A Comparative Study of Returns of Selected Mutual Funds Schemes with Nifty50

G. Anil Kumar
Assistant Professor in Department of Business Management, Nishitha Degree and PG College, Nizamabad. Telangana, India

Abstract- A mutual fund is an investment medium which is made up of a pool of moneys collected from many retail investors for the purpose of investing in stock market instruments such as stocks, bonds, money market instruments and other assets. Mutual funds allow tax benefits, diversification and other various options through making an investment in equity, debt or hybrid funds. Mutual funds are managed by professional, hence retail and inexperienced investors are advised to invest in the stock market through mutual funds. Monthly NAVs of selected Mutual Fund Schemes of HDFC, SBI and ICICI was collected and their company-wise monthly log returnsare compared with log returns of Nifty50 log returns. This study aims at finding out the comparison of returns of mutual funds with Nifty50 returns.

Keywords: Mutual Funds, Log returns, Comparison, HDFC, ICICI, SBI, NIFTY50, NAV.

1.INTRODUCTION

In India, Mutual Fund industry started in 1963 when Unit Trust of India (UTI) was formed at the initiative of the Reserve Bank of India (RBI) and the Government of India. In the first decade of 21st century this industry has seen a rapid growth. The objective of mutual fund is to attract small investors and introduce them to market investments. A mutual fund refers to an investment option with the objective to earn more returns with less risk and additional advantage of withdrawing money as and when needed or required. The collected or pooled money is further invested by professionals in diversified portfolio with an assumption to earn better returns in future. Ultimately mutual fund investments are subject to market risks. Mutual fund schemes are broadly classified as follows:

- Equity funds: It refers to the funds that highly fluctuate in short span of period but the return is also in this is high. Equity funds are also called Stock funds.
- Debt funds: In this investor has an option whether to invest for shorter period of time or for longer periodof time and the return the investor would get is mostlyfixed.
- Hybrid funds: This is a mix of both Equity funds as well as Debt funds.

2. ADVANTAGES OF MUTUAL FUNDS

Managed by Professional Investors of Asset Management Company (AMC):

- High Liquidity
- Diversification of Investment
- Tax Free Returns
- Flexibility of switching plans

DISADVANTAGES:

- AMC Charges
- Blocking money
- Dilution of Control

Net Asset Value: NAV is the sum total of the market value of all the shares held in the portfolio including cash, less the liabilities, divided by the total number of units outstanding. Thus, NAV of a mutual fund unit is nothing but the 'book value.'
Formula to Calculate NAV= (Market value of scheme's investment + receivables + accrued income + other assets– accrued expenses – payables – other liabilities) / No. of outstanding units

3. LITERATURE REVIEW

Pal & Chandani (2014) underwent a study of "A Critical Analysis of Selected Mutual Funds in India". Under this study their main objective was to know the performance oftop 10 equity mutual fund schemes in various categories, the best mutual fund house in Equity Mutual Fund category, & finally to compare the performance of top 10 equity mutual fund schemes according to the performance parameters.

Ashraf and Sharma (2014)- studied about the return earned by the sample mutual funds schemes and compare against the benchmark market returns and whether the degree of correlation exist between fund and market return or not. Study fond out the mutual fund schemes offering the advantages of diversification, along with adequate systematic risk compared to market beta risk.

Panwar and Madhumathi (2006) in their study identified differences in nature of public sector and private sector mutual funds and compared their performance during 2002 to 2005 using traditional investment measures.

Venkataraman and Venkatesan (2016) – studied in their study titled "Evaluation of Growth of Mutual Funds and Exchange Traded Funds in India" compared the performance of different schemes of mutual fund companies on the basis of risk and return so as to analyze the funds benchmarked to their index and compare their performance to a common index & also to evaluate the investment performance of the mutual funds with respect to standard deviation, Sharpe's ratio, Treynor's ratio and Jenson's alpha.

Narend and Thenmozhi (2014) – in their study found three ETFs having Asset Under Management of Minimum INR 5 Crore that track indices

Prasanna (2012) – assessed the growth rates and investors in making decisions for various schemes in different categories.

Tariq et al. (2013) analyzed the investor perception, their buying behavior, their awareness of various mutual funds schemes & the influencing factor in selecting the mutual fund company along with comparing and found the market leader in all the mutual fund companies on certain parameter. returns across the different categories of ETFs floated in India during the period 2005-2011, to find out whether ETFs provide excess returns to investors compared to CNX NIFTY, the equity market benchmark in India

Satheesh and Vetrivel (2016) – attempted to discuss the performance of selected mutual funds schemes in various categories to help retail

Kaur and Singh studied the satisfaction level of investors of HDFC and ICICI mutual fund schemes Agarwal (2009) studied the need of individual investors, also to focus on managing the portfolios that provide regular income, growth, safety, liquidity, tax advantage, professional management & diversification.

4.RESEARCH GAP

In the papers already published customer perspective has been studied, growth of mutual funds has also been a topic for research, comparison of sectoral mutual funds on various companies is also done but present research proves that among 3 AMC's which one is best. It also studies the comparison of each mutual fund company with NIFTY50.

5.RESEARCH OBJECTIVES

To compare monthly average of log returns of 10 selected mutual funds of each company viz. HDFC, ICICI with each other over the period of May 2021 to April 2022.

To compare the monthly average of log returns of selected mutual fund companies with that of Nifty50.

6.RESEARCH METHODOLOGY

Research Approach:

Present study is based on secondary data of NAVs and Nifty50 collected online for the period of May 2021 to April 2022. Monthly NAVs of 10 mutual fund schemes of each company namely HDFC Mutual Fund, SBI Mutual Fund and ICICI Prudential Mutual Fund, was collected for a said period. The selection of mutual fund schemes was purely based on convenience and availability of NAVs for the period of study. Nifty50 price was collected from Yahoo Finance. After collection of NAVs, monthly log returns for each scheme were calculated then their company-wise monthly average was calculated in MS-Excel. After calculation of average monthly log returns were compared with that of monthly log returns of Nifty50.

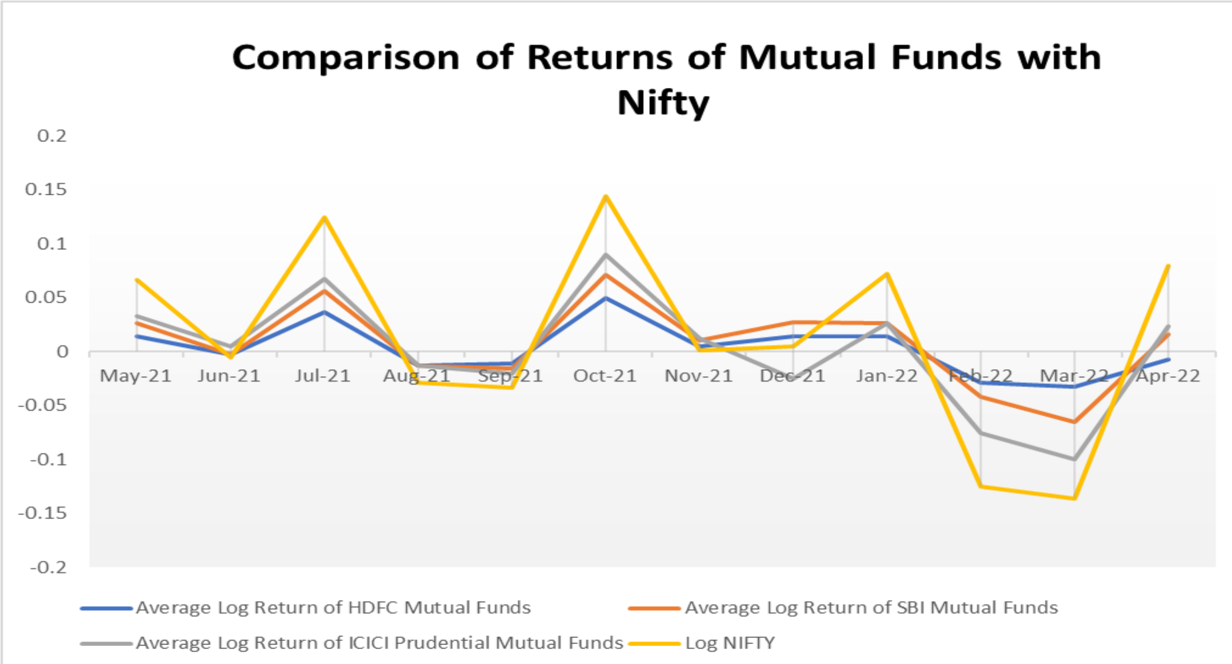
Table 1: List of Selected Mutual Fund Schemes

S. No.	HDFC Mutual Fund	SBI Mutual Fund	ICICI Prudential Mutual Fund
1	HDFC Banking & PSU Direct plan- Dividend option	SBI Savings Fund - Regular Plan - Dividend	ICICI Prudential Advisor Series Long Term Saving Plan - Direct Plan - Dividend
2	HDFC Balanced Fund Direct plan- Dividend option	SBI Arbitrage Opportunities Fund - Regular Plan - Div	ICICI Prudential Short Term Gilt Fund -Growth
3	HDFC Capital Builder Fund Direct plan- Dividend option	SBI-ETF BSE 100	ICICI Prudential Capital Protection Oriented Fund V - PLAN A - 5 Years Plan - Dividend
4	HDFC TaxSaver -Direct Plan - Dividend Option	SBI Debt Fund Series A - 23 Regular Plan - Dividend	ICICI Prudential Balanced Advantage Fund -Direct Plan - Dividend
5	HDFC Sensex ETF - Growth option	SBI-ETF 10 YEAR GILT	ICICI Prudential Banking and Financial Services Fund - Dividend
6	HDFC Equity Savings Fund-Direct plan Dividend Option	SBI Technology Opportunities Fund - Regular Plan - Dividend	ICICI Prudential Business Cycle Fund - Series3 Direct Plan Dividend option
7	HDFC Growth fund- Dividend option	SBI MGLT- Dividend - PF (Regular) Option	ICICI Prudential Corporate Bond Fund -Bonus
8	HDFC Prudence Fund -Growth Option	SBI Magnum Tax-gain Scheme 1993 - Direct Plan	ICICI Prudential Constant Maturity Gilt Fund- Growth
9	HDFC Income fund Regularplan- Normal Dividend option	SBI Infrastructure Fund -Regular Plan - Dividend(6/7/2007)	ICICI Prudential Dynamic Bond Fund -Growth
10	HDFC Dynamic PE Ratio Fund of Funds - DirectDividend	SBI Gold Fund - RegularPlan - Dividend	ICICI Prudential Value Fund - Series 5 DirectPlan Dividend Option

DATA ANALYSIS AND INTERPRETATION

Table 2: Comparison of Returns of Mutual Funds with Nifty

Months	Average LogReturn of HDFC Mutual Funds	Average LogReturn of SBI Mutual Funds	Average LogReturn of ICICI PrudentialMutual Funds	Log NIFTY
May 2021	0.01436	0.01217	0.00672	0.03352
June 2021	-0.0023	-0.0005	0.00796	-0.0105
July 2021	0.03689	0.01895	0.01198	0.05678
August 2021	-0.0125	-0.0003	-0.0001	-0.0159
September 2021	-0.0109	-0.0052	-0.0039	-0.0131
October 2021	0.04967	0.02201	0.01809	0.05435
November 2021	0.0052	0.00545	0.00151	-0.0106
December 2021	0.01377	0.01328	-0.0517	0.02931
January 2022	0.01445	0.01176	-0.0002	0.04612
February 2022	-0.0287	-0.0134	-0.0336	-0.0497
March 2022	-0.0326	-0.0328	-0.0344	-0.0368
April 2022	-0.0072	0.02297	0.00786	0.05563



As the objective of the study was to compare the monthly average log returns of selected mutual fund houses with each other and with Nifty50, from Table 2 and Figure 1**,** it can be inferred that the returns of HDFC and SBI mutual funds are moving with Nifty50 while the returns of ICICI Prudential are moving in opposite direction in November 2021 to January 2022.

From the above analysis it is clear that in short run selected mutual fund schemes gives less return in comparison with Nifty50 and returns are very volatile.

7.LIMITATIONS

- Selection of scheme was not an easy task because a lot of schemes are available in each category. The study takes into consideration those schemes on which NAVs were easily available.
- The study considers the selected mutual fund schemesfor a short time period. If the time period has been increased, the results may have been different.

8.CONCLUSION

Based on the study of selected schemes of HDFC Mutual Fund, SBI Mutual Fund, ICICI Prudential Mutual Fund,the following conclusion may be drawn- The monthly average of log returns of selected schemes is compared with the monthly average of log return of benchmark Nifty50. On comparison of the performance of these 10 individually selected HDFC, ICICI, SBI mutual funds schemes, in last one year, it was found that their performance has been barely beating the index. A lot of risk is involved in the investment in mutual fund schemes as they are very volatile and cannot be predicted especially in short time period.

On the basis of comparison of returns of three mutual fund management companies, HDFC is better than other two. IfSBI and ICICI Prudential are compared on the basis of returns, SBI is better in terms of volatility and returns.

REFERENCE

[1] Agarwal, Gopal Kumar (2009), A comparative analysis of HDFC mutual fund with comparison with other mutual fund in city of Jamshedpur, Project Report retrieved from https://www.scribd.com/doc/29800444/A-Project-on- Comparative-Analysis-of-Hdfc-Mutual-Fund-With-Other-Mutual-Funds-in-the-City-of-Jamshedpur-by-Gopal-Kumar-Agarwal-Cuttack

[2] Ashraf, S. H., & Sharma, D. (2014). Performance Evaluation of Indian Equity Mutual Funds against Established Benchmarks Index, International

Jounal of Accounting Research. Vol, 2. DOI: 10.4172/2472- 114X.1000113.

[3] Kaur, Parneet; Singh, Kamaljeet, Comparative analysis of mutual fund of HDFC & ICICI, Project Report, retrieved from https://www.scribd.com /doc/35170915/Comparative-Analysis-of-mutual-fund-of-HDFC-ICICI

[4] Kumar Rangasamy, Satheesh & Vetrivel, & Athika, M. (2016). A Comparative Study on Performance of Selected Mutual Funds with reference to Indian Context. Asian Journal of Research in Social Sciences and Humanities. 6. 96. 10.5958/2249-7315.2016.00106.4

[5] Narend, S. (2014). Performance of ETFs and Index Funds: a comparative analysis. Department of Management Studies Indian Institute of Technology, Madras. retrieved from https://pdfs.semanticscholar.org/76af/b38b80c946 734f17a7 6484220c6f1f77485d.pdf

[6] Pal Shilpi, & Chandani, Arti. (2014). A Critical Analysis of Selected Mutual Funds in India. Procedia Economics and Finance. 11. 481–494. 10.1016/S2212-5671(14)00214-7.

[7] Panwar, S., & Madhumathi, R. (2013). Characteristics and performance evaluation of selected mutual funds in India. Indian Institute of Capital Markets 9th Capital Markets Conference Paper. Available at SSRN: https://ssrn.com /abstract=876402 or http://dx.doi.org /10.2139 /ssrn.876402

[8] Prasanna, K. (2012). Performance of exchange-traded funds in India. International Journal of Business and Management, 7(23), 122. doi:10.5539/ijbm.v7n23p122 retrieved from https:/ /www.scribd.com/document/201606305/performa nce- of-etf-in-india

[9] Venkataraman, R., & Venkatesan, T. (2016). Evaluation of Growth of Mutual Funds and Exchange Traded Funds in India. SDMIMD Journal of Management, 7(1), 41-47., DOI- https://doi.org/10.18311/ sdmimd/2016/8413

[10] Zafar, Tariq; Maqbool, Adeel; Khalid, Sayed, M (2013). A strategic study on investors preferences of mutual funds in India. International Journal of Marketing, Financial Services & Management Research. 94-110, retrieved from https://www.researchgate.net/publication/2694007 73