



A COMPARATIVE STUDY OF PERFORMANCE OF Axis Mutual Fund AND ICICI Prudential Mutual Fund

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ABSTRACT:

There are several options available to investors when deciding which mutual fund to invest in. Even though the three primary choices—equity, debt, and hybrid funds—appear to be simple enough, investors in India today have access to more than 2100 portfolios. This is due to the fact that each of the three categories has a large number of subcategories, and a large number of fund providers offer funds that are competitive with one another.

Unquestionably, having options is a good thing, but having too many options might make selecting a fund difficult. Additionally, choosing the finest mutual fund is critical for achieving long-term goals because investing involves a long-term commitment with your hard-earned money. Your decision to select the best investment plans will be aided by your investigation into a number of mutual funds of various types. By having a thorough understanding of how to assess mutual fund performance and other factors, investors may make decisions that are consistent with their investment objectives and build investment portfolios that minimise overall risk and maximise return. This study compares the performance of an equity mutual fund scheme and a debt mutual fund scheme in terms of return and risk assessment.

The analysis was completed by looking at a number of financial ratio assessments, including the yearly returns of the last (of 1, 3, and 5 years) December 2022, the Sharpe ratio, the Treynor ratio, Jensen's alpha ratio, and the beta ratio. The analysis produced a wide range of outcomes.

KEYWORDS: Equity Funds, Net Asset Value (NAV), The Jensen's Ratio, Sharpe ratio, Treynor ratio, Beta.

INTRODUCTION: According to the Securities and Exchange Board of India Regulations, 1996, a mutual fund is "a fund established in the form of trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments."

A mutual fund, which is a collection of funds, is managed by an expert and knowledgeable fund manager. This trust handles investments in equities, bonds, money market instruments, and other assets utilising funds from a number of members who have similar investing goals. The income generated by this combined portfolio is then distributed evenly among the participants by calculating a scheme's "Net Asset Value," or NAV. Simply explained, a mutual fund structure divides the funds amassed by numerous investors into units. Depending on how well the stocks, bonds, or short-term securities perform, this pooled capital invested in them will rise or fall. This will have an effect on the value of NAV. Mutual funds are categorised into a number of different groups based on the securities they invest in, their investing objectives, and the types of returns they seek. Mutual funds claim annual fees, which may have an impact on their overall earnings, such as the disbursement ratio and, in some cases, commission. Most of the money put into employer-sponsored retirement plans is invested in mutual funds.

NET ASSET VALUE (NAV)

•The NAV, or current asset value, represents the current market worth of a fund's holdings and is often expressed as a per-share number for the majority of funds. Some funds, however, make multiple NAV updates throughout the trading day.

Calculation of NAV

•The valuation of the assets owned by the funds is a crucial component of the computation. Simply put, the NAV is the Net Value of Assets divided by the number of outstanding units.

The idea of a mutual fund

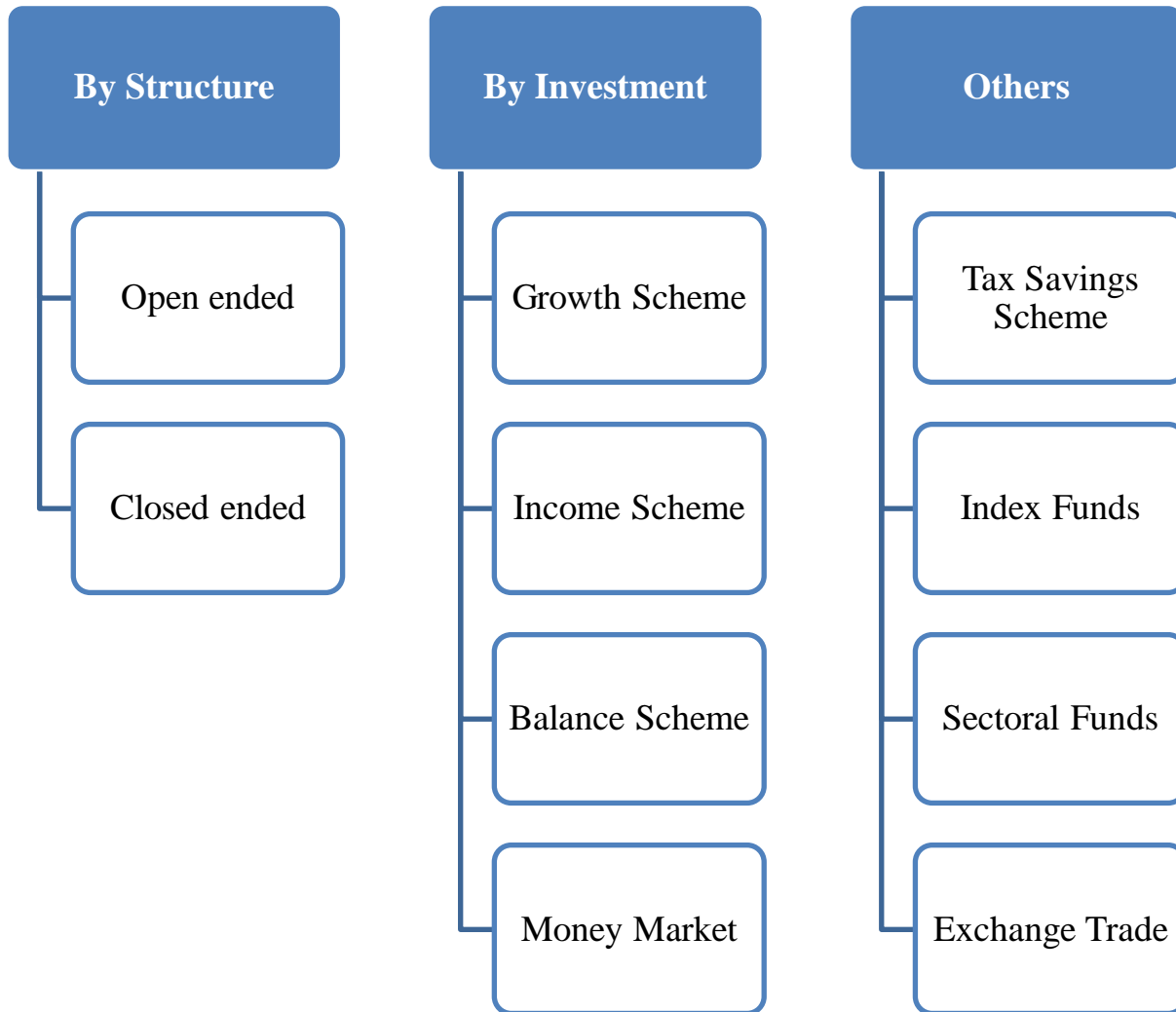
Many investors combine their funds to achieve mutual financial goals.

Investors receive mutual fund units in proportion to their contributions to the pool.

The funds raised from investors are put to use by the fund manager to purchase shares, debentures, bonds, and other securities.

The investors received any capital gains or losses from these investments in proportion to the number of units they owned.

Types of Mutual Fund Schemes



Axis Mutual Fund

According to asset size, Axis Mutual Fund ranks as India's seventh-largest mutual fund business. For the quarter ending June 2020, the fund firm is responsible for managing assets worth (AUM) of Rs. 1.34 lakh crore. From its March 2020 quarterly number, the fund house's asset size fell by 2.90%. The fund house has been in operation for almost 11 years. The third-largest private bank in India, Axis Bank Limited, operates Axis Mutual Fund as its mutual fund division. Axis Bank Limited owns 74.9 percent of the fund house's interests, and Schroder Singapore Holdings Private Limited owns the remaining 25 percent. The fund firm credits its three guiding principles for success: long-term wealth development, customer focus, and long-term relationships. Risk management and planning are highly valued in the corporate concept of Axis Mutual Fund. By adopting a holistic viewpoint, it places more emphasis on the underlying hopes, dreams, or objectives of investors than just investing in their surpluses. It operates in more than 100 cities across the nation and has over 60 lac active investor accounts in various schemes. Axis Mutual Fund provides investors with about 56 different plans. It provides 20 hybrids, 4 ETF, gold, and fund-of-funds schemes, 19 debt, and 13 equity schemes. For a period of one year, approximately 68% of all schemes beat the benchmark in all of its different areas.

ICICI Prudential Mutual Fund

According to asset size, ICICI Prudential Mutual Fund is India's third-largest mutual fund house. For the quarter that ended March 2020, the investment house managed assets worth (AUM) of ₹ 3.58 lakh crore. The fund house's asset size shrank by 2.90% from its December 2019 quarterly total. Nearly 27 years have passed since the fund house first opened.

The ICICI Prudential Mutual Fund is a partnership between Prudential Plc, one of the biggest companies in the financial services industry in the UK, and ICICI Bank, a reputable and well-known name in financial services in India. The fund house's primary goal is to close the wealth gap between savings and investments by offering a variety of straightforward and useful investment options. Investors can choose from about 220 different plans at ICICI Prudential Mutual Fund. There are 24 ETF, Gold, and Fund of Funds schemes, 126 debt schemes, 43 equity schemes, and 27 hybrid schemes available. ICICI Prudential Blue-chip Fund, ICICI Prudential Multicap Fund, ICICI Prudential Midcap Fund, among other well-known equity schemes, is some of its offerings. Good debt funds are also available from ICICI Prudential Mutual Fund. The percentage of schemes beating the benchmark across all of its categories over a one-year period is roughly 72%.

LITERATURE REVIEW:

Friend, et al (1962) on 152 mutual funds was a pioneering work on mutual funds in USA. The study revealed that comparison of fund return with turnover and expense ratios did not reveal a strong relationship.

Sharpe (1966) they focused their investigation from 1944 to 1963 on 34 open ended mutual funds. The results of the study indicate that high performance is more closely associated with a low expenditure ratio than fund size. He thinks there is an inverse relationship between a fund's performance and its expense ratio.

Jensen (1968) He evaluated the stock choosing ability of 115 fund managers. He concludes that the performance of mutual funds was insufficient as a result of the fund managers' inadequate stock selection abilities.

Gupta (1974) they used the Sharpe, Treynor, and Jensen metrics to analyse the performance of the mutual fund industry from 1962 to 1971. He discovered that all investments outperform performance.

Sahadevan and Thiripalraju (1997) they examined the mutual fund performance for the public and private sectors from 1995 to 1996 using the BSE as the market index. Private sector mutual funds performed better than public sector mutual funds, according to the data.

Gupta (1994) to gather information on investor preferences for MFs and other financial assets, a household investors survey was conducted. The study's conclusions were increasingly pertinent at the time for policymakers and mutual funds as they created future-oriented financial products.

Singh (2001) in their research, they discovered a number of irregularities in the way mutual funds functioned and came to the conclusion that these discrepancies were to blame for mutual funds' poor performance during the preceding few years.

Agarwal (2007), the mutual fund sector in India has experienced phenomenal expansion, drawing sizeable contributions from both domestic and overseas investors. Investors have alternatives for protection, hedging, and arbitrage from an increasing number of asset-based management companies. It offers superior returns than any other long-term assets for households with increasing middle-class families that have limited risk tolerance. It is anticipated that India's strong savings rate and swift economic liberalisation will push the mutual fund industry to new heights.

Satya Swaroop (2009) the performance of 23 equity-based mutual funds was analysed between April 1996 and March 2009. He employed the Treynor ratio, Jensen measure, and Sharpe ratio in his study. In the public and private sectors, he concluded that Franklin Templeton schemes and UTI mutual fund schemes both outperformed the market.

Jain, (2012), the performance analysis of 45 equity mutual fund schemes provided by two public sector firms and two privately owned companies was the primary topic of this research study, which covered a 15-year period from April 1997 to April 2012. For performance analysis, the risk-return relationship has been highlighted while using the CAPM model.

Guru Nathan, (2013), the study focused on the fact that innovative products and service methodologies have been implemented in large-cap with the growth of large cap mutual funds. Regulators must strike a careful balance between effectively managing risks and avoiding the implementation of unnecessary regulations.

Rao, (2015), the performance of the fund will be evaluated in this study using five portfolio performance assessment metrics: beta, standard deviation, Sharpe ratio, Treynor ratio, and Jensen's alpha. The benchmark in this is the CNX NIFTY Index.

Jana Hili, Desmond Pace and Simon Grima, (2016), In their study, they focused on two main ideas: first, producing significant contributions to the literature, and second, the research's usefulness in real-world situations. It goes without saying that academics and researchers have focused their efforts on analysing the behaviours of fund managers who are mostly based in developed and more efficient economies, leaving the developing region largely untouched in this regard.

Kumar Rakesh (2016) Mutual funds in India have a very big potential for market penetration, both geographically and within investor classes, based on market penetration and investing patterns analysis. In India, ignorance and reluctance to risk are the biggest obstacles. Therefore, the study claims that investors must be persuaded to seek beyond the conventional investing channels by raising their awareness and providing them with information.

Priyan, (2018), they use Sharpe's style-exposure technique to assess the investing strategy of large-cap equity mutual funds (1992). The study applied the constrained quadratic optimisation factor model between January 2011 and April 2015. To assess the dynamic drift in a fund's style, a rolling-period exposure style study of the funds was carried out using a 36-month rolling-period frame. The study's findings show that the fund managers are capable of making wise selections and engaging in some active management.

Mohammed Mujahed Ali (2019), to assess the performance of a chosen five Indian large size mutual funds. The results indicate that four of a chosen group of five large cap mutual funds beat market returns and served as the foundation for recommending to investors the potential of mutual funds in terms of returns. Comparative Performance Analysis of Selected Large Cap Indian Mutual Funds.

RESEARCH METHODOLOGY: Research methodology is the name for the organised way of performing research. The terms "methodologies," which relate to a broad variety of varied approaches used in various forms of research, are widely understood to comprise study design, data collecting, and data analysis. Any research study must include data collection. A study's conclusions may be impacted by inaccurate data collection, which could lead to erroneous results. The following are the two data sources that formed the basis for the data collection for this study:

PRIMARY DATA: Primary data is gathered from a range of sources, such as surveys, polls, and conversations with policyholders.

SECONDARY DATA: The study included secondary data that was acquired from a variety of apex body publications and reports, asset management business publications, technical and trade periodicals, books, magazines, and reports from several associations connected to the funds.

Sampling Technique and Size: The sample required for the study was selected by random selection from a list of available funds held by the two asset management companies. Six mutual fund schemes, comprising equity and debt funds, have been chosen as a sample.

OBJECTIVES OF THE STUDY:

The present study's primary goals are as follows:

1. To compare the annual returns, expense ratios, and beta of the mutual funds offered by Axis and the ICICI Prudential Mutual Fund in order to assess each fund's performance.
2. To evaluate the performance of both mutual funds by contrasting the Sharpe, Treynor, and Jensen portfolio performance evaluation models.
3. To provide a brief overview of the advantages of investing in mutual funds.

METHOD AND TOOLS OF ANALYSIS THE DATA:

The research analysis uses secondary data. To evaluate the performance of the mutual funds, two asset management firms—Axis Mutual Fund Company and ICICI Prudential Mutual Fund Company—were chosen. The performances of both parties are evaluated using statistical tools like beta, Sharpe's, Treynor, and Jensen's ratios. A spreadsheet in Excel is used to calculate everything. The indicator of performance:

- ❖ **Annual returns over the past 1, 3, and 5 years.**
- ❖ **Sharpe ratio:** The variation explained by the index is referred to as the unexplained variance in the Sharpe measure, whereas the systematic risk is the variance. The following formula was provided by Sharpe for determining a fund's systematic and unsystematic risk:

Sharpe

• $R_p - R_f / \text{standard deviation}$

Where:

R_p=Average fund return

R_f =Risk free rate

- ❖ **Treynor ratio:** A Treynor index for portfolio staging that is based on systematic risk is the return to volatility ratio. The term "risk premium," denoted by the symbol T_p, refers to the excess return over the risk-free rate for each unit of systematic risk. based on the percentage of systematic risk.

Treynor ratio

$$\bullet \text{ } R_p - R_f / \beta_p$$

Where:

T_p=treynor ratio

R_p=Average fund return

R_f =Risk free rate

B_p =Beta of the fund

- ❖ **Jensen's ratio:** The Jensen's alpha is the quantitative difference between the portfolio's return and the return of a portfolio on the Securities market line with the same beta. Jensen describes his metric for assessing portfolio performance as the difference between the actual return on a portfolio for any given holding period and the expected returns.

Alpha

$$\bullet \text{ } R_p - [R_f + B_p \times (R_m - R_f)]$$

Where:

R_p= the realized return of the portfolio or investment

R_f= the risk-free rate of return for the time period

R_m=the realized return of the appropriate market index

B_p=the beta of the portfolio of investment with respect to the chosen market index

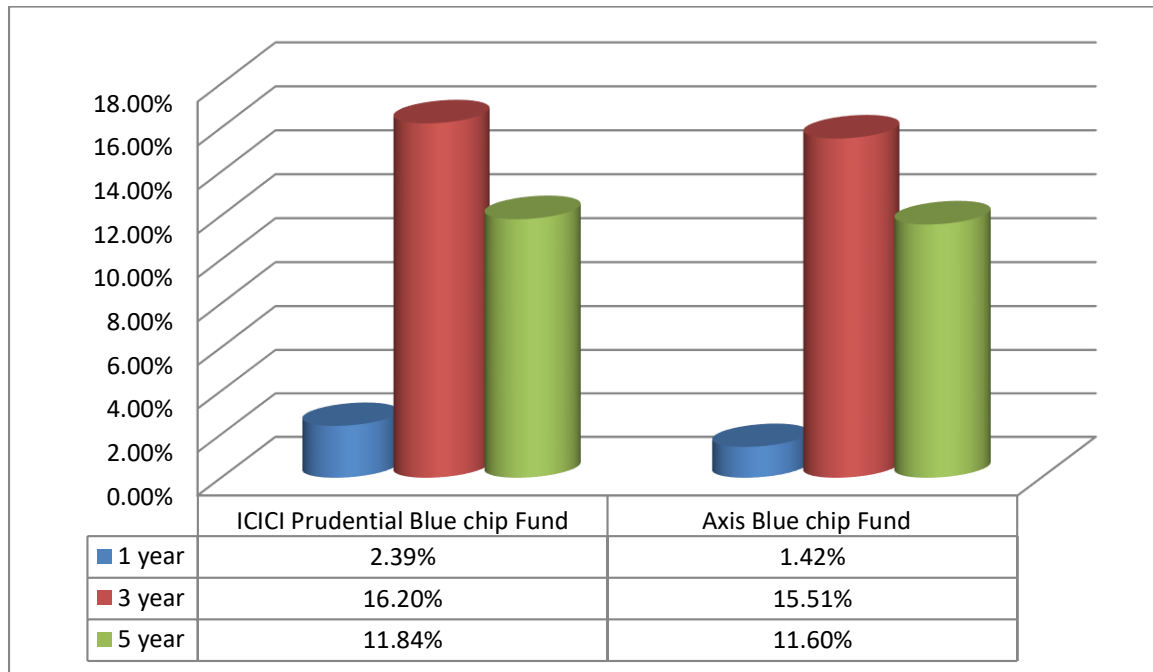
- ❖ **Beta:** A benchmark is used to calculate a fund's volatility. When a fund's performance is measured against a benchmark, it may be seen how much it might fluctuate. So, a fund with a beta of 1 will move in lockstep with the benchmark, and vice versa.

Beta

$$\bullet \text{ } \text{covariance} / \text{variance}$$

DATA ANALYSIS AND INTERPRETATION**1. Comparison of Equity Scheme of Axis Mutual Fund and ICICI Prudential Mutual Fund:****(a) Annual returns:**

Name of scheme	1 year	3 year	5 year
ICICI Prudential Blue chip Fund	2.39%	16.20%	11.84%
Axis Blue chip Fund	1.42%	15.51%	11.60%

Table 1(a)**Figure 1(a)**

Interpretation: The above table and chart show the annual returns for ICICI Prudential Blue chip Fund and Axis Blue chip Fund over the course of one year, three years, and five years. ICICI Prudential Blue chip Fund's return over a year was higher than Axis Blue chip Fund', coming in at 2.39% versus 1.42%. Both the 11.84% and the 11.60% returns in the third year are increasing. Both growths in the past five years have been declining rapidly, with ICICI Prudential down by 11.84% and Axis Blue chip Fund declining by 11.60%. This shows 3years return that ICICI Prudential Mutual Fund offers a higher return than Axis Blue chip Fund, which enables a person to choose ICICI Prudential Blue Fund while investing their money.

(b) Financial ratio:

Name of scheme	Sharpe's ratio	Trey nor ratio	Jensen's ratio
ICICI Prudential Blue chip Fund	0.29%	0.07%	-3.6%
Axis Blue chip Fund	0.51%	0.11%	0.99%

Table 1(b)

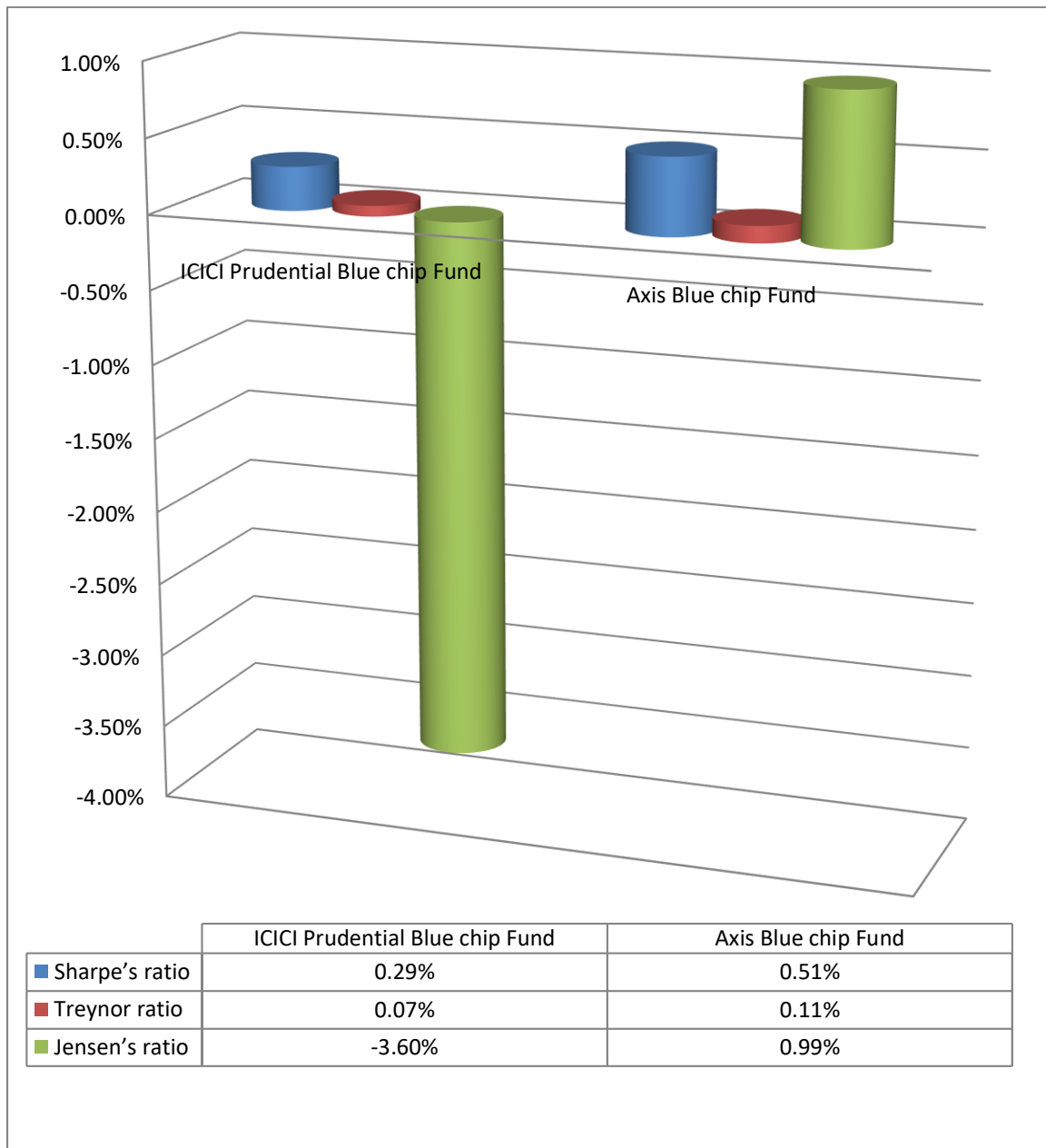


Figure 1(b)

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 ICICI Prudential Sharpe ratio is 0.29% and Axis Blue Chip Fund Sharpe ratio is 0.51%, here ICICI Prudential is gives more return in comparison to Axis Blue Chip Fund with less risk. According to Treynor ratio we find out which fund have higher market risk so that we get high return, the ICICI Prudential fund gives high return with high market risk i.e.0.07% in comparison with Axis Blue Chip Fund i.e.0.11%. According to Jensen's ratio we can find out difference between actual return and prediction of returns, the ICICI Prudential Jensen's ratio is -3.60% and Axis Blue Chip Fund have 0.99% so Axis Blue Chip Fund shows high Jensen's ratio as compared to ICICI Prudential fund Jensen's ratio. So according to analysis we have to invest in ICICI Prudential Mutual fund Ratios.

(c) Beta:

Name of scheme	Beta
ICICI Prudential Blue chip Fund	0.94%
Axis Blue chip Fund	0.85%

Table 1(c)

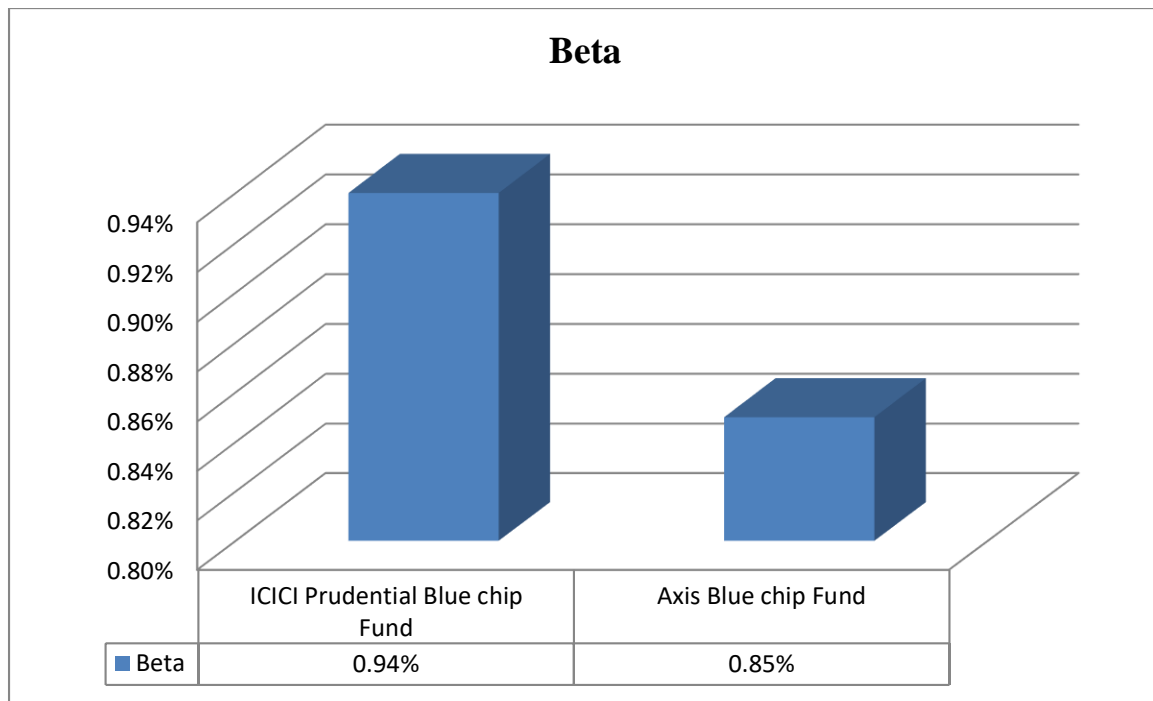


Figure 1(c)

Interpretation: The risk of the fund can be examined from the above table using the security's beta value. The ICICI Prudential Blue chip Funds are more risky and offer higher returns, as can be seen in the diagram, where they have a beta value of 0.94% compared to the Axis Blue chip Fund's beta value of 0.85%. Therefore, based on the information we have, when the time comes to invest in securities, a person or investor must do so in ICICI Prudential Blue chip Fund.

2. Comparison of Hybrid Scheme/Balanced Scheme of Axis Mutual Fund and ICICI Prudential Mutual Fund:

(a) Annual returns:

Name of scheme	1 year	3year	5 year
ICICI Prudential Equity Arbitrage Fund	4.83%	4.08%	4.88%
Axis Arbitrage Fund	4.23%	4.02%	4.81%

Table 2(a)

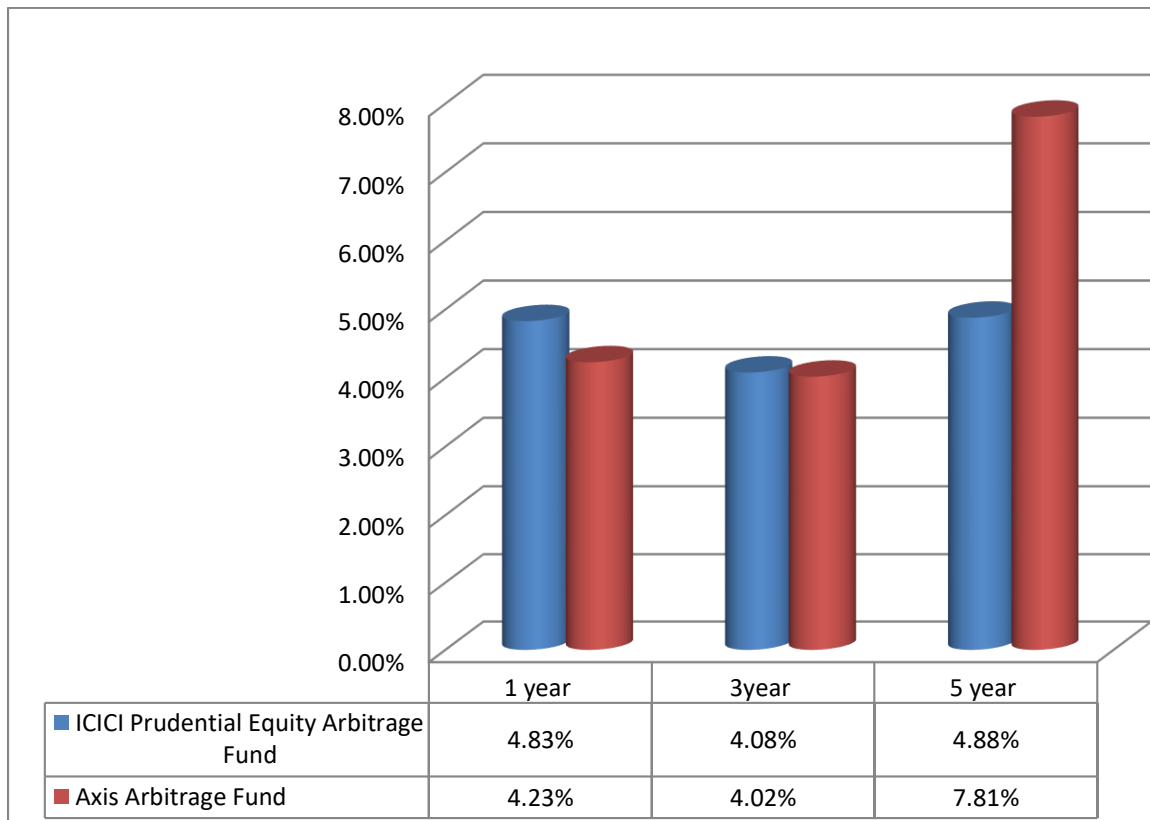


Figure 2(a)

Interpretation: The above table and chart show the annual returns for Axis Arbitrage Fund and ICICI Prudential Equity Arbitrage fund over the course of one year, three, and five years. In the first year, both funds' returns are positive, but Axis Arbitrage fund's mutual fund has slightly higher results than SBI's (4.83% vs. 4.23%), increasing returns in the second and third years while maintaining high returns (4.08% vs. 4.02%) in the fifth year. In the first year, both funds' returns are positive, but ICICI's increase by 4.88% and Axis Arbitrage fund's increase by 7.81%. As a result, one should choose the Axis Blue chip Fund Arbitrage mutual fund while investing their money because the ICICI Prudential Equity Arbitrage fund offers lower returns than the Axis Arbitrage mutual fund.

(b) Financial ratio:

Name of scheme	Sharpe ratio	Trey nor ratio	Jensen's ratio
ICICI Prudential Equity Arbitrage Fund	-2.31%	2.00%	-2.5%
Axis Arbitrage Fund	-2.35%	-0.02%	0.98%

Table 2(b)

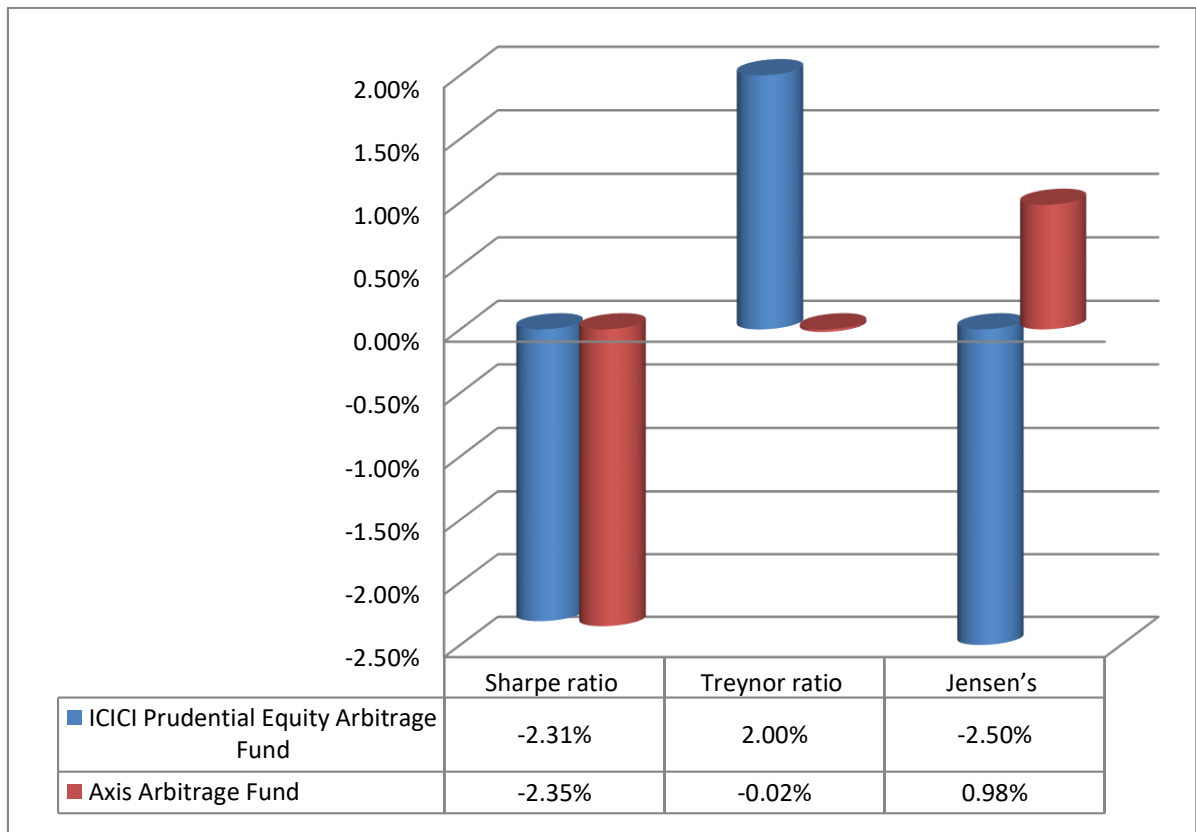


Figure 2(b)

Interpretation:

The ratio is -2.31%, where Axis Arbitrage Fund provides a lower return than ICICI Prudential Equity Arbitrage Mutual. We examine the financial ratio from the aforementioned table and chart to determine whether or not to invest in this fund. The Sharpe ratio, which is -2.35% for ICICI and Axis Arbitrage Fund, allows us to determine which funds offer higher returns with lower risk. We can determine which fund carries a greater market risk using the Treynor ratio in order to receive a higher return. We find out which fund have higher market risk so that we get a high return, the Axis Arbitrage Fund gives a high return with high market risk i.e.2.00% in comparison with ICICI Prudential fund i.e.-0.02%. The difference between actual return and expected return can be determined using the Jensen's ratio. ICICI Prudential Equity Arbitrage fund's Jensen's ratio is -2.50%, while Axis Arbitrage fund's is 0.98%, making Axis Arbitrage Fund's ratio slightly more negative than ICICI Prudential Equity Arbitrage funds. We must therefore invest in the ICICI Prudential Equity Arbitrage funds, per analysis:

(c) Beta

Name of scheme	Beta
ICICI Prudential Equity Arbitrage Fund	-0.01%
Axis Arbitrage Fund	1.60%

Table 2(c)

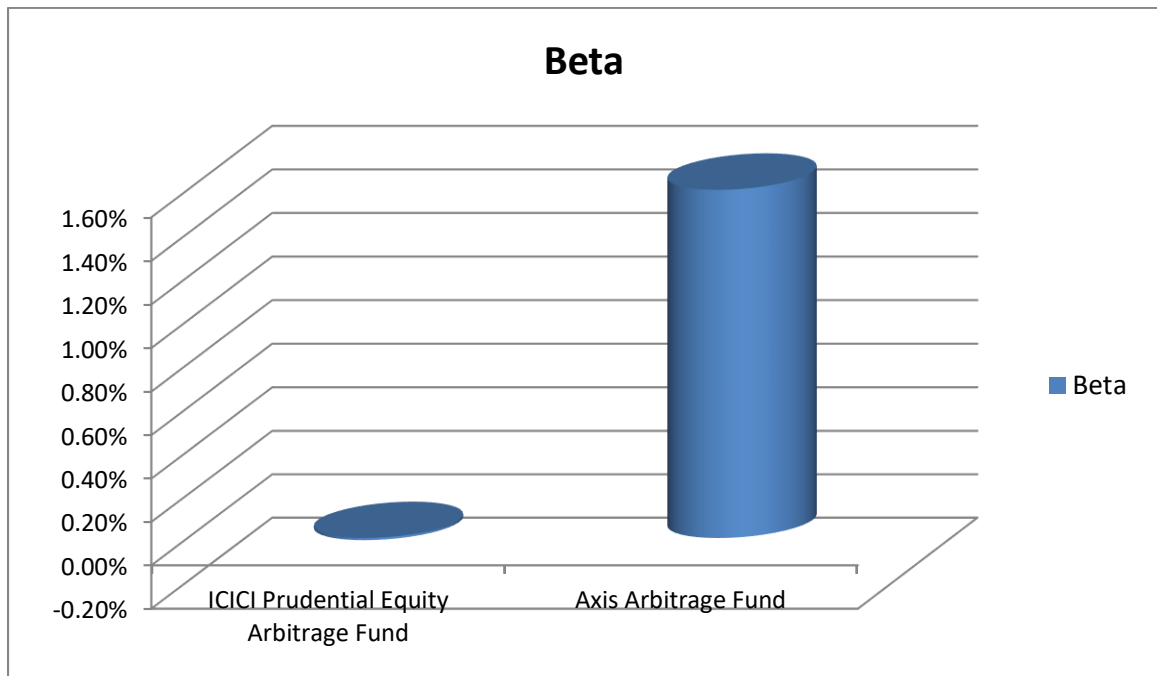


Figure 2(c)

CONCLUSION

Mutual funds are a particularly successful investing strategy due to their low acquisition costs, tax benefits, profit diversification, and risk reduction. The study analysed several equity mutual funds, debt mutual funds, balanced mutual funds, mid cap funds, small cap funds, and multi cap funds offered by the ICICI Prudential Fund and Axis Fund Asset Management Company. The overview of the results is presented using various tables and graphics. There are an endless number of mutual fund schemes available to general investors in India, making it challenging for them to select the best one. This study provides some insight into the performance of mutual funds to help average investors make sensible investment decisions and allocate their income to the proper mutual fund scheme. The data acquired for the study consisted of annual returns, financial ratios, and beta of mutual fund schemes offered by ICICI Prudential Fund and Axis Blue Chip Fund.

In this article, the five-year performance of equities and debt mutual funds is studied. Using annual returns for the first, third, and fifth years, we can identify which strategy produces returns. Sharpe, Treynor, and Jensen's alpha ratio measures were used to evaluate the performance of the selected schemes, and the results will aid investors in making wiser investment decisions. The study's conclusions state that Management Company has proven its ability to surpass the benchmark return on two different kinds of assets. Not every fund has experienced value growth. The results of the plans vary, according to the study described above.

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