PERFORMANCE EVALUATION OF MUTUAL FUNDS ON SELECTED BANKING SECTOR - AN ANALYTICAL STUDY

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Abstract

An investor can invest in stocks, debt or hybrid products using mutual funds as a vehicle. Asset management companies have developed different types of funds with different levels of risk. Compared to direct stocks, these investment solutions are much safer. Professional money managers manage mutual funds, allocate assets and try to generate capital or income gains for the fund's investors. A mutual fund portfolio is created and updated in accordance with the investment objectives specified in the prospectus. Small or individual investors can access professionally managed portfolios of stocks, bonds and other assets through mutual funds. As a result, each shareholder shares proportionately in the profits or losses of the fund.

Key words: Mutual Fund, NAV, Asset Management Company, Portfolio Management

I. Introduction

Long-term equity investments provide much higher returns than debt-based instruments. It can be the most practical investment option and has the potential to generate huge fortunes. In the short term, stocks tend to show a lot of volatility, which is hard for most of us to deal with. While investing in stocks one should do many studies and keep in touch with the market regularly. In order to buy the best scripts, huge sums have to be spent. A way to avoid the risks of equity financing while enjoying tremendous rewards by systematically investing in mutual funds. And the better the financial markets are working right now, the better the experience. One of the main advantages of investing in a mutual fund is that an expert or specialist has control over the fund. To ensure informed funding, they often conduct extensive research at the regulatory, industry and economy levels. If you don't have the necessary knowledge or are too busy with your work to invest in stocks then cross budgeting offers you a tempting option. Another benefit of investing in a cross price range is that even with smaller amounts, we can still benefit from diversification. In order for a man or woman to have the desired versatility, a large amount of money may be required, which is no longer possible for most of us. Due to a loss in a particular owner or quarter, diversification reduces the overall impact on portfolio returns. Both SEBI and AMFI effectively regulate the segment of mutual price range. Over the years, they have established rules that ensure the smooth and transparent operation of the mutual balancing industry. As a result, cross-budget purchasing is much easier and safer for buyers.

Objectives of the study

1. To analyse the risk and returns of mutual funds.
2. To evaluate the performance of mutual funds based on total risk.
3. To compare the performance of market return with indices.

II. Review of Literature

Sl.no	Author and Journal name	Summary
1.	Prof. Kalpesh P Prajapati, P. M. Journals of arts , science and commerce	In this study, the relative performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure, Jensen's measure, and Fama's measure are used to evaluate the performance of Indian mutual funds. NAVs from daily closings are the data used. Website is where the info came from of the Indian Association of Mutual Funds (AMFI)., and According to performance measurements, the majority of mutual funds provided positive returns between 2007 and 2011.
2.	Sahil Jain1, D. A. IOSR journal of business and management	The mutual fund sector has experienced rapid expansion during the past ten years. The assets under administration in this sector currently total more than Rs 6.8 trillion, according to the most recent data. More than a thousand n and the capital asset pricing model were used in the analysis (CAPM). According to the analysis as a whole, HDFC and ICICI have been the top performers, UTI has been averaging, and LIC has been the worst, providing returns that were less than anticipated given the risk-return connection
3.	SHIVAJ, 1. S. International Journal of Economics, commerce and research	The fastest expanding area of the Indian financial services d, from 2008–09 to 2012–13.As a result, the performance metrics of Beta, Sharpe, and Treynor's Index have been used to rate funds. As a result, the best fund was determined to be the one that scored the highest overall based on the aforementioned characteristics, and the same methodology was used.
4.	Reza Tehrani1, S. M. International business research	In the current study, the one-day-ahead Value at Risk (VaR) of Iranian mutual funds was measured using both the non-parametric Monte Carlo Simulation method and the parametric GARCH approach. The Kupiec back testing results demonstrated that both techniques had a high level of accuracy, but that the parametric approach's results were improved by Monte Carlo simulation since it was based on a more complex assumption about the return distribution function. The performance assessment of the mutual funds was further investigated using the adjusted Sharpe ratio and VAR
5.	Ayaluru, M. KIIT journal of management	According to the study, all ten of the chosen dependence funds are outperforming the benchmark. Return and managed by the fund in an effective manner. There are funds ideal for all types of investors, and they can select the fund based on factors such as risk, returns, and other factors. This is hardly the end of the research that has been done on topics linked to mutual funds. There is room for additional research on the same subject, using various combinations, time periods, etc.

III.Research Methodology

The study is both descriptive and analytical in nature. For the purpose the research, I would be making a study on Performance evaluation of Mutual Funds in India and can also build the conceptual framework on performance of schemes based on Risk-Return Relationship problem of selection of investment alternative can be minimized. The study is on performance evaluation of Mutual funds which involves collection of the data from the secondary sources.

IV.Data Analysis and Interpretation

Table 1: comparative result of Sharpe, Treynor's and Jensen's measure

Mutual Funds	Beta	Standard Deviation	Sharpe's Index	Treynor's Index	Jensen's Index
SBI BlueChip Fund	0.137617861	13.17676566	-0.252718094	-24.19749212	0.078911185
Axis BlueChip Fund	0.088646367	13.14342451	-0.249153806	-36.94155048	-6.682967686
ICICI Prudential Blue Chip Fund	0.139993985	13.24385126	-0.249995548	-23.65032938	-3.408233444
L&T India Value Fund	0.478439975	9.519494463	-0.11440715	-7.43934777	-3.408233444
LIC MF Large Cap Fund	0.15274688	13.04837165	0.081922069	-23.79289694	-6.733517468

Interpretation: ICICI Prudential Blue Chip Mutual Fund has a higher standard deviation (13.24385126) compared to all the others which is considered for the study. As a result, ICICI Prudential Blue Chip Fund has an aggressive role. Compared to other funds, L&T India Value Fund has the lowest standard deviation (9.519494463).Sharpe scale of SBI Blue Chip FUND is higher at (-0.252718094) when compared to other funds mentioned above. L&T India Value Fund Treynor ratio is higher than other funds at (-7.43934777).Compared to other funds mentioned above, ICICI Prudential Blue Chip and , L&T India Value Fund Jensen Scale of is higher at(-3.408233444).

V.Conclusion:

In the last Five years, the mutual business in India saw a full metamorphosis, displaying growth and potential through assets managed. Although there are now a lot more programmes, they still need to succeed in the retail sector.is destined to become a common item. Furthermore, the infrastructure and knowledge required for mutual funds are still lacking in many rural and prospective areas. The next step after establishing the plan is deciding how to invest. Direct plans and regular plans are the two mutual fund investment alternatives. Direct plans have larger returns because AMC does not charge distributor charges. Regular plans, on the other hand, are those where AMC charges the distributor costs, resulting in a smaller return.

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