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A Comparative Study Of Returns Of Mutual Fund Schemes And SBI Term Deposit Rates

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Abstract: Mutual fund industry has veterana radical growth in the earlier periodof two decades.Raise in the number of schemes with improved mobilization of funds in the past fewyears notes the importance of Indian mutual funds industry. To fulfill the potential ofmillions of retail investors, the mutual funds are requisite to function as successfulinstitutional investors. Proper evaluation of various fund performance and theircomparison with other funds helps retail investors for creating investment decisions.

The main aim of this paper is to evaluate the performance of mutual fundschemes ranked 1 by CRISIL and associate these returns with SBI domestic term depositrates. Bearing in mind the interest of retail investors simple statistical techniques likeaverages and rate of returns are used.

The results achieves from the study clearly represents that, in most of the cases themutual fund schemes have failed even to provide the return of SBI domestic termdeposits.

***Keywords*:** Mutual Fund Schemes, Performance, Returns, CRISIL, Credit Rating Agency, SBI domestic term deposits.

Introduction

A mutual fund is an entity that pools the money from the investors, called the unit holders, and invests in different avenues which consist of shares, debt tools, real estate, Government securities, commodities or a combination of these. **The Securities and Exchange Board of India (Mutual Fund) Regulation, 1996** define a mutual fund "a fund established in the form of a trust by a sponsor, to raise money by the trustees through the sale of units to the, public, under one or more schemes, for investing in securities in accordance with these regulation”. Mutual funds are the new financial instruments were people will be investing their money for low risk and high return. It is the new instrument of investment and for the savings for the investors. The lively involvement of mutual funds in economic development can be viewed from dominant presence of mutual funds in financial markets through the globe.

Investors of Mutual Funds essential not concern much about the return as mutual funds are managed professionally by well trained and skilled Managers. The savings in mutual funds are well diversified and so the investors generally do not run the risk of keeping all the eggs in one basket. The other compensations of investment in mutual fund are portfolio diversification, low transaction cost, low risk, and choice of schemes, liquidity, transparency and safety.

Mutual funds are now bakery shop made to cake the specific needs of the customers (investors). Mutual fund industry has now entered into the world of exciting innovations where Asset Management Companies (AMCs) are coming up with new financial products.Proper evaluation of differentfunds’ performance and their comparison with other funds helps retail investors for making investment decisions.

CRISIL Mutual Fund Ranking: An Introduction

In 1987, India’s first credit rating agency CRISIL is incorporated, promoted by the one-time ICICI Ltd. along with UTI and other financial institutions. CRISIL is India’s first, largest and most prominent credit rating agency. CRISIL is a global analytical company providing research, ratingsand risk and policy advisory services.CRISIL rating serves investors, lenders, market intermediaries and regulators, issuers by improving availability of information and granting benchmarks. CRISIL Rating is used by investors and lenders to supplement their internal valuation process and to standard credit quality across investment options.

In India, CRISIL has developed a methodology based on global best practices for ranking mutual funds. In the earlier period the mutual fund ranking has expanded high acceptance along with investors, asset management companies and intermediaries.Only open ended schemes are considered for ranking and the basic criteria for including mutual fund scheme in the ranking universe are three-year NAV history (one-year for liquid, short term income and index funds, ultra short-term debt, and five years for steady performers), assets under management in surplus of cut-off limits and complete portfolio revelation. The performance criteria wraps risk adjusted returns along with portfolio characteristics like industry attentiveness, liquidity, company concentration, etc. to make the study forward looking.The present study was restricted to examine and assess the return fetched by mutual fund schemes ranked 1 by CRISIL for the period of 5 years.

CRISIL is also the foremost provider of high-end research to the world's largest banks and leading conglomerates. With sustainable spirited advantage arising from its strong brand, market leadership across businesses, unmatched credibility, and large customer base, theyconvey analysis, opinions, and solutions that make markets function better.

CRISIL empower their customers, and the markets at large, with independent study, benchmarks and tools. These help borrowers and lenders, investors and issuers, regulators, and market intermediaries make better-informed investment and business decisions. Its offerings allow markets and market participants to become more transparent and efficient - by mitigating and organizing risk, obtaining pricing decisions, creating more returns, reducing time to market and enhancing returns. By helping sketch public policy on infrastructure in rising markets, CRISIL help catalyst economic enlargement and development in these countries.

Review of Literature

Ippolito R. A. (1992) concluded that the investors prefer mutual funds which have a record ofpositive return in the past.

Sapar & Narayan(2003) evaluates the performance of 269 open ended schemes of mutual funds ina bear market using relative performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp'smeasure, Jensen's measure, and Fama's. The results obtained advocate that most of the mutual fundschemes in the sample outperformed the investor's expectations by giving excess return over expectedreturn based on premium for systematic risk and total risk.

Sathya Swaroop Debasish (2009) studied the performance of 23 schemes offered by six privatesector mutual funds and three public sectors of mutual funds based on risk-return relationship models andmeasure it over the time period of 13 years (April 1996 to March 2009). The analysis has been made on thebasis of mean return, beta risk, co-efficient of determination, Sharpe ratio, Treynor ratio and Jensen Alpha.The overall analysis wind ups Franklin Templeton and UTI being the best performers and LIC, Birla SunLife and HDFC mutual funds screening below-average performance when measured against the risk-returnrelationship models.

Dhume and Ramesh (2011) conducted a study to analyze the performance of the sector funds. Thesectors measured were FMCG, Banking, Pharma, Infrastructure, and Technology. The study used differentapproaches of performance measures. Findings of study exposed that all the sector funds haveoutperformed the market except infrastructure funds.

Deepak Agarwal (2011), Mutual fund contributes to globalization of financial markets and is oneamong the main sources for capital formation in rising economies. He analyzed the pricing methodsof Indian Mutual Fund Industry, data at both the fund-manager and fund-investor levels. There has beenunbelievable growth in the mutual fund industry in India, magnetizinghuge investments from domestic andforeign investors. Marvelous increase in number of AMCs providing ample of opportunity to theinvestors in the form of hedging, safety, arbitrage, limited risk with better returns than any other long-termsecurities has resulted in attracting more investors towards mutual fund investments.

R. Anitha, et. al., (2011), in their study evaluated the performance of public-sector and privatesectormutual funds for the period from 2005 to 2007. Selected mutual funds were analyzed using some Statistical toolslike Co-efficient of Variation, Standard Deviation and Mean. The performance of all funds has showninstability during the period of study making it difficult to earmark one particular fund which couldoutperform the other consistently.

Kalpesh P Prajapati and Mahesh K Patel (2012) evaluated the performance of Indian mutual fundsusing relative performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure,Jensen's measure and Fama's measure. The data employedon a daily basis closing NAVs from 1st January 2007 to 31stDecember, 2011 and completed that most of the mutual funds have given positive return during the periodof study.

Shivani Inder and Shikha Vohra (2012), the paper evaluates the long run performance of theselected index fund schemes and make comparative analysis of the performance of these funds on the basisof the risk-return for the period of 6 years (January, 2005 to December, 2011). The results indicate that index funds are just the followers of market. They try to capture market sentiments, good as well as bad, and thusperform as the market performs.

P Alekhya (2012), undertaken the study to evaluate the comparative performance of public andprivate sector mutual fund schemes. The paper focused on the performance of Mutual fund equity schemefor past 3 years from 2009 to 2011. Funds were ranked according to Sharpe's, Treynor's and Jenson'sperformance measure.

Annapoorna and Gupta (2013), the paper evaluate the performance of the average returns on mutual fund schemes ranked 1 by CRISILand compare these returns with SBI domestic term deposit rates. Bearing in mind the interest of retail investors simple statistical techniques like averages and rate of returns are used.

Gaps Identified

In the above literature very few studies have made an attempt to make a comparativestudy of Mutual fund return with bank domestic term deposit rates. In India retail investor scarcely understands the performance measure tools like Sharpe's, Treynor's and Jenson's models. Still very few studies have made an attempt to calculate the return on mutual funds which can be easily understandable by a retail investor.

Objectives of the study

1. To study the returns of mutual fund schemes ranked 1 by CRISIL.
2. To compare the average returns of selected Mutual fund schemes with SBI domestic term deposit rates in 2023.
3. To have a comparativestudy of various categories of selected Mutual fund schemes.

Sources of Data

Research methodology

This study uses all the secondary data and the data for this study is mainly collected from Secondary Sources like Books, Magazines,Journals, and various websites like www.sbi.co.in, www.moneycontrol.com, and www.crisil.com .

Statistical Tools

The simple statistical techniques like averages and rate of returns are used. Bearing in mind the interest of the retail investors the study has been made simple and average rate of return of mutual fund schemes ranked 1 by CRISIL has been calculated and compared with SBI domestic term deposit rates.

Limitations of the study

Mutual fund schemes ranked 1 by CRISIL are considered for the period of 2019-2023. Therefore, the findings of the study may not be indiscriminate upon the other mutual fund schemes and for the same schemes for diverse periods.

The performance of a scheme can be evaluated on differentfactors, but to make the study easy and understandable by a retail investor only average return of the schemes has been calculated.Income tax features are not measured in this study.

Data Analysis

Table – 1 Returns of Equity Mutual Fund schemes Ranked 1 by CRISIL

Mutual Fund Schemes	Category	Assets (Rs. Crore) Sep 14 – NAV	NAV	Return (%) – as on 19 Nov 2023						
				1 month	3 month	6 month	1 year	2 year*	3 year*	5year*
Birla Sun Life Top 100	LC	691.2	38.62	8.4	10.4	21.6	53.1	31.8	28.2	16.0
BNP Paribas Equity Fund	LC	372.2	59.73	6.0	8.9	24.9	49.5	30.6	26.2	15.6
SBI Blue Chip Fund	LC	1032.2	24.67	7.7	11.0	26.1	52.0	29.9	28.3	14.0
UTI Equity Fund	LC	3275.6	92.12	8.2	11.3	25.9	53.5	29.7	28.3	14.0
Franklin India High Growth	DE	799.9	24.76	11.2	15.7	41.5	78.4	41.6	36.1	19.3
Companies Fund										
ICICI Prudential Exports and Other Services Fund	DE	435.2	39.68	8.2	14.2	45.0	58.9	50.7	40.5	21.6
Principal Growth Fund	DE	362.4	87.63	8.1	9.7	22.8	59.3	33.0	30.7	14.0
Tata Ethical Fund	DE	184.1	114.14	8.0	10.9	29.0	47.7	29.9	26.1	17.1

UTI MNC Fund	DE	399.8	119.4	12.5	18.3	44.1	71.7	36.7	30.5	23.3
Canara Robeco Emerging Equities	SMC	95.4	49.04	10.8	17.1	43.3	107.5	44.4	39.1	25.9
Franklin India Smaller Companies Fund	SMC	987.8	32.46	9.5	14.1	39.4	94.5	49.3	42.5	23.6
Reliance Small Cap Fund	SMC	864.9	22.02	6.9	15.9	47.3	115.9	49.2	41.3	NA
UTI Thematic – Mid Cap Fund	SMC	1315.9	68.31	10.5	19.0	48.8	106.7	49.4	38.6	23.3
Franklin Build India Fund	TI	132.0	23.73	11.2	17.0	41.7	93.0	45.8	37.6	19.9
L&T Infrastructure Fund	TI	141.7	9.43	10.6	8.5	18.9	81.2	28.5	23.2	6.9
Axis Long Term Equity Fund	ELSS	2020.1	25.95	10.8	13.9	35.0	72.2	41.4	34.6	NA
Reliance Tax Saver Fund	ELSS	2940.6	42.16	8.9	16.9	37.4	101.8	41.3	37.0	21.8
Kotak Nifty ETF	INDEX	73.1	806.04	6.4	6.5	16.3	35.9	21.8	20.5	NA
Average				**9.1**	**13.3**	**33.8**	**74.0**	**38.0**	**32.6**	**18.6**

Source – www.moneycontrol.com

*Returns over 1 year are annualized

LC – Large Cap, DE – Diversified Equity Fund, SMC – Small and mid – cap Equity Fund, TI – Thematic – Infrastructure Fund, ELSS – Equity Linked Saving Schemes.

Table No. 1 determined the average returns on Equity Mutual Fund Schemes Ranked 1 by CRISIL. The average return of 1 month, 3 month, 6 month and 1 year are 9.1%, 13.3%, 33.8% and 74.0% correspondingly. Auxiliary the annualized return for the period of 2 year, 3 year and 5 year are 38.0%, 32.6% and 18.6% correspondingly.

Table – 5 Comparative study of average return of Selected Mutual Fund Schemes with SBI Domestic Term Rates

Investment	**Average Return (%) – as on 19 Nov 2023**						
	1 month	**3 month**	**6 month**	**1 year**	**2 year***	**3 year***	**5 year***
Equity Mutual Fund Schemes	9.1	13.3	33.8	74.0	38.0	32.6	**18.6**
Debt Mutual Fund Schemes	1.6	3.6	6.3	11.5	9.9	10.4	**8.5**
Hybrid Mutual Fund Schemes	4.6	8.0	16.2	32.9	20.2	18.2	**12.7**
Money Market Mutual Fund	0.7	2.2	4.4	9.1	9.1	9.3	**8.3**
SBI Fixed Deposits Rate	**5.0**	**7.0**	**7.25**	**8.75**	**8.75**	**8.75**	**8.5**

*Returns over 1 year are annualized

Table No. 5 shows the comparative study of average return of selected mutual fund schemes with SBI domestic term deposits rates. The above table agrees withthat the averagereturn on equity mutual fund schemes for 1 month, 3 month, 6 month, 1 year, 2 year, 3 year and 5 year areexceed the return of SBI fixed deposits rate.

Further, the average return on debt mutual fund schemes for 1 month, 3 month and 6 month are lower and for other 1 year, 2 year and 3 year are exceeds the return and for the 5 year is equal to the return of SBI fixed deposits rate.

Further, the average return on hybrid mutual fund schemes for 1 month is lower and for other 3 month, 6 month, 1 year, 2 year, 3 year and 5 year are exceeds the return of SBI fixed deposits rate.

Further, the average return on money market mutual fund schemes for 1 month, 3 month, 6 month and 5 year are lower and for other 1 year, 2 year and 3 year are exceeds the return of SBI fixed deposits rate. Money market mutual fund schemes have consistently provided positive return.

Findings of the Study

The present study replicates that, in most of the cases mean return on equity mutual fund schemes is more than the average return on other mutual fund schemes and SBI domestic term deposits rate. Further equity mutual fund schemes have shown a remarkable return for the period of 1 month, 3 month, 6 month, 1 year, 2 year, 3 year and 5 year.

The average return on debt mutual fund schemes were less than the SBI domestic term deposits rate for the period of 1 month, 3 month and 6 month and more than the SBI domestic term deposits rate for the period of 1 year, 2 year, 3 year and 5 year.

The average return on hybrid mutual fund schemes were less than the SBI domestic term deposits rates for the period of 1 month and more than the SBI domestic term deposits rate for the period of 3 month, 6 month, 1 year, 2 year, 3 year and 5 year.

The average return on money market mutual fund schemes were less than the SBI domestic term deposits rate for the period of 1 month, 3 month, 6 month and 5 year and more than the SBI domestic term deposits rate for the period of 1 year, 2 year and 3 year.

Conclusion

This paper was an attempt to evaluate the performance of mutual fund schemes ranked 1 by CRISIL and compare the average returns with the SBI domestic term deposit rates. The performance of all the schemes looked volatile during the study period, as such it was quite complicate to assign one particular scheme that out performed consistently well during the period of study.

The mutual fund schemes ranked 1 by CRISIL remained considered for the study. The results acquired from the study visiblystand for that, in most of the glass cases the mutual fund schemes have failed even to provide the return of SBI domestic term deposits. It can also be talented that equity mutual fund schemes have the potential to provide greater return in long terms. The investments in mutual funds is subject to market risk and the investment decision should be occupied carefully, as there is no assurance of return and the past performance may or may not be occurred in future.

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