

Performance Evaluation and Growth of Selected Islamic Mutual Funds Schemes: an Analytical Study

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Abstract

The most popular way to invest is through mutual funds in today's world. Profitability is particularly high in the Saudi financial market for mutual fund companies. Investors prefer Islamic mutual funds over non-Islamic mutual funds because they believe they are more secure and risk-free. This research aims to vary the customer preferences toward Islamic mutual funds, which offer higher returns within the Saudi economic market. All these will be identified as victimization sure key facts. With the assistance of those critical facts, a capitalist will analyze dissimilar mutual funds and put his cash in an exceeding fund that fits his exposure perception. This study evaluated the Mutual fund returns using, Maximum returns, Minimum returns, and Average returns compounded by the annual growth rate. The standard deviation and risk per average return (standard deviation/average return) have been used to evaluate the risk and return of the funds. Furthermore, fund managers assess the fund's performance in terms of –Performance for the existing year (YTD) of the fund. As a result of the research, it was discovered that the overall performance of mutual investments in Saudi Arabia's economic market was better than expected for all the selected funds.

Keywords: Portfolio, Standard deviation, Risk and Return, risk per average returns.

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INTRODUCTION

It is a fund investment company that combines the assets of thousands of its shareholders or unit holders, all of whom have the same investment goal, and diversifies its investments in various forms of security to better appreciate the possible returns to tolerable levels of safety. As a direct consequence of globalization, the values of many different types of assets, including stock shares, bonds, real estate, and derivatives, are shifting quickly. Consequently, it is challenging for an individual to maintain track of their assets and investments, in addition to their brokerage fees, bank transactions, and other financial matters. In this perspective, the solution to every one of these problems is found in mutual funds. Mutual funds are an essential factor to consider when determining how to efficiently distribute available resources. These funds have a significant impact on both the financial industry as a whole as well as the capital markets individually.

A Historical View on Islamic Mutual Funds

Mutual funds may be traced all the way back to Europe in the early part of the nineteenth century when they are believed to have originated. It was first introduced in the Netherlands in the year 1822, and then it was afterward applied in England starting in the year 1870. The year 1924 marks the beginning of mutual funds in the United States, which was also when they were initially presented in their current form. After then, it continued to expand both internationally and domestically inside the United States, notably in the decades after the end of World War II. It continued to grow not just in the United States but also in other nations all over the world while World War II was in progress. When the year 1966 arrived, there were around 550 mutual funds with a total combined net asset value of \$50 billion United States dollars. As of the year 2005, there were more than 56,000 mutual funds located all over the world, and the combined net asset worth of all of these funds exceeded sixteen trillion dollars. When it comes to the Arabian Peninsula, Saudi Arabia was the first country to do many things. Since 1979, this is the first time that the

National Depository Financial Agency (Alahli) has supported an open-end investment fund. Fourteen years later, at the beginning of 1993, the laws that govern mutual funds in the Kingdom of Saudi Arabia were finally published. This occurred precisely fourteen years after the day in question. After the completion of this successful test, Saudi banks have moved on with the process of issuing a range of mutual funds in significant amounts. Within the realm of finance, the mutual fund business in Saudi Arabia has shown remarkable growth, which has led to financial benefits for the country's residents. By the year 2020, the Kingdom of Saudi Arabia will have around 39 managers overseeing a total of approximately 249 mutual funds. The most common kind of mutual fund in Saudi Arabia is one that adheres to the principles of Shariah law. Investors from private banks were the first to speak out, but it wasn't long before the rest of Saudi Arabia's financial institutions started to take note of what was happening.

In order to remain competitive, many financial institutions started developing their own in-house capabilities for handling money, while other financial institutions began entering into agreements with non-local agents.

Objectives of Study

The objectives of the study are:

- To analyze which is the best Islamic mutual fund for investors.
- To estimate the performance of elect monotheism mutual funds related to mutual fund managers, currency, category, subcategory, and classification wise mutual funds.
- To determine the most issues in open-end fund performance.
- To build some suggestions and recommendations to the capitalist for creating higher investment decisions.
- To seek out the chance risk-return on the basis of positive maximum and minimum returns, negative maximum and minimum returns.

RESEARCH METHODOLOGY

Data Collection

This section focuses on the information that was obtained over the course of this study, as well as the sources for that knowledge. In this study, both qualitative and quantitative methods of research are

used. The measurable facts were gathered during the course of an in-depth investigation that required a lot of effort. A representative sample of society as a whole was comprised of the 200 people who participated in the study. Books, journals, magazines, newspapers, pamphlets, and websites devoted to mutual funds are good places to look for qualitative data. In order to collect the necessary information for this research, the following primary sources were consulted: 1) the official website of the Saudi stock market can be found at <http://www.tadawal.com.sa/>. The official website of HSBC Saudi Arabia limited can be found at <http://www.hsbcSaudi.com>. 3. The official website for Gulf Investment can be found at <http://www.gulfbase.com> or <http://www.Zawya.com/>. The research indicates that 39 different Saudi Arabian financial organizations are responsible for administering 249 different publicly listed mutual funds.

Tools and Techniques

There are two subsections in this section. a) A look at the mutual funds in Saudi Arabia. B) On the basis of YTD, positive, negative, and average returns for mutual funds. The variance, or risk divided by the average return, was used to examine the funds' risk and return. Appropriate statistical techniques were used in this research. There are relevant statistical approaches used in this study, such as the arithmetic mean, standard deviations, and risk-per-average-return (standard deviation/average return).

Performance of Mutual Fund – Fund manager wise

Table 1 and Fig 1 depict that the total no of mutual funds is 249, which deals with 39 fund managers companies registered with the Saudi Arabia stock exchange Tadawal on 10 February 2020. Out of 39 fund managers, Riyadh capital company showed 12.05 % highest percentage of the mutual funds. Table 2: demonstrate that out of 249 mutual funds, 142 positive funds out of total funds have maximum favorable returns is 21 with a standard deviation of 4.74 and average returns are 3.64, moreover showing 1.30 risk per return. Secondly, 107 funds negative funds out of total funds had maximum returns are 12 with a standard return of 2.77, and average returns are 2.74, showing 1.01 risk per return. Analysis of Table 2 shows positive funds performing overvalued as compared to negative funds.

Table 1 : Fund manager wise details managing Mutual fund in Saudi Arabia 2020

Fund Manager wise- Mutual fund							
S.N	Manager Names	No of Mutual Funds	% of MF	S.N	Manager Names	No of Mutual Funds	% of MF
1	ALBLAD Investment Co	9	3.61%	21	GIB Capital	6	2.41%
2	Al Rajhi Capital	13	5.22%	22	Global Investment House Saudi	2	0.80%
3	Al Wasatah Al Maliah	1	0.40%	23	HSBC Saudi arbia	18	7.23%
4	Al-Khabeer Capital	1	0.40%	24	Itqan Capital	2	0.80%
5	Al-Khair Capital Saudi Arabia	4	1.61%	25	Jadwa Investment	13	5.22%
6	Al-Nefae Investment Group	2	0.80%	26	KSB Capital Group	6	2.41%
7	Alawwal Capital Companv	5	2.01%	27	Mulkia Investment Companv	2	0.80%
8	Alawwal Invest	7	2.81%	28	Middle East Financial	3	1.20%
9	Alinma Investment Company	10	4.02%	29	Morgan Stanley Saudi Arabia	1	0.40%
10	Alistithmar for Financial	4	1.61%	30	Muscat Capital	2	0.80%
11	Aljazira Capital	13	5.22%	31	Musharaka Capital Company	1	0.40%
12	Alpha Capital Company	2	0.80%	32	NCB Capital Company	25	10.04%
13	Arab National Investment	8	3.21%	33	Osool and Bakheet Investment	4	1.61%
14	Arbah Capital	2	0.80%	34	Rivad Capital Company	30	12.05%
15	Ashmore Investment Saudi	2	0.80%	35	Samba Capital & Investment	20	8.03%
16	Audi Capital	3	1.20%	36	Saudi Economic and Development	1	0.40%
17	Bait Al Mal Al Khaleeji	3	1.20%	37	Saudi Fransi Capital	11	4.42%
18	Blominvest Saudi Arabia	4	1.61%	38	Saudi Kuwaiti Finance House	3	1.20%
19	Derawah Financial Co	2	0.80%	39	Tharwat for Financial Securities	1	0.40%
20	FALCOM Financial Services	3	1.20%	Total		249	

Source : <http://www.tadawal.com.sa>**Table 2: Performance of Mutual Funds - Fund manager wise**

	Total Funds	Max. Return	Min. Return	Avg. Returns	Std. Deviation	Risk per return
All Funds	249	30	1	6.38	6.85	1.07
Positive funds	142	21	0	3.64	4.74	1.30
Negative funds	107	12	0	2.74	2.77	1.01

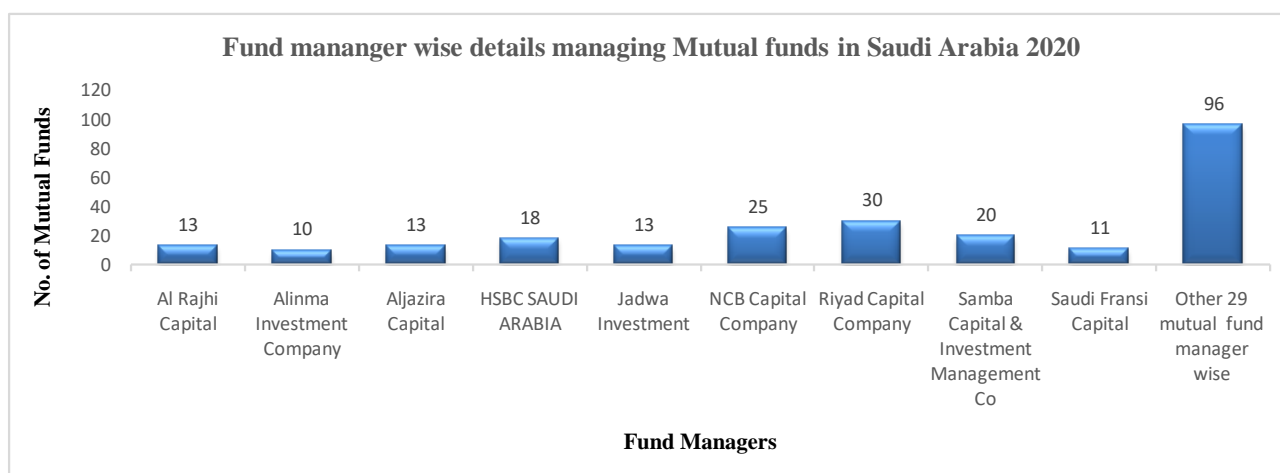
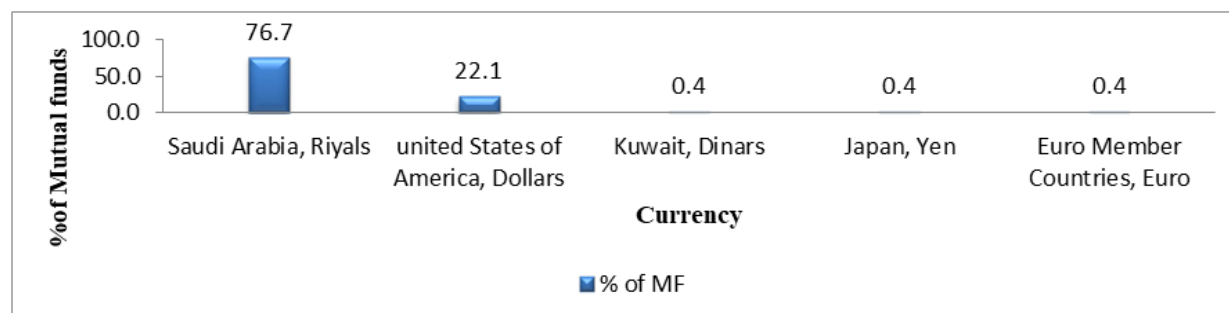
Source : <http://www.tadawal.com.sa>**Fund manager wise details managing Mutual funds in Saudi Arabia 2020****Figure 1****Figure 2: A list of Mutual fund based on Currency wise**

Table 3: A list of Mutual funds based on currency wise

SR	Currency	No. of Mutual funds	% of Mutual Funds
1	Saudi Arabia, Riyals	191	76.7
2	United States of America, Dollars	55	22.1
3	Kuwait, Dinars	1	0.4
4	Japan, Yen	1	0.4
5	Euro Member Countries, Euro	1	0.4

Source: <http://www.tadawal.com.sa>

Table 4: Currencies wise performance of Mutual Fund

Currency - United States of America, Dollars			
	Positive Return Fund	Negative Return Fund	Total
Number	44	11	55
Maximum Return	4.7	-0.32	4.38
Minimum Return	0	-6.6	-6.6
Average Return	1.8	-2	-0.2
Std. Deviation	1.1	1.7	2.8
Risk per Return	0.6	-0.85	-14
Currency - Saudi Arabia, Riyals			
	Positive Return Fund	Negative Return Fund	Total
Number	98	93	191
Maximum Return	8.4	0	8.4
Minimum Return	0	-23.6	-23.6
Average Return	1.7	-2.8	-1.1
Std. Deviation	1.6	3.2	4.8
Risk per Return	0.9	-1.14	-4.36
Currency - Kuwait, Dinars			
Number	1		1
Currency - Japan, Yen			
	Positive Return Fund	Negative Return Fund	Total
Number	1		1
Currency - Euro Member Countries, Euro			
	Positive Return Fund	Negative Return Fund	Total
Number	1		1

Source: <http://www.tadawal.com.sa>

Performance of Mutual fund -Currencies wise

Saudi Arabia mutual fund deals in five different currencies United States of America- Dollar, Saudi Arabia-Riyals, Japan-Yen, Euro member currencies- Euro, and Kuwait Dinars. Table 3 and Fig 2 also depict that out of 249 funds, the highest funds invested in Saudi Arabia- Riyal, which is 76.7% of total mutual funds, and the United States of America, which is 22.1% of total mutual funds as compared to other funds. The mutual funds' positive and negative returns are broken down in terms of currency and shown in Table 4. The positive return funds invested in Saudi riyals have the highest maximum return of 8.4 percent, a standard deviation of 1.6 percent, and an average return of 1.7 percent. Additionally, the risk per return for these funds is 0.9 percent lower than the risk per return for funds invested in other currencies, such as the United States dollar, the yen, the euro, and the dinar of Kuwait. It also demonstrates that the best fund invests in funds that generate negative returns, with a minimum

return of -23.6, a standard deviation of 3.2, and a risk per return of -1.14, which is a lower ratio than the investments made by other funds. It shows Saudi riyal currency funds performing overvalued as compared to other currencies fund.

Table 5, Fig 3 is a list of mutual funds – category-wise deals with 19 categories of funds such as Equity funds, Bonds, Money market funds, Funds of Funds, Balance funds, Real estate funds, Multi- assets, and other funds. Out of 19 funds, Equity Funds- local has 35.3% of total mutual funds, which Multi-Assets funds follow with 10.8%.

Table 6 illustrates some essential facts that out of 19 categories of funds, the highest positive returns of 8.4% by Equity Funds- local. Table 6 also provides the information that Equity Fund local shows the highest 1.9 standard deviations with high risk-return per unit risk, which is 0.9.

Table 5: A List of Mutual Funds - Category wise

SR	Category Name	No. of Mutual fund	% of Mutual fund
1	Equity Funds - Local	88	35.3
2	Equity Funds - International/ Global	16	6.4
3	Equity Funds - US	3	1.2
4	Equity Funds - European	3	1.2
5	Equity Funds - Asian	5	2.0
6	Equity Funds - Arabian	14	5.6
7	Bond/ Debt Funds - International	10	4.0
8	Bond/ Debt Funds - Local	2	0.8
9	Money Market Funds - International	4	1.6
10	Money Market Funds - Local	10	4.0
11	Money Market Funds - Foreign Currency	8	3.2
12	Money Market Funds - Saudi Riyal	21	8.4
13	Equity Funds - GCC	18	7.2
14	Funds of Funds	6	2.4
15	Balanced Funds - International	2	0.8
16	Balanced Funds - Local	1	0.4
17	Real Estate Funds	10	4.0
18	Multi - Assets Funds	27	10.8
19	Other Funds	1	0.4

Source: <http://www.tadawal.com.sa>

Fig 3: A List of Mutual Fund - Category wise

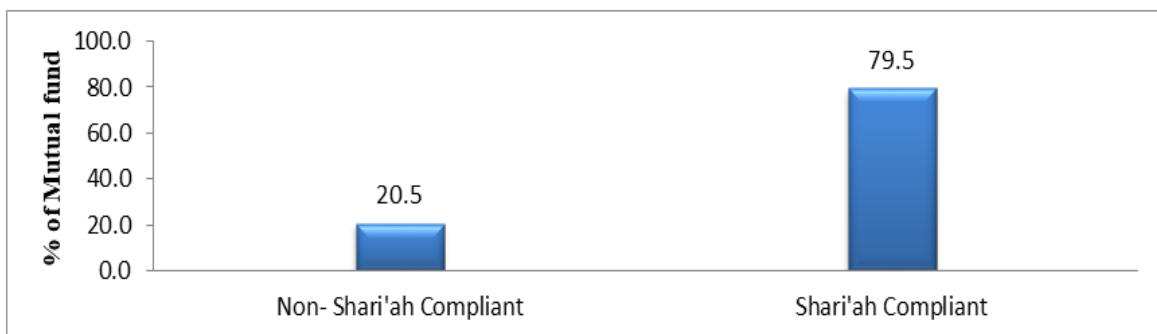
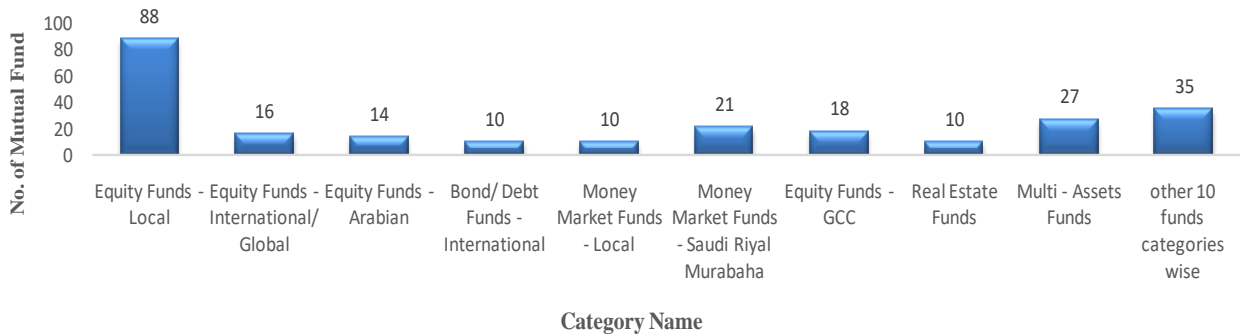


Fig 4: A list of Mutual Fund Sub Categories Wise

Table 6 : Performance of Mutual fund catagiores wise							
Categories	Fund Return	Number of Funds	Maximum Return	Minimum Return	Average Return	Std. Deviation	Risk Per Return
Equity Funds - Local	Positive Return	28.0	8.4	0.1	2.2	1.9	0.9
	Negative Return	60.0	-0.1	-7.1	-2.7	1.7	-0.6
	Total	88.0	8.3	-7.0	-0.5	3.6	0.3
Equity Funds - International/ Global	Positive Return	14.0	4.7	0.3	2.3	1.3	0.6
	Negative Return	2.0	-0.3	-6.6	-3.5	3.1	-0.9
	Total	16.0	4.4	-6.3	-1.2	4.4	-0.3
Equity Funds - US	Positive Return	3.0	4.6	3.2	3.8	0.6	0.2
	Negative Return						
	Total	3.0	4.6	3.2	3.8	0.6	0.2
Equity Funds - European	Positive Return	2.0	2.2	1.2	1.7	0.5	0.3
	Negative Return	1.0	-0.4	-0.4	-0.4	0.0	
	Total	3.0	1.8	0.7	1.3	0.5	0.3
Equity Funds - Asian	Positive Return	2.0	2.2	0.2	1.2	1.0	0.9
	Negative Return	3.0	-1.0	-2.9	-1.9	0.8	-0.4
	Total	5.0	1.2	-2.8	-0.7	1.8	0.5
Equity Funds - Arabian	Positive Return	7.0	4.7	0.0	1.3	1.7	1.3
	Negative Return	7.0	-0.2	-3.4	-1.6	1.0	-0.6
	Total	14.0	4.5	-3.4	-0.3	2.7	0.7
Bond/ Debt Funds - International	Positive Return	10.0	2.2	0.0	1.0	0.7	0.7
	Negative Return						
	Total	10.0	2.2	0.0	1.0	0.7	0.7
Bond/ Debt Funds - Local	Positive Return	2.0	2.1	0.9	1.5	0.6	0.4
	Negative Return						
	Total	2.0	2.1	0.9	1.5	0.6	0.4
Money Market Funds - International	Positive Return	4.0	2.4	1.3	1.8	0.5	0.3
	Negative Return						
	Total	4.0	2.4	1.3	1.8	0.5	0.3
Money Market Funds - Local	Positive Return	10.0	3.9	0.2	1.9	1.0	0.5
	Negative Return						
	Total	10.0	3.9	0.2	1.9	1.0	0.5
Money Market Funds - Foreign Currency Murabaha	Positive Return	8.0	2.3	1.2	1.7	0.4	0.2
	Negative Return						
	Total	8.0	2.3	1.2	1.7	0.4	0.2
Equity Funds - GCC	Positive Return	20.0	6.6	1.6	2.8	1.2	0.4
	Negative Return	1.0	-0.5	-0.5	-0.5	0.0	0.0
	Total	21.0	6.0	1.1	2.2	1.2	0.4
Funds of Funds	Positive Return	5.0	0.8	0.0	0.3	0.4	1.1
	Negative Return	13.0	0.8	-4.7	-2.0	1.2	-0.6
	Total	18.0	1.6	-4.7	-1.6	1.5	0.5
Balanced Funds - International	Positive Return	5.0	1.7	0.2	0.9	0.7	0.8
	Negative Return	1.0	-3.1	-3.1	-3.1		
	Total	6.0	-1.4	-2.9	-2.2	0.7	0.8
Balanced Funds - Local	Positive Return						
	Negative Return	2.0	-1.2	-1.3	-1.2	0.0	0.0
	Total	2.0	-1.2	-1.3	-1.2	0.0	0.0
Real Estate Funds	Positive Return						
	Negative Return	1.0	-1.5	-1.5	-1.5		
	Total	1.0	-1.5	-1.5	-1.5		
Multi - Assets Funds	Positive Return	3.0	3.6	0.3	2.2	1.4	0.6
	Negative Return	7.0	-0.1	-23.6	-8.7	7.9	-0.9
	Total	10.0	3.5	-23.3	-6.5	9.4	-0.3
Balanced Funds - International	Positive Return	21.0	1.5	0.0	0.6	0.4	0.8
	Negative Return	6.0	0.0	-1.1	-0.4	0.4	-0.9
	Total	27.0	1.5	-1.1	0.2	0.8	-0.2
Other Funds	Positive Return	1.0	3.1	3.1	3.1		
	Negative Return						
	Total	1.0	3.1	3.1	3.1		

Source : <http://www.tadawal.com.sa>

Table 7: A list of Mutual Fund Sub Categories wise

SR	Sub Categories	No of MF	% of MF
1	Non-Shari'ah Compliant	51	20.5
2	Shari'ah Compliant	198	79.5
		249	100.0

Source: <http://www.tadawal.com.sa>

Table 8: Performance of Mutual fund subcategories wise

Subcategories	Fund Returns	No. of Fund	Max. Return	Min. Return	Avg. Return	Std. Deviation	Risk Per Return
Shari'ah Compliant	Positive Return	124	8.4	0	1.8	1.5	0.83
	Negative Return	74	0	-23.6	-2.7	3.4	-1.26
	Total	198	8.4	-23.6	-0.9	4.9	-0.43
Non-Shari'ah Compliant	Positive Return	21	4.6	0	1.7	1.3	0.76
	Negative Return	30	-0.2	-7.1	-2.7	1.8	-0.67
	Total	51	4.4	-7.1	-1	3.1	0.10

Source: <http://www.tadawal.com.sa>

Performance of Mutual Fund Sub Categories wise

In Saudi Arabia, there is developing growth for Shari'ah and non-Shari'ah-compliant mutual funds. Presently the Shari'ah-compliant funds are performing overvalued than Non-Shari'ah compliant funds. Table 7 and Fig 4 demonstrate that out of 249 funds, 198 funds represent Shari'ah complaints funds

and 51 funds related with non Shari'ah complaints funds. Table 8: indicates Shari'ah complaint funds have the highest maximum returns of 8.4 with a standard deviation of 1.5 and 0.83 high risks per return as compared to other funds. Analysis of Table 8 also revealed that the highest average return, which is 1.8 in Shari'ah funds.

Table 9: List of Classification wise Mutual Fund

Sr.	Classification	No. of MF	% of MF
1	Capital Preservation	33	13.2
2	Growth	178	71.4
3	Income and Growth	28	11.2
4	Income	10	4

Source: <http://www.tadawal.com>

Table 10: Performance of Mutual fund classification wise

Fund Classification	Fund Returns	No. of Fund	Max. Return	Min. Return	Avg. Return	Std. Deviation	Risk Per Return
Capital Preservation	Positive Return	33	4.37	0.21	2.10	1.00	0.48
	Negative Return	-	-	-	-	-	-
	Total	33	4.37	0.21	2.10	1.00	0.48
Growth	Positive Return	89	8.4	0	1.60	1.60	1.00
	Negative Return	89	-0.01	-23.6	-2.90	3.20	-1.10
	Total	178	8.39	-23.6	-1.30	4.80	-0.10
Income Growth	Positive Return	16	5.6	0.1	1.70	1.30	0.76
	Negative Return	12	-0.1	-4.4	-1.80	1.40	-0.78
	Total	28	5.5	-4.3	-0.10	2.70	-0.01
Income	Positive Return	7	2.5	1.4	1.90	0.30	0.16
	Negative Return	3	-0.1	-1.3	0.40	0.50	1.25
	Total	10	2.4	0.1	2.30	0.80	1.41

Source: <http://www.tadawal.com.sa>

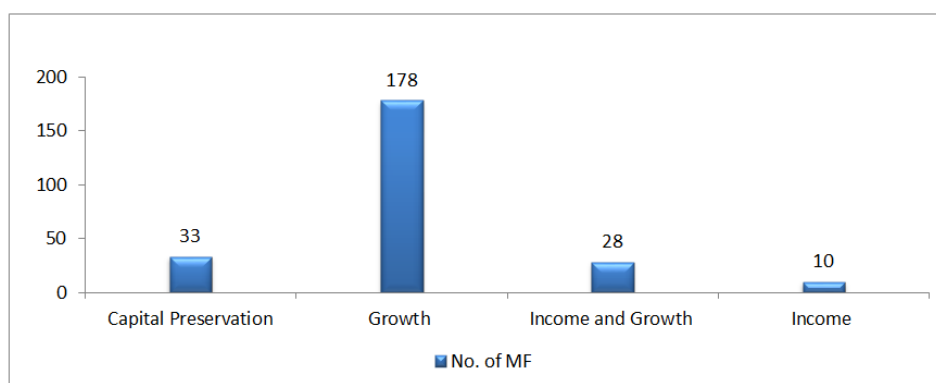


Fig 5: List of Classification wise Mutual Fund**Performance of mutual fund based on classification wise**

Funds can be divided based on classification wise such as Capital preservation, Growth, Income, and Growth. It also shows that out of 249 funds, 178 have a maximum number of Growth funds of the total number of funds. Table 10 indicates that growth funds have overvalued compared to other schemes for 1.60 standard deviation with the highest risk per return, which is 1.

CONCLUSION

A variety of rapidly expanding financial firms are now providing fresh offerings of goods and services to the speculators that are located in the developed globe. Encouragement and facilities, such as flexible venture choices and withdrawal methods, are used to assess the worth of their assets. These may be utilized to estimate the value of their assets. Over the course of the last two years, the Saudi open-end fund market has seen a significant transformation. As a consequence of this, the performance evaluation has been done using a total of five different metrics, including the highest and lowest returns, an average return, the risk (as measured by standard deviation), and the risk as a percentage of the average return (as measured by standard deviation divided by average return). This kind of research assists investors and entrepreneurs alike in gaining a better understanding of the risk-return tradeoffs associated with participating in mutual funds in an Asian country.

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