

PERFORMANCE EVALUATION OF UTI AMC TAX SAVING SCHEME WITH SPECIFIC REFERENCE TO ADITYA BIRLA, FRANKLIN TEMPLETON AND L&T MUTUAL FUND

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Abstract: The main aim of the study is to evaluate the performance of Aditya birla mutual funds, Franklin Templeton and L&T mutual funds tax saving scheme with special reference to UTI mutual funds. This research tries to evaluate the performance of select mutual fund tax savings scheme for a period of five financial years (2015-2020).

The study uses historical NAVs and uses related benchmark to compare the performance of a particular mutual fund scheme. The outcome of the study is that Aditya Birla Mutuals performed best compared to other select tax saving scheme of mutual funds

Keywords: Performance Evaluation of mutual fund schemes

I. INTRODUCTION

The mutual fund in India started in the year 1963 with the formation of the unit trust of India (UTI) as an initiative of the government of India and along with the Federal Reserve Bank of India. The objective of mutual funds is to provide better returns to investor by minimizing the risk involved in capital market investment. Mutual funds buy shares in capital market and are managed by professional fund managers. The investors gets the benefit of risk reduction and services of professional fund managers at a low price

Types of mutual funds

Open-ended Scheme

Open-ended scheme are the schemes that are available for purchase and redemption on timeless basis. These schemes don't have a fixed time interval for maturity. Investors can easily buy and sell units at Net Asset Value (NAV) related prices which are declared on a day to day. The key feature of open-end schemes is liquidity.

Close-ended Scheme

A close-ended fund or scheme contains a lock in maturity period for example 5-7 years. These funds are open for investment only during a specified period at the time at launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter one can buy or sell the units of the scheme on the stock exchanges where the units are listed.

Growth / Equity Oriented Scheme

The growth scheme mainly focuses on giving capital appreciation in medium to long term. Such schemes normally invest a huge amount their pooled amount in equities. Such funds have comparatively high risks.

Income / Debt Oriented Scheme

The main aim of income funds is to give regular and steady income to investors. Such schemes generally invest in fixed income securities like bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. Fluctuation in equity market does not affect these funds.

TERMINOLOGY IN MUTUAL FUNDS**NAV**

NAV stands for Net Asset Value of the fund and it's the cumulative market value of the assets of the fund. NAV is calculated by taking the present market value of the fund total asset per number of shares outstanding.

Exit Load

Exit load is a non-refundable fee which is paid by the investor to the AMC at the time of exit/ Redemption, and is termed as exit load.

II. RESEARCH METHODOLOGY**OBJECTIVES OF THE STUDY**

- To examine and evaluate the select mutual fund schemes that gave highest return among the select schemes during the financial year 2015 to 2020
- To study and understand the investment strategy of select mutual funds.
- To compare the select mutual fund scheme with related benchmark
- To evaluate the select scheme with Sharpe, Treynor, Jensen ratios.
- To compare mutual funds returns with other alternate investment options.

HYPOTHESES OF THE STUDY

Ho1-There is a significant relation between UTI mutual fund tax saving scheme and its benchmark Nifty 500 TRI

Ho2-There is no significant relation between L&T mutual fund tax saving scheme and its benchmark S&P 200

Ho3-There is a significant relation between Aditya Birla mutual fund tax saving scheme and its benchmark S&P 200

Ho4-There is no significant relation between L&T mutual fund tax saving scheme and its benchmark Nifty 500 TRI

SAMPLE OF THE STUDY

The sample for study is limited to four mutual fund companies and one specific scheme in each of the select mutual fund company.

Select mutual fund companies are UTI longterm equity fund, Aditya Birla life tax relief, Franklin India tax shield and L&T tax advantage fund

DATA SOURCES

- **Primary data**
No primary data is used in the study.
- **Secondary data**
The secondary data has been gathered from reliable and official sources which include AMFI bulletin and monthly market newsletters.

TOOLS USED

- **SHARPE RATIO**

This is used to calculate the ratio between risk premium to variability of return by standard deviation of return.

$$Sharpe = \frac{Rp - Rf}{\sigma p}$$

- **JENSEN RATIO**

This is used to calculate the difference between the actual returns and expected returns at a particular risk level

$$\text{Jensen } (\alpha_i) = R_p - (R_f + \beta_p(R_m - R_f))$$

- **TREYNOR RATIO**

This ratio is concerned with risk or beta, here the returns or risk premium is measured by portfolio beta.

$$\text{Treynor} = \frac{R_p - R_f}{\beta_p}$$

III. DATA ANALYSIS

TABLE REPRESENTS SHARPE RATIO OF THE SELECT MUTUAL FUNDS FOR 2016-2020

PARTICULARS	2016-2017	2017-2018	2018-2019	2019-2020
UTI TAXSAVE GROWTH FUND	0.352444827	1.795569182	-0.381535238	-0.26463251
FRANKLIN INDIA TAXSHIEDLD	0.551520285	1.689532893	-0.217777348	-0.568380885
L&T TAX ADVANTAGE FUND	0.407485911	1.710165036	-0.270972987	-0.523214436
BIRLA SUNLIFE TAX RELIEF 96	0.377020081	1.884705363	0.049212511	-0.431610488

INTERPRETATION

According to Sharpe ratio Franklin India performed best in 2016-2017. Birla mutual fund performed best in 2017-2018. In 2018-2019 Birla mutual fund is only mutual fund with positive ratio. In 2019-2020 UTI performed best.

TABLE REPRESENTS TREYNOR RATIO FOR THE SELECT MUTUAL FUND FOR 2016-2020

PARTICULARS	2016-2017	2017-2018	2018-2019	2019-2020
UTI TAX SAVE GROWTH FUND	0.034679849	0.176680329	-0.037542286	-0.026039297
FRANKLIN INDIA TAXSHIEDLD	0.054745994	0.167709439	-0.021617405	-0.056419641
L&T TAX ADVANTAGE FUND	0.034112976	0.143167698	-0.022684699	-0.043801273
BIRLA SUNLIFE TAX RELIEF 96	0.030991325	0.154924155	0.004045304	-0.035478697

INTERPRETATION

According to Sharpe ratio Franklin India performed best in 2016-2017. UTI mutual fund performed better in 2017-2018. In 2018-2019 Birla mutual fund is only mutual fund with positive ratio. In 2019-2020 UTI performed better.

TABLE REPRESENTS JENSEN RATIO FOR THE SELECT MUTUAL FUND FOR 2016-2020

PARTICULARS	2016-2017	2017-2018	2018-2019	2019-2020
UTI TAX SAVE GROWTH FUND	0.002085196	-0.008130528	-0.029617617	0.004142031
FRANKLIN INDIA TAXSHIEDLD	0.016665482	-0.013461735	-0.012888977	-0.019136421
L&T TAX ADVANTAGE FUND	0.033158964	-0.020815358	-0.039823106	-0.028067874
BIRLA SUNLIFE TAX RELIEF 96	0.022474303	-0.000477928	0.004981932	-0.011120916

INTERPRETATION

According to Jensen ratio L&T performed best in 2016-2017. Birla mutual fund performed best in 2017-2018. In 2018-2019 Birla mutual fund is only mutual fund with positive ratio. In 2019-2020 UTI performed best.

Hypothesis 1

Result-Accept Ho as there is a correlation of 0.983

Hypothesis 2

Result-Reject Ho and accept Ha as there is a correlation of 0.959

Hypothesis 3

Result-Accept Ho as there is a correlation of 0.985

Hypothesis 4

Result-Reject Ho and accept Ha as there is a correlation of 0.984

IV FINDINGS OF THE STUDY**MUTUAL FUND COMPANY THAT GAVE HIGHEST RETURN**

Birla mutual fund is ranked first among the other companies with the leading value based on return in CAGR 9.57%, followed by L&T with value 8.96%, UTI mutual fund with value 8.36%, finally Franklin mutual fund with value 7.20% respectively.

PERFORMANCE EVALUATION OF SELECT MUTUAL FUND ACCORDING TO SHARPE RATIO, JENSEN RATIO, TREYNOR RATIO

- Franklin India performed better compared to other specified company taken for analysis
As it was ranked 1st in the financial year 2016-17 in both Sharpe ratio, Treynor ratio
- Birla Sun Life performed better compared to select mutual funds company taken for analysis
As it was ranked 1st in the financial year 2017-18 in Sharpe and Jensen ratio.
- Birla Sun Life performed better compared to other mutual funds selected for analysis
As it was ranked 1st in the financial year 2018-19 in all the three ratios.
- UTI MF performed better compared to other mutual funds selected for analysis
As it was ranked 1st in the financial year 2019-2020 in all the three ratios.

COMPARING THE SELECT MUTUAL FUNDS WITH RELATED BENCHMARK

- UTI mutual fund performed better with a CAGR of 8.36% against the benchmark nifty 500 tri with a CAGR of 8.31%
- Franklin India performed lower with a CAGR of 7.2% against the benchmark nifty 500 tri with a CAGR of 8.31%
- Aditya birla mutual fund and L&T performed better with a CAGR 9.57% and 8.96% respective against the benchmark S&P 200 with CAGR of 7.16%

CONCLUSION**BASED ON OBJECTIVE**

- Aditya birla tax saving scheme gave highest return among the four select mutual fund for the financial year 2015 to 2020
- UTI mutual fund Aditya birla mutual fund and L&T performed better against the benchmark while Franklin India performed lower than its benchmark.
- Conclusion based on ratios used
In the year 2016-2017 Franklin India performed best.
In the year 2017-2018 and 2018-2019 Birla sunlife mutual fund performed best.
In the year 2019-2020 UTI mutual fund performed best.
- In the study it is found that mutual fund gave the best return in long term period

CONCLUSION BASED ON HYPOTHESIS

In this study correlation between four tax saving scheme and their relative benchmark was done and all the four tax saving scheme are correlated to benchmark.

SUGGESTION BASED ON THE STUDY

- It is suggested to the investors to invest in Aditya birla mutual funds, as it gave highest returns.
- When compared to benchmark franklin performed lower to benchmark and other 3 mutual fund performed better than benchmark
- It is suggested to the investors that all tax saving scheme have a lock in period, so investment must be made properly and any redemption will attract exit load.
- Mutual fund is the best venue to invest in a long term basis as any price fluctuation in short run will not affect the overall capital appreciation.

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