Performance Evaluation of Mutual Funds in India- A Study of Equity and Hybrid Schemes

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Abstract

Among various investment alternatives, mutual funds have emerged as an important investment option among the investors. It is with this fact in mind that present study attempts to analyse the growth and performance of Equity and Hybrid Schemes of 10 Mutual funds from 2002-03 to 2010-11. It also studies the perception of 200 mutual fund investors in Punjab with the help of a pre-tested questionnaire. For analysis of data, the use of various tools such as percentage, simple growth rate, compound annual growth rate, measurement of return, measurement of risk (coefficient of variation and Beta(β)), risk adjusted performance measures (Sharpe measure, Treynor measure, Jensen measure), Chi-square test, Average Weighted Scores and Kendall’s Coefficient of Concordance has been made. The analysis of secondary data reveals that majority of mutual fund schemes whether they belong to growth schemes or balanced schemes have medium risk. All the growth schemes of selected mutual funds have performed well above the benchmark indices as compared to balanced fund schemes of selected mutual funds. On the basis of both Sharpe and Treynor measures, majority of the schemes have outperformed the benchmark indices from 2002-03 to 2005-06. However, from 2006-07 to 2010-11, most of the schemes have underperformed the benchmark indices. The analysis of primary data reveals that majority of investors have good knowledge of mutual funds and perceive themselves as moderate risk taker. They have obtained the knowledge about mutual funds from their friends and relatives and invest in mutual funds when correction takes place. They have average time horizon of more than 3 years for their investments. Majority of the respondents are satisfied with regulatory framework of mutual funds. The study recommends a need for establishing investor grievance cell, launching new and innovative schemes according to varied needs of the investors, improved transparency in operations of mutual funds, better customer service and assured benefits of professionalism.