

Performance Evaluation of Equity Oriented Mutual Fund Schemes in India

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Abstract—This research paper aimed to study of Performance evaluation of Equity oriented Mutual Fund Schemes in India. The present chapter deals with evaluating the performance of Mutual Funds schemes with special reference to equity oriented schemes. Investment of these schemes is dominated by equity stocks. In other words, a major portion of funds collected by equity oriented schemes are invested in equity stock and instruments. To be categorised as equity mutual fund, SEBI guidelines require a fund to invest at least 65 percent of its assets in equity and equity related instruments.

Keywords – Mutual Fund Schemes, Equity Stocks, Performance Evaluation and SEBI

1. INTRODUCTION

The mutual fund sector is one of today's main contributors to the country's financial growth. The mutual fund sector has developed throughout the years and transformed with every development. In 1963, the Government of India and Reserve Bank of India initiated this initiative, India's first mutual fund, namely the Units Trust of India (UTI), was created to promote saving and investment, and participation in income, profits, and profits derived from the acquisition, holding, management and disposal of securities. However, it has not even scratched the full potential of the sector as the industry's challenges offer an unprecedented chance for growth. When the Unit Trust of India was formed, it came a long way from its modest beginnings in 1963. The Mutual Fund has emerged as a tool that allows all types of investors to participate and benefit from India's booming economy, irrespective of the risk profile and return horizon. Since the 1990s, when the mutual fund space was opened to the private sector, the industry has taken a long way, continuously adapting to the changes. Asset growth Under management (AUM) was unprecedented and in the last four years, it has grown by 28 percent at a CAGR, and only slowed over the last few years as a

result of the global economic downturn and financial crisis. Although the confidence of investors has been significantly eroded and AUMs have suffered a dent, over recent years sales of mutual funds have revived. That implies a recovery in investors' confidence, a search for alternative investment opportunities, and higher returns, even though the markets continue to be choppy.

2. REVIEW OF LITERATURE

Jaspal and Subhash (2004) show that the investors consider gold to be the most preferred form of investment followed by NSC and Post Office schemes. Investors belonging to the salaried category, and in the age group of 20-35, years showed an inclination towards close-ended growth (equity-oriented) schemes over the other scheme type.

Sharpe (1966) analyzed the performance assessment of mutual funds, a composite measure to consider risks and returns. The study examined the performance for the study period 1944-63 of 34 open-ended mutual funds. The conclusion was that the average return on mutual funds was lower than an investment in the Dow Jones Industrial Average (DJIA). In addition, the strong performance was shown to be connected with minimal expenses and a low ratio between the size of the fund and its implementation.

Jayadev (1996) assessed the performance of two growth-oriented mutual funds (Master Gain and Magnum Express) in his paper — Mutual Fund performance: an analysis of the monthly returns (June 1992 to March 1994). The Ordinary Share Price Index for Economic Times (ETOSHPI) was accepted as the benchmark. The investigation indicated that the master gain was superior in line with Jensen and Treynor measures, but its performance did not match the standard according to Sharpe's ratio. Based on all three criteria, the version of Magnum Express was found to be poor. Magnum express was effectively diversified, and its unique risk was decreased when Master Gain

did not. Both funds have been found to have poor returns either because of the selection of lower-priced holdings or because of marketing. It was decided that the two growth-oriented funds were not better at the full risk and could not offer investors the advantages of diversification and professionalism.

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Ratnaraju and Madhav (2016) examined the performance for the period April 2012 to March 2015 of 30 open and diversified equity schemes. Daily NAV closing of various schemes was used to calculate the returns from the funds. For the market portfolio, S&P BSE-SENSEX was used. The historical results of the selected systems were assessed based on the measurements by Sharpe, Treynor, and Jensen. Results of the study indicated that 14 out of 30 mutual funds schemes exceeded the benchmark return. All the schemes were positive returns. The results also demonstrated the underperformance of Reliance Regular Savings Fund Equity, SBI Contra Fund, and HDFC Equity Fund schemes and the diversification problems of those schemes. The Sharpe ratio was favorable for all schemes showing that funds deliver rates higher than risk-free rates.

4. DATA ANALYSIS AND DISCUSSION

Return of Equity Mutual Fund – Large Cap

Table 1: Annual Return of Large Cap Equity Mutual Fund Schemes (in %age)

Scheme Name	2020	2019	2018	2017	2016	Average
Aditya Birla Sun Life Frontline Equity Fund - Regular Plan - Growth Large Cap Fund	13.55	7.89	-2.28	30.58	6.97	11.34
Axis Blue-chip Fund - Growth Large Cap Fund	19.58	19.12	7.43	38.03	-3.97	16.04
Baroda Large Cap Fund - Plan A - Growth Large Cap Fund	14.88	12.65	-3.12	22.96	3.13	10.1
BNP Paribas Large Cap Fund - Growth Large Cap Fund	16.64	17.88	-3.37	37.05	-6.06	12.43
Canara Robeco Blue-chip Equity Fund - Regular Plan - Growth Large Cap Fund	22.59	15.89	4.13	31.37	1.29	15.05

(Source: Author's Compilation)

Table 1 contains the details of annual return of large cap equity mutual fund schemes for a period of 5 year from 2016 to 2020. As per table, the maximum annual return of Aditya Birla Sun Life Frontline Equity Fund - Regular Plan - Growth Large Cap Fund is 30.58 percent

Panigrahi et. al (2020) has studied the analysis of 10 shares linked to the mutual fund's savings scheme. Financial ratios and analysis tools include average returns, determination coefficient (R²), S.D, beta, Sharpe ratio, and Jensen alpha. In ELSS mutual funds, they found a more attractive return and also received a tax benefit of 1,5 lakh.

3. METHODOLOGY

Research Objectives

To know the **Performance evaluation of Equity oriented Mutual Fund Schemes in India**

Sample Size

For sample selection, a total of four type of equity based area are selected for making the sample representative. These areas are large cap, mid cap, small and ELSS. A total of 5 schemes from each category of area have been selected for final sample. This will make a sample of total 20 schemes for analysis. Annual return of these 20 equity oriented schemes has been computed based on NAV values for a period of 5 years from 2016 to 2020.

Data Collection

The study is based on secondary data. The data for the present study has been collected from Money Control.

Statistical Tool and Techniques

MS Excel has been used for data calculation and presentation. Descriptive Statistics has been used to analyse the data.

in 2017 and minimum return of -2.28 percent in 2018. With regard to Axis Blue-chip Fund – the maximum annual return is 38.03 percent in 2017 and minimum return of -3.97 percent in 2016. With regard to Baroda Large Cap Fund, the maximum annual return is 22.96

percent in 2017 and minimum return of -3.12 in 2018. The maximum annual return of BNP Paribas Large Cap Fund 37.05 in 2017 and minimum return -6.06

in 2016 year. Canara Robeco Blue-chip Equity Fund generates a maximum annual return of 31.37 in 2017 year and minimum return 1.29 in 2018 year.

Return of Equity Mutual Fund – Mid Cap

Table 2: Annual Return of Mid Cap Equity Mutual Fund Schemes

Scheme Name	2020	2019	2018	2017	2016	Average
Aditya Birla Sun Life Midcap Fund - Regular Plan - Growth Mid Cap Fund	15.15	-4.03	-15.74	44.85	4.95	9.04
Axis Midcap Fund - Growth Mid Cap Fund	25.75	11.74	3.81	41.99	-3.35	15.99
Baroda Mid-cap Fund - Plan A - Growth Mid Cap Fund	30.45	-1.47	-14.51	43.55	-6.00	10.40
BNP Paribas Mid Cap Fund - Growth Mid Cap Fund	21.96	4.59	-17.32	49.01	-1.99	11.25
DSP Midcap Fund - Regular Plan - Growth Mid Cap Fund	23.25	9.11	-9.76	39.80	10.17	14.51

(Source: Author's Compilation)

Table 2 contains the details of annual return of large cap equity mutual fund schemes for a period of 5 year from 2016 to 2020. As per table, the maximum annual return of Aditya Birla Sun Life Midcap Fund is 44.85 percent in 2017 and minimum return of -15.74 percent in 2018. With regard to Axis Midcap Fund - the maximum annual return is 41.99 percent in 2017 and minimum return of -3.35 percent in 2016. With regard

Baroda Mid-cap Fund - Plan A, the maximum annual return is 30.45 percent in 2020 and minimum return of -14.51 in 2018. The maximum annual return of BNP Paribas Mid Cap Fund 21.96 in 2020 and minimum return -17.32 in 2018 year. DSP Midcap Fund - Regular Plan - Growth Mid Cap Fund generates an maximum annual return of 39.80 in 2017 year and minimum return -9.76 in 2018 year.

Return of Equity Mutual Fund – Small Cap

Table 3: Annual Return of Small Cap Equity Mutual Fund Schemes

Scheme Name	2020	2019	2018	2017	2016	Average
Aditya Birla Sun Life Small cap Fund - Regular Plan - Growth Small Cap Fund	18.94	-12.66	-22.72	56.70	8.77	9.81
DSP Small Cap Fund - Regular Plan - Growth Small Cap Fund	31.86	0.02	-25.51	42.77	11.79	12.19
Franklin India Smaller Companies Fund - Growth Small Cap Fund	17.32	-5.55	-17.22	43.46	9.60	9.52
HDFC Small Cap Fund - Growth Small Cap Fund	19.30	-10.06	-8.38	60.75	4.73	13.27
HSBC Small Cap Equity Fund - Growth Small Cap Fund	26.92	-11.30	-25.20	60.41	0.14	10.19

(Source: Author's Compilation)

Table 3 contains the details of annual return of large cap equity mutual fund schemes for a period of 5 year from 2016 to 2020. As per table, the maximum annual return of Aditya Birla Sun Life Small cap Fund - Regular Plan is 56.70 percent in 2017 and minimum return of -22.72 percent in 2018. With regard to DSP Small Cap Fund, the maximum annual return is 42.77 percent in 2017 and minimum return of -25.51 percent in 2018. With regard Franklin India Smaller Companies Fund, the maximum annual return is 43.46 percent in 2017 and minimum return of -17.22 in 2018. The maximum annual return of HDFC Small Cap Fund 60.75 in 2017 and minimum return -10.06 in 2019 year. HSBC Small Cap Equity Fund generates an maximum annual return of 60.41 in 2017 year and minimum return -25.20 in 2018 year.

Return of Equity Mutual Fund – ELSS

Table 4: Annual Return of ELSS Equity Mutual Fund Schemes

Scheme Name	2020	2019	2018	2017	2016	Average
Aditya Birla Sun Life Tax Plan - Regular Plan - Growth ELSS	14.08	3.80	-4.61	42.48	2.78	11.71
Axis Long Term Equity Fund - Growth ELSS	20.21	15.34	3.27	37.44	-1.23	15.01
BNP Paribas Long Term Equity Fund - Growth ELSS	17.42	14.69	-9.15	42.34	-7.12	11.64
BOI AXA Tax Advantage Fund - Regular Plan - Growth ELSS	30.98	14.95	-16.40	57.66	-1.87	17.06
Canara Robeco Equity Tax Saver - Regular Plan - Growth ELSS	26.99	11.30	3.33	31.96	-0.70	14.58

(Source: Author's Compilation)

Table 34 contains the details of annual return of ELSS equity mutual fund schemes for a period of 5 year from 2016 to 2020. As per table, the maximum annual return Aditya Birla Sun Life Tax Plan - Regular Plan is 42.48 percent in 2017 and minimum return of -4.61 percent in 2018. With regard Axis Long Term Equity Fund, the maximum annual return is 37.44 percent in 2017 and minimum return of -1.23 percent in 2016. With BNP Paribas Long Term Equity Fund, the maximum annual return is 42.34 percent in 2017 and minimum return of -7.12 in 2016. The maximum annual return of BOI AXA Tax Advantage Fund is 57.66 in 2017 and minimum return -16.40 in 2018 year. Canara Robeco Equity Tax Saver generates a maximum annual return of 31.96 in 2017 year and minimum return -0.17 in 2016 year.

5. CONCLUSIONS

In large cap equity mutual funds, Axis Blue-chip Fund - Growth Large Cap Fund generates maximum average annual returns 16.04 and Baroda Large Cap Fund - Plan A - Growth Large Cap Fund generates minimum average annual returns 10.1.

In mid cap equity mutual funds, Axis Midcap Fund - Growth Mid Cap Fund generates maximum average annual returns 15.99 and generates Aditya Birla Sun Life Midcap Fund - Regular Plan - Growth Mid Cap Fund minimum average annual returns 9.04

In small cap equity mutual funds, HDFC Small Cap Fund - Growth Small cap Fund generates maximum

average annual returns 13.27 and Franklin India Smaller Companies Fund - Growth Small Cap Fund generates minimum average annual returns 9.52.

In ELSS equity mutual funds, BOI AXA Tax Advantage Fund - Regular Plan - Growth ELSS generates maximum average annual returns 17.06 and BNP Paribas Long Term Equity Fund - Growth ELSS generates minimum average annual returns 11.64

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