

PERFORMANCE EVALUATION OF MUTUAL FUNDS: A STUDY OF SELECTED EQUITY DIVERSIFIED MUTUAL FUNDS IN INDIA

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ABSTRACT

Mutual Fund is professionally managed trust that pools the money of various investors and further invests them, into different securities like shares, bonds and short term securities like certificate of deposit, commercial paper etc. and commodities like precious metals. In India the origin of Mutual Funds industry can be traced, since the enactment of UTI (Unit Trust of India) Act, 1963. The mutual funds industry grew successfully and brought about substantial returns to the investors and the public sector. Mutual funds provide opportunities for small investors, to participate in the capital market without assuming a very high degree of risk. An important principle of investment in capital market is that do not put all the eggs in one basket i.e. diversification. A small investor is not able to have a diversified portfolio mainly due to paucity of resources. However, a mutual fund pools together the savings of such small investors and invests the same in the capital market and passes the benefits to the investors. Thus, investors can indirectly participate in the capital market by subscribing to the units of mutual funds. Mutual funds employ professional fund managers to manage the investment activities. Therefore, investors also get benefits of professional expertise of these managers. Daily opening & closing NAV of different schemes have been used to calculate the returns from the fund schemes. BSESensex has been used for market portfolio. The main aim of this paper is, to evaluate the performance of Indian equity diversified mutual funds. A subsidiary aim is to analyze the relationship between risk and return of these funds, based on total risk and systematic risk. The analysis was achieved, by assessing various financial tests like Average Return, Sharpe Ratio, Treynor Ratio, Standard Deviation, Beta and Coefficient of Determination (R²). The data has been taken from various websites of mutual fund schemes and from amfiindia.com. The analysis depicts that, majority of funds selected for study have outperformed, under Sharpe Ratio as well as Treynor Ratio

KEYWORDS: Mutual Fund, Average Return, Standard Deviation, Beta, Coefficient of Determination, NAV, Performance Evaluation, Sharpe Measure, Treynor Measure