A STUDY ON SELECTED EQUITY MUTUAL FUNDS IN INDIA: PERFORMANCE EVALUATION OF MUTUAL FUNDS

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Abstract

In this study, relative performance analysis is used to evaluate the performance of Indian mutual funds. The returns from the fund schemes were computed using the daily closing NAV of various schemes. Market portfolio has been based on NSE - Nifty. Risk and return analysis, Standard Deviation, Sharpe, Treynor, and ANOVA are used to evaluate mutual fund performance. The association of mutual funds in India is the information's source. The trial will run from April 2019 to March 2022. The findings imply that the majority of mutual funds generated gains over the research period. The best way to invest in the stock market is through mutual funds.

Introduction

Since its start in 1964, the mutual fund business in India has advanced significantly. The industry has seen significant structural change over time. There are numerous players in all different kinds of fund schemes today, which has increased competition. The size, operations, investor base, and range of schemes offered by the business have all increased significantly. According to the demands of investors and market pressures, it is still growing. Investors in mutual funds should right now assess the performance of schemes before making investment decisions. Many investors use past success as a guide, even if it may not be a reliable predictor of future performance. An effective group of portfolio managers oversees investments in mutual funds. For an investor lacking in capital market investing experience, they offer diversification, competent management, and an easy investment process. The mutual fund business currently has a lot to offer its investors thanks to the development of a wide range of products. India is quickly becoming the next major investment location, thanks to a high rate of savings and investment compared to other Asian nations. The need to increase knowledge is particularly acute among semi-urban and rural populations, where few people are aware of the advantages of investing in mutual funds. They continue to invest in conventional investment strategies.

Review of Literature

A study by **Bharathi (2015)** was conducted on a sample of 51 open-end mutual fund schemes using a practical sampling method. NAVs were collected from October 1, 2013, to September 30, 2014, for a year. Up to 18 schemes among the 51 funds achieved returns greater than the market return. The returns from the 33 remaining funds were less than the market return.

Anand (2017) concentrated on the market-available competitor's schemes as well as Birla Sunlife's own schemes. The author used a literature review and the Delphi technique to analyse the SWOT analysis of Birla Sunlife and the performance of equity funds over a three-year period. A thorough financial analysis by the author reveals which of the chosen equities funds generates larger returns than benchmark and rivals, leading to the conclusion that Birla Sunlife outperforms benchmarks and rivals.

Alka Solanki (2016) evaluated the performance of sample schemes and contrasted the return and risk with benchmark using wide 100 shared base BSE National Index and SENSEX as a proxy for market index from 2007 to 2016. Except for Eliance Focused Large Cap Fund, all of the schemes exhibited average returns that were higher than those of the market.

Gouri Shankar Lall's (2018) study, "Performance Evaluation of Equity-based Mutual Funds in India," aims to quantify the profits of growth-oriented mutual fund schemes, assess the chosen mutual fund schemes, and examine the trends in returns of the mutual funds under study. From April 2011 to March 2016, daily data from Thomson Reuter's on Net Asset Value (NAV), Risk Free Rate of Return, and Market Index (SENSEX) were gathered for this study. Treyner's Index and Sharpe's Index were used to analyse the data. According to the study, Sundaram Global Advantage Scheme had a higher Sharpe ratio than the other chosen schemes, which suggests that its investment managers have more expertise.

Chakrabarti (2019) Using quadratic optimization of a William Sharpe asset class factor model and study of the relative performance of the funds with regard to their style benchmarks, evaluates equity mutual funds in India. Their analysis revealed that, on average, from January 2012 to June 2017, the mutual funds had positive monthly returns. In terms of returns generated, the ELSS funds lagged behind the Growth funds or all funds combined.

Carlos (2019) examined Using the Linear model, asset pricing model, Fama and French factors, whether it was more appropriate to adopt a factor-based or a characteristic-based approach—both known as benchmarks in portfolio performance measurement. The study demonstrated that, if return data were employed and a linear model was put forth that adjusted return to a number of exogenous variables, the right side of the equation would report accomplished performance and the passive benchmark that matched the risk or style of the evaluated portfolio.

 Objectives of the Study

• To analyse the return and risk of a sample of equities mutual funds from different fund schemes in India.

• Using Sharpe and Treynor, determine the mutual fund performance of a particular equity mutual fund.

 Methodology

 This essay attempts to research and evaluate the operating results of 8 Indian equities mutual funds.
 This study is based on secondary data acquired from the various sources and was based on a detailed analysis of the mutual funds from April 2019 to March 2022.

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Table 1: Equity fund schemes: 2019-20

S. No	Scheme	Return %	SD	Sharpre Index	Treynor Ratio
1	Parag Parikh Flexi Cap Fund	15	0.18	1.77	13.14
2	SBI Focused Equity Fund	14	0.93	3.67	8.98
3	DSP Flexi Cap Fund	13	0.88	2.71	12.91
4	IDFC Sterling Value Fund	13	0.91	2.55	9.33
5	ICICI Prudential Bluechip Fund	12	1.23	3.42	7.12

6	Invesco India Infrastructure Fund	11	1.09	3.29	9.89
7	PGIM India Flexi Cap Fund	10	1.12	4.88	10.01
8	Nippon India Large Cap Fund	13	0.82	2.41	9.19

Table 1 shows the return, standard deviation, sharpe ratio, and Treynor index for the top 8 equity schemes for 2019–20. Equity plans are often designed for those who like to take risks. It is possible to deduce from the given data that Parag Parikh sources like websites, journals, magazines etc. For the performance of these mutual fund schemes, different statistical and financial tools are to be used. The tools and techniques areSharpe, Treynor measure.

S. No	Scheme	Return %	SD	Sharpre Index	Treynor Ratio
1	Parag Parikh Flexi Cap Fund	12	1.09	2.55	4.33
2	SBI Focused Equity Fund	11	0.12	2.88	2.07
3	DSP Flexi Cap Fund	10	0.97	2.73	1.04
4	IDFC Sterling Value Fund	13	0.89	3.22	1.56
5	ICICI Prudential Bluechip Fund	11	0.73	3.28	1.37
6	Invesco India Infrastructure Fund	14	0.17	2.67	1.99
7	PGIM India Flexi Cap Fund	13	0.69	1.79	1.73
8	Nippon India Large Cap Fund	10	1.22	5.72	3.22

Table 4: ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1156.711	4	166.179	13.120	.000[b]
	Residual	1683.219	47	8.930		
	Total	2839.93	51			

Hypothesis

Ho: There would be no significant difference inperformance of selected mutual fund scheme by calculating sharpe ratio during the study period

H1: There would be no significant difference inperformance of selected mutual fund scheme by calculating Treynor ratio during the study period

Table 5: ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2089.019	4	881.24	11.581	.000[b]
	Residual	891.884	47	18.02		
	Total	2980.94	51			

Conclusion

From above mentioned performance analysis of the eight selected equity funds, it's understandable that all the funds have performed well during the study period. The fall in the NIFTY during the year 2020 has impacted the performance of all the selected funds. In the eventual analysis it may be concluded that most of the funds have performed well in the highly volatile market. After analyzing the different mutual fund schemes, it is concluded that while making the investment decision the first and most important consideration is risk and return aspect followed by the safety and liquidity. If the investors want to go for less risk fund then they should go for higher rank in the Treynor measure. The investors who want to diversify their funds and get higher rate of return should go for higher rank in Sharpe measure. The investors who have the moderate knowledge should go for the mutual fund investment. Therefore it is fundamental for investors and prospective investors to consider these parameters like Sharpe ratio & treynor ration along with beta and standard deviation have given specific performance evaluations

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