INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

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   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

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A STUDY ON PERFORMANCE EVALUATION OF PUBLIC & PRIVATE SECTOR MUTUAL FUNDS IN INDIA

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ABSTRACT

Mutual fund provides a readymade option to households for portfolio diversification as well as relative risk aversion through collecting and investing their savings in different risk-return profile instruments. Its performance depends on the performance of underlying portfolio. If one or more schemes perform badly in the portfolio, that can effect or hurt the investment decisions of investors and may get them out from the scenario of wealth creation process. For saving investors' money from such a hazard, it becomes necessary to evaluate the performance of mutual fund portfolio so that investors can take/judge their investment decisions rationally. This evaluation would help in checking the prime idea of "putting all eggs in different baskets" behind mutual funds and guessing that how far this idea is doing well for investors. Therefore, our study has attempted to evaluate the comparative performance of public and private sector mutual fund schemes t he Indian Mutual fund Industry has witnessed a structural transformation during the past few years. Therefore it becomes important to examine the performance of the mutual fund in the changed environment. This paper has evaluated the performance of Indian Mutual fund scheme from 1st April.2007 to 31 March 2012.To examine the funds sensitivity to the market fluctuations in terms of beta. To appraise investment performance of mutual funds with risk adjustment the theoretical parameters as suggested by Sharpe, Treynor and Jensen. To rank the funds according to Sharpes, Treynors and Jensons performance measure.

KEYWORDS

risk and return, Sharpes, Treynors and Jensons ratio, NAV.

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:

- 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.
- The fund house should be professional, with efficient management and administration.
- The corpus the fund is holding in its scheme over the period of time.
- Proper adequacies of disclosures have to see and also make a note of any hidden charges carried by them.
- 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

Barua and Verma (1991) provided empirical evidence of equity mutual fund performance in India. They studied the investment performance of India's first 7year close-end equity mutual fund, Master share. They found that the fund performed satisfactory for large investor in terms of rate of return. Ippolito (1992) expressed that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds. Sarkar and Majumdar (1995) evaluated financial performance of five closeended growth funds for the period February 1991 to August 1993, concluded that the performance was below average in terms of alpha values (all negative and statistically not significant) and funds possessed high risk.

Jaydev (1996) evaluated performance of two schemes during the period, June 1992 to March 1994 in terms of returns / benchmark comparison, diversification, selectivity and market timing skills. He concluded that the schemes failed to perform better than the market portfolio (ET's ordinary share price index). Gupta and Sehgal (1997) evaluated mutual fund performance over a four year period, 1992-96. The sample consisted of 80 mutual fund schemes. They concluded that mutual fund industry performed well during the period of study. The performance was evaluated in terms of benchmark comparison, performance from one period to the next and their risk-return characteristics.

Mishra (2001) evaluated performance over a period, April 1992 to December 1996. The sample size was 24 public sector sponsored mutual funds. The performance was evaluated in terms of rate of return, Treynor, Sharpe and Jensen measures of performance. The study concluded dismal performance of PSU mutual funds in India, in general, during the period, 1992-96.

Zakri Y.Bello (2005) matched a sample of socially responsible stock mutual funds matched to randomly selected conventional funds of similar net assets to investigate differences in characteristics of assets held, degree of portfolio diversification and variable effects of diversification on investment performance. The study found that socially responsible funds do not differ significantly from conventional funds in terms of any of these attributes. Moreover, the effect of diversification on investment performance is not different between the two groups. Both groups underperformed the Domini 400 Social Index and S & P 500 during the study period.

Mayank V. Bhatt and Chetan C. Patel (2008) studied the performance comparison of different mutual funds schemes in India through Sharpe index model and concluded that mutual funds are the most popular and safe parameter for an investor to invest.

Kavita Chavali and Shefali Jain (2009) evaluated the performance of equity linked savings schemes and concluded that the fund chosen by the investor should match the risk appetite of the investor. Narayan Rao and M. Ravindran evaluated performance of Indian mutual funds in a bear market through relative performance index, risk-return analysis, Treynor ratio, Sharpe ratio, Jensen measure, and Fama's measure. The results of performance measures suggested that most of mutual fund schemes in the sample of 58 were able to satisfy investor's expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk.

Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators.

3. RESEARCH OBJECTIVES/RESEARCH QUESTIONS/HYPOTHESES

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. Four 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. 1 UTI mutual fund
2. 2 SBI mutual funds
3. 3 ICICI mutual funds
4. 4 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 if 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	Struct ure
HDFC Growth Fund - Growth	-4.24	-7.56	-16.41	-20.86	20.76	8.68	19.28	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
HDFC Growth Fund - Dividend	-4.24	-7.56	-16.41	-20.80	20.81	8.72	15.20	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
HDFC Balance d Fund - Dividend	0.10	-5.10	-9.42	-3.47	27.56	10.15	12.08	Equity & Debt	Open Ended
ICICI Prudential Balanced - Dividend	-0.13	-2.62	-7.72	-3.15	20.01	4.60	9.52	Equity & Debt	Open Ended
UTI Balanced Fund - Dividend	0.73	-4.65	-11.67	-12.47	18.33	4.75	9.39	Equity & Debt	Open Ended
SBI Magnum Balanced Fund - Dividend	1.13	-3.71	-12.41	-14.97	16.09	4.02	12.96	Equity & Debt	Open Ended
HDFC Balanced Fund - Growth	0.10	-5.10	-9.42	-3.48	27.56	10.12	15.76	Equity & Debt	Open Ended
ICICI Prudential Balanced - Growth	-0.18	-2.60	-7.74	-3.22	20.01	4.59	12.96	Equity & Debt	Open Ended
UTI Balanced Fund - Growth	0.70	-4.64	-11.64	-12.47	18.55	4.90	12.85	Equity & Debt	Open Ended
SBI Magnum Balanced 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
HDFC Liquid Fund – Daily Div	0.62	1.79	3.57	6.97	5.01	5.66	5.16	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
HDFC Liquid Fund – Growth	0.78	2.28	4.54	8.90	6.43	7.24	6.71	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
HDFC Income Fund - Dividend	1.86	1.83	3.48	5.76	3.99	6.70	5.53	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
HDFC Income Fund - Growth	2.04	2.01	3.86	6.34	4.62	7.43	7.99	Debts	Open Ended
ICICI Prudental 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 & Treynor of Equity & Growth Schemes as on 31st March, 2012

Scheme Name	S.D.	Beta	Sharpe	Treynor
HDFC Growth Fund - Growth	3.46	0.80	0.06	0.28
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 & Treynor of Growth dividend Schemes as on 31st March, 2012. :-

Scheme Name	S.D.	Beta	Sharpe	Treynor
HDFC Growth Fund - Dividend	**3.47**	**0.80**	**0.06**	**0.28**
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 & Treynor of Balanced Schemes as on 31st March, 2012.-

Scheme Name	S.D.	Beta	Sharpe	Treynor
HDFC Balanced Fund - Dividend	**2.52**	**0.88**	**0.11**	**0.32**
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 & Treynor of Liquid Schemes of Selected Mutual Funds as on 31st March, 2012.

Scheme Name	S.D.	Beta	Sharpe	Treynor
HDFC Liquid Fund – Daily Div	0.03	0.43	-0.43	-0.03
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
HDFC Liquid Fund – Growth	0.04	0.55	0.39	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

S.D., Beta, Sharpe & Treynor of Income Schemes of Selected Mutual Funds as on 31st March, 2012.

Scheme Name	S.D.	Beta	Sharpe	Treynor
HDFC Income Fund - Dividend	0.77	1.96	0.07	0.03
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
HDFC Income Fund – Growth	0.77	1.97	0.09	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. RECOMMENDATION/SUGGESTION/FINDINGS

RESEARCH FINDINGS

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.

- 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, HDFC Growth-G is the best options. Therefore on overall basis HDFC Growth-G is the best option.
- 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, HDFC Growth-D is the best options. Therefore on overall basis HDFC Growth-D is the best option.

- Returns are positive for 1 month of, 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 SBI Mag. Bal. Fund D&G is 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.
- The top four selected liquid schemes are 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 short-term up to 1 year, i.e. best one is SBI Pre. Liq. Fund-IP.Gon 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 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,ICICI Pru. Liq. Plan-G is the best one on overall basis long-term and short-term both.
- 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 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 HDFC Income Fund-D&G have secured more returns for 5 years period comparative to others .
- UTI Equity 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 two have beaten the average performance of similar category funds.
- 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.
- On the basis of Standard Deviation., SBI Mag. Equity Fund.G,, HDFC Growth-G, UTI Equity Fund-G and ICICI Pru. Eq. & Deri. Fund-G is 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.
- On the basis of Standard Deviation., SBI Mag. Equity Fund.D, HDFC Growth-D, UTI Equity Fund-D and ICICI Pru. Eq. & Deri. Fund-D is 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.
- On the basis of Standard Deviation. SBI Mag. Balance Fund. D&G, UTI Balance Fund-D&G, ICICI Pru. Balance Fund-D, ICICI Pru. Balance Fund-G, HDFC Balance Fund-D&G and 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.
- On the basis of Standard Deviation. 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 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 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 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 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 HDFC Liq. Fund-G and the worst one is ICICI Pru. Liq. Plan-Dly D .
- On the basis of Standard Deviation., ICICI Pru. Income Fund297 D&G, UTI Bond Fund-D&G, HDFC Income Fund-D&G, SBI Mag. Income Fund. D&G and are most risky in their descending order. 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 ICICI Pru. Income Fund-G. Therefore, on overall basis HDFC Income Fund-G is 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 leaded by HDFC, UTI on the basis of, mainly, returns up to 5 years. No doubt that in Growth SBI 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, 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 HDFC, SBI, UTI and ICICI are performing well in their descending order.

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

In Income & Bond schemes, leading players ICICI, UTI and HDFC 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, UTI Equity 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, HDFC Equity Fund-G isS best on the basis of NAV creation through their overall long term better performance in descending order.

Risk is highest with SBI, 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. 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 HDFC, SBI, UTI and ICICI with Growth option. Therefore, the best one is HDFC liq. fund-G and the worst one is ICICI liq. plan-daily div.
ICICI, UTI and HDFC are most risky in their descending order in Income & Bond segment. On the basis of risk adjusted return best options, in their descending order, are HDFC and ICICI with Growth options. Therefore, on overall basis HDFC-G is 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 HDFC and SBI are beneficial for investment in Liquid & Money Market schemes in all aspects. HDFC is best for Income &Bond schemes. UTI & HDFC are best for Equity & Growth schemes and HDFC& ICICI 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.

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