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A Comparative Study on Mutual Funds

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ABSTRACT

A mutual fund is just the connecting bridge and financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund manager, who is responsible for investing the gathered money into specific securities such as stock or bond, When you invest in a mutual fund, you are buying units or portions of mutual fund and thus on investing, becomes a shareholder or unit holder of the fund. Mutual funds are considered as one of the best available investment as compare to other as 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 diversification by maximizing returns.

KEYWORDS: *Mutual Funds*

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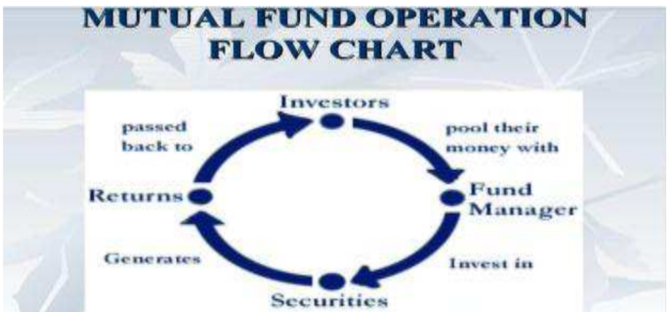
INTRODUCTION

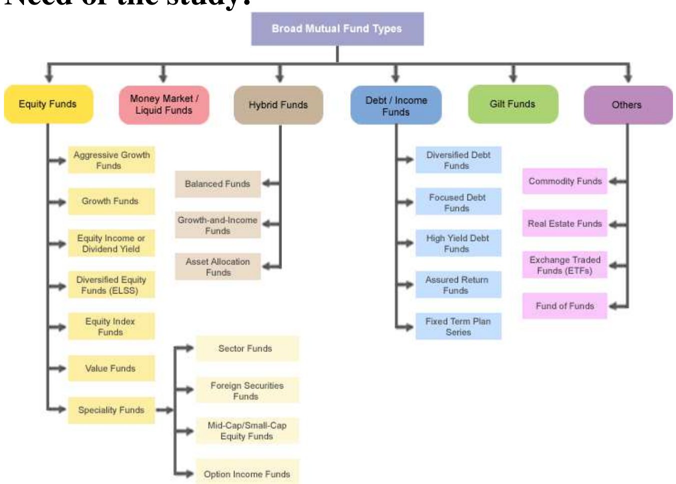
A mutual fund is just the connecting bridge and financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund manager, who is responsible for investing the gathered money into specific securities such as stock or bond, When you invest in a mutual fund, you are buying units or portions of mutual fund and thus on investing, becomes a shareholder or unit holder of the fund. Mutual funds are considered as one of the best available investment as compare to other as 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 diversification by maximizing returns.



TYPES OF MUTUAL FUND SCHEMES

1. Open-end Funds
2. Closed-end Funds
3. Interval Funds
4. Load Funds | No-load Funds
5. Tax-exempt Funds | Non-Tax-exempt Funds

Need of the study:



The study helps the investors to take right decisions on investment as they involve risk and to find out the better alternative which yields moderate returns at low risk.

Scope of the study:

The study covers mutual funds of SBI Blue Chip Fund and HDFC Equity Fund. The study is confined to the data of 5 years i.e, from 2015 – 2019

Objectives of the study:

- To study the performance level of mutual funds of SBI Blue Chip Fund and HDFC Equity Fund.
- To analyze risk and average returns of mutual funds of SBI Blue Chip Fund and HDFC Equity Fund.
- To compare the mutual funds of SBI Blue Chip Fund and HDFC Equity Fund, according to Sharpe's ratio.

Research methodology:

The study is based on the secondary data collected from the internet & Secondary data is collected from Shriram branch literature located in Anantapur.

Limitations of the study;

- The study is limited to two selected mutual fund schemes (SBI Blue Chip Fund and HDFC Equity Fund)
- The study is conducted for period of five years i.e. 2015-2019.

Data Analysis

The rate of return on any fund is calculated as,

R= (p1-p0)/p0

Whereas;

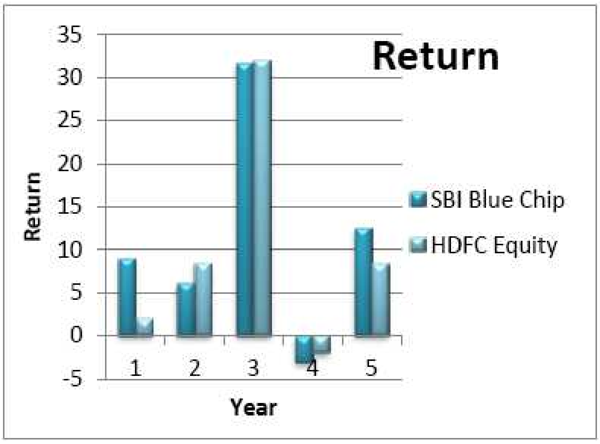
R = expected rate of return during period t.

P1 = price of closing

P0= price of opening.

YEAR	HDFC EQUITY FUND	SBI Blue Chip FUND
2015	2.01	8.99
2016	8.49	6.12
2017	32.04	31.71
2018	-1.99	-3.1
2019	8.4	12.47

From, the above returns HDFC is give better return 32.04



HYPOTHESIS

HO: There is no significant difference between returns of two funds.

H1: There is significant difference between returns of two funds.

Calculation of hypothesis Anova using SPSS.

Oneway

[DataSet0]

ANOVA

returns

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.396	1	4.396	.026	.877
Within Groups	1373.218	8	171.652		
Total	1377.613	9			

In t-test if F(cal) value is greater than t(table) value we reject null hypothesis and accept alternative hypothesis and vice versa. Here, the f (cal) {f (cal) <f (table), (-1.983 <0.026)} Is less than the f (table) value, Hence we accept Null hypothesis (h0) i.e., There is no significant relationship between two funds.

Findings:

SBI Blue Chip Fund is yielding high average returns (11.238) when compared with HDFC Equity Fund. The performance of SBI Blue Chip Fund is high (0.369) when compared with HDFC Equity Fund. The performance of HDFC Equity Mutual Fund is low (9.79) and as well as its risk is high (13.20) compared to SBI Blue Chip Fund.

Suggestions:

It is suggested that risk takers can go for SBI Blue Chip Fund which is yielding high average returns, when compared with HDFC Equity Fund. The fund manager has to select SBI Blue Chip Fund which is giving good returns.

Conclusion:

It is concluded that the risk is less in SBI Blue Chip Fund and risk is high in HDFC Equity Fund. High performance fund is SBI Blue Chip Mutual Fund and low performance fund is HDFC Equity Fund. 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.

References:

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