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## CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<b>A FACTOR ANALYSIS ON PRODUCT ATTRIBUTES FOR CONSUMER BUYING BEHAVIOR OF MALE COSMETICS IN NAGPUR CITY</b> <i>DR. N. M. KULKARNI &amp; SAKET BANSOD</i>	1
2.	<b>CROSS BORDER MERGERS &amp; ACQUISITIONS AND ITS EFFECT ON SHAREHOLDERS WEALTH IN INDIA</b> <i>JAYANT KALGHATGI &amp; DR. RAVINDRANATH.V.BADI</i>	5
3.	<b>CONSUMER BEHAVIOR TOWARDS CELEBRITY ENDORSEMENT OF PRODUCTS AND SERVICES</b> <i>DR. D. S. CHAUBEY, K. R. SUBRAMANIAN &amp; SHYAM SUNDER SAINI</i>	10
4.	<b>ASSESSMENT OF CONSUMER BUYING BEHAVIOUR TOWARDS ELECTRIC SCOOTERS IN PUNJAB</b> <i>PRANAV RANJAN, DR. YUVRAJ BHATNAGAR &amp; RAZIA SEHDEV</i>	17
5.	<b>CRITICAL STUDIES OF RISK AND RETURN ON MUTUAL FUNDS</b> <i>DR. BHUPENDRA SINGH HADA</i>	24
6.	<b>FACTOR ANALYSIS OF JOB STRESSORS IN BANKS</b> <i>VISHAL SAMARTHA, DR. VIDYAVATHI, DR. MUSTIARY BEGUM &amp; LOKESH</i>	31
7.	<b>CONSUMER PERCEPTION OF RETAIL OUTLETS IN LUCKNOW: A CASE STUDY</b> <i>DR. AMARENDRA PRATAP SINGH</i>	36
8.	<b>NEGATIVE WORKING CAPITAL AND PROFITABILITY: AN EMPIRICAL ANALYSIS OF INDIAN CEMENT COMPANIES</b> <i>DR. ASHOK KUMAR PANIGRAHI</i>	41
9.	<b>A STUDY ON IMPLEMENTATION STEPS IN CRM AT PRIVATE BANKS</b> <i>N. RAJASEKARAN &amp; DR. T. VANNIARAJAN</i>	46
10.	<b>IMPACT OF COMMON FACILITIES PROVIDED BY INDUSTRIAL ESTATE AUTHORITY ON ENTREPRENEURS: A STUDY ON INDUSTRIAL ESTATES OF BSCIC INDUSTRIAL ESTATES OF SYLHET DIVISION</b> <i>ABDUL LATIF &amp; AYSA YEASMIN</i>	50
11.	<b>ROLE OF CROSS BORDER TRADE TOWARDS RURAL DEVELOPMENT: EMPIRICAL EVIDENCES FROM BLEETING TRADE POINT IN TAWANG, ARUNACHAL PRADESH</b> <i>SRI. TAO ABO, SRI. TENZIN GOMBU &amp; DR. PHILIP MODY</i>	54
12.	<b>MAKING PERFORMANCE MANAGEMENT WORK</b> <i>R. G. RATNAWAT &amp; DR. P. C. JHA</i>	58
13.	<b>MANAGEMENT OF FLOATING CAPITAL IN BANKING SECTOR: A CASE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA</b> <i>PRAMOD BHARGAVA &amp; REETA</i>	61
14.	<b>FDI IN RETAIL SECTOR: CONSEQUENCES OVERLOOKED</b> <i>NEHA CHAHAL</i>	65
15.	<b>IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN RETAIL BANKS: A COMPARATIVE STUDY BETWEEN PUBLIC, PRIVATE AND COOPERATIVE SECTOR BANKS</b> <i>IYER SEETHALAKSHMI BALAKRISHNAN</i>	69
16.	<b>DRIP MARKETING: SLOW AND STEADY WINS THE CUSTOMERS</b> <i>S. KALPANA</i>	74
17.	<b>CUSTOMER'S SATISFACTION IN ATM SERVICE: AN EMPIRICAL STUDY OF BANKS IN CHANDIGARH</b> <i>MANPREET KAUR</i>	78
18.	<b>VALUE CREATION IN INDIAN ENTERPRISES: AN EMPIRICAL ANALYSIS WITH SPECIAL REFERENCE TO IT, TELECOM AND FMCG SECTOR</b> <i>LAKHWINDER KAUR DHILLON</i>	82
19.	<b>EMPLOYMENT CONDITIONS AND EMPLOYMENT RISKS AMONG STREET VENDORS IN MADURAI CITY</b> <i>DR. WELL HAOREI</i>	85
20.	<b>HUMAN RESOURCE (HR) PRACTICES: AN EVALUATION OF SOME SELECTED REAL ESTATE ORGANIZATIONS IN BANGLADESH</b> <i>ABU MD. ABDULLAH, MAKSUDA HOSSAIN &amp; MD. ABDUR RASHID</i>	89
21.	<b>A STUDY ON VOLATILITY OF SHARES IN BANKING SECTOR</b> <i>G.B.SABARI RAJAN &amp; R.MURALI</i>	94
22.	<b>ROLE OF LOCAL FOOD IN TOURISM IN JAMMU: A CASE STUDY OF KATRA (J&amp;K)</b> <i>SANJAY JAMWAL</i>	101
23.	<b>EMPIRICAL RELATIONSHIP BETWEEN CAPITAL BASE AND EARNINGS PERSHARE OF MONEY DEPOSIT BANKS IN NIGERIA: A COMPARATIVE STUDY</b> <i>DR. OLAGUNJU ADEBAYO</i>	106
24.	<b>THE IMPACT OF COMMERCIAL BANKS ACTIVITIES ON INTERNATIONAL TRADE FINANCING: EVIDENCE FROM NIGERIA</b> <i>SAMUEL, IYIOLA KEHINDE OLUWATOYIN &amp; UMOGBAI, MONICA E.</i>	113
25.	<b>COMPARATIVE STUDY ON THE MICROFINANCE PERFORMANCE OF MALE OWNED AGAINST FEMALE OWNED SMALL AND MICRO ENTERPRISES IN BAHIR DAR CITY, ETHIOPIA</b> <i>ADERAW GASHAYIE AYALIEW</i>	119
26.	<b>A BRIEF REVIEW OF SELECTED LITERATURE ON SME EXPORT PERFORMANCE</b> <i>DR. ABUBAKAR SAMBO JUNaidu</i>	122
27.	<b>TOURISM MARKETING: A STUDY TO OVERCOME CHALLENGES OF TOURISM IN BANGLADESH</b> <i>ABU ZAFAR AHMED MUKUL, ABDULLAH ISHAK KHAN &amp; MOHAMMAD TANJIMUL ISLAM</i>	126
28.	<b>DEVELOPMENT OF LOYALTY PROGRAMS: AN INTEGRAL TOOL IN THE MARKETING PROCESS</b> <i>ANURAG KANSAL</i>	133
29.	<b>MANAGEMENT OF WORKING CAPITAL</b> <i>ASHA SINGH</i>	139
30.	<b>GREEN MARKETING: A TOOL FOR SUSTAINABLE DEVELOPMENT</b> <i>HARI LAL BHASKAR</i>	142
	<b>REQUEST FOR FEEDBACK</b>	146

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**CRITICAL STUDIES OF RISK AND RETURN ON MUTUAL FUNDS****DR. BHUPENDRA SINGH HADA****HEAD****DEPARTMENT OF MANAGEMENT****INDRAPRASTHA COLLEGE OF MANAGEMENT & TECHNOLOGY****ALANIYA****ABSTRACT**

*Mutual fund industry in India has emerged as the most dynamic segment of the Indian financial system. The industry grew by leaps and bounds during the last five years. With the plethora of schemes available for the investors to choose, it become essential for a retail investor to know the performance of the mutual funds in order to make informed decision. In this paper, we have carried out the performance evaluation of open-ended equity sector mutual funds using three approaches of performance measures viz. Sharpe ratio, Treynor ratio, Jensen's measure. The Mutual funds scheme are selected for the purpose of the study are UTI mutual fund, SBI mutual funds, ICICI mutual funds, Reliance mutual funds, Franklin Templeton mutual funds, HDFC mutual funds. All the schemes are selected were existing during the period of the study. The period for the study is from 1<sup>st</sup> April.2007 to 31 march 2012*

**KEYWORDS**

risk and return, mutual fund.

**1. INTRODUCTION**

Mutual Funds over the years have gained immensely in their popularity. Apart from the many advantages that investing in mutual funds provide like diversification, professional management, the ease of investment process has proved to be a major enabling factor. However, with the introduction of innovative products, the world of mutual funds nowadays has a lot to offer to its investors. With the introduction of diverse options, investors needs to choose a mutual fund that meets his risk acceptance and his risk capacity levels and has similar investment objectives as the investor.

With the plethora of schemes available in the Indian markets, an investors needs to evaluate and consider various factors before making an investment decision. Since not everyone has the time or inclination to invest and do the analysis himself, the job is best left to a professional. Since Indian economy is no more a closed market, and has started integrating with the world markets, external factors which are complex in nature affect us too. Factors such as an increase in short-term US interest rates, the hike in crude prices, or any major happening in Asian market have a deep impact on the Indian stock market. Although it is not possible for an individual investor to understand Indian companies and investing in such an environment, the process can become fairly time consuming. Mutual funds (whose fund managers are paid to understand these issues and whose Asset Management Company invests in research) provide an option of investing without getting lost in the complexities.

Most importantly, mutual funds provide risk diversification: diversification of a portfolio is amongst the primary tenets of portfolio structuring, and a necessary one to reduce the level of risk assumed by the portfolio holder. Most of us are not necessarily well qualified to apply the theories of portfolio structuring to our holdings and hence would be better off leaving that to a professional. Mutual funds represent one such option. Lastly, Evaluate past performance, look for stability and although past performance is no guarantee of future performance, it is a useful way to assess how well or badly a fund has performed in comparison to its stated objectives and peer group. A good way to do this would be to identify the five best performing funds (within your selected investment objectives) over various periods, say 3 months, 6 months, one year, two years and three years.

Shortlist funds that appear in the top 5 in each of these time horizons as they would have thus demonstrated their ability to be not only good but also, consistent performers. An investor can choose the fund on various criteria according to his investment objective, to name a few:

1. Thorough analysis of fund performance of schemes over the last few years managed by the fund house and its consistent return in the volatile market.
2. The fund house should be professional, with efficient management and administration.
3. The corpus the fund is holding in its scheme over the period of time.
4. Proper adequacies of disclosures have to see and also make a note of any hidden charges carried by them.
5. The price at which you can enter/exit (i.e. entry load / exit load) the scheme and its impact on overall return

**2. LITERATURE REVIEW**

The most comprehensive study on mutual fund in India was conducted by SEBI and NCAER (2000) covering 30000 geographically dispersed rural and urban households. The objective of the study were to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, investment preference for equity as well as other savings instruments. It was found among other things that mutual funds have still not become an investment vehicle for small investors. Hemant Rustagi (2007) found that mutual funds have the potential to beat inflation on a consistent basis. Besides the tax efficiency, return profile of the instrument is also becoming an important factor while selecting the option. Dr Dnyandeo V Ingle (2010) conducted a study to understand the opportunity for Retail Investors in mutual fund industry. The study revealed that the major advantage of investing in a mutual fund is that investors get a professional money manager for equity investment for a small fee. Dr.S.Kaliya moorthy and G. Gayathri (2001) finds that the investors consider liquidity as the prime factor for their preference to mutual funds. Shankar (1996) points out that the Indian investors do view mutual funds as commodity products and AMCs, to capture the market should follow the consumer product distribution model. Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of mutual funds among investors to identify the information sources influencing the buying decision and the factors influencing the buying decision and the choice of a particular fund. The study revealed among other things that income schemes and open-ended schemes are more preferred than growth schemes and close ended schemes during the prevailing market condition. Investors look for safety of principal, liquidity and capital appreciation in the order of importance while making the choice. Shyama Sunder (1998) conducted a survey to get an insight into the mutual fund operations of private institutions with special reference to Kothari Pioneer. The survey revealed that awareness about mutual fund concept was poor during that time in small cities. Agents can play a vital role in spreading the mutual fund culture; open-end schemes were much preferred and brand image and return are the prime considerations while investing in any mutual fund. From the above review it can be inferred that mutual fund as an investment vehicle is capturing the attention of various segments of the society. All investment decisions are futuristic. Therefore it often guided by risk return trade off.

**3. RESEARCH OBJECTIVES**

The major objectives of the study are:

1. To evaluate Mutual Fund Schemes in respect of their risk & return.
2. Analyzing the performance of mutual fund schemes with their benchmark
3. Finding the Volatility of mutual fund schemes by using beta.
4. Provide information about pros and cons of investing in Mutual Funds.

#### 4. RESEARCH METHODOLOGY

**DATA SOURCES:** Mutual funds which have been operating for greater than five years and performing during the period of study (i.e. 2007 –2012) were selected for the present research. There were 340 such mutual funds belonging to categories - Money market category funds, Debt Category Funds, Equity category funds and balanced category funds, etc. The reasons for studying the performance of mutual fund for a period of five years (2007- 2012) are:

- A large number of mutual funds have been affected during 2007 - 2012.
- The mutual fund industry in India registered notable growth & fluctuations during 2007 – 2012 Period.
- The Indian stock market has fluctuated exceptionally well during 2007 – 2012.

It gives brief ideas related to Mutual Fund investment like

- Comparison of different mutual funds & their schemes
- By using what kind of tool customer can safely invest his money
- Information on the risks & returns involved in mutual funds
- Giving the right information to the investor about the safe investments in mutual fund's schemes.
- Analysis of the performance of mutual fund schemes with their Benchmark
- Provide information about pros and cons of investing in Mutual Funds
- Safety of the investment to the customer.

**TYPE OF RESEARCH:** Type of research is Descriptive research, which is Quantitative in nature.

The whole study can be termed as critical study of risk & return of investment in mutual funds. It is purely a quantitative study of available secondary data.

#### SAMPLE SIZE

Sample size of the study was as below:

Method of sampling is convenience sampling. Six mutual funds and their schemes are selected.

The present study is a sample study. Samples were selected from top & representative mutual funds offered by domestic and foreign AMC's operating in India.

Samples drawn for the study includes six funds & their schemes from AMCs, operating in India.

#### SAMPLE PROFILE

Mutual Funds'Schemes of

1. UTI mutual fund
2. SBI mutual funds
3. ICICI mutual funds
4. Reliance mutual funds
5. Franklin Templeton mutual funds
6. HDFC mutual funds

#### PERFORMANCE MEASURES

##### THE TREYNOR MEASURE

Developed by Jack Treynor, this performance measure evaluates funds on the basis of Treynor's Index. This Index is a ratio of return generated by the fund over and above risk free rate of return (generally taken to be the return on securities backed by the government, as there is no credit risk associated), during a given period and systematic risk associated with it (beta). Symbolically, it can be represented as:

**Treynor's Index (Ti) = (Ri - Rf)/Bi.**

Where, Ri represents return on fund, Rf is risk free rate of return and Bi is beta of the fund.

All risk-averse investors would like to maximize this value. While a high and positive Treynor's Index shows a superior risk adjusted performance of a fund, a low and negative Treynor's Index is an indication of unfavorable performance.

##### THE SHARPE MEASURE

In this model, performance of a fund is evaluated on the basis of Sharpe Ratio, which is a ratio of returns generated by the fund over and above risk free rate of return and the total risk associated with it. According to Sharpe, it is the total risk of the fund that the investors are concerned about. So, the model evaluates funds on the basis of reward per unit of total risk. Symbolically, it can be written as:

**Sharpe Index (Si) = (Ri - Rf)/Si**

Where, Si is standard deviation of the fund. While a high and positive Sharpe Ratio shows a superior risk adjusted performance of a fund, a low and negative Sharpe Ratio is an indication of unfavorable performance

##### JENSON MODEL

Jenson's model proposes another risk adjusted performance measure. This measure was developed by Michael Jenson and is sometimes referred to as the Differential Return Method. This measure involves evaluation of the returns that the fund has generated. The surplus between the two returns is called Alpha, which measures the performance of a fund compared with the actual returns over the period. Required return of a fund at a given level of risk (Bi) can be calculated as:

**Ri = Rf + Bi (Rm - Rf)**

Where, Rm is average market return during the given period. After calculating it, alpha can be obtained by subtracting returns of the fund.

Higher alpha represents superior performance of the fund and vice versa. Limitation of this model is that it considers only systematic risk not the entire risk associated with the fund and an ordinary investor cannot mitigate unsystematic risk, as his knowledge of market is primitive.

##### BETA

Market risk is commonly measured by the Beta co-efficient. Beta reflects the sensitivity of the fund's return to fluctuations in the Market Index. The formula for calculating Beta may be stated as;

**Beta value= (σi / σm) X pim**

Where —σi is the standard deviation of the fund, —σm is the standard deviation of the Market, and —pim is the correlation coefficient of the portfolio with market.

##### STANDARD DEVIATION

Standard deviation is a measure of dispersion in return. A high value of standard deviation means high risk.

#### HYPOTHESES OF THE STUDY

1. There is no significant difference between the returns of different mutual fund schemes of respective mutual fund categories.
2. There is no significant difference between the returns of mutual funds of different mutual funds categories. The broader hypothesis for the study would be as under.

**Ho:** There would be no significant difference in performance of various selected six Mutual Fund in various sectors.

**H1:** There would be significant difference in performance of various selected six Mutual Fund in various sectors.

Above Hypothesis would be expected to review with following sub – parameters which are as under.

- a) Level of Risk
- b) Level of Return
- c) Values of Book Value Ratio and Price Earnings Ratio.
- d) Assets under Management



- e) Diversification of Assets  
f) Net Assets Value.

## 5. ANALYSIS AND INTERPRETATION

### STUDY OF RETURNS OF GROWTH SCHEMES

Scheme Name	1month %	3month %	6month %	1year %	3 year %	5 years %	Since Inception	Category	Structure
Reliance Growth-Growth	-5.99	-11.12	-19.21	-26.89	18.92	6.38	24.77	Equity	Open Ended
HDFC Growth Fund - Growth	-4.24	-7.56	-16.41	-20.86	20.76	8.68	19.28	Equity	Open Ended
Templet on India Growth Fund – Growth	-6.12	-8.72	-21.04	-29.05	20.63	7.03	15.71	Equity	Open Ended
ICICI Prudential Eq. & Deri. Fund – IO - IP - Growth	0.56	1.48	3.00	7.54	6.11	7.44	7.52	Equity	Open Ended
UTI Equity Fund - Growth	0.51	-3.96	-11.14	-11.30	24.46	8.20	9.09	Equity	Open Ended
SBI Magnum Equity Fund -Growth	1.05	-3.79	-11.54	-10.56	25.29	6.67	10.52	Equity	Open Ended

### STUDY OF RETURNS OF DIVIDEND SCHEMES

Scheme Name	1month %	3month %	6month %	1year %	3 year %	5 years %	Since Inception	Category	Structure
Reliance Growth - Dividend	-5.99	-11.11	-19.20	-26.89	18.92	6.37	16.96	Equity	Open Ended
HDFC Growth Fund - Dividend	-4.24	-7.56	-16.41	-20.80	20.81	8.72	15.20	Equity	Open Ended
Templet on India Growth Fund - Dividend	-6.12	-8.72	-21.04	-29.05	20.64	7.03	13.65	Equity	Open Ended
ICICI Prudential Eq. & Deri. Fund – IO - IP - Dividend	0.59	1.52	3.08	7.60	6.23	7.47	6.87	Equity	Open Ended
UTI Equity Fund - Dividend	0.51	-3.95	-11.13	-11.30	24.43	8.03	8.94	Equity	Open Ended
SBI Magnum Equity Fund - Dividend	1.05	-3.78	-11.55	-11.55	25.48	6.76	10.60	Equity	Open Ended

### STUDY OF RETURNS OF BALANCED SCHEMES

Scheme Name	1month %	3month %	6month %	1year %	3 year %	5 years %	Since Inception	Category	Structure
FT India Balanced Fund - Dividend	1.47	-2.78	-7.48	-5.78	17.94	6.66	11.35	Equity & Debt	Open Ended
HDFC Balanced Fund - Dividend	0.10	-5.10	-9.42	-3.47	27.56	10.15	12.08	Equity & Debt	Open Ended
FT India Balance d Fund - Growth	1.47	-2.78	-7.48	5.78	17.93	6.66	13.38	Equity & Debt	Open Ended
ICICI Prudential Balance d - Dividend	-0.13	-2.62	-7.72	-3.15	20.01	4.60	9.52	Equity & Debt	Open Ended
UTI Balance d Fund - Dividend	0.73	-4.65	-11.67	-12.47	18.33	4.75	9.39	Equity & Debt	Open Ended
SBI Magnum Balance d Fund - Dividend	1.13	-3.71	-12.41	-14.97	16.09	4.02	12.96	Equity & Debt	Open Ended
HDFC Balance d Fund - Growth	0.10	-5.10	-9.42	-3.48	27.56	10.12	15.76	Equity & Debt	Open Ended
ICICI Prudential Balance d - Growth	-0.18	-2.60	-7.74	-3.22	20.01	4.59	12.96	Equity & Debt	Open Ended
UTI Balance d Fund - Growth	0.70	-4.64	-11.64	-12.47	18.55	4.90	12.85	Equity & Debt	Open Ended
SBI Magnum Balance d Fund - Growth	1.13	-3.70	-12.40	-14.96	16.19	4.05	13.72	Equity & Debt	Open Ended

### STUDY OF RETURNS OF LIQUID SCHEMES

Scheme Name	1month %	3month %	6month %	1year %	3 year %	5 years %	Since Inception	Category	Structure
Reliance Liquid Fund – Daily Div	0.63	1.82	3.61	7.05	5.17	5.83	4.90	Short Term Debt	Open Ended
HDFC Liquid Fund – Daily Div	0.62	1.79	3.57	6.97	5.01	5.66	5.16	Short Term Debt	Open Ended
Templet on India Cash Mgmt. A/c Fund - Dividend	0.48	1.40	2.69	5.21	3.48	4.24	3.57	Short Term Debt	Open Ended
ICICI Prudential Liquid Plan – Daily Div	0.57	1.66	3.28	6.40	4.52	5.28	3.96	Short Term Debt	Open Ended
UTI Liquid Fund – Cash Plan - Daily Div	0.65	1.88	3.74	7.24	5.11	5.72	4.54	Short Term Debt	Open Ended
SBI Premier Liquid Fund – IP - Daily Div	0.62	1.80	3.57	6.99	5.00	5.51	4.41	Short Term Debt	Open Ended
Reliance Liquid Fund – Growth	0.79	2.32	4.61	9.08	6.65	7.47	7.23	Short Term Debt	Open Ended
HDFC Liquid Fund – Growth	0.78	2.28	4.54	8.90	6.43	7.24	6.71	Short Term Debt	Open Ended
Templet on India Cash Mgmt. A/c Fund -Growth	0.61	1.78	3.46	6.78	4.55	5.49	5.38	Short Term Debt	Open Ended
ICICI Prudential Liquid Plan – Growth	0.72	2.11	4.19	8.21	5.82	6.79	7.02	Short Term Debt	Open Ended
UTI Liquid Fund – Cash Plan - Growth	0.74	2.16	4.31	8.41	6.09	6.89	6.28	Short Term Debt	Open Ended
SBI Premier Liquid Fund – IP - Growth	0.79	2.29	4.56	8.97	6.41	7.06	6.49	Short Term Debt	Open Ended

## STUDY OF RETURNS OF INCOME SCHEMES

Scheme Name	1month %	3month %	6month %	1year %	3 year %	5 years %	Since Inception	Category	Structure
Reliance Income Fund – Retail - Dividend	2.07	2.29	4.03	6.01	2.51	7.57	6.23	Debts	Open Ended
HDFC Income Fund - Dividend	1.86	1.83	3.48	5.76	3.99	6.70	5.53	Debts	Open Ended
Templet on India Income Fund – Dividend	0.63	1.65	3.68	7.69	5.07	5.72	5.64	Debts	Open Ended
ICICI Prudential Income Fund - Dividend	2.06	2.88	4.59	6.51	3.02	7.97	5.88	Debts	Open Ended
UTI Bond Fund - Dividend	1.24	2.74	5.53	10.26	2.87	7.95	7.34	Debts	Open Ended
SBI Magnum Income Fund - Dividend	1.63	2.82	4.61	8.15	3.22	3.94	4.73	Debts	Open Ended
Reliance Income Fund – Retail - Growth	2.07	2.29	4.03	6.57	3.37	7.91	9.14	Debts	Open Ended
HDFC Income Fund - Growth	2.04	2.01	3.86	6.34	4.62	7.43	7.99	Debts	Open Ended
Templet on India Income Fund - Growth	0.63	1.80	3.83	8.24	5.61	6.73	8.90	Debts	Open Ended
ICICI Prudential Income Fund - Growth	2.06	2.87	4.83	7.00	3.74	8.78	9.23	Debts	Open Ended
UTI Bond Fund - Growth	1.59	3.10	6.16	11.21	3.63	7.37	8.56	Debts	Open Ended
SBI Magnum Income Fund - Growth	1.63	2.82	4.83	8.62	3.64	4.94	7.23	Debts	Open Ended

## CALCULATIONS AND STUDIES OF DIFFERENT MEASURES OF RISK

## S.D., BETA, SHARPE &amp; TREYNOR OF EQUITY &amp; GROWTH SCHEMES AS ON 31ST MARCH, 2012

Scheme Name	S.D.	Beta	Sharpe	Treynor
Reliance Growth - Growth	3.73	0.86	0.05	0.23
HDFC Growth Fund - Growth	3.46	0.80	0.06	0.28
Templeton India Growth Fund - Growth	3.75	0.86	0.06	0.25
ICICI Prudential Eq. & Deri. Fund – IO - IP - Growth	0.25	0.74	0.07	0.02
UTI Equity Fund – Growth	3.08	0.73	0.08	0.33
SBI Magnum Equity Fund -Growth	3.76	0.88	0.06	0.24

## S.D., BETA, SHARPE &amp; TREYNOR OF GROWTH DIVIDEND SCHEMES AS ON 31ST MARCH, 2012

Scheme Name	S.D.	Beta	Sharpe	Treynor
Reliance Growth - Dividend	3.73	0.86	0.05	0.23
HDFC Growth Fund - Dividend	3.47	0.80	0.06	0.28
Templeton India Growth Fund - Dividend	3.75	0.86	0.06	0.25
ICICI Prudential Eq. & Deri. Fund – IO - IP - Dividend	0.30	0.39	0.06	0.05
UTI Equity Fund – Dividend	3.08	0.73	0.08	0.33
SBI Magnum Equity Fund - Dividend	3.75	0.88	0.06	0.25

## S.D., BETA, SHARPE &amp; TREYNOR OF BALANCED SCHEMES AS ON 31ST MARCH, 2012

Scheme Name	S.D.	Beta	Sharpe	Treynor
FT India Balanced Fund -Dividend	2.46	0.90	0.05	0.15
HDFC Balanced Fund - Dividend	2.52	0.88	0.11	0.32
FT India Balanced Fund - Growth	2.46	0.90	0.05	0.15
ICICI Prudential Balanced-Dividend	2.57	0.90	0.07	0.21
UTI Balanced Fund - Dividend	2.72	0.98	0.06	0.17
SBI Magnum Balanced Fund - Dividend	2.97	1.08	0.04	0.10
HDFC Balanced Fund – Growth	2.52	0.88	0.11	0.32
ICICI Prudential Balanced - Growth	2.56	0.90	0.07	0.21
UTI Balanced Fund - Growth	2.72	0.98	0.06	0.17
SBI Magnum Balanced Fund - Growth	2.97	1.08	0.04	0.10

## S.D., BETA, SHARPE &amp; TREYNOR OF LIQUID SCHEMES OF SELECTED MUTUAL FUNDS AS ON 31ST MARCH, 2012

Scheme Name	S.D.	Beta	Sharpe	Treynor
Reliance Liquid Fund – Daily Div	0.03	0.46	-0.26	-0.02
HDFC Liquid Fund – Daily Div	0.03	0.43	-0.43	-0.03
Templeton India Cash Mgmt. A/c Fund - Dividend	0.03	0.45	-1.38	-0.09
ICICI Prudential Liquid Plan -Daily Div	0.03	0.45	-0.70	-0.04
UTI Liquid Fund – Cash Plan -Daily Div	0.03	0.50	-0.32	-0.02
SBI Premier Liquid Fund – IP - Daily Div	0.03	0.44	-0.45	-0.03
Reliance Liquid Fund – Growth	0.04	0.60	0.53	0.03
HDFC Liquid Fund – Growth	0.04	0.55	0.39	0.03
Templeton India Cash Mgmt. A/c Fund - Growth	0.04	0.58	-0.53	-0.03
ICICI Prudential Liquid Plan –Growth	0.04	0.59	0.12	0.01
UTI Liquid Fund – Cash Plan -Growth	0.04	0.58	0.24	0.01
SBI Premier Liquid Fund – IP –Growth	0.04	0.57	0.34	0.02

Scheme Name	S.D.	Beta	Sharpe	Treynor
Reliance Income Fund – Retail- Dividend	0.81	1.99	0.06	0.02
HDFC Income Fund - Dividend	0.77	1.96	0.07	0.03
Templeton India Income Fund- Dividend	0.36	0.89	0.05	0.02
ICICI Prudential Income Fund – Dividend	0.91	2.28	0.07	0.03
UTI Bond Fund – Dividend	0.82	1.78	0.05	0.02
SBI Magnum Income Fund - Dividend	0.62	1.44	0.01	0.01
Reliance Income Fund – Retail - Growth	0.80	2.00	0.08	0.03
HDFC Income Fund – Growth	0.77	1.97	0.09	0.03
Templeton India Income Fund - Growth	0.37	0.91	0.08	0.03
ICICI Prudential Income Fund - Growth	0.91	2.28	0.08	0.03
UTI Bond Fund – Growth	0.82	1.79	0.07	0.03
SBI Magnum Income Fund - Growth	0.62	1.43	0.02	0.01

## 6. SUGGESTIONS

This research work has find out the following facts and figures about the risk and returns of selected Mutual Funds Schemes as on 31st December, 2011.

1. ICICI Pru. Equity & Deri. Fund.Grth gives the best return, i.e. ICICI Pru. Equity & Deri. Fund.Grth is the best option on the short-term basis. Hence, on the basis of recent returns, UTI Equity-G and HDFC Growth-G are the best options and on the basis of far previous year returns, Reliance Growth.G and HDFC Growth-G are the best options. Therefore on overall basis HDFC Growth-G is the best option.
2. ICICI Pru. Equity & Deri. Fund.D gives the best return, i.e. ICICI Pru. Equity & Deri. Fund.D is the best option on the short-term basis. On the basis of recent returns, UTI Equity-D and HDFC Growth-D are the best options and on the basis of far previous year returns, Reliance Growth.D and HDFC Growth-D are the best options. Therefore on overall basis HDFC Growth-D is the best option.
3. Returns are positive for 1 month of FT India Bal. Fund.D&G, SBI Mag. Bal. Fund.D&G and UTI Bal. Fund.D&G including HDFC Bal. Fund-D&G. All other give negative return for short-term up to 1 year. That is on the basis of 1 month return FT India Bal. Fund.D&G, SBI Mag. Bal. Fund.D&G are the best option. Options with negative returns are not selected. On the basis of long-term returns, HDFC Bal. Fund-D&G are the best options and on the basis of returns since inception, HDFC Bal. Fund-G is the best option. Therefore on overall basis HDFC Bal. Fund-G is the best option.
4. The top five selected liquid schemes are Reliance Liq. Fund-G, SBI Pre. Liq. Fund-IP.G, HDFC Liq. Fund-G, UTI Liq. Fund.CP-G and ICICI Pru. Liq. Plan-G in their descending order for shortterm up to 1 year, i.e. best one is Reliance Liq. Fund-G on the basis of short-term, i.e. up to 1 year. On the basis of 3 yrs., 5 yrs. and return since inception, maximum return is secured by the Reliance Liq. Fund-G, then by the HDFC Liq. Fund-G, SBI Pre. Liq. Fund-IP.G, UTI Liq. Fund.CP-G and ICICI Pru. Liq. Plan-G in their descending order for 3 yrs., 5 yrs. returns and ICICI Pru. Liq. Plan-G, HDFC Liq. Fund-G, SBI Pre. Liq. Fund-IP.G and UTI Liq. Fund.CP-G for return since inception. Therefore, Reliance Liq. Fund-G is the best one on overall basis long-term and short-term both.
5. On the basis of all the short-term period up to 1 year, we see that UTI has performed well on the basis of 3 months, 6 months and 1 year. But in the last 1 month Reliance, ICICI and HDFC have performed well comparative to others in their descending order. Hence, best option is UTI Bond Fund-G on short-term basis. ICICI Pru. Income Fund-G is the best one on the basis long-term. But Templ. India Income Fund-G&D and HDFC Income Fund-D&G have secured more returns for 5 years period comparative to others & best one is Templ. India Income Fund-G.
6. Reliance Growth-D, UTI Equity Fund-D, Templ. India Growth Fund-D and HDFC Equity Fund-D have created their good NAV value through their overall long term better performance in descending order and all these top four have beaten the average performance of similar category funds.
7. Reliance Growth-G, HDFC Equity Fund-G have created their good NAV value due to their better long term performance in their descending order and both the funds have beaten the average performance of similar category funds.
8. On the basis of \Standard Deviation., SBI Mag. Equity Fund.G, Templ. India Growth Fund-G, Reliance Growth-G, HDFC Growth-G, UTI Equity Fund-G and ICICI Pru. Eq. & Deri. Fund-G are most risky in their descending order. ICICI Pru. Eq. & Deri. Fund-G is least risky on all risk bases. On the basis of \Beta., the pattern is almost similar to the previous one. As per Sharpe and Treynor, returns are good enough or compensate the risk taken by investors by investing in these. The best options, in their descending order, are UTI Equity Fund-G and HDFC Growth-G.
9. On the basis of \Standard Deviation., SBI Mag. Equity Fund.D, Templ. India Growth Fund-D, Reliance Growth-D, HDFC Growth-D, UTI Equity Fund-D and ICICI Pru. Eq. & Deri. Fund-D are most risky in their descending order. ICICI Pru. Eq. & Deri. Fund-D is least risky on all risk bases. On the basis of \Beta., the pattern is almost similar to the previous one. As per Sharpe and Treynor, returns are good enough or compensate the risk taken by investors by investing in these. The best options, in their descending order, are UTI Equity Fund-D and HDFC Growth-D.
10. On the basis of \Standard Deviation., SBI Mag. Balance Fund. D&G, UTI Balance Fund-D&G, ICICI Pru. Balance Fund-G, HDFC Balance Fund-D&G and FT India Balance Fund-D&G are most risky in their descending order. FT India Balance Fund-D&G are least risky on all risk bases. On the basis of \Beta., the pattern is almost similar to the previous one. As per Sharpe and Treynor, returns are good enough or compensate the risk taken by investors by investing in these. The best options, in their descending order, are HDFC Balance Fund-D&G and ICICI Pru. Balance Fund-D&G. Therefore, on overall basis HDFC Balance Fund-D&G are the best options.
11. On the basis of \Standard Deviation, Reliance Liq. Fund-Dly D, SBI Pre. Liq. Fund-IP.Dly D, HDFC Liq. Fund-Dly D, UTI Liq. Fund.CP-Dly D, ICICI Pru. Liq. Plan-Dly D and g Templ. India CM A/c Fund-D are least risky with same risk. Schemes with dividend option are least risky on all risk bases. On the basis of \Beta., the pattern is little bit different. The pattern is Reliance Liq. Fund-G, ICICI Pru. Liq. Plan-G, SBI Pre. Liq. Fund-IP.Dly D and HDFC Liq. Fund- Dly D in their descending order of risk. HDFC Liq. Fund-Dly D is the least risky. Sharpe and Treynor are positive only for Reliance Liq. Fund-G, HDFC Liq. Fund-G, SBI Pre. Liq. Fund-IP.G, UTI Liq. Fund.CP-G and ICICI Pru. Liq. Plan-G. That shows that the returns are good enough or compensate the risk taken by investors by investing only for/in Reliance Liq. Fund-G, HDFC Liq. Fund-G, SBI Pre. Liq. Fund-IP.G, UTI Liq. Fund. CP-G and ICICI Pru. Liq. Plan-G and returns / compensations are in the above mentioned descending order. Therefore the best one is Reliance Liq. Fund-G and the worst one is Templ. India CM A/c Fund-D.
12. On the basis of \Standard Deviation., ICICI Pru. Income Fund297 D&G, UTI Bond Fund-D&G, Reliance Income Fund-Ret.- D&G, HDFC Income Fund-D&G, SBI Mag. Income Fund. D&G and Templ. India Income Fund-D&G are most risky in their descending order. Templ. India Income Fund-D&G are least risky on all risk bases. On the basis of \Beta., the pattern is almost similar to the previous one. As per Sharpe and Treynor, returns are somewhat enough or compensate the risk taken by investors by investing in these. The best options, in their descending order, are HDFC Income Fund-G and Templ. India Income Fund-G, Reliance Income Fund-Ret.-G, ICICI Pru. Income Fund-G. Therefore, on overall basis HDFC Income Fund-G and Templ. India Income Fund-G are the best options.

## 7. LIMITATION OF THE STUDY

This report gives an insight about mutual funds and mutual fund schemes but with few limitations as follows:

The big question is how to judge a mutual fund before investing? It is important for an investor to consider a fund's performance over several years.

The report only analyses mutual fund schemes of only some funds. There are around 44 AMCs offering wide range of schemes but to analyze all of them is a tedious task.

Information is mainly collected regarding top and representative mutual funds.

Different fund managers adopt different strategies to improve performance. While one fund manager may have invested in speculative stocks over a period, another one who have invested in speculative stocks may have struck gold in that year to outperform the former by a long way.

Lack of proper knowledge and awareness about advantages and disadvantages associated with various schemes among the investor.

- The time period for the project was limited and information provided is limited to the extent of internet and journals.
- The sample size is limited to only six mutual funds.
- The study is limited to mutual fund schemes in respect of their risk, return and liquidity.
- The analysis is mainly based on share price and unit price information.

To get an insight in the process of portfolio allocation and deployment of funds by fund manager is difficult.

The project is unable to analysis each and every scheme of mutual funds to create the ideal portfolio.

The portfolio of mutual fund investments can change according to the market conditions.

## 8. CONCLUSIONS

This research work has find out the following facts and figures about the risk and returns of selected Mutual Funds Schemes as on 31st March, 2012. On these risk and returns we conclude that.

The major market of Mutual Fund is in Income schemes, Growth schemes and Liquid schemes, out of which Growth market is mostly led by HDFC, UTI and Templeton on the basis of, mainly, returns up to 5 years. No doubt that in Growth SBI and Reliance have also performed well, out of which one is private Indian MF and other is Bank sponsored MF. ICICI is also performing well on a continuous basis with a positive return over all the periods.

The situation is same in both, dividend & growth options of Equity & Growth schemes of selected Mutual Funds.

In Balanced schemes, HDFC, Franklin Templeton, ICICI Prudential and then UTI & SBI are also performing well. On overall basis HDFC is the best option.

In Liquid & Money Market schemes, the situation are little bit different with the leading Mutual Funds Reliance, HDFC, SBI, UTI and ICICI are performing well in their descending order.

Therefore, Reliance-G is the best one on overall basis long-term and short-term both.

In Income & Bond schemes, leading players ICICI, Templeton, UTI and HDFC, Reliance are performing well in their descending order. SBI has also performed well with other on the same criteria, i.e. on the basis of returns.

With Dividend option, Reliance Growth-D, UTI Equity Fund-D, Templeton India Growth Fund-D and HDFC Equity Fund-D are best on the basis of NAV creation through their overall long term better performance in descending order.

With Growth option, Reliance Growth-G and HDFC Equity Fund-G are best on the basis of NAV creation through their overall long term better performance in descending order.

Risk is highest with SBI, Templeton, Reliance, HDFC & UTI in their descending order in Equity & Growth segment with both the options. ICICI is least risky on all risk bases. On the basis of risk adjusted return best options, in their descending order, are UTI and HDFC in Equity & Growth segment with both the options. Therefore, UTI and HDFC are also the best options on, both, the risk & return bases.

SBI, UTI, ICICI and HDFC are most risky in their descending order in the balance segment. Franklin Templeton is least risky on all risk bases. On the basis of risk adjusted return best options, in their descending order, are HDFC and ICICI. Therefore, on overall basis HDFC is the best option.

In Liquid & Money Market segment, schemes with dividend option are least risky on all risk bases. In which HDFC is the least risky then SBI comes in risk. On the basis of risk adjusted return best options, in their descending order, are Reliance, HDFC, SBI, UTI and ICICI with Growth option. Therefore, the best one is Reliance-G and the worst one is Templeton-D.

ICICI, UTI, Reliance and HDFC are most risky in their descending order in Income & Bond segment. Templeton is least risky on all risk bases. On the basis of risk adjusted return best options, in their descending order, are HDFC & Templeton, Reliance and ICICI with Growth options. Therefore, on overall basis HDFC-G & Templeton-G are the best options.

But in the present scenario market is not performing well. That's why MFs schemes are not performing well except liquid and income schemes in the short run.

So, in nutshell, we can say that Reliance, HDFC and SBI are beneficial for investment in Liquid & Money Market schemes in all aspects. HDFC, Templeton and Reliance are best for Income &

Bond schemes. UTI, HDFC & Templeton are best for Equity & Growth schemes and HDFC, ICICI & Franklin Templeton are best for Balanced scheme.

These are best in different schemes because these are best approximately in each and every aspect of these schemes. Hence, we can say that the...

- (1) Mutual Funds are growing in number and gaining popularity among small investors with an exception of last 1 month to 1 year, especially in the case of Equity & Growth schemes and balanced scheme.
- (2) Preferences of investors are different towards different type of schemes as well as organization. Acceptability of Mutual Funds has changed the pattern of investments.
- (3) Mutual Funds generally in the long run outperform the market. Returns provided by the Mutual Funds are generally better in long run than the returns provided by the other similar investment. Movement in market prices of schemes is positively related to the movements in NAV.
- (4) The return and risk-adjusted return on Mutual Funds are satisfactory in long run except during the recession.

## 9. RECOMMENDATIONS

Following are some of the suggestions on the basis of this research work on critical studies of risk and return.

1. Different varieties of Mutual Funds schemes should be provided by Mutual Funds to attract the investors by fulfilling their needs because some of the Mutual Funds are leading in one but poor performers in other Mutual Funds schemes.
2. Mutual Funds should try to reduce their risk up to some possible extents by changing their fundamentals relative to the market because some Mutual Funds are providing the lowest return in particular type of scheme with the highest risk in that scheme. Due to investors disliking during recession and market up & down the Mutual Funds should adopt more flexible market portfolio with a good fund manager and a good research team to forecast such type of activities and to take precautionary measures.
3. Mutual Funds should reduce the cost because of frequent trading of schemes. Mutual Funds should take the help of market experts before involving in buying or selling of securities. In this way cost reduces and return increases.
4. Mutual Funds should include the more correlated securities in their portfolio during bull markets and uncorrelated or negatively correlated securities during the recession or in the bear market because the Sharpe and Treynor ratios are negative either due to market depression and no changes in the portfolio or due to over dependence on large caps during dull market.
5. Mutual Funds should reduce the expenses because it increases cost which ultimately harms the returns. Mutual Funds should diversify most in the particular segment and also on an overall basis. Mutual Funds should increase their NAV to increase the prices of units of mutual funds.

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