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A Comparative Study on Mutual Funds

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ABSTRACT

Indian Mutual Fund industry offers a plethora of schemes and serves broadly all type of investors. The range of products includes equity funds, debt, liquid, gilt and balanced funds. There are also meant exclusively for young and old, small and large investors. Moreover, the setup of a legal structure, which has enough teeth to safeguard investor's interest, ensures that the investors are not cheated out of their hard-earned money. All in all, benefits provided by them cut across the boundaries of investor category and thus create for them, a universal appeal.

In view of the growing competition in the Mutual Funds industry, it was felt necessary to study the investors orientation towards Mutual Funds i.e. their pattern of risk apatite and preferences in various schemes, plans and options in order to providing a better service.

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INTRODUCTION

A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested in capital market instruments such as shares, debentures, and other securities. The income earned through these investments is shared by its unit holders in proportion to the number of units owned by them. Thus, a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Mutual funds are considered as one of the best available investments as compare to others they are very cost efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns.

Companies selected for study
1. Equity Funds In TATA
2. Equity Funds In UTI
3. Debt funds in TATA
4. Debt Funds UTI
5. Balanced Funds in TATA
6. Balanced Funds in UTI

Need of the study:
This comparative study helps to know the Performance of mutual funds at Tata and UTI Mutual Funds, Nellore.

Scope of the study:
The comparative study is to analyze the performance of Mutual fund at Tata and UTI Mutual funds from 2015-2019 in Nellore.

Objectives of the study:
- To comparative study on Equity Fund, Debt fund, balanced fund at Tata and UTI mutual funds.
- To analyze the risk and returns at Tata and UTI mutual funds.
- To evaluate performance of mutual fund at Tata and UTI mutual funds.

- **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 limited to Tata and UTI mutual funds, Nellore.
- The data is limited to 5years from 2015 to 2019.

HYPOTHESIS

TESTING OF HYPOTESIS FOR EQITY FUNDS

H0 = There is no significant difference between TATA Equity fund returns and UTI Equity fund returns.

H1 = There is a significant difference between TATA Equity fund returns and UTI Equity fund returns.

TESTING OF HYPOTESIS FOR DEBT FUNDS

Ho = There is no significant difference between TATA Debt fund returns and UTI Debt fund returns.

H1 = There is a significant difference between TATA Debt fund returns and UTI Debt fund returns.

TESTING OF HYPOTESIS FOR BALANCED FUNDS

Ho = There is no significant difference between TATA Balanced fund returns and UTI Balanced fund returns.

H1 = There is a significant difference between TATA Balanced fund returns and UTI Balanced fund returns.

Analyzing the Performance of Equity Funds in TATA

Years	Returns	(R-R̄)	(R-R̄)2
2015	10.69	-1.144	1.308
2016	-2.11	-13.254	175.668
2017	50.95	39.806	1584.517
2018	-12.04	-23.184	537.497
2019	8.23	-2.914	8.491

INTERPRETATION: Mean (R̄)=∑R/N=55.72/5=11.144
Standard Deviation =√∑(R-R̄) 2/N-1
=√2307.481/5-1
= √576.870
=24.018

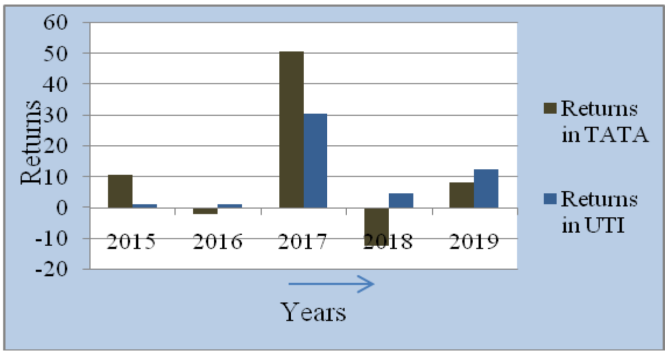
Sharpe Ratio=Average fund returns-Risk free rate/ Standard deviation
=11.144-6.50/24.018
=4.644/24.018
=0.193

Analyzing the Performance of Equity Funds In UTI

Years	Returns	(R-R̄)	(R-R̄)2
2015	1.20	-8.908	79.352
2016	1.20	-8.908	79.352
2017	30.69	20.582	423.618
2018	4.91	-5.198	27.019
2019	12.54	2.432	5.914

INTERPRETATION: Mean=∑R/N=50.54/5=10.108
Standard Deviation= √ ∑(R-R) 2/N -1
=√615.255/5-1
=√153.813 =12.402

Sharpe ratio= average fund returns-risk free rate/SD
=10.108-6.50/12.402
=3.608/12.402
=0.290



INTERPRETATION:
From the above graph it is observed that the equity funds for UTI is better than TATA from the years 2015-2019.

Analyzing the performance of Debt funds in TATA

Year	Returns	(R-R̄)	(R-R̄)2
2015	7.69	-0.214	0.045
2016	12.18	4.276	18.284
2017	5.18	-2.724	7.420
2018	4.14	-3.764	14.167
2019	10.33	2.426	5.885

INTERPRETATION: Mean (R̄)=∑R/N=39.52/5=7.904
Standard Deviation=√∑ (R-R)2/N -1
=√45.801/4
=3.383

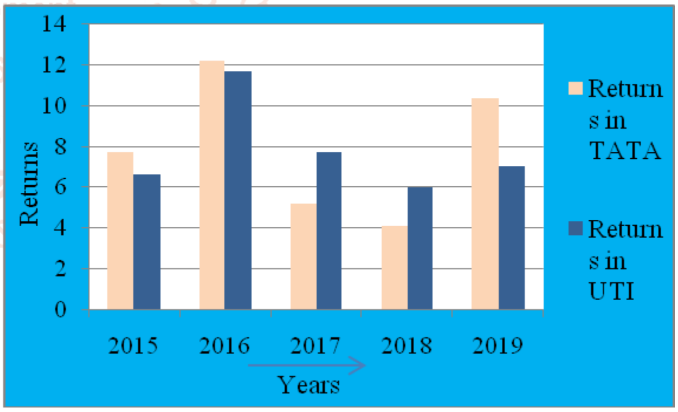
Sharpe Ratio=average fund returns-risk free rate/SD
=7.904-6.50/3.383
=0.704/3.383
=0.208

Analyzing the Performance of Debt Funds UTI

Year	Returns	(R-R̄)	(R-R̄)2
2015	6.63	-1.18	1.392
2016	11.67	3.86	13.542
2017	7.73	-0.08	0.006
2018	6.01	-1.8	3.24
2019	7.01	-0.8	0.64

INTERPRETATION: Mean (R̄)=∑R/N=39.05/5=7.81
Standard Deviation=√∑ (R-R) 2/N-1
=√18.82/4
=2.169

Sharpe Ratio=average fund returns-risk free rate/SD
=7.81-6.50/2.169 =0.603



INTERPRETATION: From the above graph it is observed the Debt funds for TATA is better than UTI from the years 2015-2019.

Analyzing the Performance Balanced Funds in TATA

Years	Returns	(R-R̄)	(R-R̄)2
2015	7.16	0.882	0.777
2016	4.27	3.772	14.227
2017	20.91	-12.868	165.585
2018	-0.53	8.572	73.479
2019	8.40	-0.358	0.128

INTERPRETATION: Mean (R̄)=∑R/N=40.21/5=8.042
Standard Deviation=√∑ (R-R) 2/N-1
=√254.196/4
=7.971

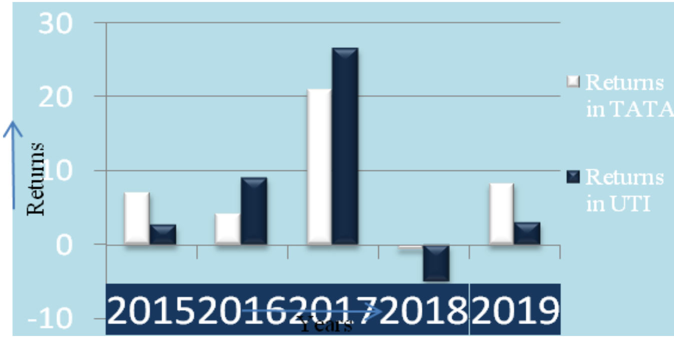
Sharpe Ratio=average fund returns-risk free rate/SD
=8.042-6.50/7.971
=1.542/7.971
=0.193

Analyzing the Performance of Balanced Funds in UTI

years	Returns	(R-R̄)	(R-R̄)2
2015	2.70	4.638	21.511
2016	9.12	-1.7823	3.175
2017	26.59	-19.252	370.639
2018	-4.83	12.168	148.060
2019	3.11	4.228	17.875

INTERPRETATION: Mean (R̄)=∑R/N=36.69/5=7.338
Standard Deviation=√∑ (R-R) 2/N-1
=√561.26/4
=11.845

Sharpe Ratio=average fund returns-risk free rate/SD
=7.338-6.50/11.845
=0.838/11.845 =0.070



INTERPRETATION: From the above graph it is observed that the Balanced funds for TATA is better than UTI from the years 2015-2019.

HYPOTESIS

T-Test for Equity funds

		T- Test for Equality of Variances t-test for Equality of Means							
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
returns	Equal variances assumed	.733	.417	.086	8	.934	1.03600	12.08644	-26.83537	28.90737
	Equal variances not assumed			.086	5.992	.934	1.03600	12.08644	-28.54763	30.61963

There is no significant difference between the performance of TATA Equity and UTI Equity, t = 0.086, p>0.05. accept H0.

T-TEST FOR DEBT FUNDS

		T- Test for Equality of Variances t-test for Equality of Means								
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
RETURNS	Equal variances assumed	1.426	.267	.052	8	.960	.09400	1.81634	-4.09448	4.28248
	Equal variances not assumed			.052	6.952	.960	.09400	1.81634	-4.20704	4.39504

There is no significant difference between the performance of TATA Debt funds and UTI Debt funds, t = 0.052, p>0.05. accept H0

T-TEST FOR BALANCED FUNDS

		T- Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig	t	Df	Sig (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
return	Equal variances assumed	.607	.458	.110	8	.915	.70400	6.38538	-14.02071	15.42871
	Equal variances not assumed			.110	7.007	.915	.70400	6.38538	-14.39217	15.80017

There is no significant difference between the performance of TATA Balanced funds and UTI Balanced funds, t = 0.110, p>0.0

Findings:

The Performance of UTI (0.290) generates more returns than Tata Mutual funds (0.193) in Equity funds from the Sharpe ratio.

The Performance of Tata (0.603) generates more returns than Tata Mutual funds (0.208) in Debt funds from the Sharpe ratio.

The Performance of Tata (0.193) generates more returns than UTI Mutual funds (0.070) in balanced funds from the Sharpe ratio.

Suggestions:

Depending on the customer needs investor should choose different types of mutual funds to diversify the risk.

Investors will get good returns with minimum risk by monitoring their funds frequently.

Suggested that long term investments give better returns.

Conclusion:

From this study, Investors should invest money, which taken to the low risk, high returns and easy to redemption. Before investing in mutual funds everyone should be aware of risk and returns.

If Investors invest in the best funds and stay for long period, they will get the better returns and benefits.

References:

[1] www.moneycontrol.com

[2] www.nseindia.com

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[4] Prasanna Chandra, 2006, investment analysis and portfolio management