A COMPARATIVE PERFORMANCE EVALUATION OF SELECTED EQUITY SCHEMES: LARGE CAP, MID CAP AND SMALL CAP MUTUAL FUNDS.

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Abstract

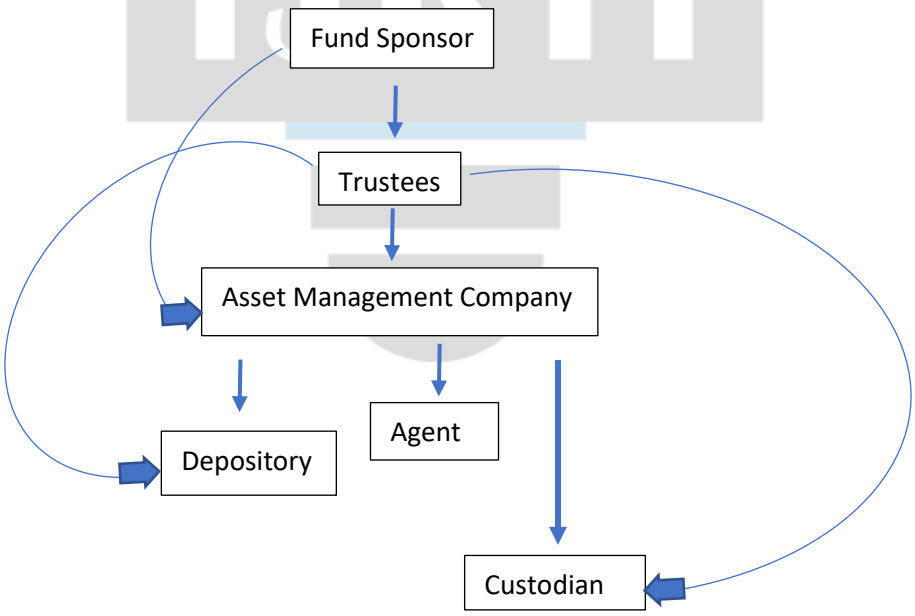
Mutual Fund is a professionally managed trust that pools the funds from various Investors and further invests them, into different securities like shares and debentures. Mutual funds provide opportunities for small investors, to participate in a capital market without hesitation or without assuming a very high risk. Important Principle in Capital Market is that "Do not put all the eggs in one Basket."An Investor can indirectly participate in the capital market by subscribing the units of mutual funds. Mutual funds employs professionally managed people as a Fund Manager to manage the Investment Activities. Daily NAV of different selected schemes have been used to calculate the returns from the fund schemes. The main objective of this paper to evaluate the performance of selected large cap mid cap and small cap mutual funds schemes in India. The analysis portion was achieved by assessing various statistical tools like Average Return, Beta, Alpha, Sharpe Ratio, Standard Deviation and Treynor Ratio. The Data has been taken from various websites of mutual funds schemes and other websites like nseindia.com , bseindia.com and amfiindia.com.The analysis depicts that BOI AXA small cap fund, SBI Magnum mid cap fund and BNP Paribas mid cap fund has outperformed among the selected schemes on the basis of statistical parameters like Sharpe, Treynor and Jensen's Ratio.

Meaning

A Mutual Fund is a trust that pools the savings of a number of investors who shares a common financial goal. The fund collected from the respected investors and then invested in Capital Market Instruments such as Shares, Debentures and other Market Securities. The Income Earned from these investments and the Capital Appreciation realized and are shared by its unit holders in proportion to the number of units owned by them. Investors put in small amounts of funds as per their individual abilities into a common pool of funds this fund is then managed by a Professional Fund Manager. The Term "Mutual" is used in the sense that the Entire Fund's Returns is subtracted by the Expenses are shared by the Fund's Unit Holders.

Mutual Funds are the intermediaries which help the hesitant or doubtful investors in earning returns from the capital market, even while having only a small amount of money to invest.

Fund Structure



TYPES OF MUTUAL FUND SCHEMES IN INDIA

1.Growth/Equity Schemes: The main objective of Equity Mutual fund is to provide capital appreciation over the medium to long-term. Such Schemes normally invest a major part of their corpus in equities. Such Schemes have comparatively high risks. These schemes provide different options to the investors like Dividend option, Growth option etc. and the investors may choose an option depending upon their preferences. The investors must mentioned the option in the application form. The Mutual Fund also allows the investors to change their preference related to selected option at a later date. Growth Schemes are best for those investors who are having a long term outlook seeking capital appreciation over a period of time.

2.Income/ Debt Schemes: The aim of income funds is to provide regular and balanced income to investors. Income Schemes generally invest in Fixed Income Securities such as Bonds, Corporate Debentures and other Money Market Instruments. Opportunities of Capital Appreciation are also limited in such schemes. The NAV's of these schemes are affected because of change in interest rates in the country. If the Interest rates fall, NAV's of such schemes are likely to increase in the short run and it's vice versa. However long term investors may not bother about these Variations.

3. Balanced/Hybrid Schemes: The aim of Balanced Schemes is to provide both Growth as well as Regular Income to the Investors as such schemes invest in both Equities and Fixed Income Securities according to the proportion mentioned in their Scheme offer documents. These are appropriate for those investors who are looking for moderate growth. They usually invest 40-60% in Equity and Debt Instruments.

REVIEW OF LITERATURE

1. Saurav Bhansali and Rajdeep Nag (2021): The investigation revealed that Axis Mutual Funds as a whole relatively performed better than SBI Mutual Funds. It can be said that it is a paramount importance that investors do not make a rash decision simply by looking at the return figures generated by an individual fund, they should compare funds based on the risk and return analysis and find out which fund is giving better returns commensurate to the risk taken.

2. Shivam Tripathi and Gurudatta Japee (2020): The investigation revealed that 10 Mutual Fund out of 15 performed well in a highly volatile market. The researcher concluded that an investor must consider risk ratios of the fund before investing.

3. Y. Maheswari (2020): The findings of the study revealed that Reliance Mutual fund gives best return or outperformed as it is compared to its Benchmark Return.

4. Mohammed Mujahed Ali (2019): The findings of the study suggest that the four funds out of select five large cap mutual funds has outperformed the market returns and has been performed the base for suggesting the investors the potentiality of mutual funds in respect of returns.

5. Saranya k and Parthiban Thangavel (2018): The study examined that those who want to eliminate risk element and want to reap better return than it would be advisable to go for debt or arbitrage schemes which ensures both return and safety. In order to get good return investors should have proper information of the funds and their Assets Management Companies where they are investing.

6. Sonal Babbar and Sanjay Sehgal (2018). The results of panel regression, based on fixed effects estimator, show that the size of fund and NAV negatively affect one period ahead risk- adjusted performance in India, while the age of fund has a positive impact. Expense and Portfolio turnover ratios do not play a significant role. Identification of significant fund characteristics offer valuable insights to investors as it will allow them to make prudent selection of mutual funds and make judicious investment decisions.

7. Poonam Devi(2017): The majority of investors like investing in mutual funds. To receive returns on their investments, the majority of consumers prefer to invest their money for one to three years. To receive better profits and tax advantages, people invest in mutual funds.

8. Aashka Thakkar (2017): The researcher discovers that none of the funds chosen for the study purpose shown a consistent return or performance during the course of the investigation. While TATA Equity performed well according to the Sharpe measure but poorly according to the other two metrics, Birla Sun Life Equity Growth programme has demonstrated strong performance in all three.

9. N. Bhagyasree and B.Kishori (2016): The study revealed that 14 Mutual fund Schemes out of 30 had outperformed the Benchmark Return. The result also showed that some of the schemes had underperformed because these schemes were facing the diversification problem. In this study the Sharpe Ratio was positive for all the schemes which showed that funds were providing returns greater than risk free rate.

10. Suchita Shukla (2015): Subject to infrastructure funds in 2013, overall, mutual funds have provided superior returns than the benchmark during the aforementioned time period. Additionally, positive alpha for all of the funds and return characteristics show that the risk-reward ratio is likewise on the acceptable side.

11. M.M.Goyal (2015): According to the analysis, overall, all of the schemes offer greater and higher average returns than the market. Franklin India Opportunities Fund is the top performer, offering investors the chance to earn more returns at a reduced risk thanks to its higher average return and lower risk.

12. Priyanka G. Bhatt,Vijay H.Vyas (2014): The study's author came to the conclusion that all the funds had performed admirably. The performance of the chosen funds has been impacted by the decline in the CNX NIFTY during 2011. In the final analysis, it may be shown that, with the exception of one mutual fund, the majority of the funds have done well in the extremely turbulent market.

OBJECTIVE OF THE STUDY

1.To evaluate and compare the performance of selected large cap, mid cap and small cap mutual funds schemes in India.

RESEARCH METHODOLOGY

Scope of the study

The present investigation uses a sample of top 3 mutual funds Large Cap, Mid Cap and Small Cap Mutual Fund Schemes in India based on ranking provided by CRISIL Ranking Agency. The time period of the study is from April 1st 2020 to March 31st 2021. The NAV of the selected Equity Schemes have been considered for performance evaluation.

Data Collection

The present study is purely based on secondary data which is collected from various sources like research papers and Association of Mutual Funds in India (AMFI) & Securities and Exchange Board of India (SEBI) websites.

Statistical Tools

The present study made an attempt to analyze the performance of the selected Large Cap Mutual Fund Schemes in India. Statistical tools are used to evaluate the performance of these schemes under this study. These tools include Standard Deviation, Beta, Alpha, Treynor, Sharpe Ratio and Jensen's Ratio.

- **Beta**: It is a measure of the volatility of a particular fund in comparison to the market as a whole. Beta is computed by using a statistical tool called "Regression Analysis.
- **Standard Deviation**: The Standard Deviation of Mutual funds shows the historical volatility.
- **Alpha :** Alpha is the difference between the returns an investor expects from a fund.
  If Alpha is positive the portfolio has outperformed the market.
  If Alpha is negative the portfolio has underperformed the market.
  The values of alpha can also be used to rank portfolios and alpha can be used as an standalone basis.
- **Sharpe Ratio**: The Sharpe Ratio is defined as the portfolio risk premium divided by the portfolio risk.
- **Treynor Ratio:** The Treynor Ratio is defined as the portfolio risk premium divided by the systematic risk measured by the beta.
- **Jensen's Ratio:** Jensen's Ratio is the difference between the actual return of the portfolio and the expected risk adjusted return.

DATA ANALYSIS AND INTERPRETATIONS

Table 1 Showing Performance Analysis Based On Statistics Parameters

S.No.	Portfolio Name	Nature	Standard Deviation	Alpha	Beta	Average Return
1.	IDBI India Top 100 Equity Fund	Large Cap	**20.23**	0.2111	0.2846	51.875
2.	Canara Robeco Bluechip Equity Fund	Large Cap	19.48	0.2007	0.2584	53.216
3.	BNP Paribas Large Cap Fund	Large Cap	20.19	0.2173	0.2969	47.651
4.	SBI Magnum Mid Cap Fund	Mid Cap	18.62	0.2691	0.3070	75.524
5.	BNP Paribas Mid Cap Fund	Mid Cap	17.53	0.1895	0.2421	63.871
6.	L & T Mid Cap Fund	Mid Cap	16.56	0.2170	0.2253	60.675
7.	BOI AXA Small Cap Fund	Small Cap	18.26	0.2481	0.2293	**77.742**
8.	Axis Small Cap Fund	Small Cap	18.14	0.2911	0.2995	63.208
9.	ICICI Prudential Small Cap Fund	Small Cap	18.71	**0.3135**	**0.3294**	75.413

Source: Self Computed

Interpretations: - No study is complete without taking risk parameters into consideration while comparing returns.

- In the above schemes ICICI Prudential Small Cap Fund has high alpha value of **0.3135** whereas BNP Paribas Mid Cap Fund has a low alpha value of **0.1895**.
- In the above table it is observed that L & T Mid Cap Fund is having minimum standard deviation of **16.56** which indicates that the Net Asset Value of the fund is less Volatile and it is less riskier than the selected funds and the IDBI India Top 100 Equity Fund is having high standard deviation of **20.23** which indicates that the Net Asset Value of the Fund is more volatile and it is riskier among the selected funds.
- Beta Value shows that how the selected schemes respond to the market force. The market Beta is 1 as standard and from the above table it is clear that SBI Magnum Mid Cap Fund has the highest Beta value of **0.3294** and L & T Mid Cap Fund has the lower Beta value of **0.2253** lower the risk against benchmark.

- The Scheme BOI AXA Small Cap Fund has high return of **77.742%** and Moderate risk level of **18.26%.**

Table 2: Showing Performance Analysis based on Sharpe Ratio, Treynor Ratio and Jensen's Ratio

S.No	Portfolio Name	Nature	Sharpe Ratio	Rank	Treynor Ratio	Rank	Jensen's Ratio	Rank
1.	IDBI India Top 100 Equity Fund	Large Cap	0.0256	**8**	0.0158	**8**	0.3077	**8**
2.	Canara Robeco Bluechip Equity Fund	Large Cap	0.0273	**7**	0.0179	**7**	0.3314	**7**
3.	BNP Paribas Large Cap Fund	Large Cap	0.0236	**9**	0.0137	**9**	0.2592	**9**
4.	SBI Magnum Mid Cap Fund	Mid Cap	0.0405	**2**	0.0224	**4**	0.4862	**2**
5.	BNP Paribas Mid Cap Fund	Mid Cap	0.0364	**5**	0.0236	**3**	0.4492	**3**
6.	L & T Mid Cap Fund	Mid Cap	0.0366	**4**	0.0239	**2**	0.3898	**5**
7.	BOI AXA Small Cap Fund	Small Cap	0.0425	**1**	0.0309	**1**	0.5293	**1**
8.	Axis Small Cap Fund	Small Cap	0.0348	**6**	0.0188	**6**	0.3410	**6**
9.	ICICI Prudential Small Cap Fund	Small Cap	0.0403	**3**	0.0208	**5**	0.4407	**4**

Source: Self Computed

Interpretations:

Table 2 represents the ranking of Sharpe, Treynor and Jensen's Ratio out of the selected schemes the investor can invest in firstly BOI AXA Small Cap mutual fund as it ranked in top position as per the performance ratios. Secondly SBI Magnum Mid Cap Mutual Fund as it ranked in 2nd position on the basis of Sharpe and Jensen's Ratios and then invest in L & T Mid Cap Mutual Fund as it ranked 2nd on the basis of Treynor Ratio. Thirdly investors should invest in BNP Paribas Mid Cap Fund which is ranked in 3rd position on the basis of Treynor and Jensen's Ratios and later on invests in ICICI Prudential Small Cap Fund on the basis of Sharpe Ratio. All the above funds ranked from 1st to 3rd performed better out of the selected one.

Suggestions

- The Scheme BOI AXA Small Cap Fund has high return of (**77.742%**) and Moderate risk of (**18.26**) and this type of fund is suitable for aggressive investors i.e., youths and also high income group of people.
- L & T Mid Cap Fund suitable for the conservative or moderate investors because it give good return **(60.675%)** and less risky **(16.56)** among the selected Equity Schemes.
- ICICI Prudential Small Cap Fund **(0.3294)** and SBI Magnum Mid Cap Fund **(0.3070)** have high beta value among the selected schemes which indicates that the schemes are more volatile. So company should tackle on it by focusing on investors who is ready to take undiversified and high level of risk.
- Therefore, it is suggestion for the investors to do exhaustive analysis with the help of available performance evaluation techniques like Treynor, Sharpe and Jensen's Ratios to know the level of performance in terms of risk and return.

Conclusion

From the study the researcher concluded that the Mutual Fund is a safe investment tool. Mutual Fund is the only opportunity many investors have for investing in an intelligent and diversified manner. After studying and analyzing different mutual fund schemes the following conclusions can be drawn. The most effective point to be considered while making investment decision was risk and return followed by liquidity and taxability. In order to get better returns investors should have proper information of the funds and their asset management companies where they are investing. So, it is important for the investors to contact the advisory securities for knowing which fund gives good return for their investment.

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