STUDY ON COMPARATIVE ANALYSIS OF ICICI BANK AND HDFC BANK MUTUAL FUND SCHEMES

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ABSTRACT: It is a well-known fact that money attracts money and but natural individuals are interested in earning more money in the present times than compared to the previous times due to high level inflation and reduced value of rupee and increased cost of living. The only place where money is doubled in stock exchanges but the market suffers from high volatility and high risk which attracts only companies, banks and high class people. People in the middle class and below middle class find it very difficult to make investment in the exchanges as the fear losses and don’t want to risk their hard earned money, offering solution to such money dilemma is mutual funds. The present paper brings a comparative analysis of two popular bank mutual fund schemes.

I. INTRODUCTION

It is a well-known fact that money attracts money and but natural individuals are interested in earning more money in the present times than compared to the previous times due to high level inflation and reduced value of rupee and increased cost of living. The only place where money is doubled in stock exchanges but the market suffers from high volatility and high risk which attracts only companies, banks and high class people. People in the middle class and below middle class find it very difficult to make investment in the exchanges as the fear losses and don’t want to risk their hard earned money, offering solution to such money dilemma is mutual funds. Mutual funds was first initiated by the UTI and later flourished in the market with almost every financial institute offers mutual fund. Banks and financial institutions offer various customer pocket friendly schemes under mutual funds that attracts the middle class and below middle class salaried employees.

OBJECTIVES OF THE STUDY

➢ The primary objective of the study is to calculate and find out the risk and return of selected mutual funds of two popular banks and make a comparative analysis.
➢ The secondary and supportive object to find out which scheme is doing well and which bank performs well in the market.

SCOPE: The study covers mutual funds data of both the banks for a period of 100 days. And is limited only to ICICI bank & HDFC Bank schemes.

II. RESEARCH METHODOLOGY

For the study and analysis purpose primary data is collected from the company websites, stock exchanges and newspapers. To support secondary data is also collected from various printed sources.

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For analysis purpose statistical tools are used such as variance, covariance and standard deviation as a measurement of risk for beta.

**MUTUAL FUNDS:**

Mutual fund is a collection of small units of funds from different investors investing in a proper system through asset Management Company in prioritized sectors and sharing the profits earned from such investment with the investors according to their units. Now a days people are much aware of the various schemes and slowly the trend is shifting from tradition investment schemes such as fixed deposits and post office deposits to modern investment tools. Even the traditional investors such as insurance companies invest the funds in mutual fund schemes. The various types of schemes available are

- Open ended schemes
- Close ended schemes

Funds offered under the scheme are:

- Equity growth fund
- Balanced growth fund
- Fixed income fund
- Indexed fund
- Specialty fund
- Fund of funds: and
- Diversify by investment style.

### III. ANALYSIS
The following formulas have been used for the analysis purpose

**Return**

\[ \text{Return} = \frac{\text{Current day closing Price} - \text{Previous day closing price}}{\text{Previous day closing price}} \]

**Average Return**

\[ \text{Average Return} = \frac{\text{Total returns}}{\text{Number of returns}} \]

**Risk**

Risk refers to the dispersion of variable. It is usually measured by variance and standard deviation.

**Variance**

Variance is the sum of square of deviations of actual returns from average returns.

\[ \text{Variance} = \frac{\sum D^2}{n-1} \]

**Standard Deviation:**
It is a statistical measure of variability of a distribution around its mean. It is the square root of variance.

\[ \text{Standard deviation} = \sqrt{\text{Variance}} \]

**BETA MEASUREMENT AND ANALYSIS:** Beta is a measure of system risk. Beta measures the stock’s volatility in relation to the market. By definition, the market has a beta of 1 and individual funds are ranked according to how much they deviate from the market. To calculate a stock’s beta of data is needed. First, closing stocks price for the stocks which are being examined and closing prices for the index chosen as a proxy for the stock market (Nifty). Beta is calculated by using the following formula

\[ \text{Covariance} = \frac{\sum (x-\bar{x})(y-\bar{y})}{n-1} \]

\[ (x-\bar{x}) = \text{Nifty (Deviation of Nifty (D))} \]

\[ (y-\bar{y}) = \text{Company funds (Deviation of Funds (D))} \]

\[ \sum (x-\bar{x})(y-\bar{y}) = \text{Sum of deviation of Nifty and company’s funds} \]

\[ N = \text{number of values} \]

\[ \text{Beta} = \frac{C}{\sqrt{\text{omr}}} \]

For the purpose of data analysis and interpretation the following ICICI prudential Mutual Funds and HDFC mutual funds have been chosen:

- Equity funds
- Balance funds
- Debt funds
- Fund of funds

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Exchange Trade funds

Each product has been analyzed using the following tools and the results tabulated, presented graphically and the evaluation of the same has been given under the caption 'Interpretation' below the graph.

**Table – 1**

<table>
<thead>
<tr>
<th>DATE</th>
<th>Market Index</th>
<th>Equity Fund</th>
<th>Balance Fund</th>
<th>Debt Fund</th>
<th>Fund of Funds</th>
<th>Exchange Trade Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVERAGE</td>
<td>10047</td>
<td>12.54</td>
<td>31</td>
<td>54.773</td>
<td>48.97</td>
<td>273.07</td>
</tr>
</tbody>
</table>

**Interpretation of the table and Graph:** As it can be observed from the above table and graph all five types of mutual funds of ICICI bank market index has been taken for different dates and exchange trade funds seems to be highest all the days and all others maintain a consistency throughout.
Table – 02
Calculation of Equity funds Risk for the period of 01/08/2017 to 10/11/2017

<table>
<thead>
<tr>
<th>DATE</th>
<th>Market Index X</th>
<th>Market Returns</th>
<th>Equity Fund Y</th>
<th>Equity Returns</th>
<th>D(X-\bar{X})</th>
<th>\sigma^2</th>
<th>I(Y-\bar{Y})</th>
<th>I^2</th>
<th>DI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0.0216</td>
<td>0.0224</td>
<td>0.0340</td>
<td>0.0338</td>
<td>0.0338</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>0.0003</td>
<td>0.0003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Variance:
- Nifty = \frac{\sum D^2}{(n-1)} = 3.4343
- ICICI Balance Funds = \frac{\sum D^2}{(n-1)} = 3.4141

Standard Deviation = \sqrt{\text{Variance}}
- Nifty = \sqrt{3.4} = 1.8531
- ICICI Balance Funds = \sqrt{3.4141} = 1.8477

Covariance = \frac{\sum(X-\bar{X})(Y-\bar{Y})}{n-1}
- = 0.0 \quad (1 - 1)

Beta = \frac{C}{\sigma_m \sigma_r}
- = \frac{3.3}{1.8}
- = 1.8035

Interpretation: The Equity returns and the market index are being overlapping with each other and equity value has fallen down when compared with the market index returns. This shows the Asset management is just better from falling down the value.
Interpretation: The Balance funds returns are more when compared with the market returns. It stands high during last hundred working days of 2017 and there assets are managed well. Due to this the returns are being raised.
Interpretation: The Debt fund flow is not equal with the market returns and the risk free returns are always overlapping with the debts. The market index will be playing main role in the returns of funds. The Asset management of debt funds are very poor compared to other type of funds.
IV. CONCLUSION

HDFC & ICICI are the two banks who always have competition of getting the high Assets. ICICI mutual funds are not performing well as the asset management is not done in a perfect manner due to this it is getting the huge losses. Children Gift plan is policy where people most interested to invest because it is giving high rate of bonus and growth plan is well functioning in manner. Debt funds are also part of mutual funds but ICICI mutual funds is into negative whereas the HDFC Mutual funds are performing well in the market. In the mutual funds they just pool the funds from the various investor and they bank will be investing that money in to various sectors like automobile, Pharmaceuticals, technology development and for research. In addition, mutual funds react more strongly to analyst information when it appears to be more credible.

REFERENCES


