



---

## **Performance Evaluation of Equity Mutual Funds in India: A Review of Selected Literature**

**Dr. Bijendra Singh Yadav, Assistant Professor, School of Commerce and Management, Starex University, Gurugram, [bijendra1988@gmail.com](mailto:bijendra1988@gmail.com)**

**Dr. Ashish Kumar, Assistant Professor, School of Business, Sushant University, Gurugram, [ashishdahiya.775@gmail.com](mailto:ashishdahiya.775@gmail.com)**

**Ms. Suruchi, Research Scholar, School of Commerce and Management, Starex University, Gurugram, [suruchikapur88@gmail.com](mailto:suruchikapur88@gmail.com)**

### **Abstract**

Mutual funds have grown tremendously in importance and contributed global economic development during the last few decades. Mutual funds are intermediaries in the financial system that pool the assets of investors and allocate them over a wide range of securities including bonds, equities and money market instruments. Due to the phenomenal growth of the mutual fund business in India, it has drawn the interest of investors and researchers and investors. In the backdrop of these developments and the previous research conducted by a number of financial experts, the objective of this paper is to examine the corpora of the work that could be found in both national and international standards journals and also in the proceeding of a number of seminars and conferences held on range of research on topics related to this topic. It has also been observed that most of the equity mutual funds schemes have outperformed against their benchmark index. We very well known that risk factors are analysed on the basis of variation and volatility and returns are examined on the basis of average.

**Key Words:** Equity Mutual Funds, Benchmark Index, Tools and Performance Evaluation of Funds.



---

## Introduction

Over the past few decades, Mutual Fund industry in India has emerged from its infancy as a paradise for providing a wide variety of investment avenues to investors. Every investor wishes to maximize return on investment at a minimum risk.

To achieve maximum return with minimal risk, an investor need diversification in portfolio on the basis of the principle “Do not put all the eggs in one bucket”. Mutual funds provide investors with an excellent opportunity to get exposure to an expert managed portfolio. If we define a mutual fund, these are the schemes where a company collects small sums of money from the general public with the specific objective of investing in different securities. It means they are the financial instruments that pool money from various investors and then investment it in a range of securities and other assets.

To assess whether mutual fund schemes in India have outperformed or under-performed the benchmark, it is imperative to assess their performance in comparison to the benchmark index. If mutual fund schemes yield higher return than their benchmark, they are deemed to have outperformed and if mutual fund schemes yield lower return than their benchmark, they are deemed to have underperformed. As of Feb 29, 2024, there are 24 mutual fund companies in India, with assets under management (AUM) Rs. 54.54 trillion ([www.afmiindia.com](http://www.afmiindia.com)).

## Objective of Study

The objective of this study is to review the existing literature and a variety of studies that have been conducted on the performance evaluation and the risk –return relationship associated with equity based mutual fund.

## Review of Literature

**Khurana, A., & Bhatia, A. (2023)** inspected the factors affecting the selection of large cap equity mutual funds by the investors at the time of investment and also compare the 5 years’ performance of selected large cap mutual funds for the period 2018-2022. According to the finding of the study, all the mutual funds shown impressive performance throughout the period selected for the study. Any investment plan is opted mainly on the consideration of safety and liquidity. These two aspects are determined on the basis of some tools e.g Sharpe



---

and Treynor ratios,  $\beta$  and standard deviation (a true measure of variability) when we evaluate the performance of mutual funds.

**Neeraja, K., Gnanasekaran, P., & Venkatesan, S. (2023)** evaluated the performance of mutual funds on the basis of risk and return and comparing the same with BSE Index. The study examines 14 open ended growth oriented equity fund schemes in India. The valuation of the performance of mutual funds is based on risk and return criteria and then by comparing it with BSE indices. The study is based on the examination of 14 open ended growth oriented equity fund in India during the years from 2014-18.

**Yadav, M. M., & Venkatesh Kumar, N. (2023)** conducted a research to evaluate the performance of 24 equity oriented mutual fund schemes for the period of 3 years from Jan 1, 2020- Dec 31, 2022 relative to its benchmark. The results was obtained by using standard deviation, average return, regression analysis, one way ANOVA, Jamore tool and sharpie. According to findings mutual funds were better option.

**Virparia, V (2022)** inspected schemes assisted investors in making decisions by analyzing risk and return using a variety of financial tools, including annual return, standard deviation, beta, Sharpe's ratio, Treynor's ratio, and Jensen's ratio. According to the study, mutual funds were the greatest choice for investing because they were affordable and simple to use for all debt and equity schemes. The study also showed that one of the main factors in determining which mutual fund category to choose is time perspective, with small-cap funds offering the best returns in the mid-term period, large-cap funds offering the best returns in the beginning, and mid-cap funds offering the best returns throughout mid- term period.

**Murthy, J et al (2022)** analysed the performance evaluation of mutual funds Using standard deviation, Treynor's Index, Sharpe's Index, ANOVA, risk and return analysis, and NAV over the course of three years, from April 2019 to March 2022, they assessed the performance of a selected mutual fund schemes. According to the analysis, the majority of the funds had done well during the extremely volatile market. It was also determined that, while making an investment decision, risk and return should be taken into account first, followed by safety and liquidity. Additionally, study revealed that, in order to make better investing selections in India, investors should take into account metrics such as Treynor's and Sharpe's ratios in



---

addition to beta and standard deviation when evaluating the performance of mutual fund schemes rather than NAV.

**Kaur, M., & Sandhu, A. (2022)** conducted study on efficiency of mutual fund schemes during Covid-19. The study examined the performance of open-ended equity funds and specific debt plans. According to the analysis, large and multi-cap equity schemes were effective during COVID-19. However, the high expense ratio and volatility of the mid-cap and small-cap equity schemes impacted their efficacy. It's interesting to note that during COVID, all open-end debt schemes had mean efficiency scores higher than equity schemes. Furthermore, it was revealed that while investors can select effective schemes to build the ideal mutual fund portfolio, no single fund house is found to be efficient across all market categories.

**Mathur, P (2021)** has done a remarkable work on the topic of evaluation and comparative analysis of 10 renowned large cap and multi cap mutual funds for a 5 year based on their performance and they have been duly compared to the two benchmark indices in India ( Nifty 500 and BSE 200). After examining, the researcher has found a significant difference between the two but had produced respectable returns. Proper testing has been made by the researcher to find whether the difference is significantly high or it could be due to the fluctuations of sampling process.

**Sharma, K.B & Joshi, P. (2021)** Two researchers Sharma KB and Joshi P (2021) examined performance and comparison of selected debt, equity and hybrid mutual fund schemes along with the measurement of risk-return relationship and the market volatility of chosen schemes. The parameters were again the standard tools and it was found that debt mutual fund schemes performed better in comparison to equity and hybrid mutual funds.

**Malhotra, P & Sinha, P (2021)** analysed the forecasting fund flows in Indian equity mutual fund market. They used time series analysis to investigate the factors that influence mutual fund flows in the Indian environment. The investigation covered a number of predictors from both macro and micro perspectives, as well as two well-known and tried-and-true hypotheses: the information analysis response hypothesis and the feedback trader hypothesis. The R software package's ARIMA modelling was used to analyze a monthly fund flow data sample



of 142 equities open ended growth direction access key market cap categories, including large cap, big & mid cap, multi cap, mid cap, and small cap, for the study. There study had come with two outcomes. Unlike many developed and emerging markets, the selected sample's fund flows do not support the positive feedback trading theory. This provides solid evidence that the mutual fund investments are free from irrational exuberance. Second, whereas funds in the mid-cap and small-cap categories had a substantial random component, equity-based funds in the large-cap, large-and mid-cap, and multi-cap categories demonstrated strong trend components. Thus, it was determined that while mid-cap and small-cap funds are better suited for seasoned investors, funds in the first group are more appropriate for novice investors since they are less vulnerable to market volatility.

**Tripathi, S., & Japee, D. G. P. (2020)** examined the risk-return connection of preferred shares (large-cap, mid-cap, and small-cap), which are offered as investment vehicles through different AMCs, with a focus on performance. This study aims to investigate the financial performance of various open-ended funds. Ten of the fifteen funds the researcher looked at did well in a highly volatile market. Invest in funds such as SBI Blue Chip Fund, Nippon India Large cap Fund, Nippon India Growth Fund, Nippon India Small cap, and DSP Small cap. Thus, other from assessing NAV and Total Return, investors must to scrutinize statistical attributes like Sharpe Ratios, Jensen Ratio, beta, and standard deviation, in addition to investing in mutual funds.

**Sahai, A., & Kumar, D. (2020)** analyzed variation in mutual fund performance. The study Period was 1995-2020. The objective of this paper is to compare and evaluate 34 equities mutual funds quantitatively. 34 mutual funds' performances between 1995 and 2020 were empirically analyzed, and the returns were contrasted with matching benchmark indices. Performance is evaluated using the Treynor, Jensen, Sharpe, Delta, Standard Deviation, and Coefficient of Determination ratios. To identify trends, the primary goal is to examine the cross-sectional and longitudinal variance of these schemes sequentially. The CRISIL and AMFI Equity Fund Performance Index outperformed the S&P BSE SENSEX (TRI), NIFTY50 (TRI), NIFTY500 (TRI).



---

**Arora, R., & Raman, T. V. (2020)** An extensive study was conducted by Arora R and Raman TV (2020) to analyse the performance of selected equity diversified funds and ranking was duly made after the application of standard tools. This study was carried out for top 10 AMC'S and proper ranking process was duly made. The study observed that in small cap mutual funds HDFC hold first rank followed by L&T emerging business fund rank two and SBI Small cap ranked three. In the mid cap fund L&T midcap was ranked 1 followed by Axis mid-cap and Kotak emerging equity fund hold rank three. In the category of Large cap mutual funds top 3 mutual funds were Axis blue Chip funds (Rank One), ICICI prudential blue-chip fund (Rank 2) and Reliance large cap (Rank 3).

### **Observations**

"Performance Evaluation" is the mutual fund component that is most thoroughly analyzed. Mutual funds are increasingly gaining popularity as an investing choice because of their significant tax advantages. Along with their performance, a high quality study should assess Indian mutual funds' size, growth, and volume. Both the degree of association between funds and market return and the impact of fund-specific attributes on fund performance are very substantial. To get a better idea of how one parameter might affect another, this relationship needs to be made. In order to have a deeper comprehension of the interconnectedness between funds and indexes, ratio performance and ranks ought to focus more on forward ratios. Thus, a thorough review of a wide range of studies from the literature that is currently available was conducted for this research. These studies covered topics including market volatility, investment objectives, investment periods, fund kinds, and return on investment that all contribute to the success of equity-based mutual funds investment.



---

## References

- Arora, R., & Raman, T. V. (2020). A Study on Performance Evaluation of Equity Mutual Funds Schemes In India. *International Journal of Financial Engineering*, 7(02), 2050017.
- Kaur, M., & Sandhu, A. (2022). Efficiency Of Mutual Fund Schemes During Covid-19: Empirical Analysis In Indian Context Using Dea Approach. *The Journal Of Contemporary Issues In Business And Government*, 28(4), 1864-1875.
- Khanzode, P., Reddy, M. K. D., & Singh, M. G. (2021). Investigating Performance Of Equity-Mutual Fund Schemes In India
- Khurana, A., & Bhatia, A. (2023). A Study On The Performance & Comparison Of Large Cap Equity Mutual Funds In Indian Market. *Management Journal For Advanced Research*, 3(2), 63-74.
- Maheswari, Y. (2020). A Comparative Study On Performance Of Selected Mutual Funds In India. Available At SSRN 3615774.
- Malhotra, P., & Sinha, P. (2021). Forecasting Fund Flows In Indian Equity Mutual Funds Market Using Time Series Analysis: An Empirical Investigation. *Journal Of Business Thought*, 1-17.
- Mathur, P. (2021). Comparative Analysis Of Performance Of Mutual Funds: A Study Of Prominent Multi Cap And Large Cap Funds. *Contemporary Issues And Recent Advances In Management, Commerce, Economics*, 23.
- Murthy, J., Anjaneyulu, M. S. R., Bhatt, M. H., & Kumar, M. D. S. (2022). Performance Evaluation Of Mutual Funds: A Study On Selected Equity Mutual Funds In India. *Journal Of Positive School Psychology*, 6(9), 1124-1132.
- Neeraja, K., Gnanasekaran, P., & Venkatesan, S. (2023). A Study on Comparative Analysis Of Mutual Funds with Reference To Selected Funded Schemes. *Journal Of Research Administration*, 5(2), 8765-8770.
- Safiuddin, S. K., & Hasan, M. (2022). Performance Analysis of Equity-Based Mutual Funds In India: A Review Of Selected Literature. *Empirical Economics Letters*, 21.
- Sahai, A., & Kumar, D. (2020). Variation in Mutual Fund Performance: A Comparative Study Of Selected Equity Schemes In India For The Period 1995-2020. *Pacific Business Review International*, 13(2), 18-30.



---

Sinha, R. P. (2022). Mutual Fund Performance Evaluation: A Unifying Approach. *Journal Of Development Economics And Finance*, 3(1), 47-75.

Tripathi, S., & Japee, D. G. P. (2020). Performance Evaluation Of Selected Equity Mutual Funds In India. *Gap Gyan-A Global Journal Of Social Sciences*..

Virparia, V. (2022). Performance Analysis of Mutual Funds In India. *International Journal Of Management, Public Policy And Research*, 1(3), 22-34.

Yadav, M. M., & Venkatesh Kumar, N. A Study on Cross-Section a Examination Performance Of Equity Mutual Fund Schemes.