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“PERFORMANCE EVALUATION OF SELECTED EQUITY MUTUAL FUNDS IN INDIA”

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ABSTRACT:

The Indian capital market offers a range of investment opportunities to enable investors to diversify their holdings across multiple industries and ensure a lucrative return. Open-end funds are one type of financial product that guarantees investors the lowest risks and the highest possible return. The expansion and advancement of diverse mutual fund products has been demonstrated to be one of the most effective catalysts for significant investment growth in the capital market. In this situation, careful observation and assessment of mutual funds became crucial. As a result, picking profitable mutual funds to invest in could be crucial. This study examines the performance of particular equities (large-cap, mid-cap, and small-cap) open-end fund schemes in terms of a risk-return relationship. The equity mutual funds offered for investment by the various fund houses in India are the subject of this study. The primary goal of this research project is to use statistical measures like Sharpe ratio, standard deviation, beta, treynor's ratio and alpha indicates to analyze the financial performance of particular open-end fund schemes. In order to analyze the performance of particular equity mutual funds throughout the 2019–2023 financial years, research will be conducted from 2019 to 2023. The study discovered that before making an investment, an investor needs to take the fund's risk ratio into account. Investors will find great assistance in the research study's conclusions when making future investing decisions.

Keywords: Mutual Fund, Alpha Indicates, Sharpe Ratio, Beta, Standard Deviation, Treynor's Ratio, NAV, Large cap, Midcap, Small cap,

1. INTRODUCTION:

A mutual fund is a type of financial tool used to allocate assets to insurances such as stocks, bonds, cash market instruments, and other assets. It is composed of a collection of funds gathered from different financial professionals. Professional fund managers oversee mutual funds, identifying the fund's benefits and working to provide capital gains or returns for investors. The portfolio of a mutual fund is set up and maintained to align with the stated speculative goals in its summary. Mutual fund investments provide small-scale or lone financial professionals with access to professionally managed value, bond, and various protection arrangements. In this sense, each investor shares proportionately in the fund's gains or losses. Mutual funds invest heavily in numerous safeguards, and execution is typically defined as a change made to the fund's all-out market top which is deduced from the gathering execution of the covert speculations. Mutual funds combine contributions from the public and use the money to buy various securities, usually stocks and bonds. The mutual fund company's valuation is based on the disclosure of the insurance policies it decides to buy. Therefore, you are buying the presentation of a fund's portfolio or, more accurately, a fraction of the portfolio's value when you buy a unit or share of the fund. Allocating resources to segments of stock differs from allocating resources to segments of a fund. Unlike stocks, which grant their owner democratic rights, funds do not. Mutual funds, as opposed to single holdings, cater to interests in a variety of stocks (or different safeguards). For this reason, the NET ASSET VALUE (NAV) per unit is used to refer to the cost of a mutual fund. The net asset value (NAV) of a mutual fund is calculated by dividing the total number of outstanding shares by the isolation of the all-out estimate of the protections in the portfolio. All investors, institutional speculators, friend's officials, and insiders own outstanding shares. Unlike stock costs, which fluctuate throughout stock market hours, mutual fund prices are set at the end of the day and can be regularly purchased or redeemed at the reserve's current NAV.

2. TYPES OF MUTUAL FUND:

Mutual funds are categorized into many groups based on the types of protections they have applied to their holdings and the types of returns they seek. Almost every type of investor or speculative strategy has a reserve.

1. Equity Fund

The largest category is for equity funds. As the name suggests, the majority of the funds in this type are invested in equities. This assembly consists of various subclasses. Certain equity funds are titled according to the size of the companies they invest in: small-, mid-, or large-cap.

2. Fixed income Fund

The fixed income category is another sizable gathering. A fixed income group mutual fund consists of investments in obligation instruments such as corporate, government, or other securities that pay a predetermined rate of return. The idea is that the salary generated by the fund portfolio is then transferred to investors.

3. Balanced Fund

The two stocks and bonds are invested in by balanced funds in order to reduce the risk of being exposed to one advantage class. This type of mutual fund is also known as a "asset allocation fund." Although it will vary among assets, an investor may hope to find that these assets are allocated among resource classes in a fairly permanent manner. The goal of this fund is resource gratitude at a reduced risk. Nevertheless, these assets carry a comparable risk and are just as susceptible to variation as other asset classes.

4. Index Fund

This other group, which has become very well-known in the last several years, is categorized as "index funds." Their venture process is based on the belief that consistently trying to outperform the market is difficult and often expensive. In this sense, the record helps the fund manager buy equities that correspond to notable market lists, such the Nifty 50 and Sensex. There are less expenses to consume earnings before they are distributed to investors thanks to this approach, which necessitates less research from specialists and advisors. Due to investors who are sensitive to costs, these assets are regularly formed.

5. Money market Fund

The safe (chance-free) temporary obligation instruments that make up the money market are often government Treasury notes. This is a safe place to stop your money. You won't make a lot of money, but you also won't have to worry about losing your head.

6. Income Fund

The purpose of income funds, as implied by their name, is to provide current income on a long-term basis. These assets are mostly held in government and premium corporate obligations, retaining these securities until further developments provide interesting streams of income. Even though subsidized real estate may appreciate in value, its primary purpose is to provide financial experts with steady income flow. All things considered, retirees and preservationist financial experts make up the crowd for these assets. Speculators who understand charges may choose to avoid these products because they yield average returns.

3. LITERATURE REVIEW

Afza and Rauf (2009) used the quarterly data for the period of 1996–2006 to examine the performance of Pakistani open-ended mutual funds. With the aid of pooled time-arrangement and cross-sectional data, the analysis calculates the fund's performance using the Sharpe ratio. It is based on a number of characteristics, including fund size, costs, age, turnover, and liquidity. The results showed that there was a significant impact on fund performance.

Garg (2011) examined the performance of the top ten mutual funds, which were selected using the return from the prior year. The analysis broke down the performance according to Treynor, Jensen, and Sharpe index as well as return, standard deviation, and beta. Carhart's four-factor model was also used in the examination to look into mutual fund performance. The results showed that in the one-year class, Reliance Regular Saving Scheme Fund had achieved the highest final score, while Canara Robeco Infra had achieved the lowest.

Mr. Balaji Reddy Mora (2018) and Laxmi Narayana Nadia conducted a close inspection of the mutual fund plan. The goal of the investigation is to determine the close fund plans' risk and return and to distinguish between the BSE-Sensex and comparable plans. Analyze the plans based on how well they have performed compared to the market to see if they are exceeding or falling short of expectations, meeting benchmarks, and examining the aspect of the chosen mutual fund scheme that needs improvement. The study's conclusion is that certain plans may have larger returns than others, but some may also have more risk. In any case, investors are always searching for the combination that offers the most extravagant profits with the least amount of danger. Furthermore, it is imperative to examine the plans' coefficient of confirmation, and it should be noted that returns are not the only thing to consider at the time of investment. Rather, investors should analyze all factors influencing the fund's performance in order to achieve optimal outcomes.

According to **Sahri et al. (2015)**, considering risk factors is essential when evaluating the performance of mutual funds rather than relying solely on the total return. It has been demonstrated that when risk variables are taken into account when measuring mutual fund performance, investors will receive more detailed information regarding the performance of the funds and the risks involved in achieving that performance.

In order to perform a financial performance analysis, **Nimalathasan et al. (2012)** compared equity mid-cap and equity diversified schemes. The study's findings showed that, among open ended tax-saving schemes, the Canara Robeco Equity Diversified fund was the most preferred and ranked highest, while HDFC Asset Management Company was the most preferred and highest ranked among open ended mid-cap schemes.

4. RESEARCH METHODOLOGY

The purpose of this study was to compare and contrast the returns of equity mutual fund schemes between 2019 and 2023. The objectives might be accomplished by contrasting the chosen equity schemes with the market in terms of risk and return. The effectiveness of various different mutual fund scheme types is investigated in this study using a variety of statistical and financial methodologies. The secondary data used in this study was gathered from a variety of sources, including previously published annual reports from asset management firms and data from books, journals, magazines, newspapers, web bulletins, and other printed and digital materials.

4.1 OBJECTIVE OF STUDY

- Gathering data regarding the performance of mutual funds in India is the main goal of the study.
- To examine the arrival from the mutual funds chosen for equity.
- To determine whether mutual funds may reward volatility and changeability.
- To find the fund return and security market return.

4.2 RESEARCH DESIGN

A research design is regarded as the framework or study plan that aids in and directs data collecting and analysis. An in-depth and targeted investigation of a particular equities mutual fund in India is made possible by this research design, which offers insightful information to investors and mutual fund industry stakeholders alike. A comprehensive picture of the fund's performance and its consequences is presented by fusing quantitative data analysis with qualitative insights.

4.3 SOURCE OF DATA

The secondary data used in this analysis comes from a variety of sources, including historical NAV from official websites and factsheets from various asset management firms.

4.4 SCOPE OF STUDY

Three equity mutual fund schemes introduced by various asset management companies (AMCs) are the subject of the current study. This research project will run from 2019 until 2023. The annual return and five years' NAV of the chosen mutual funds have been compared.

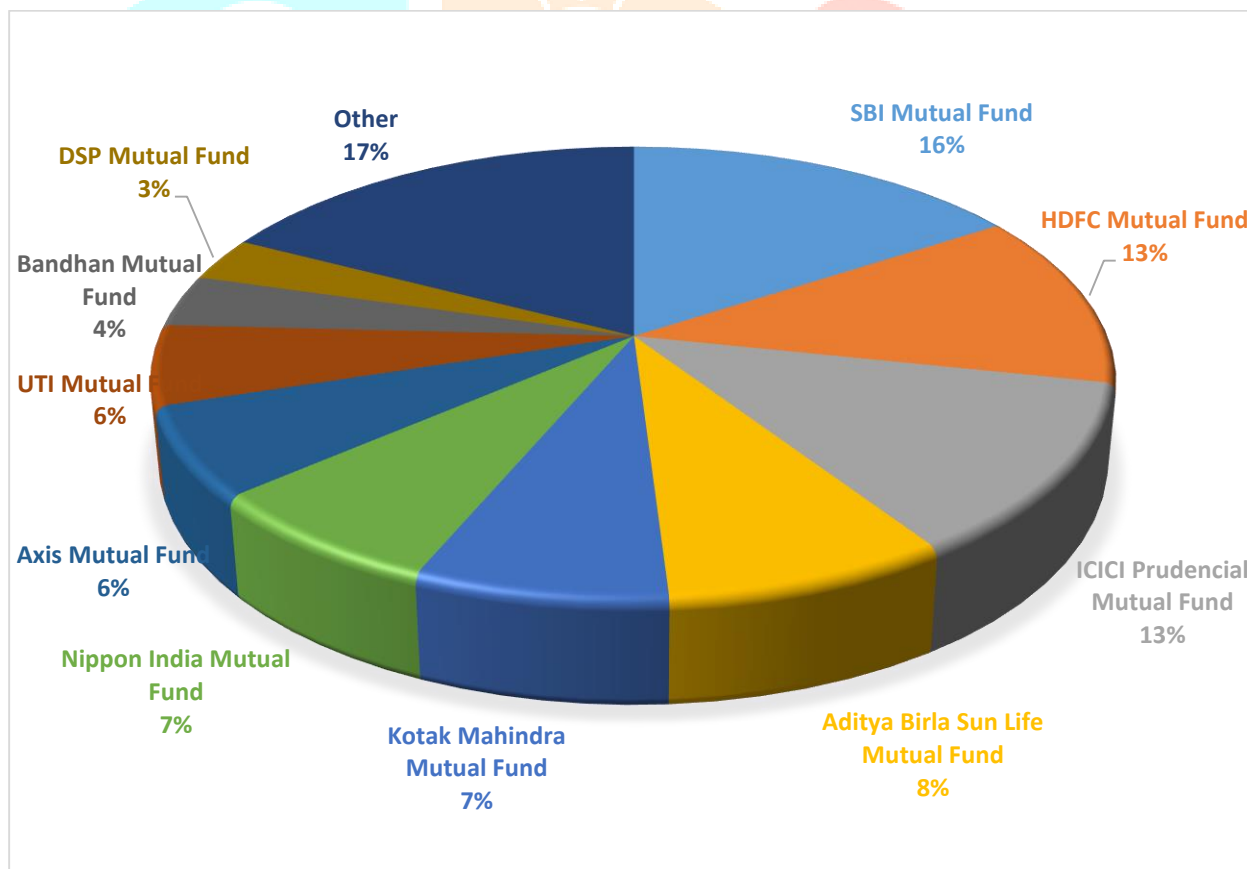
4.5 DATA COLLECTION METHOD

Secondary data gathering methods should be the foundation of research projects. The mutual fund information sheet and magazine, AMFI, as well as publications, books, essays, and publisher-only materials have all been taken into consideration during the research. There is a webpage that can be used to gather data for the study.

4.6 POPULATION

10 equity mutual fund schemes launched by different asset management companies (AMC).

1. SBI Mutual Fund
2. ICICI Prudential Mutual Fund
3. HDFC Mutual Fund
4. Nippon India Mutual Fund
5. Kotak Mahindra Mutual Fund
6. Aditya Birla Sun Life Mutual Fund
7. Axis Mutual Fund
8. UTI Mutual Fund
9. Bandhan Mutual Fund
10. DSP Mutual Fund



4.7 STATICAL TOOL

➤ Standard Deviation:

The standard deviation value provides insight into the past three years' volatility of fund performance. A lower rating denotes a more consistent level of performance. Thus, if you are contrasting two funds that are in the same category, let's say Fund A and Fund B. Even though both Fund A and Fund B

have generated 9% returns over the past three years, Fund A's standard deviation is lower than Fund B's. Thus, you can conclude that while Fund B's returns may fluctuate, there is a greater likelihood that Fund A will continue to provide returns of a similar nature in the future.

➤ **Beta:**

The beta value of a fund provides insight into how erratic its performance has been in relation to other funds in the market. A lower beta indicates that the fund performs more consistently than other comparable funds on the market. Thus, if you are contrasting two funds that are in the same category, let's say Fund A and Fund B. Even if both Fund A and Fund B have returned 9% over the past three years, Fund A's beta value is smaller than Fund B's. Thus, you can conclude that while Fund B's returns may fluctuate, there is a greater likelihood that Fund A will continue to provide returns of a similar nature in the future.

➤ **Sharpe Ratio:**

The Sharpe ratio shows the level of risk assumed in order to produce the rewards. A higher value indicates that the fund has performed better in terms of returns given the level of risk assumed. It is computed by deducting from the fund's returns the risk-free return, which is represented by an Indian government bond, and dividing the result by the return standard deviation. For instance, if both fund A and fund B have 15% three-year returns, and if fund A has a 1.40 Sharpe ratio and fund B has a 1.25 Sharpe ratio, you should select fund A since it has produced a better risk-adjusted return.

➤ **Treynor's Ratio:**

The Treynor's ratio shows the excess return generated per unit of risk assumed. A higher value indicates that the fund has performed better in terms of returns given the level of risk assumed. It is computed by deducting from the fund's returns the risk-free return, which is represented by an Indian government bond, and dividing the result by the beta of the returns. If both fund A and fund B, for instance, have 15% three-year returns, and fund A has a 1.40 Treynor's ratio and fund B has a 1.25 Treynor's ratio, you should select fund A since it has produced a better risk-adjusted return.

➤ **Alpha:**

Alpha shows the extra returns that a fund produced over a benchmark. The higher the alpha, the better. For example, if fund A measures its returns against the Nifty50 returns, then an alpha of 1.0 implies that the fund has outperformed the nifty returns by 1%.

5. DATA ANALYSIS

NAV AND RETURN

TABLE : 1 LARGE CAP FUND

NO.	FUND NAME	NAV for 2019 (Rs)	Return for 2019 (%)	NAV for 2020 (Rs.)	Return for 2020 (%)	NAV for 2021 (Rs)	Return for 2021 (%)	NAV for 2022 (Rs.)	Return for 2022 (%)	Nav for 2023 (Rs.)	Return for 2023 (%)
1.	SBI Mutual Fund	228.12	6.54	264.19	15.41	363.78	38.19	394.90	7.29	501.93	26.88
2.	ICICI Prudential Mutual Fund	332.70	9.24	371.43	13.31	521.84	29.03	588.30	6.87	764.42	27.48
3.	HDFC Mutual Fund	114.79	0.06	129.35	11.19	185.08	42.21	200.19	8.19	275.70	37.84
4.	Nippon India Mutual Fund	35.85	6.65	37.43	4.89	49.55	31.75	55.16	11.36	72.89	32.25
5.	Kotak Mahindra Mutual Fund	254.09	14.02	293.98	16.19	371.38	27.50	382.99	1.99	470.70	22.97
6.	Aditya Birla Sun Life Mutual Fund	233.92	7.40	265.87	14.08	340.06	27.74	352.09	3.55	422.32	23.14
7.	Axis Mutual Fund	32.27	18.36	38.37	19.79	45.87	20.55	43.67	-5.68	51.29	17.50
8.	UTI Mutual Fund	156.52	10.38	207.30	18.64	279.85	29.34	245.63	-1.80	294.61	20.84
9.	Bandhan Mutual Fund	33.94	10.40	39.86	17.45	50.51	26.32	49.34	-2.32	62.55	26.85
10.	DSP Mutual Fund	226.12	14.42	243.37	7.61	290.52	19.43	294.71	1.44	373.83	26.69

TABLE : 2 MIDCAP FUND

NO.	FUND NAME	NAV for 2019 (Rs)	Return for 2019 (%)	NAV for 2020 (Rs.)	Return for 2020 (%)	NAV for 2021 (Rs)	Return for 2021 (%)	NAV for 2022 (Rs)	Return for 2022 (%)	Nav for 2023 (Rs)	Return for 2023 (%)
1.	SBI Mutual Fund	70.78	-0.12	92.36	29.93	141.04	50.70	144.80	3.05	195.40	34.57
2.	ICICI Prudential Mutual Fund	94.53	-0.51	112.79	18.90	163.28	42.77	168.36	3.12	223.50	32.85
3.	HDFC Mutual Fund	53.60	0.11	65.08	21.65	91.30	38.48	102.52	12.32	148.10	44.61

4.	Nippon India Mutual Fund	1143.1	6.63	1391.6	21.81	2043.5	45.03	2162.3	5.83	3227.4	48.77
5.	Kotak Mahindra Mutual Fund	39.89	8.95	49.24	21.51	73.52	46.01	88.10	5.14	132.89	31.59
6.	Aditya Birla Sun Life Mutual Fund	11.26	-3.71	12.01	15.23	12.98	49.15	13.51	-5.35	19.47	40.00
7.	Axis Mutual Fund	39.71	11.58	49.91	26.08	70.02	39.22	66.41	-5.08	86.14	29.68
8.	UTI Mutual Fund	100.29	-0.14	132.37	32.64	190.36	41.88	188.09	-0.75	246.63	30.64
9.	Bandhan Mutual Fund	10.34	3.27	13.84	28.04	10.64	5.98	9.84	-4.27	13.52	37.50
10.	DSP Mutual Fund	57.34	9.36	70.72	23.57	89.96	27.45	86.49	-4.94	119.74	38.57

TABLE : 3 SMALLCAP FUND

NO.	FUND NAME	NAV for 2019 (Rs)	Return for 2019 (%)	NAV for 2020 (Rs)	Return for 2020 (%)	NAV for 2021 (Rs)	Return for 2021 (%)	NAV for 2022 (Rs)	Return for 2022 (%)	Nav for 2023 (Rs)	Return for 2023 (%)
1.	SBI Mutual Fund	53.48	6.14	71.47	33.44	105.44	46.19	114.02	8.17	142.88	25.38
2.	ICICI Prudential Mutual Fund	25.88	9.78	31.80	22.15	51.15	59.65	54.09	5.76	74.97	38.06
3.	HDFC Mutual Fund	38.50	-9.77	46.29	19.23	75.56	64.36	79.78	4.60	115.56	44.99
4.	Nippon India Mutual Fund	38.74	-2.72	49.85	28.41	87.30	72.87	93.01	6.56	139.18	49.08
5.	Kotak Mahindra Mutual Fund	73.02	4.95	97.93	33.82	167.52	69.32	161.40	-3.08	218.93	34.94
6.	Aditya Birla Sun Life Mutual Fund	30.65	-11.78	36.68	19.07	55.57	49.65	51.98	-6.48	72.83	39.51
7.	Axis Mutual Fund	32.10	20.65	39.29	24.87	62.15	59.87	63.78	4.12	85.41	35.68
8.	UTI Mutual Fund	14.35	30.35	10.11	52.75	16.02	54.84	16.31	-0.63	22.34	35.43
9.	Bandhan Mutual Fund	27.95	27.38	14.87	56.29	23.02	54.24	21.34	-4.6	32.77	56.04
10.	DSP Mutual Fund	53.39	0.58	71.03	31.96	112.94	58.12	113.46	0.46	160.21	41.35

RISK RATIO**TABLE : 4 LARGE CAP FUND**

NO.	FUND NAME	STANDARD DEVIATION	BETA	SHARPE RATIO	TREYNOR'S RATIO	ALPHA INDICATES
1.	SBI Mutual Fund	13.91	0.94	0.72	0.11	-0.27
2.	ICICI Prudential Mutual Fund	13.29	0.9	0.97	0.14	3.81
3.	HDFC Mutual Fund	10.73	1.27	1.52	0.13	10.48
4.	Nippon India Mutual Fund	14.64	0.98	1.12	0.17	5.67
5.	Kotak Mahindra Mutual Fund	13.73	0.93	0.71	0.1	0.41
6.	Aditya Birla Sun Life Mutual Fund	13.74	0.94	0.75	0.11	0.96
7.	Axis Mutual Fund	13.83	0.92	0.27	0.04	-6.35
8.	UTI Mutual Fund	13.16	0.93	0.56	0.08	-2.09
9.	Bandhan Mutual Fund	13.83	0.98	0.68	0.1	-0.53
10.	DSP Mutual Fund	12.7	0.87	0.69	0.1	-0.15

TABLE : 5 MIDCAP FUND

NO.	FUND NAME	STANDARD DEVIATION	BETA	SHARPE RATIO	TREYNOR'S RATIO	ALPHA INDICATES
1.	SBI Mutual Fund	13.89	0.81	1.1	0.19	0.01
2.	ICICI Prudential Mutual Fund	14.89	0.89	1.05	0.18	-1.06
3.	HDFC Mutual Fund	14.82	0.9	1.35	0.22	3.22
4.	Nippon India Mutual Fund	15.77	0.99	1.11	0.18	-0.96
5.	Kotak Mahindra Mutual Fund	13.16	0.79	1.07	0.18	-0.81
6.	Aditya Birla Sun Life Mutual Fund	14.66	0.89	1.0	0.17	-1.94
7.	Axis Mutual Fund	13.41	0.79	0.83	0.14	-3.4
8.	UTI Mutual Fund	14.33	0.86	0.9	0.15	-2.48
9.	Bandhan Mutual Fund					
10.	DSP Mutual Fund	13.64	0.82	0.67	0.11	-6.1

TABLE : 6 SMALLCAP FUND

NO.	FUND NAME	STANDARD DEVIATION	BETA	SHARPE RATIO	TREYNOR'S RATIO	ALPHA INDICATES
1.	SBI Mutual Fund	12.64	0.68	1.24	0.23	1.76
2.	ICICI Prudential Mutual Fund	13.94	0.74	1.39	0.26	3.45
3.	HDFC Mutual Fund	15.49	0.87	1.43	0.26	4.5
4.	Nippon India Mutual Fund	15.65	0.87	1.6	0.29	6.4
5.	Kotak Mahindra Mutual Fund	12.55	0.67	1.23	0.23	1.12
6.	Aditya Birla Sun Life Mutual Fund	15.06	0.85	0.88	0.16	-4.05
7.	Axis Mutual Fund	12.76	0.68	1.47	0.28	4.35
8.	UTI Mutual Fund	13.98	0.76	1.19	0.22	0.36
9.	Bandhan Mutual Fund	15.32	0.86	1.34	0.24	2.99
10.	DSP Mutual Fund	14.71	0.81	1.3	0.23	2.45

6. FINDINGS

- The mutual fund industry is important to the financial system.
- Mutual funds help investors receive higher returns while also helping promoters and entrepreneurs raise financing.
- The mutual fund industry in India is expanding at the quickest rate and offers a tonne of prospects.
- It encourages financial conserving.
- It also helps the nation's economy flourish by increasing finance.
- Social, technical, environmental, and economical. The share markets and mutual fund industry can be impacted by natural, political, and geographical causes.
- Returns on equity were higher than those on debt or hybrid schemes.

7. CONCLUSION

The results of the performance assessment of a few Indian equity mutual funds show that, although some of the funds did well over the research period, others did not perform up to par. Three funds were found to have performed well, whilst four funds fell short of expectations. Investors are recommended to take into account statistical metrics such as Jensen's alpha, beta, standard deviation,

and Sharpe Ratios in addition to NAV and Total Return to ensure consistent performance of mutual funds. By using a thorough review process, investors can maximize their investment returns and make well-informed selections.

The financial system depends on the mutual fund business. Mutual funds assist in raising capital for promoters and businesses in addition to providing investors with higher returns. India's mutual fund market is growing at the fastest rate possible and has a multitude of opportunities. It promotes budgetary restraint. It also boosts financing, which benefits the country's economy. economic, social, technical, and environmental. Geographical, political, and ecological factors can have an impact on the mutual fund business and share markets. Returns on debt or hybrid schemes were lower than returns on equity.

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