



# Performance analysis of selected mutual funds with special reference to Sharekhan Ltd

T. Karibasappa <sup>1</sup>

## Abstract

Mutual fund institutions play dynamic role in the economic development of a country. A well-established Mutual fund market is the key factor for economic growth in many developed countries. India opens the market for different investment to provide variety of financial products. This study is based on performance analysis of mutual funds conducted at Sharekhan Ltd. Mutual fund utilizes the funds of the investors in order to invest them in the bonds, stocks or other types of investments. They help to reduce the transaction cost to the investors. For investor there is no need to pay attention towards the past performance of mutual fund because this past performance does not decide the future mutual fund performance.

Mutual fund companies provide information to the investor who does not have the responsiveness about the financial market. Mutual funds are very easy concept to understand. A mutual fund does not require any experience or knowledge about financial markets or economics in order to be a successful investor. They provide various benefits to the investors. Mutual fund provides various updates of the market and they also provide various suggestions to the investors regarding making investment in the different schemes. It has wide market coverage. One mutual fund company can invest in thousands of varieties of investment securities.

## Keywords

Mutual fund, Performance, Share khan Ltd, Investors, Economic development

<sup>1</sup> Department of Commerce, Government First Grade College, Harihara, Davanagere District,, Karnataka.

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## 1. Introduction

The performance analysis of mutual funds is commonly used topic in the various investment areas among different countries. This happens due to availability of information. They provide various benefits to the investors. Mutual fund provides various updates of the market and they also provide various suggestions to the investors regarding making investment in the different schemes.

Mutual fund utilizes the funds of the investors in order to invest them in the bonds, stocks or other types of investments. They help to reduce the transaction cost to the investors. For investor there is no need to pay attention towards the past performance of the mutual fund because this past performance does not decide the future mutual fund performance.

Mutual fund provides information to the investor who does not have the knowledge about the financial market. Usually the fund manager makes the decision about investing the money and for such fees is paid to them, which arises from the money in the fund. They are getting most popular among different countries. With the help of mutual fund, the industry can clearly point out that there is a significant growth in the industry.

1. Objectives
2. To understand the concept of mutual funds and its analysis.
3. To analyze the selected funds based on their performance.

- To suggest strategies to improve the performance of the mutual fund.

## 2. Scope of the study

The research is mainly concerned with the performance analysis of mutual funds details provided by the Sharekhan Ltd. All the aspects including in the mutual fund manual and other mutual fund records and observations made by studying work procedures as well as opinions of the executives of finance & accounting departments have been considered for analysis.

## 3. Research Methodology

### Research design:

Research design the present learning is descriptive in research. The study is based on quantitative research design used. Descriptive research is used with an objective to gather maximum information from secondary data. It helps to ascertain the stated objective.

### Data collection:

**Primary data:** The primary data is the composition of personal interactions with employees and managers.

**Secondary data:** Secondary data is collected through

- Annual reports from companies,
- Journals

**Research type:** Descriptive

**Data used:** Secondary data

**Tests used:**

- Sharpe's ratio

### 2. Limitation:

- The outcome of the research is based on information supplied by the company.
- The extensiveness of the research was limited, detailed investigation regarding various analyses was not done.
- The project is incomplete to the selected mutual fund schemes.
- The information gathered from the company may not be 100% accurate.

### 7. Literature Review:

- Mr. Sunil M (2018) has a made a research regarding the performance of mutual funds. He says that huge investors have been attracted because of the consistency in the functioning of mutual fund. He also states that there is a tremendous growing in the India's mutual fund market over the last ten years.

- Dr. A Kishore Kumar (2017) has made research performance on analysis of mutual fund. This research examines the performance of Indian mutual funds and it also associates their actions. He used 5 year's portfolio allocation and net asset values in order to analyze the performance of the mutual fund. He suggests that the best option for the investors to make investment in the mutual fund is medium to long term security.

- Dr. R Karrupasamy (2016) has made a research on performance analysis of mutual fund. This research would enable the investors to select a best scheme from the available alternatives. The main aim of this research is to determine the performance of private sector growth structures based on their revenues and comparing with benchmarks and also to evaluate the performance of the various groups of funds by using Jensen, Sharpe and Treynor's method.

- N.K. Pandya and Rashmi Sharma (2015) have made a research based on investing in mutual fund. In this research, composition of mutual fund, comparison among investments in mutual funds, calculation of NAV'S and other investment alternatives are considered. In this research the arrogance of the investors to mutual fund are also been studied.

- M S Ms. Shalini Goyal in the year 2013 has made a performance analysis of mutual funds. This research assistances us to know about mutual funds in India. This search also says that where and how we should invest mutual fund and how it helps to diversify the risk and this paper also says that how it is so dangerous to invest directly in the stock market.

- Dr. Rajeev Jain and Dhimen Jani (2014) have made a research on functions of mutual funds in IFS (Indian Financial System). This research has been made in order to identify the relationship among Asset under management collected by mutual fund companies and gross domestic product development in India.

- Dr. Sanjay Singla and Anuradha Garg (2013) have made a performance analysis of growth scheme. This research has evaluated the performances of twenty-five growth mutual funds. In order to make this analysis they used these following techniques

- Beta
- Treynor's method
- Sharpe's method

Here the rank is provided based on output available from this arrangement and comparisons are also made among output strained from various structures.



1. V Rathnamani and Dr R Narayanaswamy (2013) have made a research based on performance analysis of equity mutual funds. This research mainly arrangements with justice mutual reserves that are provided by different fund houses in India for investment. This research mainly concentrates on the presentation analysis of particular mutual fund schemes based on statistical methods namely alpha, beta, Sharpe ratio, r-squared and standard deviation.

2. Dr. Sandeep Bansal and Surender Kumar Gupta (2012) have made a research on performance analysis of mutual fund of Reliance and Birla Sun life. This analysis offers an overview of the debt scheme of mutual funds of Birla Sun life and Reliance by using Sharpe index after scheming the standard deviation and NAV's. This research says that the debt schemes return is very near to bench mark return and risk free return.

**3. Data analysis**

**(a) Performance analysis for large cap funds**

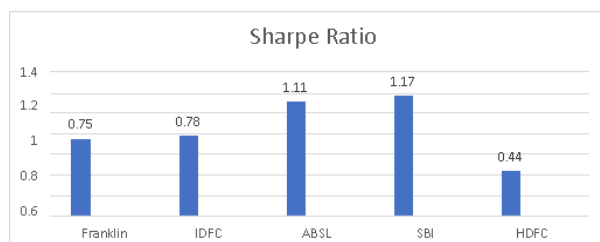
**3.1 Sharpe Ratio of large cap funds**

Table 7.1 shows calculation of Sharpe ratio of large cap funds

Funds	Rp	Rf	$\sigma_p$	Sharpe Ratio	Rank
Franklin India Blue chip fund	13.688	1.84	15.84	0.75	4
IDFC large cap equity fund	12.05	1.84	13.09	0.78	3
Aditya Birla Sun-life Focused Equity fund	16.404	1.84	13.09	1.11	2
SBI Blue chip fund	17.19	1.84	13.09	1.17	1
HDFC Growth opportunities fund	10.398	1.84	19.12	0.44	5

**Analysis**

The above table shows the performance of large cap funds under Sharpe index, here Franklin fund is having 0.75, IDFC fund is having 0.78, ABSL fund is having 1.11, SBI fund is having 1.17 and HDFC fund is having 0.44 performances.



**Figure 1.** Graph 7.1 shows Sharpe Ratio of Large cap funds.

**Interpretation**

The above graph shows Sharpe Ratio of Large cap funds, which indicates that SBI is having high return with minimum risk, hence it is ranked as 1, followed by ABSL, IDFC, Franklin and HDFC funds.

**3.2 Performance analysis for midcap funds**

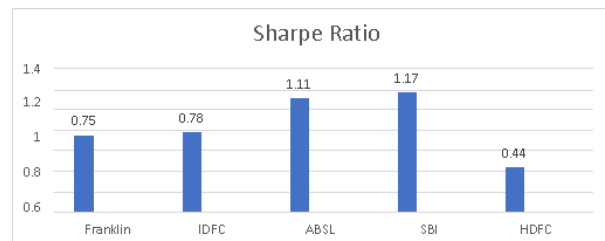
**3.2.1 Sharpe Ratio of Midcap funds**

Table 7.2 shows calculation of Sharpe ratio of midcap funds

Funds	Rp	Rf	$\sigma_p$	Sharpe Ratio	Rank
LIC midcap mutual funds	13.04	1.84	19.12	0.585	5
Aditya Birla Sun life front-line equity fund	16.042	1.84	19.12	0.74	4
Mirae asset emerging blue chip fund	30.388	1.84	19.12	1.49	2
DHFL Pramerica midcap opportunities fund	13.648	1.84	15.84	0.74	3
Kotak emerging equity fund	26.86	1.84	15.84	1.58	1

**Analysis**

The above table demonstrates the Sharpe ratio for midcap funds where LIC midcap fund is having 0.585 performances, ABSL frontline equity fund is having 0.74 performances, Mirae asset emerging blue chip fund is having 1.49 performances, DHFL fund is having 0.74 performance and Kotak emerging equity fund is having 1.58 performance.



**Figure 2.** Graph 7.2 shows Sharpe ratio of midcap funds.

**Interpretation**

The above graph shows Sharpe ratio of midcap funds which indicates Kotak emerging equity fund is having highest return with minimum risk compare to all other funds, hence it can be ranked as 1st, followed by Mirae fund, DHFL fund, ABSL fund and LIC fund.



### 3.3 Performance analysis for small cap funds

#### 3.3.1 Sharpe Ratio of small cap funds

Table 7.3 shows Sharpe ratio of small cap funds

Funds	Rp	Rf	$\sigma_p$	Sharpe Ratio	Rank
Aditya Birla sun life small cap fund	23.95	1.84	15.84	1.39	5
Axis small cap fund	23.59	1.84	9.49	2.29	2
Franklin India smaller companies fund	26.66	1.84	15.84	1.56	4
Reliance small cap fund	31.96	1.84	13.09	2.30	3
HSBC small cap fund	25.29	1.84	9.49	2.47	1

#### Analysis

The above table shows the Sharpe ratio for small cap funds. Here ABSL small cap fund is having 1.39 performance, Axis fund is having 2.29 performance, Franklin India smaller cap fund is having 1.56 performance, Reliance fund is having 2.30 performance and HSBC small cap fund is having 2.17 performance.

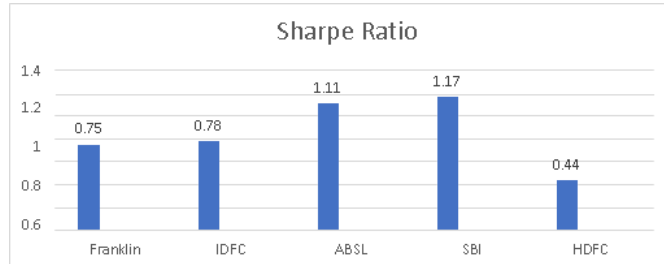


Figure 3. Graph 7.3 shows Sharpe ratio of small cap funds

#### Interpretation

The above graph shows Sharpe ratio of small cap funds which indicates that HSBC small cap fund is having high return with minimum risk, hence it can be ranked as 1st followed by Axis small cap fund, Reliance small cap fund, Franklin India smaller cap fund and ABSL small cap fund.

#### Findings:

- Under large cap, SBI blue chip fund is having good performance for the past 5 years, hence it is ranked as 1st followed by Aditya Birla Sun life focused equity fund, IDFC large cap equity fund, Franklin India blue chip fund and HDFC growth occasions fund.
- Under Mid cap, Kotak emerging equity fund is having high return with minimum risk for the past 5 years, hence it is ranked as 1st followed by Mirae asset emerging blue chip fund, DHFL Pramerica midcap opportu-

nities fund, Aditya Birla Sun life frontline equity fund and LIC midcap mutual fund.

- Under Small cap, HSBC small cap fund is high return with minimum risk for the past 5 years, hence it is ranked as 1st followed by Axis small cap fund, Reliance small cap fund, Franklin India smaller companies fund and Aditya Birla Sun life small cap fund.

#### 3.3.2 Suggestions for large cap funds

##### Suggestions:

- In large cap fund Sharpe ratio measures the performance based on the relationship among risk and return of a fund, hence Franklin India blue chip fund and HDFC growth opportunities fund should give importance to reduce their risk level.
- In Mid cap fund according to Sharpe ratio Aditya Birla Sun life frontline equity fund and LIC midcap mutual fund should concentrate on reducing risk to increase the return for their investors.
- In small cap fund as per Sharpe ratio Franklin India smaller corporations fund and Aditya Birla Sun life small cap fund should concentrate on reducing risk to increase the return for their investors.

## 4. Conclusion

Mutual funds are applicable to almost all the type of investors such as salary person and businessman etc. investors need not to have knowledge about investing in mutual fund. The fund manager makes the decisions regarding capitalizing in the mutual funds, which helps the investor to high return with a minimum risk.

This research helps us to know that sometimes the investors may get negative return by investing in the mutual funds.

Investors has to choose midcap funds because compare to all other funds like large cap funds and small cap funds they are yielding high return with minimum risk under 3 forms of performance analysis method taken for calculation.

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