacks. It explored the potential of mutual funds in India with all problems, complexities and variables, and suggesting the means and ways of meeting the challenges for developing the mutual funds in tandem with its potential of economic growth.

Bansal and Kumar,(2012) attempted to study the performance of selected mutual funds schemes based on risk-return relationship models, also compared with return on equity shares of different sectors of Indian economy. The analysis has been made on the basis of mean return, beta, Sharpe ratio,

Treynor ratio, and Jensen Alpha. The overall Analysis finds UTI schemes being best performers and others showing below average performance.

Bhaskar Biswas, (2012), investigated out performance and under performance of diversified funds, by studying the performance of some ten best and ten worst performing diversified equity mutual funds for the period from 2009 to 2012. Selected diversified equity funds have been analyzed through arithmetic mean return, risk analyzed by standard deviation, beta measures for market sensitivity, alpha measures the risk return relationship and Sharpe ratio measures the risk premium of portfolio.

Dhanda, Batra and Anjum, (2012) attempted to study a performance evaluation of selected open ended schemes in terms of risk and return relationship. Rate of return method, Beta, Standard Deviation, Sharpe and Treynor ratio has been used.BSE-30 has been used as a benchmark to study the performance of mutual funds in India. The findings of the study revealed that only three schemes have performed better.

Bansal, Garg and Saini, (2012), examined the performance of selected mutual fund schemes that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe & Treynor's ratio.