



A Comparative Study of Return in Growth Fund and Dividend Fund (A Study of HDFC Equity and LIC Infrastructure Fund)

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Abstract:

*Finance refers to funds or monetary resources required by individuals and the government to purchase all types of assets and securities. In the term financial system the word 'system' implies a set of complex and closely connected or intermix institutions, agents, markets, transactions, practices, claims and liabilities in the economy. In a modern economy, finance may be defined as the provisions of money at the time when it is wanted. In Simple Words, **Mutual fund** is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document.*

Keywords: *Dividend Option, Growth Option, Mutual Funds, Return, Risk-taking*

1. Introduction

Financial investments are in stocks, bonds, and other types of security investments. Indirect financial investments can also be done with the help of mediators or third parties, such as pension funds, mutual funds, commercial banks, and insurance companies. A mutual fund is a financial intermediary which acts as an instrument of investment. It collects funds from different investors to a common pool of investible funds and then invests these funds in a wide variety of investments opportunities. The investment may be diversified to spread risk and to ensure a good return to the investors. The mutual funds companies employ professionals, experts and investment consultants to conduct the investment analysis and then to select the portfolio of securities where the funds are to be invested.

2. Review of Literature

Dam, L.B. (2010), conducted an empirical research based on primary data to check the preference of investment avenues among the people. She has studied that majority investors are selecting investment options considering, tax benefit, safety and liquidity. As per the conclusion made by her, on the basis of sampled collected, the majority of investors preferred to invest in insurance, and it is followed by mutual funds.

Singh, B.K. (2012) in his research concluded that the most of respondents are still confuse about the mutual funds and have not formed any attitude towards the mutual funds for investment purpose. He also observed that most of the respondents having lack of awareness about the various functions of the mutual funds. The demographic factors like gender, income and level of education have significantly influenced the investors' attitude towards mutual funds and other two demographic factors age and occupation have not been found influencing the attitude of investors towards mutual funds.

Raval, M.B. (2013), stated that for an individual or an institution, it is not possible to keep watch on the movement of stock market because of time and skill constraints. To remove these constraints, the professional financial intermediaries have emerged. Recently a new product came in to being in the mutual fund to get the advantage of market movement. It is known as ETF. The researcher has compared performance of Kotak- Sensex ETF and ICICI Pru-Sensex ETF for the period of 12 months

i.e. From April, 2011 to March, 2012 using analysis of monthly return and concluded that there is no significant difference in return of both the funds.

3. Objective of the Study

1. To compare Return Based on NAV of Various years for various Scheme
2. To get the idea about return generated by Dividend option and Growth option Scheme.
3. To know the efficiency of the sample units
4. To know which option of the scheme is performing better.

4. Hypotheses

- Ho₁** : There is no significance difference between Return of HDFC Equity Divided Scheme and HDFC Equity Growth Scheme.
- Ho₂** : There is no significance difference between Return of LIC Infra Divided Scheme and LIC Infra Growth Scheme.

5. Period of the Study

The present research is focused on NAVs of various schemes selected mutual fund companies for the period of 5 years from 2008-09 to 2012-13. There is no special reason to consider this period as the period of study. But to derive perfect conclusion of the study and to cover all aspects of changes in financial market, this period is quite fit. So, to make the present study fruitful, the researcher has selected the above mentioned period.

6. Sampling

To justify the research title, the researcher has selected a sample of 2 AMC from the population viz. HDFC and LIC. For the selection of sample units the researcher has adopted convenient sampling technique, as for the purpose of comparison the same schemes are required in each mutual fund companies.

7. Frame Work and Tools Used for Analysis

To justify the present research title, the researcher has used various accounting and statistical techniques. For the purpose of present research, the researcher has taken into consideration the Net Asset Value (NAV) and its quarterly return. To measure the performance of the different schemes of various mutual funds, covered under the sample, first of all, the quarterly return computed using the accounting technique.

If we want to test the hypothesis that populations means are equal we can apply *t* test. So for the comparison of two schemes *t* test is used by the researcher.

8. Limitation of the Study

1. As the research is based on secondary sources of the data, the limitations of secondary sources of data automatically applicable to this research. The quality and reliability of the research is based on the quality and reliability of the data.
2. The present study is focused on the period of 5 years from 2008-09 to 2012-13, which does not reveal the effect of the other period of time measurement.
3. The study is based on selected mutual fund companies and selected schemes, hence the generalization of the result of the study and universal application is not possible.
4. There are other measures of performance too, but in the present study, the researcher has analyzed the performance on the basis of quarterly return of various schemes. The measurement of performance may be different, if any other measures or methods are applied.

9. Data Analysis

Table 1: A Table Showing Quarterly Return of HDFC Equity and Growth Fund

Dates & Co.	HDFC Equity Dividend Fund (NAV)	HDFC Equity Growth Fund (NAV)	HDFC Equity Dividend Fund (Return)	HDFC Equity Growth Fund (Return)
3/31/2008	38.25	165.79	-	-
6/30/2008	33.03	143.17	-13.65	-13.64
9/30/2008	33.62	145.72	1.79	1.78
12/31/2008	25.92	112.38	-22.90	-22.88
3/31/2009	21.85	108.85	-15.70	-3.14
6/30/2009	34.71	172.87	58.86	58.81
9/30/2009	42.53	211.82	22.53	22.53
12/31/2009	46.38	231.01	9.05	9.06
3/31/2010	43.42	236.27	-6.38	2.28
6/30/2010	46.55	253.29	7.21	7.20
9/30/2010	54.52	296.65	17.12	17.12
12/31/2010	54.86	298.5	0.62	0.62
3/31/2011	47.85	283.28	-12.78	-5.10
6/30/2011	47.5	281.21	-0.73	-0.73
9/30/2011	41.46	245.41	-12.72	-12.73
12/31/2011	36.95	218.74	-10.88	-10.87
3/31/2012	40.18	261.67	8.74	19.63
6/30/2012	39.58	257.76	-1.49	-1.49
9/30/2012	41.99	273.44	6.09	6.08
12/31/2012	45.06	293.42	7.31	7.31
3/31/2013	37.59	271.11	-16.58	-7.60

**Table 2: A Table Showing Statistical Results using t-test
(two-sample assuming equal variance)**

	HDFC Equity Dividend Fund (Return)	HDFC Equity Growth Fund (Return)
Mean	1.28	3.71
Variance	329.24	299.42
Observations	20.00	20.00
Pooled Variance	314.33	

Hypothesized Mean Difference	0.00	
Df	38.00	
t Stat	-0.43	
P(T<=t) one-tail	0.33	
t Critical one-tail	1.69	
P(T<=t) two-tail	0.67	
t Critical two-tail	2.02	

From the statistical analysis of the data using t-test at 5% level of significance, it is clear that the hypothesis H₀ is accepted. It means, there is no significant difference observed between the quarterly returns of HDFC Equity Dividend and HDFC Equity Growth Scheme during the period of the study.

Table 3: A Table Showing Quarterly Return of LIC Infra Equity and Growth Fund

Dates & Co.	LIC Infra Dividend Fund (NAV)	LIC Infra Growth Fund (NAV)	LIC Infra Dividend Fund (Return)	LIC Infra Growth Fund (Return)
3/31/2008	9.15	9.45	-	-
6/30/2008	7.99	7.99	-12.68	-15.45
9/30/2008	7.84	7.84	-1.88	-1.88
12/31/2008	5.76	5.76	-26.53	-26.53
3/31/2009	5.57	5.57	-3.30	-3.30
6/30/2009	8.33	8.33	49.55	49.55
9/30/2009	9.41	9.41	12.97	12.97
12/31/2009	9.32	9.32	-0.96	-0.96
3/31/2010	9.41	9.41	0.97	0.97
6/30/2010	9.43	9.43	0.21	0.21
9/30/2010	10.43	10.43	10.60	10.60
12/31/2010	10.05	10.05	-3.64	-3.64
3/31/2011	9.25	9.25	-7.96	-7.96
6/30/2011	8.94	8.94	-3.35	-3.35
9/30/2011	7.74	7.74	-13.42	-13.42
12/31/2011	6.59	6.59	-14.86	-14.86
3/31/2012	7.66	7.66	16.24	16.24
6/30/2012	7.49	7.49	-2.22	-2.22
9/30/2012	8.04	8.04	7.34	7.34
12/31/2012	8.35	8.35	3.86	3.86
3/31/2013	7.7	7.7	-7.78	-7.78

**Table 4: A Table Showing Statistical Results using t-test
(two-sample assuming equal variance)**

	LIC Infra Dividend Fund (Return)	LIC Infra Growth Fund (Return)
Mean	0.16	0.02
Variance	237.00	241.12
Observations	20.00	20.00
Pooled Variance	239.06	
Hypothesized Mean Difference	0.00	
Df	38.00	
t Stat	0.03	
P(T<=t) one-tail	0.49	
t Critical one-tail	1.69	
P(T<=t) two-tail	0.98	
t Critical two-tail	2.02	

From the statistical analysis of the data using t-test at 5% level of significance, it is clear that the hypothesis H₀ is accepted. It means, there is no significant difference observed between the quarterly returns of LIC Infra Dividend and LIC Infra Growth Scheme during the period of the study.

10. Summary

With a view to analyze the performance of Growth fund and Dividend fund, the researcher has made an attempt to compare the quarterly return of some selected Growth fund and Dividend fund under the same AMC. The ultimate aim of growth fund is to provide return in the form of capital appreciation over the medium to long period of time. On the other hand the dividend fund is suitable for the investor, who wants to earn regular income over the period of study. As the objective of growth fund is to attract investment for medium and long term, it consist more risk element. By looking to the objectives of the funds, and risk element attached with the specific schemes, theoretically it is proved that the mutual fund companies are required to provide more return in form of capital appreciation on growth fund than that of dividend fund.

The researcher has compared two different schemes viz. Equity Fund and Infrastructure (Theme Fund) in 2 different AMCs. On the basis of statistical analysis performed for the comparison, the researcher states that the AMCs are providing same return on Growth fund and Dividend Fund during the period of study.

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