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A Study on Equity Mutual Fund Performance in India

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Abstract:
The preferences of the investors always change. A study was conducted by UBS Global Research; the result of the study shows that investment preference of the investors are moving towards insurance , post office savings and pensions plans compared with equity mutual funds and shares. UBS survey results shows that the proportion of the investors 47% having account in insurance policy and 33% of the investors having investing in bank deposits. Even though the Government offering more was saving schemes but the household having account in bank term deposits. There will be lot of expectation and clarification for new comers before making investment in mutual funds asking question with their friends, colleagues for clues. Some of them searching online and others are having some readymade list of mutual funds schemes to make investments. However, based on limited knowledge of their friends, colleagues and others will suggest some funds, some time it will match the investors expectation some time not. Keeping in mind of the above scenarios this paper shows the equity mutual funds performance for the past five years. The researchers hope that this paper will be a value addition for the new mutual fund investors before making investments in Indian mutual funds equity schemes

1. INTRDUCTION

Mutual fund is a trust it collects money from various investors for a common investment objectives. Then, the collected money invested in equities, debt, money market instruments, various Government securities and other securities. Every investor owns units; it represents the proportion of their share holding of the fund. The profit or loss generated through this collectives investments will be redistributed to the real investors based on their proportionate holding after deducting some expenses by calculating the NAV of the particular scheme.

In India lot of people making investment in shares than the mutual funds, but they don't have time to keep track the performance of the share and the same time not having enough knowledge. Mutual fund is the best investment option for them making investment in equity market, debt market and other markets. The very big advantages for the investors investing in mutual funds is small amount of investment, professional management, portfolio diversification of equities, bonds, and other securities. Return on investment is the basic benchmarks for all the investors before making investment in any options. This paper also provides the returns of the mutual funds industry for the last five years and Government fixed savings schemes returns.

2. OBJECTIVES

2.1To analyze mutual funds scheme returns for the past five years.

2.2 To compare the mutual funds returns with Government savings scheme returns.

2.3 To identify the top ten asset management companies.

3.LITERATURE REVIEW

3.1. Bollen and Busse (2001) opined that daily tests were more powerful than the monthly tests. They exhibited a significant timing ability in daily tests and supported the view of Goetzmann, Ingersoll Panda et al. 3 and Ivkovic (2000).

3.2. Kothari and Warner (2001) criticized the previous study were used to measure the unusual performance of the fund by using alpha tool argue that the alpha have low power to found cost effectively large magnitude of unusual performance of the funds. They have conducted a study to evaluate the performance of the mutual funds by using simulation technique. The results of the study show that performance of the mutual funds has been given negative returns so it is not trustworthy.

3.3. Gupta (2002) Has taken Indian mutual fund schemes of 73 from 1994 to 1999 and worked out TM and HM methods used to test the market mood and timing skills mutual fund management in India. The result of his study shows that timing skills substantiation very small in the past.

3.4. Benerjee and Chakrabarti (2007) they have conducted a study taken 96 schemes of Indian mutual fund industry to measure the scheme selection ability and market timings were applied uncertain and certain move toward of the TM and HM methods.

3.5. Debasish (2009) have been taken 23 schemes of Indian mutual funds industry from 6 private and 3 public sector mutual funds to evaluate the performance of the Indian mutual funds industry after the LPG policy of India. The period of the study covered from April 1996 to march 2009. The results of the study found that UTI mutual funds and Frankilin Templeton mutual funds have given good return and the same time Birla sun life, HDFC and LIC mutual funds schemes are not given good returns. Chopra (2011) study results show that there are only eleven mutual funds out of thirty seven mutual funds is having affirmative selection skills and the same time on fund had optimistic market time ability.

3.6. Bilities. Loomba (2011) they have conducted a study to evaluate the equity mutual funds performance of India and growth of the mutual funds industy by using the portfolio management standard tools like sharpe ratio, Maan-Whitney's U test and Kruskal – Wallis test have been used. During the study period Franklin Templeton large cap equity funds and returns of the NIFTY have been taken for the period of one year and the result of the study found out Franklin Templeton nifty equity performed well. After the study no study have been conducted about the performance of mutual funds.

3.7. Rathnamani (2013) the results of her study revealed that majority of the investors are preferred to making investment in mutual funds because low risk and high return and the same time liquidity. The scenario of the investment pattern of the world is changing day to day hence investor mind set and selection of various investment options also changing time to time. In her study demographic profile shows that majority of the investors making investment only ten percent of their total annual income, the age group of the investors is thirty one to forty belongs to thirty nine percent. The overall findings of the study shows that maximum of the investors are interested to take only moderate and lower risk and maximum of the investors are following moderate investment style.

3.8. Rajasekar (2013) the study was conducted to identify the investors perception towards mutual funds investment based on their level of income, age, savings capacity, investment pattern and their level of attitude. To measure the investor's preference the research was carried out considering the various parameter involved in investment resolution building. The structured questionnaire was designed and distributed to the vast population of the investors around one fifty sample size have been taken foe the project. To analyze the collected data statistical tools have been used like descriptive analysis, correlation and regression etc., used. The findings of the study exhibit that majority of the investors fear about safety and growth of the investments. Maximum of the investor's highly happy about returns of their investment and also after investment service given by various asset management companies.

3.9. Mane (2016) was conducted a research to identify the investors perception about selection of various mutual funds schemes, and evaluate the reason behind the selection of the schemes. The research also additionally concentrates investment options of the investors. The investments options are given like postal savings, recurring deposits, bond investments etc,. The final results of the study show that most of the investors not showing interest to make investment in mutual fund investments and they are prefer to make investment in recurring deposits because of the less risk.

4. RESEARCH METHODOLOGY

Scope of this paper was limited to equity mutual funds schemes, highest rate of return offered by various asset management companies, return on investment, first year return, third year return, fifth year return, latest NAV published by business line news paper. Government savings schemes, rate of interest and tenure of the plan data collected through internet. Microsoft excel used for data analysis. The result of this analysis only applicable for three equity funds schemes under listed asset management companies. The results are suggested based on comparison of tables observed by the researcher.

5. DATA ANALYSIS AND INTERPRETATION

Table No : 5.1

EQUITY -LARGE & MID CAP FUNDS							
				Tralling Returns (%)			
S.No.	Name of the Mutual Fund	Latest NAV Rs.	Latesr Corpus Rs. in Cr.	YTD Absolute	1 year CAGR	3 year CAGR	5 year CAGR
1	Canara Robeco Emeging Equities (G)	89.0	4980.0	0.0	5.2	7.3	12.9
2	Mirae Asset Emerging Bluechip Fund (G)	51.8	7759.0	3.1	10.8	9.9	16.1
3	Invesco India Growth Oppertunities Fund (G)	33.9	1659.0	3.3	8.7	10.2	11.0

4	Kotak Equity Oppertunities (G)	115.9	2488.0	2.9	9.5	6.7	10.5
5	Principal Emerging Bluechip Fund (G)	99.5	2057.0	-1.5	2.9	5.7	12.5
6	Sbi Large And Midcap Fund (G)	212.0	2493.0	-0.8	5.0	5.7	10.0
7	Aditya Birla Sl Equity Advantage Fund (G)	387.8	4900.0	-0.2	3.2	2.7	9.9
8	Dsp Equity Oppertunities Fund (G)	218.5	5166.0	3.9	9.5	6.9	11.1
9	Edelweiss Lage And Mid Cap Fund (G)	30.9	429.0	3.8	8.5	7.8	9.5
10	Franklin India Equity Advantage Fund (G)	75.3	2565.0	-3.6	2.4	3.7	7.4

The above table exhibits that equity -large & mid cap funds perspective the top ten best AMC listed above. Past five years CAGR point of view the top one AMC is Mirae Asset Emerging Bluechip Fund (G) 16.1%. Second One Is Canara Robeco Emeging Equities (G) 12.9%, Principal Emerging Bluechip Fund (G) 12.5%, Dsp Equity Opportunities Fund (G) 11.1%. It is observed from the table there is no significance between latest NAV and CAGR and similarly there is no significance relation between the latest Corpus and CAGR. Principal Emerging Blue chip Fund (G) showing first year return is 2.9 but in the end of the fifth year 12.5% but the Sbi Large And Midcap Fund (G) showing first year return is 5% but in the end of the fifth year it shows 10%. The above data shows that there was no significant relationship between first year return and the final year return.

Table No: 5.2

EQUITY - MULTI CAP FUNDS							
				Tralling Returns (%)			
S.No.	Name of the Mutual Fund	Latest NAV Rs.	Latesr Corpus Rs. in Cr.	YTD Absolute	1 year CAGR	3 year CAGR	5 year CAGR
1	Invesco India Multicap Fund (G)	45.5	842.0	-1.9	2.3	4.2	9.1
2	Kotak Standard Multi Cap Fund (G)	34.7	25385.0	4.3	10.0	8.9	12.1
3	Sbi Magnum Multicap Fund (G)	48.7	7549.0	5.7	12.0	8.1	12.1
4	Aditya Birla Equity Fund (G)	693.3	11247.0	-1.4	4.8	4.8	10.5
5	Franklin India Equity Fund (G)	554.0	10762.0	-3.1	1.0	3.9	8.3

6	Icici Pru Multicap Fund (G)	275.5	4253.0	-2.5	1.3	5.1	9.0
7	Idfc Multi Cap Fund (G)	91.2	5529.0	1.9	5.4	0.6	8.3
8	Bnp Paribas Multi Cap Fund (G)	46.3	682.0	4.2	8.5	6.7	9.1
9	Canara Robeco Equity Diversified Fund (G)	132.1	1438.0	4.9	10.4	9.5	9.0
10	Dsp Equity Fund (G)	40.1	2540.0	9.7	16.0	8.5	10.2

The above table shows that asset management companies like Invesco India Multicap Fund (G), Aditya Birla Equity Fund (G) , Franklin India Equity Fund (G), Icici Pru Multicap Fund (G), showing negative YTD but at the end of the fifth year all the companies are showing positive returns. Equity - multi cap funds perspective the top returns given by Kotak Standard Multi Cap Fund (G) , Sbi Magnum Multicap Fund (G) 12.1% at the end of the fifth year, followed by Aditya Birla Equity Fund (G) 10.5%, Dsp Equity Fund (G) 10.2%, Invesco India Multicap Fund (G), Bnp Paribas Multi Cap Fund (G) 9.1%, Other funds are in between 8.3% to 9%.

Table No: 5.3

EQUITY - TAX SAVINGS (ELSS) FUNDS							
				Tralling Returns (%)			
S.No.	Name of the Mutual Fund	Latest NAV Rs.	Latesr Corpus Rs. in Cr.	YTD Absolute	1 year CAGR	3 year CAGR	5 year CAGR
1	Axis Long Term Equity Fund (G)	46.2	19236.0	7.7	14.9	11.1	12.7
2	Dsp Tax Saver Fund (G)	48.2	5482.0	7.2	13.1	7.4	11.2
3	Tata India Tax Savings Fund (G)	17.8	1815.0	5.0	12.1	7.9	0.0
4	Aditya Birla Sl Tax Relief 96 (G)	29.7	9129.0	-4.0	1.4	6.6	11.1
5	Bnp Paribas Long Term Equity Fund (G)	38.7	447.0	7.5	14.0	7.0	8.8
6	Idfc Tax Advantage (Elss) Fund (G)	51.3	1994.0	-5.0	-0.8	6.3	9.1
7	Invesco India Tax Plan (G)	49.7	859.0	1.5	5.5	7.9	10.2
8	Canara Robeco Equity Tax Saver Fund (G)	64.1	965.0	3.8	10.1	8.7	8.9
9	Franklin India Taxshiled (G)	546.7	3985.0	-0.3	4.9	4.9	8.8

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10	Hsbc Tax Saver Equity Fund (G)	35.2	152.0	-0.2	6.5	4.8	7.9

Above table shows that Equity - Tax savings (ESS) funds here investors wants save tax those investors invest in these schemes. Analyzing the five year returns of all the top ten companies the highest retun given by Axis Long Term Equity Fund (G) 12.7%, second one is Dsp Tax Saver Fund (G) 11.2%, followed by Aditya Birla Sl Tax Relief 96 (G) 11.1%, Invesco India Tax Plan (G) 10.2%, Idfc Tax Advantage (Elss) Fund (G), 9.1%, Canara Robeco Equity Tax Saver Fund (G) 8.9% other all the companies 0% to 8.8%.

Here's a quick view of the various government schemes along with their interest rates and tenures:

Table No:5.4

R	Name	Interest rates	Tenures
1	National Savings Certificate	8 percent (Jan-Mar 2019)	5 or 10 years
2	Public Provident Fund	8 percent (applicable from April 1, 2018)	Min 15 years
3	Voluntary Provident Fund	8.65 percent	Min 5 years
4	National Pension Scheme	Depends on performance of investment	Matures at the age of 60
5	Post Office Savings Account	4 percent	None
6	Post Office Time Deposit	Varies as per tenure	1 to 5 years
7	Post Office Recurring Deposit account	7.3 percent	5 years
8	Post Office Monthly Income Scheme	7.7 percent	Five years
9	Atal Pension Yojana	8 percent	Depends on age
10	SukanyaSamriddhiYojana	8.5 percent	21 years or marriage of a girl
11	KisanVikas Patra	7.7 percent	118 months
12	Senior Citizens Savings Scheme	8.7 percent	Five years

The above table shows that currently Government of India offering various savings schemes with rate of interest. Analysis the rate of interest of the various schemes the highest rate of interest offered by senior citizens savings schemes which is 8.7% tenure year is five years. The next one is SukanyaSamriddhiYojana which is offering 8.5% if the 21years of girl, followed by Voluntary Provident Fund which is offering 8.65% lock in period is five years. Other all the schemes are offering rate of interest between 4% to 8% depends on the scheme tenures.

6. CONCLUSION

Based on the analysis of the above data the following conclusion observed by the researcher. When an investor first time making investments in mutual funds they must see the fund's returns for the past five years. While looking on the AMC performance if it gives rate of return is more than 10% at the end of the fifth year, the new investors will make the investment without fear. While comparing the Government savings schemes offering rate of interest and Equity mutual funds schemes, the equity schemes are highly sensitive and hundred percent risk, but in Government schemes risk less and guaranteed return. The data shows that Government offering minimum rate of interest is 4% whatever your investment but in the equity schemes there is no guaranteed minimum returns some funds shows return 0% at the end of the fifth year. The highest rate of interest offered by the Government schemes is 8.7% while comparing this returns to Equity mutual funds returns the highest percentage is 16.6%. This data shows that the risk return trade off, If the investor wants to take 100% risk there is chances to get minimum 0% to maximum 16.1% rate of return of their investments. In Government savings schemes the rate of interest minimum 4% to maximum 8.7% guaranteed interest for their investments.

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