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INVESTMENT EVALUATION OF SELECTED MUTUAL FUND WITH SIP AND NIFTY INDEX- AN EMPIRICAL STUDY.

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ABSTRACT

Interment is a every individuals necessity because of inflation and time value of money as the time decay will reduce the buying power of an individual, Out of diverse choice of investment avenues at present, the mutual fund is the most reliable and suitable investment vehicle for most common man as it offers an opportunity to invest in a diversified assets yet it is proficiently managed my portfolio managers and at a comparatively low in transaction cost. The intention of this study is to investigate the mean return of selected Mid and Large cap equity mutual fund, SIP mutual fund and nifty index This paper uses the data set of 13 Mid and large cap equity mutual funds

The study has shown that mean returns of Mid and large cap regular equity mutual fund overshadow nifty index returns. SIP returns falls somewhere between regular equity mutual funds and nifty index returns. From the multiple comparison tables we came know that, there are no significant differences between nifty index return and regular mutual fund return in addition to nifty index return and SIP return respectively.

Key words: Investment, Evaluation, SIP, Large Cap, Mid cap, Mutual Fund.

Introduction

A Mutual Fund is a pooling the savings of a large number of investors who share a common financial goal even though the time horizon for the need of return may be different. The money thus accumulated shall be employed or invested by the specialized fund manager in different category of securities and assets depending upon the purpose of the scheme which is built on. These investment avenues will be ranging from equity to debt class of assets, it will also be deployed to money market instruments as well.

Investors, in return are entitled to receive allotted shares in the fund known as 'Units' which will equivalent to the sum invested. The return generated through these investments and the capital appreciation by the mutual fund scheme are distributed to its unit holders in proportion to the number of units owned by each investor at pro – rata basis in the fund's NAV.

Thus, all the portfolios across the investment will have the mutual fund as its one of the assets class, as it is one of the most suitable, low risk investment common man as ever known, as it offers an chance to invest in a spread In different assets class, professionally and efficiently managed by portfolio managers at a relatively low transaction cost.

Review of Literature

Recent study of World Bank data shows that saving is at 29 percent of total GDP in 2015. Well regulated financial institutions would help in channelizing these funds to the financial markets. Less than 15 percent of the total industry resources were funded by equity [11]. The long-run performance of equity investments is fundamentally linked to growth in earnings [4]. The flow of funds to equity depends on the perception of risk and return of the investor. As per the survey most important factor considered by the investor is return followed by liquidity [9]. Individuals perceive that investment in stock market is very risky that As per Live Mint report, less than7 percent of the workforce and less than 5 percent of the population are stock market investors. [16] In another survey, the most preferred investment avenue is Bank deposit followed by gold **[10]**. It can be easily inferred that investor would like to have the high return but is ready to take low risk. Post tax returns comparison carried out by Time of India shows cumulative average growth rate for ten years is highest for equity with 17 percent followed by property and gold with 13.4

and 12.9 percent respectively. Since then financial deregulation has taken place and many financial institutions including Indian and foreign banks have introduced mutual fund schemes. The mutual fund industry has since grown due to orderly development of capital markets due to adequate protection from SEBI [13]. To design mutual fund schemes and develop a policy household survey was conducted to for identifying investor preference for investment [7].

Mutual funds offer benefits such as liquidity, safely and reasonably assured industry appreciation [2]. A study where performance of mutual funds was compared to BSE Sensex and it was found that mutual funds gave satisfactory return as compared to bench mark index – Sensex [5]. Another study where comparison between performance of tax planning schemes and market benchmarks shows that such funds have not out performed market index [12]. UTI, LIC and SBI Mutual Funds are there in capital market for many years and have declared dividend ranging from 11 percent to 16 percent [3]. Mutual funds also help investor to select a portfolio best suited for his needs. Open ended mutual funds are popular due to the liquidity benefit offered by them [8]. Besides providing liquidity to unit holders, mutual funds increased marketability of shares [6].

Research Methodology

The study is fundamentally analytical in nature and focuses on the comparison of the returns between large cap and mid cap mutual fund schemes, SIPs and NIFTY INDEX return.

In order to meet the objectives of the study, data has been collected from the secondary sources. For the purpose of the analysis, data has been sourced from Gegojit insights, websites of select mutual fund companies, value research online, and NSE India. The study covers a period of 10 years starting from 2007-08 to 2015-16.

The data has been collected from the top performing 13 large cap equity funds schemes and 13 mid cap equity funds schemes listed according to the positions they hold in the quartile ranking for the month of June 2017. The fund schemes taken for the study are –

Table 1 – List of Large cap and mid cap equity funds

Large Cap Equity	Mid Cap Equity
SBI Blue Chip Fund-Growth	L&T Midcap Fund Regular Growth
Birla Sun Life Frontline equity Fund-Growth	Kotak Emerging Equity Scheme - Growth
ICICI Prudential Focused Blue Chip Equity Fund-Ret- Growth	HDFC Mid-Cap Opportunities Fund-Growth
Templeton India Growth Fund	Canara Robeco Emerging Equities Fund -Growth
Reliance Top 200 Fund-Growth	SBI Magnum Midcap Fund-Growth
Birla Sun Life Top 100 Fund - Growth	Kotak Midcap Scheme - Growth
ICICI Prudential Top 100fund-Reg Growth	Sundaram Select Midcap Growth
DHFL Prameric Large Cap Fund Growth	BNP Paribas Mid Cap Fund-Growth
UTI Top 100 Fund Growth	Birla Sun Life Midcap Fund-Growth
UTI Equity Fund-Growth	Tata Midcap Growth Fund
BNP Paribas Equity Fund-Growth	Franklin India Smaller Companies Fund-Growth
Kotak 50-Growth	DSPBR Micro Cap Fund-Growth
Frankline India Blue chip Fund-Growth-	Franklin India Prima Fund-Growth

This study makes use of IBM SPSS 20.0 for both its descriptive and quantitative analysis. The mean, maximum, minimum and standard deviation is used in the descriptive portion of the analyses to determine the mean return and standard deviation (risk) of each fund for different time period. For testing hypotheses Analysis of Variance is used to determine the mean difference among the returns of regular equity mutual funds, SIPs and NIFTY INDEX returns.

Objectives

1. To study the mean return performance of Mid and large cap regular equity mutual fund.
2. To study the mean return performance of SIP mutual fund and nifty index

Statement of hypothesis

H_0: All the means return are same

H_1: Two or more means are different from the others

Analysis and Discussion of the study

Table 2 shows the descriptive statistics of the returns of large cap mutual funds, SIP and NIFTY INDEX returns. For the purpose of comparison, 1 year, 3 year and 5 year returns are calculated.

Table 2 - Descriptive Statistics

Large cap Equity		Regular MF Investment Return			SIP MF Investment Return			Nifty index Return		
		1 Year	3 Year	5 Year	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year
No. of Observation		13	13	13	13	13	13			
Mean return of Large cap MF		21.5	14.1	18.5	18.1	13.5	16.9	17.6	11.9	19.4
Standard Deviation of Return		3.8	1.2	1.3	4.6	1.1	1.5	20.6*	22.5*	10.4*
Minimum		17.1	11.9	16.2	9.1	10.0	15.4			
Maximum		31.1	17.0	21.4	25.4	17.4	19.6			
Difference in mean return	RMF				-3.61	-0.53	-1.40	-4.0	-2.1	0.80
	SIP	3.6	0.6	1.6				-0.42	-1.8	2.40
	Nifty index	4.0	2.1	-0.90	0.46	1.18	-2.60			
* standard deviation of daily return										

From the above table it can be seen that amongst all the mean returns of large cap mutual fund, SIP and nifty index, it is highest at 21.5% for 1-year regular mutual fund return and it is least at 11.9% for 3-year nifty index return. If standard deviation (risk) is compared between mutual fund and SIP, it is highest for 1-year SIP at 4.6 and least for 5-year mutual fund at 1.1. In case of nifty index risk is highest at 22.5 for 3 years returns. Risk is least for 5 years nifty index returns at 10.4. When we compare the difference in mean return between mutual fund and SIP, the return from SIP is negative for 1, 3 and 5 years. The difference in mean return is positive and maximum at 3.6 for 1-year return. The comparison between mutual fund and nifty index shows that the returns of nifty index are negative for 1 and 3 years, whereas it is positive for 5 years. Again, the difference in mean return is positive and maximum at 4.0 for 1-year mutual fund return. The comparison of difference in the mean return of SIP and nifty index shows that the return on nifty index is negative for 1 and 3 years, where as it is positive and maximum for 5 years at 2.60.

Table 3 shows the descriptive statistics of the returns of mid cap mutual funds, SIP and NIFTY INDEX returns. For the purpose of comparison, 1 year, 3 years and 5 year returns are calculated.

Table 3 – Risk and Return Analysis

Midcap Equity		Regular MF Investment Return			SIP MF Investment Return			Nifty index Return		
		1 Year	3 Year	5 Year	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year
No. of Observation		13	13	13	13	13	13			
Mean return of Large cap MF		30.10	23.16	26.27	19.81	20.03	25.22	17.67	11.70	17.97
Standard Deviation of Return		5.16	3.05	2.60	3.86	3.18	4.57	20.17 *	23.24 *	10.35 *
Minimum		20.04	19.19	24.61	8.33	12.71	15.20			
Maximum		44.53	33.91	34.0	26.32	25.62	31.12			
Difference in mean return	RMF				-12.59	-4.74	-2.20	-13.83	-12.91	-8.99
	SIP	12.09	4.54	2.10				-1.25	-8.16	-6.80
	Nifty index	13.53	12.21	8.79	1.15	8.06	6.20			
* standard deviation of daily return										

From the above table it can be seen that amongst all the mean returns of mid cap mutual fund, SIP and nifty index, it is highest at 30.10% for 1-year regular mutual fund return and it is least at 11.70% for 3-year nifty index return. If standard deviation (risk) is compared between mutual fund and SIP, it is highest for 1-year mutual fund at 5.16 and least risky for 5-year mutual fund at 2.60. In case of nifty index risk is highest at 23.94 for 3 years returns. Risk is least for 5 years nifty index returns at 10.35. When we compare the difference in mean return between mutual fund and SIP, the return from SIP is negative for 1, 3 and 5 years. The difference in mean return is positive and maximum at 12.09 for 1-year return. The comparison between mutual fund return and nifty index return shows that the returns of nifty index are negative for 1, 3 and 5 years. Again, the difference in mean return is positive and maximum at 13.53 for 1-year mutual fund return. The comparison of difference in the mean return of SIP and nifty index shows that the return on nifty index is negative for 1, 3 and 5 years. It is positive and maximum for 3 years SIP returns at 8.06.

Table 4 - ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
RMFMC	Between Groups	4272464.096	4	1068116.024	1.164	.326
	Within Groups	54129064.239	59	917441.767		
	Total	58401528.335	63			
SIPMC	Between Groups	1297.151	4	324.288	24.312	.000
	Within Groups	800.323	60	13.339		
	Total	2097.474	64			

The table shows the output of the ANOVA analysis and whether there is a statistically significant difference between our group means of Nifty index return, SIP return and regular mutual fund return. We can see that between Nifty index return as factor and regular mutual fund as dependent variable the significance value is 0.326 (i.e., p = .336), which is above 0.05. However, between Nifty index return as factor and SIP mutual fund as dependent variable the significance value is 0.000 (i.e., $p = .000 < .05$). Therefore, we accept the null hypothesis that there is no significant difference in the mean return of Nifty index and regular mid cap mutual fund equity scheme. And we also conclude that there is a statistically significant difference in the mean return of Nifty index and mid cap SIP mutual fund.

Table 5 - ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
RMFL	Between Groups	12395.655	3	4131.885	6.529	.001
	Within Groups	38603.608	61	632.846		
	Total	50999.263	64			
SIPL	Between Groups	816.823	3	272.274	34.515	.000
	Within Groups	481.209	61	7.889		
	Total	1298.032	64			

The table shows the output of the ANOVA analysis and whether there is a statistically significant difference between our group means of Nifty index return, large cap equity SIP return and large cap equity regular mutual fund return. Between Nifty index return as factor and regular mutual fund large cap and SIP large cap as dependent variables the significance value is 0.001 and .000 which is below 0.05. (i.e., $p = .000 < .05$). Therefore, we reject the null hypothesis and conclude that there is a statistically significant difference in the mean return of Nifty index, SIP Large cap and regular large cap mutual fund equity scheme.

Table 6 - Multiple Comparisons

LSD

Dependent Variable	(I) NIFTY INDEX	(J) NIFTY INDEX	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
RMFL	Negative	Minimum	9.71824	8.62858	0.264	-7.5357	26.9722
		Average	-8.74824	8.62858	0.315	-26.0022	8.5057
		Maximum	-	9.07907		-47.231	-

			29.07626*		0.002		10.9215
SIPL	Negative	Average	20.32803*	9.07907	0.029	2.1733	38.4827
		Minimum	-0.45941	0.96337	0.635	-2.3858	1.467
		Maximum	-7.91765*	0.96337	0.000	-9.844	-5.9913

*. The mean difference is significant at the 0.05 level.

The **Multiple Comparisons** table which contains the results of the Tukey post hoc test. From the results so far, we know that there are statistically significant differences between the groups as a whole. We can see from the table above that there is a statistically significant difference in nifty index return and regular mutual fund return ($p = 0.002$), as well as between the SIP mutual fund return and nifty index return ($p = 0.029$, 0.000). However, there were no differences between the nifty index return and RMFL ($p = 0.315$) as well as Nifty index return and SIP mutual fund return (p=0.635).

Conclusion

This paper does a comparative study of the large cap and mid cap regular equity mutual fund, SIP and nifty index returns. The findings of the shows that mean returns of large cap regular equity mutual fund outweigh nifty index returns. The same thing holds good for mid cap funds as well. SIP returns lie somewhere between regular mutual funds and nifty index returns. The results are consistent with some of the previous literature where studies are conducted to find out the performance of mutual funds was compared to BSE Sensex and it was found that mutual funds gave satisfactory return as compared to bench mark index – Sensex [5]. From the hypothesis testing it can be concluded that there is a statistically significant difference in the mean return of Nifty index and mid cap SIP mutual fund. At the same time, it can also be concluded that there is a statistically significant difference in the mean return of Nifty index, SIP Large cap and regular large cap mutual fund equity scheme. From the multiple comparison table, it can be concluded that there are no differences between nifty index return and regular mutual fund return as well as nifty index return and SIP return. There is a scope for further research where in more number of mid cap and large cap funds can be included along with an extended period of study.

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