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A STUDY OF INDIAN FINANCIAL SYSTEM WITH SPECIAL REFERENCE TO MUTUAL FUND IN HDFC BANK

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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 Jensen (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 give a brief idea about the benefits available from Mutual Fund investment.
2. To evaluate the performance of the selected Top five Debt mutual fund of HDFC AMC on the basis of risk and returns parameters and compare the selected Debt mutual fund.
3. To appraise the performance of selected Debt mutual fund of HDFC AMC with risk adjusted measure such as sharp ratio, Treynor's Ratio and Jensen's Ratio.

Literature Review:

1. Performance evaluation of open-ended schemes of HDFC mutual fund

Ankit Srivastava, Vikas Kumar Published 2016

In this paper we tried to evaluate the performance of HDFC open-ended equity schemes with growth option. The period of the study spans from 1st April 2006 till 31st March 2015. To evaluate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark (BSE National 100 Index) 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 Jensen (1968) were employed to evaluate the performance for the selected period.

2. Performance Evaluation of Equity Schemes of HDFC Mutual Fund

V. Kumar, Ankit Srivastava Published 2016

In this paper we tried to evaluate the performance of HDFC open-ended equity schemes with growth option. The period of the study spans from 1st April 2006 till 31st March 2015. To evaluate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark (BSE SENSEX) 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 Jensen (1968) were employed to evaluate the performance for the selected period

3. Comparative Analysis of Mutual Fund Schemes available at Kotak Mutual Fund and HDFC Mutual Fund

Shriprakash Soni, Deepali Bankapue, Mahesh Bhutada Published 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. While evaluating such multiple options, prima facie, he naturally considers several factors like Past performance of the option under study, Risk adjusted returns from the invested plan, Share in the portfolio policy, Fund house, Back Returns i.e.

percentage of Interest/Dividend and Consistent rate of return on investment, to mention a few. In the words of Warren Buffett, “Risk comes from not knowing what you are doing.

4. Performance Evaluation of HDFC Mutual Funds

Vikas Kumar, Priyanka Poddar Published 2014

In this paper we tried to evaluate the performance of HDFC open-ended equity schemes with growth option. The period of the study spans from 1st April 2008 till 31st March 2013. To evaluate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark (BSE National 100 Index) returns. Further, statistical tools like average, standard deviation, beta, coefficient of determination and the risk adjusted performance measures suggested by Treynor (1965) and Sharpe (1966) were employed to evaluate the performance for the selected period.

5. Performance of Mutual Funds in India: A Comparative Analysis of SBI Mutual Funds and HDFC Mutual Funds

M. Raj, Tanya Verma, Aashita Jain Published 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. Normally, The Private Sector Mutual Funds have recorded much better performance as compared to the Public sector Mutual Funds mainly due to better Funds allocation, better Management and efficient performance of Portfolio Manager. Thus, this study is an effort to analyse and compare the performance of Growth and Balanced Mutual Funds of one Private Sector Mutual Fund i.e. HDFC Mutual Fund and one Public Sector Mutual Fund i.e. SBI Mutual Fund

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 Growth Opportunities Fund-Growth
2. HDFC Equity Funds-Growth
3. HDFC Tax Saver-Growth
4. HDFC Hybrid Equity Fund-Growth

5. HDFC Balanced Advantage Fund-Growth

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

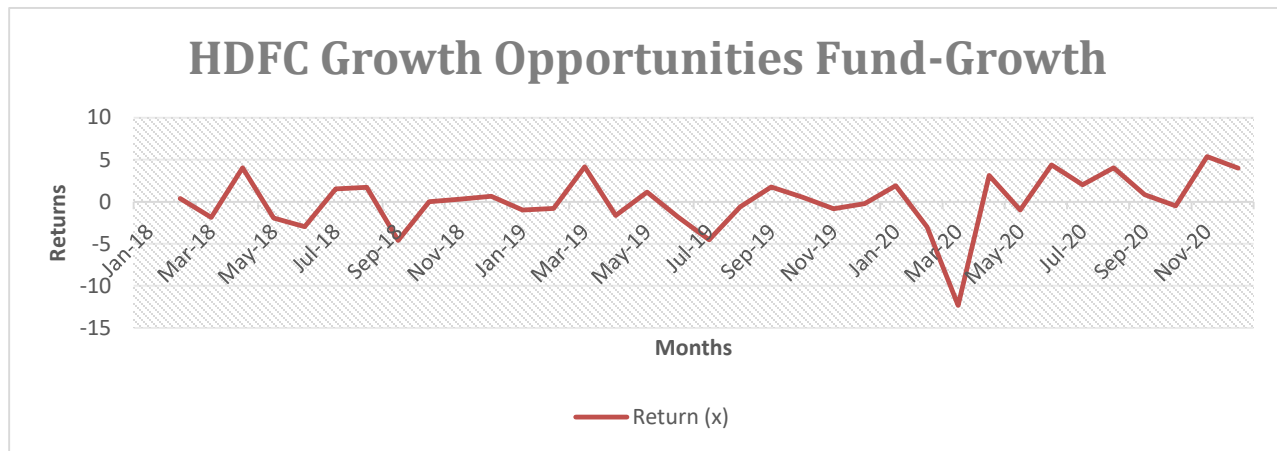
Interpretation

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:

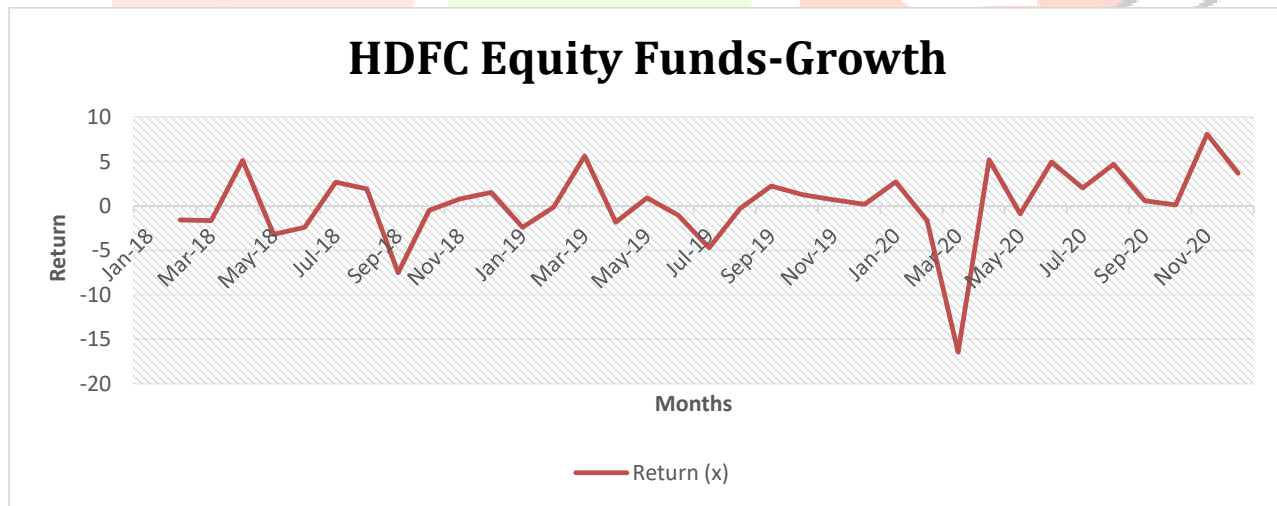
Finding

1. HDFC Growth Opportunities Fund-Growth



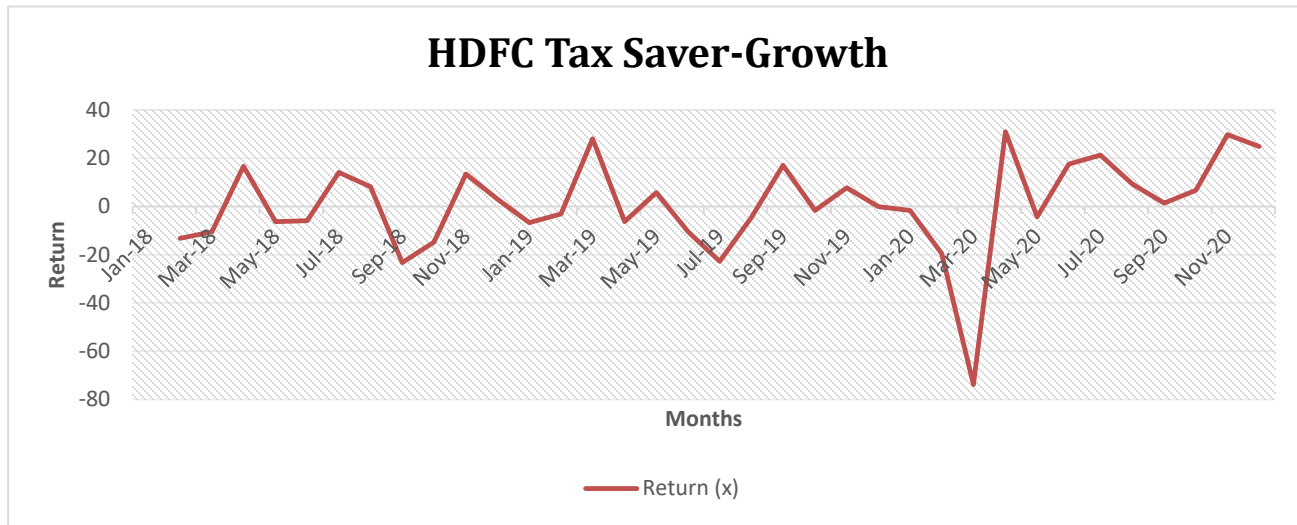
HDFC Growth Opportunities Fund-Growth is moderate and return is last three-year equivalent but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

2. HDFC Equity Funds-Growth

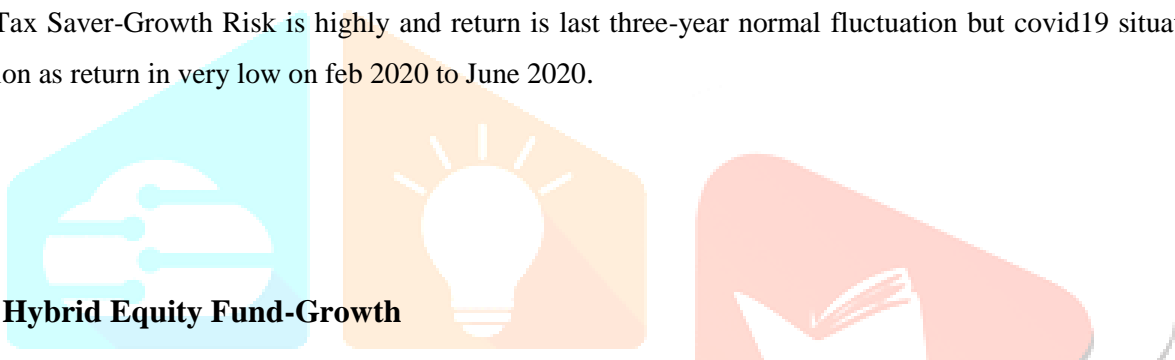


HDFC Equity Funds-Growth fund Risk is highly and return is last three-year up or down but covid19 situation market is fluctuation as return in very low on feb 2020 to June 2020.

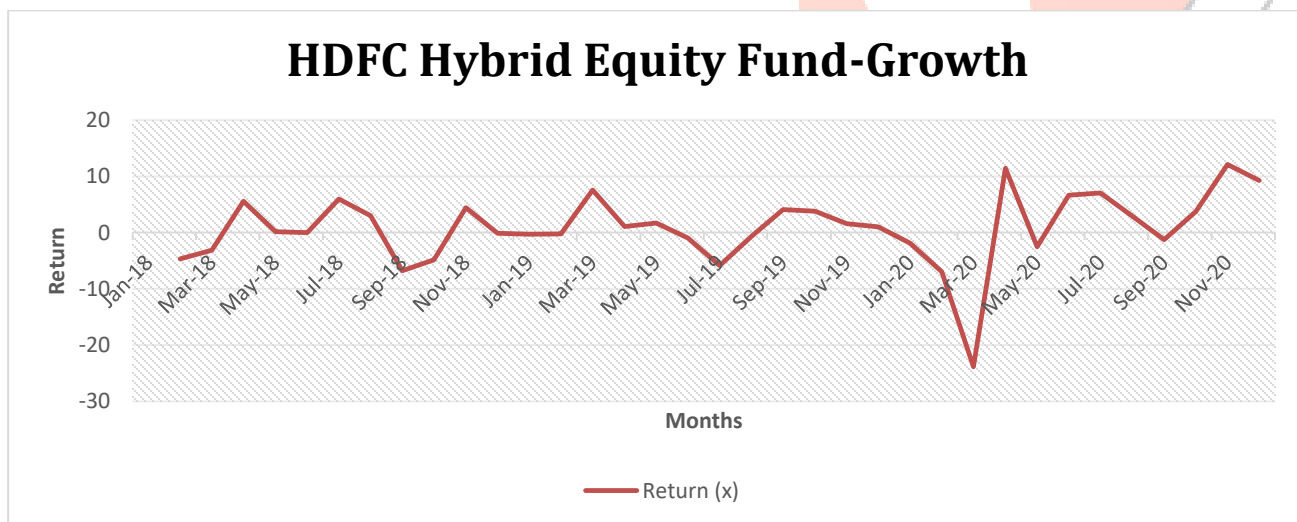
3. **HDFC Tax Saver-Growth**



HDFC Tax Saver-Growth 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.

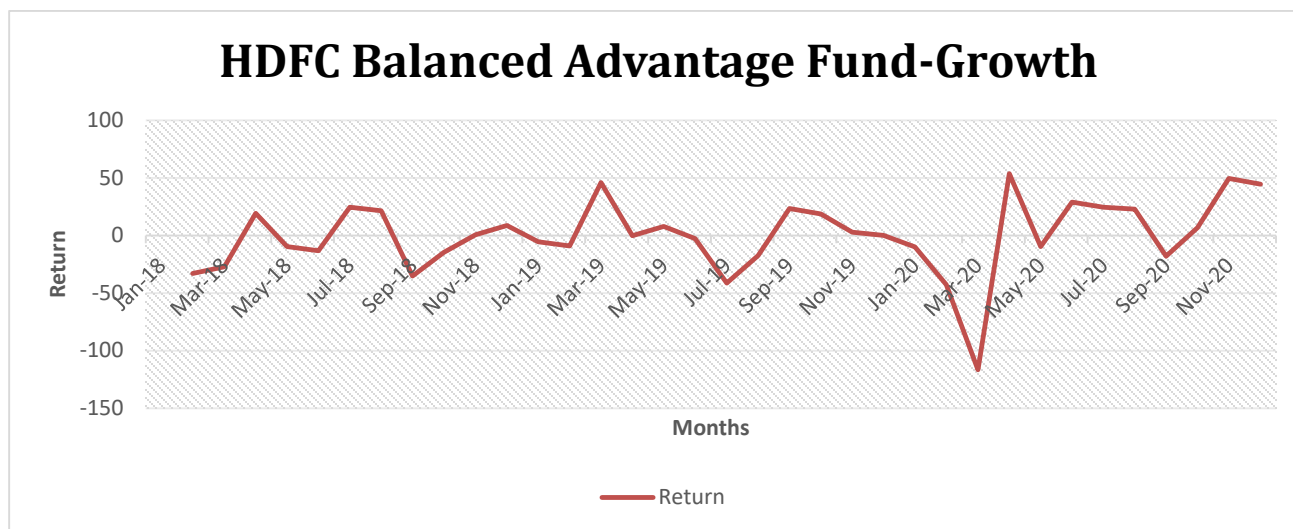


4. **HDFC Hybrid Equity Fund-Growth**



HDFC Hybrid Equity Fund-Growth 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 Balanced Advantage Fund-Growth



HDFC Balanced Advantage Fund-Growth 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. The study is limited only to the analysis of different schemes and its suitability to different investors according to their risk-taking ability.
2. The study is based on secondary data available from monthly fact sheets, websites and other books, as primary data was not accessible.
3. The study is limited by the detailed study of five Debt schemes of HDFC.
4. Many investors are all price takers.
5. The assumption that all investors have the same information and beliefs about the distribution of returns.
6. Banks are free to accept deposits at any interest rate within the ceilings fixed by the Reserve Bank of India and interest rate can vary from client to client. Hence, there can be inaccuracy in the risk free rates.
7. The study excludes the entry and the exit loads of the mutual funds

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