IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 20, Issue 9. Ver. II (September. 2018), PP 25-29
www.iosrjournals.org

A Study on the Performance of Selected Liquid Mutual Fund

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Abstract: *A mutual fund offers investors the opportunity to pool their money with other investors in an investment that's managed by professional investment managers. Mutual funds invest in stocks, bonds or other securities according to each fund's objective. The mutual fund is structured around a fairly simple concept, the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling of a number of small investments into a large bucket. Now days bank rates bank is not a wise option in real terms , the value of money decrease over a period of time ..To overcome this obstacles liquid fund can help us to earn much higher rates than what the savings deposits offer without compromising too much on how we get on our hands..The present study evaluated the performance of liquid fund returns using arithmetic mean and compounded annual growth rate, risk and return of the fund have been analyse by S.D, beta, share and trey nor ratio further funds performance has been compare with its bench mark return*

Key words: *financial services ,bench mark, risk-return adjustment.*

Date of Submission: 27-08-2018 Date of acceptance: 09-09-2018

I. Introduction

Mutual fund is an ideal investment vehicle where a number of investors come together to pool their money with common investment goal. Each mutual fund with different type of schemes is managed by respective .Asset management company (AMC) an investor can invest his/her money in one (or) more schemes of mutual fund according to their choice and becomes the unit holder of the schemes invested money in a particular scheme of mutual fund is then invested by fund manager in different types of suitable stock and securities bonds and money market instruments..MF offer several advantages over investing in individual stocks, including diversification and professional management..A mutual fund may hold investment in do zone of stock, thus reducing the risk associated with owning any particular stock..A mutual funds also offers a benefits from professional fund manager who can apply their expertise and dedicate time to research investment options..Thus mutual funds play a significant role in financial inter mediation development of capital markets and growth of the financial sector as a whole... Mutual funds offer investors the advantages of portfolio diversification and professional management at low cost. These advantages are particularly important in the case of equity funds where both diversification and professional management have the potential to add value. For bond and money market mutual funds, the main advantage is transactional efficiency through professional management. In fact, as argued below, tax incentives and regulatory factors have played a big part in stimulating the development of bond and money market funds. One of the distinguishing features of mutual funds is a high level of operational transparency relative to other financial institutions, such as banks, thrifts, insurance companies and pension funds that also cater to the needs of households. Unlike banks and insurance companies, mutual funds do not assume credit and insurance risks and thus do not need to make subjective provisions against non-performing loans or to create actuarial reserves against future insurance claims. Mutual funds invest in marketable instruments and are able to follow a "Marko-market" valuation for their assets. But the investment risk is borne by investors who especially in the case of equity funds, participate in the upside potential of corporate equities but are also exposed to substantial losses when markets are falling.

II. Liquid Fund:

Liquid funds aim at providing a high degree of liquidity and safety of capital to the investor. For this reason, the fund manager allocates your money in high-credit quality debt instruments in varying proportions as per the investment mandate of the fund. It ensures that average maturity of the portfolio is up to 3 months. In this way, the returns generated by the fund remain least affected by the overall interest rate fluctuations in the economy. The maturity of the underlying securities is matched to the portfolio maturity to deliver higher returns. As compared to a regular savings bank account, liquid funds are an efficient way to park surplus funds. These are low- risk havens which provide higher returns as compared to savings bank account. Liquid funds try to emulate the liquidity aspect of a savings bank account by having zero exit loads to give you the flexibility of withdrawal and redemption as per your convenience.

1.1 Types of Money Market Instruments:

a. Certificate of Deposit (CD)

These are time deposits like fixed deposits that are offered by scheduled commercial banks. The only difference between FD and CD is that you cannot withdraw CD before the expiry of the term.

b. Commercial Paper (CPs)

These are issued by companies and other financial institutions which have a high credit rating. Also known as promissory notes, commercial papers are unsecured instruments which are issued at the discounted rate and redeemed at face value. The difference is the return earned by the investor.

c. Treasury Bills (T-bills)

T-bills are issued by the Government of India to raise money for a short-term of up to 365 days. These are the safest instruments as these are backed by the guarantee of government. The rate of return, also known as risk-free rate, is low on T-bills as compared to all other instruments.

2.3 BENEFITS:

- No entry and exit loads.
- It is the best investment options for short term during a high inflation environment..
- Investors can with draw their money in fund at any time, withdrawals can be process within 24 hours on a business day .
- Easy to redeem
- Good returns than fixed investments

III. Review Of Literature:

Jaydev (1996) evaluated performance of two schemes during the period June 1992 to March 1994 in terms of return/benchmark comparison diversification was unsatisfactory. The performance did not show any signs of selectivity and timing skills of the fund managers.

Sahadevan and Raju (1996) focused on data presentation on Expenses and other related aspects, which are generally covered in annual reports of the mutual funds without going into the details of financial performance evaluation of the funds.

Gupta and Sehgal (1997) evaluated mutual fund performance over a four year period, 1992-96. The sample consisted of 80 mutual fund schemes. They concluded that mutual fund industry performed well during the period of study. The performance was evaluated in terms of benchmark comparison, performance from one period to the next and their risk return characteristics.

Mishra (2001) evaluated performance over a period, April 1992 to December 1996. The sample size was 24 public sector sponsored mutual funds. The performance was evaluated in terms of rate of return, Treynor, Sharpe and Jensen's measure of performance. The study also addressed beta's instability issues. The study concluded dismal performance of PSU mutual funds in India, in general, during the period 1992-96.

Singh and Meera (2001) in their book presented a framework for conducting critical appraisal of mutual fund performance in the Indian context reviewed the performance of unit Trust of India (UTI), Private and money market mutual funds.

Sadhak (2003) in his book suggested several improvements in the strategic and operational practices of mutual funds are suggested keeping in mind the mechanisms used by fund managers in developed economies.

Sondhi (2004) studied the financial performance evaluation of equity oriented mutual funds on the basis of type size and ownership of mutual funds using the measure of absolute rate of return, comparison with benchmark (BSE 100) and the return on 364 days T-Bills and risk adjusted performance measure (Sharpe, Treynor, Jensen's Alpha and Fama)

Anand and Murugaiah (2004) had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The invertors' will also consider various factors before investing in mutual fund.

Ramamurthy and Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. The study also analyzed about recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in mutual fund, buying and selling of mutual funds through online.

Desigan et al (2006) conducted a study on women investors' ' perception towards investment and found that women investors' ' basically are indecisive in investing in mutual funds due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems. Savings is a habit specially embodied into women. Even in the past, when women mainly depended on their spouses' income, they used to save to meet emergencies as well as for future activities. In those days, women did not have any awareness about various investment outlets. But as time passed, the scenario has totally changed.

IV. Statements Of The Study:

More than 2 years, since RBI deregulated interest rates on savings deposits, most banks still offer 4% and some banks offer higher rates on savings account but ask for higher minimum deposits. Since a significant portion of their spare cash in these low yielding saving accounts earning much lower rates than the inflation. Liquid funds can help us to earn much higher rates than the savings deposits. During the past years some liquid funds have even offered higher returns than bank fixed deposits, which a penalty on premature withdrawal. Thus this study emphasis to know about the performance of liquid mutual funds

V. Need For The Study:

Liquid funds are among the best investment options for the short-term during a high inflation environment, during a high inflationary period, the RBI typically keeps interest rates high and tightens liquidity, thus liquid funds helps it investors by offering high degree of capital safety and liquidity. It is very much essential to know how liquid funds help its investors to better return.

VI. Objectives Of The Study:

- To evaluate the performance of selected liquid fund..
- To create awareness among investors about liquid funds to gain a high return in short term period
- To study measures of risk a return associated with mutual fund investment...

VII. Research Methodology:

7.1 SAMPLE SIZE:
The Present study compares funds chosen the five liquid from different AMC's

7.2 TIME PERIOD:
Time period for this study was 5 years (i.e.) 2012-2013 to 2016-2017

7.3 DATA COLLECTION:
This study is based on secondary data. The relevant sources of secondary data are books, journals, magazines, newspaper, brochures and website of selected mutual funds.

7.4 TOOLS AND TECHNIQUES:
To analyse the data all the appropriate statistical techniques (ie) arithmetic mean, standard deviation, beta, Sharpe ratio and trey nor ratio, alpha have been applied.

VIII. Analysis And Results:

Table: 1 Return For Liquid Fund (%)

S.NO	FUND NAME	2012-13	2013-14	2014-15	2015-16	2016-17	TOTAL RETURNS
1.	SUNDRARAM MONEY FUND REG (G)	9.27	9.09	8.32	7.60	6.62	40.9
2.	AXIS LIQUID FUND(G)	9.20	9.10	8.35	7.64	6.71	41
3.	ESSEL LIQUID FUND(G)	9.49	9.25	8.35	7.78	6.78	41.5
4.	INVES CO INDIA LIQUID RP (G)	9.24	9.11	8.39	7.64	6.70	41.08
5.	HDFC LIQIUD FUND(G)	9.28	9.10	8.35	7.59	6.53	40.85

Source: www.valueresearh online.com

From the above, table it may be observed that the rate of return..From Essel liquid fund (g) is the highest 41.5 (8.3%) for the five year followed by Invesco India liquid fund 41.08 (8.2%), Axis liquid fund 41(8.2%) an HDFC liquid fund 40.85 (8.17%).Thus the rate of return from Essel liquid fund is the highest.

Table 2: Risk Measurement Ratio For Liquid Funds

S.No	Fund Name	Standard Deviation Ratio	Sharpe Ratio
1.	Sundaram Money Fund Reg(G)	0.24	17.66
2.	Axis Liquid Fund (G)	0.23	18.21
3.	Essel Liquid Fun Rp (G)	0.23	19.07
4.	Inves Co India Liquid Rp (G)	0.25	17.15
5.	Hdfc Liquid Fund (G)	0.26	15.88

Source: www.valueresearh online.com

From the above table it may be understand that the performance of Essel liquid fund RP (G) which have higher Sharpe ratio of (19.07) it means the fund will have produced rate of return ,to its investor and have a low standard deviation of (0.23) it implies that fund has low volatility towards market. Hence Essel liquid fund is the best fund which has provided a good return to its investor during a study period.

Table 3: Asset Under Management (In Crores)

S.No	Fund Name	Aum(Crs)
1.	Sundaram Fund Money Fund Reg (G)	7487.4(Crs)
2.	Axis Liquid Fund (G)	25141.7
3.	Essel Liquid Fund Rp (G)	1016.9
4.	Inves Co India Liquid Rp (G)	12316.4
5.	Hdfc Liquid Fund (G)	30961.4

Source: www.valueresearh online.com

The above table shows the AUM of selected five liquid funds, sundaram money fund holds 74874 followed by axis liquid fund (g)25147.7crs, Essel liquid fund RP(g)1016.9 crs, Invesco India liquid 12316.4 crs and HDFC liquid fund (g) 30961.4. The higher AUM values shows that HDFC liquid fund (g) and axis liquid fund (g) funds have more number of investors.

Table -4: Credit Rating Measurement

S.No	Fund Name	Rating
1.	Sundar Am Money Fund Reg (G)	***
2.	Axis Liquid Fund (G)	***
3.	Essel Liquid Fund Rp (G)	*****
4.	Inves Co India Liquid Rp (G)	***
5.	Hdfc Liquid Fund (G)	**

Source: www.valueresearh online.com

From the above it may be revealed the risk rate given by **CRISIL** rating out of 5 funds, its revealed that Essel liquid fund RP (G) has 5 star it means that the find is highly secured with high return for the investors.

IX. Conclusion:

Mutual fund industry has grown up its leaps and bound particularly during the last two decades of the 20th century..It is observed that on the basic of liquid fund. The present study has taken five liquid funds and has analyzed for 5 years with various risk measurements ratios to find out which fund is best and how far the funds yield returns in these five years. The risk of an liquid is equally important as the return, but some time investors tend to focus on the return on the liquid fund. It is very essential for an investor to select a best liquid fund by assessing the risks associatiated with that fund while choosing the fund. Overall Essel liquid fund RP (G) has provided good return when compare to other funds.

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IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Dr.V.Rathnamani "A Study On The Performance Of Selected Liquid Mutual Fund." IOSR Journal of Business and Management (IOSR-JBM) 20.9 (2018): 25-29.