

A Comparative Study on the Financial Performance of Mutual Fund Schemes of Private Companies in India

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Abstract:

Financial performance of mutual fund schemes is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. There are many different ways to measure financial performance of mutual fund schemes of private and public companies in India, but all measures should be taken in aggregation. This study may be useful to mutual fund companies to understand the major factor relating to the performance of mutual fund like returns and expenses, any mutual fund companies may work on major factor of risk covered and performance. Mutual fund investors can easily make out which mutual fund scheme is the better performer in the capital market by knowing average return, Sharpe Ratio, Treynor Ratio, Expense Ratio etc. Potential and future new entrants may be able understood the clear picture to the mutual fund companies. Investor can take benefit by clear picture of industry and particular schemes.. The outcome of the said research may be one of the useful inputs for various stake holders of the society.

Keywords: Financial Performance, Mutual funds, Average, Expense ratio.

I. Introduction:

A **Mutual Fund** is a common pool of money into which investors place their contributions that are to be invested in accordance with a stated objective. The ownership of the fund is thus joint or “mutual”; the fund belongs to all investors. A single investor’s ownership of the fund is in the same proportion as the amount of the contribution made by him or her bears to the total

amount of the fund.

Mutual Fund is a fund established in the form of a trust by a sponsor to raise money by the trustee through the sale of units to the public under one or more schemes for investing in securities in accordance with the SEBI regulations.

Mutual Funds are trusts. which accept savings from investors and invest the same in diversified financial instruments in terms of objectives set out in the trusts deed with the view to reduce the risk and maximize the income and capital appreciation for distribution for the members A Mutual Fund is a corporation

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and the fund manager's interest is to professionally manage the funds provided by the investors and provide a return on them after deducting reasonable management fees.

SEBI (Mutual Funds) Regulations 1993, define Mutual Fund as follows“a fund established in the form of a trust by a sponsor to raise monies by the trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulations”.

Frank Reilly defines, Mutual Funds “as financial intermediaries which bring a wide variety of securities within the reach of the most modest investors”.

II. Literature Review:

D'Silva, D'Silva and Bhuptani (2012) in their study entitled “A Study on Factors Influencing Mutual Fund Investment in India” Techniques like ANOVA, Friedman Test, and KH Test etc were used for purpose of analysis. The five factors that have been derived through factor analysis will help the companies to get properly acquainted with the customer requirements and accordingly deliver them the maximum value for their investments. Further analysis of the study has revealed that investors do have inherent specific preference towards Mutual Fund investments. It has been found that the investors will prefer that mutual fund company the most which gives maximum attention towards investors needs and requirements. Thus the need of the hour for all the domestic mutual fund companies is to expand their investor base which can be possible, only when the companies are determined to understand the value drivers and thus attract retail investors to invest in mutual funds.

Subramanya and Murthy (2013) in their study entitled “Investors Attitude towards Mutual Fund (Special Reference to Chikkamagalore District, Karnataka State, India)” aims at finding out the attitude of the small investors towards investment in mutual funds in Chikkamagalore. To analyse the primary data simple statistical tools like percentage method and Chi-Square analysis were used. The study found that the investors have a positive attitude towards their investment made in Mutual funds and feel that it is a safe measure of investment. As far as the socio economic variables age, gender, qualification, income and occupation have been encouraging the attitude of investors towards Mutual fund. Investors saving variables are not influencing the attitude of investors.

Chaudhary (2013) in his study entitled “Investment Behaviour of Engineers towards Mutual Funds: An Analysis of Gender Differences” the study favours Asset Management Companies for designing suitable products to meet the changing financial needs of the investors. Thus, examination of a sample of 200 (83 females and 117 males) investor engineer respondents discerned the differences in the choice of mutual funds and its likely implications on future investment for male and female engineer investors. Research hypotheses have been tested by invoking one-way analysis of variance (ANOVA). A higher level of awareness and satisfaction among the male respondents was observed in the study. The study also acknowledges that the female respondents based their choice of investment largely on the factors like previous experiences and

publicity.

III. Research Methodology:

Objectives of the Study

The objectives of the study are as under:

- 1) To examine trends in terms of growth, size volumes ,etc of mutual fund companies of India
- 2) To document the assets management of various Mutual Fund Companies.
- 3) To examine various schemes of Mutual Fund Companies
- 4) To evaluate the financial performance of selected mutual fund companies in India.
- 5) To suggest the appropriate strategy for Mutual Fund Schemes of Mutual fund Companies in India.

Sources of Data for the Research (Secondary)

- Factsheets of selected schemes
- Different issues of Trend and Progress of Mutual fund in India published by AMFI
- Different issues of Trend and Progress of Mutual fund Schemes
- Mutual fund's Websites
- Journals and periodicals, Books , Magazines and Newspapers
- Ph.D.Thesis

Sample Size

For study following 5 Mutual Fund Schemes have been selected

- RELIANCE Growth FUND
- Franklin India Blue Chip Fund
- HDFC Equity Fund
- Birla Sun Life Advantage Fund
- Franklin India Prima Fund

Period of The Study

The period of study is **10 years** i.e. **2009-10 to 2018-19**. The sample consists of top performer schemes and funds of mutual fund companies in India, based on average return of last ten years. The study consist schemes return for the period of 6 months, one year, two year, three year, five year, seven year and ten year.

IV. Data Analysis:

1. Average Returns

Table.1: ANOVA calculation of Average Returns of selected Mutual fund schemes of private companies in India. (In Percentage)

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
Reliance Growth Fund	10	177.41	17.741	1864.016		
Birla Sunlife Advantage Fund	10	101.65	10.165	730.6682		
HDFC Equity Fund	10	174.68	17.468	1810.165		
Franklin India Prima Fund	10	226.97	22.697	2330.758		
Franklin India Bluechip Fund	10	143.92	14.392	1233.555		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	854.55529	4	213.6388	0.134041	0.969006	2.578739
Within Groups	71722.468	45	1593.833			
Total	72577.023	49				

Average Return : It is being observed that there is no significant difference as far as the Return is concern amongst the selected mutual fund schemes of private companies in India. The ANOVA F-Test (p-value) is 0.969006 which is more than the critical region value 0.05 that indicates there is significant difference in Average Returns of selected mutual fund schemes. No difference is created because average return of Reliance Growth Fund and HDFC Equity fund are almost similar.

2. Expense Ratio

Table.2: Showing ANOVA calculation of Sharpe Ratio of selected Mutual fund schemes of private companies in India. (In Percentage)

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
Reliance Growth Fund	10	19.43	1.943	0.030379		
Birla Sunlife Advantage Fund	10	23.45	2.345	0.088028		
HDFC Equity Fund	10	19.79	1.979	0.055277		
Franklin India Prima Fund	10	22.51	2.251	0.022699		
Franklin India Bluechip Fund	10	20.512	2.051	0.033151		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	1.2344	4	0.3086	6.722335	0.000249	2.578739
Within Groups	2.0658	45	0.045907			
Total	3.3002	49				

Expense Ratio : It is being observed that there is a significant difference as far as the Expense Ratio is concern amongst the selected mutual fund schemes of private companies in India. The ANOVA F-Test (p-value) is 0.000249 which is less than the critical region value 0.05 that indicates there is significant difference in Expense Ratio of selected mutual fund schemes. The difference is created because Expense Ratio of Birla Sunlife Advantage is highest and Reliance Growth fund has lowest Performance.

V. Conclusion:

Mutual fund plays an important role as a pool to collect the money from small investors, safeguard their money, invest it in better place and provide fruitful returns to its investors. The main purpose of mutual fund is to provide good return for the risk bear by its investors. In India, we can see that there are large number of schemes available in capital market it means that nowadays investors get many schemes to invest their money according to their choice and convenience of money. Mutual fund investors are also been confused because many companies try to attract the investors by paying more returns. Investors are more interested in mutual

funds today due to confidence in the stock market. This study attempts to help the investors by informing them about the actual returns earned by these mutual fund companies.

The present study investigates the performance some private schemes for the period of 2009-10 to 2018-19 (ten years) of transition economy. This study has also introduced the problem investors have in selecting mutual funds, where the absolute amount of information on mutual funds results in investor confusion. From Expense ratio view point investors can invest their money in Reliance Growth fund because it allows least expense or cost on assets investments. The study evaluates the performance of the select mutual schemes of private companies in India. It is sincerely hoped that this modest attempt meets the objectives of the study and will be of some help to all those associated with the Mutual Fund Industry, mainly the investors.

Overall, there are many reasons why investing in mutual funds makes a good return. A little bit of due carefulness and research can provide a good return and a safe investment for an investor. So investing in mutual funds is all about the correct fund with systematic investments irrespective of the time at which an investor is investing.

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