

A Study on Risk and Return Analysis of the Selected Mutual Funds.

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ABSTRACT: The goal of the study is to better control of the numerous mechanisms of Risk and Return on some mutual funds and to identify significant areas of control because the choosing funds is an operational decision some what than a one-time decision. The research will also make an effort to categorize the different schemes options for mutual funds. The research provides a reasonable notion of investing efficiency may be improved, as well as how to preserve real control over the return and controlling of efficiency.

KEYWORDS: Mutual Funds, Risk Management, Return on Investment (ROI), Portfolio Optimization, Investment Efficiency

INTRODUCTION

The first introduction of a mutual fund in India occurred in 1963, when the government of India launched the unit trust of India. Mutual funds are broadly categorised into three segments: equity funds, hybrid funds and debt funds.

A mutual fund is a collective investment vehicle that collects and pools money from a number of 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.



NIMF which is one of the fastest growing mutual funds in India, 31st March 2024 offers investors a well-rounded portfolio of products to meet varying investor requirements and has presence in 263

locations across the country. NIMF constantly endeavours to launch innovative products and customer service initiatives to increase value to investors.

LITERATURE REVIEW

This paper has investigated the performance of the risk and returns analysis of select mutual fund schemes in India. Their performance is analysis in comparison to BSE-Sensex and the monthly yield on 91-day treasury performance, the research selected growth oriented mutual fund schemes floated by UTI mutual fund during 1st April 2003 to 31st March 2012.

1. S. Anand and V Murugaiah (2003) indicates that the majority of schemes were showed underperformance in comparison with risk free return.
2. Mohammed and Devi (2004): in their study concluded that the return is equal to T bill rate and also investor return in India stock market is less the rate of intrust provided by the fixed deposits by the nationalized banks.
3. Trey nor (2005) presents a new way of viewing performance results. He attempted to rate the performance of mutual funds on a characteristics line graphically. The steeper the line, the more systematic risk or volatility a fund possesses. By incorporating various concepts, he developed a single lines index, Tn, called Trey nor index.
4. Manjunatha et al. (2006): found that intercept is significantly differing from risk free rate of return and slope is not equal to the defence between the market return and risk-free rates of return this study was based on intercept and slope test and on the basis of this found that CAPM did not hold in Indian context. This study also showed an inverse

relationship between the portfolio return and their betas.

5. Bansal's book (2006) "Mutual fund management and working" included a descriptive study of concept of mutual funds, Management of mutual funds, accounting and disclosure standards, Mutual fund schemes etc.

6. Leon et al. (2007) studies: the risk expected return trade off in several European stock indices and reported significant positive relationship between risk and return in most of the indices.

7. Nalla Bala Kalyan (2007): the main objective of the study is to given investors basic ideas of investing into the mutual funda and encourage them to invest in those areas where they can maximize the return on their capital. The research provided an interesting insight into awareness about the mutual funds risk taking abilities of investors and investment options preferred etc.

8. Irala and Patil (2007): also studied the concept of portfolio size and diversification by using a monthly data during the study period of January 1999 to January 2005. the study suggested that a very high degree of diversification was possible in India and also concluded that a portfolio size 10-15 stocks was found to be appropriate as the reduction in risk was only marginal thereafter.

9. Cochran (2007) has examined 'predictability' of stock returns. They suggested that stock returns are predictable. The results show that dividend yield can predict stock returns and the level of predictability increase as the return horizon increase from one month to 48 months.

10. Balios (2007) analysed: the risk and return relationship for the trading session of Athens stock exchange it has found the negative intraday relationship between return and risk. This study concluded that microstructure changes should take place in order to make information incorporated into easier and faster. This study showed positive returns from the faster. This study showed positive returns from the first and last quarter of the session.

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12. Celik et al. (2009): investigated the risk return trade off by using S-L CAPM for the individual stocks and portfolios consisting of manufacturing firms listed in the ISE (Istanbul Stock Exchange): The study used monthly returns for manufacturing industry for the period from January 2002 to June 2008 (78 monthly observations). The study found the line relationship between risk and return whereas parameter testes are not satisfactory to conclude that the model parameters are robust.

13. Bello and Adedokum (2011): examined the risk-return characteristics of Nigerian quoted firms for the period of 2000-2004 by using monthly data and the study revealed that little scope for diversification in this market.

14. Hasan et al. (2011): investigated the risk-return relationship by using the supporting of CAPM in Dhaka stock exchange by using monthly stock return of 80 non-financial companies and the result of the study did not support the theory's basic hypothesis.

15. Gupta and Khoon (2011): examined the relationship between the portfolio risk and the number of stocks in a portfolio in the period of September 2005 to June 2007 to determine the optimum size of portfolio of stocks. In the study a sample of 213 stocks traded on Kuala Lumpur Stock Exchange (KLSE) were used. The results of the study revealed that the diversification benefits are available up to the 27 securities.

16. Irala and Patil (2007): also studied the concept of portfolio size and diversification by using a monthly data during the study period of January 1999 to January 2005. the study suggested that a very high degree of diversification was possible in India and also concluded that a portfolio size 10-15 stocks was found to be appropriate as the reduction in risk was only marginal thereafter.

17. Mohammed and Devi (2008): in their study concluded that the return is equal to T bill rate and also investor return in India stock market is less the rate of intrust provided by the fixed deposits by the nationalized banks.

18. Deepak Agrawal (2011) in the study "Measuring performance of Indian Mutual Funds" touched the development of Indian capital market and deregulations of the economy in 1992. Since the development of the Indian Capital Market and deregulations of the economy in 1992 there have been structural changes in both primary and secondary markets. Mutual funds are key contributors to the globalization of financial markets

and one of the main sources of capital flows to emerging economies.

19. Zhi Da, Pengjie Gao, and Ravi Jagannathan (2011) in the article “impatient Trading, Liquidity Provision, and Stock Selection by Mutual funds” showed that a mutual fund’s stock selection skill can be decomposed into additional components that include liquidity-adsorbing impatient trading and liquidity provision. The study proved that post performance predicts future performance better among funds trading in stocks affected more by information events past winner earn a risk-adjusted after-fee excess return of 35 basis points per months in the future.

20. Ajay Khorana, Henri Servaes, and Peter Tufano (2012) studies the mutual fund industry in 56 countries and examined where this financial innovation has flourished. The fund industry is larger in countries with stronger rules, laws and regulations and specifically where mutual fund investors rights are better proacted. The industry is also larger in countries with wealthier and more educated population where the industry is older, trading costs are lower and in which defined contribution pension plans are more prevalent. The industry is smaller in countries where barriers to entry are higher. These results indicate that laws and regulations, supply-side and demand-side factors simultaneously affect the size of the fund industry.

OBJECTIVES OF THE STUDY

- The main objective of the study is to given investors a basic ides of investing into the mutual funds and encourage them to invest into the mutual funds and encourage them to invest in those areas where they can maximize return on their capital.
- To maximize the return by creating a balance of risk.
- To get the knowledge about mutual funds.
- To study the best investment options, by knowing different schemes of mutual funds.

NEED FOR THE STUDY

- To analyse the risk and return on mutual funds
- The purpose of the study to know the fluctuations of the market.
- To help the unknown investors for investing in mutual funds.
- To avoid future uncertainties.

- To test the portfolio strategies before taking decisions

RESEARCH METHODOLOGY

➤ **SECONDARY DATA;**

Secondary data is collected from Company documents, Reports, Profiles, Books, Websites and Magazines etc.

➤ **DESCRIPTIVE RESEARCH:**

Indicative Research examines decide the recurrence with something happens or its relationship with something else.

Type of research implemented	Descriptive research
Type of data used	Secondary data
Period of the research	05 years
Statistical tool used	Risk and return analysis
Scope of the research sample	NIPPON INDIA MUTUAL FUND
Data source	NIMF Data base, Money control and NIMF websites.

DATA ANALYSIS AND INTERPRETATION

4.1 ANALYS THE RISK AND RETURN ON NIPPON INDIA MUTUAL FUND:

DA YS	OPENI NG PRICE	CLOSI NG PRICE	PRICE CHAN GE	RETU RN
1	6245.50	6382.30	136.8	2.19
2	6480.00	6416.30	36.3	0.56
3	6434.00	6488.75	54.75	0.85
4	6491.00	6408.15	-82.85	-1.27
5	6549.00	6324.90	-224.1	-0.03
6	6324.90	6053.95	-270.95	-4.28
7	6011.05	6229.45	218.4	3.63
8	6260.00	6243.55	-16.45	-026
9	6257.00	6093.15	-163.85	-2.61
			TOTAL	4.00
			AVERA GE	0.44

$\delta^2 = 0.44$
 $\delta = \sqrt{0.44}$
 $\delta = 0.66$
 RISK = 0.66
 RETURN = 0.44

INTERPRETATION: The above table and graph represent of risk and return of NIPPON INDIA mutual fund. For the above days, opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated NIPPON INDIA mutual fund return and risk. Return is 0.44 risk is 0.66.

4.2 ANALYS THE RISK RETURN OF HDFC MUTUAL FUND:

DA YS	OPENI NG PRICE	CLOSI NG PRICE	PRICE CHAN GE	RETU RN
1	2951.00	2940.00	-11	-0.37
2	2948.00	2942.00	-6	-0.20
3	2942.00	2942.00	0	0
4	2946.00	2935.00	-11	-0.37
5	2941.00	2934.00	-6.1	-0.20
6	2959.00	2978.32	19.32	0.65
7	2963.00	2975.33	12.33	0.41
8	2990.00	2997.86	7.86	0.26
9	3013.80	2999.82	-13.98	-0.46
			TOTAL	-028
			AVERA GE	-0.03

$\delta^2 = -0.03$
 $\delta = \sqrt{-0.03}$
 $\delta = 0.17$
 RISK = 0.17
 RETURN = -0.03

INTERPRETATION: The above table and graph represent of risk and return of HDFC MF. for the above days, opening and closing price between change price consideration calculated the returns of the day, and consideration calculated HDFC MF return and risk. return is -0.03 risk is 0.17.

4.3 ANALYSIS THE RISK AND RETURN ON SBI MF:

DA YS	OPENI NG PRICE	CLOSI NG PRICE	PRICE CHAN GE	RETU RN
1	382.50	384.87	2.37	0.61
2	384.06	383.21	-0.85	-0.22
3	383.43	379.93	-3.5	-0.91
4	378.23	378.70	0.47	0.12
5	383.35	379.45	-3.9	-1.01
6	378.00	375.45	-3.9	-0.67
7	374.38	373.03	-1.35	-0.36
8	376.01	374.42	-1.59	-0.42

9	375.00	378.90	3.9	1.04
			TOTAL	-1.82
			AVERA GE	-0.20

$\delta^2 = -0.20$
 $\delta = \sqrt{0.20}$
 $\delta = 0.44$
 RISK = 0.44
 RETURN = -0.20

INTERORETATION: The above table and graph represent of risk and return of SBI MF. For the above days, opening and closing price between change price considering calculated the return of the day, and consideration of all the days calculated SBI MF return and risk. Return is -0.20 and risk is 0.44

4.4 ANALYSIS THE RISK AND RETURN ON BAJAJ FINSERVE:

DA YS	OPENI NG PRICE	CLOSI NG PRICE	PRICE CHAN GE	RETU RN
1	372.00	374.00	2.33	0.62
2	371.00	370.00	-1	-0.26
3	375.00	369.00	-5.5	-0.26
4	369.00	369.00	0	0
5	370.00	368.00	-2	-0.54
6	368.00	365.00	-3	-0.81
7	364.00	365.00	1	0.27
8	365.00	365.00	0	0
9	365.00	365.00	0	0
			TOTAL	-2.2
			AVERA GE	-0.24

$\sigma^2 = -0.24$
 $\sigma = \sqrt{-0.24}$
 $\sigma = 0.48$
 RETURN = -0.24
 RISK = 0.48

INTERPRETATION: The above table and graph represent of risk and return of BAJAJ FINSERVE MF. For the above days, opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated BAJAJ FINSERVE MF return and risk. Return is -0.24 and risk 0.48.

4.5 ANALYSIS THE RISK AND RETURN ON FEDERAL BANK LIMITED:

DA YS	OPENI NG PRICE	CLOSI NG PRICE	PRICE CHAN GE	RETU RN
1	90.00	88.80	-1.2	-1.33
2	88.70	89.40	0.7	0.78
3	89.50	88.60	-0.9	-1.0
4	88.00	88.90	0.9	1.02
5	89.60	86.40	-3.2	-3.57
6	86.00	84.40	-3.2	-3.57
7	84.25	86.45	2.2	2.61
8	86.05	86.45	0.4	0.46
9	87.00	86.05	-0.95	-1.09
			TOTAL	-4.15
			AVERA GE	-0.46

$$\delta^2 = -0.46$$

$$\delta = \sqrt{-0.46}$$

$$\delta = 0.67$$

$$\text{RISK} = 0.67$$

$$\text{RETURN} = -0.46$$

INTERPRETATION: The above table and graph represent of risk and return of Federal bank limited mutual fund. For the above days, opening and closing price between change price consideration calculated Federal bank limited mutual fund return and risk. Return is -0.46 and risk is 0.67.

FINDING

S. No	NAME OF THE MUTUAL FUND	RISK	RETURN
1	NIPPON INDIA MUTUAL FUND	0.66	0.44
2	HDFC	0.17	-0.03
3	SBI	0.44	-0.20
4	KOTAK MAHINDRA BANK	0.48	-0.24
5	FEDERAL BANK LIM	0.67	-0.46

- Risk and return of Nippon India mutual fund. Opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated Nippon India mutual fund return and risk. Return is 0.44 and risk is 0.66. it is higher the risk and comparatively higher the return. NIPPON

INDIA mutual fund is the best for investing to get more income.

- Risk and return of HDFC mutual fund opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated HDFC mutual fund return and risk. Return is -0.03 and risk is 0.17. this company comparatively other mutual fund risk and return both are less but it is best for returnment fund to get less income but money safety and less tax.
- Risk and return of SBI mutual fund opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated SBI mutual fund return and risk. Return is -0.20 and risk is 0.44. in this mutual fund higher the risk lowers the return. comparing to other mutual fund it is moderating the return.
- Risk and return of KOTAK MAHINDRA mutual fund opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated KOTAK MAHINDRA mutual fund return and risk. Return is -0.48 and risk is 0.48. in this mutual fund return is always depending on the risk.
- Risk and return of FEDERAL BANK mutual fund opening and closing price between change price consideration calculated the returns of the day, and consideration of all the days calculated FEDERAL BANK mutual fund return and risk. Return is -0.46 and risk is 0.67. in this mutual fund higher the risk , return is less comparatively other mutual fund is less.

CONCLUSION

After the analysing the whole report I have come to a conclusion that when investors would like to invest his hard earned money in any securities he need to think and act tactfully so that he can reduce his risk in investment otherwise he is supposed to incur loss, Mutual funds now represents perhaps most appropriate investment opportunity for most investors As financial market become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. After analysis of risk and return of mutual funds, I have come to a conclusion that before going any analysis. There are so many things which investing in the mutual funds only.

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