



Evaluation & Comparative Analysis of Different Categories of Open Ended Structured Mutual Funds in India on the basis of NAV of Different Types of Schemes of Selected Mutual Funds during the time of Revival of the Economy in the recent past

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Abstract

In Mutual Funds, money is collected and invested by professional experts to give the good returns to the investors. Mutual Funds offer investors a proportionate claim on portfolio of assets, which fluctuates in value with the value of the assets that make up the intermediaries portfolio. The value of a share of the mutual fund is known as the Net Asset Value (NAV) per share, which is calculated on daily basis, based on the total value of the fund divided by the number of outstanding shares, currently issued.

Performance of mutual funds can be evaluated on the basis of many factors out of which Net Asset Value (NAV) of different schemes is one of the important factors. Here, I have analyzed the performance of different categories of open-ended structured mutual funds in India on the basis of NAV of different types of schemes of selected Mutual Funds. After selection of funds, schemes can be selected on the basis of size of the funds and their other attributes. Although, equity investing outperforms any other form of Investment Avenue, including debt instruments, in long-term. Even though, a fund's long-term performance would depend very much on the investment skills of the fund manager [3], [4].

With this objective, here we shall compare & rank the mutual funds and this will present the performance rankings of funds form, various categories, based on the factor mentioned above. On the basis of performance of the mutual funds, the investors should decide when to enter or exit from a mutual fund scheme.

This paper is to examine the performance of Mutual Funds and analyze them comparatively, with respect to their NAV. In this research paper, I have selected Reliance, HDFC, ICICI, and UTI because they have created lots of AUM up to 2010 due to their better working in the past.



ICICI Pru. and Reliance have also launched largest variety of schemes and then HDFC and UTI have launched the variety of schemes in the past.

The performance of Open-ended Mutual Funds schemes in India was satisfactory in terms of building up of NAV, particularly during the time of recession, especially in balanced schemes and it depends on the investment skills of the fund managers.

Therefore the investors should go for investment in these best performers after the analysis of the economic situation and skills of the fund manager.

Index Terms – NAV, AUM, Scheme Snapshot, Investment Avenues, Mutual Fund Schemes, ICICI, HDFC, UTI, Reliance.

Introduction

Mutual Fund is a professionally-managed form of collective investment, in which money is pooled and invested. Investment is that art, which creates the more value by using money more effectively and efficiently. The fund manager invests and trades in the fund's underlying securities, realizes the capital gains or losses, and collects the dividend or interest income, as the case may be, and then investment proceeds are distributed to the individual investors in the ratios of their holdings [1].

In the past decade, Indian mutual fund industry had seen dramatic improvements, both quality wise as well as quantity wise [2].

In my research, I have selected Reliance, HDFC, ICICI Pru., and UTI, as they have created lots of AUM as well as they have launched the largest variety of schemes up to 2010.

These are best in different schemes because these are best approximately in each and every aspect of these schemes.

Hence, we can say that the...

- Mutual Funds are growing very fast and gaining popularity among small investors with an exception of November and December months of 2011.

Growing acceptability of Mutual Funds has changed the pattern of investments in India from physical assets to financial assets [2].

UTI has launched a number of schemes to suit the differing needs of the investors.

The growth accelerated from the year 1987 when non-UTI players entered the industry. Public sector banks and financial institutions were allowed to establish mutual funds in 1987. Since 1993, private sector and foreign institutions were also permitted to set up mutual funds [3].

The investors' preferences are different towards different type of schemes as well as organization as implied by assets under management. The Mutual Funds generally in the long run outperform the market. There is not a huge difference among the performances of private sector and public



sector Mutual Funds. The returns provided by the Mutual Funds are generally better in long run than the returns provided by the other similar investment avenues available to the investors.

The performance of Mutual Funds in India is satisfactory in terms of deposit mobilization, scheme snapshot, asset allocation except during the time of recession.

This research work has considered the different schemes, classified into 4 categories, of 7 selected Mutual Funds of India. In this research, I have selected the open-ended Mutual Funds because these are generally preferred by the majority of investors due to their inherent characteristics. This research work was undertaken for the evaluation and comparative analysis of the performance of different types of schemes of selected open-ended Mutual Funds in India on the basis of their NAVs during the time of recent past recovery of the market from the recession. If they were performing well even at that time then there are good prospects of growth. Because Mutual funds are one of the best investment avenues, even for the laymen, and hence, the evaluation and comparative analysis of the different types of Mutual Funds schemes would be beneficial to the investors to guide them to invest in the best available Mutual Funds schemes with lots of growth propositions. This research will tell us, on the basis of NAVs of different schemes, which scheme is performing well and why? Hence, this research finds out many facts and figures about the major classes of open-ended Mutual Funds Schemes. On these facts and figures we conclude that which one is best one for investment and why?

Objectives of the Study

There are some objectives of this research paper:

- To find out the best open-ended mutual funds
- To calculate their NAVs especially during the time of recession, and evaluate their performance
- To suggest the investors to invest in those open-ended mutual funds' schemes that have performed well even during the time of recession
- To select and suggest the best category of open-ended mutual funds on the basis of their performance measured by their NAVs especially during the time of recession

With these objectives, here we shall evaluate, compare & rank the different categories of open-ended mutual funds and their schemes and this will present the performance rankings of funds' schemes from various categories, based on their NAVs, as mentioned above. Here, we shall consider the fund's investment objective as well as its investment style or strategy.

Scope and Limitations of the Research

The scope and limitations of this research are:



- This research is related to the performance of open-ended mutual funds especially at the time of recent revival of the economy in the recent past
- I couldn't consider the each and every type of schemes of the selected open-ended mutual funds in the sample because each & every mutual funds have lots of varieties of mutual fund's schemes and hence, I have classified them in different categories and then sample has been selected out of them
- Limited availability of the data of the selected mutual funds and their genuineness

Research Data and Methodology

A sample of open-ended mutual funds from different categories of mutual funds has been selected for the research in this paper. I have considered different schemes of these mutual funds, for the evaluation and comparative analysis of different categories of open-ended mutual funds. Population, i.e., total number of Mutual Funds is 43. Through the help of stratified and judgement sampling, sample size has been taken as 7 Mutual Funds for this research work. Out of which, two are Bank Sponsored, two are from Indian Private Sector, and two are from Joint Venture: Predominantly Indian, categories and one is Foreign Mutual Fund. In this paper, performance of Indian mutual funds has been evaluated on the basis of NAVs of different types of schemes of selected open-ended mutual funds of India.

Fund size details were obtained from the AMFI's (Association of Mutual Funds in India) website, i.e., www.amfiindia.com and the Asset Management Companies.

Due to the changes in the style of investment in different types of schemes of the selected open-ended mutual funds, their NAVs also changes. Hence, comparative analysis is done w. r. t. NAV.

Data Analysis and Interpretation

Here, I am evaluating and comparing the performance of four different major types of Mutual Funds in India through two or more Mutual Funds' schemes from each of these four main categories of the selected Open-ended Mutual Funds.

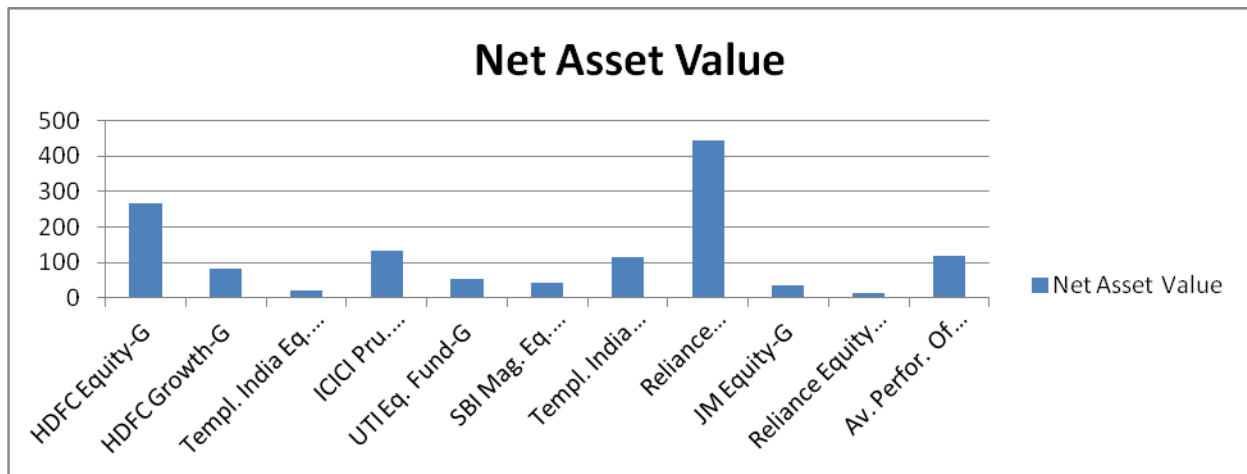
Calculations of NAVs and Evaluations of Schemes – I am calculating the NAVs of different types of mutual funds' schemes and evaluating the status of four different major types of Mutual Funds' schemes through two or more Mutual Funds' schemes from each of the four main categories of the selected Open-ended Mutual Funds. I have selected the open-ended mutual funds for this research because these are generally preferred by majority of investors due to their inherent characteristics.



Table 1: Comparative Analysis of NAVs of Mutual Funds' Schemes (Equity)

Scheme Name	NAV	Category
HDFC Equity Fund – Growth	267.2	Equity
HDFC Growth Fund – Growth	83.69	Equity
Templeton India Equity Income Fund – Growth	20.45	Equity
ICICI Prudential Growth Plan – Growth	131.96	Equity
UTI Equity Fund – Growth	52.56	Equity
SBI Magnum Equity Fund – Growth	41.92	Equity
Templeton India Growth Fund – Growth	114.82	Equity
Reliance Growth – Growth	443.65	Equity
JM Equity – Growth	34.73	Equity
Reliance Equity Fund – Growth	13.46	Equity
Average performance of similar category funds	120.44	--

Chart-1: NAV of Equity & Growth Schemes of Selected Mutual Funds with Growth Option as on 17th February, 2011.



On the basis of Chart-1, we find out that the Reliance Growth has raised their NAV value up to 443.65 due to their better long term performance, especially in the initial years of their inception.

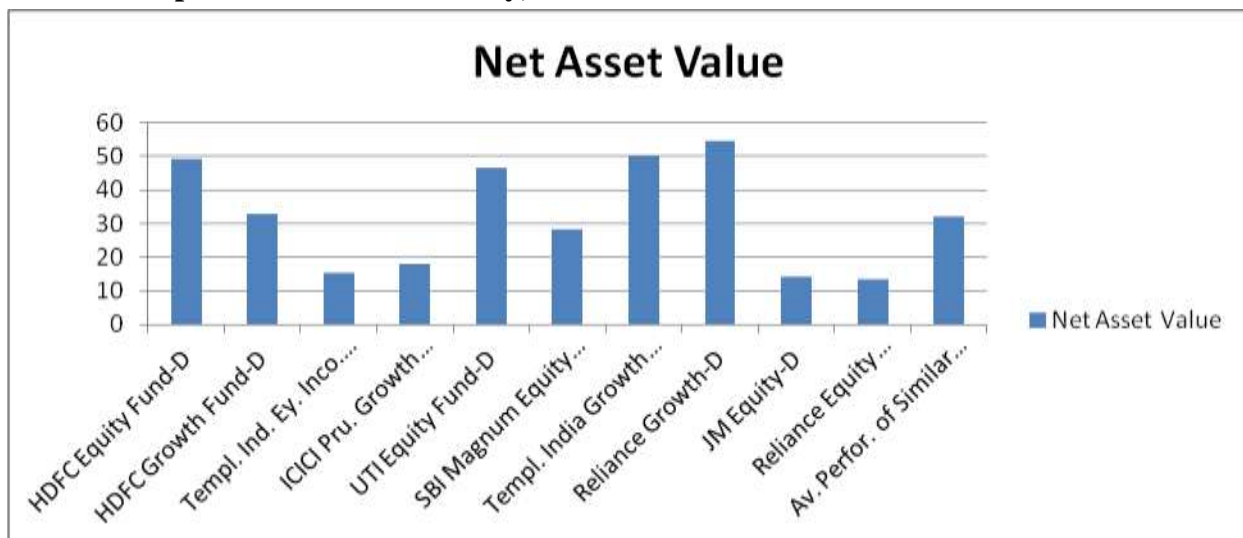


HDFC Equity has also created their good NAV value due to approximately same reasons. ICICI Pru. Growth, Templ. India Growth Fund and HDFC Growth have also created their good NAV value through their overall long term good performance.

Table 2: Comparative Analysis of NAVs of Mutual Funds' Schemes (Equity)

Scheme Name	NAV	Category
HDFC Equity Fund – Dividend	49.11	Equity
HDFC Growth Fund – Dividend	32.77	Equity
Templeton India Equity Income Fund – Dividend	15.21	Equity
ICICI Prudential Growth Plan – Dividend	17.88	Equity
UTI Equity Fund – Dividend	46.45	Equity
SBI Magnum Equity Fund – Dividend	28.16	Equity
Templeton India Growth Fund – Dividend	49.93	Equity
Reliance Growth – Dividend	54.38	Equity
JM Equity – Dividend	14.14	Equity
Reliance Equity Fund – Dividend	13.46	Equity
Average performance of similar category funds	32.15	--

Chart-2: NAV of Equity & Growth Schemes of Selected Mutual Funds with Dividend Option as on 17th February, 2011.





On the basis of Chart-2, we find out that the Reliance Growth has raised their NAV value up to 54.38 due to their better long term performance, especially in the initial years of their inception. Templ. India Growth Fund has also raised their NAV up to 49.93, especially due to their better 5 years performance with that of since inception.

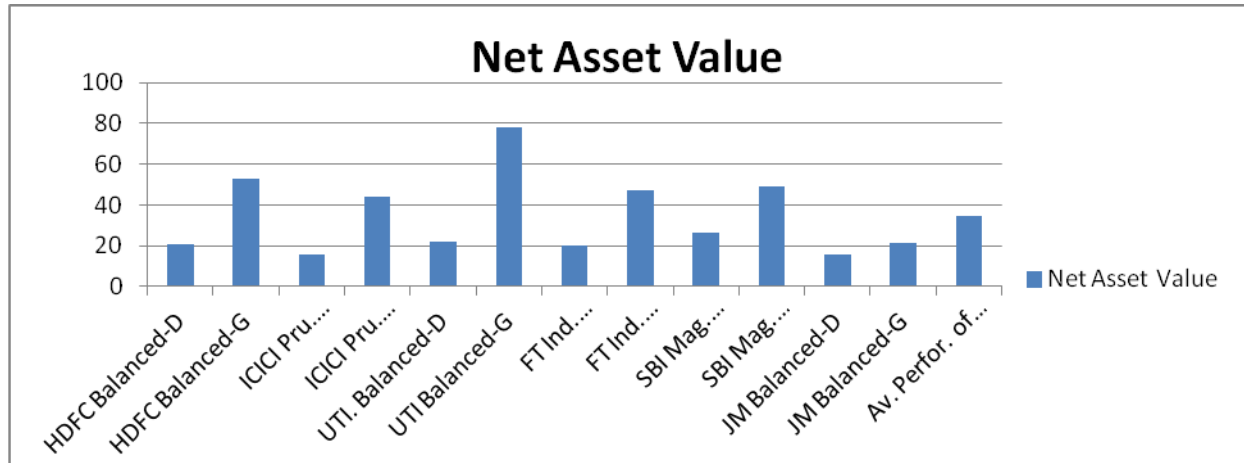
HDFC Equity has also created their good NAV value due to approximately same reasons. UTI Equity has created their good NAV value by their long term better performance with last 5 years performance. HDFC Growth has also created their good NAV value through their overall long term good performance and SBI Mag. Equity, especially on their last 5 years performance.

Table 3: Comparative Analysis of NAVs of Mutual Funds' Schemes (Equity & Debt)

Scheme Name	NAV	Category
HDFC Balanced Fund – Growth	52.75	Equity & Debt
HDFC Balanced Fund – Dividend	20.76	Equity & Debt
ICICI Prudential Balanced – Dividend	15.88	Equity & Debt
ICICI Prudential Balanced – Growth	44.33	Equity & Debt
UTI Balanced Fund – Dividend	22.08	Equity & Debt
UTI Balanced Fund – Growth	77.9	Equity & Debt
FT India Balanced Fund – Dividend	20.29	Equity & Debt
FT India Balanced Fund – Growth	47.28	Equity & Debt
SBI Magnum Balanced Fund – Dividend	26.23	Equity & Debt
SBI Magnum Balanced Fund – Growth	48.87	Equity & Debt
JM Balanced – Dividend	15.45	Equity & Debt
JM Balanced – Growth	21.67	Equity & Debt
Average performance of similar category funds	34.46	--



Chart-3: NAV of Balanced Schemes of Selected Mutual Funds with Dividend & Growth Options as on 17th February, 2011.



On the basis of Chart-3, we find out that the UTI Balanced-G has raised their NAV value up to 77.9 due to their better long term consistent performance except in the later 3 months. HDFC Balanced-G has also raised their NAV up to 52.75 with same reason. SBI Mag. Balanced-G, FT India Balanced-G and ICICI Pru. Balanced-G have also raised their NAV more than 40 in descending order. The reason is the good consistent performance but ICICI Pru. could not raise their NAV up to that level, which we can expect by looking at their performance since inception. Others are the SBI Mag. Balanced-D, UTI Balanced-D, JM Balanced-G, and FT India Balanced-D in queue, which have raised their NAV more than 20. Others are less than 20.

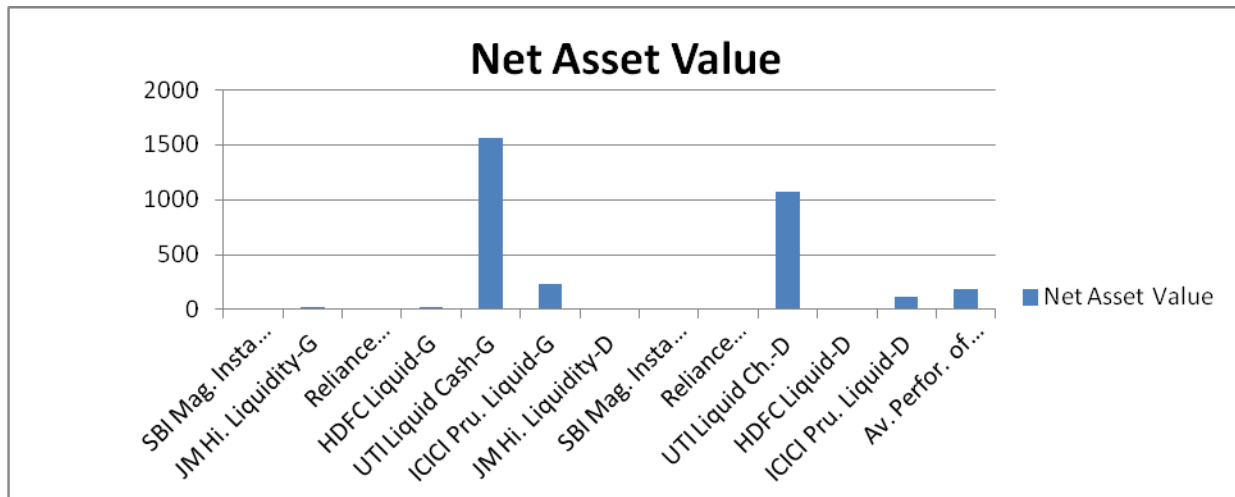
Table 4: Comparative Analysis of NAVs of Mutual Funds' Schemes (Short Term Debt)

Scheme Name	NAV	Category
SBI Magnum Insta Cash Fund - Liquid Floater – Growth	16.77	Short Term Debt
JM High Liquidity – Growth	26.51	Short Term Debt
Reliance Liquidity Fund – Growth	14.63	Short Term Debt
HDFC Liquid Fund – Growth	19.2	Short Term Debt
UTI Liquid Fund - Cash Plan – Growth	1565.1	Short Term Debt
ICICI Prudential Liquid Plan – Growth	233.47	Short Term Debt



JM High Liquidity – Dividend	10.79	Short Term Debt
SBI Magnum Insta Cash Fund - Liquid Floater – Dividend	10.33	Short Term Debt
Reliance Liquidity Fund - Dly Dividend	10.01	Short Term Debt
UTI Liquid Fund - Cash Plan - Dly Dividend	1069.57	Short Term Debt
HDFC Liquid Fund - Daily Div	10.2	Short Term Debt
ICICI Prudential Liquid Plan - Dly Div.	118.51	Short Term Debt
Average performance of similar category funds	191.04	--

Chart-4: NAV of Liquid Schemes of Selected Mutual Funds with Dividend & Growth Options as on 17th February, 2011.



On the basis of Chart-4, we find out that the UTI Liq.–CP-G has raised their NAV value up to a very high level of 1565.1, due to their very strong long term consistent performance in each and every time period. UTI Liq.-CP-D is the second best performer on the basis of its NAV. It has raised this value due to the same reason of very strong long term performance in the past. ICICI Pru. Liquid-G has also performed well in the past and has created its NAV up to 233.47. All these above mentioned schemes have outperformed the Average Performance of Similar Funds in NAV creation. Then, ICICI Pru. Liquid-D comes next in the creation of good value of NAV.

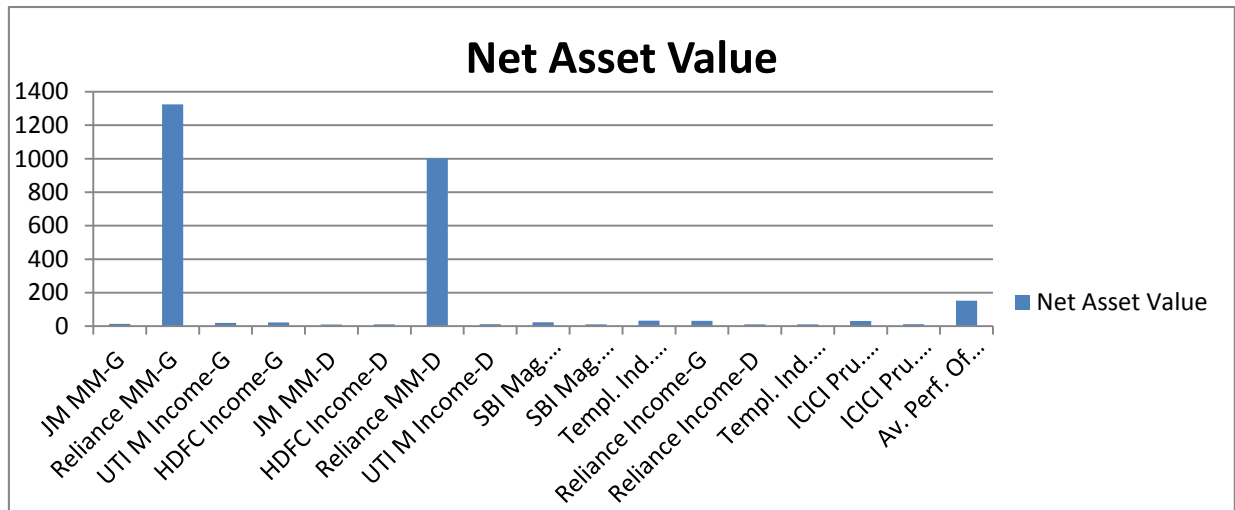


Table 5: Comparative Analysis of NAVs of Mutual Funds' Schemes (Debt)

Scheme Name	NAV	Category
JM Money Manager Fund - Reg - Growth	13.32	Debt
Reliance Money Manager Fund - IP - Growth	1325.02	Debt
UTI Monthly Income Scheme – Growth	19.48	Debt
HDFC Income Fund – Growth	22.46	Debt
JM Money Manager Fund - Reg - Dly Dividend	10.01	Debt
HDFC Income Fund – Dividend	10.93	Debt
Reliance Money Manager Fund - IP - Dly Dividend	1001.37	Debt
UTI Monthly Income Scheme - Dividend	11.86	Debt
SBI Magnum Income – Growth	23.21	Debt
SBI Magnum Income Fund – Dividend	10.69	Debt
Templeton India Income Fund - Growth	32.98	Debt
Reliance Income Fund - Retail - G P - Growth	31.84	Debt
Reliance Income Fund - Retail - Monthly	10.23	Debt
Templeton India Income Fund - Dividend	10.61	Debt
ICICI Prudential Income Fund -Growth	30.71	Debt
ICICI Prudential Income Fund - Dividend	11.46	Debt
Average performance of similar category funds	152.15	--



Chart-5: NAV of Income Schemes of Selected Mutual Funds with Dividend & Growth Options as on 17th February, 2011.



On the basis of Chart-5, we find out that the Rel. MM-IP-G has raised their NAV value up to 1325.02 due to their very strong long term consistent performance in each and every time period. Rel. MM-IP-D is the second that has raised their NAV up to very strong level of 1001.37 due to very strong long term performance in the past. Templeton India Income-G is the third one, on the basis of NAV creation, but only first two could outperformed the average performance of similar funds.

In this analysis of NAVs, we find out that some are best in some categories whereas others are best in other categories but not a single one is best in all categories. On overall basis, on an average all the categories has created their better worth due to long run better performance but some of open-ended mutual funds' schemes have created very good worth, especially in the Liquid and Income Mutual Funds' Schemes. Hence, Liquid, Income, Balanced and Growth (Equity) Mutual Funds' Schemes with growth options have performed best in their descending order, even in the short run and have created their good worth.

So we can say that good performers perform generally well, more or less, either in one or the other category of mutual funds. With that only some mutual funds perform better in selected schemes.



Findings, Conclusions and Suggestions

This research work has find out the many facts and figures about the NAVs and performance of Open-ended Mutual Funds, their industry and about their major classes of Mutual Funds Schemes. On these facts and figures we conclude that:

In Growth Schemes with Growth Option, Reliance Growth-G, HDFC Equity-G, ICICI Pru. GP-G and Templeton India GF-G & HDFC Growth-G have performed comparatively well in the long run in their descending order.

The situation was more or less same in Growth Schemes with Dividend Option, Reliance Growth-D, Templeton India GF-D, HDFC Equity-D, UTI Equity-D, HDFC Growth-D and SBI Mag. Eq.-D have created their comparatively good NAV in their descending order.

In Balanced schemes, UTI Balanced-G, HDFC Bal. Fund-G, SBI Mag. Bal.-G, FT India Bal. Fund-G, ICICI Pru. Bal. Fd.-G and SBI Mag. Bal.-D have performed good and created good value of their NAV in their descending order, but not so good enough as in Growth, Liquid and Income categories of mutual funds.

In liquid schemes, the situation was little bit different with the leading Mutual Funds, like UTI Liquid-CP-G, UTI Liquid-CP-D, ICICI Pru. Liquid Plan-G, and ICICI Pru. Liquid Plan-D have performed well and raised their NAV well in their descending order.

In Income schemes, leading players were Reliance Money Manager-IP-G, Reliance Money Manager-IP-D and Templ. India Income Fund-G, respectively.

In these schemes, Mutual Fund schemes with growth options have performed better than the schemes with dividend options.

UTI has created the highest NAV in liquid segment and Reliance has built up the highest NAV in income segment.

But during the selected time, market scenario was not well. That's why MFs schemes were also not performing well except liquid and income schemes. Growth schemes were also performing little bit good but debt portion of these mutual funds' schemes was not performing well.

So, in nutshell, we can say that UTI was beneficial for investment in liquid schemes in all aspects, and then ICICI was the next best option. Reliance was the best option for income schemes. Then, Templeton was the next best option. UTI, HDFC, SBI, Franklin Templeton and ICICI were best for balanced schemes. Reliance, HDFC, Templeton, UTI and ICICI were best for growth schemes especially with growth option on overall basis.

These were best in respective schemes because these were best approximately in each and every aspect of these schemes.

Hence, we can say that the...

- Liquid Schemes have performed best, especially during the time of recession and recovery.



- Income Schemes have also performed best, especially during the time of downturn of the economy, i.e., during the time of recession and recovery.
- In this situation, Growth Schemes have also performed good.
- The Mutual Funds generally perform better during the time of boom in the economy.
- There was not a huge difference among the performances of private sector and public sector Mutual Funds. Even though private sector has performed better.
- The returns provided by the Mutual Funds are generally better in liquid and Income Schemes especially during the time of recession and recovery.

The performance of Open-ended Mutual Funds schemes in India was satisfactory in terms of building up of NAV, particularly during the time of recession, especially in balanced schemes and it depends on the investment skills of the fund managers.

Therefore the investors should go for investment in these best performers after the analysis of the economic situation and skills of the fund manager.

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