

To Evaluate the Performance of Selected Private Sector and Public Sector Mutual Fund schemes on the basis of NAV.

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1.1 Introduction:

The Indian economic system founded on four basic components like Financial Market, Financial Institutions, Financial Service, Financial Instruments. All are play fundamental position for gentle events for the handover of the money and distribution of the cash. The predominant resolution of the Indian monetary system is that providing the proficiently offerings to the capital market. The Indian capital market has been growing enormously in the course of the 2nd generation restructurings. The first iteration restructurings started in 1991 the notion of LPG. (Liberalization, privatization, Globalization).

Then after 1997 second generation restructurings was started, still the it's going on, its include restructurings of manufacturing asset, restructurings of monetary strategy, restructurings of ex- imp strategy, restructurings of public sector, restructurings of financial sector, restructurings of overseas investment through the institutional investors, restructurings banking sectors. The economic development model adopted by India in the post-independence era has been characterized by mixed economy with the public sector playing a dominating role and the activities in private manufacturing sector control measures emaciated form time to time. The last two decades have been a phenomenal extension in the geographical coverage and the financial spread of our economic system.

The spared of the banking system has been a major factor in promoting financial intermediation in the economy and in the growth of financial savings with progressive liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services industry including merchant banking, leasing and venture capital, leasing, hire purchasing. Consistent with the growth of financial sector

and second generation restructurings its need to execution of the financial sector. It's also need to providing the efficient service to the investor mostly if the investors are supply small amount, in that point of view the mutual fund play vital for better service to the small investors. The main vision for the analysis for this study is to scrutinize the performance of five star rated mutual funds, given the weight of risk, return, and assets under management, net assets value, book value and price earnings ratio.

1.2 Review of Literature

The performance evaluation of mutual funds has been a widely discussed and researched issue in the area of finance. Harry Markowitz was the inventor to stress the importance of portfolio, its construction and assessment. Sharpe, Treynor, Jensen and Fama who developed and perfected the methods and measures, were all his followers whose contributions are still being considered as path-breaking. These contributions opened up new areas for research particularly regarding the relationship between risk and return. It is normally considered that empirical evidence on mutual fund performance confirms the original version of the efficient market theory and that expenditure on research and analysis is wasted in such a market where prevailing stock prices contain the impact of all information. Taken as a whole, the results based on the empirical studies which analysed the performance of mutual funds were contradictory in the sense that some studies supported the efficient market theory while others were found to be inconsistent with that hypothesis. The performance evaluation of the mutual funds industry is relatively new which kick-started with the tools developed and introduced by Markowitz, Sharpe and others in the 1950s and 1960s. This opened the flood-gates for

numerous articles particularly in the Western countries, based mainly on the United States data. In India, the mutual fund industry, to begin with was exclusively in the hands of the public sector, which was represented by the Unit Trust of India (UTI). Only in the 1990s private players and other public sector participants were allowed to enter the industry. Hence, analysis of mutual fund performance is of recent origin in India. In this chapter some of the important research studies which analyzed the performance of mutual funds in India and abroad are reviewed.

1.3 Research Methodology:

1) Primary data: -

The primary data will be collected by direct interaction with Fund Manager & its Research team members, Relationship Manager, brokers, and Individual investor.

This aim to richness of data and deeper insight into the phenomena under study.

The main methods of collecting data are a combination of-

Interviews: - Interviews will be conducted of the Fund Manager & its research team

members, Relationship Manager, brokers and Individual investor.

Observation: - Throughout the research study changing dynamics of mutual funds will be observed diligently.

2) Secondary data: -

1) Mutual Funds Published reports (Factsheet). 2) Data published by AMFI, SEBI & other Govt. Publication.

3) Newspapers, Journals, magazines, articles, and books and the publisher and unpublished documents of the mutual funds will be considered in the research.

3) Sampling plan: - It is proposed to use Stratified sampling. Selected Schemes of various Private and Public sector Mutual funds will be chosen and their equity, debt, balanced, income, tax saving schemes (ELSS) schemes investment policy & performance will be analyzed. Following 10 (07 private sector and 03 public sector) mutual funds houses will be sample size & sampling unit will be 40 schemes. (12 public sector and 28 private sector mutual funds schemes.)

Public Sector	
Sr.No.	Name of Mutual Fund (AMC)
01	UTI Asset Management Company Ltd
02	SBI Funds Management Private Limited
03	LIC Nomura Mutual Fund Asset Management Company Limited

Private Sector	
Sr.No.	Name of Mutual Fund (AMC)
01	Tata Asset Management Limited
02	DSP Blackrock Investment Managers Private Limited
03	Franklin Templeton Asset Management (India) Private Limited
04	ICICI Prudential Asset Management Company Limited
05	Birla Sun Life Asset Management Company Limited
06	HDFC Asset Management Company Limited
07	SUNDARAM Asset Management Company Limited

1.4 Objectives:

- 1) To examine the role of mutual funds in promoting the economic development
- 2) To compare the performance of Mutual fund schemes of Public sector and Private Sector mutual funds in India on the basis of NAV.

1.5 Data Analysis and Interpretation:

Table No.1: Comparison based on the NAV of Private and Public Sector Mutual Fund Companies.

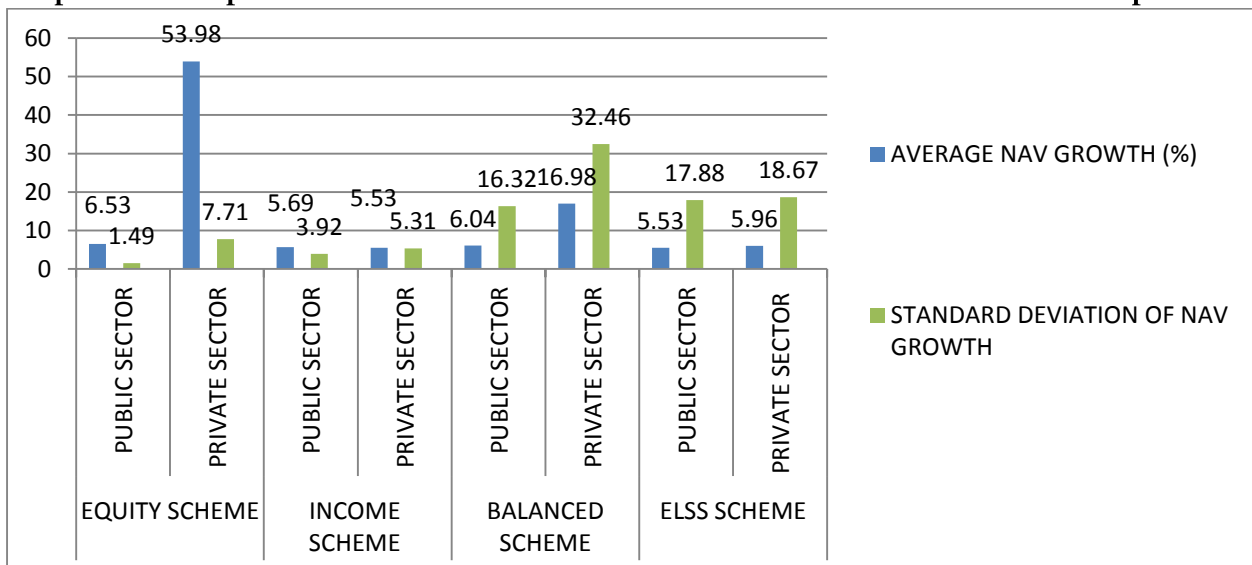
NAV OF PUBLIC AND PRIVATE EQUITY MF SCHEMES		
	PUBLIC SECTOR	PRIVATE
AVERAGE NAV GROWTH (%)	6.53	53.98
STANDARD DEVIATION OF NAV GROWTH	1.49	7.71

NAV OF PUBLIC AND PRIVATE INCOME MF SCHEMES		
	PUBLIC SECTOR	PRIVATE
AVERAGE NAV GROWTH (%)	5.69	5.53
STANDARD DEVIATION OF NAV GROWTH	3.92	5.31

NAV OF PUBLIC AND PRIVATE BALANCED MF SCHEMES		
	PUBLIC SECTOR	PRIVATE
AVERAGE NAV GROWTH (%)	6.04	16.98
STANDARD DEVIATION OF NAV GROWTH	16.32	32.46

NAV OF PUBLIC AND PRIVATE ELSS MF SCHEMES		
	PUBLIC SECTOR	PRIVATE
AVERAGE NAV GROWTH (%)	5.53	5.96
STANDARD DEVIATION OF NAV GROWTH	17.88	18.67

Graph No.1: Comparison based on the NAV of Private and Public Sector Mutual Fund Companies



Interpretation:

In the above Graph, it is observed that the Average NAV growth of Private sector Equity, Balanced and ELSS schemes is more than the Average NAV growth of Equity, Balanced and ELSS schemes of Public sector Mutual fund companies. Further the standard deviation of the NAV growth of Equity, Income, Balanced, and ELSS schemes of Private Sector mutual fund companies is more than the public sector

Mutual fund companies. Thus it could be concluded that though the consistency is lower, the private sector companies performed better than Public sector companies in terms of NAV.

Hypothesis:

H0: Private Sector & Public Sector Mutual fund schemes do not differ in NAV

H1: Private Sector & Public Sector Mutual fund schemes do differ in NAV

Hypothesis Testing:

Statistical Test: Independent Sample "t" Test

Variables and Measurement:

Independent Variable: Sector (1=Private, 2=Public)

Dependent Variable=Net Asset Value

H0: Private Sector & Public Sector Mutual fund schemes do not differ in NAV

H1: Private Sector & Public Sector Mutual fund schemes do differ in NAV

Level of Significance: $\alpha = 0.05$

Table2 :The table showing the Group Statistics of Standard deviation

Sector	N	Mean	Std. Deviation	Std. Error Mean
NAV Private	28	88.4997	87.29962	16.49808
NAV Public	12	43.8132	18.53733	5.35127

Test of Homogeneity of variance equality of variance was assessed using "Levenes" test

$$H0: (\delta_1)^2 = (\delta_2)^2$$

$$H1: (\delta_1)^2 \neq (\delta_2)^2$$

Table 3 :The table showing the Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means	
		F	Sig.	t	df
NAV (Private /Public)	Equal variances assumed	9.515	.004	1.744	38
	Equal variances not assumed			2.576	32.108

Observation:-

The assumption of Homogeneity of Variance is violated (F=9.515, P=0.004).

't' (32.108)=2.576 ,P=0.015

Table 4: The table showing the Independent Samples Test

		t-test for Equality of Means			
		Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference
					Lower
NAV	Equal variances assumed	.089	44.68655	25.62214	-7.18277
(Private/Public)	Equal variances not assumed	.015	44.68655	17.34424	9.36214

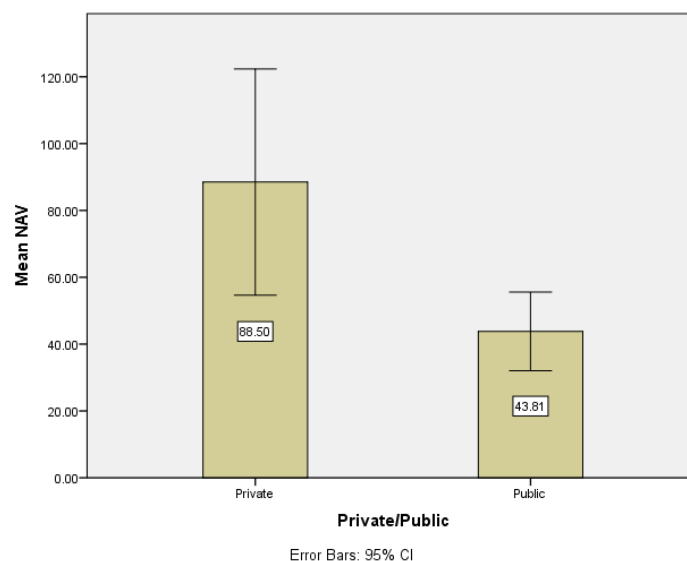
Table 5: The table showing the Independent Samples Test using "Levenes Test"

		t-test for Equality of Means	
		95% Confidence Interval of the Difference	
		Upper	
NAV(Private/Public)	Equal variances assumed	96.55587	
	Equal variances not assumed	80.01096	

Conclusion:-

Since the P value (0.015) is less than level of significance (0.05) the null hypothesis is rejected and it is therefore concluded that Private and Public Sector Mutual fund schemes significantly differ over NAV Performance.

Graph No.2: The graph showing the values for Private and Public Sector Mutual fund Companies for NAV



NAV Mean for Private Sector MF Schemes: 88.499

NAV Mean for Public sector MF schemes: 43.81

Findings:

1. It is observed that the Average NAV growth of Private sector Equity, Balanced and ELSS schemes is more than the Average NAV growth of Equity, Balanced and ELSS schemes of Public sector Mutual fund companies. Further the standard deviation of the NAV growth of Equity, Income, Balanced, and ELSS schemes of Private Sector mutual fund companies is more than the public sector Mutual fund companies. Thus it could be concluded that though the consistency is lower, the private sector companies performed better than Public sector companies in terms of NAV.

2. Private and Public Sector Mutual fund schemes significantly differ over NAV Performance.

Conclusion:

Performance of any fund is measured by its NAV. There are various factors that have an effect on NAV of any mutual fund theme. These factors also are referred to as performance indicators. Past performance of mutual funds explains however the fund has

performed within the past and consequently one will expect positive or negative performance within the future furthermore. Majority of studies recommend that the fund corporations having high turnover have performed well than corporations with lower turnover. Expense magnitude relation affects the performance of mutual funds absolutely. Fund corporations with larger plus base area unit playing higher than lower plus based corporations. Out of the entire paper reviewed no clear relationship of load fee with performance was found.

Literature suggests that the investment vogue will have a sway on the performance of the mutual funds. Fund managers additionally do have an effect on the performance of the mutual funds in many ways. Literature supports that the stock choosing ability and drawn-out tenure of fund manager's area unit favorable for mutual funds' performance. As per the literature obtainable, performance of the fund is additionally associated with its possession style.

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