

A Study on Performance of Mutual Funds

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ABSTRACT

The Indian Corporate sector is facing the challenge in commensuration of the risk involved with the expected level of the return. In this scenario of fluctuating capital market, the risk level never payoff with the returns.

Mutual funds mobilise the savings of the people and channelise it to the money and capital market. One of the main advantages of mutual funds over any other investment to small investor is that they give small investors access to professionally managed, diversified portfolio of equities, bonds and other securities, which is rather impossible for a small investor to create with a small amount of capital he/ she owns. Mutual funds constitute a very important component of the capital market in developed countries and are now becoming vibrant in emerging markets like India.

In But there being so many mutual fund companies offering similar plans that an investor needs to be careful regarding his/her investment adjust by not picking up the right company he may land up losing some bucks that may have earned by investing in the right company.

KEYWORDS: Risk, Return, Sharp Value

INTRODUCTION

A Mutual Fund is an investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as Stocks, Bonds, Money market Instruments and other Assets.

Mutual Funds are operated by Professional Money Managers, who allocate the fund's investment and attempt to produce Capital gains and/or income for the fund's investors.

Companies selected for study

1. LIC LARGE AND MID CAP FUND
2. SBI BLUE CHIP FUND
3. ICICI PRUDENTIAL BLUE CHIP FUND

Need of the study:

To understand the conceptual knowledge about mutual funds .The present study helps the investors to take right decisions on investments as they involve risk . And to find out the better alternative which yeilds moderate returns at low risk.

Scope of the study:

The scope of the study is focused on the different types of the mutual funds in NIRMAL BANG SECURITIES Pvt Ltd. For the period of 5 years (2015-19).

Objectives of the study:

- To study the performance of mutual funds SBI BLUE CHIP FUND, ICICI PRUDENTIAL BLUE CHIP FUND, LIC LARGE & MID CAP FUND.
- To Access the Risk and Returns mutual funds of SBI BLUE CHIP FUND, ICICI PRUDENTIAL BLUE CHIP FUND, LIC LARGE & MID CAP FUND.

How to cite this paper: C. Jagadeesh | Dr. P. Basaiah "A Study on Performance of Mutual Funds" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-4 | Issue-5, August 2020, pp.1442-1443, URL: www.ijtsrd.com/papers/ijtsrd33141.pdf



IJTSRD33141

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- To Evaluate the Risk-adjusted performance of mutual funds at SBI BLUE CHIP FUND, ICICI PRUDENTIAL BLUE CHIP FUND, LIC LARGE & MID CAP FUND.

Research methodology:

The study is based on the secondary data collected from the internet, www.nseindia.com, www.moneycontrol.com

Limitations of the study;

The study is confined only to Nirmal Bang Securities Pvt Ltd. Unable to cover the performance of all schemes in Nirmal Bang Securities Pvt Ltd.

➤ HYPOTHESIS

H₀: There is no significant difference between the returns of the selected companies.

H₁: There is a significant difference between the returns of the selected companies.

Analysis of performance of mutual funds Returns (R), Standard Deviation (σ) and Sharpe Ratio

Year	SBI BLUE CHIP FUND	ICICI PRUDENTIAL BLUECHIP FUND	LIC LARGE AND MID CAP FUND
2015	8.99	0.79	-5.48
2016	6.12	8.81	9.3
2017	31.71	33.29	32.92
2018	-3.1	0.21	0.92
2019	12.47	10.5	8.3

SBI BLUE CHIP FUND:

Mean= $\sum R/N=56.19/5=11.238$
 Standard Deviation = $\sqrt{\sum(R-\bar{R})^2/N}$
 = $\sqrt{657.45/5}$
 =11.466

Sharpe Ratio=Average fund returns-Risk free rate/ Standard deviation
 = $11.238-6.50/11.466. =0.413$

ICICI PRUDENTIAL BLUE CHIP FUND:

Mean= $\sum R/N=54.23/5=10.846$
 Standard Deviation = $\sqrt{\sum(R-\bar{R})^2/N}$
 = $\sqrt{750.92/5}$
 =12.254

Sharpe Ratio=Average fund returns-Risk free rate/ Standard deviation
 = $10.846-6.50/12.254$
 =0.3546

LIC LARGE AND MID CAP FUND:

Mean = $\sum R/N=45.96/5=9.192$
 Standard Deviation = $\sqrt{\sum(R-\bar{R})^2/N}$
 = $\sqrt{847.52/5}$
 =13.01

Sharpe Ratio=Average fund returns-Risk free rate/ Standard deviation
 = $9.912-6.50/13.01$
 =0.206

Analysis of Performance of 3 Funds Based on Return, Risk & Beta

Name of the fund	Returns	Risk	Sharpe Ratio
SBI BLUE CHIP FUND	11.238	11.466	0.413
ICICI PRUDENTIAL BLUE CHIP FUND	10.846	12.254	0.3546
LIC large & mid cap FUND	9.192	13.01	0.206

INTERPRETATION:

ICICI BLUECHIP FUND has generated high average returns of 10.846 when compared to all other funds.

In the above graph is observed that risk is high in LIC fund. The SBI blue chip fund is having a higher performance level of 0.413

When compared to other funds and.

The performance of ICICI fund 0.3456 is moderate.

HYPOTHESIS

H₀: There is no significant relationship between risk and return.

H₁: There is significant relationship between risk and return.

Calculation of hypothesis paired T-Test using spss.

In t-tes

ANOVA

Returns	Sum of Square	df	Mean square	F	Sig.
Between groups	11.792	2	5.896	.031	.969
Within groups	2255.887	12	187.991		
Total	2267.680	14			

The test statistic is the F value of 0.031.

Using an α of 0.05, we have $F_{0.05;2,12}=2.56$ since the test statistic is smaller than the critical value, we accept null hypothesis (no significant difference between returns of 3 companies) and reject alternate hypothesis.

Findings:

SBI Blue chip fund D(G) is yielding high average returns (11.238) when compared to other funds ICICI Prudential Blue chip fund D(G)(10.846), LIC LARGE & MID CAP FUND D(G) (9.192).

Higher the standard deviation higher the risk.

The performance of ICICI blue chip fund is high (13.7) When compared to all other funds.

By investing in SBI blue chip fund an investor can get higher returns (11.238) than any other fund but the risk is very high (12.82).

The performance of LIC LARGE & MID CAP FUND is low (0.184) when compared to all other funds.

The performance of SBI Blue chip fund is 0.369 which is more than LIC & ICICI.

Suggestions:

Investors who have a lower risk appetite may invest in reliance diversified power sector fund anThe fund manager has to select good scripts in the portfolio for good returns. Investors must possess a long term outlook. Investors who want the highest returns and are willing totake higher risk could invest their funds in Nirmal Bang diversified power sector fund as it yield the highest returns among all the other equity mutual funds and also it has low variations when compared with the market performance. So it can be preferred by risk adverse investors

Conclusion:

The present study investigates the performance of 3 open ended, diversified equity schemes for the period of April 2015 to March 2019 (five years) of transition economy. Daily closing NAV of different schemes have been used to calculate the returns from the fund schemes.

The study will guide the investors who want to invest in mutual fund schemes by providing knowledge about how to measure the risk and returns of the mutual funds.

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