



PERFORMANCE EVALUATION OF MUTUAL FUNDS IN INDIA

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Received September 23rd, 2018; Revised October 27th, 2018; Accepted November 30th, 2018

Abstract

Mutual funds is a financial intermediary, it is a mechanism of pooling resources by issuing units to investors and investing their funds in securities to get a good return. All mutual funds in India are under the regulatory framework of the Securities Exchange Board of India with the exception of Unit Trust of India (UTI). After liberalization and globalization of Indian economy, mutual funds shows a tremendous growth in Indian market as the investors are more interested to invest their funds in this sector as compare to other options which are available in the market because investment in mutual funds is much secure as compare to other options as well as they are giving higher returns but investment in a particular funds needs a lot of specification like investor's objectives, cost, availability of funds, risk & return factors etc. This paper analysis to know how the comparative analysis and performance evaluation of mutual funds is done in order to know which mutual fund scheme is best suited for the company as well as from the investor's point of view performance of mutual funds is assessed. The study produced sufficient information of the gross funds generated from the mutual funds depending on their performance which will ultimately help investors to choose the best mutual fund scheme generating maximum return with minimum risk.

Keywords:- Financial Performance, Comparative Analysis, Performance Evaluation, Mutual Funds, Risk And Return.

1. Introduction

A mutual fund is an investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets. Mutual funds are one of the most highly utilized investment options among average investors

and financial professionals alike. Mutual funds give investors the ability to diversify across a wide variety of investments that they otherwise may not carry in their portfolio as individual securities. Investing in a mutual fund is generally a cost-effective way to gain access to professional money management. A mutual fund is created by the monetary contribution of numerous investors who form a common

fortune. Mutual funds are operated by professional money managers, who allocate the fund's investments and attempt to produce capital gains and/or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Now coming to performance evaluation: performance evaluation means to evaluate the performance of mutual funds in terms of risk associated to that fund, rate of return on that fund, financial performance of the fund, etc. So therefore, performance evaluation of mutual funds is necessary from the investors' point of view in order to know which mutual fund scheme is best performing in the market.

How to Evaluate Mutual Fund Performance

a) Define the Investment Goals

What is the purpose of my investment? Answer to this should be the foundation of our mutual fund choices. For instance, if we want a regular income with capital protection, we can choose to invest in a debt fund. But if we have a higher risk appetite and an aim to build our wealth, equities will suit our purpose. So it is important to define our financial goal first and then decide our investment. This also has a crucial role in fund evaluation.

b) Shortlist a few peer Funds to compare

It is difficult to assess a mutual fund in isolation. So, we should always make a small list of comparable funds and constantly compare them. There are many Fintech firms and third party websites that offer free mutual fund screener tools.

c) Check the historical Performance Data

Now every mutual fund handbook comes with a disclaimer stating that past performance is no indicator of future performance. However, these data can help us to check how the fund has fared across different market cycles. Consistency can also shed light on the skill of the fund manager. In short, it will

be easier for us to find a fund with lower risks but higher returns.

d) Fee Structure of the Fund

A mutual fund company charges us for its services and expertise. Some funds require deft management and quick decisions on whether to buy, sell or hold on to an asset. A fund with a higher fee is automatically better.

e) Risk-Adjusted Returns

Every fund expects certain risks, related to the market and the industry. When a fund strategizes in such a way that they make more returns against expected risks, we call them risk-adjusted returns.

f) Performance against Index

Indexes like Nifty, BSE Sensex, and BSE 200 set benchmarks, and all fund performances are evaluated on this basis. Comparing different timelines against the benchmark as well as peers can be insightful. A well-managed fund won't fall too hard during a market low.

2. Objectives of the Study

1. To know the net inflows/outflows of cash in mutual funds.
2. To suggest which mutual fund scheme is best from the investor's point of view.
3. To compare and analyse which mutual fund scheme is performing best in the market.

3. Research Methodology

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. The methodology section answers two main questions: How was the data collected or generated? How was it analyzed? Basically in this

research paper all research and findings are based on the secondary data. All data have been collected and analysed with the help of newspapers, articles, magazines, websites, annual reports of SEBI.

Tools and Techniques Used

Tables and pie-charts have been used for comparative analysis. Tables have been used for showing comparison of data of financial Year 2015-16, 2016-17 and 2017-18 and pie-charts have also been used for showing pictorial presentation and comparison of data for financial years 2015-16, 2016-17 and 2017-18. These two tools are very effective for showing comparative analysis and performance evaluation of various mutual funds schemes operating in the market.

Comparative Analysis and Performance Evaluation of Mutual Funds

Comparative analysis and performance evaluation of mutual funds have been done so as to

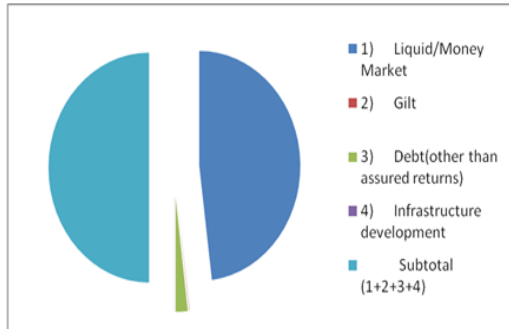
know which mutual fund scheme is best suited for the investors as well as to know which scheme is generating sufficient funds for the company, what amount of fund inflows/outflows are involved in particular schemes. The following table shows the no. schemes, gross funds mobilised in various schemes and their inflows/outflows in various schemes according to various years for their comparative analyses:

Table 1: scheme-wise resource mobilisation by mutual funds showing comparison of gross funds mobilised from year 2015-16 to year 2017-18

	2015-16	2016-17	2017-18
Schemes	Gross funds mobilised (Rs crore)	Gross funds mobilised (Rs crore)	Gross funds mobilised (Rs crore)
A. Income/Debt oriented Schemes			
1) Liquid/Money Market	13010039	16423253	19502914
2) Gilt	13158	12007	7977
3) Debt(other than assured returns)	527953	868350	909073
4) Infrastructure development	403	0	340
Subtotal (1+2+3+4)	13551553	17303610	20420305
B. Growth/Equity Oriented Schemes			
1) ELSS	9981	14624	22291
2) Others	155295	204926	378160
Subtotal(1+2)	165276	219550	400451
C. Balanced Schemes			
Balanced schemes	28487	50621	119326
D. Exchange Traded Fund			
1) Gold ETF	2825	86	31
2) Other ETFs	19938	41335	58340
Subtotal(1+2)	19966	41421	58372

E. Fund of Funds investing Overseas			
Fund of Funds investing Overseas	274	347	198
Total	13765555	17615549	20998652

Chart showing gross funds utilised in income/debt oriented schemes (Rs crore)



The above table reveals that funds in Income/debt oriented schemes have been increasing from Rs 1,35,51,553 in the year 2015-16 to Rs 2,04,20,305 in the year 2017-18 and that to particular in Liquid/Money Market. Growth/Equity Oriented schemes also shows the same increasing trend i.e. is also have been increasing from Rs 165276 in the year 2015-16 to Rs 400451 in the year 2017-18. and if we talk about the overall position investment in mutual funds shows an increasing trend i.e. people are preferring to invest their income in mutual funds.

Chart showing gross funds mobilised in all schemes of mutual funds (Rs crore)

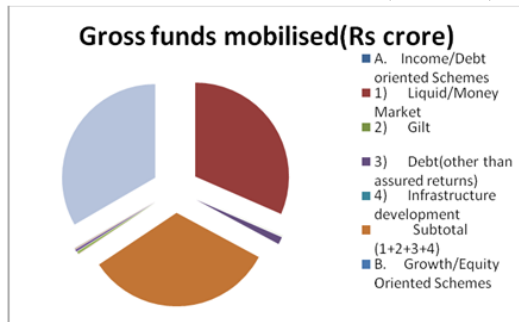


Table 2: scheme-wise resource mobilisation by mutual funds showing comparison of net Inflow/Outflow of Funds from year 2015-16 to year 2017-18

	2015-16	2016-17	2017-18
Schemes	Net Inflow/Outflow of Funds(Rs crore)	Net Inflow/Outflow of Funds(Rs crore)	Net Inflow/Outflow of Funds(Rs crore)
A. Income/Debt oriented Schemes			
1) Liquid/Money Market	17108	95826	-2936
2) Gilt	759	-3305	-3277
3) Debt (other than assured returns)	14738	120633	-5851
4) Infrastructure development	402.5	0	340
Subtotal (1+2+3+4)	33008	213154	-11725
B. Growth/Equity Oriented Schemes			
1) ELSS	6415	10097	14315
2) Others	67612	60270	221406
Subtotal(1+2)	74026	70367	171069
C. Balanced Schemes			
Balanced schemes	19742	36609	89757
D. Exchange Traded Fund			

1)	Gold ETF	-903	-775	-834
2)	Other ETFs	8724	24054	23958
Subtotal(1+2)		7821.35	23278	23123
E. Fund of Funds investing Overseas				
Fund of Funds investing Overseas		-417.56	-360	-428
Total		134181	343049	271797

Chart showing net inflow/outflow of funds in income/debt oriented schemes (Rs crore)

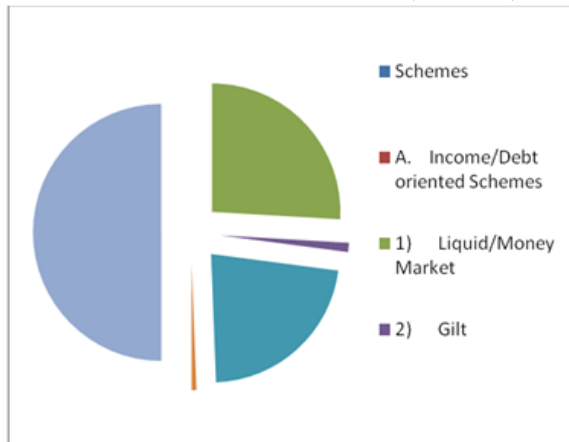
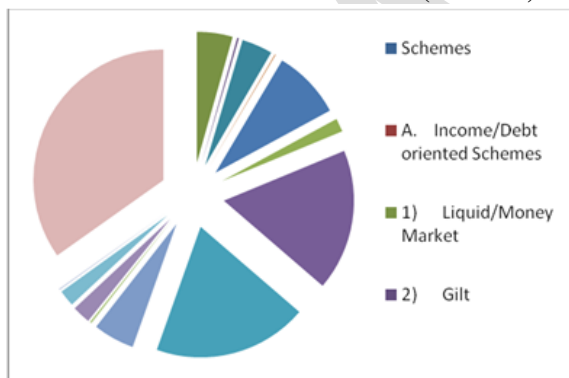


Chart showing total inflow/outflow of funds in various schemes of mutual funds (Rs crore)



The above table shows that net inflow/outflow of funds in Income/Debt oriented Schemes have been decreasing i.e. inflow is more in comparison to outflow of funds whereas outflow of funds shows an increasing trend in Growth/Equity Oriented Schemes from Rs 74026 in the year 2015-16 to Rs 171069 in the year 2017-18. and if we talk about overall position outflows are increasing from Rs 134181 in the year 2015-16 to Rs 271797 in the year 2017-18.

4. Conclusion

Thus, we have observe through our research that people prefer to invest their income in mutual funds because not only they are generating more revenue to them but they are more safer as compare to investment in other securities. Income/debt oriented schemes are more beneficial to the companies as well as to the investors also.

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