



“A COMPREHENSIVE PROJECT REPORT ON “Financial Study of Investment in Mutual Funds”

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Abstract: A comparative study of the financial performance of the selected mutual funds specifically involves analysis of the performance of various mutual funds, their characteristics and to determine which funds provide the best returns with more or less risk and meet the investor's requirements and satisfying their investment goal. The study may involve comparing factors such as standard deviation, average, variance, beta, sharp ratio, and Jensen Alpha. This research work aims to compare the debt funds of Housing Development Finance Corporation Limited (HDFC) asset Management Company and State Bank of India 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 tolerance.

Keywords:- Mutual funds, debt funds, standard deviation, beta, sharp ratio, variance, average, risk, returns and Jensen Alpha

I. INTRODUCTION

A mutual fund is a **pool of money that is managed by a professional Fund Manager**. It is a medium or a channel that collects money from a number of investors who share a common investment objective and invests the same in equities, bonds, moneymarket instruments and/or other securities. The income earned through these investments and the capital appreciation realised is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the commonman as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively lowcost.

II. OBJECTIVES OF STUDY

1. To analyze and compare the performances of SBI and HDFC Mutual Fund with special reference to Equity and Flexi cap Mutual Funds and identify the best amongst them.
2. To understand the risk and return relationships foreach mutual fund scheme under consideration using different statistical measures.
3. To compare schemes return and risk with benchmark i.e. S&P BSE 100

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

(Maheshwari 2021) By comparing the two sectors i.e corporate and national sectors. It is observed that the more profitable sector is corporate sector than the national sector. This is the result of rapid development in the corporate sector, like rapid technology development, introduction of new schemes, the introduction of new benefits to the customers, etc. Also, digitalization has helped the

corporate sector to grow rapidly (Mohan and Prasad 2016). Hence, we can conclude that investing in the corporate sector can ensure more returns for the investments made. And by investing in mutual funds, one can get optimum returns with low risk Lalshah (2021).

Ratisgh & Shruti (2017) This study explains that investors can certainly get double-digit returns if they invest in large and midcap funds for a longer period. In the case of midcap funds, one can achieve higher returns with the apparent risk associated with it. In the case of small investors who are interested in funding in mutual funds to achieve high returns, they should hold a beneficial ratio of mutual cap funds of both large and mid-cap in a portfolio. A mix of each price range can create balanced and optimized profits and well-creation over a period.

Mital bhayani (2017) A paper defines the recent trends in Indian mutual fund industry. It is observed that mutual funds have become an important part in investment options. There are many changes in investment industry in India like huge pace of reinventions, changes in monetary and political policies of government. In the same line the study also identifies the major changes in mutual funds industry which can be chosen as an investment option.

Venkataraman and Venkatesan (2016) – studied in their study entitled “Evaluation of Growth of Mutual Funds and Exchange Traded Funds in India” compared the performance of different schemes of mutual fund companies on the basis of risk and return so as to analyze the funds benchmarked to their index and compare their performance to a common index and also to evaluate the investment performance of the mutual funds with respect to standard deviation, Sharpe’s ratio, Treynor’s ratio and Jensen’s alpha.

Srivastava S and Malhotra. S (2015) in an Article “A Paradigm Shift in Risk Measuring Tools of Mutual Fund Industry” from International Journal of Informative and Futuristic Research have mentioned that equity funds are performing better than debt funds. A strong linear relationship was found between risk and return. Fund managers can analyze the risk of selected funds. No fund is risk free and Investors should invest in equity and equity related instruments to diversify the risk.

Ashraf and Sharma (2014) studied his research report about the return earned by the sample mutual funds schemes and compare against the benchmark market returns and whether the degree of correlation exist between fund and market return or not. Study found out the mutual fund schemes offering the advantages of diversification, along with adequate systematic risk compared to market beta risk deviation, Sharpe’s ratio, Treynor’s ratio and Jensen’s alpha.

Ms. Dhanalakshmi K (2013) carried out a research on the topic, “A Comparative Analysis on Performance of SBI And HDFC Equity, Balanced And Gilt Mutual Fund” with a view to compare and analyze the performances of SBI and HDFC Mutual Funds which special reference to Equity, Gilt and Balanced Mutual Funds using Sharpe Ratio, Treynor Ratio and Jensen Ratio. The study covers only three years’ performance of the funds, i.e. from January 2010 to December 2012. She concluded that the funds fluctuated in their performance according to the market conditions i.e. the volatility in the market affected the returns of the schemes in the year 2010 and 2011, but the performance of the schemes revived better in the year 2012. Overall the study conducted revealed that investment in HDFC (Equity, Balanced, Gilt) mutual fund is better when compared to the SBI mutual funds over the specified time period.

Babasab Patil (2012) undertook a research on the topic, “The Analysis and Comparative Study of SBI and HDFC Mutual funds” wherein he applied various statistical techniques like Standard Deviation, Variance, Covariance and Correlation to evaluate the risks and returns of SBI Magnum Equity Fund-Growth and HDFC Equity Fund-Growth over the time period of 1 year (from 2nd Apr. 2007 to 31st Mar. 2008). He concluded that SBI Magnum Equity fund had higher risk and higher return when compared to HDFC Equity fund but when investor’s expectations are considered, the author believed that both the funds underperformed.

Mrinal Manish (2010) carried out a research on the topic, “Comparative analysis of Mutual Funds with special reference to SBI Mutual Funds” wherein he compared the 5 year performances of SBI Magnum Contra and SBI Magnum Equity with some selected Private Sector Mutual funds in order to ascertain the returns and risk offered by these funds. After considering all the statistical parameters, it was found that Magnum Contra was the best fund in the category.

Dr. Rajesh Manikraoji Naik and M R Senapathy (2013) conducted research on the topic, “A Comparative Study on The Performance of Mutual Funds SBI Mutual Funds V/S Others” wherein they compared the 1-year performance (from 2011-2012) of SBI Magnum Equity Mutual Fund with HDFC top 100 Mutual Fund on the basis of Standard Deviation, Sharpe ratio and Beta. Conclusively the authors said that, both HDFC Mutual Fund and SBI Mutual fund are good funds to invest in and there is only a marginal difference between them.

Dr. Vinay Kandpal and Prof. P. C. Kavidayal (2014) carried out a research on the topic, “A Comparative Study of Selected Public & Private Sector Equity Diversified Mutual Fund Schemes in India” wherein they also took HDFC Premier Multi Cap, HDFC Growth and HDFC Core and Satellite Mutual Funds under the category of Private Sector Mutual Funds, to compare with the 5 year (2008-2013) performances of selected Public Sector Mutual Funds on the basis of Standard Deviation, Beta, Jensen ratio, Sharpe ratio, Squared and P/E ratio. The authors found that HDF Premier Multi Cap and HDFC Core and Satellite Mutual Funds have a beta greater than 1 indicating higher risk and hence can be considered by the investors while investing. It was also found that HDFC Growth Fund is the best scheme among its peers as it has the maximum Sharpe ratio and it also ranked second as per Treynor Ratio. On the basis of this, the authors concluded that the Private sector mutual fund schemes performed better than the public sector mutual fund schemes in the specified time period.

Methodology:

The study is generally exploratory in nature, as it studies the performances of two mutual fund schemes based on the performance measures.

Sources of Data:-

Data sources are 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 SBI Mutual Fund.

Population:-

The population is Mutual Funds in India.

Sampling Method:-

The type of secondary data used in the HDFC and SBI Mutual Fund studies. The private sector and public 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 SBI Mutual Funds.

Sample size:-

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

Methods of performance measure/ratio;

Methods of performance used are Treynor measure/ratio, Sharpe measure/ratio, Jensen measure/ratio.

VI. Data Analysis and Interpretation**6.1 Comparing HDFC Hybrid Equity Fund and vs. SBI Equity Hybrid funds.**

Table (6.1.1) Returns

	HDFC Hybrid Equity Fund	SBI Equity Hybrid funds
3 months	0.08%	-4.84%
6 months	4.44%	-2.19%
1 years	9.09%	3.94%
3 years	16.2%	10.89%
5 years	11.54%	10.51%

Chart (6.1.1) Returns

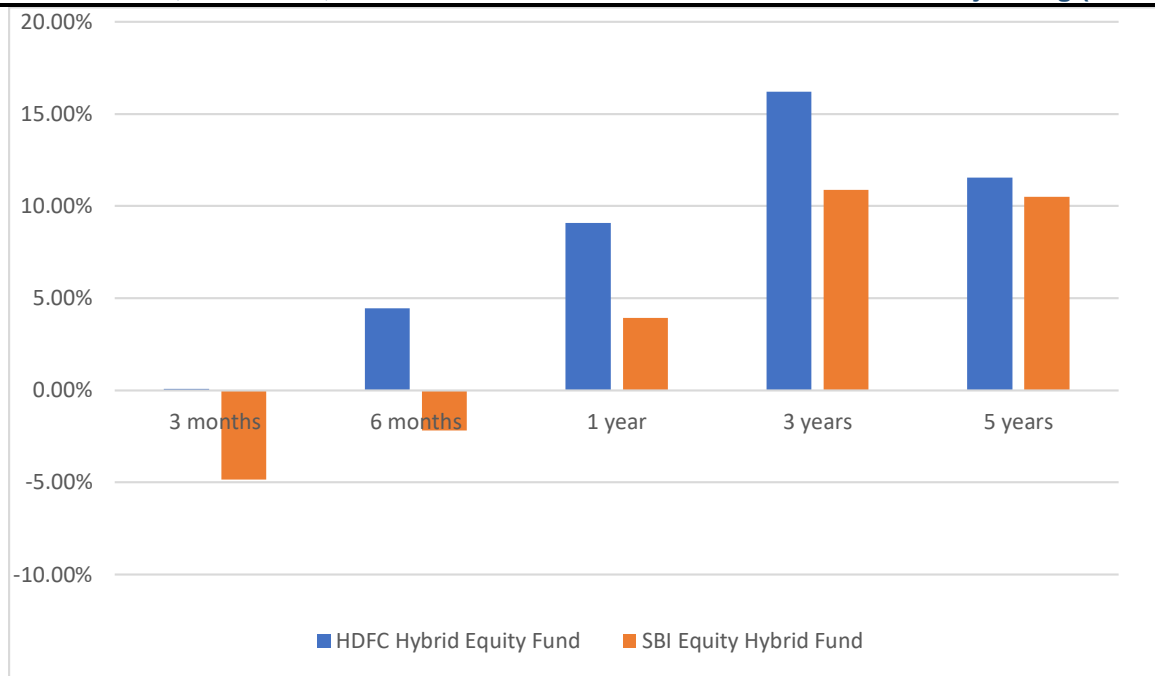
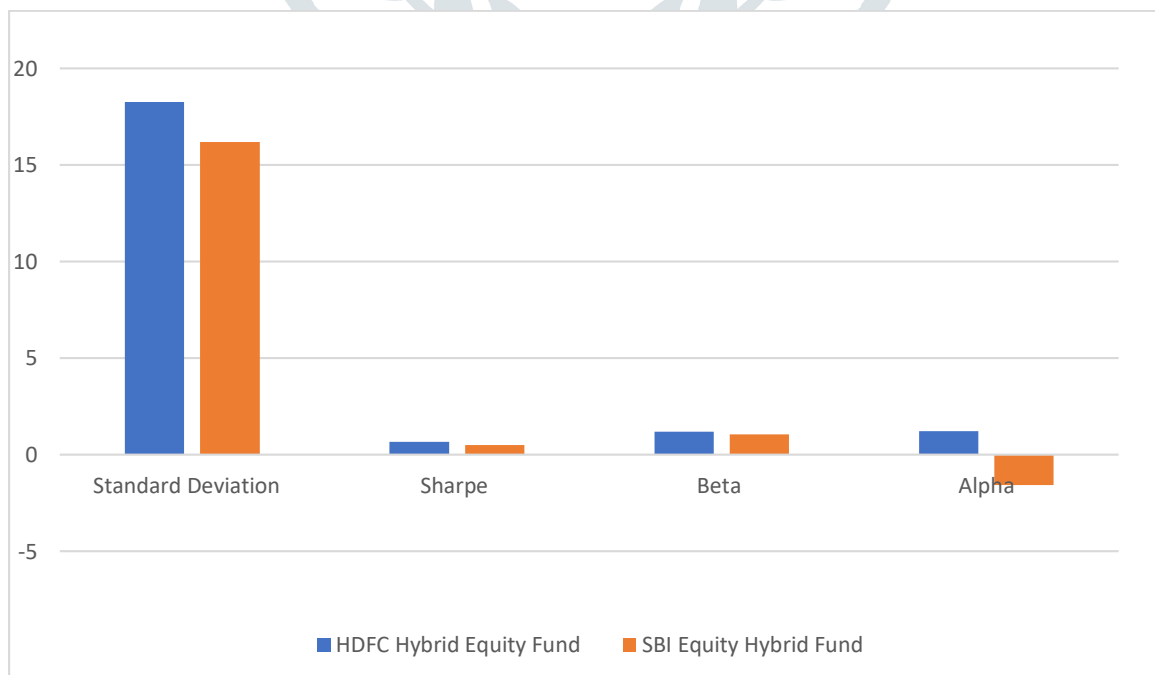


Table (6.1.2)- Risk Measure

	HDFC Hybrid Equity Fund	SBI Equity Hybrid Fund
Standard Deviation	18.27	16.2
Sharpe	0.67	0.51
Beta	1.19	1.06
Alpha	1.21	-1.58

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 Banking and PSU Fund Regular Plan - Growth	SBI Banking and PSU Fund Regular Plan- Growth
3 months	1.19%	1.07%
6 months	2.37%	2.26%
1 year	3.56%	2.92%
3 years	5.32%	4.69%
5 years	6.81%	6.47%

Chart (6.2.1) Returns

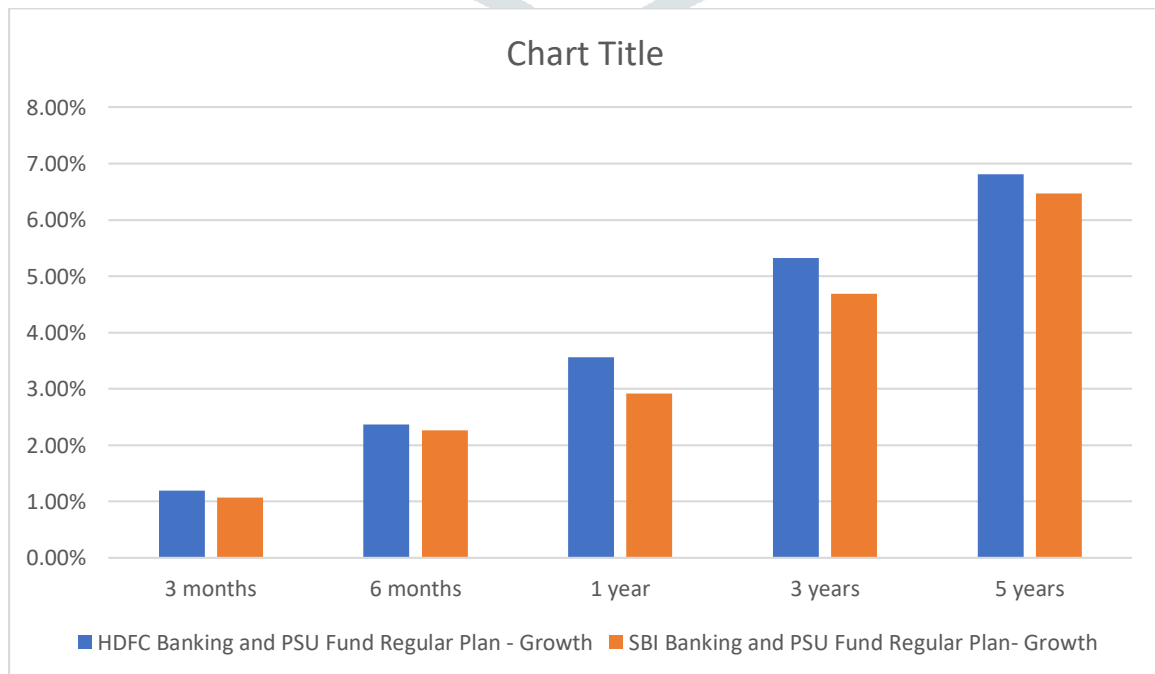
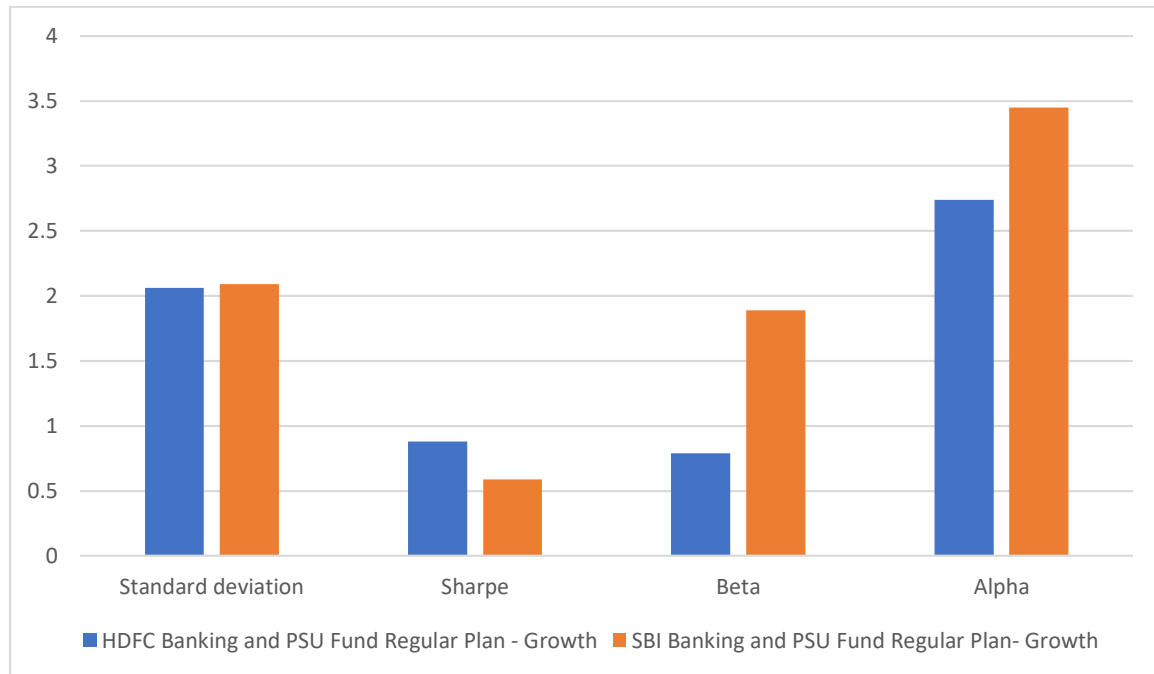


Table (6.2.2) Risk Measure

	HDFC Banking and PSU Fund Regular Plan - Growth	SBI Banking and PSU Fund Regular Plan- Growth
Standard Deviation	2.06	2.09
Sharpe	0.88	0.59
Beta	0.79	1.89
Alpha	2.74	3.45

Chart (6.2.2) Risk Measure



Both the HDFC Banking and PSU Fund Regular Plan - Growth and SBI Banking and PSU Fund Regular Plan- Growth mutual funds invest primarily in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. Investing in banking and PSU funds, such as in HDFC Banking and PSU Fund and the SBI Banking and PSU Fund, are considered less risky 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 funds held in their portfolios. The HDFC Banking and PSU fund regular plan - growth has the lower standard deviation, indicating that it is considerably less riskier than the SBI Banking and PSU fund regular plan - growth. The Sharpe ratio of SBI Banking and PSU fund regular plan - growth is lower than that of HDFC Banking and PSU fund regular plan – growth. The lower beta of the HDFC Banking and PSU fund regular plan - growth indicates that it will perform better. The risk-adjusted return of HDFC Banking and PSU fund regular plan - growth has been higher.

6.3 Comparing HDFC Flexi Cap Funds & SBI Flexi Cap Funds

Table (6.3.1) Annualised Returns

	HDFC Flexi Cap Funds	SBI Flexi Cap Funds
3 months	-5.16%	-5.80%
6 months	3.35%	-2.37%
1 year	16.07%	1.09%
3 year	22.78%	14.58%
5 year	12.62%	9.58%

Chart (6.3.1) Returns

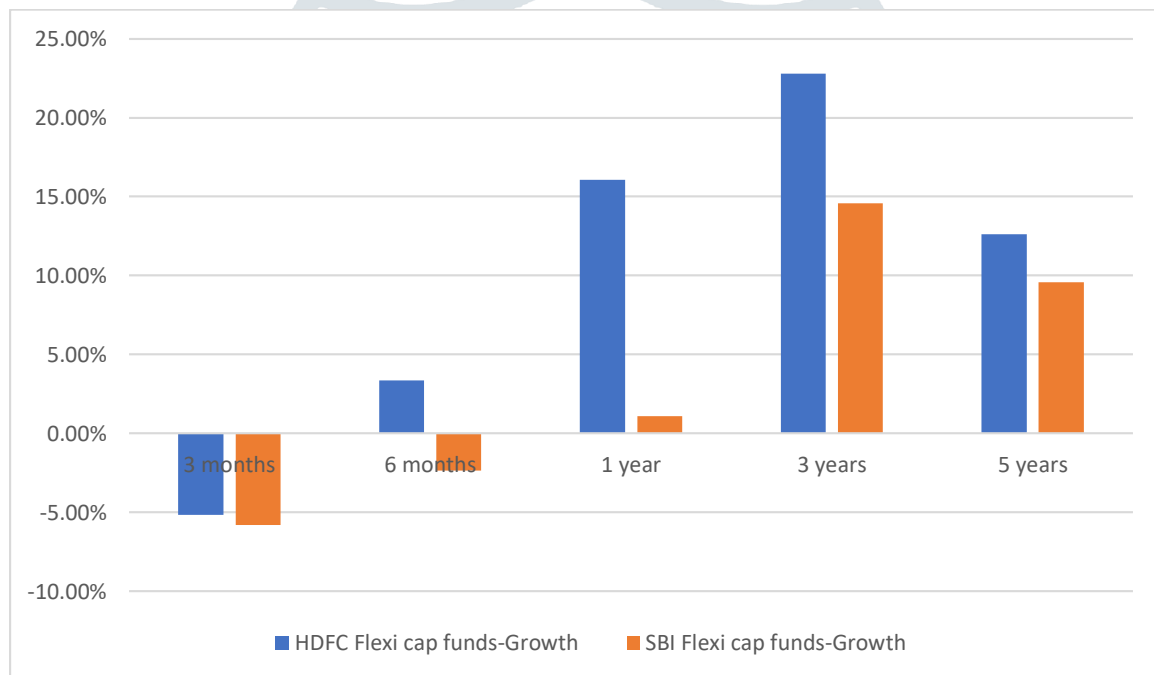
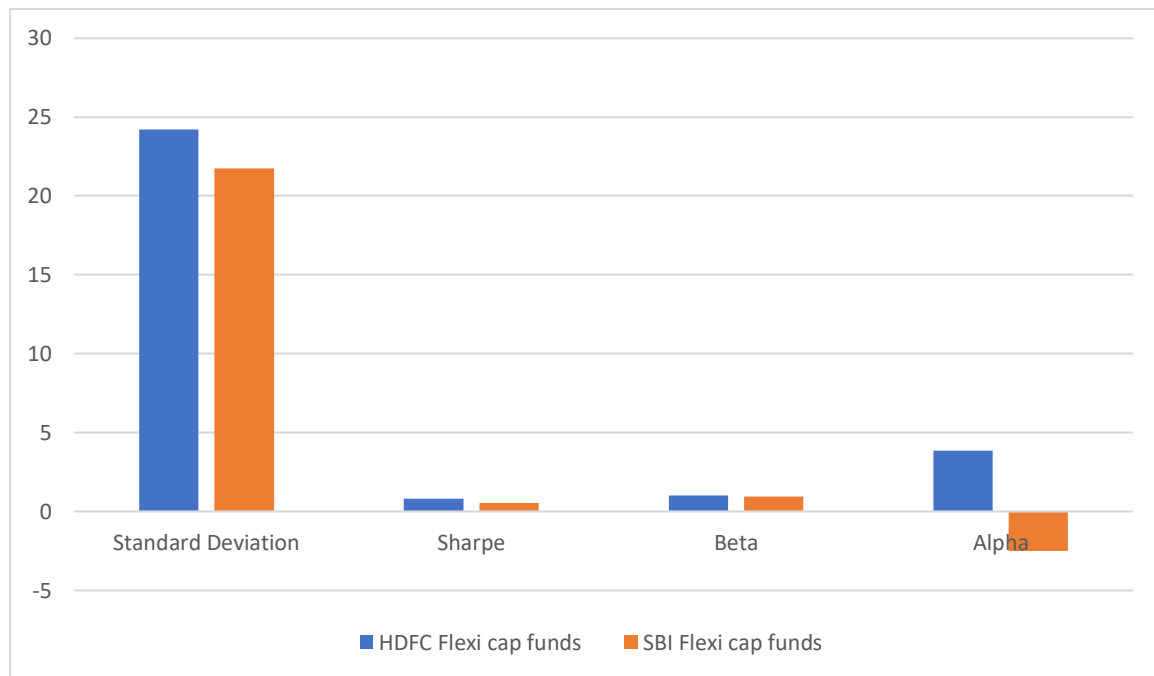


Table (6.3.2) Risk measure

	HDFC Flexi Cap Funds	SBI Flexi Cap Funds
Standard deviation	24.20	21.74
Sharpe	0.81	0.56
Beta	1.02	0.95
Alpha	3.86	-2.50

Chart (6.3.2) Risk measure



Both funds seek long-term capital appreciation by investing in a combination of equity and debt securities. HDFC Flexi cap 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 SBI flexi cap fund, are high. The SBI 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 schemes using risk measures such as Sharpe ratio, beta, standard deviation, alpha, and returns can provide valuable knowledge and insights to investors looking to make analysed and 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 and it's a very useful tool for investor as far as the historic performance of mutual fund is concerned. Based on a comparative study of mutual funds using these risk measures, investors can evaluate the performance, risk profile, and expense ratio of each fund to make informed investment decisions. Ultimately, the conclusion of the study is to provide valuable and informed insights on the mutual funds that are performing and likely to perform well given the investor's investment goals, time horizon, and risk appetite.

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