



A Study of Performance Evaluation of Selected Equity Mutual Funds in India

KEYWORDS

Capital Market, Mutual Fund Industry, Equity Mutual Funds

Aashka Thakkar

Parul University, Vadodara

ABSTRACT *The Indian Capital Market is growing leaps and bounds by providing a varied range of investment avenues to the investors. Among these investment avenues Mutual Fund has emerged as a widely preferred tool by the investors to earn maximum return at a minimum risk. Since the inception of Mutual Fund industry in India a variety of Mutual Funds schemes are floated in market to cater the different needs of the investors. Due to the emergence of Mutual Funds as an essential investment device used by the investors to get the benefits of Equities without burning their hands in the Capital Market, it becomes imperative to closely monitor and evaluate the performance of these funds. The present study makes an attempt to evaluate the performance of selected equity mutual fund schemes by using various Risk- Return measures i.e. Sharpe Ratio, Treynor Ratio and Jensen's Alpha.*

INTRODUCTION: In the recent years mutual funds have gained a lot of momentum among the investors as their preferred source of investment. However, the Mutual Fund Industry is also playing a vital role as one of the contributors in the growth and development of the Economy. Mutual Funds are a professionally managed fund which pools the savings from large number of investors and the same funds are invested in various investment avenues like Equities, Debt, and Government Securities etc. Mutual Funds have become really popular due to its distinct features like Diversification, Low transaction Cost, Liquidity, and Professional Know- How. Equity Funds are very popular among the Indian investors as they provide superior returns and capital appreciation as compared to other investment options. Equity funds provide probably a higher return as compared with other funds schemes, but on other it carries higher risk also. As the investors are now much concerned about their investment made, it becomes important to do the Risk –Return analysis of the funds.

LITERATURE REVIEW:

AlkaSolanki (2016) "A Study of performance evaluation of Mutual Funds" in the study concluded that all the mutual fund schemes considered for the study have outperformed the benchmark return, except one fund i.e. Reliance Focused Large cap fund. **Md.Qamruzzaman ACMA (2014)** concluded that growth oriented mutual funds have not performed better than their respect to volatility. **Dr.Vikas Choudhary & Preeti Sehgal Chawla (2014)** did a comparison of the performance of equity diversified mutual funds. The performance in terms of Average returns, 75% of the funds have shown superior returns. In terms of SD 62% of the funds are less risky than the market. Mohamed **Zaheeruddin, Pinninti Sivakumar & K.Srinivas Reddy (2013)** the said study revealed that out of selected intermediaries for the study purpose the investors can prefer investing in ICICI mutual funds as it has lowest risk as compared to other intermediaries. **Poonam M Lohara (2013)** in her concluded that returns of all the funds were more than the market index return. Reliance banking fund was found a poor performer under all three performance measures. Kotak Gold Fund and IDBI fixed maturity funds outperformed the market benchmark. **M.S.Annapoorna & Pradeep Gupta (2013)** evaluated the mutual fund schemes which were ranked 1 by CRISIL. It was found that performance of all the schemes seemed volatile during the study period it was difficult to find 1 such scheme which outperformed consistently during the study period. **Dr. K. Mallikarjuna Rao and Ranjeeta Rani (2013)** evaluated risk adjusted performance of selected balance schemes by using mean return beta, Sharpe, Treynor, Jensen and Fama Ratio. The study concluded most of the schemes outperformed the market, low average beta, disproportionate unsystematic risk, mismatch of risk and return relationship in some schemes. These can be mainly

attributed to the lack of professional management skills in security analysis, inadequate diversification, poor stock selection etc. **Dietze, Oliver and Macro (2009)** conducted a study to evaluate the risk adjusted performance of European investment grade corporate bond mutual funds. 19 investment grade corporate bond funds were evaluated for the period of 5 years. These funds were evaluated by using multi index and asset class factor models. The results revealed that corporate funds on an average unperformed the benchmark portfolio and not a single fund showed a positive return. **Boudreaux and Suzanne (2007)** conducted a study to evaluate the risk adjusted returns of international mutual funds for the period of 2000 – 2006. Ten portfolios of international mutual funds were analyzed by using Sharpe's performance Index. US market of mutual funds was taken as Benchmark. The results revealed that 9 out of 10 funds outperformed the market.

OBJECTIVES OF THE STUDY:

- To evaluate and compare the performance of equity mutual fund schemes of selected companies.
- To compare the performance of equity mutual fund schemes of selected companies with the market return.

METHODOLOGY OF THE STUDY:

The study focuses on analyzing the performance of mutual fund by using three models i.e. Sharpe, Treynor, & Jensen. The study also aims to evaluate the performance of different selected schemes on the basis of their daily return recorded during the period from January 2013 to July 2016.

DATA ANALYSIS & INTERPRETATION:

Sharpe's Index for Selected Equity Growth Schemes

Particulars	Rp	Rf	S.D	Sharpe's Index
Tata Equity P/E Fund – Growth	0.0008 93	0.065	-0.0101 93	6.2893162
UTI Equity Fund – Growth	0.0008 75	0.065	-0.0089 22	7.18728985
HDFC Equity Fund – Growth	0.0008 06	0.065	0.01117 6	-5.74391553
IDFC Equity Fund – Growth	0.0006 35	0.065	0.01092 7	-5.89045484
Axis Equity Fund – Growth	0.0068 69	0.065	0.00914 5	-6.3565883
HSBC Equity Fund – Growth	0.0005 81	0.065	0.00999 9	-6.44254425
Birla Sun Life 95 Fund – Growth	0.0008 32	0.065	-0.0070 91	9.04921732

Treynor Index for Selected Equity Growth Schemes

Particulars	Rp	Rf	Beta	Treynor Index
Tata Equity P/E Fund – Growth	0.000893	0.065	0.022353	-2.86793719
UTI Equity Fund – Growth	0.000875	0.065	0.038886	-1.64905107
HDFC Equity Fund – Growth	0.000806	0.065	-0.04571	1.40437541
IDFC Equity Fund – Growth	0.000635	0.065	-0.00826	7.792372881
Axis Equity Fund – Growth	0.006869	0.065	0.0831	-0.69953069
HSBC Equity Fund – Growth	0.000581	0.065	0.087264	-0.7382082
Birla Sun Life 95 Fund – Growth	0.000832	0.065	-0.037601	1.70655036

Jensen's Alpha Index for Selected Equity Growth Schemes:

Particulars	Rp	Rf	Rm	Beta	Jensen's Alpha
Tata Equity P/E Fund – Growth	0.000893	0.065	0.071	0.022353	-0.13069406
UTI Equity Fund – Growth	0.000875	0.065	0.071	0.038886	-0.06665259
HDFC Equity Fund – Growth	0.000806	0.065	0.071	-0.04571	-0.12594859
IDFC Equity Fund – Growth	0.000635	0.065	0.071	-0.00826	-0.12877854
Axis Equity Fund – Growth	0.006869	0.065	0.071	0.0831	-0.043
HSBC Equity Fund – Growth	0.000581	0.065	0.071	0.087264	-0.14161474
Birla Sun Life 95 Fund – Growth	0.000832	0.065	0.071	0.037601	-0.13183767

Interpretation:

Higher the value of standard deviation of the fund returns, greater will be the total risk carried by the fund. As per the Sharpe Index Birla Sun Life 95 Fund – Growth fund has the least SD and high Sharpe ratio followed by UTI Equity Fund – Growth & Tata Equity P/E Fund – Growth fund. HSBC Equity Fund – Growth carries the highest risk as per Sharpe index.

As per the Treynor Index IDFC Equity Fund – Growth have performed best as it has higher ratio. As the Treynor ratio is high it reflects that an investor have generated high returns for the market risk he has taken.

HSBC Equity Fund & Birla Sun Life 95 Funds shows high alpha which means the funds have not earned enough with the amount of systematic risk taken.

CONCLUSION: The funds which were selected for the study purpose, none of them have shown a consistent return and performance during the study period. Birla Sun Life Equity Growth scheme have shown good performance in all three measures, while TATA Equity performed well as per the Sharpe measure but didn't perform in other measures.

REFERENCES:

- Alka Solanki (2016) "A Study of performance evaluation of Reliance Mutual Funds" Abhinav National Monthly Referred Journal of Research in Commerce & Management. Volume 5, Issue 5.
- Boudreaux and Suzanne (2007) "Empirical analysis of international mutual funds performance" International business and Economic research journal, Vol.6 p.19-22.
- Dr. K. Mallikarjuna Rao and H. Ranjeeta Rani (2013) "Risk Adjusted performance evaluation of selected balanced mutual funds schemes in India", Scholar world International Journal of Contemporary Research, Vol.(2)
- Dr.Vikas Choudhary & Preeti Sehgal Chawla (2014) "Performance Evaluation of Mutual Funds in India" International Conference on Business Law and CSR.
- Dietze, Oliver and Macro (2009) "The performance of Investment grade Corporate Bond Funds: Evidence from the European Market". The European Journal of finance, Vol.15(2)p.191
- Kalpesh P Prajapati and Mahesh K Patel (2012), Comparative Study On Performance Evaluation Of Mutual Fund Schemes Of Indian Companies, Researchers world, Journal of Arts, Science & Commerce Vol–III, Issue3(3), p. 47-59
- M.S Annapoorna (2013) "A comparative analysis of returns of mutual fund schemes

ranked 1 by CRISIL" Tactful Management Research Journal, Vol2 (1)

- Mohamed Zaheeruddin, Pinninti Sivakumar & K.Srinivas Reddy (2013) "Performance evaluation of mutual funds in India with special reference to selected financial intermediaries" IOSR Journal of Business & Management Volume 7, Issue 2.
- Md.Qamruzzaman ACMA (2014) "Comparative study on performance evaluation of Mutual Fund schemes in Bangladesh: An analysis of monthly returns. Journal of Business Studies Quarterly 2014. Volume 5, No. 5.
- Poonam Lohara "Performance evaluation of selected mutual funds" Pacific Business Review International. Volume 5, Issue 7.
- www.amfindia.com
- www.bseindia.com