

## **COMPARATIVE ANALYSIS OF MUTUAL FUNDS WITH REFERENCE TO PUBLIC AND PRIVATE SECTOR FUNDS**

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### **Abstract**

A Mutual Fund is a trust that pools the savings of several investors who share a common financial goal. Each Mutual Fund scheme has a defined investment objective and strategy. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. Through this study one can understand how to invest in Mutual Funds and turn the raw investment into ripened fruits by making wise decisions, and taking the risk factors into account. The mutual funds used for this study are abs frontline equity, axis long term equity, ICICI Pru balanced advantage fund, LIC MF balanced advantage fund, SBI exchange-traded fund Sensex, and UTI nifty ETF. The purpose of the study is to Performa return and risk analysis of private and public sector mutual funds for one year (2021). The statistical tools used are Standard deviation, alpha, beta, R-squared, Sharpe ratio and expense ratio. Mutual Funds are an alternative way of investing in stock and debt instruments. Owing to the advantages of investing in mutual funds like lower transaction costs, diversified portfolio, transparency, liquidity, professional management etc. more investors are in the lineage of investing in mutual funds, however the parameters to be considered for investing in mutual funds include, returns, standard deviation, alpha, beta, R-Squared and expense ratios. At this juncture, the study is a modest attempt to conduct a comparative analysis between public and private mutual fund schemes to suggest better alternatives to investors.

**Keywords:** Mutual funds, Public and private sector funds, Return and Risk, Mutual Funds Performance.

### **I. Introduction**

A mutual fund is a scheme in which several people invest their money for a common financial cause. The mutual fund industry started in India in a small way with the UTI Act creating what was effectively a small savings division within the RBI. Over a period of 25 years this grew fairly successfully and gave investors a good return, and therefore in 1989, as the next logical step, public sector banks and financial institutions were allowed to float mutual funds and their success emboldened the government to allow the private sector to foray into this area. The advantages of mutual fund are professional management, diversification, economies of scale, simplicity, and liquidity. The disadvantages of mutual fund are high costs, over-diversification, possible tax consequences, and the inability of management to guarantee a superior return. There are some loads which add to the cost of mutual fund. Load is a type of commission depending on the type of funds. Mutual funds are easy to buy and sell. There are many, many types of mutual funds. A code of conduct and registration structure for mutual fund intermediaries, which were subsequently mandated by SEBI. The most important trend in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players.

### **II. Review of literature**

**Deb (2008)** studied return-based style analysis of equity mutual funds in India and analysed their relative performance with respect to style benchmark. The study was based on 96 schemes belonging two group-ELSS Group (23 Schemes) and Growth Group (73 Schemes). It covered the period from January 2000 to June 2005. The results revealed that Indian equity fund managers were not able to

beat their style benchmark on the average. Though all the funds in the sample were equity schemes, the fixed income assets class was an important component of their style exposure. Most important components of style exposure were the mid-cap stocks.

**Mittal and Gupta (2008)** in their paper examined the awareness of the investors about mutual funds and various factors affecting the investment decision in the mutual funds. The study revealed that mutual funds had comparative advantage over other options due to high return, high safety, high liquidity and high convenience with moderate volatility. When compared to other investment options, it ranked third most preferred option, Insurance and government bonds having first and second positions. The overwhelming majority (85%) of the respondents were aware of the mutual fund product and risk associated with it and most of them were satisfied with the service provided by mutual fund. In brand acceptance analysis, SBI mutual fund had the highest acceptability.

**Chavali and Jain (2009)** in their study analysed the performance of 16 equity linked saving schemes by using Sharpe ratio, Standard deviation, Beta, Alpha, R-Squared Cluster analysis and multi-Variate analysis. They also studied the awareness level of investors based on survey of 75 salaried class respondents in Delhi. The results revealed all the equity linked saving schemes had different risk and return parameters. On the basis of comparison of selected funds, the researcher recommended investment in SBI Magnum Tax Gain Scheme. The study further revealed that 85 per cent of the respondents were aware of mutual funds. Surprisingly a large number of investors investing in equity linked saving schemes were not aware about benefits attached with the schemes.

**Miglani (2010)** in his study examined the growth and development of mutual fund industry in India and evaluated the performance of selected mutual fund schemes. He also tested the market timing abilities of mutual fund managers. The study was based on mutual fund schemes both from public and private sector covering period from 1 April 1999 to March 31, 2004. For evaluating the performance of mutual fund schemes, data was analysed by using Rate of Return, Sharpe measure, Treynor measure, Jensen differential return measure, Sharpe differential return measure and appraisal measure.

To check the market timing, Treynor and Mazuy measure and Henriksson and Merton measure were used. The results revealed that out of the total resources mobilised by all the mutual funds, UTI had the maximum share. The number of schemes increased from 116 to 441 during the period 1992 to 2004. As per risk and return analysis, majority of the fund managers invested in risky assets for getting maximum return. Beta value showed that only tax planning schemes were invested according to their systematic risk. Overall results of all the performance measures showed that most of the schemes were performing very well. Market timing models indicated that fund managers generated superior performance due to their involvement in security selection but they failed in timing the market correctly.

**Vyas and Moonat (2012)** studied the perception and behaviour of mutual fund investors in Indore, Madhya Pradesh. The study was based on 363 mutual fund investors. The results revealed that most of the respondents invested in equity options with a time span of one to three years. Though 73 per cent of the investors were aware about the risk associated with mutual funds yet only 53 per cent investors analysed the risk. Lump sum investment was the most preferred mode followed by SIP. Gold was the most important option among investors and mutual funds ranked 6th in this regard. Further mutual funds got an average score on all parameters like safety, liquidity, reliability, tax benefits and high returns.

**Sowmya. G, (Jan 2014)**, has studied Performance Evaluation of Mutual Funds in India. The objectives of this are to know the basic concepts and terminologies of the mutual funds in public limited companies and private limited companies. To analyse performance and growth of selected mutual funds schemes with their NAV and their returns. To identify the return variance and to provide suggestions based on the analysis.

### **III. Need for the study**

- The study tries to ascertain the asset allocation, entry load, and exit load, associated with the mutual funds. Ultimately this would help in understanding the benefits of mutual funds to investors.
- Understanding the return and risk associated with mutual fund schemes in public and private sector.
- Analysing the performance of selected schemes using tools of performance which would act as an aid to investors interested in mutual fund schemes.
- As investors in this segment are improving multitudinously in recent times understanding the mutual funds and their functioning with special reference to public and private sector Mutual Funds is the need of the hour

### **IV. Objectives of the study**

- To understand the concept of Mutual Funds with special reference to Public and Private Sector Funds.
- To analyse the performance of private sector and public sector mutual funds based on their returns and risks.
- To make a comparative analysis on public vs private sector mutual fund schemes so as to suggest the best investment alternatives to potential investors.
- To review performance of few funds under both the sectors during the study period.
- To give appropriate suggestions to analysts or investors.

### **V. Scope of the study**

- The Study analyses the performance of private sector funds with that of public sector mutual funds. (Abs frontline equity, axis long term equity, ICICI Pru balanced advantage fund, LIC MF balanced advantage fund, SBI exchange traded fund Sensex and UTI nifty ETF.)
- The study performed at India Infoline Limited (IIFL) located in Hyderabad, Telangana.
- The study used statistical tools like standard deviation, alpha, beta, R- squared, Sharpe ratio and expense ratio.
- The study of return and risk analysis of mutual fund schemes in both public and private sector is confined to one year i.e., 2021

### **VI. Research Methodology**

Research design is some statement or specification of procedures for collecting and analysing the information required for the solution of some specific problem. Here, the exploratory research is used as investigation and is mainly concerned with determining the trends and returns in Mutual Funds and Bank returns.

#### **Data sources**

Data available in marketing research are either primary or secondary. Primary Data is not included in this study, only **secondary data** is taken in to account since, it is a comparative analysis. Secondary data is collected from external sources which include information from published material of SEBI and some of the information is collected online. The data sources also include various books, magazines, newspapers, websites etc.

**Data analysis tools :** Analysis has been done by using the following tools,

- Standard deviation,
- Alpha,
- Beta,
- R- squared,
- Sharpe ratio

- Expense ratio
- Annualized return

**VII. Limitations of The Study**

- The data that is considered for the Comparative analysis of various Mutual Funds returns of debt and equity funds are only for a short period of one year (2021) and performance during this period may not be the same in the future.
- As the project period is limited, the long-term data of Mutual Funds are not taken into consideration in the analysis section.
- The data taken into account for analysis is very general. Confidential data is ignored as it is highly sensitive. As a result, the information presented in the research report is limited.
- The schemes taken into consideration are limited to three each in public sector and private sector both.

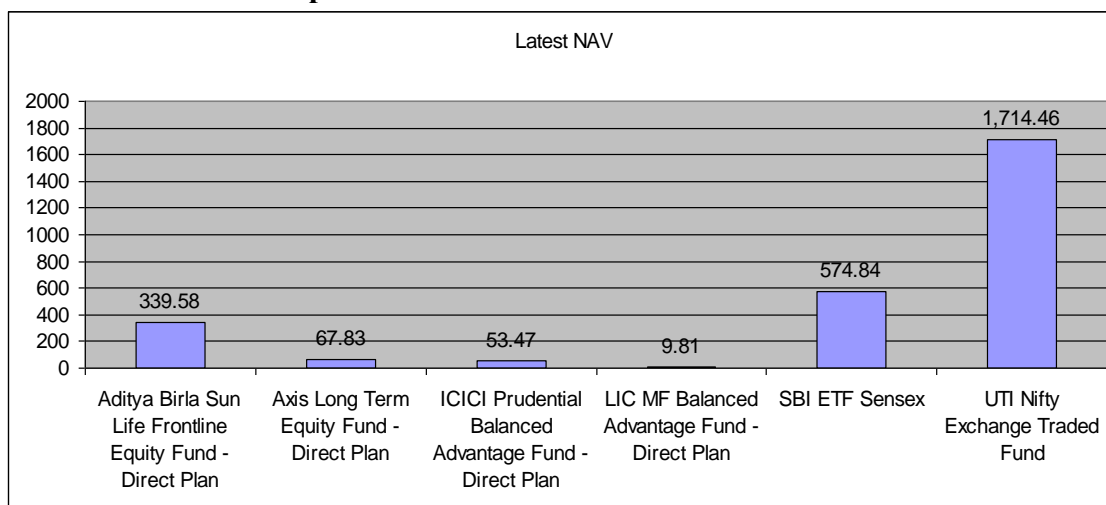
**VIII. Empirical Results**

**NAV Details**

<b>Fund Name</b>	<b>Latest NAV</b>	<b>Previous NAV</b>	<b>52-Week High NAV</b>	<b>52-Week Low NAV</b>
Aditya Birla Sun Life Frontline Equity Fund - Direct Plan	339.58	331.96	385.97	309.28
Axis Long Term Equity Fund - Direct Plan	67.83	66.29	87.47	65.41
ICICI Prudential Balanced Advantage Fund - Direct Plan	53.47	52.86	54.74	49.15
LIC MF Balanced Advantage Fund - Direct Plan	9.81	9.70	10.19	9.64
SBI ETF Sensex	574.84	560.62	650.79	519.02
UTI Nifty Exchange Traded Fund	1,714.464	1,670.536	1,938.374	1,553.379

**Table No:1.1. Comparison of net asset value of funds**

**Source: Author’s Compilation**



**Figure:1.1.a Graphical representation of latest NAV**

**Source: Author’s Compilation**

Among the five funds selected, UTI Nifty Fund has the highest NAV of Rs.1714 followed by SBI ETF fund with Rs.574. Aditya Birla Sun Life Frontline Equity fund has a NAV of Rs.339.58 and

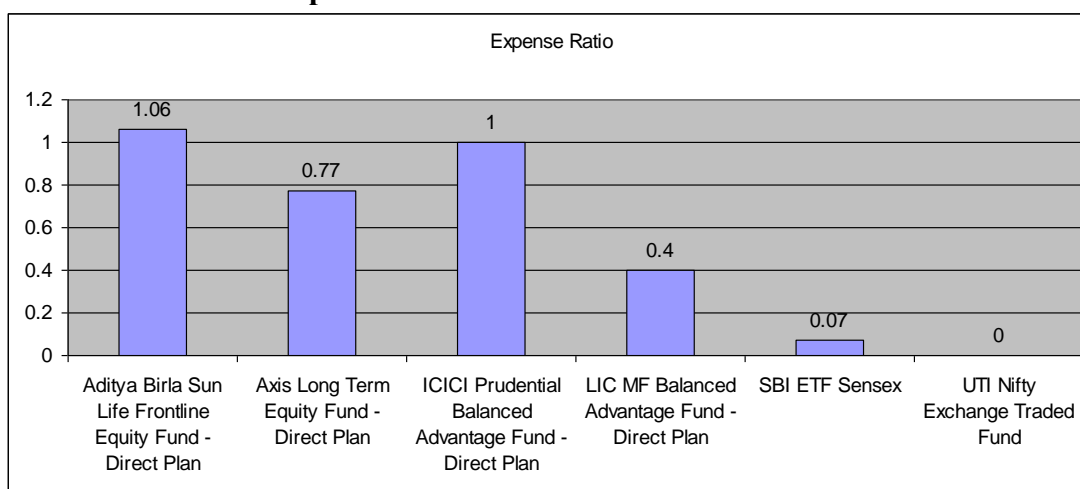
Axis Long Term Equity Fund has a NAV of Rs.67.83. LIC MF Balanced Advantage Fund has the least NAV of Rs.9.81.

**Comparative Analysis of Expense Ratios**

<b>Fund</b>	<b>Expense Ratio</b>
Aditya Birla Sun Life Frontline Equity Fund - Direct Plan	1.06
Axis Long Term Equity Fund - Direct Plan	0.77
ICICI Prudential Balanced Advantage Fund - Direct Plan	1.00
LIC MF Balanced Advantage Fund - Direct Plan	0.40
SBI ETF Sensex	0.07
UTI Nifty Exchange Traded Fund	--

**Table no:1.2 Expense ratios of the funds**

**Source: Author’s Compilation**



**Figure :1.2.a Graphical representation of expense ratios**

**Source: Author’s Compilation**

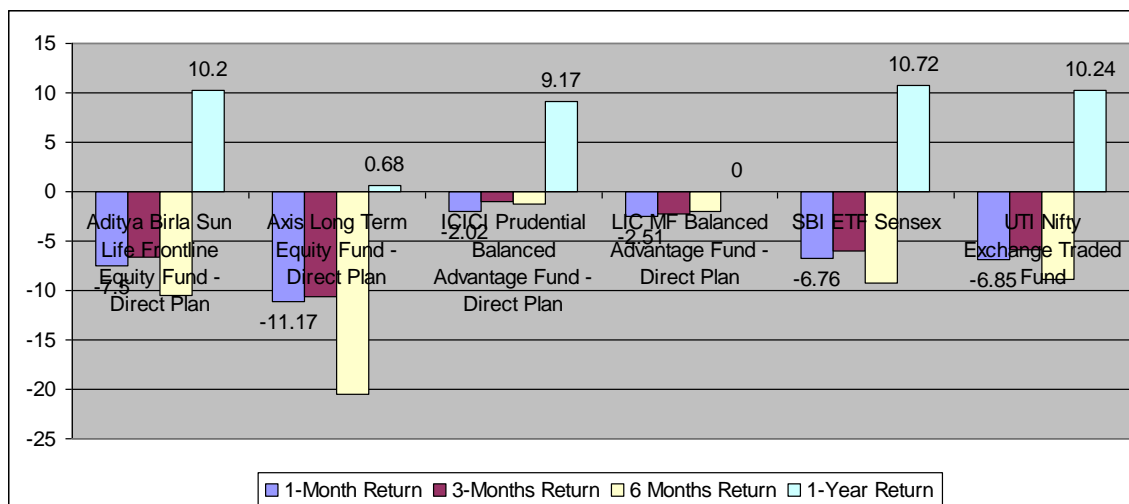
Among the six funds selected, Aditya Birla Sun Life Frontline Equity Fund - Direct Plan has the highest expense ratio of 1.06 % followed by ICICI Prudential fund with 1.00%. Axis Long Term Equity fund has an expense ratio of 0.77% followed by LIC Balanced Advantage Fund with 0.40% and SBI ETF Sensex Fund with 0.07%.

**Comparative Analysis of Returns**

<b>Fund</b>	<b>1-Month Return</b>	<b>3-Months Return</b>	<b>6 Months Return</b>	<b>1-Year Return</b>
Aditya Birla Sun Life Frontline Equity Fund - Direct Plan	-7.50	-6.60	-10.44	10.20
Axis Long Term Equity Fund - Direct Plan	-11.17	-10.59	-20.56	0.68
ICICI Prudential Balanced Advantage Fund - Direct Plan	-2.02	-0.94	-1.22	9.17
LIC MF Balanced Advantage Fund - Direct Plan	-2.51	-2.31	-1.95	--
SBI ETF Sensex	-6.76	-6.03	-9.19	10.72
UTI Nifty Exchange Traded Fund	-6.85	-5.89	-8.82	10.24

**Table no:1.3.Comparative analysis of returns**

**Source: Author’s Compilation**



**Figure no:1.3.a Returns from the funds in different periods**

Source: Author’s Compilation

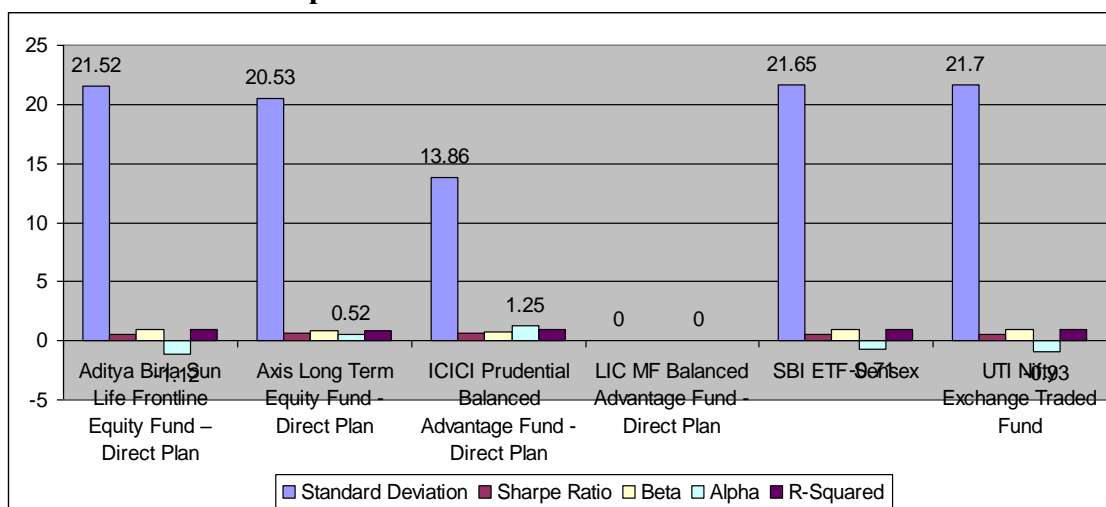
All the five funds have been in losses in the last 9 months due to the sudden crash of stock markets. Over the last one year, SBI ETF Fund has given the maximum return of 10.72% followed by Aditya Birla Sunlife and UTI Nifty ETF with around 10.2% return. ICICI Prudential has given a return of 9% while Axis Long Term Equity fund has given a return of 0.68%.

**Comparative Analysis of Risk**

Fund	Standard Deviation	Sharpe Ratio	Beta	Alpha	R-Squared
Aditya Birla Sun Life Frontline Equity Fund – Direct Plan	21.52	0.56	1.00	-1.12	0.99
Axis Long Term Equity Fund - Direct Plan	20.53	0.65	0.88	0.52	0.88
ICICI Prudential Balanced Advantage Fund - Direct Plan	13.86	0.66	0.74	1.25	0.92
LIC MF Balanced Advantage Fund - Direct Plan	--	--	--	--	--
SBI ETF Sensex	21.65	0.58	1.01	-0.71	0.99
UTI Nifty Exchange Traded Fund	21.70	0.58	1.01	-0.93	1.00

**Table no:1.4 Comparative analysis of risk using various parameters**

Source: Author’s Compilation



**Figure no:1.4.a Parameters of funds**

Source: Author’s Compilation

All the selected funds have a Standard Deviation of around 20% to 21% except for ICICI Prudential Fund with a standard deviation of 13.86%. Axis and ICICI Prudential funds have the higher Sharpe Ratio of around 0.65 while the remaining funds including Aditya Birla, SBI and UTI have a Sharpe ratio of around 0.58. SBI ETF and UTI Nifty Funds have a beta of 1.01 while Aditya Birla Sun Life Fund has a Beta of exactly 1. ICICI Prudential has a beta of 1.25 each while Axis Long Term Equity Fund has a beta of 0.52 ICICI Prudential has the highest Alpha of 1.25 followed by Axis Long Term Equity Fund with 0.52. Aditya Birla fund has a negative Alpha of -1.12 and SBI ETF Fund has Alpha of -0.71 and UTI Nifty fund has an Alpha of -0.93 UTI Nifty fund has the highest R-Squared of 1.00 followed by Aditya Birla Sun Life and SBI ETF with 0.99. ICICI Prudential has an R-Squared ratios of 0.92 each while Axis Long Term Equity fund stands at the last with R-Squared of 0.88

## **IX. Findings, Suggestions & Conclusion**

### **Findings**

- Over the last one year, SBI ETF Fund has given the maximum return of 10.72% followed by Aditya Birla Sunlife and UTI Nifty ETF with around 10.2% return. ICICI Prudential has given a return of 9% while Axis Long Term Equity fund has given a return of 0.68%.
- A beta of 1.0 shows that the investment price will move in lock-step with the market, while a beta of <1.0 indicates that there will be less price volatility than the market and a beta of >1.0 shows that there will be more price volatility than the market. SBI ETF and UTI Nifty Funds have a beta of 1.01 while Aditya Birla Sun Life Fund has a Beta of exactly 1. ICICI Prudential has a beta of 1.25 each while Axis Long Term Equity Fund has a beta of 0.52
- The funds with lower standard deviation are preferred, in this study All the selected funds have a Standard Deviation of around 20% to 21% except for ICICI Prudential Fund with a standard deviation of 13.86%.
- For financial investors, the more positive an alpha is, the better it is. ICICI Prudential has the highest Alpha of 1.25 followed by Axis Long Term Equity Fund with 0.52. Aditya Birla fund has a negative Alpha of -1.12 and SBI ETF Fund has Alpha of -0.71 and UTI Nifty fund has an Alpha of -0.93
- Sharpe Ratio measures risk-adjusted performance. Axis and ICICI Prudential funds have the higher Sharpe Ratio of around 0.65 while the remaining funds including Aditya Birla, SBI and UTI have a Sharpe ratio of around 0.58.
- Expense Ratios A measure of what it costs an investment company to operate a mutual fund. Among the six funds selected, Aditya Birla Sun Life Frontline Equity Fund - Direct Plan has the highest expense ratio of 1.06 % followed by ICICI Prudential fund with 1.00%. Axis Long Term Equity fund has an expense ratio of 0.77% followed by LIC Balanced Advantage Fund with 0.40% and SBI ETF Sensex Fund with 0.07%.

### **Suggestions**

After the study on mutual funds, there is no much difference in the functioning, risk and returns of Public Sector and Private Sector mutual funds. But there are some suggestions which every potential investor should take of before investing in mutual funds. The recommendations for the potential investors include:

1. Investors should check letter of offer or fund's prospectus to understand all the particulars of the funds in detail.
2. Investors should ensure that the funds track record is the same as that of the current management
3. Investors should avoid Mutual Funds that charge higher exit fees at the back-end door (fees charged by MF from the unit holders at the time to redemption of the units.)
4. Investors should prefer to buy the funds with no hidden costs.
5. Investors should keep a track on the fund's performance at all times.
6. Investors should prefer mutual funds that give better returns with minimum risk.

7. While comparing the funds using various parameters, every parameter should be considered together not in isolation.

### **Conclusion**

Mutual Funds are an easy and simple investment avenue to the small investors. Mutual funds are useful for small investors who do not have huge amounts to invest, lack time, resources and knowledge about the stock markets. Mutual funds give a reasonable rate of return in the long run. A country like India or for that matter any developing country has some basic problems which prevent the information to be available freely and that too in an accessible fashion, so with a situation like that, a professionally managed agency that would monitor the ups and downs of the market and chart out the best investment strategies would be the best thing to opt for. With so many potential investors in India, Mutual Funds can go a long way in getting established, plus with added set of alternatives within the Mutual Fund schemes each has a scheme ready for the specific needs. Whether it is investing in Public Sector or Private Sector Mutual Funds, Investors should study though the details and exercise caution while investing in mutual funds.

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