



# AN EMPIRICAL STUDY OF PERFORMANCE OF MUTUAL FUNDS OF SELECTED SCHEMES IN INDIA

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**ABSTRACT:** Mutual funds are provided with various schemes where small investors can also invest. Through mutual funds, small savings of investors are grouped and used to buy different securities in the securities market. Thus, main purpose of mutual funds is, to pool the money of small investors and make portfolio investment. Mutual Fund industry is growing day by day in terms of investments and asset allocation. It becomes a major source of investment among investors. As it provides various schemes according to the requirement of investors, thus fetch more attraction in the market as comparison to other securities. So, this study is also in relation to it where the growth of mutual funds is examined along with evaluating the performance of selected schemes with the help of Sharpe and Treynor's ratio. Data used was collected through various secondary sources. The analysis of performance of selected tax saving schemes has been also done from 2017 to 2021 in terms of annual returns. Study concludes that despite risk involved, mutual funds are becoming more popular in recent years among small investors also. Tax saving mutual fund is the best option of investment for the investors who wants to earn income from investment as well as wants to save tax.

**KEYWORDS:** Mutual Funds, Performance, Allocation, Investment.

**INTRODUCTION:** Investments are good resources to earn income. But it is not possible for small investors to invest their small savings due to lack of experience related to securities market and schemes for small investments. For this purpose, mutual funds are a good choice. Mutual funds are provided with various schemes where small investors can also invest. Through mutual funds, small savings of investors are grouped and used to buy different securities in the securities market. Thus, main purpose of mutual funds is, to pool the money of small investors and make portfolio investment. As we know, all the stocks may not move in same direction or with same proportion, so there are chances of risk too. Investment in mutual funds is done on the basis of needs and requirements of the person who invests funds so as to avoid risk as much as possible. Mutual funds bring out a number of schemes at different intervals according

to various investment objectives so as to cover all kinds of investors. These objectives may be related to regular income or growth of funds, with lower or higher risk or related to tax savings. Therefore, it is beneficial to invest through mutual funds as it gives the advantages of professional management of fund, diversity, suitability, risk avoidance, fluidity and many more. Mutual funds are registered under Securities and Exchange Board of Indian (SEBI) thus makes investment in mutual funds an effortless, approachable and affordable process.

### **TYPES OF MUTUAL FUNDS:**

There are various kinds of mutual fund schemes launched by mutual fund institutions from time to time according to the demands of investors so as to fulfill their objectives. The different types of schemes under various categories and sub-categories are given as:

- I. **On the basis of Right of Possession:** In this category the mutual fund schemes are divided according to their ownership i.e. public and private sector mutual funds.
  1. **Public Sector Mutual Funds:** These are funds which are controlled by Government or which come under the control of Government. As already discussed, UTI was first to enter in mutual funds business in 1963-64 and had monopoly in the market. After that a number of public sector banks and institutions started involving in mutual funds. It include State bank of India, Indian bank, Canara bank, Punjab National Bank and insurance institutes as GIC and LIC.
  2. **Private Sector Mutual Funds:** The success and growth of mutual funds led the Government of India to allow private sector to start business of mutual funds. A number of private corporate approached SEBI for this. This brought the era of competition among private and public players which led to the positive growth of mutual funds industry.
- II. **On the basis of Working of Schemes:** All the mutual funds fall under this category of schemes. According to working of schemes, mutual funds can be divided into three sub-categories:-
  1. **Open Ended Schemes\Funds:** This scheme of mutual funds does not specify any duration or timing of investing and redemption. It means these have no fixed date of maturity as well as investment in schemes. The investor has, thus, the option to invest in such schemes at any point of time. Basically, repurchase/ redemption of such funds is done on the basis of net asset value (NAV) of fund.
  2. **Closed Ended Funds:** It is a scheme, unlike open ended scheme, where there is fixed period of entry into fund and similarly, for its maturity. Once the initial issue is closed, there is no other option then for subscribing the units for sale or purchase through secondary market. The price here is determined according to demand and supply in the market and can be different from net assets value i.e. .NAV.

3. **Interval Schemes:** This scheme is the mixture of both open ended and close ended schemes. Under this, the scheme is kept open for sometimes and then runs as closed ended scheme. When a new scheme is launched, it remains as open ended for sometimes and then converted into closed ended scheme. Thus, the value of fund is calculated accordingly.

III. **On the basis of Investment Objectives:** Under this category, the investment goals of investors are considered and sub-categorized as:

1. **Income Funds:** The aim under this scheme is to maximize the current income to the investor. Here, capital appreciation is of less importance and preference is given to regular returns. The return can be constant at low level of risk and increases as the risk increases.
2. **Equity Funds:** These are also known as growth funds. The principle objective of these funds is to provide growth in the value of invested money in long run. Thus the risk content is also higher.
3. **Conservative Funds:** This scheme is the mixture of both income and growth fund schemes. In this, some amount of funds is invested in buying interest bearing securities and other part in equity for long term value appreciation.
4. **Taxation Funds:** There are some schemes of mutual funds in the market which are designed for tax payers. It gives tax benefits to the investors along with some income. ELSS is such a kind of scheme which is famous among investors who want to avoid the tax burden and claim deduction under section 80C.
5. **Other Schemes:** Mutual funds can be large caps, medium cap and small cap on the basis of market capitalization and can be domestic funds or offshore funds on the basis of location from where funds are mobilized.

#### **OBJECTIVES OF STUDY:**

1. To examine the growth of mutual funds in India.
2. To examine the performance of selected tax saving mutual fund schemes in comparison to benchmark.
3. To evaluate the performance of selected schemes with the help of Sharpe and Treynor's ratio.

#### **RESEARCH METHODOLOGY:**

The study is wholly based on secondary data. The data related to study has been collected from various books, newspapers, websites etc. Websites like [www.sebi.gov.in](http://www.sebi.gov.in), [www.amfiindia.com](http://www.amfiindia.com), [www.moneycontrol.com](http://www.moneycontrol.com) and other websites related to mutual funds are also used for the purpose of study. Website of SEBI is used to investigate the growth of mutual funds. Similarly, websites related to particular fund has been used to collect data for evaluating performance in comparison to benchmark for the period of 2017 to 2021.

**SAMPLING:**

Five tax saving mutual fund schemes has been selected on the basis of CRISIL ranking. The selected schemes are given as:

1. Axis Long Term Equity Regular Plan(G)
2. Aditya Birla SL Tax Relief 96(G)
3. Canara Robeco Equity Saver- Regular(G)
4. Taurus Tax Shield(G)
5. ICICI Prudential LT Equity(Tax Saving)(G)

**GROWTH OF MUTUAL FUNDS**

**According to market schemes:** On 01 December, 2017, total number of schemes was 1861. Among this, number of schemes under income funds were 1353, 408 under growth schemes, 25 under balanced funds and 45 under exchange traded funds. Schemes under funds of fund investing overseas were 30. On 01 December, 2021, the total number of schemes were 1941 and out of which, 1263 were under income funds which includes money market schemes, gilt edged securities, debt securities and investments in infrastructural development. There were 548 schemes under growth funds and 26 under balanced funds. The number of schemes under exchange traded funds stood at 75 and 29 under funds of fund investing overseas.

**Table 1.1: Category wise no. of schemes**

Category	2017	2021
Income Scheme	1353	1263
Growth Schemes	408	548
Balanced schemes	25	26
ETF	45	75
Fund of Funds investing overseas	30	29
<b>Total</b>	<b>1861</b>	<b>1941</b>

**Fund mobilization :** The funds mobilized under various schemes are given as on 01 December, 2017, The grand total of funds mobilized were Rs.81, 94,887.09 crores. The grand total of funds mobilized in the year 2021 on 01 December were Rs. 1, 79, 13,671.28 crores.

Category	2017	2021
Income Scheme	80, 73,124.10	1, 75, 78,230.95
Growth Schemes	1, 05,460.09	2, 32,319.52
Balanced schemes	9, 191.08	42, 640.24
ETF	6, 587.84	60, 028.76
Fund of Funds investing overseas	523.99	488.30
<b>Total</b>	<b>81, 94,887.09</b>	<b>1, 79, 13,671.28</b>

## COMPARISON OF SCHEMES WITH BENCHMARK:

The comparison of all five schemes with the benchmark is done on the basis of returns of last five years. For this purpose, NIFTY 50 is taken as benchmark index. The values of annual returns will be compared for evaluating performance of schemes as compare to overall market.

Year	Nifty 50	Axis Long Term Equity	Aditya Birla SL tax relief	CR Equity Saver	Taurus Tax Shield	ICICI Pru LT Equity Saving
2017	28.4	54.16	46.82	39.48	31.81	42.65
2018	-3.9	4.19	7.26	-2.25	-0.43	3.1
2019	-3.5	-2.03	2.07	-2.22	1.27	2.29
2020	28.6	30.47	30.99	27.06	30.96	22.77
2021	3.49	2.14	-4.98	2.29	-0.76	-0.29

## EVALUATION OF PERFORMANCE WITH THE HELP OF SHARPE RATIO AND TREYNOR'S RATIO:

Scheme wise comparison shows that Axis LT Equity Regular Plan (G) has highest value of standard deviation (13.52) and beta (0.97) as compare to other schemes, whereas ICICI Prudential LT Equity (Tax Saving ) –G has the lowest values of standard deviation and beta. This shows that the former scheme involves more risk as compare to all other schemes.

However, CR Equity Saver-Regular (G) has shown highest performance in terms of Sharpe (0.92) and Treynor (0.21) ratio. This is followed by Aditya Birla SL Tax Relief 96(G) and Taurus Tax Shield. On the other hand, Axis LT Equity Regular Plan (G) has the lowest values of Sharpe ratio (0.61) as well as Treynor ratio (0.08) showing poor performance when compared with risk involved in various schemes.

Scheme	Std. Deviation	Beta	Sharpe Ratio	Treynor's Ratio
Axis LT Equity Regular Plan	13.52	0.97	0.61	0.08
Aditya Birla SL tax relief	12.83	0.90	0.89	0.17
CR Equity Saver	12.56	0.94	0.92	0.21
Taurus Tax Shield	12.74	0.96	0.82	0.11
ICICI Pru LT Equity Saving	11.84	0.83	0.64	0.09

**FINDINGS:**

- The mutual fund industry shows a tremendous growth in recent years. Number of schemes has increased from 1861 to 1941 from the year ending 2017 to 2021. The number of open ended schemes increased from 798 to 860; closed ended schemes from 987 to 1054 whereas interval schemes decreased from 76 to 27 during this period.
- The industry also shows increase growth in terms of mobilization of funds. Fund mobilization under income scheme increased from Rs. 80,35,320.76 crores to Rs. 1,75,78,230.95 and it was increased to Rs. 2,32,319.52 and Rs. 42,604.24 in case of growth oriented and balanced schemes respectively.
- When compared to benchmark NIFTY50 in terms of annual returns, scheme 4 Taurus Tax Shield outperformed benchmark in every year from 2017 to 2021.
- In terms of Sharpe and Treynor's ratios, scheme 3 i.e. CR Equity Saver-Regular (G) shows better risk-return adjustment ratio of 0.92 and 0.21 respectively, in comparison to other schemes.

**CONCLUSION:**

During the period of study (from 2017 to 2021), tremendous growth has been witnessed in Mutual Fund Industry in India. It shows rising trend in terms of number of schemes, fund mobilization and assets under management. With the increasing number of players both from public and private sectors, competition is also increasing which may lead to positive growth in this industry. In recent years, private sector is overlapping public sector as wide variety of schemes are launched by private sector according to the requirement of various classes of investors. Mutual funds are becoming popular due to increase in level of income which will ultimately increase the taxes. To decrease the burden of tax and enhance savings, Government comes up with tax saving schemes and provides deductions on the income from such schemes also. The analysis of performance of selected tax saving schemes has been also done from 2017 to 2021 in terms of annual returns. To analyze the risk-return relationship tools like standard deviation, beta, Sharpe ratio and Treynor's ratio has been used. Further, the performance of schemes is also evaluated as comparison to benchmark.

As per ranking, Aditya Birla SL Tax Relief-Regular (G) tops the list in combination of all the measures of evaluating performance and it was followed by Taurus Tax Shield, Axis LT Equity-Regular(G), CR Equity Saver-Regular(G) and ICICI Prudential LT Equity (Tax Saving)-G in order. To summarize, it can be said that despite risk involved, mutual funds are becoming more popular in recent years among small investors also. Tax saving mutual fund is the best option of investment for the investors who wants to earn income from investment as well as wants to save tax.

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