A COMPARATIVE ANALYSIS OF PERFORMANCE OF MUTUAL FUND OF KOTAK MAHINDRA AND SBI

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ABSTRACT: Mutual fund is means of transportation that pools the investment from the investors with a widespread financial objective. Investors who are not alert about capital markets do not think about it as Investment Avenue. Thus Mutual Fund is a benefit for those investors. The investment collected from these investors is invested in special types of capital market instruments like equity, debentures, bonds etc. Compared to stock market the investors get some degree of returns as the risk is also less. Their investment is in the appearance of units. The returns from the investments by the mutual fund companies are shared in proportion to their investment in funds. On the other hand mutual funds provide an opportunity to investment in different portfolios with diversified permutation and combination of the instruments in the stock markets. Mutual funds gained popularity over decade as it diversifies the risk and pools the investment and run by investment professionals. In this research paper an challenge is made to compare the performance of Equity mutual fund scheme and Debt mutual fund scheme on the basis of return and risk evaluation. The analysis was achieved by assessing a variety of financial ratio analyses like Annual Returns (of 1,3, and 5 years), Sharpe Ratio, Treynor Ratio, Jensen’s alpha Ratio, and Beta. The analysis has reported diversified and varied results.

KEYWORDS: Equity Funds, Debt Funds, Jenson Ratio, Sharpe ratio, Treynor ratio, Beta

INTRODUCTION

Mutual fund is the financial vehicle which is made up of a pool of money collected from the different investors which invest in securities such as stock, bonds, money market instruments, and other assets. Mutual funds are operating by the professional managers who allocate their fund assets and challenge to generate capital gains or profits for the fund’s investors. Mutual fund gives us tiny or creature investors who access it professionally manage portfolios of equities, bonds, and other securities.
Mutual funds are alienated into several kinds of categories, on behalf of the kinds of securities they invest in, their investment objectives, and the type of profits they seek. Mutual funds accuse annual fees it is called disbursement ratio and, in some cases, commission, which can affect their overall income. The overpowering majority of money in company- sponsor retirement policy goes in to mutual funds.

There are many types of mutual funds schemes in India. The mutual fund schemes are:

- Open ended schemes
- Close ended schemes
- Equity schemes
- Debt schemes
- Balanced schemes / hybrid schemes
- Index fund scheme
- Growth fund scheme

Sbi Mutual Fund

The state bank of India mutual fund Company founded in 1987. It is a non- UTI mutual fund in India. There headquarters are located in Mumbai, India. The chairman of state bank of India mutual fund is Mr. Rajnish Kumar. The SBI mutual fund AUM value is Rs.3crores (September 2018).There is a joint venture between the state bank of India, an Indian multinational, public sector banking and financial services company and amundi, a European asset management company. In 1991 the SBI mutual fund company launches the SBI magnum equity fund, and in 1999 they launch the first contra fund. In 2013 SBI do acquisition with Daiwa mutual funds, part of Tokyo. Employees provident fund organization decides to invest 5000 crores in the nifty and sensex EFTs (exchange traded fund) of SBI mutual fund. The major competitors in mutual fund sector are Birla sun life mutual fund, HDFC mutual fund, ICICI prudential mutual fund, Reliance mutual fund, UTI mutual fund and Axis mutual fund.

Kotak Mahindra Mutual Fund

Kotak group was recognized in 1985 by Mr. Uday Kotak. It is the first Indian non- banking financial corporation to be given certificate by reserve bank of India. It got certify in February 2003. Kotak Mahindra Asset Management Company Limited, a company incorporated under the Companies Act, 1956, selected to act as the Investment Manager to Kotak Mahindra Mutual Fund vide Investment Management Agreement dated 20th May, 1996, as amend up to date. It is a completely owned secondary of the Sponsor, Kotak Bank. The Investment Manager is entitled to charge a management fee as prearranged by the Regulations for the services render by it to the Fund. An approval by the Division of Funds, Investment Management Department under the SEBI (Portfolio Manager) Regulations, 1993 and Mutual Funds Division of SEBI under the SEBI ('Mutual Funds') Regulations, 1996, has been granted to the Company for undertaking Portfolio Management Service (PMS). There is no disagreement of interest between the Mutual Fund and the PMS movement.

LITERATURE REVIEW

According to Rob Bauer, Jeroen Derwall, Rogér Otten, Although the academic interest in ethical mutual fund performance has developed steadily, the evidence to date is mainly sample-specific. To tackle this critique, new research should extend to unexplored countries. Using this as a motivation, we examine the performance and risk sensitivities of Canadian ethical mutual funds vis-à-vis their conventional peers. In order to overcome the methodological deficiencies most prior papers suffered from, we use performance measurement approaches in the spirit of Carhart (1997, Journal of Finance 52(1): 57–82) and Ferson and Schadt (1996, Journal of Finance 51(2): 425–461). In doing so, we investigate the aggregate performance and investment style of ethical and straight mutual funds and allow for time variation in the funds' systematic risk. Our Canadian evidence supports the conjecture that any performance differential between ethical mutual funds and their conservative peers is statistically insignificant.
According to Ms. Shalini Goyal, This paper focuses on the entire journey of mutual fund industry in India. This study was conducted to analyze and compare the performance of different types of mutual funds in India and concluded that equity funds do better than income funds. This study further concludes that equity fund managers possess significant market timing ability and institutions funds managers are able to time their investments, but brokers operated funds did not show market timing ability.

Further, it has been found empirically that fund managers are able to time their investments with the conditions in the market and possesses the major timing ability.

According to Alka Solanki, In this paper the researcher tried to evaluate the performance of Reliance open-ended equity schemes with growth option. The period of the study spans from 1st April 2007 to 31st March 2016.To estimate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark BSE National 100 and SENSEX returns.

According to Dr. Raghu G Anand,This research intends to understand and evaluate investment performance of selected mutual funds in terms of risk and return, using the various statistical tackle and parameters. The research has been confined to the various mutual fund schemes of SBI and HDFC and investment options and returns available to Indian investors.

According to Geeta Rani1, Dr. Vijay Singh Hooda2**,** Now days this industry has become the major player of the financial system. Therefore it becomes important to examine the mutual fund performance at continuous basis. The aim of this paper is to evaluate the performance of mutual fund schemes ranked one by CRISIL. To analysis the performance of selected funds' schemes, mean returns and their standard deviation were considered and then basic measures in this regard- Sharpe's Ratio, Jensen's Ratio and Treynor Ratio were ascertained and interpreted accordingly. Finally, Tata equity P/E fund is found to be good performer among the selected schemes during April 2016 to March 2017.

RESEARCH METHODOLOGY

Research methodology is a collective term for the structured process of conducting research. There are many different methodologies used in various types of research and the term is usually considered to include research design, data assembly and data investigation.

Data Collection

Data Collection is an imperative aspect of any type of research study. Incorrect data collection can impact the results of a study and eventually lead to unacceptable results. The data gathering of this study is based on two sources of data which are as follows:

Primary Data: - The sources of primary data include Questionnaire, judgment market research method, dealings with the policy holders etc.

Secondary Data: - Secondary data has been used for the research, collected from various publications and reports of the apex bodies, publications of asset management companies, technical and trade journals, books, magazines and reports of various associations connected to the industry.

Sampling Technique And Size

The sample required for the study has been selected through random sampling method from the available list of funds of the two asset management companies. A sample of 6 mutual fund schemes have been chosen that includes equity and debt funds.

OBJECTIVES OF THE STUDY:

The present study is concerned with the following objectives:

1. To examine the performance of mutual funds of Kotak Mahindra mutual fund and state bank of India mutual fund by comparing the annual returns, expense ratio and Beta.

2. To examine the performance of mutual funds of both by comparing the portfolio performance evaluation models namely Sharpe, Treynor and Jensen's.

METHOD AND TOOLS OF ANALYSIS THE DATA

The secondary data is taken for the analysis of the research. Two assets management company are taken for the analysis of the performance of the mutual funds that is of Kotak Mahindra Mutual Fund Company and state bank of India Mutual Fund Company. There are some statistical tools are used for check the performances of both like beta, Sharpe's ratio, Treynor ratio, Jensen's ratio. All the calculations are done on excel sheet. The performance parameter:-

- Annual returns of 1,3, and 5years
- **Sharpe ratio**: In Sharpe measure variance explained by the index could be refereed as the systematic risk and the unsolved variance is called or unsystematic risk. Sharpe recommended that systematic risk and unsystematic risk for a fund can be measured as:

  $$\textbf{Sharpe} = R_p - R_f \,/\, \textbf{standard deviation}$$
- **Treynor ratio**: Treynor consider an index of portfolio staging called as return to volatility ratio based on systematic risk. It is denoting by TP is the surplus return over the risk free rate per unit of systematic risk, in other words it risk premium per unit of systematic risk.

  $$T_p = R_P - R_F \,/\, \beta_P$$
- **Jensen's ratio**: Jensen's alpha is the arithmetic difference of the portfolio's return from the return of a portfolio on the securities market line with the same beta. Jensen defines his measure of portfolio performance as the difference between the actual return on a portfolio in any particular holding period and the expected returns.

  $$\textbf{Alpha} = Rp - [R_f + Bp \times (Rm - R_f)]$$
- **Beta**: It measures a fund's volatility compared to that of a benchmark. It indicates how much a fund's performance would swing when compared to a benchmark. A fund with a beta of 1 means, it will move as much as the benchmark and vice versa.

  Beta = covariance / variance

DATA ANALYSIS AND INTERPRETATION

1. Comparison of equity scheme of SBI mutual fund and Kotak Mahindra mutual funds:

(a) Annual returns:

Table 1(a)

Name of scheme	1 year	3 year	5 year
SBI blue chip fund	-5.24%	7.93%	15.24%
Kotak blue chip fund	-4.34%	6.75%	12.60%

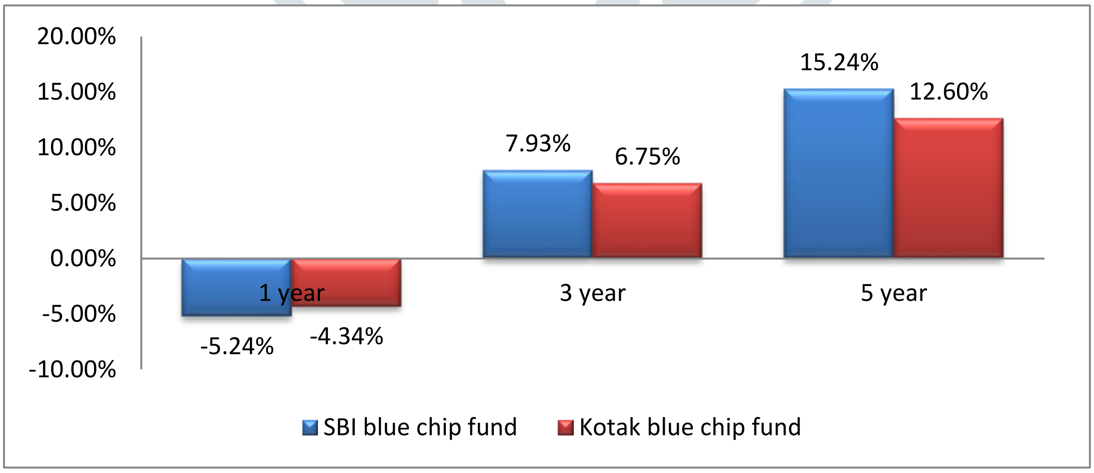

Figure1 (a)

Interpretation: From the above table and chart we can see the 1 year, 3 year and 5 year annual returns of Kotak Mahindra and SBI blue chip mutual fund. In 1 year the return of both the fund is showing negative result but SBI mutual fund showing greater negative result i.e. -5.24% than Kotak Mahindra i.e. -4.34%, in 3 year both showing increase in returns i.e. 7.93% and 6.75% , in 5 year both growth is increasing exponentially i.e. SBI increase with 15.24% and Kotak increase with 12.60%. Through this we can observe that SBI blue chip mutual fund gives greater return in comparison to Kotak blue chip fund so an individual can choose the SBI blue chip fund for invest their money.

(b) Financial ratio:

Table 1(b)

Name of scheme	Sharpe's ratio	Treynor ratio	Jensen's ratio
SBI blue chip fund	0.518%	0.075%	4.53%
Kotak blue chip fund	0.291%	0.041%	1.97%

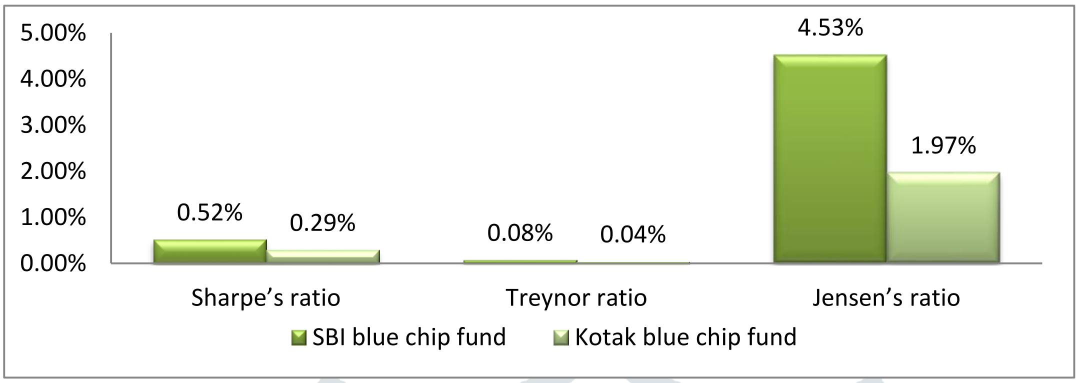

Figure 1(b)

Interpretation: From the above table and chart we analyze the financial ratio through which we can result out to invest in this fund or not. According to Sharpe ratio we can find out about which fund gives more returns in less risk, the SBI Sharpe ratio is 0.52% and Kotak Sharpe ratio is 0.29%, here SBI is gives more return in comparison to Kotak with less risk. According to Treynor ratio we find out which fund have higher market risk so that we get high return, the SBI fund gives high return with high market risk i.e.0.08% in comparison with Kotak Mahindra fund i.e.0.04%. According to Jensen's ratio we can find out difference between actual return and prediction of returns, the SBI Jensen's ratio is 4.53% and Kotak Mahindra have 1.97% so SBI shows high Jensen's ratio as compared to Kotak Mahindra fund Jensen's ratio. So according to analysis we have to invest in SBI blue chip fund.

(c) Beta:

Table 1(c)

Name of scheme	Beta
SBI blue chip fund	0.89%
Kotak blue chip fund	0.99%

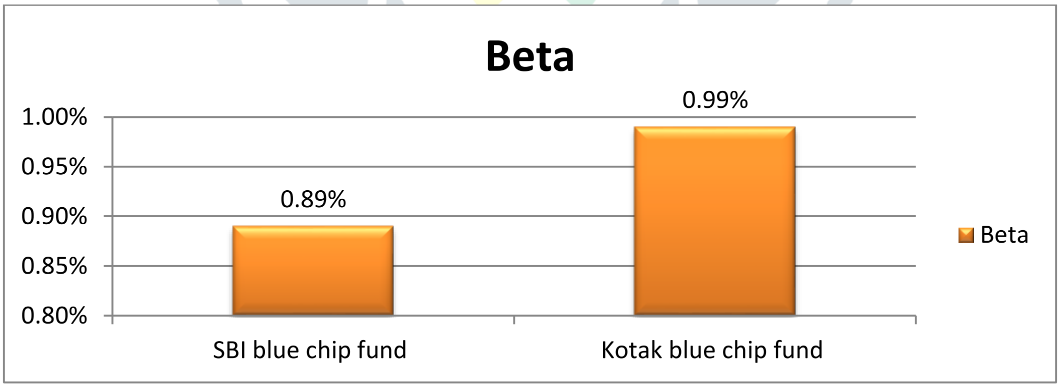

Figure1(c)

Interpretation: From the above table we can analyze the risk of fund through beta value of security. In this diagram we can see that SBI blue chip fund have 0.89 beta value and Kotak Mahindra blue chip fund have 0.99% beta value which means the Kotak Mahindra blue chip funds are more risky and it provides higher returns. So when to come to invest in security an individual or investors has to invest in Kotak Mahindra fund according to the information we have.

2. Comparison of debt schemes of SBI Mutual funds and Kotak Mahindra mutual fund:

(a) Annual returns:

Table 2(a)

Name of scheme	1 year	3 year	5 year
SBI liquid fund	7.13%	7.16%	7.82%
Kotak liquid fund	7.17%	7.22%	7.87%

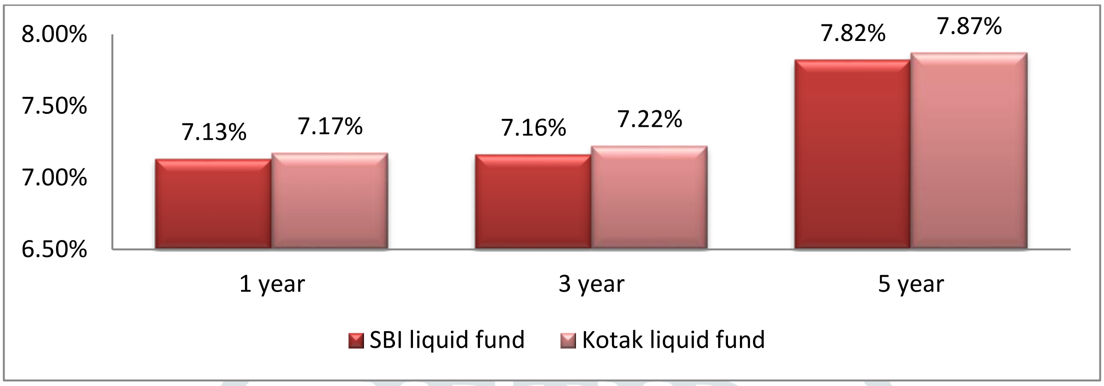

Figure 2(a)

Interpretation: From the above table and chart we can see the 1 year, 3 year and 5 year annual returns of Kotak Mahindra and SBI debt scheme fund. In 1 year the return of both the fund is showing positive result but SBI mutual fund showing less positive results i.e. 7.13% than Kotak Mahindra i.e.7.17%, in 3 year both showing increase in returns i.e. 7.16% in SBI and 7.22% in Kotak, in 5 year both growth is increasing at low rate i.e. SBI increase with 7.82% and Kotak increase with 7.87%. Through this we can observe that SBI debt scheme mutual fund gives low return in comparison to Kotak debt scheme fund so an individual can choose Kotak debt scheme fund for invest their money.

(b) Financial ratio:

Table 2(b)

Name of scheme	Sharpe ratio	Treynor ratio	Jensen's ratio
SBI Liquid fund	-2.722%	-0.752%	-0.65%
Kotak liquid fund	-2.504%	-0.641%	-0.60%

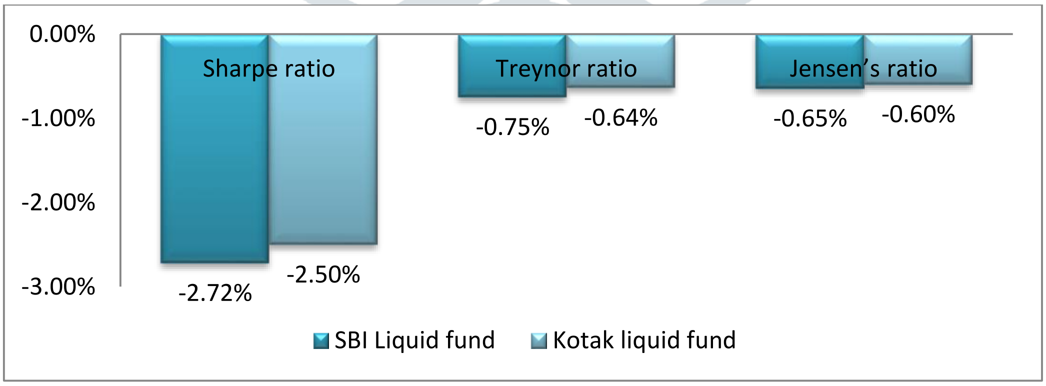

Figure (b)

Interpretation: From the above table and chart we analyze the financial ratio through which we can result out to invest in this fund or not. According to Sharpe ratio we can find out about which fund gives more returns in less risk, the SBI Sharpe ratio is -2.72% and Kotak Sharpe ratio is -2.50%, here SBI is gives more negative results in comparison to Kotak. According to Treynor ratio we find out which fund have higher market risk so that we get high return, the SBI fund gives high negative return i.e.-0.75 % in comparison with Kotak Mahindra fund i.e.-0.64%. According to Jensen's ratio we can find out difference between actual return and prediction of returns, the SBI Jensen's ratio is -0.65% and Kotak Mahindra have -0.6% so SBI shows high negative Jensen's ratio as compared to Kotak Mahindra fund Jensen's ratio. So according to analysis we have not to invest in any security.

(c) Beta: Table 2(c)

Name of scheme	Beta
SBI liquid fund	0.010%
Kotak liquid fund	0.011%

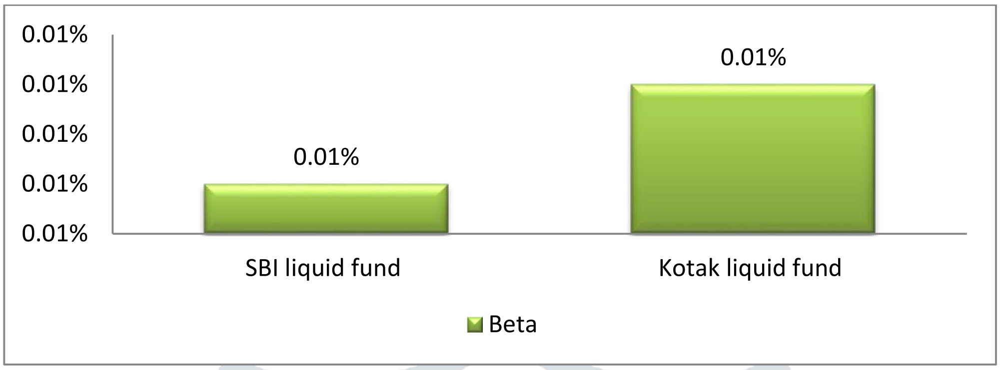

Figure 2(c)

Interpretation: From the above table we can analyze the risk of fund through beta value of security. In this diagram we can see that SBI liquid fund have 0.01% beta value and Kotak Mahindra liquid fund have 0.01% beta value which means the Kotak Mahindra funds and SBI funds both are equally risky and gives equally returns. So an individual or investor can invest in both of them security or fund according to available information.

CONCLUSION

We can say that mutual fund is a very much gainful tool for investment because of its low down cost of acquires fund, tax profit, and diversification of profits & reduction of risk. The study has compared the various equity mutual funds, debt mutual funds, balanced mutual funds, mid cap funds, small cap funds and multi cap funds of State bank of India and Kotak Mahindra Assets Management Company. Summing up of results is presented in different tables and charts. In India, incalculable mutual fund schemes are obtainable to general investors which generally puzzle them to pick the best out of them. This study provides some insight on mutual fund performance so as to help out the common investors in taking the balanced investment decisions for allocating their income in correct mutual fund scheme. The data collected in the study consisted of annual returns, financial ratios and beta of State bank of India and Kotak Mahindra mutual fund schemes.

The present paper investigates the performance of Equity mutual funds and Debt mutual fund each up to 5 years (2018). We take the annual returns of 1 year, 3 year, and 5 year to calculate which scheme gives returns. The performance of the selected schemes were evaluated on the basis of Sharpe ratio, Treynor ratio, and Jensen's alpha ratio measure whose results will be useful for investors for taking enhanced investment decisions. Results of the study have showed that out of two different assets Management Company have evidences of outperforming the benchmark return. Not all the funds have represented positive values. From the above study it can be said that the schemes have diversified results.

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