Summary, Findings and Suggestions

The Indian capital market has been increasing tremendously during last few years. With the reforms of economy, reforms of industrial policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Indian money market and capital market. In order to help the small investors, mutual fund industry has come to occupy an important place.

The mutual fund industry has been remarkably resilient over the last decade in spite of varying economic conditions, capital market scams, and increasing competition. Within a short span of time mutual fund operation has become an integral part of the Indian financial scene and is poised for rapid growth in the near future. Today, there are 29 mutual fund companies operating various schemes tailored to meet the diversified needs of savers. The total assets under management crossed Rs. 1,50,000 crores during the year 2004-05 recording a growth rate of 65 percent. Besides, vast majority of equity schemes outperformed the market. At present, 451 schemes are offered but this number is a miniscule fraction of the 14,000 odd schemes offered by the mutual funds in the US. Moreover, in the US, there is more money in mutual fund than the bank deposits.
Mutual funds in India have tapped only two percent of the urban population and rural penetration is negligible.

Financial Performance is a scientific evaluation of profitability and financial strength of any Business Concern”. Financial statement analysis attempt to unveil the meaning and significance of the items composed in Profit and Loss account and balance sheet. So as to assist the Management in the formations of sound Operating and Financial Policies. The financial statement analysis facilitates a sufficient guideline about the behavior of financial variables for measuring the performance of different units in the Industry it also facilitates to indicate the current scenario of improvement in the organization.

Performance evaluation as a concept is purely a developmental tool for a company. As a developmental tool, it is not merely the end product or the final assessment. It is important as the whole process of evaluation. The learning opportunity for the appraiser and the appraisee starts with setting of the tasks and targets. It manifests in the whole gamut of evaluation procedure such as self-appraisal, appraisal interviews, final appraisal, grading and developmental planning etc.
Performance evaluation is a close and a critical study of various measures observed in the operation of Business Organization. The person analyzing business performance has clearly in mind which tests should be applied and for what specific reasons. One must define the viewpoints to be taken, the objectives of the analysis and possible Standard Comparison. However no single attempt can give firm results of appraising the performance of business organization. Business conditions differ according to location, type of facilities, products and services, accounting policies, caliber of management and levels of efficiency. Such conditions of business organizations have become more complicated in the event of multi-product and multi business organizations. All these differences are part and parcel at the time of appraising the performance of a business organization.

The overall objective of a business concern is to earn a satisfactory return on the funds invested in it, consistent with maintaining a sound financial position. Financial appraisal is intended to give an accurate picture of the financial condition of a concern in condensed form.
Research Methodology includes the assumptions and values, which are useful for interpreting data and reaching to conclusion.

The data relating to the performance of the mutual fund companies under study were collected mainly from the published Fact Books of mutual fund, annual reports, AMFI website and NAV Database Software for the financial year 1997-98 to 2004-2005. To supplement the data collected from Fact Books and annual reports, other publications namely www.ici.org and data relating to general economic conditions were collected from the leading newspapers, SEBI & RBI annual publications.

Performance Measurement is a means of assessing progress against stated goals and objectives in a way that is unbiased and quantifiable. A balance of financial and non-financial indicators is used to measure program effectiveness and efficiency. These indicators include cost per output, cost per outcome, and customer-oriented factors such as quality, timeliness, and customer satisfaction.

Performance measurement asks the question “what does success really mean?” It views accomplishment in terms of outcomes, and it requires managers to examine how operational
processes are linked to goals. In this way, managers do not simply report on the past, they make authoritative forecasts about the future.

Performance measurement can have both immediate and far-reaching impacts on an organization. It brings with it an emphasis on objectivity, fairness, consistency, and responsiveness. At the same time, it functions as a reliable indicator of an organization’s long-term health.

Financial analysis should not be interest in the performance of a business enterprise during a short period of time because a company, which is financially sound today, may eventually lose its strength in the long period if it suffers prolonged losses.

**Balanced Fund Schemes**

- The performances of Balanced Fund Scheme have been evaluated in terms of average return.
- A significant majority of the sample mutual fund schemes have recorded superior performance.
- Out of all schemes HDFC Prudence Fund - (G) and HDFC Prudence Fund - (D) have registered better performance.
• A majority of sample funds have experienced higher variability in returns.

• The application of chi-square test indicated that HDFC Prudence Fund - (G) and HDFC Prudence Fund - (D) shows significant different difference in return compare to other schemes in the same category.

• Based on hypothesis it is found that sample schemes have significant difference in mean of average performance.

Bond Fund Schemes

• In case of Bond Fund Schemes, the performances of schemes were shown better returns.

• The values deviation varies from 4.99 to -4.28. It indicates that the returns of the schemes are less volatile.

• Alliance Monthly Income Plan (G) and Templeton India Children Asset Gift Plan-Growth are the top performers.

• The application of chi-square test indicated that all the schemes provide more or less similar returns over the period of study. The test also indicated that all sample schemes calculated chi-square values was less than the table values. It means all schemes provide similar returns.
Equity Diversified Fund Schemes

- The Equity Diversified Fund Schemes registered high returns.
- All schemes provided triple digit return.
- Magnum SFU - Contra Fund (D) have registered highest average return.
- Most of the Sample Schemes have experienced higher variability in returns.
- The application of chi-square test indicated that Magnum SFU - Contra Fund (D), Reliance Growth Fund - (D), Reliance Vision Fund - (G) shows significant difference in return compare to other schemes in the same category.
- 80% schemes generated similar return based on chi-square test.
- On the basis of hypothesis it is found that all sample schemes calculated chi-square values are more than table value it indicate significant difference in mean of average performance of all schemes.
Gilt Fund Schemes:

- An analysis of Gilt Fund Schemes reveals that all schemes under this category provided almost similar returns.
- As far as deviation is concerned, it was found that DSP ML G-Sec Fund - A (G) was the highest in the category followed by Templeton India G-Sec Fund - Composite (G). JM G-Sec Fund - Regular Plan (G), showed lowest deviation.
- The study has found that calculated chi-square of all the schemes was lower than the table value during the period under review.
- DSP ML G-Sec Fund - A (G) have registered highest average return followed by Templeton India G-Sec Fund - Composite (G).
- JM G-Sec Fund - Regular Plan (D) showed lowest average return.
- The application of chi-square test indicated that there was no significant difference in average returns all the schemes under study.
• The test also indicated that all sample schemes calculated chi-square values was less than the table values. It means all schemes provide similar returns.

**Index Fund Schemes**

• In case of Index Fund Schemes, only four schemes were found whose average returns of 5 years are available.

• The average return of UTI Index Selected Equity Fund was highest.

• It is further interested to note that out of 4 Index Fund Schemes 3 Schemes are launched by UTI Asset Management Company.

• The deviation in return from the mean was highest in UTI Index Selected Equity Fund while lowest in UTI Master Index Fund.

• UTI Index Selected Equity Fund depicts highest calculated chi-square value and it is more than table value.

• The application of chi-square test indicated that there was significant difference in average return all the schemes under study.
Liquid Fund Schemes

- The performances of Liquid Fund Scheme have been appraised in terms of average return.
- A significant majority of the sample mutual fund schemes have recorded similar average return.
- Out of all schemes Principal Money Value Bond Fund - (G) and Principal Money Value Bond Fund - (D) have registered better performance.
- A majority of sample funds have experienced low variability in returns.
- Most of the schemes shown lower deviation.
- The application of chi-square test indicated that all the schemes under study provide average returns.
- Based on hypothesis it is found that sample schemes have no significant difference in mean of average performance.
Speciality Fund Schemes

- The Speciality Fund Schemes showed highest average return among all the schemes during the study period.
- It is further noted in case of Speciality Fund Schemes that most of the schemes have shown average returns in triple digit and as high as 555.85 percentage generated by UTI Growth Sector Fund – Petro Fund.
- The schemes have shown higher fluctuation in returns. UTI Growth Sector Fund – Petro Fund indicated highest deviation while lowest deviation shown by Magnum SFU - Pharma Fund (D).
- 30% schemes generated similar return based on chi-square test. Out of all schemes UTI Growth Sector Fund - Petro Fund and Franklin India Prima Fund - (G) have registered better performance.
- On the basis of hypothesis it is found that most of the sample schemes calculated chi-square values are more than table value it indicate significant difference in mean of average performance of all schemes.
Tax Planning Schemes

- It is further noted in case of Tax Planning Schemes that schemes have shown good performances.
- Only the BOB ELSS '96 has provided return in double digit while rest of the schemes has been generated triple digit return during the period of study.
- 80% schemes showed calculated chi-square values below table value.
- The calculated chi-square values of all selected schemes were 449.20 and it varied from 111.93 to 0.11.
- HDFC Tax Saver Fund (G) and HDFC Tax Saver Fund (D) were the top performers.
- On the basis of hypothesis it is found that most of the sample schemes calculated chi-square values are less than table value it indicated that most of the schemes provided similar returns to their investors.
Funds Wise Analysis

Balanced Funds

- The performances of Balanced Funds have been assessed in terms of average return.
- A significant majority of the sample mutual funds have recorded superior performance.
- Out of all funds Alliance Capital Mutual Fund and HDFC Mutual Fund have provided highest return.
- A majority of sample funds have experienced higher variability in returns.
- The application of chi-square test indicated that JM Financial Mutual Fund and Tata Mutual Fund calculated chi-square value is lower than the table value, remaining funds showed calculated values more than the table value. Further it is noted that all the funds provided triple digit returns.
- Based on hypothesis it is found that sample funds have significant difference in mean of average performance.
Bond Funds

- In case of Bond Funds, Alliance Capital Mutual Fund was leading once again followed by Escorts Mutual Fund.
- The fund showed higher deviations. Deviations in return values vary from 58.76 to – 10.01. It indicates that the returns of the funds are volatile.
- Only Alliance Capital Mutual Fund calculated chi-square value was found more than the table value.
- The application of chi-square test indicated that most of the funds provided average returns over the period of study.

Equity Funds

- The Equity Diversified Fund registered high returns. All funds provided triple digit returns.
- Birla Sun Life Mutual Fund has registered highest average return followed by Alliance Capital Mutual Fund.
• The fund indicated higher deviations. Deviations in return values vary from 272.45 to -8.66.

• The application of chi-square test suggested that out of 10 funds only 4 funds calculated chi-square value is lower than the table value.

• Birla Sun Life Mutual Fund showed highest calculated value and Reliance Cap Mutual Fund shows the lowest value.

• It was found that there was a huge gap between the return of selected fund.

• 40% funds generated similar return based on chi-square test. On the basis of hypothesis it is found that majority of sample funds calculated chi-square values are more than table value it indicate significant difference in mean of average performance of all funds.

Gilt Funds

• An analysis of Gilt Fund reveals that all funds under this category provided double digit.

• As far as deviation is concerned, it was found that Escorts Mutual Fund was the highest in the category
followed by DSP Merill Lynch Mutual Fund. Prudential ICICI Mutual Fund, showed lowest deviation.

- The study has found that calculated chi-square of all the funds was lower than the table value during the period under review.

- DSP ML G-Sec Fund - A (G) have registered highest average return followed by Templeton India G-Sec Fund - Composite (G). JM G-Sec Fund - Regular Plan (D) showed lowest average return.

- The application of chi-square test indicated that there was no significant difference in average returns all the funds under study.

- The test also indicated that all sample funds calculated chi-square values was less than the table values. It means all funds provide similar returns.

**Index Funds**

- In case of Index Fund the average return of Birla Sun Life Mutual Fund was highest.

- A majority of sample funds have experienced higher variability in returns.
• 80% funds showed higher calculated chi-square value compare to the table value.

• The application of chi-square test indicated that Principal PNB Mutual Fund and Birla Sun Life Mutual Fund calculated chi-square value is more than the table value, remaining funds showed calculated values lower than the table value. It indicated that most of the funds provide similar return during the period of study.

• Based on hypothesis it is found that sample funds have significant difference in mean of average performance.

Liquid Funds

• The performances of Liquid Funds have been evaluated in terms of average return.

• A significant majority of the sample funds have recorded low variability in return.

• Out of all funds Alliance Capital Mutual Fund and Cholamandalam Mutual Fund have registered better performance.

• It is interested to note that all the funds showed low calculated chi-square value compare to the table value but the total of all the funds exceed the table value.
• The application of chi-square test indicated that most of the funds under study provide average returns.
• Based on hypothesis it is found that sample funds have slightly difference in mean of average performance.

Speciality Funds

• The Speciality Funds showed highest average return among all the funds during the study period.
• In case of Speciality Funds 60% funds have shown average returns in triple digit and as high as 698.92 percentage generated by JM Financial Mutual Fund.
• The funds have shown higher fluctuation in returns.
• JM Financial Mutual Fund indicated highest deviation followed by SBI Mutual Fund, while lowest deviation shown by Franklin Templeton Mutual Fund.
• 2 funds calculated chi-square value was shown less than the table value.
• On the basis of hypothesis it is found that most of the sample funds calculated chi-square values are more than table value it indicate significant difference in mean of average performance of all funds.
Tax Planning Funds

- An analysis of Tax Planning Funds indicated that all funds under this category provided good returns.
- Out of 10 funds 9 funds showed triple digit return. One fund showed four-digit return.
- Alliance Capital Mutual Fund generated highest return followed by HDFC Mutual Fund.
- It was found that Alliance Capital Mutual Fund was the highest deviation in the category followed by UTI Mutual Fund. Birla Sun Life Mutual Fund showed lowest deviation.
- The study has found that calculated chi-square of 3 funds was lower than the table value during the period of study.
- The application of chi-square test indicated that there was significant difference in average return all the funds under study.
Performance Evaluation of Balanced Fund Schemes

- The performances of Balanced Fund Schemes have been evaluated in terms of five years absolute return.
- A significant majority of the sample mutual fund schemes have recorded superior performances as compared to the benchmark index.
- 98.29% of balanced fund schemes outperform the market returns.
- Magnum Balanced Fund (G) of SBI Assets Management Company has registered better performances.
- A majority of sample funds has experienced low variability in returns. It is further noted that all schemes has beta less than one (i.e., market beta).
- Majority of fund schemes have outperformed in Sharpe’s measures only 2 schemes showed negative values remaining have positive value. Magnum Balanced Fund (G) was the best among other schemes.
- A significant majority of sample has once again exhibited superior performance in terms of Jensen’s measure. In this regard too Magnum Balanced Fund (G) done well.
• Overall HDFC Children Gift Fund Savings Plan Performed better among other mutual fund schemes and can be placed on top based on Jensen ranking followed by Magnum Balanced Fund (G).

Performance Evaluation of Equity Fund Schemes

• 10% equity fund schemes performed below the market average return.
• It is observed that CanEmerging Equities (B), CanEmerging Equities (D), CanEmerging Equities (G) and Pru ICICI Power - FII (G) had shown highly negative values.
• Magnum SFU - Emerging Businesses Fund (G) and Magnum SFU - Emerging Businesses Fund (D) have registered better performance.
• Out of 238 equity fund schemes launched by various mutual fund companies in India 9 schemes generate negative return.
• The standard deviation varies from 0.35 to 3.13. It is observed that beta for the scheme varies from 0.06 to 2.29.
• 32 schemes have beta more than one (i.e. market beta) it indicated that these schemes tended to hold portfolios that were more risky than the market portfolio.
• 86% schemes have beta less than one (i.e. market beta) indicated that these schemes tended to hold portfolios that are less risky than the market portfolio.
• 15.5% Schemes indicated negative values based on alpha. Most of the schemes generated higher return compare to the market return at the same level of risk.
• Reliance Growth Fund - (Bonus) performed better among other mutual funds schemes can be placed on number one position based on Jensen ranking followed by Tata Infrastructure Fund (D)

Performance Evaluation of Gilt Fund Schemes

• The performances of Gilt Fund Schemes have been evaluated in terms of five years absolute return.
• A significant majority of the sample mutual fund schemes have recorded inferior performances as compared to the benchmark index.
• 38% gilt fund schemes failed to outperform the market.
• Birla Gilt plus Regular (G) and Templeton India G-Sec Fund - Composite (G) earned higher returns compared to other schemes.
• It is further noted that all schemes has beta less than one.
• Based on Sharpe’s measures Magnum Balanced Fund (G) was the best among other schemes.
• A significant majority of sample has once exhibited lower performance in terms of Jensen’s measure.
• Only 25% schemes earned double-digit average returns.
• 13% schemes indicated negative returns.
• 100% Schemes has beta less than one. Beta of Gilt fund was found varies from -.09 to .06.
• Sharp’s reward to variability ratio showed that 43% of schemes have negative value, which shows inadequate returns as against the level of risk involved.
• Birla Gilt Plus – Liquid (Div A) fund has shown higher Treynor index as compared to market, which indicates that investors who invested in mutual funds to form well-diversified portfolio received adequate return per unit of systematic risk undertaken.
• 44% of schemes average return was less than the risk free return (6%).
• 50% of the schemes showed negative alpha values and indicated that the fund managers of the mutual funds are inefficient to forecast future security prices in time.

• Majority of sample funds have experienced lower return as compared to the market return.

• UTI G-Sec Fund - (G) Performed better among other mutual fund schemes followed by Templeton India G-Sec Fund - Treasury Plan (G) and can placed 1st and 2nd positions on the basis of Jensen ranking.

Performance Evaluation of Income Fund Schemes

• The analysis of 199 Income fund schemes indicated that 44% schemes failed to generate return greater than the risk free return provided by the market.

• The highest returns generated by Reliance Income Fund - (Div-A) and the lowest returns provided by the Sundaram Bond Saver - (Div-HY).

• Only 22% schemes generated double-digit return.

• Magnum NRI Investment Fund-Flexi Asset (D) and Magnum NRI Investment Fund-Flexi Asset (G) taken high risk and have successfully generated good returns.

• It was found that all schemes have beta less than one.
• HDFC Children Gift Fund Savings Plan Performed better among other mutual fund schemes and can be put on number one position on the basis of Jensen ranking.

Performance Evaluation of Liquid Fund Schemes

• The performances of Liquid Fund Schemes have been evaluated in terms of five years absolute return.
• A significant majority of the sample mutual fund schemes have recorded lower performances as compared to the benchmark index.
• Only 4% Liquid Fun Schemes outperform the market returns.
• 3 schemes generated negative return.
• Schemes that performed better than the market are Tata Liquid High Invest Plan - (AO), Tata Liquid High Invest Plan - (Div-D), Tata Liquid High Invest Plan - (Div-M), Tata Liquid Retail Invest Plan - (Div-D), Tata Liquid Retail Invest Plan - (G), Tata Liquid Super HIP - (Div-D), Tata Liquid Super HIP - (Div-M) and Tata Liquid Super HIP - (G).
• It was found that majority of the schemes have beta zero and also these schemes under performed based on Sharpe’s measure.
• The overall performance of liquid fund was found unsatisfactory.

Performance Evaluation of Tax Planning Fund Schemes

• It is observed that Tax Planning Fund Schemes have recorded superior performances as compared to benchmark index.
• Out of all schemes Sahara Tax Gain Fund (D) have registered better performances.
• A majority of sample funds have experienced lower risk as compared to the market. Majority of fund schemes have outperformed in Sharpe’s measure.
• Out of 26 schemes 24 schemes provided double-digit return compared to single digit market return.
• Scheme that performed below market was Taurus Libra Taxshield.
• Beat of all schemes varies from 0.36 to 1.14.
• A significant majority of sample has exhibited superior performance in terms of Jensen’s measure.
• The Principal Personal Tax saver Fund - (G) schemes has performed better among the other mutual funds schemes and can be placed on number one position on the basis of Jensen ranking.

• It was found that schemes and funds that explore less risk are unable to beat the market return.

The operating performance of mutual fund can be evaluated with the help of analyzing the sales, repurchase/redemption of different schemes. The mutual fund companies launch various schemes from time to time. Investors' purchases mutual fund shares from the itself (or through a broker for the fund) but is not able to purchase the shares from other investors on a secondary market, such as Bombay Stock Exchange or National stock Exchange.

• It was found that Growth Schemes and Income Schemes are launched more compare to other schemes.

• The study was found that compare to close ended schemes open ended schemes are more.

• On the basis of hypothesis it is found that there is significant difference in open-ended schemes launched by mutual fund companies.

• Decline trend was found in case of close ended schemes
• The application of chi-square test indicated that there was significant difference in close-ended schemes launched by various mutual fund companies.

• The trend of Asset under Management in mutual fund companies showed a fluctuating trend.

• The trend of open-ended schemes launched by various mutual fund companies showed an increasing trend.

• The trend of close-ended schemes launched by various mutual fund companies showed a declining trend.

• It was found that after financial year 2000-2001 no new assured return schemes were launched.

• The amount of net sales was the highest in the 2003-2004.
Suggestions:

1. The mutual fund industry should develop their own modern risk market research. It will helpful for better and efficient portfolio management.

2. The mutual fund industry should maintain consistency in their return and provide superior return compare to the market return.

3. In order to increase the stake in market the mutual fund companies come with transparency.

4. To provide greater liquidity to the investors, mutual funds should develop a wide infrastructure of self-sufficient branches.

5. There is an urgent need for aggressive campaign to train the investor about different mutual fund schemes.

6. Mutual Funds should published NAVs of their different schemes as frequently as possible.

7. The mutual fund companies should improve the service level to attract more and more investors.

8. There should be a common accounting practice to calculate the NAV of Mutual Fund Schemes.

9. Mutual Fund companies should explore adequate risk to generate good return.
10. To provide greater liquidity to the investors, mutual funds should develop a wide infrastructure of self-sufficient branches.

11. Mutual funds should develop their own modern market research. It will be helpful for better and efficient portfolio management.

12. The mutual fund companies should adopt transparency in operation to win the investor confidence.
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