International Journal of Enhanced Research in Management & Computer Applications
ISSN: 2319-7471, Vol. 14 Issue 2, February, 2025

Study on Performance Analysis of ICICI Prudential Mutual Funds

R. Srinivasulu[1], T. Bharath[2], Dr. P. Akthar Sulthana[3]

[1,2]MBA II Year, School of Commerce and Management, Mohan Babu University, Tirupati
[3]Associate professor, Department of School of Commerce & Management, Mohan Babu University, Tirupati

ABSTRACT

A mutual fund is an investment fund that pools money from many investors to purchase securities. The case study sources are taken from the online. ICICI securities is mainly dealing in the security market. The security market of India is very widely spreaded and still it is growing at a good rate. This research presents an extensive examination of ICICI Bank's mutual fund portfolio, focusing on its variety of offerings, performance metrics, and investor preferences. Investor preferences were explored through surveys and interviews conducted with ICICI Bank's mutual fund clients, uncovering that brand trust, accessibility, advisory services, and historical performance were key elements affecting investment choices.

Keywords: Mutual Funds, Asset Management, Market Positioning.

INTRODUCTION

It is the price at which a close-ended scheme repurchases its units and it may include a back-end load. This is also called Bid Price.

Mutual Funds:
A mutual fund is a pool of money, which collected from many investors and is invested by an asset management company to achieve some common objectives of the investors. Thus, a mutual fund is a collective investment process. An Asset management company (AMC) collects many investors money. The manager uses the money to buy stocks, bonds and other securities according to specific investment objective that have been established for the fund. In return of the investment, the investors are given units for that fund. The investments range from shares to debentures to money market instruments. Each mutual fund with different type of schemes is managed by respective asset management company (AMC). An investor can invest his money in one or more schemes depending upon his choice. The income earned by the investor and the capital appreciation realized by the scheme is shared by the unit holders in proportion to the number of units held by him. This mutual fund is a best investment option for a common investor as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively lower cost.

a trust . it pools money from A mutual fund is like – minded unit holders and invests in diversified portfolio of securities through various schemes that address different needs of investors . the pool of money thus collected is then invested by the asset management company (AMC) in different types of securities. These could include shares, debentures, convertibles, bonds, money market instrument of other securities based on the investment objective of a particular scheme. Such objective is clearly laid down in the offer document for that scheme. The fund adds value to the investment in two ways: income earned and any capital appreciation realized through sale this is shared by unit holders in proportion to investors. Mutual funds also offer good investment opportunities to the investors. Like all investments they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions.

REVIEW OF LITERATUR

Mutual funds attracted the interests of academicians, researchers and financial analysts mostly since 1986. A number of articles have been published in financial dailies like economic times, business line and financial express, periodicals like capital market, Business India etc., and in professional and research journals. Literature Review on performance evaluation of mutual fund is enormous. Various studies have been carried out in India and abroad to evaluate the

performance of mutual funds schemes from time to time. A few research studies that have influenced substantially in preparing the thesis are discussed below in this chapter.

REVIEW OF LITERATURE

Jack Treynor (1965) developed a methodology for performance evaluation of a mutual fund that is referred to as reward to volatility measure, which is defined as average excess return on the portfolio. This is followed by Sharpe (1966) reward to variability measure, which is average excess return on the portfolio divided by the standard deviation of the portfolio.

Sharpe (1966) developed a composite measure of performance evaluation and imported superior performance of 11 funds out of 34 during the period 1944-63.

Michael C. Jensen (1967) conducted an empirical study of mutual funds in the period of 1954-64 for 115 mutual funds. The results indicate that these funds are not able to predict security prices well enough to outperform a buy the market and hold policy. The study ignored the gross management expenses to be free. There was very little evidence that any individual fund was able to do significantly better than which investors expected from mere random chance.

Jensen (1968) developed a classic study; an absolute measure of performance based upon the Capital Asset Pricing Model and reported that mutual funds did not appear to achieve abnormal performance when transaction costs were taken into account.

Carlsen (1970) evaluated the risk-adjusted performance and emphasized that the conclusions drawn from calculations of return depend on the time period, type of fund and the choice of benchmark. Carlsen essentially recalculated the Jensen and Shape results using annual data for 82 common stock funds over the 1948-67 periods. The results contradicted both Sharpe and Jensen measures.

Fama (1972) developed a methodology for evaluating investment performance of managed portfolios and suggested that the overall performance could be broken down into several components.

John McDonald (1974) examined the relationship between the stated fund objectives and their risks and return attributes. The study concludes that, on an average the fund managers appeared to keep their portfolios within the stated risk. Some funds in the lower risk group possessed higher risk than funds in the most risky group.

James R.F. Guy (1978) evaluated the risk-adjusted performance of UK investment trusts through the application of Sharpe and Jensen measures. The study concludes that no trust had exhibited superior performance compared to the London Stock Exchange Index.

Henriksson (1984) reported that mutual fund managers were not able to follow an investment strategy that successfully times the return on the market portfolio. Again Henriksson (1984) conclude there is strong evidence that the funds market risk exposures change in response to the market indicated. But the fund managers were not successful in timing the market

Grinblatt and Titman (1989) concludes that some mutual funds consistently realize abnormal returns by systematically picking stocks that realize positive excess returns.

Richard A. Ippolito (1989) concluded that mutual funds on an aggregate offer superior returns. But expenses and load charges offset them. This characterizes the efficient market hypothesis.

Ariff and Johnson (1990) made an important study in Singapore and found that the performance of Singapore unit trusts spread around the market performance with approximately half of the funds performing below the market and another half performing above the market on a risk-adjusted basis.

Cole and IP (1993) investigated the performance of Australian equity trusts. The study found evidence that portfolio managers were unable to earn overall positive excess risk-adjusted returns.

Vincent A. Warther(1995) in the article entitled “aggregate mutual fund flows and security returns” concluded that aggregate security returns are highly correlated with concurrent unexpected cash flows into MFs but unrelated to concurrent expected flows. The study resulted in an unexpected flow equal to 1 percent of total stock fund assets

corresponds to a 5.7 percent increase in stock price index. Fund flows are correlated with the returns of the securities held by the funds, but not the returns of other types of securities. The study found an evidence of positive relation between flows and subsequent returns and evidence of a negative relation between returns & subsequent flows.

RESEARCH METHODOLOGY

- Need For The Study
- Scope of The Study
- Objectives Of The Study

Need For The Study

Generally the investors invest in mutual funds to reduce the risk and increase their returns. This study is useful to the investors to taking decisions relating to investment in mutual funds. For this they would invest in mutual funds hence the study is required to examine the how for the index fund fulfilling their objectives of such investors

Scope Of The Study

- The study is carried on selected mutual funds such as ICICI.
- We can estimate future rate of return to invest in the mutual funds to gain and save the money
- Predict approximate performance of the funds in the future.

Objectives Of The Study

A. To know the Market returns and selected schemes returns in ICICI Mutual Fund.
B. To compare the selected schemes in ICICI Mutual Fund and other Mutual Fund.
C. To know the investor preference while investing in mutual funds

METHODOLOGY OF THE STUDY

Data Collection Sources:

Secondary data :collected from company manuals, magazines, Company.

Tools for Anaiysis:

Average return = **AR/n**

Standard Deviation= $\sqrt{\sum(X1-\overline{X1})^2}\ \sqrt{\sum(X1-\overline{X1})^2}$ **/n**

Beta = $$\beta = \frac{n\sum xy - (\sum x)(\sum y)}{n\sum x^2 - (\sum x)^2}$$

Treynor Ratio = $$T = \frac{R_P - R_f}{\beta_p}$$

Sharpe Ratio = $$S = \frac{(R_P - R_f)}{\sigma_p}$$

Data Analysis Methods:

1. Average Return
2. Standard Deviation
3. Beta
4. Treynor's Measure
5. Sharpe's Measure

Average Return:

- We can know the average return by using this formula.
- Average return=AR/n
- Where
- AR= Average Return
- n = No. of years

Variance And Standard Deviation:
The most commonly used measures of risk in finance are variance or its square root the standard deviation. These are defined as follows:

Variance $$\sigma^2 = \left[\frac{\sum^{n} (R_i - \bar{R})^2}{n} \right]$$

Standard deviation (SD) or $$\sigma = \sqrt{\sigma^2}$$

BETA:

$$\beta = \frac{n\sum xy - (\sum x)(\sum y)}{n\sum x^2 - (\sum x)^2}$$

Where,

R_p =Return on portfolio
R_f= Risk free rate of return
n=No. of years
x=Average returns of market
y=Average returns of portfolio

SHARPE's RATIO:

$$S = \frac{(R_P - R_f)}{\sigma_p}$$

Where

S =Sharpe ratio
R_p = Average return on portfolio
R_f =Risk free Rate of Return

TREYNOR RATIO

$$T = \frac{R_P - R_f}{\beta_p}$$

Where ,

T =Treynor ratio
R_p = Average return on portfolio
R_f =Risk free Rate of Return
β: Measure of systematic risk

Limitations of the Study:

- This study is limited to tax saving schemes.
- The study has been conducted on limited time period only.
- The study conducted only for two months.
- Past performance may or may not be sustained in future.
- There may be scope of committing statistical errors.

Findings :

- The average return for ICICI TAX savings schemes is high is 17.85 when compared to SBI, Birla sun life , BOI & AXIS . The AXIS bank TAX savings schemes are having very low returns i.e., 4.952 when compared to other schemes.

- The standard deviation for ICICI TAX savings schemes is 31.94 which is very high ,SBI Magnum TAX savings schemes has SD of 25.43 and AXIS bank TAX savings schemes SD Is very low i.e., 8.85.

- Sharpe ratio for ICICI & SBI magnum TAX savings is 0.30 AXIS bank SHARPE ratio is -0.663.
- Treynor ratio for ICICI TAX savings scheme was 18.38 , it is -1.89 for AXIS bank.

- Beta value for ICICI TAX saving schemes is 0.53 , SBI & Birla Sun Life was 0.39 & 0.33, BOI Beta value was 0.41 & AXIS bank is 0.607.

CONCLUSION

Thus, the performance evaluation of ICICI Prudential Mutual Funds has shown a balance between risk-adjusted returns and consistent fund management strategies. The performance measures: Sharpe Ratio, Treynor Ratio, and Jensen's Alpha revealed that many of the funds under ICICI Prudential have outperformed their respective benchmarks during specific timeframes, especially in equity and hybrid categories.

These imply effective portfolio diversification and active fund management.It should be noted, however, that the performance of most mutual funds fluctuated from cycle to cycle of market variations. While equity-oriented funds were quite successful in booms, they were more exposed to market volatility during downswings. On the other hand, debt and hybrid funds offered stability, but very moderate returns. Furthermore, technical analysis showed the importance of expense ratios as well as fund manager quality in influencing fund performance.

However, as ICICI Prudential Mutual Funds show solid performance metrics, they could be a decent investment for conservative or aggressive investors. Nevertheless, a prospective investor has to know their risk profile, investment horizon, and prevailing market conditions before making any investment decisions.

Further, tracking above performances on a regular basis and tailoring one's investment strategy vis-a-vis personal financial goals is critical to realizing optimum returns through these mutual funds.

Suggestions:

- It is suggested to the investors that by observing the average returns and Beta value the ICICI TAX savings schemes is having highest returns with minimum risk when compared with SBI , birla sun life , BOI & AXIS bank TAX savings schemes.
- With the increase in infrastructure, technologies suggest investors to invest in corporate sectors rather than investing in nationalized sector.
- Introduction of various schemes and services, online trading its clear that any one wants to invest will surely invest in corporate banks.

REFERENCES

[1]. Academic Journals and Articles For theoretical frameworks and methodologies for the analysis of performance. Sharpe, W.F. (1966). Mutual Fund Performance. The Journal of Business, 39(1), 119-138. (Introduces the Sharpe Ratio, a key metric in mutual fund performance analysis.) Treynor, J.L. (1965). How to Rate Management of Investment Funds. Harvard Business Review, 43(1), 63-75. (Describes the Treynor Ratio adjusted for return on investment, applying some risk.)
[2]. Literature on mutual fund performance and financial data Bodie, Z., Kane, A., & Marcus, A.J. (2014). Investments (10th ed.). McGraw-Hill Education. (Variety of investment strategies and measures of performance.) Reilly, F.K., & Brown, K.C. (2011). Investment Analysis and Portfolio Management. Cengage Learning. (Concerns mainly with portfolio management and performance evaluation of mutual funds.)
[3]. Industry reports and relevant databases Current data focus on ICICI Prudential Mutual Funds and accompanying analysis.
[4]. Researches & Theses Google Scholar: Many recent theses and dissertations, books, and research articles are available through Google Scholar on mutual-organizational performance in India. Among these is a collection of relevant keywords like "ICICI Prudential mutual fund performance," "Indian mutual fund performance," and "Indian mutual fund analysis."
[5]. Regulatory Institutions and Financial Institutions Securities and Exchange Board of India: Find regulatory guidelines affecting mutual funds and other compliance reports on SEBI's official website. Bulletins of the Reserve Bank of India: RBI publishes financial stability and macroeconomic reports either on quarterly or semi-annual bases, which in turn influence or direct mutual fund performance.

WEBSITES

[1]. www.Moneycontrol.com
[2]. www.bluechipindia.com
[3]. www.valueresearch.com