Performance Analysis of Selected Mutual Fund in India

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ABSTRACT

Mutual funds are one of the significant classes of financial intermediaries enabling tens of thousands small and large savers across India to participate in and get the benefits of the capital market. The involvement of mutual funds in the transformation of India's economy makes it all the more important to review their services for their role in mobilization and allocation of funds in the markets. As such mutual funds are expected to perform better than the market, hence calls for a continuous evaluation of the performance of funds. The key objective of the research is to evaluate the performances of equity funds, debt funds, and hybrid funds. This study is entirely based on secondary data collected. Data are taken from the NSE, BSE, and respective bank sites.

Keywords: Mutual funds, performance evaluation, Risk and return, Investor.

INTRODUCTION

A mutual fund is a type of professionally managed investment fund that pools money from many investors to purchase securities like stocks, bonds, money market instruments and other assets (Sahil jain, 2012). The ownership of the fund is thus joint or "mutual"; the fund belongs to all investors. Mutual funds are trusts that take deposits from investors and use the money to purchase a variety of financial products according to the guidelines outlined in the trust agreement. The basic objective behind investment in mutual fund is goods return with relatively low risk. (Sailaja, 2018). The objective is to maximize income and capital growth for the members while minimizing risk and optimizing returns on investment. Professional money managers oversee the operations of mutual funds, allocating investments and working to generate income and/or capital gains for fund investors (Sudha, *et al*. 2020).

FEATURES OF A MUTUAL FUND

1. Professional Management: Each fund's investments are chosen and monitored by qualified professionals who use this money to create a portfolio. Each fund makes investments that are chosen and managed by qualified professionals who use the money to build a portfolio.

2. Fund Ownership: Shares of mutual funds are owned by investors, not by individual secures.

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3. Smaller amounts of money can be invested through mutual funds: The pool can be used to buy even those securities 14 which would have been out of reach of a common individual investor. Mutual fund investors so benefit from being a part of a sizable pool of money that has been invested by others.

4. Diversified Investment: Mutual funds have a diversified investment portfolio which helps in reducing the risk as the fluctuation in prices of the individual securities has less effect on the performance of fund.

PROFILES TO THE COMPANY

In the field of finance, the Asset Management Company (AMC) industry is essential. AMCs are responsible for managing and investing assets on behalf of clients, which can include individuals, governments, and institutions.

The AMC industry consists of numerous players, both small and large, that manage a wide range of assets. Some of the major players in the industry include SBI Mutual Fund, ICICI Prudential, HDFC AMC, Nippon India and Kotak Mahindra. These companies have established themselves as leaders in the field and manage trillions of assets collectively. These top 3 AMCs in India collectively manage about 55% of the total assets in the industry.

1. SBI Mutual Funds: The State Bank of India (SBI) introduced this asset management company, which was established in 1987 and has its headquarters in Mumbai, India. It is a joint venture between SBI, a prominent Indian public sector bank, and Amundi, a leading European Asset Management Company.

2. ICICI Prudential Asset Management Company Ltd: A leading AMC, aims to help investors build long-term wealth through simple and relevant investment solutions. This joint venture between ICICI Bank, a renowned Indian financial service provider, and Prudential Plc, a prominent pan- Asia & Africa focused group specializing in health, savings solutions, and protection, has achieved pre-eminence in the Indian Mutual Fund industry.

3. HDFC Mutual Funds: HDFC is an Indian financial services company located in Mumbai, India. It operates in banking, asset management, venture capital, real estate, life and general insurance, education, deposits, and education loans. one of the largest, as of September 30, 2023, with an AUM of Rs 5.2 trillion.

REVIEW OF LITERATURE

Bhahul (2012) Conducted a study on “A Comparative Analysis of Mutual Fund Schemes in India”. The schemes will be evaluated based on risk and return. In this study the secondary data are used and the calculation done through standard deviation, alpha, beta, and also consider the market risk. The Treynor, Jenson, and Sharpe ratios are used to measure the data.

Bhagyasree (2016) Conducted research on “A Study on Performance of Mutual Funds in India”. The objective of the study is to determine whether mutual funds are operating safely for investors. The tools and techniques are used in this study are standard deviation, beta, Shape ratio, Treynor ratio, and Jenson ratio. The outcome of

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this study is to find out the mutual funds were performing very safe for the investors and also supervision to allow an investor to take the right decision.

Soni *et al.* (2015) Researched “Comparative Analysis of Mutual Fund Schemes available Kotak Mutual Fund and HDFC Mutual Fund”. The research is using with secondary data and using convenience sampling and the period of study is 5 years. The tools and techniques are used in research in SD, alpha, 22 beta, Sharpe ratio, and R-square.

Rani (2018) Conducted research on “Performance Analysis of Mutual Funds: A Study of Balanced Schemes”. The objective of this study is to evaluate the performance of selected public and private mutual funds, with a focus on their balanced schemes over the research period.

Sharma (2019) Researched “Performance Analysis of Mutual Funds: A Comparative Study of the Selected Hybrid Mutual Fund Schemes in India”. The objective of the study is to measure and compare the performance of the select hybrid mutual fund schemes in India. In this study primary data was used and various tools like NAV, average return, beta, R- square and standard deviation were used.

Sudha (2020) Conducted research on “Comparative Study on Selected Mutual Fund”. The objective of the study is to comparative performance analysis of selected mutual funds for five years. This research evaluates the five-year analysis of returns and their investment-based volatility.

OBJECTIVES OF THE STUDY

To study the selected mutual fund schemes and analyse them.

1. To analyse risk and return of different schemes of mutual fund.
2. To do comparative analysis of selected mutual fund schemes.

RESEARCH METHODOLOGY

Research Design: This study is based on empirical research.

Sampling: Top three Mutual Funds, i.e., SBI Mutual Funds, ICICI Prudential Mutual Funds and HDFC Mutual Funds as per their Asset Under Management (AUM) values.

Data Collection: This study is entirely based on secondary data collected.

Period of Analysis: This study mainly covers the period of the year 2023 and five years prior to it

Scope of the Study: The scope of a comparative study of selected mutual funds would be to analyze and compare various mutual funds based on their performance, risk, investment strategy, management, and other factors, to provide insights for investors to make informed investment decisions.

DATA REPRESENTATION AND INTERPRETATION

1. Equity Funds

a) Large Cap: also known as big caps are shares that

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trade for corporations with a market capitalization of $10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. rank	Std. rank
SBI Mutual Funds	25.44%	19.73%	16.11%	20.43%	4.70%	3	3
HDFC Top 100 Fund	31.64%	22.88%	17.10%	23.87%	7.32%	1	1
ICICI Prudent ial Mutual Fund	28.54%	20.69%	18.70%	22.64%	5.20%	2	2

Table 1: large-cap fund

Interpretation: Table 1 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. HDFC Mutual Funds has the highest returns in 1 year as well as 3 years but ICICI Prudential Mutual Funds has the highest return in 5 years. SBI Mutual Funds has the lowest return in 1 year as well as 5 years. While comparing the average return, SBI Mutual fund has performed better than other two equity funds.

b) Large Cap and Mid Cap: These mutual funds select stocks for investment from the largest 250 stocks listed in the Indian markets (highest market capitalization). Larger stocks are expected to be less risky whereas smaller stocks may have higher potential to grow.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
HDFC Large & Mid Cap Fund	40.72%	29.75%	21.57%	30.68%	9.61%	1	1
ICICI Prudential Large & Mid Cap Fund	32.31%	27.74%	21.04%	27.03%	5.67%	2	3

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SBI Large & Mid Cap Fund	32.17%	25.46%	19.30%	25.64%	6.44%	3	2

Table 2: Large-cap and mid-cap fund

Interpretation: Table 2 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. HDFC has highest return in 1 year, 3 years and 5 years, with medium risk involved. While comparing the average return, HDFC large & mid cap fund has performed better than other two equity funds.

c) Flexi Cap: A flex-cap fund allows investors to diversify their investment portfolio across companies of different market capitalization, mitigating risk and lowering volatility. They are also known as multi-cap funds or diversified equity funds.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
HDFC Flexi Cap	32.95%	28.39%	20.16%	27.17%	6.48%	2	3
SBI Flexi Cap Fund	37.65%	22.82%	18.21%	26.23%	10.16%	3	2
ICICI Prudential Flexi Cap Fund	39.27%	24.24%	19.88%	27.80%	10.17%	1	1

Table 3: Flexi cap fund

Interpretation: Table 3 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. HDFC Flexi Cap has the highest returns in 3 years as well as 5 years. ICICI Prudential Flexi Cap has the highest returns in 1 year. While comparing the average return, ICICI prudential flexi cap fund has performed better than other two equity funds.

d) Multi Cap: Invest in businesses of all sizes and in a variety of industries with Multicap equity funds. Unlike large or mid-cap funds, they can decide how money gets allocated between big, mid-sized, and small companies. They can also adjust the portfolio in response to changes in the market because to this flexibility.

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Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
SBI Mutual Fund	31.75%	16.59%	-	24.17%	15.88%	3	1
HDFC Mutual Fund	43.97%	27.50%	21.08%	30.85%	11.81%	1	2
ICICI Prudential	38.32%	25.25%	19.13%	27.57%	9.80%	2	3

Table 4: Multi-cap fund

Interpretation: Table 4 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. HDFC offers highest returns in overall. While comparing the average return, HDFC mutual fund has performed better than other two equity funds.

e) Mid-Cap Funds: Mid-Cap Mutual Funds are equity funds that invest in the midsized companies of India. These companies, which are among the fastest-growing in India, are at a level where leaders of today were only a few years ago.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
ICICI Prudential	48.39%	22.95%	21..05%	35.67%	24.21%	1	1
HDFC Mid Cap Fund	46.19%	31.26%	24.02%	33.82%	11.31%	2	2
SBI Magnum	38.66%	28.54%	24.09%	30.43%	7.47%	3	3

Table 5: Mid-cap fund

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Interpretation: Table 5 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. SBI offers lowest return in 1 year but highest in 5 years. Similarly, ICICI Prudential gives highest return in 1year but lowest in 5 years. While comparing the average return, HDFC mutual fund has performed better than other two equity funds.

f) Small Cap: Small Cap equity funds invest in the smallest companies in India. Most of these companies are unknown to us on a daily basis and are not among the top 250 corporations. Small cap firms can yield excellent returns, but they can also be quite volatile and result in short- to medium-term losses.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. rank
ICICI Prudential	42.66%	27.59%	26.27%	32.17%	9.11%	2	2
SBI Small Cap Fund	34.57%	23.07%	24.52%	27.39%	6.26%	3	3
HDFC Small Cap Fund	48.24%	36.66%	23.86%	36.25%	12.20%	1	1

Table 6: Mid-cap fund

Interpretation: Table 6 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior ICICI Prudential offers highest return in 5 years. While comparing the average return, HDFC small cap fund has performed better than other two equity funds.

2. Debt Funds:

a) Banking and PSUs debt: Debt funds established for banking and PSU purposes only provide loans to banks and public sector companies. The high quality of borrowers allows these loans mean the risk of default is very less. However, they do get affected if interest rates in the economy go up.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
ICICI Prudential	7.17%	4.89%	7.13%	6.40%	1.30%	2	3

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HDFC	7.22%	4.97%	7.32%	6.50%	1.33%	1	2
SBI	7.51%	4.08%	6.44%	6.01%	1.75%	3	1

Table 7: banking and PSUs debt fund

Interpretation: Table 7 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. SBI offers highest returns in 1 year but lowest in 3 years as well as 5 years. Whereas HDFC gives highest returns in 3 years as well as 5 years. While comparing the average return, HDFC small cap fund has performed better than other two equity funds.

b) Medium term debt: Debt funds that lend to quality companies for three years or longer are known as medium-term or duration funds. Due to the longer loan tenure, the returns on these funds are impacted by changes in interest rates that borrowing corporations experience over time as the result of favorable or unfavorable economic cycles.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std Rank
HDFC	7.89%	5.66%	6.81%	6.79%	1.12%	3	2
ICICI Prudential	7.63%	6.21%	7.29%	7.04%	0.74%	1	3
SBI Magnum	7.65%	5.28%	8.02%	6.98%	1.49%	2	1

Table 8: Medium term debt fund

Interpretation: Table 8 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. HDFC Medium term debt gave lowest return in 5 years. Whereas SBI Magnum Medium term debt gave the highest return in 1 year. While comparing the average return, HDFC small cap fund has performed better than other two equity funds.

c) Short-term Debt: Debt funds with a one- to three-year tenure of lending to businesses are known as short-term funds. These funds mostly take exposure only in quality companies that have proven record of repaying their loans on time as well as have sufficient cash flows from their business operations to justify the borrowing.

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Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
HDFC	7.53%	5.28%	7.38%	6.73%	1.26%	2	1
ICICI Prudential	8.08%	6.03%	7.99%	7.37%	1.16%	1	2
SBI	7.50%	5.92%	6.41%	6.61%	0.81%	3	3

Table 9: Short-term debt fund

Interpretation: Table 9 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. ICICI Prudential provides the highest returns in overall. While comparing the average return, ICICI Prudential cap fund has performed better than other two equity funds.

D) Long Duration: Debt funds known as long duration funds offer funds to reputable companies for a minimum of five years. Due to the loan's time period, the investment is intrinsically riskier than other debt funds because it is essentially exposed to the entire economic cycle.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
ICICI Prudential	6.08%	3.12%	6.82%	5.34%	1.96%	3	3
HDFC	7.02%	4.12%	-	5.57%	3.53%	2	2
SBI	7.55%	-	-	7.55%	4.36%	1	1

Table 10: long duration fund

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Interpretation: Table 10 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. HDFC offers highest return in 1year among these. While comparing the average return, SBI cap fund has performed better than other two equity funds.

3. Hybrid Funds:

a) Aggressive Hybrid Funds: are balanced funds invest primarily in stocks with some allocation to FD-like instruments. Due to their wider investment portfolio, these funds have nearly identical long-term returns while being less risky than pure equities funds.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
ICICI Prudential	38.67%	24.11%	20.66%	27.81%	9.56%	1	1
HDFC	22.93%	14.78%	14.70%	17.47%	4.73%	2	3
SBI	25.60%	12.17%	13.73%	17.17%	7.35%	3	2

Table 11: Aggressive hybrid fund

Interpretation: Table 11 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund and HDFC Top 200 Fund for the year 2023 and five years prior. ICICI Prudential Aggressive Hybrid Fund gives highest return in all. While comparing the average return, SBI cap fund has performed better than other two equity funds.

b) Conservative Hybrid: Conservative Hybrid funds invest primarily in FD-like instruments with some allocation to stocks. With minimal risk, these funds promise to yield higher returns than bank fixed deposits.

Funds	Return (1year)	Return (3 years)	Return (5 years)	Average Return	Std. Dvt.	Avg. Rank	Std. Rank
HDFC	17.61%	11.12%	10.53%	13.09%	3.93%	1	2
ICICI Prudential	19.61%	8.44%	8.92%	12.32%	6.32%	2	1
SBI	14.99%	10.15%	10.39%	11.84%	2.73%	3	3

Table 12: Conservative hybrid fund

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Interpretation: Table 12 shows the performance of equity funds of ICICI prudential mutual funds, HDFC top 100 fund and SBI mutual funds equity fund, and HDFC Top 200 Fund for the year 2023 and five years prior. ICICI Prudential offers highest return in 1 year but drop to lowest in 5 years. While comparing the average return, HDFC fund has performed better than other two equity funds.

CONCLUSION

The mutual fund industry has grown rapidly in modern times investment in mutual funds is considered safe and reliable for investor particularly small retail investors. (Rani, 2018). In addition to becoming significant players in the Indian equities and corporate bond markets, mutual funds also play a vital role in supporting the money market's liquidity. As a result, their impact on changes in equity and debt market prices as well as domestic liquidity conditions has grown over time. This research was made to understand the management of mutual funds, the schemes which Asset management companies offers and analyzing them from the given data. These funds are easily accessible online to learn about prior trends and the techniques they have used, and they provide frequent reporting on their performance. All mutual funds are required to report the same level of information to the investors which makes it relatively easier for comparison in case of diversification. It helps you in holding a wide variety of shares at a much lower price than you really could own by yourself (Agrawal, 1992). The value of an investment in the Fund may increase or decline; a drop in one does not necessarily imply a decrease in the other. By holding shares in the market, you can take advantage of the changing environment in the industry. It helps in diversification. It gives opportunities to small investors to take part in the professional asset management and they can have low investment minimums.

LIMITATION

The limited information in the secondary survey report is a fundamental obstacle in finding out the true consequences of investing in a mutual fund system by investors. The study is limited to the different schemes available under the mutual funds selected.

The data for this research was collected from the selected mutual fund schemes.

Scope of this study is wider but sample size is limited to only three mutual funds. This study has a further limitation because these three mutual funds.

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