International Conference on "Research avenues in Social Science" Organize by SNGC, Coimbatore

PERFORMANCE EVALUATION OF GROWTH MUTUAL FUND SCHEMES IN INDIAN SCENARIO AFTER LIBERALIZATION

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INTRODUCTION

It refers to ongoing economic reforms in India started on 24 July 1991. After independence in 1947, India adhered to socialist policies. Attempts were made to liberalize economy in 1996 and 1985. The first attempt was reversed in 1967. Thereafter, a stronger version of socialism was adopted. Second major attempt was in 1985 by Prime Minister Rajiv Gandhi. The process came to a halt in 1987, though 1966 style reversal did not take place. In 1991, after India faced a balance of payments crisis, it had to pledge 20 tons of gold to Union bank of Switzerland and 47 tons to Bank of England as part of a bailout deal with the International Monetary Fund (IMF). In addition, the IMF required India to undertake a series of structural economic reforms. As a result of this requirement, the government of P.V. Narasimha Rao and his finance minister Manmohan Singh (currently the Prime minister of India) started breakthrough reforms, although they did not implement many of the reforms of IMF wanted. The new liberal policies include opening for international trade and investment, deregulation, initiation of privatization, tax reforms, and inflation controlling measures. The overall direction of liberalization has since remained the same, irrespective of the ruling party, although no party has yet tried to take on powerful lobbies such as the trade unions and farmer, or contentious issues such as reforming labour laws and reducing agricultural subsidies. Thus, unlike the reforms of 1966 and 1985 that was carried out by the majority Congress governments, the reforms of 1991 carried out by a minority government proved sustainable.

Indian Financial System

The Indian financial system can also be broadly classified into the formal (organized) financial system and the informal (unorganized) financial system. The formal financial system comes under the purview of the Ministry of Finance (MoF), the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), and other regulatory bodies. The informal financial system consists of:

- Individual moneylenders such as neighbours, relatives, landlords, traders, and storeowners.
- Groups of persons operating as 'funds' or 'associations'. These groups function under a system of their own rules and use names such as 'fixed fund', 'association', and 'saving club'.
- Partnership firms consisting of local brokers, pawnbrokers, and non-bank financial intermediaries such as finance, investment, and chit-fund companies.

In India, the spread of banking in rural areas has helped in enlarging the scope of the formal financial system.

Liberalization of the Financial System

A radical restructuring of the economic system consisting of industrial deregulation, liberalization of policies relating to foreign direct investment, public enterprise reforms, reforms of taxation system, trade liberalization and financial sector reforms have been initiated in 1992-93. Financial sector reforms in the area of commercial banking, capital markets and non-banking finance companies have also been undertaken.

Improving financial soundness and credibility of banks is a part of banking reforms undertaken by the RBI, a regulatory and supervisory agency over commercial banks under the Banking Companies Regulation Act 1949. The improvement of financial health of banks is sought to be achieved by capital adequacy norms in relation to the risks to which banks are exposed, prudential norms for income recognition and provision of bad debts. The removal of external constraints in terms of pre-emption of funds, benefits of prudential regulation and recapitalization and writing down of capital base are reflected in the relatively clean and healthy balance sheets of banks. The reform process has, however, accentuated the inherent weaknesses of public sector dominated banking systems. There is a need to further improve financial soundness and to measure up to the increasing competition that a fast liberalizing and globalizing would bring to the Indian banking system.

In the area of capital market, the securities and exchange Board of India (SEBI) was set up in 1992 to protect the interests of investors in securities and to promote development of regulation of the securities market. SEBI has issued guidelines for primary markets, stipulating access to capital market to improve the quality of public issues, allotment of shares, private placement, book building, takeover of companies and venture capital. In the area of secondary markets, measures to control volatility and transparency in dealings by modifying the badla system, laying own insider regulations to protect integrity of markets, uniform settlement, introduction of screen-based online trading dematerializing shares by setting up depositories trading in derivative securities (stock index futures). There is a sea change in the institutional and regulatory environment in the capital market area.

In regard to Non-Bank Finance Companies (NBFCs), the Reserve Bank of India has issued several measures aimed at encouraging disciplined NBFCs which run on sound business principles. The measures seek to protect the interests of depositors and provide more effective supervising particularly over those which accept public deposit. The regulations stipulate an upper limit public deposits which NBFCs can accept. This limit is linked to credit rating by an approved ranking agency. An upper limit is also placed on the rate of interest on deposits in order to restrain NBFCs from offering incentives and mobilizing excessive deposits which they may not be able to serve. The heterogeneous nature, size, functions (development of funds) and level of management competence of the NBFCs affect their effective regulation.

Since the liberalization of the economy in 1992-93 and the initiation of reform measures the financial system is getting market-oriented. Market efficiency would be reflected in the wide dissemination of information, reduction of transaction costs and allocation of capital to the most productive users. Further, freeing the financial system from government interference has been important element of economic reforms. The economic reforms also aim at improved financial viability and institutional strengthening. To improve the effective implementation of the monetary policy, linkages among money and foreign exchange markets have been forged.

Mutual funds are one of the financial intermediaries of the Indian financial system that mobilize savings and facilitate the allocation of funds in an efficient manner. As Ample evidence that Indian financial institutions have played a dominant role in asset formation and intermediation, and contributed substantially to the process of macroeconomic development. Mutual funds, which have emerged as strong financial intermediaries, are playing an important role in this process. They are not only providing stability to the financial system, but have also helped rationalize the process of resource allocation.

Conceptually, a mutual fund is a single large professionally managed investment organization that combines the money of many individual investors having similar investment objectives. It invests this money in a wide variety of securities and individual investors share its income and expenses, its profits and losses, its capital appreciation and growth in proportion to their shareholdings. In other words, a mutual fund is a type of an Investment institution, which mobilizes savings of individuals and institutions and channelizes these savings in corporate securities to provide investors a steady stream of returns and capital appreciation. Thus, the two prime advantages of investment in mutual funds diversification and professional investment management are being recognized by the investors.

STATEMENT OF THE PROBLEM

The Indian economy is under transition on account of the ongoing structural adjustment programme and liberalization. Economic transition is usually marked by changes in the market mechanism, institutional integration, market regulation, reallocation of savings and investment. These changes shake investor confidence in the capital market. Mutual funds as efficiently allocate resources, play a crucial role in this transitional period. Increasing trend in the household savings, especially in the financial assets, growth of money supply and low yield on deposits on commercial banks are the reasons attributed to the growth of mutual funds in India.

The rapid growth of mutual funds indicates the need for a deeper look into the performance of mutual funds taking into account the expectations from the investors and the capital market. But considering the current situation in the context of globalization, small investors are now important players in the game, with institutions and funds emerging as the major players. Technology drives the market and sharp instincts are called for to service in the market place.

The Present study attempts to evaluate the performance of the selected fund schemes so as to identify the gap between the expectations of the investors and the actual performance of the mutual funds. This study would also help the existing and prospective Mutual Fund companies, Institutional and individual investors, researchers and policy makers to get an idea of the performance of the Mutual Funds in the Indian context.

Objectives of the study

Indian Mutual Fund industry has grown enormously. Now it has plethora of schemes having different investment objective, available for small investors to choose from. This study has the objective of finding out the necessary facts regarding performance of selected growth schemes.

- To evaluate the performance of selected Indian Mutual Fund schemes using Return-Risk Analysis, Sharpe Measure, Treynor Measure and Jensen Alpha.

- To compare all the measures against the market to distinguish the performers from others.
- To analyse the excess return per unit of risk evidenced by mutual fund schemes.

Data and Sources of study

The period of the study covers from 1st April 1997 to 31st March 2012.

The study period covers 15 years which is classified into three phases, Phase I (1st April 1997 to 31st March 2002), Phase II (1st April 2002 to 31st March 2007), and Phase III (1st April 2007 to 31st March 2012).

The reason behind the period started from 1st April 1997 is, the study on the performance appraisal of selected mutual fund schemes in India after liberalization. The economic liberalization came into effect in the year 1991 and SEBI issued notified Mutual Fund Regulations in the year 1993 and 1996.

With the entry of private sector funds in1993, a new era started with Indian Mutual fund Industry, giving the Indian investor a wider choice of fund families. Also 1993 was the year in which the first Mutual Fund regulations came into being, under which all mutual funds except UTI were to be registered and governed.

The 1993 SEBI (Mutual Fund) regulations were substituted by a more comprehensive and revised Mutual Fund regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.So the study commenced from 1st April 1997

Sample Design: The study considers only Mutual Fund schemes with Growth option schemes.

LIST OF SELECTED FUND CATEGORY AND NUMBER OFSELECTED SCHEMES

TABLE NO. 1.1

Sl. No	Fund Category	No. of Schemes
01.	Large cap	11
02.	Diversified Equity	10
03.	ELSS	8
04.	Balanced	7
05.	Small & Mid Cap	4
06.	Equity Oriented Hybrid Specialty	1
07.	MIP Aggressive	1
	Total	**42**

Source: Computed from the reports of selected MF schemes.

RESULTS, FINDINGS AND DISCUSSION

PERFORMANCE OF SELECTED MUTUAL FUND SCHEMES IN PHASE I

TABLE NO. 1

Schemes	Phase I(1st April 1997 to 31st March 2002)				
	Scheme Return	Beta (Risk)	Sharpe Ratio	Treynor Ratio	Jensen
Large cap (11)					
Franklin India Bluechip Fund	21.69	1.01	1.06	9.19	5.07
H D F C Top 200 Fund	11.68	0.80	0.37	1.78	-2.55
I C I C I Prudential Top 200 Fund	14.19	0.79	0.25	0.64	-1.84
L I C Nomura M F Equity Fund	-2.64	0.77	-1.71	-20.42	-2.41
L I C Nomura M F Growth Fund	-11.12	0.54	-3.32	-42.94	-2.27
SBI Magnum Equity Fund	5.93	1.11	-0.65	-7.02	-2.36
Sundaram Growth Fund	16.48	0.86	0.77	7.44	-3.52
Taurus Bonanza Fund	6.97	0.65	0.23	3.26	-6.56
U T I Masterplus	-3.28	0.73	-1.99	-20.07	-3.15
U T I Mastershare	-3.49	0.81	-1.82	-15.59	-4.22
U T I Top 100 Fund	0.69	0.68	-1.57	-2.71	-5.45
Diversified Equity schemes (10)					
Birlasunlife Advantage Fund	23.85	0.85	0.70	6.14	-0.26
Franklin India Prima Plus	29.56	0.92	1.60	16.47	-0.86
H D F C Capital Builder Fund	12.52	0.58	0.10	-5.08	-1.03
H D F C Equity Fund	28.78	0.75	2.51	23.85	-1.97
J M Equity Fund	-0.79	0.82	-1.08	-29.37	-5.91
Morgan Stanley Growth Fund	13.70	0.90	0.09	0.17	-2.30

S B I Magnum Multiplier Plus Fund	2.23	1.08	-0.78	-5.34	-7.54
Tata Ethical Fund	9.77	0.99	0.28	0.31	-5.50
Taurus Starshare	6.42	0.89	-0.83	-15.86	-5.78
U T I Equity Fund	0.27	0.68	-1.49	-9.55	-3.31
ELSS (8)					
Canara Robeco Tax Saver Fund	7.43	0.96	0.02	1.14	-5.43
H D F C Tax Saver Fund	22.74	0.77	2.30	29.37	-7.59
Principal Personal Tax Saver Fund	32.92	0.80	1.63	26.30	-0.52
Principal Tax Saving Fund	12.64	0.86	-0.49	-6.03	0.91
Sahara Tax Gain Fund	23.06	1.19	0.86	12.64	-6.57
S B I Magnum Tax Gain	17.98	1.14	0.86	14.36	-10.21
Tata Tax Saving Fund	16.48	0.95	1.18	9.48	-6.34
Taurus Tax Shield	8.48	1.02	-0.81	-9.15	-6.24
Balanced(7)					
Birla Sunlife ' 95 Fund	33.59	0.75	2.35	27.04	0.44
HDFC Prudence Fund	18.32	0.39	1.67	37.21	-3.81
JM Balance Fund	12.89	0.45	0.95	-11.85	2.45
LIC Nomura MF Balance Fund	-2.13	0.32	-3.15	-37.66	-3.37
SBI Magnum Balance Fund	7.58	0.93	-0.78	-9.51	0.97
Tata Balance Fund	10.17	0.73	-0.06	-1.03	-3.65
UTI Balance Fund	74.22	-0.78	-0.28	7.87	51.97
Small &mid cap (4)					
Franklin India Prima Fund	24.96	0.99	0.70	-3.35	-3.58
S B I Magnum Global Fund	8.59	0.99	-0.31	-1.46	-5.27
Tata Growth Fund	6.98	0.46	-0.92	-4.76	-1.39
Taurus Discovery Fund	1.48	0.70	-2.33	-34.43	-0.66
Equity Oriented Hybrid Specialty (1)					
LIC Nomura MF Unit Linked Insurance Scheme	2.28	0.14	-2.83	-58.40	-1.74
MIP Aggressive (1)					
Canara Robeco MIP Fund	-19.13	0.12	-3.92	-36.47	-1.98
AVERAGE	**12.02**	**1**	**-0.25**	**-3.65**	**-1.79**

Source: computed from the reports of selected Mutual fund scheme

The above table no.1 depicts the performance of selected mutual fund scheme in phase - I through Return, Beta, Sharpe ratio, Treynor ratio and Jensen and for Phase I (1st April 1997 to 31st March 2002).

RETURN

It can be seen that 35 mutual fund schemes have positive average yearly returns and rest 7 has negative returns. By further analyzing it can be seen that 20 schemes have outperformed the average returns by providing better returns in this phase. The top performers as per average yearly returns are UTI Balance fund, Birla'Sunlife'95 fund and principal personal tax Saver fund with 74.22%, 33.59% and 32.92% respectively. The worst performers are Canara Robeco MIP fund, LIC Nomura MF Growth fund and UTI Top 100 fund with negative returns of -19.13%, -11.12% and -3.49% respectively in this phase.

RISK

The beta value is varying between 0.12 to 1.19 and on an average it is hovering around 0.74. It represents that all the mutual funds returns except 6 schemes are less volatile and thus less risky. 6 schemes are more than 1, it indicates that the stock is said to be riskier in comparison to market. Canara Robeco MIP fund had least beta value of 0.12 and Sahara Tax gain fund had the highest beta of 1.19. UTI Balance fund has got negative beta value in this phase, It indicates that the stock return moves in the opposite direction to the market return.

SHARPE MEASURE

Sharpe measure is one of the most common tools of evaluating the portfolio returns. It is the ratio of the fund portfolio's average excess return divided by the standard deviation of returns. Positive value shows better performance. Higher positive value is found in HDFC equity fund, Birla Sundlife'95 and HDFC Tax saver fund with Sharpe ratio of 2.51, 2.35 and 2.30 respectively. 21 schemes have negative Sharpe measure which shows their bad performance during the period of the study. 22 out of total schemes outperformed the average by providing better returns in this phase. The poor performers are Canara Robeco MIP fund, LIC Noruma MF equity fund and LIC Nomura MF balance fund with negative ratio of -3.92, -3.32 and -3.15 respectively.

TREYNOR MEASURE

Treynor ratio measures the excess return earned over risk free return per unit of systematic risk. Treynor ratios for the individual schemes for the 5 years (1st April 1997 to 31st March 2002) have been calculated. The top performers are HDFC Prudence fund, HDFC Tax saver fund and Birla Sunlife'95 fund with Treynor ratio of 37.21, 29.37and 27.04 respectively. 23 schemes have negative Treynor measure which shows their bad performance. 25 out of total schemes outperformed the average by providing better returns in this phase. The poor performers are LIC Nomura MF unit Linked insurance scheme, LIC Nomura MF Growth fund and LIC Nomura MF balance fund with negative ratio of -58.40, -42.94 and -37.66 respectively.

JENSEN MEASURE

Jensen ratio measures the excess return provided by the portfolio over the expected returns. Higher value indicated better performance. The top performers are UTI balance fund, Franklin India Blue chip fund and JM balance fund with Jensen ratio of 51.97, 5.07 and 2.45 respectively. 36 schemes have negative Jensen measure which shows the failure on the part of their fund managers to forecast security prices on time for taking better investment decision. Rest of the 6 schemes has positive Jensen measure. 10 out of total schemes have outperformed the average by providing better returns in this phase. The poor performers are SBI Magnum Tax gain, HDFC Tax saver fund and SBI Magnum Multiplier plus fund with -10.21, -7.59 and -7.54 respectively.

It is concluded that UTI Balance fund, Birla Sunlife'95 fund, HDFC Tax saver fund, HDFC Prudence fund, HDFC equity fund and JM balance fund are good performers due to efficient fund management in this phase. LIC Growth fund, LIC Balance fund, Canara Robeco MIP fund, LIC MF Nomura Unit Linked insurance scheme, SBI Magnum tax gain, HDFC Multiplier Plus fund and LIC MF equity fund are poor performers due high fluctuations of return in the schemes in this phase.

PERFORMANCE OF SELECTED MUTUAL FUND SCHEMES IN PHASE II
TABLE NO.2

Schemes	Phase II (1st April 2002 to 31st March 2007)				
	Scheme Return	Beta (Risk)	Sharpe Ratio	Treynor Ratio	Jensen
Large cap (11)					
Franklin India Bluechip Fund	36.73	0.92	4.10	29.48	17.74
H D F C Top 200 Fund	40.42	0.90	4.32	31.28	19.13
I C I C I Prudential Top 200 Fund	40.85	0.95	4.46	33.88	17.21
L I C Nomura M F Equity Fund	25.94	0.96	2.41	19.02	15.79
L I C Nomura M F Growth Fund	34.01	0.86	4.06	35.63	14.07
SBI Magnum Equity Fund	25.00	0.83	2.30	23.26	12.81
Sundaram Growth Fund	35.59	0.89	3.39	25.65	18.19
Taurus Bonanza Fund	29.35	0.98	2.22	20.91	16.00
U T I Masterplus	29.89	0.95	2.76	20.41	17.96
U T I Mastershare	22.26	0.83	1.83	13.30	15.72
U T I Top 100 Fund	25.99	0.91	1.63	13.03	19.91
Diversified Equity schemes (10)					
Birlasunlife Advantage Fund	33.43	0.87	3.34	25.79	15.97
Franklin India Prima Plus	37.09	0.82	4.45	33.75	15.97
H D F C Capital Builder Fund	37.14	0.79	4.02	34.36	15.39
H D F C Equity Fund	40.10	0.84	5.00	37.32	16.01
J M Equity Fund	33.71	0.84	3.72	28.61	16.19
Morgan Stanley Growth Fund	30.10	0.95	2.75	20.03	17.23
S B I Magnum Multiplier Plus Fund	39.47	1.06	3.42	27.52	20.15
Tata Ethical Fund	38.45	0.97	3.30	28.04	19.47
Taurus Starshare	42.13	1.00	3.64	34.77	19.34
U T I Equity Fund	26.48	0.97	1.73	15.19	19.11
ELSS (8)					
Canara Robeco Tax Saver Fund	11.76	0.87	0.47	11.48	8.63
H D F C Tax Saver Fund	41.57	0.90	4.46	34.74	18.15
Principal Personal Tax Saver Fund	24.17	0.79	1.78	14.97	11.41
Principal Tax Saving Fund	36.43	0.89	3.84	28.65	17.86
Sahara Tax Gain Fund	-45.40	1.18	-1.96	-35.78	22.10
S B I Magnum Tax Gain	29.27	0.84	1.80	29.47	13.69
Tata Tax Saving Fund	30.24	1.02	2.50	26.35	19.35
Taurus Tax Shield	20.24	0.96	0.69	9.44	18.21
Balanced(7)					

Birla Sunlife ' 95 Fund	27.62	0.64	3.48	26.51	11.55
HDFC Prudence Fund	33.74	0.56	5.55	45.73	10.39
JM Balance Fund	9.66	0.48	-0.01	85.32	4.18
LIC Nomura MF Balance Fund	19.79	0.60	1.71	12.89	11.91
SBI Magnum Balance Fund	26.64	0.69	2.75	22.61	13.16
Tata Balance Fund	31.17	0.71	1.99	26.72	13.98
UTI Balance Fund	22.67	0.59	2.73	21.16	10.31
Small &mid cap (4)					
Franklin India Prima Fund	43.04	0.79	4.28	43.42	16.27
S B I Magnum Global Fund	38.38	0.89	3.50	35.12	18.18
Tata Growth Fund	35.88	0.88	3.00	27.08	18.07
Taurus Discovery Fund	31.56	1.02	2.17	21.13	21.64
Equity Oriented Hybrid Specialty (1)					
LIC Nomura MF Unit Linked Insurance Scheme	0.36	0.52	-1.97	-17.53	7.11
MIP Aggressive (1)					
Canara Robeco MIP Fund	12.02	0.22	0.40	3.56	4.13
AVERAGE	**28.21**	**1**	**2.67**	**24.39**	**15.47**

Source: Computed from the reports of selected mutual fund scheme.

The above table no. 2 explains the performance of selected mutual fund scheme in phase II through Return, Beta, Sharpe ratio, Treynor ratio and Jensen and for Phase II (1st April 2002 to 31st March 2007).

RETURN

It can be seen that all schemes except Sahara Tax gain fund have positive average yearly returns. By further analyzing 26 schemes have outperformed the average returns by providing better returns in this phase. The top performers as per average yearly returns are Franklin India Prima fund, Taurus Starshare fund and HDFC Tax saver fund with returns of 43.04%, 42.13% and 41.57% respectively. The worst performer is the only Sahara Tax gain fund in this phase with negative return of -45.40%.

RISK

The beta value is varying between 0.22 to1.18 and on an average it is hovering around 0.84. It represents that all the mutual fund returns except 6 schemes are less volatile and thus less risky. 6 schemes are more than 1, the indication is that the stock is said to be riskier in comparison to market. Canara Robeco MIP fund has least beta value of 0.22 and Sahara Tax gain fund has the highest systematic risk of 1.18, which indicates that Sahara tax gain fund had 18% more volatile than market.

SHARPE MEASURE

Sharpe measure is one of the most common tools of evaluating the portfolio returns. It is the ratio of the fund portfolio's average excess return divided by the standard deviation of returns. Positive value shows better performance. Higher positive value is found in HDFC Prudence fund, HDFC Equity fund and HDFC tax saver fund with Sharpe ratio of 5.55, 5.00 and 4.46 respectively. 3 schemes have negative Sharpe measure which shows their bad performance in this phase. 24 out of total schemes outperformed the average by providing better returns in this phase. The poor performers are Canara Robeco MIP fund, Sahara Tax gain fund and JM balance fund with negative Sharpe ratio of -1.97,-1.96 and -0.01 respectively.

TREYNOR MEASURE

Treynor ratio measures the excess return earned over risk free return per unit of systematic risk. The top performers are JM balance fund, HDFC Prudence fund and Franklin India Prima fund with Treynor value of 85.32, 45.73and 43.42 respectively. 2 schemes have negative Treynor measure which shows their bad performance in this phase. 24 out of total schemes outperformed the average by providing better returns. The poor performers are Sahara tax gain fund and LIC Nomura MF Unit Linked Insurance scheme with negative Treynor ratio of -35.78, -17.53 respectively.

JENSEN MEASURE

Jensen ratio measures the excess return provided by the portfolio over the expected returns. Higher value indicated better performance. The top performers are Sahara Tax gain fund, Taurus discovery fund and SBI Magnum Multiplier Plus fund with Jensen ratio of 22.10, 21.64 and 20.15 respectively. All schemes have positive measure which shows the efficiency on the part of the respective fund managers of the schemes to forecast security prices on time for taking better investment decision. 28 out of total schemes outperformed the average by providing better returns in this phase.

It is concluded that Franklin India prima fund, Taurus star share, HDFC tax saver fund, HDFC Prudence fund, HDFC equity fund are best performers because of strict norms followed in the fund management. Taurus

Discovery fund and SBI magnum Multiplier plus fund are good performers with high risk in this phase. Sahara tax gain fund, Canara Robeco MIP fund, JM balance fund and LIC Unit Linked Insurance scheme are poor performers because of lack of focus on the promotion of schemes in this phase.

PERFORMANCE OF SELECTED MUTUAL FUND SCHEMES IN PHASE III
TABLE NO. 3

Schemes	Phase III (1st April 2007 to 31st March 2012)				
	Scheme Return	Beta (Risk)	Sharpe Ratio	Treynor Ratio	Jensen
Large cap (11)					
Franklin India Bluechip Fund	14.58	0.82	0.51	5.45	0.32
H D F C Top 200 Fund	17.23	0.90	0.76	7.30	0.90
I C I C I Prudential Top 200 Fund	10.51	0.94	0.18	2.19	-1.48
L I C Nomura M F Equity Fund	10.40	1.04	-0.24	-0.76	0.78
L I C Nomura M F Growth Fund	8.81	0.94	-0.49	-3.63	1.03
SBI Magnum Equity Fund	14.08	0.91	0.25	2.92	1.32
Sundaram Growth Fund	11.39	0.97	-0.32	-3.15	1.90
Taurus Bonanza Fund	9.02	0.95	-0.65	-4.92	3.15
U T I Masterplus	9.09	0.87	-0.35	-3.52	1.43
U T I Mastershare	12.72	0.84	0.09	1.67	1.11
U T I Top 100 Fund	0.01	0.89	-1.59	-15.55	3.40
Diversified Equity schemes (10)					
Birlasunlife Advantage Fund	8.67	0.96	-0.78	-5.33	1.46
Franklin India Prima Plus	13.87	0.83	0.23	2.78	1.44
H D F C Capital Builder Fund	15.33	0.84	0.49	4.91	1.34
H D F C Equity Fund	16.81	0.93	0.68	6.25	1.20
J M Equity Fund	5.87	1.08	-0.58	-4.69	0.07
Morgan Stanley Growth Fund	7.66	0.90	-0.67	-4.79	-0.19
S B I Magnum Multiplier Plus Fund	12.48	0.86	0.04	1.18	1.29
Tata Ethical Fund	12.60	0.86	0.08	2.00	1.06
Taurus Starshare	13.88	1.01	-0.08	-0.51	4.52
U T I Equity Fund	14.71	0.79	0.55	5.71	0.44
ELSS (8)					
Canara Robeco Tax Saver Fund	16.21	0.90	0.21	2.74	4.35
H D F C Tax Saver Fund	14.26	0.83	0.37	3.69	1.14
Principal Personal Tax Saver Fund	1.78	1.04	-0.74	-6.27	0.19
Principal Tax Saving Fund	4.08	0.90	-0.56	-6.34	-1.09
Sahara Tax Gain Fund	8.45	0.88	-0.29	-2.49	-0.89
S B I Magnum Tax Gain	10.49	0.88	-0.21	-1.09	1.06
Tata Tax Saving Fund	4.98	0.84	-1.04	-8.63	1.33
Taurus Tax Shield	20.47	0.98	0.36	5.54	4.15
Balanced(7)					
Birla Sunlife ' 95 Fund	14.17	0.64	0.04	2.07	1.25
HDFC Prudence Fund	16.37	0.70	0.79	6.80	1.60
JM Balance Fund	3.99	0.81	-1.25	-11.23	1.13
LIC Nomura MF Balance Fund	8.17	0.74	-0.74	-4.74	-0.44
SBI Magnum Balance Fund	9.40	0.72	-0.79	-5.24	1.18
Tata Balance Fund	13.77	0.67	0.10	1.95	1.18
UTI Balance Fund	10.22	0.68	-0.38	-2.45	0.27
Small &mid cap (4)					
Franklin India Prima Fund	12.68	0.90	-0.08	-0.03	2.38
S B I Magnum Global Fund	13.22	0.94	0.04	-0.12	3.47
Tata Growth Fund	11.40	0.86	-0.23	-2.54	2.98
Taurus Discovery Fund	6.13	0.99	-0.75	-6.80	2.37
Equity Oriented Hybrid Specialty (1)					
LIC Nomura MF Unit Linked Insurance	1.11	0.63	-1.78	-14.97	-1.25

Scheme					
MIP Aggressive (1)					
Canara Robeco MIP Fund	10.47	0.19	-1.48	-8.51	1.41
AVERAGE	**10.75**	**1**	**-0.24**	**-1.50**	**1.29**

Source: Computed from the reports of selected mutual fund scheme.

The above table no.3 depicts the performance of selected mutual fund scheme in phase III through Return, Beta, Sharpe ratio, Treynor ratio and Jensen and for Phase III (1st April 2007 to 31st March 2012).

RETURN

It can be seen that all schemes have positive average yearly returns. By further analyzing 21 schemes have outperformed the average returns by providing better returns. The top performers as per average yearly returns are Taurus Tax shield fund, HDFC Top 200 fund and HDFC Equity fund with returns of 20.47%, 17.23% and 16.81% respectively. The worst performers are UTI Top 100 fund, LIC Nomura MF Unit Linked Insurance scheme and Principal Personal tax saver fund with negative returns of 0.01%, 1.11% and 1.78% respectively in this phase.

RISK

The beta value is varying between 0.19 to 1.08 and on an average it is hovering around 0.85. It represents that all mutual fund returns except 4 schemes are less volatile and thus less risky.4 schemes are more than 1, the indication is that the stock is said to be riskier in comparison to market. Canara Robeco MIP fund has least beta value of 0.19 and JM equity fund has the highest systematic risk of 1.08 which indicates that JM equity fund had 08% more volatile than market.

SHARPE MEASURE

Sharpe measure is one of the most common tools of evaluating the portfolio returns. It is the ratio of the fund portfolios average excess return divided by the standard deviation of returns. Positive value shows better performance. Higher positive value is found in HDFC Prudence fund, HDFC Top 200 fund and HDFC equity fund with Sharpe ratio of 0.79%, 0.76% and 0.68% respectively. 24 schemes have negative Sharpe measure which shows that their bad performance. 21 out of total schemes outperformed the average by providing better returns in this phase. The poor performers are LIC Nomura MF Unit Linked Insurance scheme, UTI Top 100 fund and Canara Robeco MIP fund with negative Sharpe measure of -1.78%, -1.59% and -1.48% respectively.

TREYNOR MEASURE

Treynor ratio measures the excess return over risk free return per unit of systematic risk. The top performers are HDFC Top 200 fund, HDFC Prudence fund and HDFC Equity fund with Treynor value of 7.30, 6.80 and 6.25 respectively. 25 schemes have negative Treynor measure which shows their bad performance in this phase. 22 out of total schemes outperformed the average by providing better returns. The poor performers are UTI Top 100 fund, LIC Nomura MF Unit Linked Insurance scheme and JM balance fund with negative Treynor value of -15.55, -14.97 and -11.23 respectively.

JENSEN MEASURE

Jensen measures the excess return provided by the portfolio over the expected returns. Higher value indicated better performance. The top performers are Taurus Star share fund, Canara Robeco tax saver fund and Taurus Tax shield fund with Jensen measure of 4.52, 4.35 and 4.15 respectively. 36 schemes shave positive Jensen measure which shows efficiency on the part of the fund managers. 6 schemes have negative Jensen measure which shows that failure on the part of their fund managers to forecast security prices on time for taking better investment decision. 22 out of total schemes outperformed the average by providing better returns in this phase.. The poor performers are ICICI Prudential Top 200 fund, LIC Nomura MF Unit Linked Insurance scheme and SBI magnum tax gain with negative Jensen measure of -1.48, -1.25 and -1.09 respectively.

It is concluded that HDFC Top 200 fund, HDFC Prudence fund, HDFC equity fund, Canara Robeco tax saver fund and Taurus tax shield fund are good performers because the fund Management would have applied its funds in diversified securities in this phase. UTI Top 100 fund, LIC MF Unit Linked Insurance scheme, Principal Personal Tax saver fund, JM balance fund, ICICI Prudential TOP 200 fund SBI Magnum tax gain fund and Canara Robeco MIP fund are poor performers due to the ineffective distribution network of schemes in this phase.

OVERALL PERFORMANCE OF SELECTED MUTUAL FUND SCHEMES

TABLE NO. 4

Schemes	Overall (1st April 1997 to 31st March 2012)				
	Scheme Return	Beta (Risk)	Sharpe Ratio	Treynor Ratio	Jensen
Large cap (11)					
Franklin India Bluechip Fund	24.33	0.92	1.89	14.71	7.71
H D F C Top 200 Fund	23.11	0.87	1.82	13.45	5.82
I C I C I Prudential Top 200 Fund	21.85	0.89	1.63	12.24	4.63
L I C Nomura M F Equity Fund	11.24	0.92	0.16	-0.72	4.72

L I C Nomura M F Growth Fund	10.57	0.78	0.08	-3.64	4.28
SBI Magnum Equity Fund	15.00	0.95	0.63	6.39	3.92
Sundaram Growth Fund	21.15	0.91	1.28	9.98	5.52
Taurus Bonanza Fund	15.11	0.86	0.60	6.42	4.20
U T I Masterplus	11.90	0.85	0.14	-1.06	5.41
U T I Mastershare	10.50	0.83	0.04	-0.21	4.20
U T I Top 100 Fund	8.90	0.83	-0.51	-1.74	5.95
Diversified Equity schemes (10)					
Birlasunlife Advantage Fund	21.98	0.89	1.08	8.87	5.72
Franklin India Prima Plus	26.84	0.86	2.09	17.67	5.52
H D F C Capital Builder Fund	21.66	0.74	1.54	11.40	5.23
H D F C Equity Fund	28.56	0.84	2.73	22.47	5.08
J M Equity Fund	12.93	0.91	0.69	-1.82	3.45
Morgan Stanley Growth Fund	17.15	0.92	0.72	5.14	4.91
S B I Magnum Multiplier Plus Fund	18.06	1.00	0.90	7.78	4.63
Tata Ethical Fund	20.27	0.94	1.22	10.11	5.01
Taurus Starshare	20.81	0.97	0.91	6.13	6.03
U T I Equity Fund	13.82	0.81	0.26	3.78	5.41
ELSS (8)					
Canara Robeco Tax Saver Fund	11.80	0.91	0.23	5.12	2.52
H D F C Tax Saver Fund	26.19	0.83	2.38	22.60	3.90
Principal Personal Tax Saver Fund	19.62	0.88	0.89	11.67	3.69
Principal Tax Saving Fund	17.72	0.88	0.93	5.43	5.89
Sahara Tax Gain Fund	-4.63	1.08	-0.46	-8.54	4.88
S B I Magnum Tax Gain	19.24	0.95	0.82	14.24	1.51
Tata Tax Saving Fund	17.23	0.93	0.88	9.07	4.78
Taurus Tax Shield	16.40	0.99	0.08	1.94	5.38
Balanced(7)					
Birla Sunlife ' 95 Fund	25.13	0.68	1.95	18.54	4.41
HDFC Prudence Fund	22.81	0.55	2.67	29.91	2.73
JM Balance Fund	8.85	0.58	-0.10	20.74	2.59
LIC Nomura MF Balance Fund	8.61	0.55	-0.73	-9.84	2.70
SBI Magnum Balance Fund	14.54	0.78	0.39	2.62	5.11
Tata Balance Fund	18.37	0.70	0.67	9.21	3.84
UTI Balance Fund	35.70	0.16	0.69	8.86	20.85
Small &mid cap (4)					
Franklin India Prima Fund	26.90	0.89	1.63	13.35	5.02
S B I Magnum Global Fund	20.07	0.94	1.08	11.18	5.46
Tata Growth Fund	18.09	0.73	0.62	6.59	6.55
Taurus Discovery Fund	13.06	0.90	-0.31	-6.70	7.78
Equity Oriented Hybrid Specialty (1)					
LIC Nomura MF Unit Linked Insurance Scheme	1.25	0.43	-2.19	-30.30	1.37
MIP Aggressive (1)					
Canara Robeco MIP Fund	1.12	0.17	-1.66	-13.80	1.18
AVERAGE	**17**	**1**	**0.72**	**6.41**	**4.99**

Source: Computed from the reports of selected mutual fund scheme.

The above table no. 4.4 depicts the performance of selected mutual fund schemes through Return, Beta, Sharpe ratio, Treynor ratio and Jensen from 1st April 1997 to 31st March 2012.

RETURN

It can be seen that all schemes except Sahara tax gain fund have positive average yearly returns. By further analyzing 24 schemes have outperformed the average returns by providing better returns. The top performers as per yearly average returns are UTI balance fund, HDFC Equity fund and Franklin India prima fund with returns of 35.70%, 28.56% and 26.90% respectively. The Worst performer is only the Sahara tax gain fund with negative returns of -4.63% in this phase.

RISK

The beta value is varying between 0.16 to 1.08 and on an average it is hovering around 0.81. It represents that all mutual fund returns except 2 schemes are less volatile and thus less risky. 2 schemes are more than 1, the indication is that the stock is said to be riskier in comparison to market. UTI balance fund has least beta value of 0.16 and Sahara tax gain fund has the highest systematic risk of 1.08 which indicates that Sahara tax gain fund had .08% more volatile than market.

SHARPE MEASURE

Sharpe measure is one of the most common tools of evaluating the portfolio returns. It is the ratio of the fund portfolios average excess return divided by the standard deviation of returns. Positive value shows better performance. Higher positive value is found in HDFC equity fund, HDFC Prudence fund and HDFC Tax saver fund with Sharpe ratio 2.73, 2.47 and 2.38 respectively. 6 schemes have negative Sharpe measure which shows that their bad performance during the study period. 20 schemes out of total schemes outperformed the average by providing better returns. The poor performers are LIC Nomura MF Unit Linked Insurance scheme, Canara Robeco MIP fund and LIC Nomura balance fund with negative Sharpe value -2.19, -1.66 and -0.73 respectively.

TREYNOR MEASURE

Treynor ratio measures the excess return over risk free return per unit of systematic risk. 31 schemes have positive Treynor value. The top performers are with Treynor value of 29.91, 22.60 and 22.47 respectively. 11 schemes have negative Treynor measure which shows their bad performance during the study period. 23 out of total schemes have outperformed the average by providing better returns. The poor performers are LIC Nomura MF Unit Linked Insurance scheme, Canara Robeco MIP fund and LIC Nomura MF balance fund with negative Treynor value of -30.30, -13.80 and -9.84 respectively.

JENSEN MEASURE

Jensen measures the excess return provided by the portfolio over the expected returns. Higher value indicated better performance. The top performers are UTI Balance fund, Taurus discovery fund and Franklin India Blue chip fund with Jensen measure of 20.85, 7.78 and 7.71 respectively. All schemes have positive Jensen measure. 20 out of total schemes outperformed the average by providing better returns during the study period.

It is concluded that UTI balance fund, HDFC Equity fund and franklin India Prima Fund HDFC Prudence fund, HDFC Tax saver fund, Taurus Discovery fund and Franklin India Bluchip fund are good performers due to better scope for accounting market information in this phase. Sahara tax gain fund, LIC Unit Linked Insurance fund, Canara Robeco MIP fund and LIC balance fund are poor performers due to the poor participation of retail investors in this phase.

DISCUSSION

1. Analysis of performance under Phase I (1st April 1997 to 31st March 2002) reveals that UTI Balance fund, Birla Sunlife '95 and Principal personal Tax saver fund are maximum return. HDFC equity fund, Birla sunlife'95 and HDFC Tax saver fund is maximum Sharpe. HDFC Prudence fund, HDFC Tax saver fund and Birla Sunlife '95 fund are maximum Treynor. UTI Balance fund, Franklin India Blue Chip fund and HM Balance fund is maximum Jensen. Canara Robeco MIP fund, LIC Nomura Growth fund, LIC Balance fund, SBI magnum tax gain fund, HDFC tax saver fund, SBI Magnum Multiplier plus fund, LIC Unit Linked Insurance fund, UTI Top 100 fund are poor performers in this base.
2. Analysis of performance under Phase II (1st April 2002 to 31st March 2007) reveals that Franklin India Prima fund, Taurus star share fund and HDFC tax saver fund are maximum return. HDFC Prudence fund, HDFC Equity fund, HDFC tax saver fund are maximum Sharpe. JM Balance fund, HDFC Prudence fund, Franklin India Prima fund are maximum Treynor. Sahara Tax gain fund, Taurus Discovery fund and SBI Magnum Multiplier fund is maximum Jensen. Sahara tax gain funds, Canara Robeco MIP Fund, JM Balance fund, LIC Unit Linked Insurance fund are poor performers in this phase.
3. Analysis of performance under Phase III (1st April 2002 to 31st March 2012) reveals that Taurus Tax Shield fund, HDFC TOP 200 fund, HDFC Equity fund are maximum return. HDFC Prudence fund, HDFC Top 200 fund, HDFC Equity fund are maximum Sharpe. HDFC to 200 fund, HDFC Prudence fund and HDFC equity fund maximum treynor. Taurus Star share fund, canara Robeco Tax saver fund and taurus tax shield fund are maximum Jensen. UTI Top 100 fund, LIC Unit Linked insurance scheme and Principal personal tax saver fund, Canara robeco MIP fund, JM Balance fund, ICICI Top 200 fund, SBI Magnum tax gain fund are poor performers in this phase.
4. Analysing the performance of selected 42 schemes from 1st April 1997 to 31st March 2012 clearly brings out that UTI Balance fund, HDFC equity fund, Franklin India Prima Fund are maximum return, HDFC Equity fund, HDFC Prudence fund and HDFC tax saver are maximum Sharpe. HDFC Prima fund, HDFC Tax saver fund and HDFC equity fund are maximum Treynor. UTI Balance fund, Taurus Discovery fund and Franklin India Bluechip fund is maximum Jensen. Sahara tax gain fund, LIC Unit linked insurance scheme, Canara Robeco MIP fund, LIC balance fund are poor performers in this phase.

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