

A CRITICAL ANALYSIS OF SELECTED EQUITY MUTUAL FUND SCHEMES IN INDIA”

Dr. Jignasha R. Vagadiya

Assistant Professor,
R. V. Patel & V. L. Shah College of Commerce
VNSGU, Surat, Gujarat, India.

Abstract- Investment is necessary for saving and mutual fund gives a very good platform to investors who want to invest their savings into a diversified portfolio of a securities. Among the numerous financial instruments, open-end funds ensure investors the lowest risks and highest returns. The growth and development of numerous mutual fund products has proven to be one of the most important catalysts for creating significant investment growth in the capital market. Close monitoring and evaluation of mutual funds became crucial in this situation. Choosing lucrative mutual funds to invest in may therefore be a crucial decision. This study focuses on the performance of selected equities (Multi cap, large-cap, mid-cap, and small-cap) open-end fund schemes in terms of a risk-return relationship. The main objective of this research work is to analyse the performance of selected open-end fund schemes through statistical parameters like (alpha, beta, standard deviation, R- Squared, Sharpe ratio). The researcher concluded that 21 funds out of 27 performed well in a highly volatile market. The researcher found that an investor must consider risk adjusted return ratios of the fund before investing. The findings of this research study are going to be help full to investors for his future investment decisions.

Keywords: Mutual fund; Sharpe ratio; Beta; Risk; Return; NAV; Large cap; Midcap; Small cap.

1. INTRODUCTION

Mutual fund is platform that pools the investment from the individual investors with a common financial goal. Investors who are not aware much about capital markets thus Mutual Fund are a blessing for those investors. Compared to stock market mutual fund investors get limited returns as the risk is also less. Mutual funds are versatile in nature and suits to the needs of different investors. Mutual Fund Company provides mechanism for small investors to invest their funds into professionally managed, diversified portfolios of equities, bonds and other securities, which would not be quite easy to create with a small amount of capital at the primary level. Basic structures of mutual funds include open-end funds, unit investment trusts, and closed-ended funds. The performance of a particular scheme of a mutual fund is denoted by Net Asset Value (NAV).

Mutual Funds can be categorised according to asset allocation as given below:

➤ Large cap fund

These funds select stocks for investment from the highest capitalized 100 stocks listed in the Indian stock markets. Larger stocks are expected to be less risky compared to smaller stocks may have more potential to grow. These funds are suitable for those investors who are looking to invest money for at least 3-4 years and looking for maximum yields from their investment. At the same time, these investors should also be ready for the possibility of moderate their risk in their investments.

➤ Mid cap fund

These funds select stocks for investment from the mid-cap category – stocks rank between 100 to 250 by market capitalization. Larger stocks are expected to be less risky whereas smaller stocks may have a higher potential to grow.

➤ Small cap fund

These funds select stocks for investment from the small-cap category, which holds all stocks except the largest 250 stocks by market capitalization. Small-cap mutual fund schemes are expected for aggressive equity investors who can stomach a lot of volatility and risk. According to new SEBI guidelines, small-cap mutual fund schemes must be invested in at least 65% of their corpus in very small companies.

2. LITERATURE REVIEW:

Dr. Rajesh Manik raoji Naik and M R Senapathy (2013)¹ conducted a study on the topic, “A Comparative Study on the Performance of Mutual Funds SBI Mutual Funds V/S Others” in this study they compared the 1-year performance (from 2011-2012) of SBI Magnum Equity Mutual Fund with HDFC top 100 Mutual Fund by using Standard Deviation, Sharpe ratio and Beta for the analytical purpose of the study. In the last authors concluded that, both HDFC Mutual Fund and SBI Mutual funds are good funds to invest in and there is only a marginal difference between them.

Sharpe, William F (1966)² developed a compound measure of risk and return. He has studied and measured the performance of 34 open-end mutual fund schemes over the period of 1944-63. The study shows that good performance was correlated with a low expense ratio rather than the investment size.

Friend, et al., (1962)³ made a systematic study on 152 mutual funds and found out that mutual fund schemes had earned an average annual return of 12.4 %, whereas their composite benchmark earned a return of 12.6 % and its alpha value was negative with 20 basis points.

Ms. Shilpi Pal and Prof. Arti Chandani (2014)⁴ study on “A Critical Analysis of Selected Mutual Funds in India”. They evaluate the performance of top 10 equity mutual fund schemes over the period of Oct, 2007 to Oct, 2012. Various statistical tools like,

Standard Deviation, Beta, Sharpe ratio, R- Square are used. All the calculations are done in excel sheet. The sampling has been done on the basis of CRISIL Rating.

3. RESEARCH METHODOLOGY:

3.1. The objective of the study

- To study the performance of selected mutual fund schemes.
- To evaluate and compare the performance of mutual fund schemes selected for the study.
- To compare the performance of mutual fund houses selected for the study.
- To identified security market's return with scheme's return.

3.2. Sources of data

This study is based on secondary data which were collected from various sources like factsheets of the different selected assets management companies, historical NAV from official websites, other publications and online materials. The data for the mentioned schemes collected from the website www.amfiindia.com, www.bseindia.com, www.sebi.gov.in, <https://nsdl.in>, www.rbi.org.in, www.icra.in, and others.

3.3. Scope of study

The present study comprises of 36 equity mutual fund schemes launched by different Asset Management Companies (AMC). The period of this research work is from March 1st, 2015 to April 31st, 2021. The NAV of the selected scheme has been compared for eight years with an annual return.

3.4. Statistical tools used for the Risk & Return Analysis

Comparative appraisal of selected mutual fund schemes has been done by analysing important parameters like return, risk and risk adjusted return. For the analytical purpose Rate of return, S.D., Beta, Coefficient of determinant and Sharpe ratio has been used. MS Excel has been used for statistical calculations.

This study focuses on finding trends in the mutual fund schemes selected for the study. The analysed data has been used to detect the trend of Net Asset Value. Statistics (S) show how strong the trend in various schemes is and whether it is increasing or decreasing.

4. Data Analysis:

Performance of Large Cap Schemes along with their Benchmark											
No.	Fund Name	Return in %		S.D.		Beta (β)	R-Square (R^2)	Sharp's Value		Total of Rank	Rank
1.	Market (CNX 50)	3.29	-	6.78	-	-	-	-0.39	-	-	-
2.	ABSL Frontline Equity Fund	3.68	5	6.92	4	0.94	0.88	-0.54	6	15	4
3.	DSP Top 100 Equity Fund	3.31	9	7.76	7	1.03	0.79	-0.39	4	20	9
4.	Franklin India Bluechip Fund	3.46	8	6.49	2	0.87	0.87	-0.56	7	17	6
5.	HDFC Top 100 Fund	3.53	6	8.11	9	1.14	0.82	-0.35	3	18	7
6.	ICICI Prudential Bluechip Fund	3.76	4	7.20	6	0.94	0.82	-0.43	5	15	4
7.	Kotak Bluechip Fund	3.85	3	6.30	1	0.82	0.82	-0.65	8	12	3
8.	L&T India Large cap Fund	3.49	7	6.66	3	0.91	0.88	-0.77	9	19	8
9.	Nippon India Large cap Fund	3.89	2	7.97	8	1.08	0.76	-0.17	1	11	2
10.	SBI Bluechip Fund	4.09	1	6.94	5	0.94	0.85	-0.20	2	8	1
Performance of Mid Cap Schemes along with their Benchmark											
No.	Fund Name	Return in %		S.D.		Beta (β)	R-Square (R^2)	Sharp's Value		Total of Rank	Rank
1.	Market (Nifty Midcap 150)	5.07	-	9.42	-	-	-	0.12			
2.	ABSL Mid cap Fund	4.40	9	8.50	6	0.89	0.95	0.13	5	20	9
3.	DSP Mid cap Fund	5.10	3	8.54	8	0.91	0.92	0.07	8	19	8

4.	Franklin India Prima Fund	4.83	6	8.07	3	0.84	0.90	-0.04	9	18	6
5.	HDFC Mid cap Opportunities Fund	4.93	5	8.12	5	0.85	0.94	0.11	7	17	4
6.	ICICI Prudential Mid cap Fund	4.97	4	8.90	9	0.87	0.87	0.19	4	17	4
7.	Kotak Emerging Equity	5.81	1	8.09	4	0.83	0.92	0.62	1	6	1
8.	L & T Mid cap Fund	5.21	2	8.03	2	0.82	0.90	0.13	6	10	2
9.	Nippon India Growth Fund	4.71	8	8.53	7	0.88	0.90	0.24	3	18	6
10.	SBI Magnum Mid cap fund	4.74	7	7.83	1	0.90	0.85	0.25	2	10	2
Performance of Small Cap Schemes along with their Benchmark											
No.	Fund Name	Return in %	S.D.	Beta (β)	R-Square (R^2)	Sharp's Value	Total of Rank	Rank			
1.	Market (Nifty Small Cap 50)	3.93	-	13.40	-	-	-	0.47	-	-	-
2.	ABSL Small cap Fund	4.79	6	9.61	6	0.67	0.93	0.46	8	20	9
3.	DSP Small cap Fund	5.90	3	9.69	7	0.68	0.86	0.72	4	14	4
4.	Franklin India Smaller Companies Fund	4.93	5	8.52	4	0.54	0.77	0.51	7	16	6
5.	HDFC Small cap Fund	4.53	8	7.07	1	0.47	0.71	0.05	9	18	8
6.	ICICI Prudential Small cap Fund	4.16	9	8.86	5	0.59	0.79	0.84	1	15	5
7.	Kotak Small cap Fund	5.69	4	7.82	2	0.50	0.83	0.68	5	11	1
8.	L&T Emerging Business Fund	4.63	7	8.15	3	0.58	0.84	0.67	6	16	6
9.	Nippon India Small cap Fund	6.37	2	10.25	8	0.69	0.83	0.78	2	12	2
10.	Nippon India Small cap Fund	6.90	1	10.36	9	0.57	0.54	0.76	3	13	3

After comparing all the mutual fund schemes selected for the study, we can observe that Kotak Small Cap Fund, Kotak Emerging Equity and SBI Blue-chip Fund stand out to be the clear winner among all other mutual fund schemes with respect to all the performance parameters taken into consideration.

5. Conclusion:

From the foregoing performance analysis of the selected twenty-seven equity funds, it's clear that twenty-one funds have performed well compared to its benchmark and six funds had not performed well compared to benchmark during the study period. In the ultimate analysis, it may be concluded that all the funds have performed well in the high volatile market movement expect ABSL Mid Cap Fund, Franklin India Prima Fund, HDFC Mid cap Opportunities Fund, ICICI Prudential Mid cap Fund, Nippon India Growth Fund and SBI Magnum Mid cap fund. Therefore, investors need to consider statistical parameters like return, beta, standard deviation, Sharpe Ratios while investing in mutual funds apart from considering NAV and Total Return to ensure consistent performance of mutual funds.

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