International Journal of Management, IT & Engineering
Vol. 7 Issue 11, November 2017,
ISSN: 2249-0558 Impact Factor: 7.119
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gage as well as in Cabell's Directories of Publishing Opportunities, U.S.A

MUTUAL FUND PLAN, WHICH GIVES THE BEST RETURNS

K.B.Sarala*

Dr.R.Seetha Rama Rao**

ABSTRACT

Mutual funds now represent perhaps the most appropriate investment opportunity for investors. Financial markets become more sophisticated. Investors need a financial intermediary which provides the required knowledge and professional expertise on successful investing. It is no wonder then that in the birthplace of mutual funds- the USA- the fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks.

The Indian mutual fund industry has started opening up many of the exciting investment opportunities to Indian investors. Despite the expected continuing growth in the industry, mutual funds are still a new financial intermediary in India. Hence, it is important that the investors, the mutual fund agents, distributors, the investment advisors and even the fund employees acquire better knowledge of what mutual funds re, what they can do for investors and what they cannot, and how they function differently from other intermediaries such as the banks.

Mutual funds serve as a link between the saving public and the capital markets, as they mobilize savings from investors and bring them to borrowers in the capital markets. By the very nature of their activities, and by virtue of being knowledgeable and informed investors, they influence the stock markets and play an active role in promoting good corporate governance, investor protection and the health of capital markets. Mutual funds have imparted much needed liquidity into the financial system and challenged the hitherto dominant role of banking and financial institutions in the capital markets.

Key words :*Mutual funds, Financial intermediaries, Capital markets, Banks*

* Research Scholar, Rayalaseema University, Kurnool.

** Guide

INTRODUCTION :

Mutual funds are only one kind of financial intermediary. Bank is the largest intermediary in the financial system. Thousands of depositors pool their savings in a bank. However investments in banks entitle the depositors to different financial claims than the one generated by the mutual funds.

In a sense, mutual fund is the purest form of financial intermediary because there is almost perfect pass through of money between unit holders and the securities in which the fund invests. Unit holders are indicated a prior in what type of securities their funds will be invested. Value of the securities held in the fund portfolio is translated on the daily basis directly to the value of the fund units held by the unit holders.

Mutual funds now represent perhaps the most appropriate investment opportunity for investors. Financial markets become more sophisticated. Investors need a financial intermediary which provides the required knowledge and professional expertise on successful investing. It is no wonder then that in the birthplace of mutual funds- the USA- the fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks.

Place of Mutual funds in financial markets:

Until 1992, primary market investors were effectively assured good returns as the issue price of new equity issues was controlled and low. After introduction of free pricing of shares, new issue prices were higher and with greater volatility in the stock markets, many investors who bought highly priced shares lost money, and withdrew from the markets altogether. Even those successful investing in the capital markets lay in building a diversified portfolio, which in turn required substantial capital. Besides, selecting securities with growth and income potential from the capital market involved careful research and monitoring of the market, which was not possible for all investors. Under similar circumstances in other countries, mutual funds had emerged as professional intermediaries. Besides providing the expertise in stock market investing, these funds allow investing in small amounts and yet holding a diversified portfolio to limit risk, while providing the potential for income and growth that is associated with the debt and equity instruments. In India, Unit trust of India occupied this place as the only capital markets intermediary from 1964 until late 1987, when the Government started allowing other sponsors also to set up mutual funds. With some ups and downs, this new class of intermediary institutions has emerged, in India as elsewhere, as a good alternative to direct investing in capital markets.

The concept of Mutual Fund:

A mutual fund is a common pool of money into which investors place their contributions that are to be invested in accordance with a stated objective. The ownership of the fund is mutual. A single investor's ownership of the fund is in the same proportion as the amount of the contribution made by him or her bears to the total amount of the fund.

A mutual fund uses the money collected from investors to buy financial assets which are suitable for investor's objective. An equity fund would buy mainly equity assets, ordinary shares, preference shares, warrants and so on.. A bond fund would mainly buy debt instruments such as debentures, bonds, or government securities. It is these assets which are owned by the investors in the same proportion as their contribution bears to the total contributions of all investors put together.

LITERATURE REVIEW:

Singh and Singla (2000)analysed the performance of 12 growth oriented mutual funds for period of October 1992 to September 1996. They used Treynor index, Sharpe index and Jensen measure and concluded that mutual funds did not perform better than their benchmark indicators.

Leda Nath, Lori Holder-Webb, David Wood , (feb12,02009)state that exclusive attitudes and values among individuals may also result in particular choices for which type of information is preferred in decision making, while different attitudes and values among groups may additionally lead to differences between social categories in information preferences. The gender variations have an effect on the demand for corporate social responsibility information in terms of content and format. Females possess structural differences in their investment-making decision information preferences as compared to males. Females exhibit higher demand for CSR information than do men; they also exhibit greater demand for streamlining of the information flow.

RESEARCH METHODOLOGY:

Objective of the study:

To identify a mutual fund which gives the best returns

Hypothesis :

H_0 : There is no significant difference in the yield earned from different portfolios offered by different mutual fund companies

H_A : There is different between yield earned from different portfolios offered by different mutual fund companies.

In my study ,I have taken 15 mutual fund companies to study. By using Average NAV Values, found out return and risk values. I used SPSS package as statistical tool for my analysis.

Chi-Square for different mutual funds and returns

Mutual funds	Returns															Total	
	1.93	1.49	-0.28	2.40	3.01	2.30	2.28	1.38	1.73	1.54	2.01	2.43	1.48	2.91	1.57		Pearson Square
LIC	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
Reliance	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
JM	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	
Kotal	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	
Canara	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	
DSP	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	
FT	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0.002
ICICI	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	
SBI	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	
Birla	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	
Sundaram	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1	
Tata	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	
HDFC	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	
UTI	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	
Total	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	15	

The table explains about different mutual fund companies and returns of mutual fund companies. By observing the table, it is clear that different mutual funds give different yields.

The chi-square value found to be significance. Hence null hypothesis is rejected and alternative hypothesis is accepted. Hence there is a difference between different in the yield earned from different portfolios offered by mutual fund companies.

S.No	Mutual fund	Fund return	Rank	Risk	Rank
1	LIC MF Growth Fund	1.93	8	1.89	8
2	Reliance Income Fund	1.49	12	1.39	12
3	JM Core 11 Fund	-0.28	15	0.94	15
4	Kotak classic equity scheme	2.40	4	2.31	5
5	CanaraRobecco Balanced Fund	3.01	1	2.82	1
6	DSP Black Rock Balanced fund	2.30	5	2.18	6
7	Franklin India Balanced Fund	2.28	6	2.32	4
8	ICICI Prudential income fund	1.38	14	1.28	14
9	SBI Magnum Income Fund	1.73	9	1.60	9
10	Birla advantage fund	1.54	11	1.50	10
11	Sundaram Equity Multiplier fund	2.01	7	1.96	7
12	Tata Equity Opportunities fund	2.43	3	2.33	3
13	HDFC Gilt long term fund	1.48	13	1.38	13
14	Principal Emerging Blue chip fund	2.91	2	2.82	2
15	UTI MIS advantage fund	1.57	10	1.46	11
	S&P CNX Nifty	2.14		2.07	

The above table presents Return and Risk of selected mutual funds and ranks according to their return and risk levels. CanaraRobecco Balanced fund got return of 3.01%, next Principal blue chip fund got return of 2.91%. followed by Tata equity opportunities fund. Next in the process of ranking in return, kotak classic equity scheme got a return of 2.40, next 5th rank for DSP Black Rock , return is 2.30%. 6th rank in return is Franklin India Balanced fund, return is 2.28. 7th rank in return is Sundaram Equity Multiplier Fund , return is 2.01. 8 th rank is to LIC MF growth fund and the return is 1.93%. 9th rank to SBI Magnum Income fund, return is 1.73%. 10th rank in return goes to UTI MIS advantage fund, return is 1.57%. 11 th rank goes to Birla advantage fund, return is 1.54%. 12th rank in return is Reliance Income fund, return is 1.49%. 13th rank goes to HDFC Gilt long term fund, return is 1.48%. 14th rank goes to ICICI Prudential income fund, return is 1.38%. 15th rank goes to JM Core 11 Fund, return is -0.28%.

In the process of ranking in risk, 1st rank given to CanaraRobecco Balance fund, 2.82%.next rank is to Principal Emerging Blue chip fund, 2.82%. 3rd rank is to Tata Equity Opportunities fund, 2.33%. 4th rank is given to 2.32%. 5th rank to Kotak Classic Equity Scheme. 6th rank is given to

DSP Black Rock Balanced fund, 2.18%. 7th rank to Sundaram Equity Multiplier Fund, 1.96%. 8th rank is given to LIC MF Growth fund, 1.89%.9th rank is given to SBI Magnum Income fund, 1.60%. 10th rank is given to Birla Advantage fund, 1.50%. 11th rank is given to UTI MIS advantage fund, 1.46%. 12th rank is given to Reliance Income fund, 1.39%. 13th rank is given to HDFC Gilt Fund, 1.38%.14th rank is given to ICICI Prudential Income fund, 1.28%. 15 th rank is given to JM Core 11 Fund, 0.94%.

SUGGESTIONS:

1. Regular monitoring of mutual fund schemes by mutual fund companies must be mandatory. The older mutual fund schemes which are not performing efficiently could possibly be wound up or restructured.
2. Large mutual fund schemes with high assets are not performing efficiently. Therefore, mutual fund companies should either improve their management or such large schemes should not be run i.e., limited funds must be occupied by any scheme.

CONCLUSION:

It is also disheartening to note that the number of investors and the amount invested in mutual funds is rather low. This is chiefly because investors perceive that mutual funds only yield low return and are born of high risk. They also think that mutual funds are of high liquidity and attract less tax benefits. Investors tend to judge mutual fund schemes for investment on the basis of their structure, size, performance, status and professional expertise. It must also be borne in mind that investors expect sound regulations, expert guidance and advice and strong grievance mechanism from mutual fund companies.

References :

1. 2000, WF Sharpe-Fundamentals of Investment, Prentice hall.
2. 2010, PunithavathyPandian-Security Analysis and Portfolio Management, Vikas Publishing House pvt LTD.
3. Investment Analysis and Portfolio Management-Prasanna Chandra, Tata McGraw Hill Education Private Limited.
4. 2011, Preeti Singh – Security Analysis and Portfolio Management, Himalaya Publishing House.
5. 2010, E.Gordon and K.Natarajan- Financial markets and services, Himalaya Publishing House.
6. 2010, Indian Institute of Banking & Finance-Mutual funds Products and Services, Taxman Publlications.
7. 2011, K.Sasidharan, Alex K Mathews- Security and Portfolio Management, Tata McGraw Hill Education Private Limited.
8. 1998, RonaldRuther ford- A complete guide to Managing a Portfolio of Mutual funds, McGraw Hill.
9. 2000, Paul B Ferrell- The Winning Portfolio: How to choose the best mutual fund, Dove Entertainment inc.
10. 2013, JoydeepSen- Mutual funds in India Vehicle for Fixed income investments, Shroff pub &Distpvt ltd.
11. AMFI update, (2014) A news letter of the Association of Mutual Funds in India, Vol. XIII, Issue Retrieved from www.amfi.com
12. CRISIL Mutual Fund year book (2013). CRISIL Research Retrieved from www.crisil.com