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Comparative study on selected Mutual Funds in India

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Abstract: A comparative study of selected mutual funds typically involves analyzing the performance and characteristics of various mutual funds to determine which funds provide the best returns and meet the investor's requirements. The study may involve comparing factors such as standard deviation, beta, sharp ratio, and Jenson Alpha. This research work aims to compare the debt funds of Housing Development Finance Corporation Limited (HDFC) asset Management Company and Kotak Mahindra Asset Management Company Limited. The data collected in the research paper were for a period of last five years. By conducting such a study, investors can make informed investment decisions and select mutual funds that best align with their investment goals and risk appetite.

Keywords:- Mutual funds, debt funds, standard deviation, beta, sharp ratio, and Jenson Alpha

I. INTRODUCTION

Mutual funds were introduced in India in 1963, but it was not until the early 1990s that they gained popularity as an investment option. The Securities and Exchange Board of India (SEBI) was established in 1992, and it played a crucial role in the growth of mutual funds in the country by regulating the industry and promoting transparency and investor protection. The first mutual fund to be set up in India was the Unit Trust of India (UTI), which was established in 1964 by the Government of India. UTI was initially the only mutual fund in the country and held a monopoly until the early 1990s.In 1987, the first non-UTI mutual fund, the SBI Mutual Fund, was set up by the State Bank of India. Over the next few years, other public sector banks and financial institutions established their own mutual funds. With the economic liberalization policies of the early 1990s, the Indian economy opened up to foreign investment and saw a surge in foreign capital inflows. This led to the entry of several private sector mutual funds, including joint ventures with foreign asset management companies. Today, there are over 40 mutual fund companies operating in India, offering a range of products to suit the needs of different investors. The mutual fund industry has grown significantly over the years and has become an important avenue for retail investors to invest in the capital markets.

II. OBJECTIVES OF STUDY

- To research the different plans offered by Kotak Mutual Fund and HDFC Mutual Fund
- To compare the performance of many schemes in order to determine which is the best one for investors.

III. SCOPE OF STUDY

The scope of a comparative study of selected mutual funds would be to analyze and compare various mutual funds based on their performance, risk, investment strategy, management, and other factors, to provide insights for investors to make informed investment decisions.

IV. LITERATURE REVIEW

Comparative Analysis of Mutual Funds Schemes -A Study on Top 5 Midcap Equity Funds (gupta 2022)
The research is conducted on 5 midcap equity funds, which are mid-sized funds. The five-year data is used to compare the analysis of five midcap equity funds. The comparison is made using the returns of five midcap equity funds, the beta of five midcap equity funds, the Sharpe ratio of five midcap equity funds, and finally the Treynor's ratio of five midcap equity funds. According to the study, the Sharpe ratio and beta are the best measurements.

A Comparative Analysis on Various Mutual Fund Schemes of HDFC and SBI as an Investment Option for Retail Investors in India. (Anand 2017)
Using various statistical tools and parameters, this study aims to understand and evaluate the investment performance of selected mutual funds in terms of risk and return. The research was limited to the various mutual fund schemes offered by SBI and HDFC, as well as the investment options and returns available to Indian investors.

Comparative study on selected mutual funds (sudha 2020)

The title of this study is "Comparative Study on Selected Mutual Funds." The study's primary goal is to assess the performance of equity funds, liquid funds, balanced funds, gilt funds, income funds, and index funds. The NSE, BSE, and money control provide the data. The study's main tools are the simple average method, the simple standard deviation method, the simple comparative method, and the simple ranking method. According to the analysis, SBI Magnum Blue Chip equity fund ranked first in average return, followed by Birla G-Sec Glit fund, and LIC Normura MF Index Fund ranked last in average return. In terms of standard deviation, HDFC Top 200 equity fund ranked first, while Overnight fund ranked last. This study suggests to invest in fund which performs well in the financial market.

A Comparative Study on Mutual Fund Schemes of Selected AMC's in India (magdum 2019)
This paper makes an attempt to analyses equity-based mutual fund schemes. Between January 2013 and September 2018, a total of 21 schemes offered by two public sector companies and two private sector companies were investigated (5 years). The Capital Asset Pricing Model and a risk-return relationship were used in the analysis (CAPM). CAPM is a tool that is used to compare the returns of various mutual fund schemes. According to the analysis, private sector (ABSL & ICICI) mutual fund schemes are moderately risky and more rewarding than public sector (SBI & UTI) ones.

A Comparative Study of Various Returns on Mutual Funds in India (chauchan 2021)
This paper is based on a study of mutual fund schemes that compares Reliance Mutual Fund to a variety of other mutual fund schemes. Comparing mutual fund schemes based on their NAV R-squared, dependent, independent variable, Cohen's F square, regression analysis, and analysis of variance are used in the comparison. It determines which of the two mutual funds the dependent variable is and which the independent variable is.

V. Research Methodology

Research Design:-
The mutual fund schemes of the two companies have been classified and chosen in order to assess their performance and relative risk. The study's scope is primarily focused on the various categories of mutual funds and sector specific funds offered by the two asset management companies, HDFC Asset Management Company Ltd. and Kotak Mutual Funds Ltd.

Sources of Data:-
Data sources are often quantitative in nature.

Data Collection Method:-
The data was gathered using research-based online portals, published mutual fund material, and the official websites of HDFC Mutual Fund and Kotak Mutual Fund.

Population:-
The population is Mutual Funds in India.

Sampling Method:-
The type of secondary data used in the HDFC and Kotak Bank studies. The private sector banks are the focus of the study. The sample needed for the study was chosen using a random sampling technique from a list of funds offered by the two asset management firms.

Sampling Frame:-
The sampling frame for this study is HDFC Mutual Funds and Kotak Mutual Funds.

Sample size:-
The sample size consists equity mutual fund schemes, four debt mutual fund schemes, and two balanced mutual fund schemes.

Tools and Techniques used:-
Standard deviation, Sharpe ratio, Beta R-squared, and Alpha are the statistical tools and techniques implemented.

VI. Data Analysis and Interpretation

6.1 Comparing HDFC Banking and PSU debt funds vs. Kotak Banking and PSU debt funds.

Table (6.1.1) Returns

	HDFC banking and PSU debt funds	Kotak banking and PSU debt funds
3 months	1.6%	1.5%
6 months	2.87%	2.98%
1 years	4.35%	4.36%
3 years	6.05%	6.11%
5 years	7.23%	7.47%

Chart (6.1.1) Returns

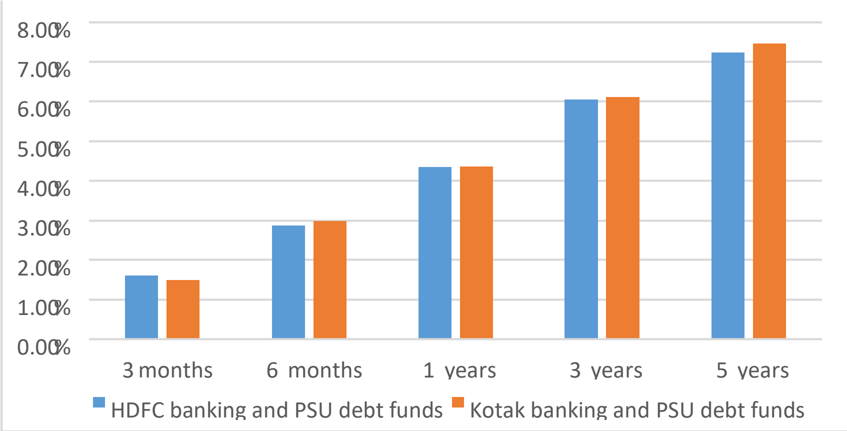
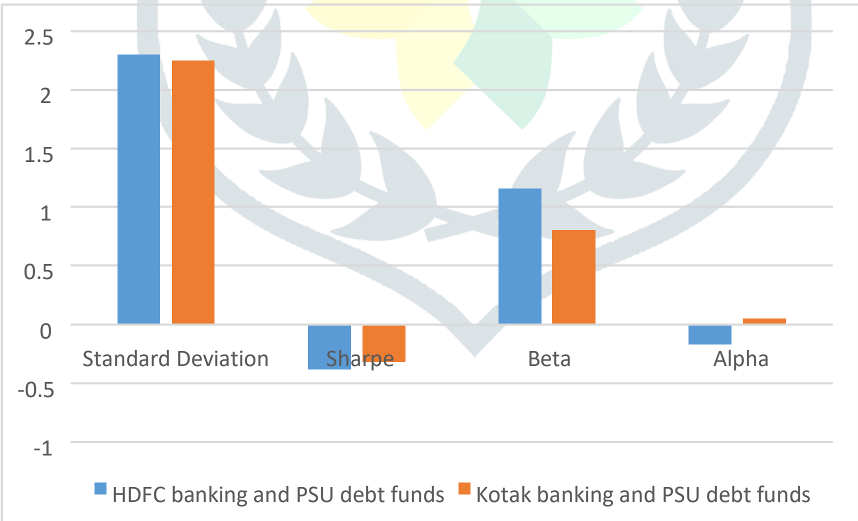


Table (6.1.2)- Risk Measure

	HDFC banking and PSU debt funds	Kotak banking and PSU debt funds
Standard Deviation	2.3	2.25
Sharpe	-0.38	-0.32
Beta	1.16	0.8
Alpha	-0.17	0.05

Chart (6.1.2) Risk measure



Banking and public sector debt funds are debt funds that only lend to banks and government agencies. The risk of default is very low because the borrowers are of high quality. They are, however, impacted when interest rates in the economy rise. This proves that both schemes have provided positive returns over the last five years while avoiding negative returns because all money market instruments are debt funds that pay interest on their investments and are less volatile in nature. The standard deviation for both high volatility schemes. The Sharpe ratio indicates that an investor would be better off wanting to invest in riskless assets. Kotak banking and PSU debt funds have a lower beta value of 0.8 than HDFC banking and PSU debt funds, implying that lower beta value will outperform higher beta value in a bear market. Alpha has generated higher risk-adjusted returns.

6.2 Comparing HDFC Corporate Bond Fund Direct Plan-Growth & Kotak Corporate Bond Fund Direct-Growth

Table (6.2.1) Returns

	HDFC Corporate Bond Fund Direct Plan - Growth	Kotak Corporate Bond Fund Direct - Growth
3 months	1.65%	1.5%
6 months	3.00%	2.8%
1 year	4.17%	4.27%
3 year	6.35%	5.81%
5 year	7.39%	7.12%

Chart (6.2.1) Returns

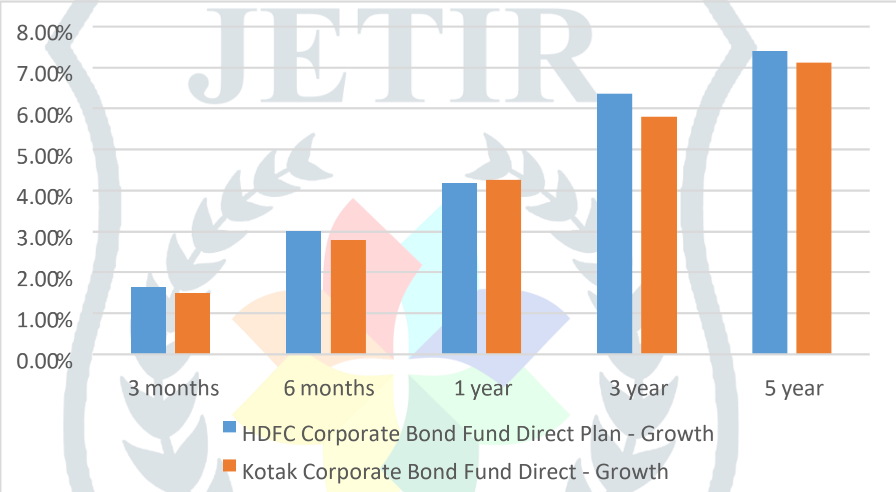
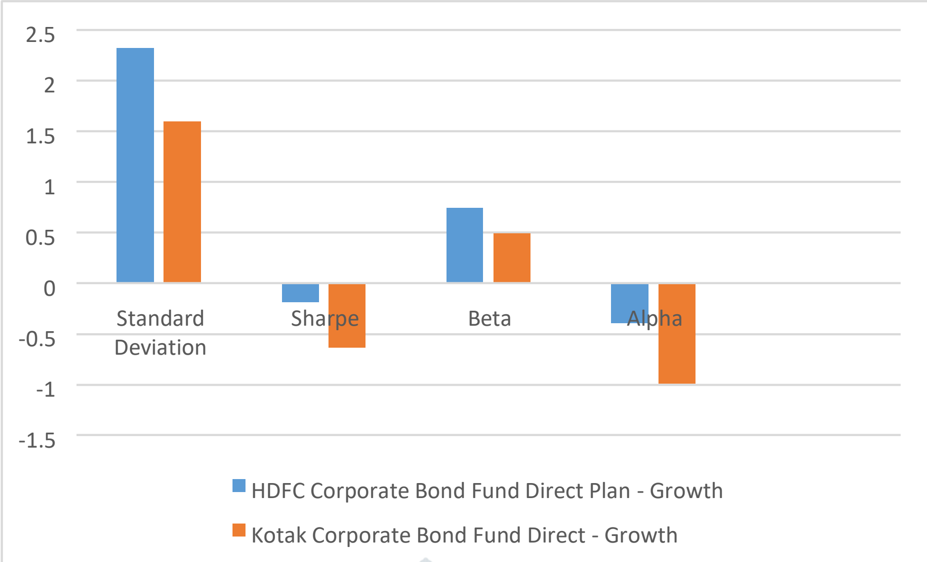


Table (6.2.2) Risk Measure

	HDFC Corporate Bond Fund Direct Plan - Growth	Kotak Corporate Bond Fund Direct - Growth
Standard Deviation	2.32	1.59
Sharpe	-0.19	-0.64
Beta	0.74	0.49
Alpha	-0.39	-0.99

Chart (6.2.2) Risk Measure



Both the HDFC Corporate Bond Fund Direct Plan-Growth and the Kotak Corporate Bond Fund Direct-Growth mutual funds invest primarily in corporate bonds issued by companies. Corporate bond funds, such as the HDFC Corporate Bond Fund and the Kotak Corporate Bond Fund, are considered lower risk than equity funds, but they also have lower potential returns.
Each fund's specific risk and return profile will be determined by a variety of factors, including the credit quality and diversification of the bonds held in their portfolios. The HDFC corporate bond fund direct plan - growth has the highest standard deviation, indicating that it is considerably riskier than the kotak corporate bond fund direct plan - growth. The Sharpe ratio of kotak corporate bond fund direct - growth is lower than that of HDFC corporate bond fund direct plan – growth. The lower beta of the kotak corporate bond fund direct - growth indicates that it will perform better. The risk-adjusted return of HDFC corporate bond fund direct plan - growth has been higher.

6.3 Comparing HDFC Flexi Cap Funds & Kotak Flexi Cap Fund

Table (6.3.1) Returns

	HDFC Flexi Cap Funds	Kotak Flexi Cap Fund
3 months	-0.46%	-2.77%
6 months	7.64%	3.21%
1 year	11.51%	1.17%
3 year	21.99%	14.07%
5 year	11.92%	10.5%

Chart (6.3.1) Returns

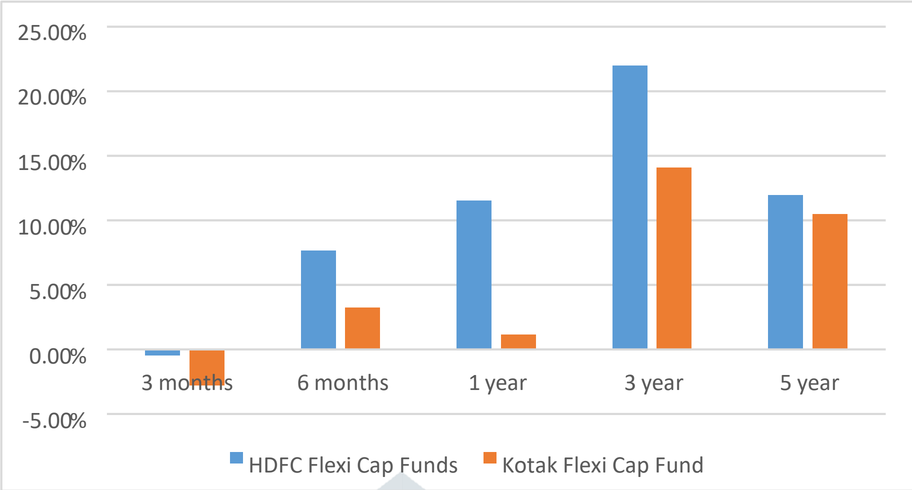
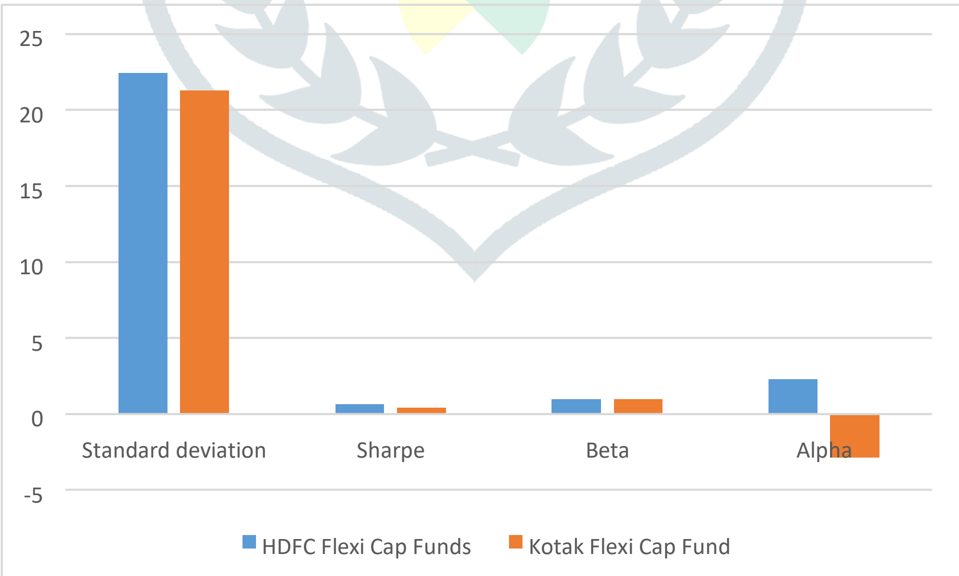


Table (6.3.2) Risk measure

	HDFC Flexi Cap Funds	Kotak Flexi Cap Fund
Standard deviation	22.44	21.24
Sharpe	0.62	0.41
Beta	0.99	0.97
Alpha	2.3	-2.85

Chart (6.3.2) Risk measure



Both funds seek long-term capital appreciation by investing in a combination of equity and debt securities. Both funds have historically exceeded, but past performance is no guarantee of future results before investing, investors should evaluate their current portfolio and market conditions. Both funds are equity-oriented and carry a higher level of risk than debt funds.
However, they have the possibility to provide higher long-term returns. The standard deviation and beta for both schemes, HDFC flexi cap fund and kotak flexi cap fund, are high. The kotak flexi cap fund's Sharpe ratio and alpha ratio have a poor risk adjusted return, whereas the HDFC flexi cap fund's Sharpe ratio and alpha ratio have a better risk adjusted return.

VII. CONCLUSION

A comparative study of selected mutual funds using risk measures such as Sharpe ratio, beta, standard deviation, alpha, and returns can provide valuable insights to investors looking to make informed investment decisions. The Sharpe ratio, which measures risk-adjusted return, can be used to compare the excess return of a mutual fund over a risk-free rate to its volatility. A higher Sharpe ratio implies that the mutual fund has generated better returns for the amount of risk taken. Beta measures the sensitivity of a mutual fund's returns to changes in the market. A beta of 1 indicates that the fund's returns move in line with the market, while a beta greater than 1 implies that the fund's returns are more volatile than the market. Standard deviation measures the historical volatility of a mutual fund's returns. A lower standard deviation implies that the fund's returns have been less volatile over time. Alpha measures a mutual fund's risk-adjusted performance relative to its benchmark index. A positive alpha indicates that the fund has generated higher returns than its benchmark, while a negative alpha implies that the fund has underperformed its benchmark. Returns provide an overall measure of a mutual fund's performance over a given time period.

Based on a comparative study of mutual funds using these risk measures, investors can evaluate the historical performance, risk profile, and expense ratio of each fund to make informed investment decisions. Ultimately, the conclusion of the study should provide insights on the mutual funds that are likely to perform well given the investor's investment goals, time horizon, and risk tolerance.

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