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A STUDY ON PERFORMANCE EVALUATION OF ICICI PRUDENTIAL MUTUAL FUND WITH SPECIAL REFERENCE TO EQUITY PRODUCTS (BOTH DIRECT AND REGULAR PLAN)

Josheena Jose* **Nivya Unni****

**Assistant Professor, P.G Department of Commerce, Christ College Irinjalakuda*
***M.Com Graduate, P.G Department of Commerce, Christ College Irinjalakuda*

Abstract
Mutual fund is not an alternative investment option to stocks and bonds; rather it pools the money of several investors and invests this in stocks, bonds, money market instruments and other types of securities. Buying a mutual fund is like buying a small slice of a big pizza. The owner of a mutual fund unit gets a proportional share of the fund's gains, losses, income and expenses. Therefore the aim of study is to evaluate the performance of ICICI Prudential mutual funds with special reference to Equity products (Both Direct and Regular plan).

Key words: Mutual fund, Direct and Regular plan, ICICI Prudential etc.

1.1 Introduction
Mutual Funds are becoming popular over the last 20 years. It is a type of professionally managed collective investment vehicle. Mutual funds have become a widely popular and effective way for investors to participate in financial markets in an easy, low cost fashion. It can play a central role in an individual's investment strategy. They offer the potential for capital growth and income through investment performance, dividends and distributions under the guidance of a portfolio manager who makes investment decisions on behalf of mutual fund unit holders. Over the past decade, mutual funds have increasingly become the investor's vehicles of choice for long term investment. The relationship between risk and return determines the performance of a mutual fund scheme. Many asset management companies are working in India, so it is necessary to study the performance of it which may be useful for the investors to select the right mutual fund.

1.2 Review of Literature
In this section, related literatures in performance of mutual funds are reviewed. So the present study is the first attempt to analyze the performance of ICICI prudential mutual fund. Studies conducted in various aspects related to performance of mutual fund were found to be few in number. Among them no comprehensive study has been done in this area.

Sharpe (1966)[1] He evaluate the risk adjusted performance of mutual fund and introduced a measure known as reward to variability ratio (currently Sharpe ratio).with the help of this ratio he evaluate the return of 34 open ended mutual fund in the period 1945-1913.The return showed that to a major extent the capital market was highly efficient. But majority of the sample had lower performance as compared to Dow Jones Index.

Michael c Jensen (1967)[2] derived a risk adjusted measure of portfolio performance known as Jensen alpha. He estimated how much a manager's forecasting ability contributes to fund's return.

.**MC Donald (1974)**[3] conducted a research to examine the objectives and performance (risk and return) of American mutual funds in the period 1960-1969. Sample of 123 American mutual funds was analyzed by using Treynor (1965) and Sharpe indexes. The results indicated that stated objectives were significantly related to subsequent measures of systematic risk and total variability. Therefore the funds with aggressive objectives generally produced better performance.

A research conducted by **Martin et. al (1993)** [4]to examine the performance of bond mutual funds. Samples of bond fund: first sample was designed to eliminate survivorship bias and was comprised of the46 non- municipal bonds for the 10 year period from the beginning of 1979 to the end of 1988. The second sample consisted of all bond funds that existed at the end of 1991. The Researcher used linear and non-linear models in order to examine the two samples. The results showed that bond funds under perform relevant indexes post expenses.

Redman (2000)[4] analyzed the risk adjusted returns for five portfolios of international mutual funds. The study was conducted for three periods.1985-1994, 1985-1989, and 1990-1994.The performance was measured by using Treynor (1965) index, Sharpe (1966)'s index and Jensen's alpha and comparison was made with the U.S market. Results showed that under Sharpe (1966)'s and Treynor (1965) indices the performance of portfolios of international mutual fund was higher than the U.S market from 1985-1994 and 1985-1989. On the other hand performance of U.S equity portfolio and market index was higher the global portfolios from1990-1994

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1.3 Statement of problem
The Indian mutual fund industry is one of the fastest growing sectors in the Indian capital and financial markets. The mutual fund industry in India has seen dramatic improvements in quantity as well as quality of product and service offerings in recent years.

There is a huge scope in the future for the expansion of the mutual funds industry. A number of foreign based assets management companies are venturing into Indian markets. The Securities Exchange Board of India has allowed the

Introduction of commodity mutual funds. So the Mutual funds in India have the scope of penetrating into the rural and semi urban areas. So it is necessary to study

mutual fund industry. The study aims to providing information to retail investors for making informed decisions with regard to investment in mutual fund products.

1.4 Scope and Significance of study
The Mutual Fund Investment is a kind of financial instrument offered to the public by the finance corporations. They are resourcefully managed collective investments which gather money from different investors and use it as investment in various stocks, short-term money market financial instruments, bonds and other securities to earn interest and distribute it as dividends. The Future of Mutual Funds in India is quite bright and suggests that the industry has got huge scopes of development. There are a lot of asset management companies are working in India. But scope of this project limited only to one asset management company. That is ICICI Prudential AMC.

ICICI Prudential AMC is now the largest mutual fund in India (as on February 2016) by assets under management. It overtook long-time front-runner HDFC Mutual Fund with the amassing assets worth 1.74 lakh crore last month. HDFC MF reported assets of 1.70 lakh crore at the end of the same period.

Also ICICI Prudential AMC has introduced products aligned to meet customer needs leading to a well-diversified portfolio of mutual fund products. So here an attempt is made to know about ICICI MUTUAL FUND & their equity schemes and suggest schemes which help to earn more return after considering the aspects of risk and return.

1.5 Objectives of the study
1. To evaluate the performance of equity schemes of ICICI prudential mutual fund.
2. To analyze the risk involved in ICICI prudential funds.

1.6 Hypothesis
H1: There is significant difference between regular plan and direct plan

1.7 Research design: In pursuance of objectives stated above, the following research design was used for conducting the present study.

1.7.1 Nature of the Study
The present research is empirical in nature. It provides basis for external validation. The empirical study is based on observation or experience alone; it is also known as data based research. It is capable of being verified by observation. So, the present research may be defined as quantitative and analytical research.

1.7.2 Source of data
The present research is mainly based on secondary source of data. For the purpose of data collection various financial news papers viz. Economic Times, Financial Express, periodicals viz. Mutual Fund Insight, Business Today, offer documents of various companies and schemes, official web-sites of selected mutual fund companies, moneycontrol.com ,value research online etc.

1.7.3 Sample Design
Population of the Study
As the study is focused on mutual funds, the companies working in the India in mutual fund sector is considered as population of the study. As on 31st March, 2016 there are 44 number of mutual fund companies (AMCs) are working in India. The list of companies or population of the present research is given below:

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1. Axis Asset Management Company Ltd.
2. Baroda Pioneer Asset Management Company Ltd
3. Birla Sun Life Asset Management Company Ltd
4. BNP Paribas Asset Management India Pvt Ltd
5. BOI AXA Investment Managers Pvt Ltd
6. Canara Robeco Asset Management Company Ltd
7. Daiwa Asset Management (India) Pvt Ltd
8. Deutsche Asset Management (India) Pvt. Ltd.
9. DSP BlackRock Investment Managers Pvt. Ltd.
10. Edelweiss Asset Management Ltd
11. Escorts Asset Management Ltd
12. FIL Fund Management Private Ltd
13. Franklin Templeton Asset Management (India) Pvt Ltd.
14. Goldman Sachs Asset Management (India) Pvt Ltd.
15. HDFC Asset Management Company Ltd
16. HSBC Asset Management (India) Pvt. Ltd.
17. **ICICI Prudential Asset Management Company Ltd**
18. IDBI Asset Management Ltd.
19. IDFC Asset Management Company Ltd
20. India Infoline Asset Management Co. Ltd.
21. Indiabulls Asset Management Company Ltd.
22. ING Investment Management (India) Pvt. Ltd.
23. JM Financial Asset Management Pvt Limited
24. JPMorgan Asset Management India Pvt. Ltd.
25. Kotak Mahindra Asset Management Company Ltd.
26. L&T Investment Management Ltd.
27. LIC NOMURA Mutual Fund Asset Management Company Ltd.
28. Mirae Asset Global Investments (India) Pvt. Ltd.
29. Motilal Oswal Asset Management Company Ltd.
30. Peerless Funds Management Co. Ltd.
31. Pine Bridge Investments Asset Management Company (India) Pvt. Ltd.
32. Pramerica Asset Managers Private Ltd
33. Principal PNB Asset Management Co. Pvt. Ltd.
34. Quantum Asset Management Company Private Ltd.
35. Reliance Capital Asset Management Ltd.
36. Religare Asset Management Company Private Ltd.
37. Sahara Asset Management Company Private Ltd

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38. SBI Funds Management Private Ltd.
39. Sundaram Asset Management Company Ltd
40. Tata Asset Management Ltd
41. Taurus Asset Management Company Ltd
42. Union KBC Asset Management Company Pvt Ltd
43. UTI Asset Management Company Ltd

Sample Size

Only one company is selected for the study. This is based on the number of schemes. ICICI Prudential Asset Management Company Ltd have1477 schemes as on Dec 2015.

Their main products are

1. Equity
2. Balanced funds
3. Debt funds
4. Funds of funds
5. Exchange traded fund .Here equity funds are selected for our study.

1.7.4 Period of the study: The study is confined to a period of three financial years from 2013-2014 to 2015-2016.

1.7.5 Tools for analysis: The data collected for the study has been tabulated, analyzed and presented with the help of appropriate tools of analysis. Various statistical tools Like Beta, Standard deviation, Coefficient of variation, etc used for measuring systematic and unsystematic risk. To know the mutual fund having the highest return to each unit of risk –Sharpe ratio is used. R Squared used for analyzing correlation with benchmark.

1.7.6 Findings

The important findings of the study are below

1. It is found that, in regular plan ICICI Prudential midcap fund (33.68%) ICICI Prudential value discovery fund (32.41%) and ICICI Prudential exports and other services fund (23.90%) has generated higher return to investors. This can also be seen in direct plan.
2. The study found that ICICI Prudential banking and financial services fund, ICICI Prudential mid cap fund and ICICI Prudential infrastructure fund have high risk. Higher the risk higher will be the return. This is true in case of above three funds.
3. In direct plan, ICICI Prudential value discovery fund, mid cap fund, exports and other services fund and technology fund etc holds first position out of the total funds in their category.
4. ICICI Prudential value discovery fund mainly invest in companies engaged in the service and export sector including software, media etc.These sectors have high growth potential. Mid cap stocks provide higher earnings potential. Technology funds mainly invest in knowledge sectors like it. These sectors have more importance in the current scenario.
5. ICICI prudential Equity arbitrage fund have low risk (.60) and low return. (8.02%).
6. Beta measures volatility of stock price to market price. ICICI Prudential value discovery fund, ICICI Prudential mid cap fund, ICICI Prudential infrastructure fund etc have beta greater than one. This means that these are aggressive securities.
7. ICICI Prudential US Blue-chip Equity Fund have negative beta. It indicates that its performance is lower than market (-0.14).
8. Sharpe ratio indicates that most of the equity products provide high risk premium to investors.
9. It is found that Equity Arbitrage fund have high risk premium per unit risk (4.58). It is mainly due to lower standard deviation (0.60).
10. It is observed that ICICI Prudential mid cap fund (1.12), ICICI Prudential exports and other services fund(1.58), ICICI Prudential Technology Fund(1.16), ICICI Prudential value discovery fund(1.18) etc provide high risk premium.
11. Most of the Equity products (16) hold good correlation between the portfolio's returns and the benchmark's returns. (Funds R squared value ranges between 70-100 %)
12. ICICI Prudential US Blue Chip Equity fund have low correlation between the portfolio's returns and the benchmark's returns.

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13. ICICI Prudential Banking and Financial Services Fund, ICICI Prudential FMCG Fund, ICICI Prudential Infrastructure Fund, ICICI Prudential Nifty Index Fund etc have high risk because inconsistency in their return.
14. Coefficient of variations is higher in ICICI Infrastructure fund. (Both in regular plan and direct plan).
15. Coefficient of variation is least in ICICI Prudential Child Care Plan and ICICI Prudential Equity Arbitrage fund. (Both in regular plan and direct plan).
16. Performance of regular plan and direct plan are different.

1.7.7 Conclusion

Mutual funds now represent perhaps most appropriate investment opportunity for most investors. The mutual fund investors prefer more of the equity fund as they want more return on their money. They avoid going in the debt fund because they can get the same amount of return on their banks that is also without taking any risk. Even after seeing the market crash in may 2006 people still thinks that mutual funds is much reliable way to invest in stock market. ICICI mutual fund provides major benefits to a common man who wants to make his life better than previous.

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