

Comparative Performance Appraisal of Selected Mutual Funds

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ABSTRACT

Since their inception, Mutual Funds are very much popular among investors. The most important reason for this can be a highly productive return and less risk level. It provides an opportunity for low-income individuals to directly participate in the financial market through which they can increase their return at lower risk. This paper focuses on various aspects which need to be investigated for investment in Mutual Fund. As the investments in Mutual Funds are growing in this current business scenario, proper analysis of risk and return should be made for investment in Mutual funds. This review paper is focused on various aspects of the Mutual Fund Industry and its related schemes.

Keywords: Mutual Fund, Type, Tools.

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INTRODUCTION

Since inception, mutual funds have gain popularity and increases at a rapid growth rate. A mutual fund provides an opportunity to individuals to invest their funds in a diversified pool of securities due to which it is very popular in the financial market. As the investments in a mutual funds are growing in this current business scenario, therefore proper analysis of risk and return should be made for investment in mutual fund. Thus, by evaluating categories of mutual fund the individual finds about the performance of different funds. Mutual fund is an investment vehicle that pools together investors' money and invests it in different types of financial instruments such as stocks, bonds, government securities, gold etc.

In other words, mutual funds are a basket of different financial schemes that generate returns to the individual over a period of time. If an individual invests in a mutual fund, he/she buys different units of the schemes as per the Nav on the day of the transaction. The person who manages the mutual fund is known as fund manager. He divides the collected fund in various financial instruments, such as equity shares, debt instruments, derivatives, arbitrage etc. to provide a productive return to the individual investors as per the units purchased by investors. The total income received from this funds distribution is added to the Assets of AMCs, which, in the financial market, is also known as Asset

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Under Management (AUMs) of the funds, on which the performance of specific mutual fund is evaluated.

Savings is the difference between income and expenditure, or, in other words, excess of income over expenditure is savings from an economic point of view. Savings can be converted into investments for productive return, but savings kept idle do not give any productive return. Savings are invested in assets +that provide maximum return with minimum risk but it is difficult for an individual to identify and differentiate between risky and non-risky investments. There are different investments opportunity available to investors in mutual funds. Indian mutual fund pools the investments of many shareholders and invest the fund in a different financial plan depending on the productive return. There is a wide range of mutual funds options available to individual investor for purchasing after evaluating some factors such needs and risk bearing

capacity of any investors. Mutual Fund are popular investment options, because they offer automatic diversification, liquidity, and professional management.

Some of the questions taken for research purposes are: How to measure Mutual funds performance in terms of parameters such as risk and productive return over a time of period? Whether mutual fund have overperformed or underperformed? How different schemes of mutual fund are performing? Evaluate the Sharpe ratio and Sortino ratio of different schemes of mutual fund? What is the distribution of funds for investment in different types of Mutual funds? Analyze the various causes for which individual invest in Mutual Funds? What is the impact of regulatory norms of the Securities Exchange Board of India (SEBI) on different categories of Mutual Funds? Some of the Studies reviews are as given below, which tries to answer above mentioned questions:

LITERATURE REVIEW

A considerable number of researches have evaluated the performance of different categories Mutual funds in Public Sector sponsored, and Private Sector sponsored AMCs.

Satish Kumar Malhotra, Dr. Mohammad Khalid Azam and Prof. S P Narang department of Business Administration School of Management Studies Aligarh Muslim University "Mutual fund management: A comparative study of public sector and private sector amcs" The studies focus on the impact of investment on individual investor lifestyle which is directly related with micro and macro-economic factors of mutual fund. They also analyze mutual fund performance with respect to risk-return parameters and perceptions about both public sector and private sector investment alternatives (Mutual Fund) available to household investors.

Sheshrao Maruti, Dr. Waghmare Shivaji department of post-graduate studies and research in commerce gulbarga university, karnataka "Performance evaluation of mutual funds in indian region (A study with reference to growth funds" This research studies regulatory framework which supervise the Mutual Funds AMCs in Indian region. It also studies different schemes of mutual funds and their product and analyze the performance of selected schemes with different measures such as Treynor's measure, Sharpe's measure, Jensen's differential return measure, Fama's decomposition measure, and M-squared measure. It also involves the ranking each scheme by making a comparison between performance measures with the performance of the underlying benchmark index.

Nazia Ansari, Asst. Professor, Shri G.H. Gosrani Comm. & Shri D. D. Nagda B.B.A. College, Indira Gandhi Marg, Near Gokulnagar, Behind Kailashnagar, "An Analytical Study of Functioning of Mutual Fund Industry of India" The objective of doing this research is to know about different categories of mutual fund and also analyse their performance. The research will help individual investors know the stages of growth in mutual fund industry in general and their future prospects. The research also provides details about different mutual funds schemes; this study covers only star-rated schemes such as equity, balanced, cash etc, of different mutual funds in India. The study also ascertains the variations in the risk index with each type of mutual fund and analysis the risk-return relationship. This study also helps to understand the advantages of mutual funds to individuals.

J. Raja and Dr. S. Ganesan may 2003 Alagappa Institute of Management Alagappa University Karaikudi "Performance evaluation of mutual funds in india "This research studies the different investment pattern in Mutual Fund Industry. Its main focus was on liquidity preference and studying the problems relating to poor return, lack of transparency, liquidity and lack of choices. It was found that liquidity preference is different among male and female investors. Marital status of the individual investors does not influence liquidity ranking. The preference for tax benefit significantly differs among different mutual fund scheme investors. It was observed that Tax Oriented Scheme Investors gave more preference for tax benefit and growth-oriented scheme investors ranked least preference for tax benefits

Jayesh G. Poojara and Dr. S.D. Khairnar institute of management, research and technology, M.V.P. Campus, gangapur road, nashik "A study of investors' response to mutual fund schemes in anand district" The aim of this study is to analyze in detail the growth pattern of mutual fund industry in India and analyze investor's perceptions and preferences floated by most preferred mutual funds in public and private sector.

Mrs. Purnima Umesh Mehta and Dr. Martina R. Noronha College of Commerce, Surat. Veer Narmada South Gujarat University, Surat "Profile and Perception of Investors towards Mutual Funds – A study of Selected Cities of Gujarat State" This thesis study the perception of individuals towards Mutual Fund, Identify the problems of investors in investing their money in mutual fund scheme, analyze the investors level of fulfillment regarding mutual fund, to examine the pattern of investment in Surat, Vadodara and Ahmedabad city and to study investors preference with regards to mutual

fund v/s other investment products.

Virendra Vasant Takaki and Dr. Y.R. Waghmare Research Centre in Commerce Modern College of Arts, Science and Commerce, Shivajinagar, "A Study of Performance of Selected Index Mutual Funds And Investors' Response to Index Mutual Funds' Investments." To study in-depth the composition of the selected Index of Indian Mutual Funds it focuses on the concepts, structure, regulation, and working pattern of Indian Index Mutual Funds. The factors for selecting different Index Mutual Funds base for their investment and how to index fund manages to track the stocks in the selected index. This objective is important from the researcher's point of view because conceptual awareness, overall understanding, and knowledge of various concepts in effect is required for a subject of this nature. The researcher intends to study different Index Mutual Funds along with their respective compositions. Another important point in keeping this objective is that though apparently all index mutual funds are categorized under single Category of "INDEX FUNDS," they differ in their primary working and investment style.

Martin P. and McCann B. (1998) in their book titled – "The Investor's Guide to Fidelity Fund"- This book provides guidance to investors for investing in mutual fund. As per the conclusion of the book, individual investors must focus on sectors related to world economy that have the greatest profit potential. Like any other investment, it is essential, it is essential to develop a strategy for selecting which funds to buy and sell and when.

Gremillion L (2005), Mutual Fund Industry Handbook "A Complete Guide for Investment Professionals" The book provides information about challenges faced by mutual fund industry in India.

Tyson E (2007), in his book "Mutual Fund for DUMMIES" 5th edition- This book provides various techniques through which investors can invest in mutual fund market to avoid losses in investment. As per this book, Mutual fund should improve investor investment returns as well as their social life.

Singh BK (2012) in an article "A study of individual investor's attitude towards different mutual funds as an investment option" in International Journal of Research in Management- In this article researcher focused on creating awareness about Mutual Fund in Public. There is need for Mutual fund companies to explain the needs, objectives, and features of mutual funds to investors.

Divya K. (2012) has suggested that investment managers whose performance is below benchmark index should have to relook at their investment strategy and asset allocation. Investing style should be redesigned according to changes in the market. The regulatory agencies of mutual fund AMCs should set standard criteria which will be helpful to asset management companies.

Goel S. et al. (2012) states that the performance of Mutual fund is related to ownership style. Indian mutual funds perform better than International mutual funds as they have better knowledge of the local market.

Vanaja V and Karasumi (2013) in the titled article "A study on the performance of selected private sector balanced mutual fund," in International Journal of Management Sciences and Business Research. As per the research, all private sector balanced funds selected for the study have a positive Sharpe ratio and Treynor ratio. The return over risk analysis per unit of total risk is wide.

Narayanaswamy R. and Ratnangi V 2013 in the article "Performance Evaluation of Equity Mutual Funds (on selected Equity, Large Cap funds)" in International Journal of Business and Management. This paper state that all mutual funds have performed well during volatility in market. In order to ensure the constant performance of mutual funds, individual investors should also consider statistical parameters like alpha, beta, standard deviation besides considering NAV and total return.

Santhi N.S and Guru Nathan K. (2013) in the article "The Growth of Mutual Funds and Regulatory Challenges" in Indian Journal of Applied Research mentioned that mutual fund industry has expanded over a period of time. Regulators should keep close watch on mutual fund products, financial stability and market vitality. Regulatory authorities will have to balance act by managing risks and not imposing unnecessary restrictions.

Iqbal N (2013) Article titled "Market Penetration and Investment Pattern of Mutual Fund industry" published in International Journal of Advanced Research in Management and Social Sciences in this article the researcher concludes that mutual fund has started capturing rural market through new range of products, new strategies adopted for rural market penetration and with new awareness programs.

Sharma R and Pandya NK (2013) article "Investing in Mutual Fund an Overview" published in Asian Research Journal of Business Management. In this article the



researcher talked about the scope of mutual fund industry in India and still a large number of individuals does not have knowledge of Mutual fund. Existing investors, return potential and liquidity have been perceived to be most attractive for development of Mutual Fund Industry in India.

Sharma N and Ravi Kumar R (2013) article "Analysis of Risk -Return relationship of Equity based Mutual fund in India" published in International Journal of Advancement in Research and Technology- This article evaluates the performance of Equity based mutual fund schemes using capital asset pricing model. Researchers in this article have compared the performance of mutual fund for a period of 15 years and have found that private sector mutual fund has performed much better than the public sector mutual fund but the investors found private sector mutual fund risky.

Chawla, P. S. (2014) Performance assessment of specific mutual funds: The researcher studies selected diversified equity mutual funds of private and public AMCs in India. The research also compares between public and private equity mutual funds in India. Source of information: secondary data. Tools used in study: Standard deviation, beta, coefficient of determination.

Nair R K (2014) article titled "A tool to stabilize Indian Economy" International Journal of Scientific and Research. This article reiterated that Mutual fund is a tool to balance Indian economy. The mutual fund schemes are playing an important role in mobilizing scattered savings among individual and channelize these funds to development of the country. Banks and Financial Institutions are also playing a crucial role by promoting mutual fund business in the country.

Sharma, P. Agarwal P. (2015) "Investors' Perception and Attitude towards Mutual Fund as an Investment Option To study the impact of demographic factors in influencing buyer's decision". To measure the intensity of various factors that positively and adversely affect buyer's decision. Source: Primary data Size: 50 respondents Method: Random sampling method Descriptive statistical Tool: Rank and Chi - Square Investors' perception is dependent on the demographic profile. Liquidity, flexibility, tax savings, service quality and transparency etc. are the causes which influence perception of investors

Sankaran, Sundar – "Indian Mutual Funds" book in this book introduction, their operational working, merits, demerits and proper working for financial planning of mutual funds are discussed in details.

Rao and Mohana – Working of Mutual Fund Institutions in India- The aim of thesis is to explain what

mutual funds are, are introduced and used in India. How both open -ended and closed funds mutual fund are regulated around the globe.

Gupta, Amitabh – "Mutual Funds: Growth, Performance and Prospects" evaluates the performance of mutual funds during the five-year period from April 1, 1994 to March 31, 1999. It investigates the market timing abilities of Indian mutual fund managers. It also examines the structural changes arising in Indian mutual fund AMCs during the period 1987 to September 30, 2001.

Raju, Priya & Mrudulia – Mutual Fund Industry in India -The researcher focussed on reliability of mutual fund AMCs. It studies the history of the mutual fund AMCs in India from the establishment of Unit Trust of India in 1964 as well as presenting successful strategies for mutual fund investors.

Singh, Daraya – Mutual Funds in India – It reviews how the economic scenario worldwide has changed in few years, and also, the LPG policies of Globalization and Liberalization policies are accepted by different economics of the world, including India.

SUMALATHA.B. S (2007) – Competition among the Mutual Funds AMCs in India: an exploratory analysis of growing importance of mutual funds in the developing countries like India, the study aims to analyze the structure of the Mutual Fund AMCs in India, to examine the competition among different Mutual Funds AMCs, sector wise competition and within sector competition. The preliminary observation provides that there drastic changes occurred in the industry after liberalization—the entry of a large number of private and foreign mutual funds (both joint ventures predominantly).

Tripathi, Prava Nalini – Mutual Funds in India: Emerging Issues – He said how to: Discover the most profitable mutual funds and the right amount of investment in each, Develop retirement strategy using mutual funds Choose the best broker to meet your needs, or do it yourself online, try to remove pitfalls and mistakes Minimize fees and potential losses.

Singh, Jaspal-Mutual Funds: Growth, Performance, and Prospects - explore the fund mobilization by mutual funds in India has been on the increase since their inception in 1964, i.e. with the launch of US-64, the flagship scheme of UTI.

Sadhak.H – Mutual Funds in India: Marketing Strategies and Investment Practices - According to him he explains the most important of its kind regarding the mutual funds industry in India. It provides a thorough analysis of mutual funds to the general public and fund managers alike.

CONCLUSION

The study discussed above has few gaps which need to be filled with further researches. Comparative Performance appraisal of Mutual Funds in KAVAL TOWNS of Uttar Pradesh, India is carried out to find out the performance of the selected private sector and public sector sponsored Mutual Funds AMCs there. A correlation is significant to analyze market return and the impact of fund performance. This correlation will help us to develop a better idea of how one parameter can affect the other. Evaluations of Performance ratios will give a better understanding of interdependence among funds.

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