A Comparative Study of Mutual Funds in India with Respect to Balanced Schemes

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Abstract
Investments in financial assets stipulate more time, knowledge as well as risk taking attitudes of the investors. Investments always carry risk along with the return. Factors that manipulate the investment decision of the investors incorporate per capita income, rate of interest, economic condition, sources of capital, expenditure etc. The majority of the investors are not aware of the available investment platforms as a result, sometimes, they get their finger burnt for their financial decisions. Launching of Mutual fund offer an new platform of investment as well as a high return from their investments to the public as compared to other avenues. Mutual fund industry is one of the emerging industries in India as it has shown a stupendous growth over the last few years. As there are number of schemes available in mutual funds, the researcher has attempted to evaluate the best performing balanced schemes among them. The present paper focuses on oldest balanced schemes of top 5 asset management companies' i.e., SBI Mutual Fund, ICICI Prudential Mutual Fund, HDFC Mutual Fund, Nippon India Mutual Fund, and Kotak Mahindra Mutual Fund. The schemes have been evaluated on the basis of Average return, Sharpe Index, and Treynor Index for a period of 5 Years. The result depicts that, SBI Balanced Advantage Fund of SBI Mutual Fund performance was found to be better than all other schemes under study.

Keywords: Balanced Schemes; Shape Index; Treynor Index; Asset Management Companies

1.   Introduction

The financial system of the country is central implication for capital formation. The functions of the capital market are to collect the savings and distributions for individual investment so as to stimulate additional capital formation. Savings and investments are two different era of the financial world. But both are promoted by capital market to make active in the capital formation and economic growth of the country. Investment is a way where the investors deposit his/her money with the intention to raise it. In simple words it defines that putting money in various instruments such as stocks, mutual funds, gold etc in order to produce additional income with profit and grow wealth. An investors has to incorporate factors such as risk, liquidity, marketability, tax benefits etc where as savings sometimes autonomous and tempted by fiscal concession, income or capital appreciation. Mutual fund is one of the attractive financial intermediaries that pool the investors capital for the sake of acquiring bonds, securities, and other financial asset which leads to minimize the risk associated with the investors return. It also plays a vital role in developing the economy condition of the country. Mutual fund endows with a platform for the investors to take part in the financial market in a easy and low cost fashion way. It also trimming down the risk associated with the investment by spreading the capital in different assets which is also known as diversification. Over the last long period mutual funds have progressively more preferenciable option for the investors in order to make a long term investment. In India, vast numbers of players are present in mutual fund industry. So it become necessary to assess the performance of mutual fund so as to identify the right one to make investment. Past studies revealed that for the long term investment people prefer the balanced schemes as compare to other schemes available in the mutual funds. After investing the money, the investors regain their units as per their unit value which is known as Net Assets Value (NAV) (Maheswari, 2015).The fund manager in a mutual fund owns the responsibilities for investing the accumulated money from the investors into specific securities i.e. stocks or bonds. Generally, mutual funds are instituted to purchase stocks.

The first phase of the growth of Mutual Fund in India primarily rests on the institution of Unit Trust of India (UTI) under the UTI Act 1963. It started operating in 1964 with broad objectives of mobilising savings through the sale of units and investing them in corporate securities for maximizing return. During this period the first open-ended and most popular scheme was originated called as Unit Scheme 1964. The first real close ended scheme floated by UTI named as Master share was launched in 1986 with a grand market success. Till 1987 UTI was enjoying its monopoly and experienced a steady growth. Some of the benefits narrate about the mutual fund comprises of professional management, portfolio diversification, low costs, liquidity, transparency, flexibility, well-regulated, tax benefits etc.

2.   Review of Literature:

Kaplan and Garrick (1981) in their study, "On the quantitative definition of Risk" revealed that, risk postulates a factor of uncertainty and potential loss which may occur to the investors and may drop down the expected return.

Sahadevan and Thiripalraju (1997) in their studies on monthly average return and standard deviation of 10 selected private sector funds deduced that, in terms of the rate of return 5 funds i.e., Alliance 95, ICICI Power, Kothari Prima, Kothari Pioneer Blue Chip and Morgan

Stanley Growth Fund excelled the performance in the market, during the period of comparison. They further concluded that performance of a fund has a little significance to its size.

Gupta & Sehgal (1996) through their research found out the investment performance of 80 schemes which are managed by 25 mutual funds during June 1992 – June 1996 . Out of the 25 mutual funds, 15 are from private sectors and 10 are from public sectors. The study concentrated in terms of fund diversification and consistency of performance. They viewed that mutual fund which portfolio is diversified across industries not only performs well but also supports consistency of performance.

Sarkar and Majumdar (2001) in their studies on operational analysis of various mutual funds over a period of three years from 1996-1999 viewed that the income oriented products offered by the public and the private mutual funds are less expensive than others due to low cost per rupee of income generated. The results also indicated that the cost effectiveness is favorable towards private sector mutual funds as against their rival operating in public sector.

Vyas (2012), in his study on Mutual Fund Investor's Behaviour and Perception in Indore City found that, 48.2 percent investors have their investments in equity fund, 23.7 percent have in debt fund, 26.4 percent in balanced fund and only 1.7 percent in other types of funds.

Singh (2012), in his paper on 'A study on investors' attitude towards mutual funds as an investment option' viewed that, the factors responsible for investing in mutual funds is concerned with return potential, liquidity, a, flexibility, transparency and affordability.

Ahmad, Roomi, and Ramzan (2015) examined the income, balance, and equity plans of Pakistani open-ended and closed-ended mutual funds in their work titled "A comparative study on Performance of Open and Close-ended Mutual Funds in Pakistan." They used 73 different funds for their analysis, which covered the years 2007 through 2012. For the assessment, they employed the Treynor, Jensen, Sortino, Sharpe, and information measures. Open-ended funds are outperforming than closed-ended funds, according to an analysis of the chosen funds' performance. The performance of the mutual funds in the chosen sample was found to be inferior to the market portfolio of the Karachi Stock Exchange (KSE), or KSE 100.

According to Sheth, Mittal, and Prajapati (2017) in their paper "Performance Evaluation of Public and Private Mutual Funds in India," mutual funds are becoming more and more popular because of their exceptional performance in both developed and developing nations because they carry little risk and offer large gains. Investors have several options for making financial investments because to the market's abundance of mutual fund schemes. The writers contend that before investing, investors should educate themselves on the benefits and drawbacks of each mutual fund plan as well as whether or not their performance is equivalent to that of the market.

3.   Objectives of the Study:
The present has mainly two broad objectives.
i. To identify the available balanced fund schemes with the selected AMCs.

ii. To access the performance of the selected balanced fund schemes of the selected AMCs.

4. Methodology:
4.1 Data Source:
The present study is based on secondary data. The necessary data has been collected from books, journals, investment periodicals, financial magazines, reports. The most popular and widely tracked NSE Nifty 100 has been used as benchmark index. The daily closing value of NSE Nifty 100 is collected from www.nseindia.com. The yield to maturity of 91 days treasury bills is taken as risk free rate of return. The data for that is collected from the websites of Reserve Bank of India. The NAV of the selected schemes has been collected from AMFI (https://www.amfiindia.com/).

4.2 Sample Size:
The sample size for the present study is 1x12 months x 5 years=60. The total balanced fund schemes of the selected AMCs are reflected in Table 1.

Table i: List of Balanced Fund Schemes of Mutual Fund

Sl No	Name of Mutual Fund	Name of oldest Balanced Fund Scheme
1	SBI Mutual Fund	SBI Balanced Advantage Fund- Direct Plan
2	ICICI Prudential Mutual Fund	ICICI Prudential Balanced Advantage Fund- Direct Plan
3	HDFC Mutual Fund	HDFC Balanced Advantage Fund- Direct Plan
4	Nippon India Mutual Fund	Nippon India Balanced Advantage Fund- Direct Plan
5	Kotak Mahindra Mutual Fund	Kotak Balanced Advantage Fund- Direct Plan

4.3 Periodicity:
The performance evaluation of selected balanced fund schemes has covered a period of 5 years i.e., from 1st April-2019 to 31st March-2024.

4.4 Tools and Techniques:
Different statistical measures i.e., average return and performance analysis measures viz Sharpe ratio, Treynor ratio has been calculated for the balanced fund schemes.

4.5 Definition of Terms:
4.5.1 Average Return
The formula used for the calculation of the return is,

$$R_p = \frac{NAV_t - NAV_{t-1}}{NAV_{t-1}} * 100 \quad \text{------------(1)}$$

4.5.2 Sharpe Ratio
The Sharpe ratio of the selected balanced schemes has been calculated by using the following formula.

$$Sharpe = \frac{R_p - R_f}{\sigma_p} \text{------------- (2)}$$

Where,
Sharpe = Sharpe performance index
σ_p = *Portfolio standard deviation*

R_f = *risk-free rate of return*

R_p = *Return of the portfolio*

4.5.3 Treynor Ratio

The Treynor ratio of the selected balanced fund schemes has been calculated by using the following formula.

$$T_i = \frac{R_p - R_f}{\beta_p}$$ ------------- (3)

Where,

T_i = *Treynor Index*

R_f = *risk-free rate of return*

R_p = *Return of the portfolio*

β_p = *Beta of the portfolio*

5. Data Analysis:

The data analysis with interpretation of the selected balanced fund schemes under different parameters is discussed as follows:

5.1 Average Return

The average return of the selected balanced fund schemes is placed in Table 2 supplemented with Figure 1.

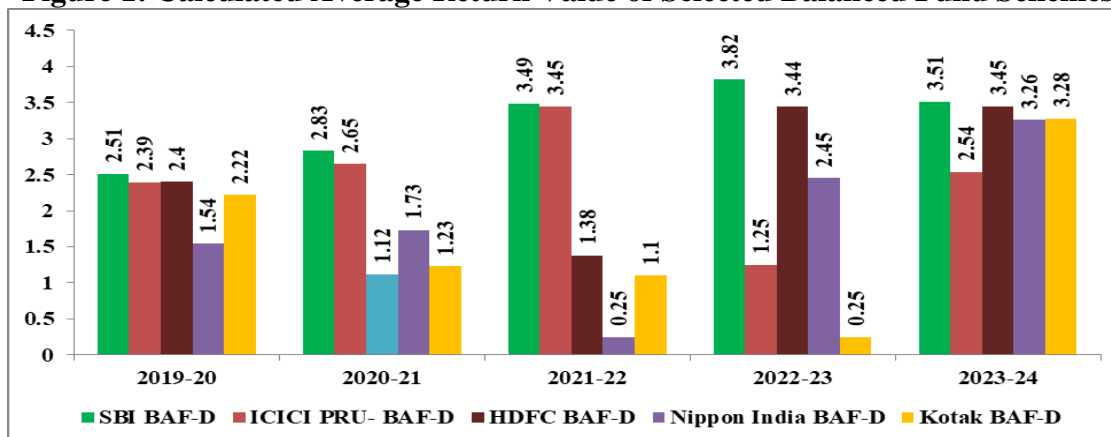**Table ii: Calculated Average Return Value of Selected Balanced Fund Schemes**

Name of Balanced Fund Schemes	Name of Mutual Fund	2019-20	2020-21	2021-22	2022-23	2023-24
SBI Balanced Advantage Fund- Direct Plan	SBI Mutual Fund	2.51	2.83	3.49	3.82	3.51
ICICI Prudential Balanced Advantage Fund- Direct Plan	ICICI Prudential Mutual Fund	2.39	2.65	3.45	1.25	2.54
HDFC Balanced Advantage Fund- Direct Plan	HDFC Mutual Fund	2.40	1.12	1.38	3.44	3.45
Nippon India Balanced Advantage Fund- Direct Plan	Nippon India Mutual Fund	1.54	1.73	0.25	2.45	3.26
Kotak Balanced Advantage Fund- Direct Plan	Kotak Mahindra Mutual Fund	2.22	1.23	1.10	0.25	3.28

Source: Calculated from AMFI, NSE, RBI data from 2019-20 to 2023-24

Table 2 holds the average return of the balanced fund schemes under study for a period of 5 years i.e., 2019-2019-20 to 2023-24. It gives a clear picture about the position of schemes in different year. It is always changing according to the time. In 2019-20, SBI Balanced Advantage Fund- Direct Plan stood in first position followed by HDFC Balanced Advantage Fund- Direct Plan with 2.40 and ICICI Prudential Balanced Advantage Fund- Direct Plan with 2.39. In the year 2020-21, SBI Balanced Advantage Fund- Direct Plan was in first position with 2.83 followed by ICICI Prudential Balanced Advantage Fund- Direct Plan with

2.65 and Nippon India Balanced Advantage Fund- Direct Plan with 1.73. In 2021-22, 2022-23 and 2023-24 SBI Balanced Advantage Fund- Direct Plan is in first position with the value 3.49, 3.82 and 3.51.

Figure 1: Calculated Average Return Value of Selected Balanced Fund Schemes

5.2 Sharpe Ratio

The Sharpe ratio of the selected balanced fund schemes under study is placed in Table 3. It is added with Figure 2 for a clear understanding.

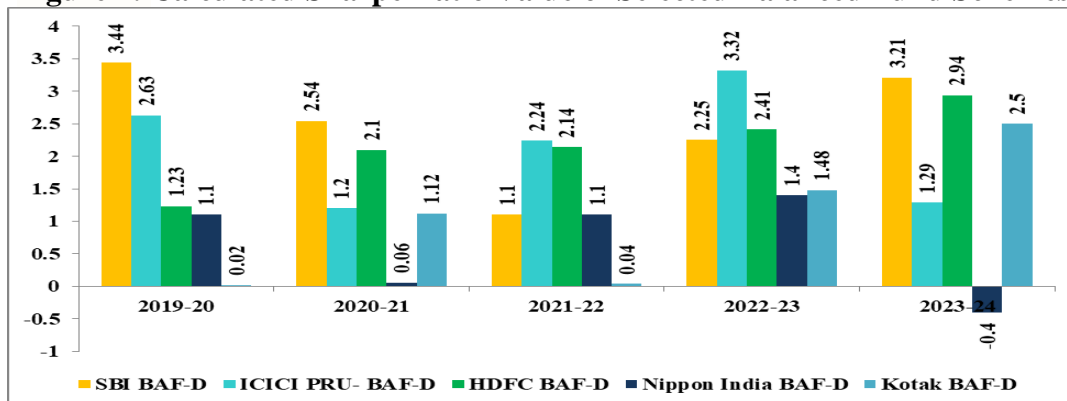**Table iii: Calculated Sharpe Ratio Value of Selected Balanced Fund Schemes**

Name of Balanced Fund Schemes	Name of Mutual Fund	2019-20	2020-21	2021-22	2022-23	2023-24
SBI Balanced Advantage Fund- Direct Plan	SBI Mutual Fund	3.44	2.54	1.10	2.25	3.21
ICICI Prudential Balanced Advantage Fund- Direct Plan	ICICI Prudential Mutual Fund	2.63	1.20	2.24	3.32	1.29
HDFC Balanced Advantage Fund- Direct Plan	HDFC Mutual Fund	1.23	2.10	2.14	2.41	2.94
Nippon India Balanced Advantage Fund- Direct Plan	Nippon India Mutual Fund	1.10	0.06	1.10	1.40	-0.40
Kotak Balanced Advantage Fund- Direct Plan	Kotak Mahindra Mutual Fund	0.02	1.12	0.04	1.48	2.50

Source: Calculated from AMFI, NSE, RBI data from 2019-20 to 2023-24

Table 3 reflects the Sharpe ratio values of the selected balanced fund schemes. It could be concluded that in 2019-20 and 2020-21 SBI Balanced Advantage Fund- Direct Plan secured first position with a value 3.44 and 2.54 followed by ICICI Prudential Balanced Advantage Fund- Direct Plan with 2.63 and HDFC Balanced Advantage Fund- Direct Plan with 1.23. In the year 2020-21 it is followed by HDFC Balanced Advantage Fund- Direct Plan with 2.10 and ICICI Prudential Balanced Advantage Fund- Direct Plan with 1.20. While there is an exception in the year 2021-22 and 2022-23. ICICI Prudential Balanced Advantage Fund- Direct Plan was leading with 2.24 and 3.32 followed by HDFC Balanced Advantage Fund- Direct Plan with 2.14 and 2.41. In 2023-24 SBI Balanced Advantage Fund- Direct Plan was

in first with 3.21 followed by HDFC Balanced Advantage Fund- Direct Plan with 2.94 and Kotak Balanced Advantage Fund- Direct Plan with 2.50.

Figure 2: Calculated Sharpe Ratio Value of Selected Balanced Fund Schemes

5.3   Treynor Ratio

The Treynor ratio of the schemes under study is reflected in Table 4 along with Figure 3 for a clear understanding.

Table iv: Calciulated Treynor Ratio Value of Selected Balanced Fund Schemes

Name of Balanced Fund Schemes	Name of Mutual Fund	2019-20	2020-21	2021-22	2022-23	2023-24
SBI Balanced Advantage Fund- Direct Plan	SBI Mutual Fund	4.45	2.57	3.20	2.34	1.20
ICICI Prudential Balanced Advantage Fund- Direct Plan	ICICI Prudential Mutual Fund	3.54	2.20	4.52	2.10	2.96
HDFC Balanced Advantage Fund- Direct Plan	HDFC Mutual Fund	3.20	1.30	3.31	1.10	1.17
Nippon India Balanced Advantage Fund- Direct Plan	Nippon India Mutual Fund	1.20	2.52	3.03	2.52	3.24
Kotak Balanced Advantage Fund- Direct Plan	Kotak Mahindra Mutual Fund	0.25	0.04	1.20	0.08	1.04

Source: Calculated from AMFI, NSE, RBI data from 2019-20 to 2023-24

Table 4 reflects the Treynor ratio value of selected balanced fund schemes. It could be deduced that in 2019-20 and 2020-21, SBI Balanced Advantage Fund- Direct Plan was in apex position with 4.45 and 2.57 followed by ICICI Prudential Balanced Advantage Fund- Direct Plan with 3.54 and HDFC Balanced Advantage Fund- Direct Plan 2.52. An exception occurred in 2022-23 and 2023-24 as Nippon India Balanced Advantage Fund- Direct Plan occupied first position with 2.52 and 3.24 followed by SBI Balanced Advantage Fund- Direct Plan with 2.34 and ICICI Prudential Balanced Advantage Fund- Direct Plan with 2.96.

Figure 3: Calculated Treynor Ratio Value of Selected Balanced Fund Schemes
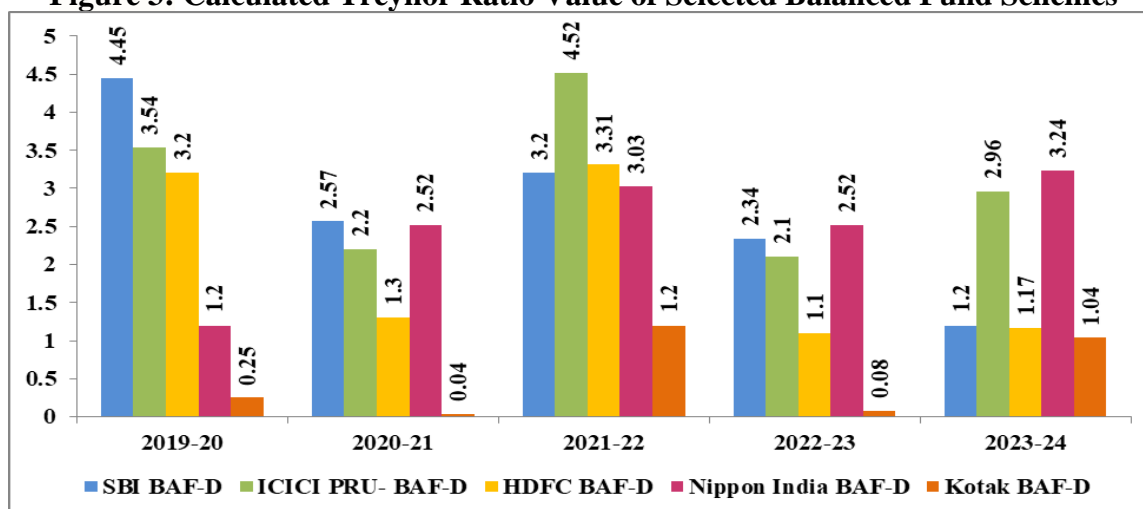
6.   Findings of the Study
Objective-i

➢ The balanced fund schemes of the selected AMCs are presented in Table 5.

Table v: Name of the Balanced Fund Schemes

Sl No	Name of Mutual Fund	Name of Balanced Fund Schemes
1	SBI Mutual Fund	i. SBI Balanced Advantage Fund- Direct Plan- Growth ii. SBI Balanced Advantage Fund- Direct Plan- IDCW iii. SBI Balanced Advantage Fund- Regular Plan- Growth iv. SBI Balanced Advantage Fund- Regular Plan- IDCW
2	ICICI Prudential Mutual Fund	i. ICICI Prudential Balanced Advantage Fund - Direct Plan - Growth ii. ICICI Prudential Balanced Advantage Fund - Direct Plan - IDCW iii. ICICI Prudential Balanced Advantage Fund - Direct Plan – Monthly IDCW iv. ICICI Prudential Balanced Advantage Fund - Growth v. ICICI Prudential Balanced Advantage Fund - IDCW vi. ICICI Prudential Balanced Advantage Fund – Monthly IDCW
3	HDFC Mutual Fund	i. HDFC Balanced Advantage Fund - Growth Plan ii. HDFC Balanced Advantage Fund - Growth Plan - Direct Plan iii. HDFC Balanced Advantage Fund - IDCW Plan iv. HDFC Balanced Advantage Fund - IDCW Plan- Direct Plan

4	Nippon India Mutual Fund	i. Nippon India Balanced Advantage Fund - Direct Plan - IDCW Option ii. Nippon India Balanced Advantage Fund - Direct Plan Growth Plan - Growth Option iii. Nippon India Balanced Advantage Fund - IDCW Option iv. Nippon India Balanced Advantage Fund-Growth Plan-Bonus Option v. Nippon India Balanced Advantage Fund-Growth Plan-Growth Option
5	Kotak Mahindra Mutual Fund	i. Kotak Balanced Advantage Fund - Direct Plan -Growth Option ii. Kotak Balanced Advantage Fund - Regular Plan - Payout of Income Distribution cum capital withdrawal Option iii. Kotak Balanced Advantage Fund -Direct Plan -Payout of Income Distribution cum capital withdrawal option iv. Kotak Balanced Advantage Fund -Regular Plan - Growth Option

Source: https://www.amfiindia.com/

Objective-ii

➢ Based on average return, SBI Balanced Advantage Fund- Direct Plan has outperformed as compared to all other selected schemes during the study period. It has provided the maximum return i.e., 3.82 in the year s2022-23.

➢ On the basis of Sharpe ratio, SBI Balanced Advantage Fund- Direct Plan performance was found to be better than other schemes understudy. But in 2022-23, ICICI Prudential Balanced Advantage Fund- Direct Plan has crossed its performance with 3.32 which was highest than all other schemes.

➢ While analysing the Treynor ratio value it is deduced that SBI Balanced Advantage Fund- Direct Plan performance was found to be better during the study period. But in 2021-22 and 2023-24, ICICI Prudential Balanced Advantage Fund- Direct Plan performance was better.

7.   Conclusion
The study utilized the average return, Sharpe ratio, and Treynor ratio as performance evaluation metrics since they illustrate the fund's strengths and flaws. In comparison to other balanced fund schemes over time, the SBI Balanced Advantage Fund-Direct Plan has demonstrated a satisfactory overall performance. Further research might be done to evaluate the performance of other mutual fund balanced fund schemes.

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