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Performance Analysis of Selected Mutual Fund Schemes in India

Author: **Animesh Pandey**
Supervisor/Co-Author: Dr. Shilpa Pandey
Institution: **Amity University Raipur, Chhattisgarh**
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Abstract:
This research paper evaluates the performance of select mutual fund schemes from leading Asset Management Companies (AMCs) in India using various risk-return metrics.

It aims to offer valuable insights into equity and debt mutual fund performance through risk- adjusted performance measures like Sharpe ratio, Treynor ratio, Jensen's alpha, standard deviation, and beta.

The analysis assists investors in making informed investment decisions based on comparative performance across schemes.

Keywords: Mutual Funds", "Asset Management Companies," "Risk-Return Analysis", "Equity Funds", "Debt Funds", "Sharpe Ratio", "Treynor Ratio", "Jensen's Alpha"

1. Introduction

The mutual fund industry in India has seen significant evolution since its inception in 1964. It serves as an effective investment vehicle for individual investors through diversification, professional management, and access to varied asset classes.

2. This paper studies the performance of mutual fund schemes from five top AMCs: SBI, ICICI Prudential, HDFC, Nippon India, and Kotak Mahindra.

2. Objectives of the Study:

- To analyze the performance of selected equity and debt mutual fund schemes.
- To compare the performance using Sharpe, Treynor, and Jensen's Alpha.
- To assess the risk-return profile of selected schemes.
- To offer recommendations for investors based on performance.

3. Literature Review:

Numerous studies have been conducted on mutual fund performance using

quantitative tools. Researchers like Bhagyasree & Kishori (2015) and Sharma & Joshi (2020) employed Sharpe, Treynor, and Jensen's Alpha to assess risk-adjusted returns.

4. Results revealed that while many funds outperform benchmarks, diversification and market timing play crucial roles in performance.

4. Research Methodology:

This study uses secondary data from official websites like SEBI, AMFI, and Moneycontrol. Analytical tools used include:

- Net Asset Value (NAV)
- Standard Deviation (Volatility)
- Beta (Market Sensitivity)
- Sharpe Ratio (Risk-Adjusted Return)
- Treynor Ratio (Market Risk-Based Return)
- Jensen's Alpha (Excess Return)

Sample: 25 mutual fund schemes (both debt and equity) from 5 AMCs (SBI, ICICI, HDFC, Nippon, Kotak). Categories: Large Cap, Mid Cap, Small Cap, ELSS, Short Duration, Medium Duration, Long Duration funds.

5. Data Analysis and Interpretation:

Each mutual fund scheme was analyzed using NAV trends, Sharpe ratio, Treynor ratio, Beta, and Alpha. Results indicated:

- Large Cap funds offered stable returns with moderate risk.
- Small Cap and Mid Cap schemes showed higher returns but with increased volatility.
- Debt funds performed well in low-risk environments, especially short and medium- duration ones.

For example, SBI Bluechip Fund showed high Sharpe ratio and moderate Beta, making it suitable for conservative investors.

In contrast, Nippon Small Cap Fund displayed higher Alpha and Sharpe ratio, appealing to risk-tolerant investors.

6. Findings:

- ICICI and HDFC mutual fund schemes consistently outperformed in equity segments.
- Kotak and SBI funds showed good performance in debt categories.
- Sharpe and Treynor ratios served as reliable indicators of risk-adjusted performance.

7. Conclusion:

The performance of mutual fund schemes varies significantly based on fund type and market conditions.

Risk-adjusted return metrics provide a holistic view of fund quality. Investors should consider these parameters alongside investment goals and risk tolerance.

8. Recommendations:

- Investors should diversify across fund types.
- Use Sharpe and Treynor ratios to guide investment decisions.
- Periodic review of fund performance is essential.
- Choose AMCs with consistent historical performance.

9. References:

- AMFI, SEBI, Moneycontrol
- Bhagyasree N. & Kishori B. (2015), Sharma K. (2020), Tripathi S. & Japee G. (2020)