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A STUDY ON PERFORMANCE OF GROWTH ORIENTED EQUITY MUTUAL FUNDS OF INDIA

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ABSTRACT

In the current scenario, mutual funds are attaining immense popularity and drawing the attention of investors at large to invest in various securities through the expertise and knowledge of qualified professionals. Mutual funds are key contributors to the globalization of financial markets and one of the main sources of capital flows to emerging economies. Despite of their importance in emerging markets, little is known about their investment allocation and strategies. The Mutual fund industry in India is more than five decades old. In 1964 the first asset management company (AMC) was established in India: Unit Trust of India (UTI). Unit Scheme 1964 (US-64) was the first scheme launched by UTI in 1964 followed by Mastershare in 1986. As the mutual fund industry gained momentum, the Indian market witnessed the setting up of many public sector mutual funds from 1987. The objective of this study is to analyse the performance of growth oriented equity mutual funds of India.

KEYWORDS: Growth, Mutual Funds, Investor, AMC, Securities

INTRODUCTION:

Within last decade, the field of investment has become more dynamic. Today an investor has so many options to choose from. Also the information available for taking decision is huge and increasing day by day. The key to a successful financial investment is take decision at the right time and right interpretation of the abundant information available.

Among the various potential options of investments in financial products, Mutual Fund is one of the well-known and powerful investment product. The product has also importance to influence the monetary and economic policy of the Government. And like most of the other developed and developing countries, in India as well, mutual fund as a potential investment avenue is creating its own space.

The Encyclopaedia Britannica explains the concept of mutual fund as:

"Mutual fund, also called unit trust, or open end trust, company that invests the funds of subscribers in diversified securities and in return issues units representing shares in those holdings. It differs from the investment trust, which issues shares in its own capital. In contrast to close end investment companies, which have a fixed capitalization and whose shares are brought and sold by the investors in the market, mutual funds make a continuous offering of new shares at new asset value, determined daily by the market value of securities they hold".

In the India context, it is said as financial market will be dominated by mutual funds.

The mutual fund industry in India is still in the developing stage. Over a period of time, mutual funds have emerged a significant player of Indian stock market. The basic functioning of the mutual funds depends on the equity and debt market. The portfolio of different mutual fund companies constitutes of the investment in any of these markets depending upon the type of schemes of mutual fund.

LITERATURE REVIEW:

Performance in terms of rate of return: absolute measure of performance. Financial performance of the portfolio depends on the aggregate performance of the individual stocks held in the portfolio. Rate of return is one of the measures to determine the performance of the portfolio. Rate of return has two components, cash inflows (dividend, interest etc.) and capital appreciation or depreciation.

The Sharpe Index: The Sharpe ratio is a risk-adjusted measure developed by the Nobel Laureate William Sharpe. Markowitz (2009), the founder of Modern Portfolio Theory (MPT), suggested that investors choose optimum portfolios on the basis of their expected return and risk characteristics. As noted above, the overall risk of a portfolio is measured by the standard deviation of its returns. Sharpe used this concept to build a "reward to variability" ratio which has become known as the Sharpe Index. The metric is calculated using standard deviation and excess return (i.e. return above a risk free investment) to determine reward per unit of risk. The higher the Sharpe ratio, the better is the fund's historical risk-adjusted performance. In theory, any portfolio with a Sharpe index greater than one is performing better than the market benchmark.

Jensen's Alpha (2012) Jensen's Alpha is also a reward to risk measure. However, it uses a different concept of risk. This measure's framework is taken from the capital asset pricing model (CAPM). In this model, among the assumptions, it is taken that every investor holds a diversified portfolio. This allows investors to diversify away some of their investment risk, leaving them exposed only to 'systematic' or non-diversifiable market-related risk. Jensen's Alpha uses only systematic risk for scaling a portfolio's return. Alpha measures the deviation of a portfolio's return from its equilibrium level, defined as the deviation of return from the risk, adjusted expectation for that portfolio's return. For ranking purposes, the higher the alpha, the better is the performance. The fund beats the market, on a systematic risk adjusted basis, if Jensen's Alpha is greater than zero, and vice versa.

Rao, D.N. & Rao, S.B. (2009), In the India, Corporates investor are the overwhelming financial specialist Investor group as far as mutual funds concerns. Corporate group represent around 48% of the aggregate speculation in the mutual funds. The subsequent predominant investor group is Retail investors the group which represents very nearly 24% of the aggregate venture in the business, while Retail investor group represent 98% of the 48 million speculators into the mutual funds. HNI is the third investor group in the industry and they represent right roughly 16% of the aggregate speculation. The Banks/Financial Institutions investor group represents nearly 11.00% of the aggregate venture (Asset Under Management) in the mutual funds.

Kamesaka et al (2003) contemplated the investment patterns and execution of foreign financial specialists, singular speculators, and five sorts of institutional speculators. The study presumed that foreign financial specialists performed well, while singular speculators performed inadequately over the example period.

O' Neal (2004) discovered an in number of connection between buy rates and reclamation rates showing a noteworthy demographic of fast fund merchants who rebuff poor execution with higher recoveries. Further, over the example period, index funds showed lower recovery rates than that of effectively managed funds.

Bortolotti et al (2009) analyzed the investment patterns and execution of 32 sovereign wealth funds between Jan 1986 and Sep 2008. The study found that SWFs have lost over $66 billion on their stock speculations alone through March 2009 proposing that SWFs don't make esteem.

The risk-adjusted ratio which is created by the William Sharpe is known as the Sharpe ratio. Modern Portfolio Theory (MPT) was created by Markowitz (2009), this model has recommended that investors should opt for portfolios management on the foundation of portfolio risk and return character.

Treynor (2012) For analyzing the performance of mutual funds the second widely used ratio is Treynor ratio. This ratio is famous as reward to volatility ratio. Treynor ratio has been commonly use by academician, researchers and policy makers. This approach use beta or systematic risk to evaluate the per unit risk.

Jensen (1968) developed a combined portfolio measurement system pertaining to risk and returns. He studied on the capacity of the 115 fund managers in select-

ing securities in the midst of the time period from 1945 to 1966. The result revealed that 39 mutual funds had more than average returns, while 76 mutual funds had deprived returns. From the returns, 48 mutual funds showed up more than average results and 67 funds lower than normal results. He concluded that, there was no evidence to revealed that mutual funds had the competence to complete fundamentally better than expected as fund managers did not geared up to speculation of securities for market momentum.

RESEARCH OBJECTIVE:

1. To analyse the performance of the selected growth oriented mutual fund schemes

Sample Size:

1. Aditya Birla Sun Life Frontline Equity Fund
2. Franklin India Bluechip Fund
3. HDFC Balanced Advantage Fund
4. HDFC Top 100 Fund
5. ICICI Prudential Value Discovery Fund
6. Nippon India Growth Fund
7. Nippon India Large Cap Fund
8. Nippon India Multi Cap Fund
9. Sundaram Mid Cap Fund - Regular Plan
10. Templeton India Value Fund

Time Period:

Last 10 years of data has been analysed, growth oriented mutual funds' NAV data from 2009-10 to 2018-19 has been taken under this study.

DATAANALYSIS:

Ranking of Growth Oriented Mutual Funds:

Mutual Fund Type - Growth

Final Rank	Mutual Funds Name	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
4	Aditya Birla Sun Life Frontline Equity Fund	6.14	-2.91	30.58	7.43	1.10	44.72	9.25	36.07	-22.93	18.70
		2	5	8	4	6	8	1	6	4	9
9	Franklin India Bluechip Fund	2.93	-3.58	26.31	6.45	2.02	37.22	4.08	26.79	-18.25	22.96
		6	6	9	6	4	10	6	10	1	5
7	HDFC Balanced Advantage Fund	5.97	-0.78	35.42	6.59	-0.37	42.86	-1.40	27.83	-21.25	27.71
		3	3	6	5	9	9	9	9	2	2
6	HDFC Top 100 Fund	6.87	0.13	31.97	8.52	-6.09	46.52	4.05	32.44	-24.30	25.05
		1	1	7	3	10	7	7	8	7	4
3	ICICI Prudential Value Discovery Fund	0.17	-4.22	23.82	4.61	5.44	73.76	8.31	46.01	-23.73	27.71
		7	7	10	7	3	2	2	2	6	3
8	Nippon India Growth Fund	4.01	-10.90	44.22	3.51	6.35	54.87	-2.47	37.82	-27.40	17.18
		5	8	1	8	2	4	10	5	9	10
4	Nippon India Large Cap Fund	4.84	-0.18	38.41	2.21	1.12	54.71	4.15	40.94	-26.45	19.33
		4	2	4	9	5	5	5	3	8	8
1	Nippon India Multi Cap Fund	-0.21	-2.20	40.86	-6.67	0.51	59.69	4.56	47.36	-21.64	30.43
		8	4	2	10	7	3	4	1	3	1
2	Sundaram Mid Cap Fund - Regular Plan	-1.99	-15.40	40.77	11.33	11.15	75.04	4.64	38.02	-23.67	20.76
		10	10	3	1	1	1	3	4	5	7
10	Templeton India Value Fund	-0.76	-12.82	37.65	9.46	0.05	49.15	-0.60	35.89	-29.57	21.96
		9	9	5	2	8	6	8	7	10	6

Based on the above ranking table of performance of mutual funds it can be seen that Nippon India Multi Cap Fund stood number one position amongst all growth oriented mutual funds taken under study while Templeton India Value Fund stood at last position amongst all growth oriented mutual funds taken under study.

CONCLUSION:

Mutual funds are the most preferred investment instruments. Middle income individuals can get high return by investing in mutual. Another important fact is that mutual funds are safe, having close to zero risk, offering optimized return on earnings and protecting the interest of investors. Investors should gain good understanding about mutual fund investments companies in the field, and mutual fund experts so that they can defend themselves from misguiding by advertisements and illusory offers promoted by various financial institutions. Mutual fund companies should provide full support to investors by guiding them about portfolio design, terms and conditions of different mutual funds schemes etc. Mutual fund companies should provide proper consultancy and advisory services to investors so that investors can take their effective decision.

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