

A COMPARISON OF SELECTED AMCS' MUTUAL FUND SCHEMES IN INDIA

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ABSTRACT

An increasingly popular investing option is mutual funds. Mutual funds are the greatest choice for those who wish to profit from stock market gains but are not as knowledgeable about them. The total amount of assets managed by the mutual fund sector in India is 68.50 lakh crore. Numerous plans are available to meet the various demands of investors. Various asset-under-management firms are introducing a range of risk-diversified programs. An analysis of equity-based mutual fund schemes has been attempted in this work. Between January 2020 and September 2023. A total of 21 schemes provided by two governmental and two private sector businesses were examined. A risk-return analysis has been used. The Capital Asset Pricing Model (CAPM) and a risk-return relationship were used in the research. The CAPM is a method for comparing the returns of particular mutual fund schemes. According to the data, mutual fund schemes in the private sector (ABSL & ICICI) are more lucrative and moderately riskier than those in the public sector (SBI & UTI).

Keywords: mutual funds, asset management firms, assets under management, equity securities, money-market securities, risk, rate of return, Portfolio.

1. INTRODUCTION

An intermediary that pools investor resources for group investments in a diverse portfolio of assets is known as a mutual fund. When investors share all of the fund's returns—less expenses—it is said to be "mutual." Mutual Funds: An Overview Bonds, equities, money market instruments, and other assets are all investments made by the mutual fund. Before investing in the share market, an investor must carefully consider the return on investment and the performance of the specific firm. The investor finds the procedure to be time-consuming. Additionally, a layperson finds it exceedingly challenging to analyse the ups and downs of the share market. The conduct and performance of mutual funds are analysed in this context since they are managed by professionals, making the schemes easier and better to invest in.

One of the finest methods for comparing the performance of mutual fund schemes is the risk-return analysis. This study compares mutual fund schemes using the capital asset pricing model. The link between an asset's risk and projected return is predicted by the CAPM. In two significant aspects, this partnership is tremendously beneficial. It first creates a standard by which different investments are measured. Second, it assists us in estimating with confidence the potential returns of an asset that has not yet been exchanged on the market. Despite conflicting actual data, the CAPM is commonly employed because of the insightful information it provides.

2. REVIEW OF LITERATURE

Nandy (2019), AMC's give people information that directly affects their MF holdings. It is in charge of giving its investors regular updates on sales, repurchases, portfolio information, returns, and other topics. AMC's are accountable to their investors and protect their interests.

Thakur S. (2019), as part of his research, conducted a comparative performance analysis on a few mutual fund schemes that are devoted to meeting the investor's post-retirement demands. His analysis included data from four chosen retirement mutual fund schemes over five years. He used "CAGR, Average Return, Sharpe Ratio, Treynor Ratio, Jensen's Alpha, etc." to conduct his research.

Sim. B, 2020 Investment management, portfolio management, and money management are other names that are frequently used to characterise this process. As a result, according to Sim, the person in charge of an investment portfolio is known as an asset manager, investment manager, portfolio manager, or money manager.

Sanjana et al. (2020) examined the "Large cap, Mid cap, and Small cap MFs available in India." They analysed the performance of the MFs using a variety of statistical methods, including the Treynor Ratio, Jensen's Ratio, Sharpe Ratio, and others.

Bala (2021) examined the development and performance of open-ended Equity/Growth sectoral mutual fund schemes in India between 2010 and 2019. Eleven mutual fund schemes in total—two from the public sector and nine from the private sector—were chosen for the study.

Data analysis methods included one-way ANOVA, the coefficient of correlation, the independent sample t-test, Jensen, Treynor, Sharpe, Jensen, Fama and Sortino, and CAGR. In terms of benchmark indices and quarterly returns, the majority of sectoral schemes were deemed to have outperformed the market. The positive beta values indicate that the sample schemes' performance followed the market's trajectory. There was no discernible statistically significant variation between the returns of selected Mutual funds.

Rokade (2021) examined the performance of 15 mutual fund equity schemes operated by the top five mutual fund companies between 2009 and 2019. For the study, large-cap funds with growth options were chosen. The schemes were analysed using Jensen's Alpha, Treynor's measure, and the Sharpe ratio.

The HDFC Top 200 was given the top spot based on the Sharpe Ratio, followed by the Birla Top 100, ICICI Top 100, and Reliance Top 200. The HDFC Top 200 was ranked top according to the Treynor Measure, followed by the Birla Top 100, ICICI Top 100, and Reliance Top 200. Jensen's Alpha indicates that HDFC Top 200 is still at the top, followed by Birla Top 100 and Reliance.

Karunamoorthy (2022) conducted her research to compare private and public sector businesses and comprehend how profits vary across various groups. Jensen's alpha, Treynor's index, and Sharpe's index were used to further the risk and return research. Additionally, an effort was made to ascertain the investor's temperament towards investing, level of risk tolerance, and preferences for mutual fund firm selection about risk tolerance. When investing in mutual fund products, the study demonstrates that investors consider several crucial factors, including fund quality, service quality, product core, and other factors. It was also discovered that every plan being examined was operating effectively.

According to Khinchi (2022), there is a notable discrepancy between the returns produced by the schemes and their corresponding benchmark index, as well as a substantial disparity in the performance of the chosen schemes. According to the analysis, there is no discernible effect of Age of Fund, Age of Fund House, Expense Ratio, Portfolio Turnover Ratio, Sharpe Ratio, or Jensen Alpha on performance. It was discovered that the performance of the fund is significantly impacted by standard deviation, beta, and AUM.

3. OBJECTIVES OF THE STUDY

1. To comprehend the general overview of equity mutual funds.
2. The study is to compare the mutual fund schemes of selected public and private sector AMCs.

Overview of Equity Mutual Funds:

The MFS concept an investment plan that has been overseen by a professional organisation is known as an MF. The majority of the time, it has been managed by an asset management firm that puts together a group of individuals and other organisations to invest their funds in stocks, bonds, and other securities as well as other assets like gold.

This kind of financial instrument consists of a collection of funds from numerous individuals used to purchase stocks, bonds, money market instruments, and other assets. Managing the MFs is the responsibility of qualified money managers. They distribute the assets of the fund and work to generate income or capital gains for the participants. The prospectus outlines the investment objectives. Small or individual investors can access professionally managed portfolios of stocks, bonds, and other securities through mutual funds (MFs). As a result, each stakeholder shares proportionately in the fund's gains or losses. The success of mutual funds (MFs), which invest in a large number of securities, is typically measured by the change in the fund's total market capitalisation, which is determined by the performance of the underlying investments taken together. Small or individual investors can access professionally managed portfolios of stocks, bonds, and other securities through mutual funds (MFs). As a result, each stakeholder shares proportionately in the fund's gains or losses. MFs invest in a wide range of securities, and the change in the fund's overall market capitalisation is typically used to measure performance. The success of mutual funds (MFs), which invest in a large number of securities, is typically measured by the change in the fund's total market capitalisation, which is derived from the performance of the underlying investments taken together. MFs can be divided into two categories based on the nature of their underlying portfolios: pure equity MFs and non-equity MFs (i.e., debt MFs, bond MFs, liquid MFs, etc.).

Types of Equity Mutual Funds:

Large-Cap Mutual Funds: Large-cap mutual funds are equity funds that invest a greater percentage of total assets in businesses with a high market capitalisation. According to market capitalisation, SEBI has taken into consideration that the large-cap companies are below the top 100 in the list of companies. Thus, large-cap funds contribute to compound wealth and consistent dividend generation. With a long investment horizon and comparatively minimal risk, large caps frequently produce more consistent returns.

Mid-cap Mutual Funds refers to funds that invest mostly in mid-cap companies. Based on market capitalisation, SEBI has determined that the mid-cap companies are ranked between 101 and 250. Compared to large-cap funds, some mid-

cap mutual funds have the potential to produce higher returns. Midcap funds are permitted by SEBI to hold at least 65% of all equity assets.

Small-Cap Mutual Funds: These funds are those that mainly invest in small-cap businesses. According to market capitalisation, SEBI has taken into account that small-cap companies are ranked 251st on the list of companies. In reality, they are a subset of equity mutual funds whose performance is affected by changes in the market. The top small-cap funds are seen to have the capacity to produce significant returns over time. SEBI reports that small-cap equities account for 65% of the investment corpus of small-cap funds. It has been seen that small-cap funds produce significant long-term returns.

Recent Trends in Mutual Funds in India

The Indian mutual fund business has grown in recent years due to factors including inflation, favourable interest rates, and encouraging stock market performance. Investors may now invest, follow, and analyse their assets with ease because of the industry's notable development in digitalisation. You may now invest in a variety of funds, watch them in real-time, and examine your assets from all angles thanks to applications developed by several fintech companies. Distributors are working with fintech firms to provide investors with individualised services by utilising their technology, in addition to investors. All things considered, digitalisation has greatly increased the accessibility and simplicity of investing in mutual funds.

The preferred method of investing in mutual funds is now systematic investment plans or SIPs. Compared to Rs 13,041 crores in October 2022, the SIP contribution in October 2023 was Rs 16,927.86 crores. According to AMFI, there are presently around 7.44 crore SIPs in total. SIPs provide you with the advantage of rupee cost averaging, make investing simple, and instil a disciplined saving habit. They also help you stay invested throughout market cycles. When markets are down, you purchase more units, and when they are up, you purchase more. In the end, this evens out the investment cost and makes navigating market volatility easier. The rise in mutual fund investments from smaller locations is another intriguing pattern that has emerged.

Established cities like Bengaluru, Mumbai, Chennai, and Kolkata are under fierce competition from rapidly expanding investors from cities like Pune, Kota, Durgapur, Alwar, etc. The combination of AMFI's eye-catching advertisements and mutual fund distributors' efforts has been crucial in drawing in investors from smaller cities.

The programs have given investors from these areas the ability to understand the complexities of mutual fund investing and make decisions that support their objectives. The changing demographics of investors show that smaller cities are becoming more financially literate and savvy. These cities' investors are becoming more aware of mutual funds' potential as a powerful tool for building wealth and accomplishing long-term financial goals.

4. RESEARCH METHODOLOGY

Data Collection The study considers 3 years from 1 January 2020 to 28 September 2023. The data collected for the study are discussed below.

Asset Management Companies

The study has been carried out on 4 AMC's which are

1. Aditya Birla Sun Life (ABSL)
2. Industrial Credit and Investment Corporation of India (ICICI)
3. State Bank of India (SBI) and
4. Unit Trust of India (UTI)

The private sector includes ABSL and ICICI, while the public sector includes SBI and UTI.

The mutual fund schemes' benchmark: The data obtained from the value study is used to determine the benchmark. According to this standard, additional information is gathered for the study to compute the benchmark. The mutual fund schemes' market returns:

The market return in this study is calculated using the SENSEX and NIFTY growth rates over the previous five years of data. Depending on the mutual fund's benchmark, either the SENSEX or NIFTY is chosen. The Yahoo Finance website provides the statistics for the SENSEX or NIFTY's daily growth rate. Additionally, the compound annual growth rate formula (CAGR) is used to determine the yearly growth rate. Return without risk: The fixed deposit rate of nationalised banks has been adopted to provide a risk-free return. Data source: Yahoo Finance, the Association of Mutual Funds in India (AMFI) website, and the Value Research website provided the necessary mutual fund data. The money control website provides a risk-free rate.

5. DATA ANALYSIS

Schemes' performance according to their risk-return metrics Funds	Beta	Expected Returns	Actual Returns	Volatility	Result
Aditya Birla Sun Life Banking & Financial Services Fund	0.78	11.7558	17.53	5.7742	High
Aditya Birla Sun Life Equity Advantage Fund -	0.93	12.5986	23.3	10.7014	High
Aditya Birla Sun Life Equity Fund	0.92	12.0568	24.53	12.4732	High

Funds	Beta	Expected Returns	Actual Returns	Volatility	Result
ICICI Prudential Blue-chip Fund	0.91	12.5146	14.18	1.6654	High
ICICI Prudential Nifty Next50 Index Fund	0.95	14.9705	16.49	1.5195	High
ICICI Prudential Nifty 100ETF	0.99	12.9994	18.77	5.7706	High

Funds	Beta	Expected Returns	Actual Returns	Volatility	Result
SBI Blue-chip Fund	0.87	12.2374	10.73	-1.5074	Low
SBI ETF Nifty Next 50Fund	1.01	5.0103	11.17	6.1597	High
SBI Large & Midcap Fund	0.9	12.4	12.07	-0.33	Average

Funds	Beta	Expected Returns	Actual Returns	Volatility	Result
UTI Nifty Exchange Traded Fund	0.66	7.297	12.19	4.893	High
UTI Sensex Exchange Traded Fund	0.98	7.0294	12.31	5.2806	High

Interpretation:

Beta: evaluates the volatility of a fund in comparison to a benchmark index, usually the Nifty 50. A fund that has a beta of 1 tends to move in tandem with the market.

Higher volatility than the market is indicated by a beta larger than 1. Lower volatility is implied by a beta of less than 1. Anticipated Returns: the fund's anticipated return as determined by past performance and anticipated market conditions. Real Returns: the real return that the fund produced during a given time frame. The degree of volatility evaluates how much the fund's returns fluctuate. Greater price swings are indicated by higher volatility. Outcome: A qualitative evaluation based on volatility and real return.

Funds with High Volatility: Birla Aditya Sun Life funds: These funds have demonstrated outstanding stock-picking skills by continuously outperforming their predicted returns. But although ICICI Prudential funds have also produced returns that are higher than anticipated, they are a little less hazardous choice due to their reduced volatility when compared to Aditya Birla funds. Although the gains from the SBI ETF, Nifty Next 50 Fund, and UTI ETFs have exceeded expectations, their high volatility points to the possibility of large price swings.

Funds with Lower Volatility: The underperformance of the SBI Blue-chip Fund indicates that its stock-picking method hasn't been as successful as anticipated. Nonetheless, it is a comparatively safer choice due to its low volatility.

SBI Large & Midcap Fund: This fund has produced returns that are almost in line with expectations, but its average volatility points to a risk-return profile that is balanced.

6. CONCLUSION

Using CAPM, the study examined the performance of equity-based mutual fund schemes in India. Companies in the private sector have outperformed those in the public sector, according to a five-year data review. While ABSL and ICICI have had the greatest performances compared to others. Every one of ABSL's seven mutual fund schemes has outperformed. Understanding a fund's volatility and anticipated returns is crucial for informed investment decisions. Funds with higher volatility, such as Birla Aditya Sun Life Funds, offer the potential for significant returns but also carry higher risk. Conversely, funds with lower volatility, like SBI Blue-chip Fund, provide a more stable investment option, although with potentially lower returns. By carefully considering individual risk tolerance and investment goals, investors can select funds that align with their specific needs. Diversification across various asset classes and funds can further help mitigate risk and optimize returns.

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