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A STUDY ON RISK & RETURN ANALYSIS OF HDFC MUTUAL FUND

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ABSTRACT:

In this paper we tried to evaluate the performance of Selected top five HDFC equity schemes with growth option. The period of the study spans from 1st Jan 2018 till 31st Dec 2020. To evaluate the performance of the selected mutual fund schemes, yearly returns are compared with Benchmark (Nifty 50) returns. Further, statistical tools like average, standard deviation, beta, coefficient of determination and the risk adjusted performance measures suggested by Sharpe (1966), Treynor (1965) and Jenson (1968) were employed to evaluate the performance for the selected period.

KEY WORDS:
Investment, Mutual Fund

INTRODUCTION:

Investing may should easy but once the investors know the different ways that they can invest their money, things might get a little confusing, especially if the investors are a beginner. When it comes to succeeding in investing, knowing the fundamentals will get us a long way. While investing one should need to know the different types of investment well before delving into it. All want to earn returns, not to lose money.

The money earned by everyone is partly spent and the rest saved for meeting future expenses. Instead of keeping the saving idle, every one like to use saving in order to get return on it in the future. This is called investment.

One needs to invest to earn returns on resources, generate a specified sum of money for specified goal in life and to make a provision for an uncertain future. One of the important reasons why one needs to invest wisely is to meet the cost of inflation. Inflation is the rate at which the cost of living increases. The cost of living is simply what it costs to buy the goods and services that a person needs to live.

The aim of investment should be to provide a return above an inflation rate to ensure that the investment does not decreases value.

Three Rules of all investors,

1. Invest early
2. Invest Regularly
3. Invest for long term and not short term.

The first type of investment options is probably most familiar with savings accounts. Most families opt for this of financial investment option since it is a safe way to keep the money. Investing always involves some amount of risk but with savings accounts, the risk is little because the risk minimal with this type of investment, the interest rates tend to be very low. However, with no input required by the investor. it is a very popular choice for the lazy investor.

OBJECTIVES OF THE STUDY:

1. To investment in equity and investment in mutual funds this has more gain with minimum risk and also evaluating the best investment option to the investors.
2. To equity and mutual fund schemes in respects of their risk and return.
3. Analyzing the performance of equity mutual funds schemes with their benchmarks.
4. Provide information about of investing in equity and mutual funds.

Literature Review:

Dr. K.M. Sudha, Hari Dharani S.A, Pasam Devika (2020) to evaluate the performances of equity funds, liquid funds, balanced funds, gilt funds, income funds and index funds. Data are taken from the NSE, BSE and money control. The main tools used for the study are Simple average method, Simple standard deviation, Simple comparative method and simple ranking method.

M. Raj, Tanya Verma, Aashita Jain (2018) India is emerging as the next big investment destination, courtesy its high savings and investment rate, as compared to other Asian economies. In present changing market environment, mutual funds are seen as a transparent and low-cost investment option which attracts investors and help in the growth of the industry.

Dr. Raghu G Anand (2014) This research intends to understand and evaluate investment performance of selected mutual funds in terms of risk and return, using the various statistical tools and parameters. The research has been confined to the various mutual fund schemes of SBI and HDFC and investment options and returns available to Indian investors.

Shriprakash Soni, Deepali Bankapue, Mahesh Bhutada (2015) Generally, when an investor decides to study the investment options readily available in today's confusing, complex and risky environment, he thoroughly evaluates all the investment options.

Vikas Kumar, Priyanka Poddar (2014) In this paper we tried to evaluate the performance of HDFC open-ended equity schemes with growth option. To evaluate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark (BSE National 100 Index) returns.

Archana Goel, Laveena (2015) Mutual funds accumulate the reserves of various investors & invested in equity & debt market in the form of fund. On the basis of money invested, investors get the number of units our mutual fund industry has flourished at a CAGR of 20% in terms of assets under management due to strong measures introduced by SEBI, supportive tax policies.

B. R. Mannar, B. R. Reddy (2013) Balanced mutual funds are one of the types of various mutual funds available in the market. These funds combine the benefits of income and capital appreciation.
Balanced mutual funds make it possible by investing in an assortment of investment instruments such as stocks, Money markets and bonds etc.

RESEARCH METHODOLOGY

1. Sampling technique: Since the data for last three year is taken a secondary data.
2. Sample size: HDFC equity mutual funds schemes where selected.
3. Sample description: In this study HDFC equity fund company selected from senses and mutual fund selected on the basis of their Net asset value and after that find the ratio analysis.

PERIOD OF STUDY:

A study covers for the financial year (2018– 2020).

TOOLS USED:

1. Average returns.
2. Variance.
3. Standard deviation.
4. Correlation coefficient.
5. Beta Value

SELECTED TOP FIVE EQUITY MUTUAL FUND IN HDFC:

1. HDFC Small Cap Fund Direct Growth
2. HDFC Midcap Opportunities Direct Plan Growth
3. HDFC Capital Builder Value Fund
4. HDFC Index Fund Nifty 50 Plan
5. HDFC Tax Saver Fund

DATA ANALYSIS

1. **Average Return HDFC Equity Fund**

Sr No	HDFC Equity Fund Name	1 yr.	3 Yr.	5 Yr.
1	HDFC Small Cap Fund Direct Growth	33.35%	6.09%	19.09%
2	HDFC Midcap Opportunities Direct Plan Growth	14.79%	17.49%	27.26%
3	HDFC Capital Builder Value Fund	24.45%	6.68%	14.89%
4	HDFC Index Fund Nifty 50 Plan	23.2%	12.5%	16.00%
5	HDFC Tax Saver Fund	25.79%	10.46%	16.79%

Interpretation

The average rate of return is the average annual amount of cash flow generated and last three year best average return in selected HDFC Equity fund and max average return in last three year 18.00% and minimum average return in 6.09%.

2. The correlation coefficient value and R squared Value (2018 to 2020)

Sr. NO	HDFC Equity Funds Name	Correlation value	R Squared Value
1	HDFC Small Cap Fund	0.8897	88.97
2	HDFC Mid cap Opportunity Fund	0.6413	64.13
3	HDFC Capital Builder Fund	0.9787	97.87
4	HDFC Index Fund	0.9998	99.98
5	HDFC Tax Saver Fund	0.9717	97.17

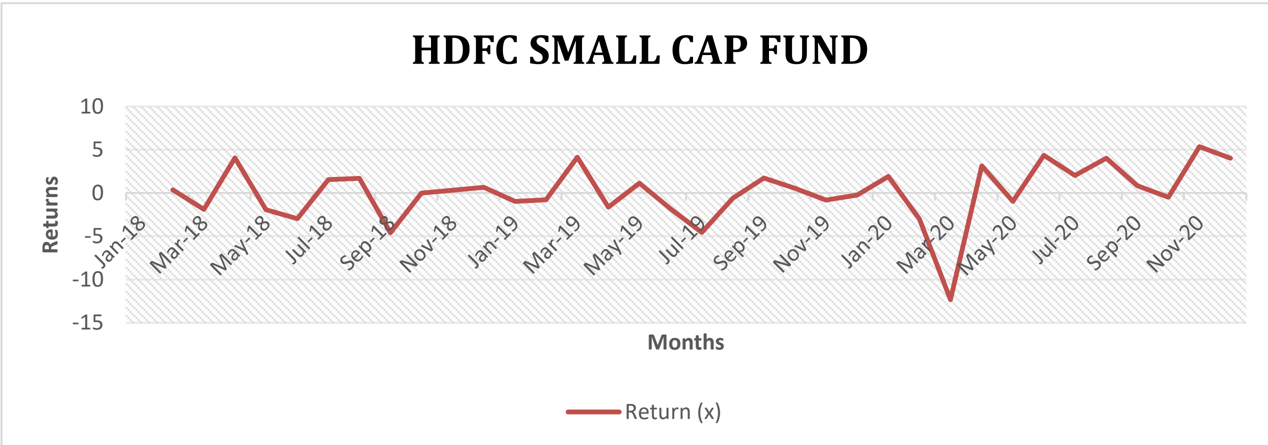
Interpretation

Correlation coefficient indicates that an increase in the first variable would correspond to an increase in the second variable thus implying a direct relationship between the variable. I have selected five HDFC Equity fund is last three-year correlation of coefficient is best perfective positive correlation.

Finding and suggestions:

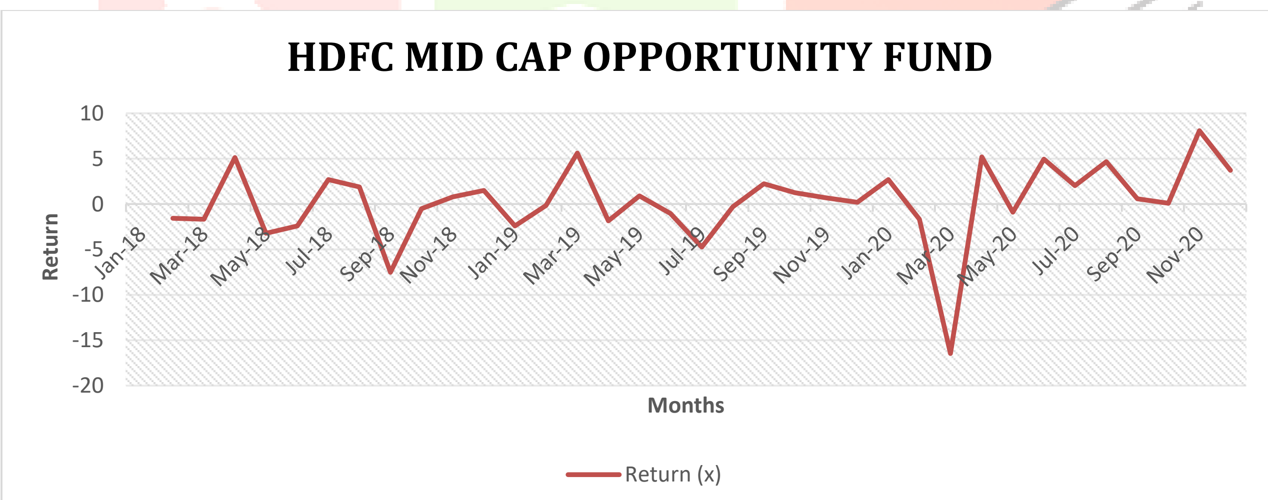
Finding

1. **HDFC Small Cap Fund**



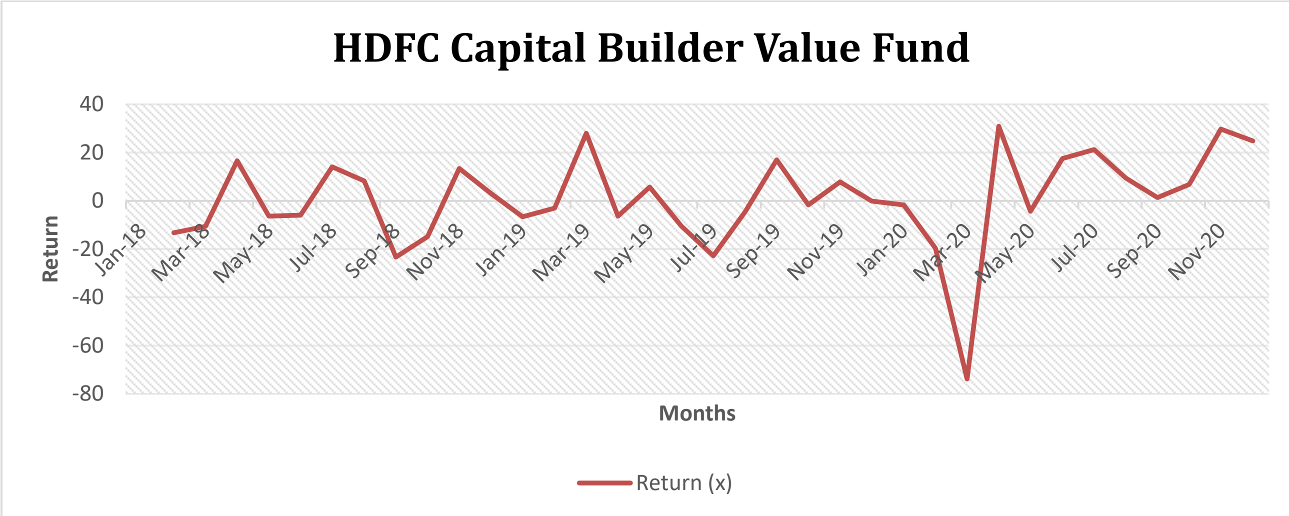
HDFC Small cap fund Risk is moderate and return is last three-year equivalent but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

2. **HDFC Mid Cap Opportunity Fund**



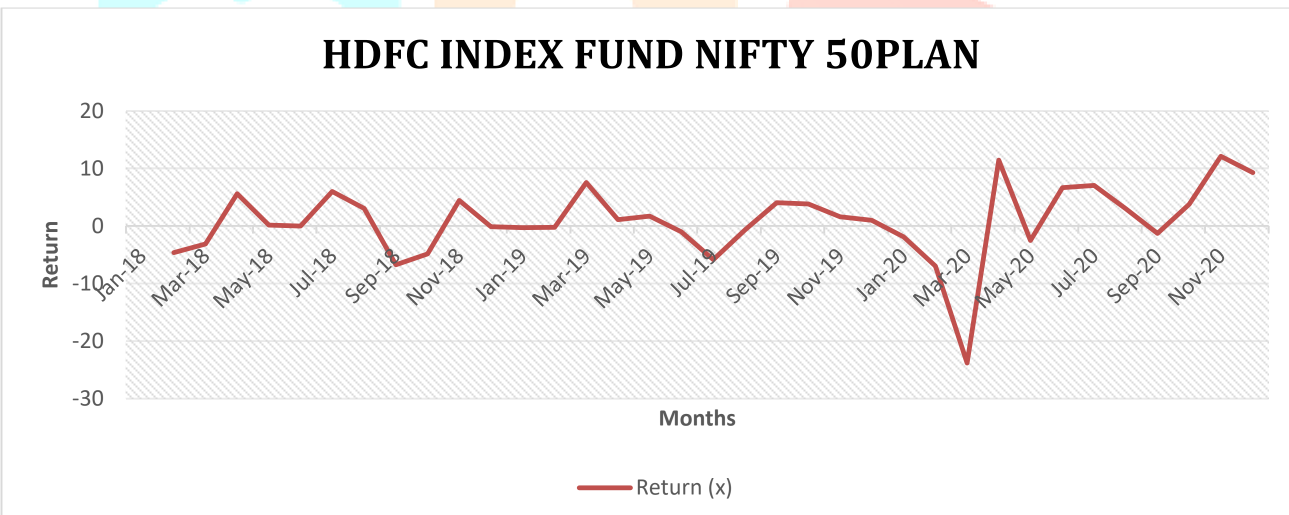
HDFC mid cap opportunity cap fund Risk is highly and return is last three-year up or down but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

3. HDFC Capital Builder Value Fund



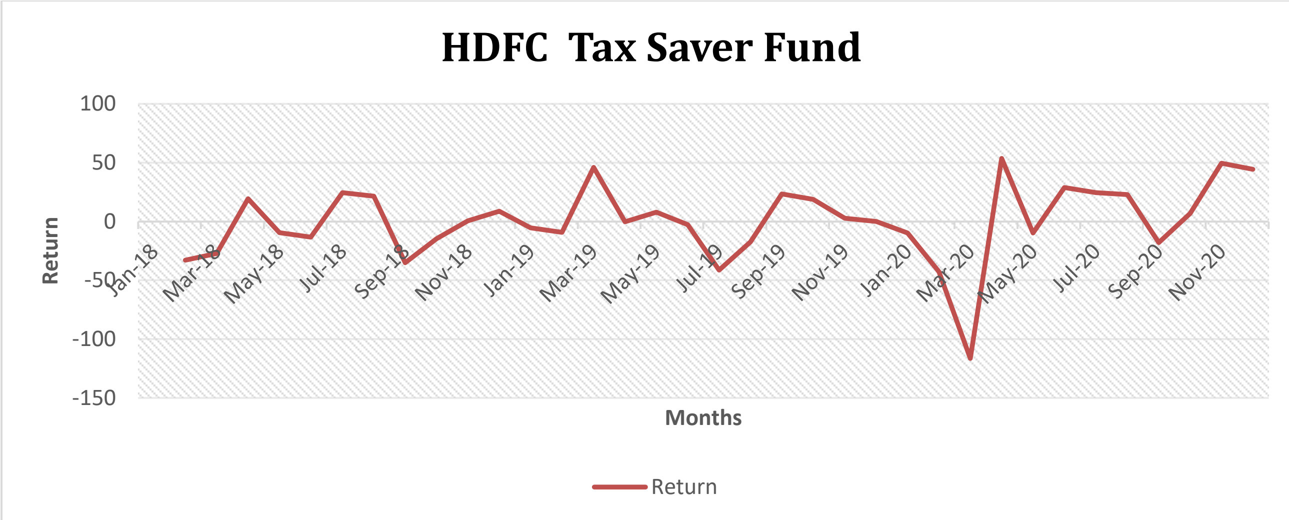
HDFC capital builder value fund Risk is highly and return is last three-year normal fluctuation but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

4. HDFC Index Fund Nifty 50 Plan



HDFC index fund Risk is moderate and return is last three-year up down but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

5. **HDFC Tax Saver Fund**



HDFC tax saver fund Risk is moderate and return is last three-year equivalent but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

Suggestions

Planning is important while making any investments. The any investors cannot expect hundred percent return from their any investment instant 50-60 percent return will be preferable and highly profitable. During covid19 situation not good performance mutual fund.
Portfolio investment will reduce the risk of investors and also helps to make up the loss in the time of recession Any investors can survive in the market only if has able to manage money and most of investor only learn how to trade in rising market. But trading at a multi direction is a good strategy in a falling market.

Conclusion

Equity investment is a high risk in the market but due to fluctuation in market it is totally unreliable. Market is favorable the gain is highly appreciable and vice versa if there is down trend in the market it is not highly applicable to invest. so, equity investment is totally time dependent and market dependent.
A mutual fund is steady income plan even it is subject to market trending because, the fund manager will perform a significant role and both investments have risk and rewards. So, the investor chooses their investment consider time, investment amount and also technical analysis about the market.

Limitations and scope for further research

1) In the present study, only the Growth and Equity Schemes of Mutual Funds have been taken into consideration. A similar study could be done by including other types of schemes as well viz, Equity Funds, Sector-Specific Funds, etc.
2) Only Three year (1st Jan’18-31st Dec’20) has been considered for analyzing the selected the performances of Mutual Funds schemes. This time period could be extended so as to view the overall performance of the Mutual Fund Schemes.
3) Limited no. of statistical tools has been used to analyze the performance of Mutual Funds. It could be increased so as to come down at a conclusion with precision.
4) The returns and hence the performance of the mutual fund schemes have been compared only to the returns and performance of Nifty 50. Same can be done with various other benchmarks and different risk-free return which is taken as Indian Government 10-year bond rate in the present study.

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