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A Comparative Analysis of Financial Performance of Selected Indian and Foreign Equity Mutual Fund Schemes of Private Sector Operating in India.

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Abstract: *Mutual funds are considered as one of the great investments option as compare to others they are very economical and also easy to invest in, thus by pooling money together in a mutual fund, investors can invest in stocks and bonds as per scheme of mutual fund. Since major economic reforms (1991) found in Indian Economy the scope for mutual funds has increased and domestic savings also increasing so it is an opportunity for Mutual Fund Industry to mobilize this saving to productive asset. In this paper the performance evaluation of Indian mutual funds is carried out through relative performance index, risk-return analysis, Standard Deviation, R square and Sharpe, Treynor, and Jensen's measure. The study period is 1st April 2016 to 31st March 2021.*

Key words: Mutual Funds Performance, Indian and Foreign mutual Funds, Indian Private Sector, Risk-Return, R square, Standard Deviation, Sharpe, Treynor, Jensen's Measure

Introduction

The economic growth and development of any country depends upon the functioning of an efficient, and well-organised financial system. The financial system mobilizes excess funds and deploying them in productive assets.

A mutual fund is a type of financial instrument which used to pool of money collected from many investors for invests in different securities. The professional managers invest this collected money further invests in a portfolio of various assets like stock, bond and money market securities for achieving particular objective of the funds. And the income / gains generated from this collective investment are distributed proportionately amongst the investors after deducting applicable expenses.

As per SEBI definition for mutual fund "fund established in the form of a trust to raise money from the public or a portion of the public through one or more than one schemes for investing in securities, including money market instruments."

Mutual funds are also best for investors who don't have large sums to invest, or for those who don't have the intention or the time to research the market, but want to grow their wealth.

History of Mutual Funds in India

The financial system is the root cause for economic growth of a country. In India mutual funds market start establishing early in 1960s in time of economic depression. India's first mutual fund was establishment in 1963, with the formation of Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India. The objective behind the establishment of UTI was encouraging **peoples for saving and investment and participation in the income, profits and gains.**

The history of mutual funds in India can be broadly divided into four distinct phases.

First Phase - 1964-1987

In the first phase Unit Trust of India (UTI) was established in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964 (US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹ 6,700 crores of Assets Under Management (AUM).

Second Phase - 1987-1993 (Entry of Public Sector Funds)

The Indian Mutual fund industry start rising after the entry of public sector players in 1987. In this time the first non-UTI mutual fund established. The first non-UTI mutual fund was SBI Mutual Fund, established in June 1987, then after Canbank Mutual Fund (Dec. 1987), Punjab National Bank Mutual Fund (Aug. 1989), Indian Bank Mutual Fund (Nov 1989), Bank of India (Jun 1990), Bank of Baroda Mutual Fund (Oct. 1992). LIC established its mutual fund in June 1989, while GIC had set up its mutual fund in December 1990. At the end of 1993, the MF industry had assets under management of ₹47,004 crores.

Third Phase - 1993-2003 (Entry of Private Sector Funds)

The Indian securities market achieves great importance with the establishment of SEBI in April 1992, with the view to regulate and protect the interests of the investors in securities market. SEBI also aim to promote and development the securities market in India.
The erstwhile Kothari Pioneer (now merged with Franklin Templeton MF) was the first private sector MF registered in July 1993. With the entry of private sector funds in 1993, a new era began in the Indian MF industry, giving the Indian investors a wider choice of MF products. The initial SEBI MF Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable.

Fourth Phase - since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities, viz., the Specified Undertaking of the Unit Trust of India (SUUTI) and UTI Mutual Fund which functions under the SEBI MF Regulations. With the bifurcation of the erstwhile UTI and several mergers taking place among different private sector funds, the MF industry entered its fourth phase of consolidation.

Following the global melt-down in the year 2009, securities markets all over the world had tanked and so was the case in India. Most investors, who had entered the capital market during the peak, had lost money and their faith in MF products was shaken greatly. The abolition of Entry Load by SEBI, coupled with the after-effects of the global financial crisis, deepened the adverse impact on the Indian MF Industry, which struggled to recover and remodel itself for over two years, in an attempt to maintain its economic viability which is evident from the sluggish growth in MF Industry AUM between 2010 to 2013.

LITERATURE REVIEW

1. **Dr. Sandeep Bansal, Deepak Garg and Sanjeev K Saini** (2012), have studied Impact of Sharpe Ratio & Treynor's Ratio on Selected Mutual Fund Schemes. This paper examines the performance of selected mutual fund schemes, that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe ratio and Treynor's ratio.
2. **Goel & Laveena (2015)** in their comparative study of debt and equity schemes of HDFC, Birla Sun Life and ICICI mutual funds analysed the performance of 15 schemes on the basis of their daily

NAV for a period of 5 years from 1stJanuary 2009 to 31stDecember 2013. The performance was analysed on the basis of returns, Beta, Standard Deviation and Sharpe ratio. The study revealed that HDFC mutual funds had generated better returns than Birla Sun Life and ICICI in case of both debt and equity category.

3. **Gupta et al. (2015)** evaluated the performance of equity mutual funds of five sectors namely FMCG & Healthcare, Technology, Banking & Finance, Infrastructure and Energy & Power. Daily NAVs for a period of 5 years from 2008 -13 was considered for the study and it was analysed on the basis of risk, return, Sharpe, Treynor and Jensen Alpha. They concluded that all the sectoral funds selected for the study had generated positive returns during the period of study. Banking & Finance, FMCG & Healthcare and Technology sector funds have outperformed the market. FMCG & Healthcare sector funds had low level of risk compared to Banking & Finance. FMCG & Healthcare and Energy & Power sector funds generated better returns for the same level of risk when compared to the other sectors included in the study.

4. **Kumar. et.al. (2016)** in this article titled, "comparative study on performance of selected mutual funds with reference to Indian context". The major aim of the study is to evaluate the performance of mutual funds and facilitate the retail investors in decision making. For this research work the main tools used that are Simple Average Method, Standard Deviation, Ranking Method and Simple Comparative Analysis. The study revealed that TATA Balanced fund provided high average return compare to other categories of fund on other hand, Birla sun life cash plus and BNP Paribas Overnight fund has lowest standard deviation. Moreover, Sharpe ratio BNP Paribas Overnight fund has shown good performance followed by Birla sun life cash plus and Reliance liquid fund.

RESEARCH OBJECTIVE

1. To study the performance of selected mutual funds schemes on the basis of risk-return parameters of the last five year. (2016-17 to 2020-21)
2. To examine the degree of correlation that exists between fund and market return.
3. To compare the performance of selected Equity Mutual Funds of private sector in India and carry out a comparison of the overall performance of it.
4. To know the risk return relationship of Indian and Foreign mutual funds of private sector.

METHODOLOGY

The study is based on secondary data. Necessary data have been collected from the website of AMFI, SEBI, RBI and respective websites of the selected mutual funds. For the purpose of performance evaluation of sample schemes, Net Asset Value (NAV) data during 2016-17 to 2020-21were collected from websites of AMFI.

At present total 43 AMCs are operating in Indian Mutual Fund industry out of that In Private Sector Category total 34 AMCs are there in that 21 Indian AMCs, 8 Foreign AMCs, and 5 joint ventures predominantly Indian. For Sampling total 6 AMCs are selected on the convenience base. In this study only growth schemes has taken into consideration. The schemes which are selected for the study are listed below:

Sr.No	AMCs Name	Sample Scheme
	Indian AMCs	

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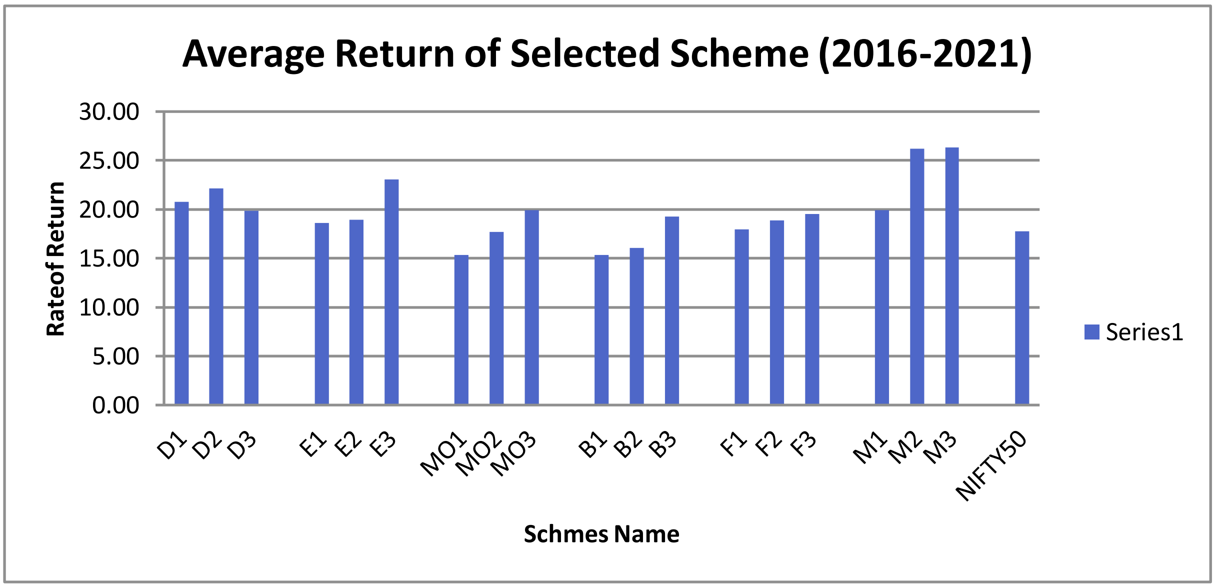
1	DSP Investment Managers Private Limited	DSP Midcap Fund - Regular Plan - Growth
		DSP Small Cap Fund - Regular – Growth
		DSP Tax Saver Fund - Regular Plan – Growth
2	Edelweiss Asset Management Limited	Edelweiss Large & Mid Cap Fund
		Edelweiss Flexi Cap Fund -
		Edelweiss Mid Cap Fund -
3	Motilal Oswal Mutual Fund	Motilal Oswal Midcap 30 Fund (MOF30)
		Motilal Oswal Flexi Cap Fund
		Motilal Oswal Long Term Equity Fund (MOFLTE)
	Foreign AMCs	
4	BNP Paribas Asset Management India Private Limited	BNP Paribas Large Cap Fund
		BNP Paribas Multi Cap Fund
		BNP Paribas Mid Cap Fund
5	Franklin Templeton Asset Management (India) Private Limited	Franklin India Flexi Cap Fund – Growth
		Franklin India Focused Equity Fund
		Franklin India Prima Fund
6	Mirae Asset Investment Managers (India) Pvt. Ltd	Mirae Asset Large Cap Fund
		Mirae Asset Tax Saver Fund
		Mirae Asset Emerging Blue chip Fund

Data Analysis

Table: 1 Return and Rank calculation of Selected Schemes

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	AVG.	Rank
DSP Midcap Fund - Regular Plan	D1	39.83	10.82	0.56	-19.03	71.57	20.75	5
DSP Small Cap Fund	D2	41.12	8.15	-10.24	-30.48	102.35	22.18	4
DSP Tax Saver Fund	D3	31.13	8.84	-8.47	-9.73	77.54	19.86	8

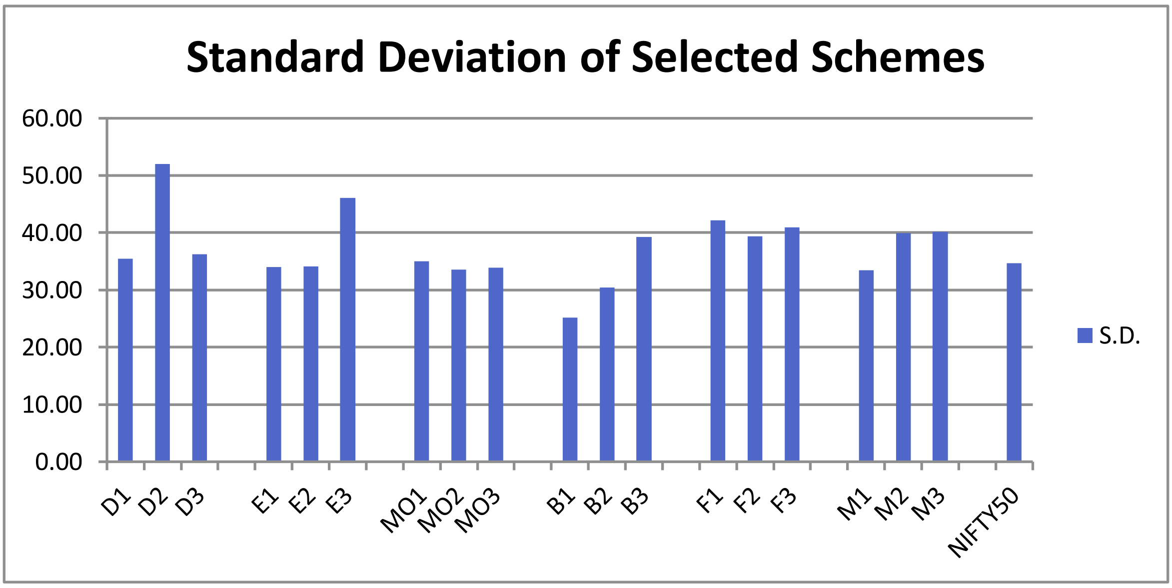
Edelweiss Large & Mid Cap Fund	E1	18.18	17.77	4.92	-20.44	72.61	18.60	13
Edelweiss Flexi Cap Fund	E2	23.87	20.2	5.35	-24.34	69.56	18.92	11
Edelweiss Mid Cap Fund	E3	26.76	23.2	-6.21	-24.65	96.09	23.03	3
Motilal Oswal Midcap 30 Fund	MO1	27.25	3.42	1.23	-24.2	68.88	15.31	19
Motilal Oswal Flexi Cap Fund	MO2	37.53	15.52	-1.24	-24.99	61.69	17.70	16
Motilal Oswal Long Term Equity Fund	MO3	39.77	20.84	-3.98	-21.1	63.96	19.89	7
BNP Paribas Large Cap Fund	B1	17.49	9.38	7.9	-13.53	55.43	15.33	18
BNP Paribas Multi Cap Fund	B2	25.45	10.33	2.14	-19.68	62.01	16.05	17
BNP Paribas Mid Cap Fund	B3	27.7	8.36	-3.31	-18.87	82.6	19.29	10
Franklin India Flexi Cap Fund	F1	20.75	8.24	6.96	-31.03	84.9	17.96	14
Franklin India Focused Equity Fund	F2	25.71	8.96	9.98	-29.5	79.26	18.88	12
Franklin India Prima Fund	F3	32.09	11.54	1.6	-29.03	81.32	19.50	9
Mirae Asset Large Cap Fund	M1	28.51	12.34	14.17	-24.1	68.68	19.92	6
Mirae Asset Tax Saver Fund	M2	38.47	16.14	12.68	-22.31	86.01	26.19	2
Mirae Asset Emerging Bluechip Fund	M3	42.69	11.69	12.26	-20.78	85.86	26.34	1
NIFTY 50		18.94	10.25	14.93	-26.03	70.87	17.79	15



Interpretation:
Table 1 depicts the return of selected stock from 2016-17 to 2020-21. It is found that MIRAE ASSET EMERGING BLUECHIP FUND recorded good return compare to all other schemes. Out of total selected 18 schemes, 14 schemes (78%) able to generate higher return compare to benchmark return. As per the return perspective both Indian and foreign funds performance is better.

Table: 2 Standard Deviation of Selected Mutual Funds Schemes.

Particulars		S.D.		Particulars		S.D
DSP Midcap Fund - Regular Plan	D1	35.48		BNP Paribas Large Cap Fund	B1	25.18
DSP Small Cap Fund	D2	51.98		BNP Paribas Multi Cap Fund	B2	30.43
DSP Tax Saver Fund	D3	36.24		BNP Paribas Mid Cap Fund	B3	39.26
Edelweiss Large & Mid Cap Fund	E1	34.02		Franklin India Flexi Cap Fund	F1	42.14
Edelweiss Flexi Cap Fund	E2	34.08		Franklin India Focused Equity Fund	F2	39.40
Edelweiss Mid Cap Fund	E3	46.04		Franklin India Prima Fund	F3	40.99
Motilal Oswal Midcap 30 Fund	MO1	35.05		Mirae Asset Large Cap Fund	M1	33.46
Motilal Oswal Flexi Cap Fund	MO2	33.59		Mirae Asset Tax Saver Fund	M2	39.89
Motilal Oswal Long Term Equity Fund	MO3	33.87		Mirae Asset Emerging Bluechip Fund	M3	40.13
Nifty 50		34.66				



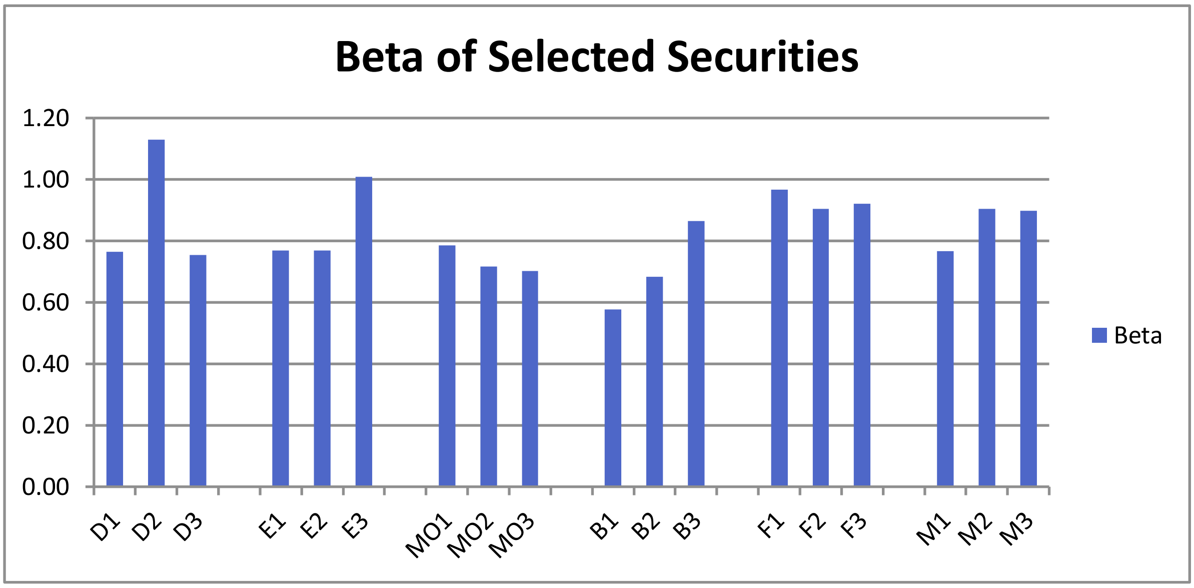
Interpretation:

From the above Table 4.4 it is inferred that the standard deviation of these scheme ranges from 25% to 52%. BNP Paribas Large Cap Fund Shows comparatively low fluctuations and DSP Small Cap Fund has high amount of fluctuation. Further, there is 11 schemes (61%) which indicating comparatively low standard deviation to bench mark Nifty 50 Index.

Table:3 Beta Value and R^2 for Selected Securities

Particulars		Beta	R^2		Particulars		Beta	R^2
DSP Midcap Fund - Regular Plan	D1	0.77	0.87		BNP Paribas Large Cap Fund	B1	0.58	0.98
DSP Small Cap Fund	D2	1.13	0.89		BNP Paribas Multi Cap Fund	B2	0.68	0.94
DSP Tax Saver Fund	D3	0.76	0.82		BNP Paribas Mid Cap Fund	B3	0.86	0.91
Edelweiss Large & Mid Cap	E1	0.77	0.96		Franklin India Flexi Cap Fund	F1	0.97	0.99

Fund								
Edelweiss Flexi Cap Fund	E2	0.77	0.96		Franklin India Focused Equity Fund	F2	0.90	0.99
Edelweiss Mid Cap Fund	E3	1.01	0.90		Franklin India Prima Fund	F3	0.92	0.95
Motilal Oswal Midcap 30 Fund	MO1	0.79	0.94		Mirae Asset Large Cap Fund	M1	0.77	0.98
Motilal Oswal Flexi Cap Fund	MO2	0.72	0.85		Mirae Asset Tax Saver Fund	M2	0.90	0.96
Motilal Oswal Long Term Equity Fund	MO3	0.70	0.81		Mirae Asset Emerging Bluechip Fund	M3	0.90	0.94



Interpretation:
Beta shows the sensitivity of the return on the mutual fund scheme in comparison to the movement in the stock market index. From above table it is inferred that DSP Small Cap Fund (1.13) and Edelweiss Mid Cap Fund (1.01) having more than 1 beta so it is considered to be aggressive while BNP Paribas Large Cap Fund (0.58) beta which is comparatively less than other schemes which shows the low return and risk.

Table: 4 Sharpe, Treynor and Jensen Alpha Measures of Mutual Fund Schemes

Particulars	**Sharpe**	Rank		**Treynor**	Rank		**Jensen Alpha**	Rank
DSP Midcap Fund - Regular Plan	0.40	3		18.66	4		5.62	3
DSP Small Cap Fund	0.30	16		13.90	15		2.92	12
DSP Tax Saver Fund	0.37	6		17.73	5		4.84	6
Edelweiss Large & Mid Cap Fund	0.36	9		15.76	9		3.42	9
Edelweiss Flexi Cap Fund	0.37	7		16.19	8		3.75	8
Edelweiss Mid Cap Fund	0.36	8		16.43	7		5.15	5
Motilal Oswal Midcap 30 Fund	0.25	18		11.25	18		-0.05	18
Motilal Oswal Flexi Cap Fund	0.33	11		15.68	10		3.13	10
Motilal Oswal Long Term Equity Fund	0.40	5		19.11	3		5.47	4
BNP Paribas Large Cap Fund	0.35	10		15.37	11		2.34	14
BNP Paribas Multi Cap Fund	0.31	15		14.03	14		1.85	16
BNP Paribas Mid Cap Fund	0.33	12		14.84	12		3.04	11

Franklin India Flexi Cap Fund	0.27	17		11.88	17		0.54	17
Franklin India Focused Equity Fund	0.31	14		13.71	16		2.17	15
Franklin India Prima Fund	0.32	13		14.14	13		2.60	13
Mirae Asset Large Cap Fund	0.40	4		17.55	6		4.77	7
Mirae Asset Tax Saver Fund	0.49	2		21.82	2		9.49	2
Mirae Asset Emerging Bluechip Fund	0.50	1		22.12	1		9.70	1

Interpretation:

- **Sharpe:** Sharpe ratio evaluates the return that a fund has generated relative to the risk taken. From above table it shows that Mirae Asset Emerging Bluechip Fund (0.50) has higher Sharpe Ratio compared to all schemes and Motilal Oswal Midcap 30 Fund(0.25) considered as low performer. Further, every scheme has positive value which indicating good performance.
- **Treynor's Ratio:** It is also known as reward to volatility ratio. It measures the excess return earned over risk free return per unit of systematic risk. Table shows that Mirae Asset Emerging Bluechip Fund(22.12) has Higher Ratio compared to all schemes which indicating better performance and Motilal Oswal Midcap 30 Fund(11.25) considered as low performer.
- **Jensen Alpha:** This measures the difference between actual return of portfolio and its expected return given the level of risk i.e. Beta. From above table its observed that Mirae Asset Emerging Bluechip Fund(9.70) has Higher Jenson Alpha which indicated better performance and Motilal Oswal Midcap 30 Fund (-0.05) consider as worst performer.
- From above data it's inferred that Mirae Asset Emerging Bluechip Fund considering as good performer as it is ranked 1st by Sharpe, Treynor and Jensen and Motilal Oswal Midcap 30 Fund is considering as worst performer as it ranked as last 18th amongst all measures.

Conclusion:

- This study helps investor to choose best funds from private sector and selecting best funds for investing money. In this study 18 equity growth oriented schemes of the 6 AMCs has been selected. The major aim of this study is to analyze the performance of selected Indian and Foreign mutual funds from Private sector on the basis of risk adjusted measures.
- The study clearly shows that 14 schemes out of total 18 schemes (78%) are able to generate good return compare to bench mark index Nifty 50 during 2016 to 2021. Further it is observed that MIRAE Asset Emerging Blue chip Fund has positive return and DSP Small Cap fund is less risky compared to all schemes.
- As per Sharpe, Treynor and Jensen Measure MIRAE Asset Emerging Blue chip Fund has positive value which shows better performance compared to all schemes. It is also observed all schemes having positive R^2 Value (Coefficient of determination) which indicating better diversification of the fund portfolio.

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