MUTUAL FUNDS: A SYSTEMATIC EVALUATION SELECTED EQUITY MUTUAL FUNDS

Mr. Sahdev Gujrati*

Abstract:

The current research endeavors to conduct a comparative performance analysis with the purpose of assessing the efficiency of Indian mutual funds. The return performance of various mutual fund schemes was calculated with the help of daily closing NAV. Various tools and techniques is used in the current research to analyze the performance of mutual funds. These techniques are Risk and Return Percentage, Sharpe and Treynor statistics, and analysis of variance. In addition, information was collected from the Indian association of mutual fund companies. The current research project will run for three years, beginning in April 2019, and ending in March 2022. According to the findings of the study, most people who hold shares in mutual funds have benefited from and enjoyed profits during this tenure. Because of this, they believe that it is the most effective strategy for investing in the stock market.

Key words: *Mutual Fund Schemes, India, Equity Fund, Potential Investors*

INTRODUCTION OF THE PAPER

In the year 1964, the first Indian mutual fund was established, and today, mutual funds are all the rage in the country. Over the course of its history, the sector has undergone several significant structural shifts. The current market for all kinds of fund schemes is filled with numerous participants, which has led to an increase in the level of competition. The mutual funds companies are growing day by day and in all aspects, including its size, products and services, potential investors, and the number of mutual fund schemes it provides. It is still growing in accordance with the requirements of investors and the pressures of the market. Before making decisions regarding their investments, shareholders in mutual funds should first conduct an analysis of the schemes currently available. Even though there is no way to accurately predict how an investment will perform in the future based on past performance, this does not stop many people from basing their current and future financial decisions on how successful they have been in the past. There are several statistical methods currently available on the market. These methods determine the practicability of schemes in a methodical manner with the assistance of historical data.

In today's world all the industries are hiring talented people who can meet the expectations of the company and fulfil the requirement of the customer. Thus, mutual fund industry is also not untouched with it. It also has managers who are perfect in their work and managing the portfolio of the investors and advised them. They attract investor by providing them customized products and services and handle them with care so that investors experience wonders with their funds. In this rapidly evolving business climate of today, mutual fund companies are increasingly offering customized products across a variety of categories, which is attracting an increasing number of investors. Indian population believed in more savings and less spending thus it can become the next major investment location in every sector. However, there is a need for financial literacy among the populations that live in semi-urban and rural areas, as very few of them are aware of the benefits that can be gained from investing their money in mutual funds. People still follow the tried-and-true method of investing their money in easily accessible goods and displaying their conventional approach to making money from money.

***** Guest Faculty, Department of Business Finance & Economics, FCMS, JNV University, Jodhpur

REVIEW OF LITERATURE

Sarish (2012) has conducted extensive research on a variety of topics related to mutual funds, including the benefits and drawbacks of putting money into mutual funds. The purpose of this study is to investigate the opportunities and challenges of this industry. Moreover, the present study was also focused on all of the problems, complications, and variables associated with mutual funds. The creation of mutual funds that are proportionate to the potential for economic growth in the nation was another primary focus of the study. It was a theoretical investigation into the natural world.

The performance of a mutual fund was evaluated by **Renu Gosh (2014)** using a variety of techniques and ratios. For the purpose of this study, three different types of mutual fund schemes were taken into consideration: publicly sponsored, privately sponsored, and privately (foreign) sponsored. According to the findings of the research, internationally sponsored (private) mutual fund schemes perform the best out of the three different schemes.

A study was carried out by Gouri Shankar Lall (2018) with the purpose of calculating and assessing the performance of various mutual fund schemes. The researchers also investigated the efficiency of India's equity-based mutual funds and their performance. For the purpose of this study, information was obtained between the months of April 2011 and March 2016.. In order to conduct an analysis of the information, we relied on two different statistical approaches: Treyner's Index and Sharpe's Index. According to the findings of the study, the Sundaram Global Advantage Scheme had a higher Sharpe ratio compared to the other schemes that were selected. This indicates that the scheme's investment managers have a higher level of expertise.

OBJECTIVES OF THE STUDY

On the basis of above discussion, the objectives are:

- To determine which equity mutual fund schemes are currently popular among the investors
- To assess the performance and efficiency of certain equity mutual funds schemes in India regarding the level of risk they take on and the amount of money they make.

RESEARCH METHODOLOGY

The study aims to investigate and analyze the performance of a select group of Indian equity mutual funds in their day-to-day operations. Between April 2019 and March 2022, careful analysis was done on the mutual fund schemes that were used for this study. The secondary data for this study came from a variety of sources, such as websites, periodicals, magazines, and so on. When determining how successful these mutual fund schemes have been, it is important to use a variety of statistical and financial approaches. The instruments and methods that are being used are the Sharpe and Treynor measures.

HYPOTHESIS OF THE RESEARCH

Ho: No significant differences would be found in the performance of selected mutual fund scheme.

Ha: Significant differences would be found in the performance of selected mutual fund scheme.

DATA ANALYSIS AND INTERPRETATION

Table 1: Performance Analysis of Equity fund schemes (2019-2020)

S. No	Name of the Mutual Fund Schemes	Performance in term of Return	SD	Value of Sharpre Index	Treynor Ratio Value
1	Parag Parikh Flexi Cap Fund	17	0.28	1.72	12.84
2	SBI Focused Equity Fund	13	0.83	3.57	7.58
3	DSP Flexi Cap Fund	11	0.82	2.82	11.89
4	IDFC Sterling Value Fund	11	0.89	2.48	8.76
5	ICICI Prudential Bluechip Fund	10	1.01	2.89	6.88
6	Invesco India Infrastructure Fund	10	0.99	2.99	8.72
7	PGIM India Flexi Cap Fund	11	1.09	3.89	8.93
8	Nippon India Large Cap Fund	11	0.87	2.31	8.12

Table-1 depicts the performance of the equity mutual fund schemes (2019-20) in terms of their return with the help of various statistical techniques like standard deviation, Sharpe ratio, and Treynor index. The table revealed that one equity mutual fund scheme named Parag Parikh Flexi Cap Fund is performing great among all the schemes with the Sharpe index value (1.72) and Treynor Index values of (12.84). on the other hand, ICICI Prudential Blue-chip Fund is the worst performer among them.

Table 2: Performance Analysis of Equity fund schemes 2020-21

S. No	Name of the Mutual Fund Schemes	Return (in %)	SD	Sharpre Index	Treynor Ratio
1	Parag Parikh Flexi Cap Fund	14	0.82	0.92	12.28
2	SBI Focused Equity Fund	9	0.76	0.71	-3.09
3	DSP Flexi Cap Fund	11	0.87	0.60	7.81
4	IDFC Sterling Value Fund	11	0.73	0.11	8.82
5	ICICI Prudential Bluechip Fund	12	0.71	0.39	7.20
6	Invesco India Infrastructure Fund	12	0.88	0.50	14.00
7	PGIM India Flexi Cap Fund	13	0.67	0.84	15.01
8	Nippon India Large Cap Fund	10	0.70	0.89	-3.18

Table-2 revealed the performance of the equity mutual fund schemes (2020-21) in terms of their return with the help of various statistical techniques like standard deviation, Sharpe ratio, and Treynor index. The results shows that PGIM India Flexi Cap Fund (15.01) followed by Invesco India Infrastructure Fund (14.00) and Parag Parikh Long Term Equity Fund (12.28) are performing great in terms of return and investors are highly satisfied with these mutual funds schemes. while SBI Focused Equity Fund with Treynor index 2.54 is performing worst among all the equity mutual fund schemes and investors are highly disappoint with this scheme.

Table 3: Performance Analysis of Equity fund schemes 2021-22

S. No	Name of the Mutual Fund Schemes	Return (in %)	SD	Sharpre Index	Treynor Ratio
1	Parag Parikh Flexi Cap Fund	13	0.99	1.99	3.89
2	SBI Focused Equity Fund	10	0.34	2.67	1.96
3	DSP Flexi Cap Fund	11	0.76	2.22	1.27
4	IDFC Sterling Value Fund	12	0.81	2.99	0.97
5	ICICI Prudential Bluechip Fund	12	0.62	3.89	1.11
6	Invesco India Infrastructure Fund	15	0.13	2.05	1.87
7	PGIM India Flexi Cap Fund	12	0.71	1.62	1.22
8	Nippon India Large Cap Fund	11	1.33	5.17	3.01

Table-3 depicting the results of the performance of the equity mutual fund schemes for the year 2021-22 in terms of their return with the help of various statistical techniques like standard deviation, Sharpe ratio, and Treynor index. The results revealed that Parag Parikh Long Term Equity Fund (3.89) is again repeating the history of success and performing well among all the mutual fund schemes. Whereas, DSP Flexi Cap Fund (1.27) is performing worst among all the equity mutual fund schemes and investors are highly dissatisfied with the return of this scheme.

Table 4: Results of ANOVA for Return Performance of Various Equity Mutual Funds Schemes

Table 4: ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1223.601	4	153.184	12.210	.002[b]
	Residual	991.515	47	7.390		
	Total	2215.116	51			

Results: The table-4 shows the ANOVA analysis of the various equity mutual funds schemes with reference to return Performance for the year 2019-20. It was found that the corresponding p-values for all the equity mutual fund schemes across all the return percentage found to be significant with p-values ranging less than 0.05. So, we can reject null hypothesis and conclude that significant differences would be found in the performance of selected equity mutual fund scheme in the year 2019-20.

Table 5: Results of ANOVA for Return Performance of Various Equity Mutual Funds Schemes

Table 5: ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2177.101	4	789.56	12.581	.003[b]
	Residual	921.162	47	16.22		
	Total	3098.263	51			

Results: The table-5 depicts the result of ANOVA analysis of the various equity mutual funds schemes with reference to return Performance for the year 2020-21. It was found that the corresponding p-values for all the equity mutual fund schemes across all the return percentage found to be significant with p-values ranging less than 0.05. So, we can reject null hypothesis and conclude that significant differences would be found in the performance of selected equity mutual fund scheme in the year 2020-21.

CONCLUSION

The purpose of this study was to investigate the return performance of eight different equity mutual fund schemes for the years 2019, 2020, 2021, and 2022. According to the findings, each of the eight different mutual fund schemes that were considered for this study is, to this day, performing exceptionally well. The performance is, on the whole, satisfactory for the investors, despite the fact that the NIFTY will decline in 2020. According to the findings of the study, mutual funds have performed admirably despite the extremely volatile market. According to the findings of the current research, investors focus primarily on risk and return when making investment decisions, with safety and liquidity coming in a close second and third, respectively. They choose a specific investment strategy with the assistance of their prior experience in order to maximize the return on their capital while minimizing the amount of risk they expose themselves to in the process.

The Trenyor measure is a tool that an investor should always think about using when they are trying to find an investment with a lower risk. But when they want to diversify their investments in order to get a higher return, then they need to go to the Sharpe measure index because a higher Sharpe rank means a more dynamic investment with a higher return. In this case, the investors' goal is to get a higher return. Mutual funds are a good option for investors who have a moderate level of financial expertise and are looking to invest their money for a better future.

Because it ensures the consistent performance of the mutual fund market, having a working knowledge of both the Sharpe ratio and the Treynor ratio is absolutely necessary for any potential investor in India who is interested in putting their money into mutual funds. Techniques such as beta and standard deviation are also helpful in providing specific performance evaluations from a number of different perspectives

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