International Journal of Trend in Scientific Research and Development (IJTSRD)
Volume 6 Issue 6, September-October 2022 Available Online: www.ijtsrd.com e-ISSN: 2456 – 6470

A Study on Performance of Selected Mutual Funds in HDFC Bank at Anantapur

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ABSTRACT

Mutual fund is one of the important investment vehicles that offer good investment prospects to the investors. Mutual fund is a trust that pools the savings of various individuals by issuing units to them and then invests it in various securities such as shares, debentures and bonds as per stated objectives of the scheme. Today a wide variety of mutual fund schemes are available for the investors such as Open-ended, Close-ended, Interval, Growth, Income, Balanced, Equity Linked Saving Schemes (ELSS) and Exchange Traded Funds (ETF), etc. These schemes are catering to the investors' needs, risk and return tolerance The main aim of this paper is to know the performance of selected HDFC fund and comparative performance of HDFC Select fund schemes the return fund that mutual fund with an objective. The results found that HDFC Large cap fund is best performer in risk premium returns with high average returns with low risk. Other funds like liquid fund scheme money market scheme giving same performance. However, index fund scheme is better in terms of returns but not risk premium benefits however. Money market fund scheme is best risk premium giver but returns are low.

How to cite this paper: M. Nandini | Dr. P. Viswanath "A Study on Performance of Selected Mutual Funds in HDFC Bank at Anantapur" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-6 | Issue-6, October 2022, pp.774-778, URL: www.ijtsrd.com/papers/ijtsrd51954.pdf

IJTSRD51954

INTRODUCTION

Mutual fund is one of the investment avenues for the retail investors. Mutual funds are idea for investor who lack the knowledge or skill / experience of investing in stock market directly. Want to grow their wealth, but do have the inclination or time to research the stock market.

A mutual fund is a collective investment vehicle that collects & pools money from a number of investors and invests the same in equities, bonds, government securities, money market Instruments.

The money collected in mutual fund scheme is invested by professional fund managers in stocks and bonds etc. in line with a scheme's investment objective. The income / gains generated from this collective investment scheme are distributed proportionately amongst the investors, after deducting applicable expenses and levies, by calculating a scheme's "Net Asset Value" or NAV. In return, mutual fund charges a small fee.

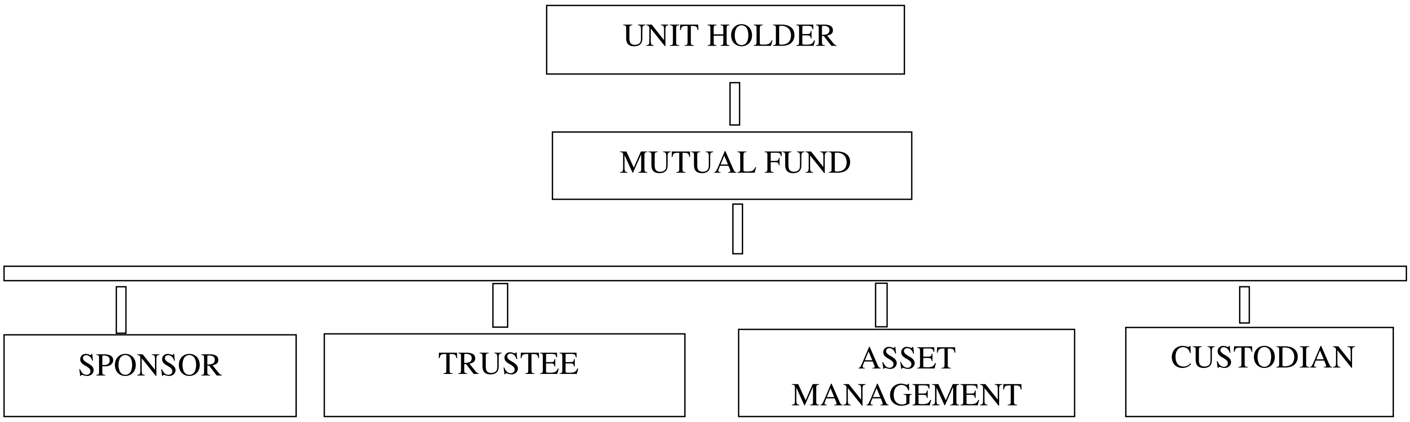
In short, mutual fund is a collective pool of money contributed by several investors and managed by a professional Fund Manager. The mutual industry may take CAGR of 21.5% from 2022-2027.

Definition:

SEBI (Mutual funds) Regulations, 1996 define 'MUTUAL FUNDS' as "a fund established in the form of a trust to raise monies through the sale of units to the public or a section of public under one or more schemes for investing in securities, including money market instruments".

Structure of Mutual Funds:

The structure of Mutual Funds in India is a three-tier one that comes with substantial components. It is not only about varying AMCs or banks creating or floating a variety of mutual fund schemes. However, there are a few other players that play a major role into the mutual fund structure. There are three distinct entities involved in the process - the sponsor (who creates a Mutual Fund), trustees and the asset management company (which oversees the fund management).



Review of literature:

Gupta, M. and Aggarwal, N. (2009) Mutual Fund Portfolio Creation Using Industry Concentration', The JCFAI Journal of Management Research, 8(3), 7-20. in the article "Investing in Mutual Fund: An overview" from Asian Research Journal of Business Management mentioned that still number of people are not clear about functioning of Mutual Funds, as a result so far, they have not made a firm opinion about investment in mutual funds. As far existing investors, return and liquidity have been perceived to be most attractive. There is a lot of scope for the growth of mutual funds in India. People should take decision based on performance of Mutual fund rather than considering whether is private sector or public sector.

Nedunchezhian, V. R., Kumar, S. and Elgin, A. (2012) 'Financial Performance of Selected Indian Mutual Funds Schemes', European Journal of Social Sciences. ISSN 1450-2267, 29(3), 450-457.in an article "A Paradigm Shift in Risk Measuring Tools of Mutual Fund Industry" from International Journal of Informative & Futuristic Research have mentioned that equity funds are performing better than debt funds. A strong linear relationship was found between risk and return. Fund managers can adopt Calmar ratio and safety-first ratio to analyze the risk of selected funds. No fund is risk free and Investors should invest in equity and equity related instruments to diversify the risk.

Wu, C-R., Chang, H-Y. and Wu, L-S. (2008) A Framework of Assessable Mutual Fund Performance', Journal of Modelling in Management, 3(2), 125-139.) Revil, the problem of the presence of negative average rates of returns in the evaluation of the performance of mutual funds using a DEA approach. We present some extensions of DEA models for the evaluation of the performance of mutual funds that enable to compute the performance measure also in the presence of negative rates of returns. These extensions regard a model that can be used for investments in mutual funds which have profitability as main objective and two models specifically formulated for ethical mutual funds that include also the ethical objective among the outputs and differ in the way the ethical goal is pursued by investors. The models proposed are applied to the European market of ethical mutual funds. In order to do so, a measure of the ethical level which takes into account the main socially responsible features of each fund are built.

Kajshmi, N., Deo, M. and Murugesan, B. (2008) (Performance of the Indian Mutual Funds: A Study (Performance with Special Reference to Growth Schemes', Asia-Pacific Business Review. 4(3), July-September. 75-81. Investigated whether profit-seeking and values-driven investor decisions have an impact on the timing ability of socially responsible mutual fund managers. Surprisingly, we find evidence of successful market timing skill for positively screened mutual fund managers who fulfil the objectives of profit-seeking investors, demonstrating the importance of controlling for the clientele effect. This result may indicate a successful, forward-looking management style in this type of fund. Furthermore, we present certain evidence of the "smart money" phenomenon among profit-seeking investors who pursue the persistent component of returns and thus cause a downward bias in market timing skill.

Fama, E. F. (1972) 'Components of Investment Performance', Journal of Finance, 27, 551-567. Observed in the study of an individual investor to know that on what information source the investors are depended on. The results are: economical, sociological, psychological factors on which the investors are depended on. Literature on mutual fund performance evaluation is enormous. A few research studies that have influenced the preparation of this project substantially are discussed in this section.

On the whole it is clear that study is very few on analysing performance of mutual funds particularly on different HDFC mutual funds.

NEED OF THE STUDY

The review of literature indicates gaps in studying View funds Viz., equity debt hybrid extra. Therefore, there is a need to conduct study to analyse the performance of various schemes under HDFC.

SCOPE OF THE STUDY

- The study is confined to HDFC BANK in Anantapur for a period of 9 years from 2013-14 to 2021-22.
- The study is confined to performance & risk of mutual funds based on different mutual fund schemes under mutual fund of HDFC BANK, Anantapur.

OBJECTIVES OF THE STUDY

- To understand the risk levels of selected mutual fund schemes at HDFC Bank, Anantapur.
- To measure the performance of selected mutual fund schemes at HDFC Bank, Anantapur.
- To compare the performance of selected mutual fund schemes at HDFC Bank, Anantapur.

RESEARCH METHOLOGY

To achieve the above objectives descriptive research methodology has been used for analysis using secondary data. The selected Mutual Fund for the study is HDFC Mutual Fund. Under this fund the selected fund schemes are INDEX fund, LIQUID fund, Equity saving fund, Money Market fund and Large Cap fund. The analysis is made for 9 years to know the risk and return of each fund scheme.

The statistical tools used to analyse the data are Percentage, Charts, Average Standard Deviation and Sharpe Ratio.

LIMITATIONS OF THE STUDY

- The study is limited for only 5 schemes.
- The study is limited to selected mutual fund schemes of HDFC Bank, Anantapur.
- The study is limited for the period of 9 years from 2013-2014 to 2021-22 at HDFC Bank, Anantapur.

DATA ANALYSIS AND INTERPRETATION

Analysis of Risk and Return:

To analyze the Risk and Return in each fund scheme for the 9 years i.e., 2013-14 to 2021-22. The results are presented in the below tables 1 and 2.

TABLE 1: Risk Analysis of Selected HDFC fund Schemes

Name of the funds	Standard deviation
HDFC Index fund	3.78
HDFC Liquid fund	0.55
HDFC Equity saving fund	1.97
Money market fund	0.51
HDFC large cap fund	0.12

INTEPRETATION:

From the above table show the risk level of HDFC Fund. HDFC Large cap fund has the low risk i.e., 0.12% compare with the other selected HDFC funds and high risk has HDFC index fund i.e., 3.78% in selected HDFC Funds. Among all the selected HDFC funds the best fund is HDFC Liquid fund because the risk level is low.

TABLE 2: Return analysis of Selected HDFC fund Schemes: With regarding to returns the result are presented in table2

Name of the fund SCHEMES	Mean returns	Sharpe ratio
HDFC Index fund	14.20	2.10
HDFC Liquid fund	6.94	1.23
HDFC Equity saving fund	10.51	2.15
HDFC Money market fund	7.49	2.41
HDFC large cap fund	14.44	6.86

INTEPRETATION:

From the above table reveals that the performance of selected mutual funds. HDFC large cap fund has highest return (14.44%) and high risk and return is (6.86%).

Comparative analysis of performance: In the study comparative schemes performance has been analysed with the help of Sharpe ratio and average returns by giving ranks based on high performance to lowest performance schemes. The result are has below presented in table3.

TABLE 3: COMPARATIVE PERFORMANCE OF SELECTED HDFC FUND SCHEMES

Name of the Fund Schemes	Sharpe Ratio	Returns (Rank based on Sharpe ratio)	Returns	Return (Rank based on returns)
HDFC Index Fund	2.10	4	14.20	2
HDFC Liquid Fund	1.23	5	6.94	5
HDFC Equity Saving Fund	2.15	3	10.51	3
HDFC Money Market Fund	2.41	2	7.49	4
HDFC Large Cap Fund	6.86	1	14.44	1

Interpretation:

- The above table reveals that risk premium is very high in (91.4%) equity saving fund comparing to - another fund. Similarly, HDFC Index fund providing only (12.54%) risk premium. Hence it is clear that HDFC equity saving fund performance is best fund followed by liquid fund, Equity saving fund, money market fund, large cap fund, least performance fund is Index fund.
- Based on the above table, it is clear that the HDFC Index fund has the return of (14.44%) for which the rank is 1 HDFC liquid fund has the return of 6.94% for which the rank is 2 HDFC equity Savings fund has the return of (10.51%) for which the rank is 3 HDFC money market fund has the return of (7.49 %) for which the rank is 4 and at least large cap fund has the return of 14.44% for which the given rank is. On whole based on returns the large cap fund is ranked as best since is 1 whereas the least ranked fund is HDFC Liquid fund which is ranked as 5.
- The above table the reveals that the best performing fund id HDFC equity saving fund with the (91.4%) risk premium returns. Followed by large cap fund (77.84%) HDFC Money market fund (64.25%), HDFC liquid fund (51.08%), HDFC index fund (12.54%).
- In the term of Average return, it is clear that the best performing fund is large cap fund followed by large cap fund (14.44%), HDFC index fund (14.20%), HDFC equity saving fund (10.51%) HDFC money market fund (7.49%). HDFC liquid fund (6.94%,).

On the whole, it is clear that though HDFC equity Saving fund ranked at third Position. However, this fund ranked has first performance based on Sharpe ratio indicating high risk premium return with less variability. Similarly, it is also found that HDFC index fund returns have Second fund, however it is ranked has fifth performing fund in the term of risk premium returns this is because of More risk portion in the total risk.

FINDINGS

- From the table show the risk level of HDFC Fund. HDFC Large cap fund has the low risk i.e.., 0.12 compare with the other selected HDFC funds and high risk is HDFC index fund i.e., 3.78 founded in. Among all the selected HDFC funds the best fund is HDFC Large cap fund because the risk level is low.
- The performance of selected mutual funds. HDFC large cap fund has highest return 14.44 and high risk and return is (6.86).
- The risk premium is very high in (2.15) equity saving fund comparing to another fund. Similarly, HDFC Index fund providing only (2.10) risk premium. Hence it is clear that HDFC equity saving fund performance is best fund followed by index fund, Equity saving fund, money market fund, large cap fund, least performance fund is Liquid fund.
- The best performing fund id HDFC large cap fund with the (6.86) risk premium returns. Followed by Equity saving fund (2.15), HDFC Money market fund (2.41), HDFC index fund (2.41), HDFD liquid fund (1.23).
- In the term of Average return, it is clear that the best performing fund is large cap fund followed by large cap fund (14.44), HDFC index fund (14.20), HDFC equity saving fund (10.51) HDFC money market fund (7.49). HDFC liquid fund 6.94,).

CONCLUSION

It is concluded that the average return of HDFC large cap fund is high and the HDFC liquid fund return is low. The risk of the HDFC equity saving fund is high and the HDFC index fund risk is low. 0If investors want to invest funds in best funds and stay for long period, they may choose HDFC Large cap fund getting more returns and benefits.

SUGGESTIONS

- Investors must possess a long-term outlook.
- It is suggested that the risk takers can go for HDFC large cap fund which can yield the high average returns with high risk compared to the other schemes.
- It is suggested that the risk average can go for HDFC Money market fund as its performance is high and has the low risk.
- The investor can select the best scheme among these schemes which can give the higher returns.
- It is suggested that the best scheme among these five schemes is HDFC Large cap fund which has high risk and returns are also good in these schemes.

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