An Evaluation on the Performance of Top Mutual Fund Companies in India - A Comparative Study

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INTRODUCTION:

An investor makes an investment after studying various conditions prevailing in the market, and he expects a long term growth for all the investments he made. The financial resources raised from these investments are used as capital for various developmental purposes. Capital formation is very important for development of country. The savings, financing and investments are the three main process of capital formation. The investments are made by analyzing various factors like risk and return involved. There are number of investment avenues available for general public and among them most widely adopted and preferred concept for investment is mutual funds. Mutual Funds thus assist the process of financial deepening and intermediation. They on one hand, mobilize funds in the savings market. On the other hand at the same time they also compete with the banks and other financial institutions. The stock market activities are also significantly influenced by mutual funds. Mutual funds are professionally managed investment schemes. Simply it refers to the fund that are raised and invested mutually. Mutual funds are controlled by asset management companies, which collect fund from a group of investors, and invest these funds in bonds, stocks, and securities. When you purchase a unit of mutual fund, these units denote holding of your schemes. The investors can purchase or even redeem a mutual fund at a prevailing net asset value. While making investment in mutual funds the investors have to make decision about the kind of asset class in which they want to invest. The asset class refers to debt, equity, and hybrid…etc. The purpose of this research is to study the performance of top five mutual funds in India, on the basis of relative performance index, and risk return analysis. This study is covering only open-ended schemes of selected AMCs and their performance for last five years.

LITERATURE REVIEW:

ArchanaGoel and Laveena (2013)conducted a study andthey compared the performance of HDFC schemes with Birla Sun Life & ICICI mutual fund schemes. They have compared these schemes by consideringits daily returns. The results showed that HDFC Infrastructure Fund, short term plan, and long term gilt fund are more proficient than the other one. But the Birla Sun Life tax relief fund and index fund are outstanding than HDFC & ICICI.Meenakshi Garg (2014) evaluated the performance of selected mutual funds in India. This study is confined to three aspects namely financial, investing public, and regulatory body.Dr.Smita Shukla and Rakesh Malusare (2007)studied various mutual fund schemes making investment in overseas securities. They categorize overseas mutual fund schemes on the basis of their investment portfolio. This study compares the return on overseas mutual fund schemes in comparison to similar portfolio schemes and return on them generated in US and China. And also the study compares the return of mutual fund schemes investing abroad with average returns generated in similar broad portfolio schemes in India.Gupta Amitabh (2001)hasanalyzedthe performance of seventy three selected mutual funds taken from both public and private sector. All these funds have different investment objectives. They found that sample schemes were not adequately diversified, risk and return of schemes were not in conformity with their objectives, and there was no evidence of market timing abilities of mutual fund industry in India.Vikas K (2011)hasanalyzedfive Asset Management Companies' twenty open-ended schemes. The period of study was from January 2000 to January 2009. He identified that, only five schemes are able to express good results, because they have low risk and high returns as compared to benchmark index.Sandeep (2012)this study was conducted fromMay 2005 to April 2009.The objective of this study was to know which scheme is performing well. He examined the performance of twelve mutual fund schemes for this purpose. He concluded that UTI bond fund (dividend),HDFC liquid –

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fund (growth) and L&T liquid fund did not expressed negative Sharpe index in comparison to others. Some funds are more speculative than market portfolio; they areBirla Sun Life Basic Index fund, Reliance growth fund and Morgan Stanley Growth Fund.

Rupneet K (2014) in this study twenty threeIndian open-ended schemes (debt) has been compared. Fama’s model has been usedto evaluate the income of these schemes. The result showed that bench mark index has performed well as compared to the selected schemes. Market is more volatile than these selected schemes. The reason may be due to the selection oflow market valuestocks.

Poonam L (2013)has examined five growth schemes each from private and public sector mutual funds. This study was conducted from 1st March 2011 to 29th February 2012. The objective of this study was to know the performance of growth funds. The result showed that the monthly returns in average, both in public and private funds, are alike.

Qamruzzaman (2014)hasanalyzed thirty twogrowth oriented mutual funds in Bangladesh. He compared the monthly returns of these selected funds with benchmark returns. He concluded that only a small number of mutual funds were performed well as compared to market returns.

SIGNIFICANCE OF THE STUDY:

The investors, who have not that much knowledge about the stock market, can make investments through mutual funds. It is widely believed that the mutual fund is a retail product designed for small investors, salaried people and others, who are intimidated by the stock market. This paper tries to know the best mutual fund scheme for investors, on the basis of 5 year performance of open-ended schemes of selected AMCs and risk return analysis. More over this study helps to create awareness about mutual funds among the general public.

SCOPE OF THE STUDY:

This research paper will be beneficial for retail investors, as it compare the mutual fund schemes of top five asset management companies. The scope of the study on mutual fund is wide, but this study covers only top 5 asset management companies in India, and considers only the open-ended schemes which consist of equity, debt, money market/liquid schemes and balanced schemes. This study covers only 20 mutual fund schemes; under these open-ended schemes of selected asset management companies and their performance for last five years are analyzed.

STATEMENT OF PROBLEM:

There are number of investment avenues, presently the most widely adopted and preferred investment avenue is mutual funds. There are various kinds of mutual fund scheme which may differ from each other on the basis of risk, return, flexibility and other benefits. It may put investors in confusion and they find difficulty in selecting investment schemes. To make better investment decision, the investors must consider various factors. Therefore this study aims to find good performing mutual fund schemes in India and also to create awareness about the mutual fund schemes available, to the general public.

OBJECTIVE OF THE STUDY:

- To evaluate and compare the performance of selected mutual funds for the last 5 years.
- To examine the movements in terms of augmentationof selected mutual funds in India.
- To examine the funds sensitivity to the market fluctuations in terms of beta.
- To evaluate and compare the risk adjusted performance of selected mutual funds.

RESEARCH METHODOLOGY:

Secondary data have been used to complete this research work. From the data collected only the necessary ones are taken for this study. Top five asset management companies is selected as per AUM as on 2nd January, 2018 from the website www.moneycontrol.com. 5 debt schemes, 5 equity schemes, 5 money market/liquid schemes and 5 balanced schemes of top 5 AMCs is selected on the basis of CRISIL ranking. The daily data about the closing net asset value of selected schemes has collected from the website www.amfiindia.com. The quarterly returns of selected schemes are collected from the website www.moneycontrol.com. Betafactor is calculated by taking the base rate as 91 days Treasury bill rate. The bench mark index for this study is BSE SENSEX. The performance of mutual funds has been evaluated by considering different aspects. The period of this studyconsists from January 2013 to December 2017.

METHOD OF DATA ANALYSIS AND INTERPRETATION:

SHARPE RATIO:

It is the ratio of the reward or risk premium to the variability of return or risk as measured by the standard deviation of return. The formula for calculating Sharpe ratio may be stated as:

❖ **Sharpe ratio= (RP –RF) / SP**

Where:

RP = Realised return on the portfolio

RF = Risk free rate of return

SP = Standard Deviation of portfolio return.

The Sharpe Ratio indicates that the fund generates certain percentage points above the risk-free return for each percentage point of standard deviation. The Sharpe ratio can also help to explain whether a portfolio's excess return are due to smart investment decisions or as a result of too much risk. The greater a portfolio's Sharpe ratio, the better its risk adjusted performance. A negative Sharpe ratio indicates that a risk-less asset would perform better than the security being analyzed.

BETA :

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta of one means the volatility of the fund and the market are aligned.

- Beta < 1 (less than one) – means the funds return are less volatile compared to the broader market.
- Beta > 1 (greater than one) – means that the fund's returns are more volatile relative to the broader market

Beta = covariance (RP, RB) / variance (RB)

Where:

RP = portfolio return

RB = bench mark return

Beta is calculated using regression analysis. It represent the tendency of a security's returns to respond to swings in the market.

SORTINO RATIO:

It measures the risk-adjusted return of an investment asset, portfolio, or strategy. It is a modification of Sharpe ratio but penalizes only those returns falling below a user specified target or required rate of return, while the Sharpe ratio penalizes both upside and downside volatility equally.

Sortino ratio = (RP – RF) / Down side deviation

Where:

RP = Portfolio return

RF = Risk free return

Down side deviation = Standard deviation of negative asset returns.

The Sortino ratio is used as a way to compare the risk-adjusted performance of programs with differing risk and return profiles. In general, risk-adjusted return seeks to normalize the risk across programs and then see which has the higher return unit per risk. Just like the Sharpe ratio, a higher Sortino ratio is better.

LIMITATIONS OF THE STUDY:

- The data used for analysis is limited to the information available in the website only.
- The study restricted to 20 open-ended schemes of selected 5 AMCs.
- The tools used in this study have some limitations, which may have impact on the results.
- The study restricted to last five year performance of selected schemes of top five AMCs.

DATA ANALYSIS AND INTERPRETATION:

ANALYSIS OF DEBT SCHEMES

		2013	2014	2015	2016	2017
ICICI prudential MIP 25(G)	RETURN	1.075	5.075	1.325	2.25	2.85
	BETA	.018546	.227681	.964437	1.965436	.054484
	SHARPE RATIO	-2.356	-1.559	-3.156	-1.89	-3.455
	SORTINO RATIO	-2.5797	-3.465	-2.1264	-1.8911	-3.8975
HDFC MID-CAP opportunities fund(G)	RETURN	1.7	2.6	1.975	2.425	1.475
	BETA	.017129	.341189	.915342	1.970906	.062230
	SHARPE RATIO	-5.246	-17.89	-17.68	-7.422	-7.511
	SORTINO RATIO	-3.0952	-5.94	-5.7825	-4.75	-5.2725
Reliance corporate bond- DP(G)	RETURN	00	3.2	2.225	2.725	1.8
	BETA	00	.390228	.886500	1.895019	.060508
	SHARPE RATIO	00	-5.93	-8.369	-4.573	-6.997
	SORTINO RATIO	00	-5.34	-5.5325	-4.45	-4.9475
ABSL FRF-LTP- Direct (G)	RETURN	2.175	2.325	2.175	2.25	1.65
	BETA	.015642	.353139	.864018	2.014938	.061299
	SHARPE RATIO	-29.39	-41.99	-31.19	-13.06	-19.61
	SORTINO RATIO	-6.025	-6.215	-5.5825	-4.925	-5.0975
SBI Dynamic bond fund (G)	RETURN	.75	3.05	1.4	3.35	.95
	BETA	.0200190	.319986	.976912	1.727158	.065883
	SHARPE RATIO	-2.409	-2.729	-2.765	-4.734	-3.676
	SORTINO RATIO	-1.4752	-5.49	-2.8179	-3.825	-2.8280

Table 1: Analysis of Debt Schemes of Top 5 AMC"s in India

INTERPRETATION:

The debt schemes performance for last five year's shows the ICICI prudential MIP 25(G) gives higher return of 5.075 in the year 2014, and the SBI dynamic bond fund (G) has a least return of .75 in the year 2013 compare to other schemes. None of the schemes have increasing trend for last five years. The beta factor of selected debt schemes for the last five years shows a value more than one in the year 2016 that means funds are more volatile in the year 2016. And in the remaining years all schemes have a value less than one. During that years the selected debt schemes are less volatile compare to the broader market. The Sharpe ratio of selected debt schemes shows negative results for last five years. The ICICI prudential MIP 25(G) has comparatively better performance and the ABSL FRF-LTP- Direct(G) has a high negative result for all the years . A negative Sharpe ratio indicates that a risk-less asset would perform better than the security being analyzed. The Sortino ratio of selected debt schemes shows negative result for last five years. The sortino ratio penalizes only those returns falling below a user specified target or required rate of return. ABSL FRF–LTP – Direct (G) has comparatively poor performance than the other schemes and the ICICI Prudential MIP 25(G) has better performance for last five years except 2013.

ANALYSIS OF MONEY MARKET/LIQUID SCHEMES

		2013	2014	2015	2016	2017
ICICI prudential MIP 25(G)	RETURN	2.2	2.15	2	1.825	1.575
	BETA	.015896	.360852	.920194	2.138536	.061697
	SHARPE	-37.975	-127.8	-81.092	-36.149	-120.291

	RATIO					
	SORTINO RATIO	-6	-6.39	-5.7575	-5.35	-5.1725
HDFC MID-CAP opportunities fund(G)	RETURN	2.175	2.15	1.95	1.775	1.525
	BETA	.0159597	.361961	.922624	2.144242	.061697
	SHARPE RATIO	-40.709	-127.8	-51.853	-41.538	-121.453
	SORTINO RATIO	-6.025	-6.39	-5.8075	-5.4	-5.225
Reliance corporate bond- DP(G)	RETURN	2.2	2.15	2	1.825	1.6
	BETA	.0158959	.360852	.917766	2.132839	.061697
	SHARPE RATIO	-37.975	-127.8	-81.092	-36.149	-5.1475
	SORTINO RATIO	-6	-6.39	-5.7575	-5.35	-5.1475
ABSL FRF-LTP- Direct (G)	RETURN	2.175	2.225	2	1.825	1.6
	BETA	.0158959	.359745	.917766	2.127149	.061565
	SHARPE RATIO	-40.709	-146.860	-81.092	-36.149	-5.1475
	SORTINO RATIO	-6.025	-6.315	-5.7575	-5.35	-5.1475
SBI Dynamic bond fund (G)	RETURN	2.2	2.175	2.025	1.85	1.6
	BETA	.0159597	.360852	.917766	2.132839	.061565
	SHARPE RATIO	-28.302	-148.023	-69.066	-47.545	-5.1475
	SORTINO RATIO	-6	-6.365	-5.7325	-5.325	-5.1475

Table 2: Analysis of Money market/Liquid Schemes of Top 5 AMC"s in India

INTERPRETATION:

The money market/liquid schemes performance for last five years shows the five schemes give quite similar return in the years 2013,2014,2015,2016, and 2017. The scheme HDFC CMF-saving plan-direct (G) has lower returns in several years compare to other schemes. The beta factor of selected money market/liquid schemes for the last five year shows a value more than one in the year 2016 that means funds are more volatile in the year 2016. And in the remaining years all schemes have a value less than one. The scheme HDFC CMF-Saving plan-direct (G) has comparatively more value in the year 2016. In the year 2013 all the schemes have low beta value compare to all other years.The Sharpe ratio of selected liquid schemes shows a negative result for last five years. That means the risk-free security is performing better than the security being analyzed. All the schemes showing high negative result in the year 2014. In the year 2017 the ICICI pru liquid plan (G) and HDFC CMF-saving plan-direct (G) have high negative result compare to other three schemes. Reliance liquidity-direct (G), ABSL-cash plus direct (G), SBI Magnum insta cash direct (G) have comparatively lower return in the year 2017. The Sortino ratios of selected money market/liquid schemes have negative result for last five years. Comparatively the ICICI Pru liquid plan has shown a better performance and the SBI Magnum insta cash direct (G) has shown a poor performance for last five years.

ANALYSIS OF EQUITY SCHEMES

		2013	**2014**	**2015**	**2016**	**2017**
ICICI prudential MIP 25(G)	RETURN	1.95	9.125	-0.2	1.625	7.15
	BETA	0.016088	0.088427	1.114068	2.093167	0.030859
	SHARPE	-1.103	.128	-2.771	-0.900	0.125

	RATIO					
	SORTINO RATIO	-0.8065	0.585	-2.6164	-0.9334	.0425
HDFC MID-CAP opportunities fund(G)	RETURN	1.325	11.15	1.2	0.95	12.05
	BETA	0.017729	0.039121	0.949575	2.224918	0.0102168
	SHARPE RATIO	-0.930	0.731	-2.136	-0.713	0.747
	SORTINO RATIO	-1.0313	2.16	-2.9081	-0.7154	5.3025
Reliance corporate bond- DP(G)	RETURN	3.45	18.975	2.775	1	12.575
	BETA	0.014647	0.046342	0.762425	2.242398	0.009113
	SHARPE RATIO	-0.258	.764	-0.982	-6.25	0.749
	SORTINO RATIO	-0.4021	10.435	-1.1195	-0.5977	5.8277
ABSL FRF-LTP- Direct (G)	RETURN	1.125	13.975	2.65	2.05	11.575
	BETA	0.019663	0.0041086	0.798214	2.020477	.0127937
	SHARPE RATIO	-0.620	.495	-1.668	-0.457	0.655
	SORTINO RATIO	-0.7118	5.435	-1.2018	-0.4629	4.8275
SBI Dynamic bond fund (G)	RETURN	1.25	10.3	1.6	1.075	6.55
	BETA	0.017797	0.057255	0.905677	2.242399	0.0333504
	SHARPE RATIO	-1.20	0.402	-1.511	-0.892	-0.049
	SORTINO RATIO	-1.5571	1.76	-1.6642	-0.8467	-0.1975

Table 3: Analysis of Equity Schemes of Top 5 AMC‟s in India

INTERPRETATION:

The equity schemes performance for last five years shows the Reliance small cap fund-direct (G) has higher return of 18.975 in the year 2014, and the scheme ICICI Pru focused .Blue-direct (G) has negative return of -0.2 in the year 2015. The scheme of Reliance has higher return in 2013, 2014, 2015 and 2017 compare to other schemes. The beta factor of selected equity schemes for the last five years shows a value more than one in the year 2016. The volatility of each schemes were comparatively higher in this period. The beta is very low in 2013 & 2017. And in 2015 the ICICI Pru focused blue-direct (G) has a value more than one compare to other schemes.The Sharpe ratio of selected equity schemes shows both positive and negative results for last five years. In the years 2014 & 2017 the equity schemes have a positive ratio, which means equity schemes under study performed better than the risk-free securities. The HDFC Small cap-direct (G) and Reliance small cap-direct (G) shows comparatively better performance in these years. The ICICI pru focused Blue direct (G) has high negative ratio in the year 2015. The Sortino ratios of selected equity schemes have both positive and negative results for last five years. In the years 2014 and 2017, the schemes have performed better than the risk-free securities. But the SBI Blue chip fund direct (G) has negative result in the year 2017. The Reliance small cap-direct(G) has performed well compare to other schemes and the HDFC Small cap fund-direct (G) has a poor result in the year 2015.

ANALYSIS OF BALANCED SCHEMES

		2013	2014	2015	2016	2017
ICICI prudential MIP 25(G)	RETURN	2.175	9.8	0.125	2.7	5.375
	BETA	0.015265	0.071256	1.084861	1.825887	0.040536
	SHARPE RATIO	-1.121	0.268	-2.493	-0.950	-0.255

	SORTINO RATIO	-1.4499	1.26	-4.9941	-0.8621	-1.3725
HDFC MID-CAP opportunities fund(G)	RETURN	1.875	11.05	1.9	2.15	5.65
	BETA	0.016345	0.041716	1.030179	1.981869	0.036039
	SHARPE RATIO	-0.775	0.375	-6.109	-0.999	-0.288
	SORTINO RATIO	-1.2381	2.51	-6.3194	-0.9939	-0.1876
Reliance corporate bond- DP(G)	RETURN	0.475	9.55	1.8	.95	6.625
	BETA	0.020091	0.077287	0.900863	2.265814	0.033448
	SHARPE RATIO	-0.958	0.181	-3.124	-1.194	-0.047
	SORTINO RATIO	-1.1194	1.01	-2.8369	-1.1944	-0.1255
ABSL FRF-LTP- Direct (G)	RETURN	1.025	10.6	0.6	1.975	5.85
	BETA	0.0186149	0.049999	1.027611	2.020477	2.318942
	SHARPE RATIO	-1.325	0.397	-3.882	-0.884	-0.296
	SORTINO RATIO	-1.4817	2.06	-3.8817	-0.8767	-0.8975
SBI Dynamic bond fund (G)	RETURN	2.075	9.475	1.5	0.775	6.3
	BETA	0.015579	0.077800	0.934827	2.318942	0.035836
	SHARPE RATIO	-0.853	0.231	-2.658	-1.367	-0.182
	SORTINO RATIO	-1.0117	.935	-2.7181	-1.4262	-0.4475

Table 4: Analysis of Balanced Schemes of Top 5 AMC"s in India

INTERPRETATION:

The balanced schemes performance for last five years shows the HDFC balanced fund direct (G) has higher return of 11.05 in the year 2014, and the ICICI Pru balanced fund (G) has comparatively least return of 0.125 in the year 2015. The beta factor of selected balanced schemes for the last five year shows a value more than one in the year 2016 that means funds are more volatile in the year 2016. In the year 2015 ABSL bal.95 fund-direct (G) and HDFC balanced fund-direct (G) have beta value approximately equal to one, which means the volatility of the fund and the market are aligned. The schemes have very low beta value in the year 2013.The Sharpe ratio of selected balanced schemes shows negative results for all the last five years except 2014. The schemes have high negative ratio in the year 2015, and comparatively the HDFC Balanced fund-direct (G) shows poor performance in this year. In the year 2014 all the schemes have positive ratio, among them the HDFC Balanced fund-direct (G) and ABSL Bal.95 fund-direct (G) have comparatively better performance. The balanced schemes performed better than the risk-free securities in the year 2014.The Sortino ratios of selected balanced schemes have shown a poor performance in last five years except for the year 2014. The HDFC balanced fund-direct (G) has comparatively better performance in the year 2014 and the same scheme has high negative result in the year 2015, compare to other schemes.

CONCLUSION

The mutual funds have a crucial role in an economy by mobilizing savings and investing them in the capital market. There are various kinds of mutual fund schemes which may differ from each other on the basis of risk, return, flexibility and other benefits. It may put investors in confusion and they find difficulty in selecting investment schemes. To make better investment decision the investor must consider various factors. While investing in mutual funds the investor have to make decision about the AMCs and the kind of asset classes in which he/she want to invest. This study concentrates on top five AMCs in India which considers twenty selected open-ended schemes. The researchers believe that the outcome of this study will help the general public to get awarenessabout the mutual fund schemes available to them.The open-ended schemes consist of debt, money market/liquid, equity and balanced schemes. Among these the equity schemes are high risky and the debt schemes are of low risky. While comparing the return the researchers found that the high risky schemes are providing high return to investors.

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