JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

# A COMPARATIVE ANALYSIS OF PERFORMANCE OF MUTUAL FUND OF KOTAK MAHINDRA BANK AND TATE BANK OF INDIA

**Anita Joshi*, Kiran Kumar Pant****

*MBA Student, Uttarakhand Open University, Uttarakhand **Assistant Professor

Dept. Of Commerce, GPGC Ramnagar, Uttarakhand

**ABSTRACT:** Investors are spoilt for choice when it comes to choosing which Mutual Fund to invest in. While the three broad choices of Equity, Debt, and Hybrid Funds seem simple enough, there are currently over 2000 Mutual funds in India that investors can choose to invest in. This is because each of the 3 categories has multiple sub-categories with multiple Fund Houses offering similar funds. While having options to choose from is definitely a good thing, having too many options can make fund selection quite difficult. Also considering that investing involves a long-term commitment using your hard-earned money, choosing the right Mutual Fund is critical for achieving long-term goals. This is where comparing types of mutual funds can help you select the right schemes to invest in. Having a clear idea about how to compare mutual funds performance and other features can help investors choose schemes that are in line with their investment goals and help them design an investment portfolio that minimizes overall risk and maximizes return. In this research paper a 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, Jensen's Ratio, Sharpe ratio, Treynor ratio, Beta.

**INTRODUCTION**: A mutual fund is a collective reservoir or pool of funds which is managed by a qualified and expert Fund Manager. It is a trust that takes funds from a number of investors who have a common investment goal and invests those funds in equities, bonds, money market instruments and other securities. The income generated from this combined portfolio is distributed proportionately amongst the investors after subtracting relevant expenses and levies, by calculating a scheme's 'Net Asset Value' or NAV. Simply placed, the money pooled in by a large number of investors are allotted in units by a mutual fund scheme. This pooled money invested in equity or bonds or short-term securities shall grow or go down depending upon the performance of these investments. This shall get reflected in the value of NAV. 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

SBI Mutual Fund is a payment system introduced by State Bank of India (SBI) and incorporated in 1987 with its corporate head office located in Mumbai, India. SBIFMPL is a joint venture between the State Bank of India, an Indian public sector bank, and Amundi, a European asset management company. The chairman of state bank of India mutual fund is Mr. Vinay M Tonse. As of September, 2019, the fund house claims to serve 5,809,315 unique investors through approximately
212 branches PAN India. As of September 2021, the total AUM stands at Rs.579318.29 crores. 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.

## 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:

**(Jana Hili, Desmond Pace and Simon Grima, 2016),** In their study they focused on two important Things first providing significant contributions to the literature and second was the practical Perspective of the research. Needless to say, that researchers and academia have centred their efforts on appraising the behaviour of fund managers domiciled primarily in developed and more efficient Economics, leaving the emerging region highly uncovered in this respect.

**(Rao, 2015),** In this Research work the performance of the fund will be evaluated using five portfolio performance Measurement parameters like Beta, Standard Deviation, Sharpe Ratio, Treynor Ratio and Jensen's Alpha. The benchmark taken for this is CNX NIFTY Index.

**(Priyan, 2018),** this Research study is Very pivotal for the performance evaluation as in that study they check investment style of large cap Equity mutual funds using style-exposure analysis proposed by Sharpe (1992). The study uses the Constrained quadratic optimisation factor model over the period January 2011–April 2015. To assess the dynamic drift in the style of a fund, a rolling-period exposure style analysis of the funds has been Carried out by using a 36-month rolling-period window. The results of the study show that the fund Managers exhibit some level of active management and a good selection capability.

**(Guru Nathan, 2013),** the study focused that the growth of large cap mutual funds has been accompanied by Innovative products and servicing methods. Regulators will have to do balancing act by carefully Managing risks and not by imposing unnecessary regulation.

**(Jain, 2012),** This research study has Been carried out for April 1997 to April 2012 (15 years) with the Primary focus of this research was on to the performance analysis of 45 equity mutual funds schemes provided by two public sectors Company and two private ownership companies. For the performance analysis CAPM model Has been used concentrated on risk-return relationship.

**(Bhatt, 2015),** In this study it is revealed That corporate investor group has highly invested in debt funds while retail investor group has more Inclination towards equity and balanced schemes. Additionally, the finding of the study will also be Useful for Fund manager, policy makers and AMC to prepare/modify new schemes/current mutual Fund schemes as per the investment size of the available investor groups.

**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 gathering and data analysis. Data Collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. The data collection of this study is based on two sources of data which are as follows:

**PRIMARY DATA:** The sources of primary data include Questionnaire, Opinion Poll method, Interaction 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, Reports of various associations connected to the funds.

**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.
3. To give a brief idea about the benefits available from Mutual Fund investment.

## 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:

**Sharpe = Rp – Rf / 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 risks premium Per unit of systematic risk.

**Tp= Rp – Rf / βp**

- **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.

**Alpha = Rp – [Rf+ Bp x (Rm – Rf)]**

- **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:

| Name of scheme | 1 year | 3 year | 5 year |
|---|---|---|---|
| SBI blue chip fund | 17.63% | 15.30% | 12.03% |
| Kotak blue chip fund | 18.47% | 15.98% | 12.93% |

Table 1(a)

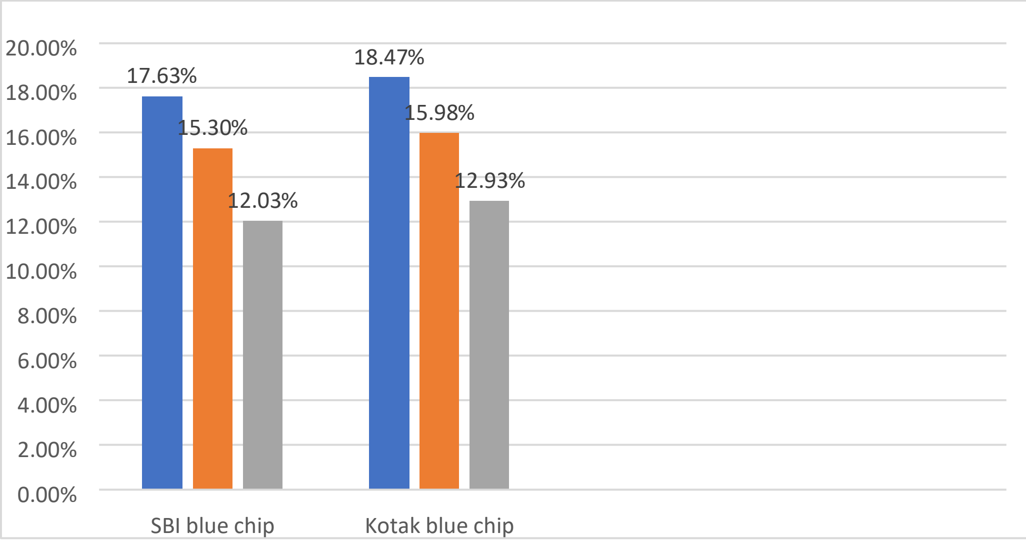


Figure 1(a)

**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 KOTAK mutual fund showing greater result i.e. 18.47% than SBI i.e. 17.63%. In 3 year both showing decrease in returns i.e.15.98% and 15.30%. In 5 year both growth is decreasing exponentially i.e. SBI decrease with 12.03% and Kotak decrease with 12.93%. Through this we can observe that KOTAK blue chip mutual fund gives greater return in comparison to SBI blue chip fund so an individual can choose the KOTAK blue chip fund for invest their money.

**(b) Financial ratio:**

| Name of scheme | Sharpe's ratio | Treynor ratio | Jensen's ratio |
|---|---|---|---|
| SBI blue chip fund | 0.61% | 0.14% | 1.11% |
| Kotak blue chip fund | 0.66% | 0.15% | 1.04% |

Table 1(b)

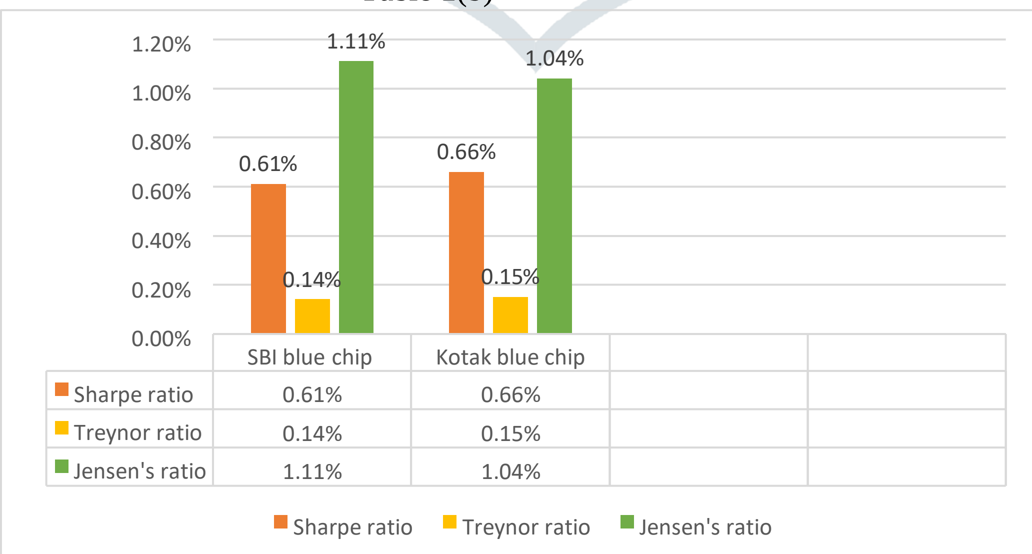


Figure 1(b)

**Interpretation:** From the above table and chart we analyse 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 0.61% and Kotak Sharpe ratio is 0.66%, here Kotak is gives more return in comparison to SBI with less risk. According to Treynor ratio we find out which fund have higher market risk so that we get high return, the KOTAK fund gives high return with high market risk i.e.0.15% in comparison with SBI fund i.e.0.14%. According to Jensen's ratio we can find out difference between actual return and prediction of returns, the SBI Jensen's ratio is 1.11% and Kotak Mahindra have 1.04% 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 Kotak blue chip fund.

**(c) Beta:**

| Name of scheme | Beta |
|---|---|
| SBI blue chip fund | 0.96% |
| Kotak blue chip fund | 0.93% |

Table 1(c)

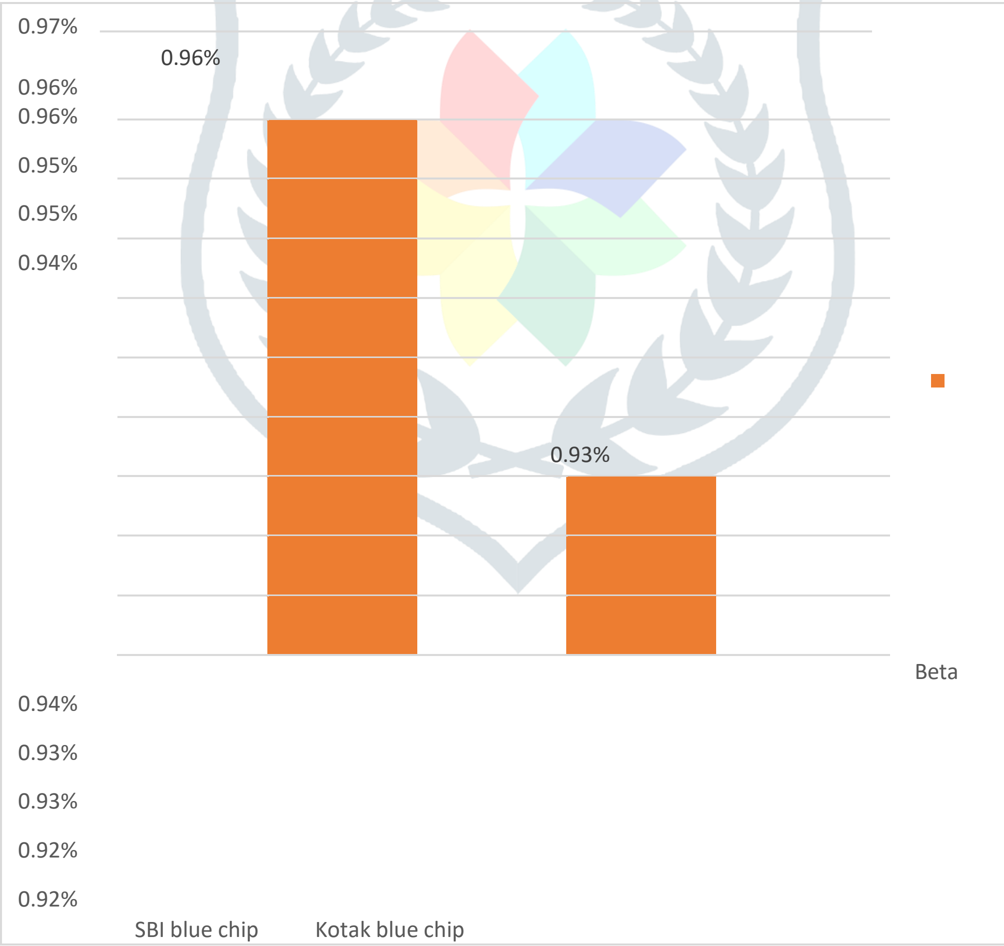


Figure 1(c)

**Interpretation:** From the above table we can analyse the risk of fund through beta value of security. In this diagram we can see that SBI blue chip fund have 0.96% beta value and Kotak Mahindra blue chip fund have 0.93% beta value which means the SBI 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 SBI fund according to the information we have

**2. Comparison of Hybrid Scheme / Balanced Scheme of Kotak Mahindra mutual fund and SBI mutual fund:**

**(a) Annual returns:**

| Name of scheme | 1 year | 3year | 5 year |
|---|---|---|---|
| SBI Arbitrage opp. fund | 4.18% | 4.34% | 5.00% |
| Kotak equity arbitrage scheme | 4.60% | 5.16% | 5.80% |

Table 2(a)

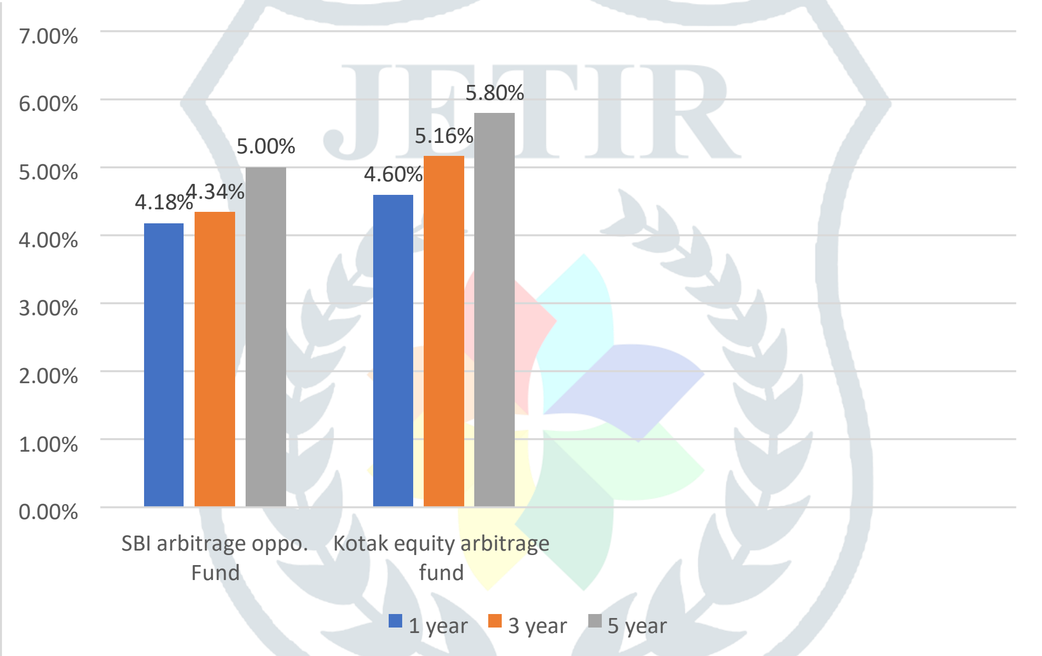


Figure 2(a)

**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 hybrid/balanced mutual fund. In 1 year the return of both the fund is showing positive result but Kotak mutual fund showing little high result i.e. 4.60% than SBI i.e. 4.18%, in 3 year both showing increment in returns but Kotak mutual fund gives high return in the comparison of SBI i.e. 5.16% in Kotak and 4.34% in SBI, in 5 year both growth is increasing i.e. SBI increase with 5.00% and Kotak increase with 5.80%. Through this we can observe that SBI hybrid mutual fund gives less returns in comparison to Kotak hybrid mutual fund, so an individual can choose the Kotak Mahindra hybrid mutual fund for invest their money.

**(a) Financial ratio:**

| Name of scheme | Sharpe ratio | Treynor ratio | Jensen's ratio |
|---|---|---|---|
| SBI Arbitrage opp. fund | 0.67% | 0.01% | -0.41% |
| Kotak equity arbitrage scheme | 0.97% | 0.01% | -0.44% |

Table 2(b)

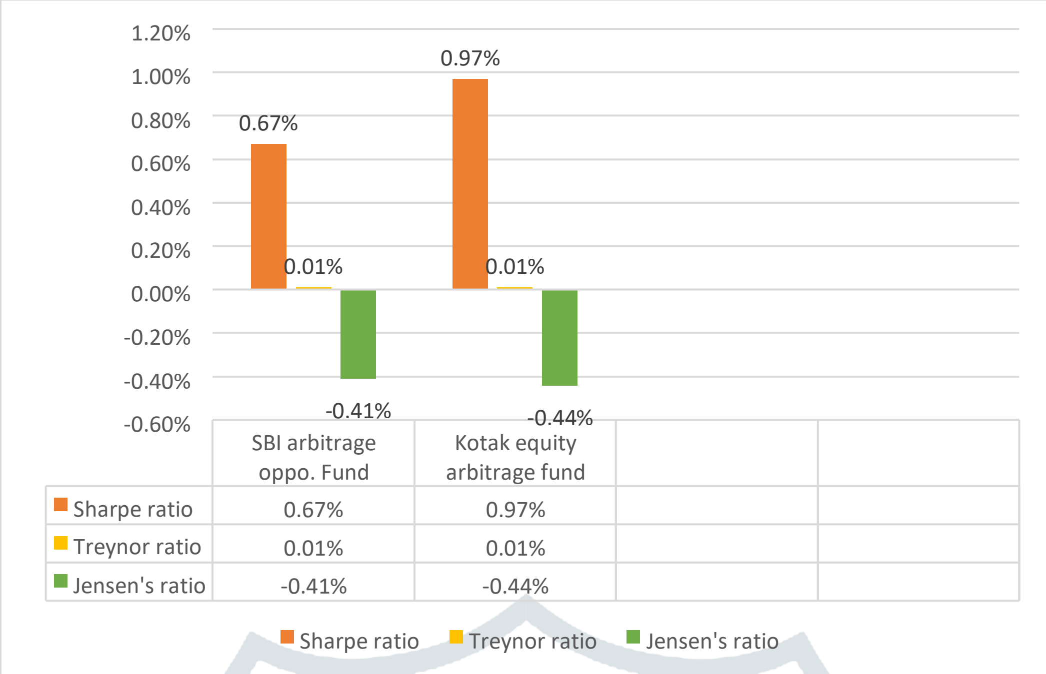


Figure 2(b)

**Interpretation:** From the above table and chart we analyse 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 0.67% and Kotak Sharpe ratio is 0.97%, here SBI is gives less return in comparison to Kotak. According to Treynor ratio we find out which fund have higher market risk so that we get high return, according to the data both of them give same result i.e. SBI fund gives 0.01% and Kotak fund gives 0.01% also. According to Jensen's ratio we can find out difference between actual return and prediction of returns, the SBI Jensen's ratio is -0.41% and Kotak Mahindra have -0.44% so Kotak shows little more negative Jensen's ratio as compared to SBI fund Jensen's ratio. So according to analysis we have to invest in SBI hybrid mutual fund.

**(c) Beta:**

| Name of scheme | Beta |
|---|---|
| SBI Arbitrage opp. fund | 1.08% |
| Kotak equity arbitrage scheme | 0.93% |

Table 2(c)

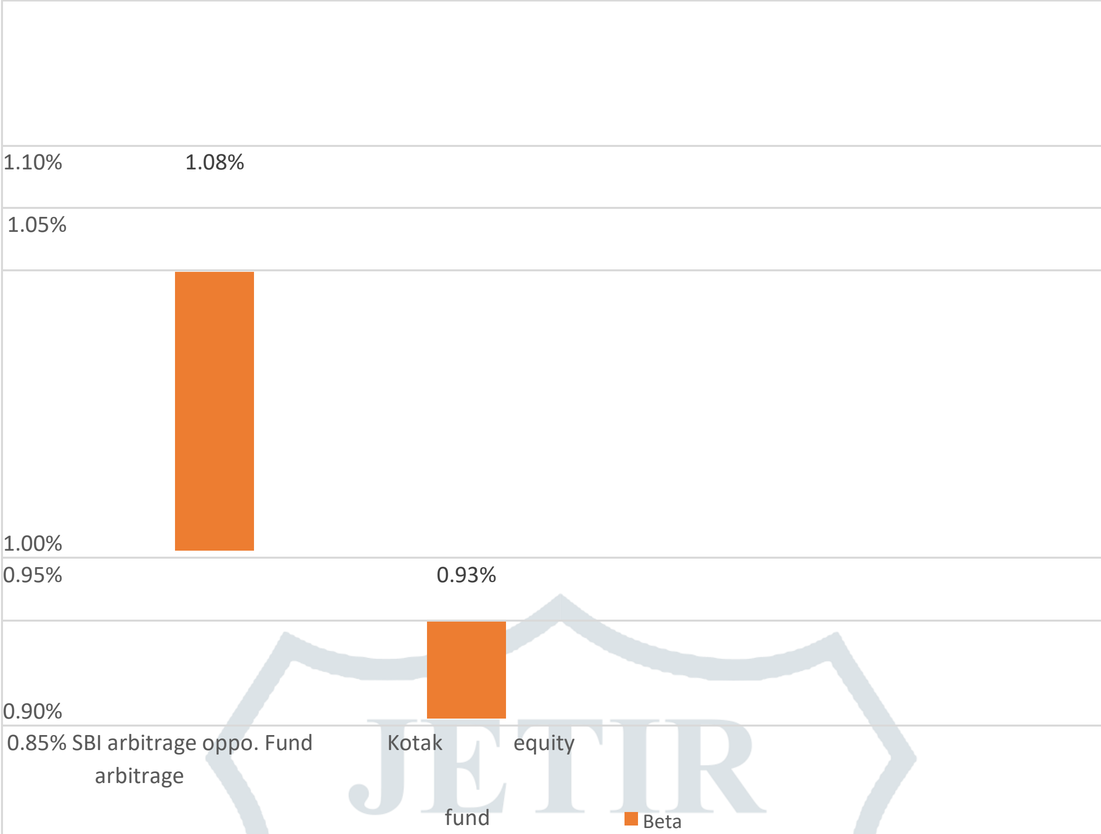


Figure 2(c)

**CONCLUSION**

To conclude 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 (2022). 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.

## BIBLIOGRAPHY


Rob Bauer, Jeroen Derwall, Rogér Otten, Maastricht University, Maastricht The Netherlands Rotterdam School of Management/FBKRSM Erasmus University, Rotterdam The Netherlands, The Ethical Mutual Fund Performance Debate: New Evidence from Canada,
JOURNAL OF BUSINESS ETHICS, JANUARY 2007, VOLUME 70, ISSUE 2, PP 111–124

Jędrzej Białkowskia Roger Ottenb, Department of Economics and Finance, University of Canterbury, Private Bag 4800, Christchurch, New Zealand, Emerging market mutual fund performance: Evidence for Poland, the North American journal of finance and economics, Volume 22, Issue 2, August 2011, Pages 118-130,

Ms. Shalini Goyal, Designation: Lecturer College: Delhi College of Technology & Management, Palwal, "A STUDY ON MUTUAL FUNDS IN INDIA" International Journal of Scientific & Engineering Research, Volume 4, Issue 5, May-2013

Ms. Shilpi Pala, Prof. Arti Chandanibm (a)- MBA Student, Symbiosis Institute of Management Studies, Symbiosis International University, Pune (b)- Assistant Professor, Symbiosis Institute of Management Studies, Symbiosis International, University, Pune, A Critical Analysis Of Selected Mutual Funds In India, Procedia Economics and Finance 11 (2014) 481 – 494

Syed Husain Ashraf* and Dhanraj Sharma, Department of Commerce, Aligarh Muslim University, Aligarh, India, Performance Evaluation of Indian Equity Mutual Funds against Established Benchmarks Index, International Journal of Accounting Research, Volume 2 Issue 1 2014

Dr Vikas Choudhary, and Preeti Sehgal Chawla, Performance Evaluation of Mutual Funds: A Study of Selected Diversified Equity Mutual Funds in India, International Conference on Business, Law and Corporate Social Responsibility (ICBLCSR'14) Oct 1-2, 2014 Phuket (Thailand)

Muralidhar Prasad Ayaluru, Associate Professor, Dept of Finance, Siva Sivani Institute of Management, Performance Analysis of Mutual Funds Selected Reliance Mutual Fund Schemes, Parikalpana - KIIT Journal of Management, Vol- 12(I), Jan-June 2016

Alka Solanki, Research Scholar, Saurashtra University, Rajkot, India, A STUDY OF PERFORMANCE EVALUATION OF MUTUAL FUND AND RELIANCE MUTUAL FUND, Abhinav National Monthly Refereed Journal of Research in Commerce & Management, Volume 5, Issue 5 (May, 2016)

Prof. Kalpesh P Prajapati, Assistant Professor, S.V Institute of Management, Gujarat Technological University, Ahmadabad, Gujarat, India, and Prof. Mahesh K Patel, Assistant Professor, N.P College of Computer Studies & Management Hemchandracharya North Gujarat University, Patna, Gujarat, India, COMPARATIVE STUDY ON PERFORMANCE EVALUATION OF MUTUAL FUND SCHEMES OF INDIAN COMPANIE, Journal of Arts, Science & Commerce ■ E-ISSN 2229-4686 ■ ISSN 2231-4172

Vinita Bharat Manek, BSc. Accounting and Finance, University of London International Programme, MUTUAL FUND PERFORMANCE: A STUDY ON THE EFFECT OF PORTFOLIO TURNOVER ON MUTUAL FUND PERFORMANCE IN THE INDIAN FINANCIAL MARKET, SCHOLORY RESEARCH JOURNAL FOR INTERDISCIPLINARY STUDIES, MAR-APRIL 2016, VOL-3/23


**WEBSITES:**


www.mutualfunds.com www.valueresearch.com

**www.moneycontrol.com**

https://au.ask.com/web?qo=semQuery&ad=semA&q=kotak%20mutual%20fund&o=757120&ag=fw4&an=msn_s&rch=intl745&msclkid=c50a1a67f3621941702e46c1a0228e45

https://assetmanagement.kotak.com/ https://www.sbimf.com/en-us