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A STUDT ON COMPARATIVE ANALYSIS OF MUTUAL FUNDS WITH REFERENCE TO SELECTED FUNDED SCHEMES.

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ASTRACT:
The Mutual fund industry is one of the rapidly growing industries in the stock exchange market where it attracts the investors with its diversification nature. In mutual funds, the investment is diversified within the various equities included in that fund. It controls the risk and distributes the moderate returns where investors can expect minimum returns from the fund. In this study 14 open-ended, growth-oriented funds are considered for the study. The data was collected for the period of 2014 to 2018 (Five years) where quarterly net asset values of the selected funds are collected to calculate the return and risk of those schemes and to compare the same with the benchmark index. In this study, BSE Sensex is considered as the benchmark index. The study revealed that all the schemes are outperformed the benchmark index when the scheme returns are compared with the Sensex returns. It indicates that the performance of the fund schemes is far better than the market returns. When it comes to the risk only one scheme had better risk rate than the market risk. It means the market had a lower risk when compared to all the schemes selected in this study. It indicates that the schemes are facing diversification problems where the selected equities of those schemes are not satisfying the diversification nature of the mutual funds.
KEYWORDS: Mutual Funds, Comparative Analysis, Scheme Returns, Market Returns, Portfolio Risk, Market Risk.

INTRODUCTION

Many of the financial instruments mutual funds is one of the most attractive financial investment instrument that plays a vital role in the economy of a country. Mutual fund schemes provide new opportunities for investors. Mutual fund Industry was started in India 1963 with the formation of Unit Trust of India. During the last few years many extraordinary and rapid changes have been observed in the Mutual fund industry. Therefore, due to the changed environment, it becomes important to study the mutual fund performance. The essential for estimating the performance of mutual fund schemes in India to see whether the mutual fund schemes are outperforming or underperforming than the benchmark and to see the competency of schemes to make excuse a strong case for investment, the present paper investigates the performance of open-ended, growth-oriented equity schemes. Open-ended mutual fund schemes are those which don't have a settled maturity, not listed in the stock exchange and these schemes offer new unit for sale and ready to buy any time.

Mutual funds are one of the investment alternatives playing a significant role in the investment techniques because of its diversification nature and minimum earnings. There are many investment alternatives such as bank deposits, insurance, shares, debentures, bonds, commodities, real estate and much more but mutual funds are one of the sources of investment, gaining rapid growth when compared to the other sources of investment alternatives.

This study evaluates the performance of the mutual funds on the basis of risk and return and comparing the same with BSE-Sensex. This study examines the 14 open-ended, growth-oriented equity fund schemes in India. Open-ended funds are that funds don't have any fixed maturity period. They offer the new unit of funds for sale and ready to buy at any period.

REVIEW OF LITERATURE

Dr. K. Veeraiah and Dr. A. Kishore Kumar (Jan 2014), conducted a research on Comparative Performance Analysis of Select Indian Mutual Fund Schemes. This study analyses the performance of Indian owned mutual funds and compares their performance. The performance of these funds was analysed using a five year NAVs and portfolio allocation. Findings of the study reveals that, mutual funds out perform naïve investment. Mutual funds as a medium-to-long term investment option are preferred as a suitable investment opportunity by investors.

Loomba (2011) evaluated the performance and growth of Indian mutual funds vis-a-vis the Indian equity market. Kruskal Wallis H-test was applied to know whether the returns significantly differ or not and the results indicated that the returns of schemes do not differ significantly.

Irwin, Brown, FE (1965) analysed issues linking to investment policy, portfolio turnover rate, performance of mutual funds and its impact on the stock markets. They acknowledged that mutual funds had a significant impact from the price movement in the stock market. They concluded that on an average, funds did not perform better than the composite markets and there was no continual relationship between portfolio turnover and fund performance.

OBJECTIVES OF THE STUDY

This paper consists of the following objectives:

1. To analyse the risk and return of the selected fund schemes and compare the same with BSE-Sensex.
2. Examine the schemes on the basis of its performance compared with the market index whether they are outperforming or underperforming the benchmark.
3. Examine the level of diversification of selected mutual fund schemes.

RESEARCH METHODOLOGY

Any research methodology is consisting of primary and secondary data. Primary data is the data collected directly by knowing the facts. Whereas secondary data is the alternative source collected from the third parties. This study is completely based on the secondary data where it includes the analysis of 14 growth oriented mutual fund schemes. The data was collected from www.mutualfundindia.com and www.moneycontrol.com and the data regarding BSE-Sensex was collected from www.bseindia.com.

HYPOTHESIS

H0 – there is no relationship between the performance of the mutual funds and market index.

H1 - there is a relationship between the performance of the mutual funds and market index.

DATA ANALYSIS

1. Returns, Risk, Beta and Coefficient of Determination of Selected Schemes:

Below tables represents the results of return, risk, beta and coefficient of determination of selected schemes. The same is compared with the benchmark index (BSE-Index).

SUMMARY OF RETURN, RISK AND BETA OF SELECTED SCHEMES
(MARCH 2019 TO MAR 2023)

SCHEMES	**SCHEME RETURNS**	**SCHEME RISK**	**BETA**
Reliance Top 200 fund	0.050033508	0.073684384	1.083216224
INVESCO India Dynamic Equity Fund	0.044608916	0.052514947	0.620169326
HDFC Growth Fund	0.041963196	0.07173268	1.075086007
SBI Blue Chip Fund	0.046403273	0.061230485	0.830665028
Sundaram Select Midcap	0.071801561	0.089662317	1.224780636
SBI Magnum Midcap Fund	0.072337991	0.085059785	1.016667445
IDFC Premier Equity Fund	0.055938639	0.076061662	0.987266732
Axis Midcap Fund	0.060205683	0.103812992	1.311620885
Reliance Banking Fund	0.05305121	0.11263255	1.29192975
ICICI Prudential B&F Services Fund	0.06620774	0.112558336	1.218377468
Taurus Banking & FS Fund	0.0419211	0.100875592	1.025190488
ABSL New Millennium	0.045552881	0.079748297	0.364271079
ICICI Prudential Technology Fund	0.051522321	0.097576419	0.314783521
Franklin India Technology Fund	0.03648788	0.07633024	0.366497792
Average	**0.05271685**	**0.08524862**	**0.909323027**
BSE-Sensex index (Benchmark)	**0.028698969**	**0.056531638**	**1**

INTERPRETATION: from the table 1, it is clear that 14 out of 14 schemes are outperformed the marketreturns. In this analysis, the average market return is 0.028. The minimum returns are from Franklin India Technology Fund (0.364) and highest returns are from SBI magnum midcap fund with 0.072 followed by Sundaram select midcap (0.071). 10 out of 14 schemes are having return

values more than 0.045. Thus, all the schemes are performing better when they are compared with the market returns with an average return of 0.0527 that of the selected schemes.
When it comes to the risk Reliance Banking Fund is having more risk with 0.112 and INVESCO India Dynamic Equity Fund is having less risk with 0.0525. The market risk is 0.056 where only one scheme outperformed the market risk i.e. INVESCO India Dynamic Equity Fund with 0.052. 13 out of 14 schemes are underperformed the market risk with an average scheme risk of 0.0852 where the risk factor is comparatively more.
In the context of beta, it is observed that 6 out of 14 funds having the beta value greater than 1 and 8 out of 14 schemes are having the beta value less than 1. Hence, these funds are having less risk category. Axis midcap fund has the highest beta value that of 1.311 followed by Sundaram select midcap fund (1.224) and ICICI Prudential banking and financial services fund (1.218). Thus, 8 schemes are having beta values more than one and 6 with less than one that means 6 schemes are performing well in managing the systematic risk.

2. Ratios of MF AUM as per cent of GDP and Net Mobilisation by MFs as per cent of Gross Domestic Savings:

At end-March 2022, there were 45 MF companies registered with the SEBI which managed an AUM of ₹21,360.4 billion. Of the total AUM, 83 per cent was held by private sector MFs and 17 per cent by public sector MFs. The ratios of AUM of MFs to GDP and net mobilisation by MFs to gross domestic savings have increased significantly over the years

Year	MF AUM % of GDP	Net Mobilisation by MFs as % of Gross Savings
2016-17	6.7	-0.7
2017-18	7.1	2.3
2018-19	7.3	1.5
2019-20	8.7	2.6
2020-21	9.0	3.1
2021-22	11.5	7.5
2022-23	12.7	-

INTERPRETATION:

This remarkable transformation has greatly facilitated shifts in household saving patterns. Indian households, which contributed 54.0 per cent of the gross savings of the economy in 2018-19, have historically been risk-averse, preferring investments in physical assets and gold. However, this pattern is slowly changing in the backwash of demonetisation in November 2019 and shifts towards MFs have become large. With increasing development of the financial sector, the household sector's savings in physical assets and gold & silver ornaments taken together declined significantly from 60 per cent in 2016-17 to 51 per cent in 2017-18.

3. CRISIL - AMFI Mutual Fund Performance Index

CRISIL - AMFI Mutual Fund Performance Index (Yearly returns)								
(Per cent)								
Year	**Equity Fund**	**ELSS Fund**	**Debt Fund**	**Income Fund**	**Money Market Fund**	**Liquid Fund**	**Balanced Fund**	**Hybrid Fund**
2016-17	21.1	24.0	5.6	3.3	9.4	9.4	18.5	13.2
2017-18	43.8	46.5	12.5	14.8	9.0	9.0	37.2	31.1
2018-19	-6.7	-7.7	7.1	5.5	8.3	8.2	-2.6	-1.3
2019-20	25.9	24.3	10.2	11.0	7.6	7.2	22.1	20.8
2020-21	10.6	10.9	6.0	4.2	6.7	6.7	8.9	8.5
CAGR (2016-17 to 2020-21)	17.7	18.2	8.2	7.7	8.2	8.1	16.1	13.9
ELSS: Equity Linked Savings Scheme. Source: CRISIL.								

INTERPRETATION:

The bank deposit rates on 1-3 years declined by 250 basis points from 9.25 per cent in 2016-17 to 6.75 per cent in 2020-21. Similarly, interest rates on post office monthly regularly scheme and NSC VIII issue declined by 80 basis points and 60 basis points, respectively, during the same period. On the other hand, the CRISIL - AMFI Mutual Fund Performance Indices, which track the performance of various MFs adjusted for corporate actions, show that the returns on broader schemes over the last five years are higher than other financial instruments.

FINDINGS

From this analysis, schemes are outperformed the benchmark returns. It shows the profitability of the mutual fund schemes. The highest returns are from SBI magnum midcap fund and the minimum returns are from Franklin India Technology Fund. When it comes to the risk, Reliance Banking Fund is having more risk and INVESCO India Dynamic Equity Fund is having less risk. Hence, these funds are having less risk category. HDFC growth fund is having a higher coefficient of determination and ICICI prudential technology fund is having a lesser coefficient of determination. Higher coefficient of determination indicates that these schemes are performing well in diversification.

The bank deposit rates on 1-3 years declined by 250 basis points from 9.25 per cent in 2016-17 to 6.75 per cent in 2018-19. With increasing development of the financial sector, the household sector's savings in physical assets and gold & silver ornaments taken together declined significantly from 60 per cent in 2016-17 to 51 per cent in 2021-22.

CONCLUSION

From this study, we can conclude that some schemes may have higher returns and some with higher risk. Whatever the combination, investors always look for the combination of maximum returns and minimum risk. Along with this, it is important to examine the coefficient of determination of those schemes. It indicates how well the investment in that fund is diversified among the various equities where the better coefficient of determination will maximize the returns and minimizes the risk. It can be concluded that returns are not the only factor to examine at the time of investment where an investor needs to analyse all the factors affecting the fund's performance for better results.

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