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A Comparative Study of the Performance of Mutual Fund Schemes of Five Asset Management Companies

Mr. Bhargav Patel[1], Dr. Suresh Kumar Pattanayak [2], Mr. Deepak Patel[3], Ms. Diksha Soni[4], Ms. B. Rashi[5], Mr. Bavoji Dishant Rao[5], Ms. Bhavika Jain[6]

[1,3,4,5,6]MBA – 2, Amity University, Raipur, Chhattisgarh
[2]Associate Professor , Amity University, Raipur, Chhattisgarh
E-mail: skpattanayak@rpr.amity.edu

ABSTRACT:

The mutual fund sector in India has developed into a vibrant and essential part of the nation's financial system, providing institutional and ordinary investors with a variety of investment options. The performance of mutual fund schemes provided by five well-known Asset Management Companies (AMCs) in India—HDFC Mutual Fund, ICICI Prudential Mutual Fund, SBI Mutual Fund, Axis Mutual Fund, and Nippon India Mutual Fund—is compared in this research report. The study compares and assesses fund performance over a five-year period (2019–2024) using both primary and secondary data. With an emphasis on performance metrics including Net Asset Value (NAV), Sharpe Ratio, Alpha, Beta, Standard Deviation, and Expense Ratio, secondary data was obtained from websites like AMFI, SEBI, Moneycontrol, and Value Research Online. These were used to evaluate each AMC's chosen equity mutual fund schemes' consistency and risk-return trade-off. One hundred mutual fund investors were given a structured questionnaire to complete in order to gather primary data. Based on important selection criteria such previous performance, expense ratio, fund manager reputation, fund ratings, and AMC branding, the Rank Order Scaling approach was used to ascertain investor preferences and satisfaction levels. The data was interpreted using statistical techniques such as descriptive statistics, rank-sum analysis, and graphical representations. The results show that investors are most influenced by previous performance (NAV trends), which is followed by expense ratio and fund manager repute. Nippon India came in last in terms of investor preference, whereas HDFC Mutual Fund was the most popular AMC. While no single AMC consistently outperforms across all metrics, the study also showed that some funds exhibit more consistency in risk management, cost effectiveness, or returns. By offering both a performance-based and a perception-based assessment, this article adds to the larger conversation on investor decision-making. By highlighting the significance of a well-rounded, data-driven approach to mutual fund selection, it acts as a useful manual for investors, fund managers, and policymakers, promoting more intelligent and calculated investment behavior in India's expanding capital markets.

Key words - Asset Management Companies (AMCs), Fund Performance, Risk-Return Analysis, Investment Decision-making, Rank Order Scaling, Investor Preferences, AMFI (Association of Mutual Funds in India).

Introduction:

Mutual funds have established themselves as one of the most accessible, transparent, and varied investment options in the ever-evolving world of finance and investing. Mutual funds have emerged as the perfect instrument for both new and seasoned investors looking for expert fund management and risk diversification due to its innate capacity to aggregate money from multiple investors and invest it in a wide range of securities. Mutual funds have their roots in the United States, where the concept of communal investment gained popularity as a way to democratize wealth creation in the early 20th century. With the founding of the Unit Trust of India (UTI) in 1963, the idea gained traction in India.

With its flagship schemes like US-64, UTI controlled the Indian mutual fund market for almost thirty years. A significant change occurred in the 1990s when the Indian government allowed private and international companies to operate in the financial industry. As a result, there was a surge in new AMCs and the introduction of global practices to India.

The Securities and Exchange Board of India (SEBI) is the primary regulatory body that oversees the strict regulations that mutual funds must adhere to today. Through ongoing changes and updated guidelines, SEBI guarantees operational efficiency, investor safety, and openness. Mutual fund participation in Tier 2 and Tier 3 cities has increased recently due to the introduction of digital platforms, smartphone penetration, online KYC (Know Your Customer) processes, and app-based investing interfaces, all of which have improved financial inclusion.

In India, mutual funds fall into a number of categories, including debt, hybrid, equity, and solution-oriented funds. The research focuses on equity mutual funds, which invest mostly in equities with the goal of long-term capital growth. Despite their inherent risk, these funds provide larger returns than those

in other categories. Funds in the equities category are further separated into large-cap, mid-cap, small-cap, multi-cap, and sector-specific funds according to their market size.

Numerous factors affect mutual fund performance, including as the fund manager's abilities, the investment philosophy of the AMC, the state of the macroeconomy, sectoral performance, interest rates, inflation, and regulatory changes. Performance metrics commonly used in mutual fund analysis include:

- **Net Asset Value (NAV):** The per-unit market value of the fund's total holdings.
- **Sharpe Ratio:** A measure of risk-adjusted return that compares excess return over a risk-free rate.
- **Alpha:** Indicates the fund's performance compared to a benchmark index.
- **Beta:** Shows the fund's volatility relative to the market.
- **Standard Deviation:** Measures the fund's overall risk or volatility.
- **Expense Ratio:** Denotes the cost of managing the fund, impacting net returns.

The steady increase in SIP investments is another noteworthy trend that highlights the significance of mutual funds in India. By promoting consistent, monthly payments to mutual fund schemes, systematic investment plans have completely transformed retail investing. The SIP book in India has crossed ₹15,000 crore every month in 2024, according to AMFI data, indicating a structural change in the way Indian people approach wealth accumulation. Mutual funds are a critical financial product in long-term capital development because of India's demographic dividend and rising middle-class ambitions. More people are now able to evaluate schemes based on their past and prospective performance thanks to financial literacy campaigns launched by commercial organizations and regulators.

The goal of this study is to give readers the information and analytical skills they need to make wise investment decisions, not to endorse any particular mutual fund plan. It offers insight into how each fund performs in terms of risk-return trade-offs and under various market conditions by utilizing objective performance measures and comparable data.

Objective of the Study:

- To evaluate and compare the performance of equity mutual fund schemes of five selected Asset Management Companies in India over the past five years.
- To provide recommendations for investors based on empirical findings, thereby aiding effective investment decision-making.

Literature Review:

- **Sharpe Ratio (1966):** The Sharpe Ratio measures the excess return per unit of risk. It is considered one of the most reliable indicators of risk-adjusted performance. This model helps compare funds with varying levels of risk exposure and is used in mutual fund analysis.
- **Treynor Ratio (1965):** Treynor's model focuses on the systematic risk and measures the return generated from each unit of market risk. The Treynor Ratio is helpful for investors when comparing funds in terms of the returns they offer for each level of market risk.
- **Jensen's Alpha (1968):** Jensen's Alpha measures the excess return of a mutual fund compared to a benchmark index, adjusting for market risk. It's particularly important for assessing actively managed funds to see whether the fund manager has added value over the benchmark.
- **Vasudevan and Jain (2020)** analyzed how equity mutual funds balance risk and return, particularly in large, mid, and small-cap categories. The study also noted that risk tolerance is a significant factor for investors when selecting mutual funds. The findingsemphasize that understanding individual risk preferences is crucial for mutual fund managers and investors.
- **Khanna (2021)** analyzed the impact of the COVID-19 pandemic on mutual funds, revealing that funds across all categories experienced significant volatility during the market downturn. However, equity funds were particularly hit, while debt funds showed more resilience.
- **Reddy and Sharma (2023)** examined the influence of inflation and interest rate changes on mutual fund performance in India. Their study indicated that funds focused on sectors sensitive to interest rates, such as banking and real estate, experienced significant downturns when rates rose. The need for investors to consider broader economic factors when selecting mutual funds.
- **Kumar and Singh (2021)** discussed the role of fintech in enhancing the transparency of the mutual fund industry. They noted digital platforms have lowered the entry barrier. The study also highlighted how technological advancements have allowed investors to assess mutual fund performance in real-time, which significantly enhances their decision-making ability.
- **Mehta et al. (2022)** found that mutual funds adhering to ESG principles tend to outperform conventional funds in the long run, although they often underperform in the short-term due to the initial costs involved in adhering to ESG criteria. Their findings suggest that sustainability-focused funds can offer competitive returns, but investors must adopt a long-term perspective.

- **Patel and Yadav (2020)** highlighted how the demand for ESG investments has been rising among retail investors, particularly in India, where environmental concerns and social responsibility are becoming more prominent. ESG investing is expected to grow, and mutual funds adhering to these principles are likely to see increased inflows over time.
- **Sondhi and Jain (2020)** investigated the relationship between fund management expenses and returns. Their study also indicated that investors should be cautious of funds with high expense ratios, particularly when those funds do not deliver superior returns to justify the costs.
- **Das (2023)** explored how biases such as herding affect mutual fund selection. The study concluded that such behavioral biases often lead investors to make suboptimal choices, which can negatively impact their long-term returns. This highlights the importance of investor education in avoiding these biases and making informed decisions based on objective analysis.
- **Srinivasan (2022)** examined the contribution of fund managers to the performance of actively managed mutual funds. The research found that skilled fund managers who possess a deep understanding of market conditions and sectors can generate superior returns for their clients.
- **Rao (2021)** discussed how SEBI's initiatives, such as limiting expense ratios, enhancing disclosures, and enforcing fair pricing, have improved the credibility of the mutual fund sector in India. The study found that regulatory changes have led to a more efficient and transparent market, which in turn benefits investors.
- **Sharma and Singh (2021)** observed that during periods of market optimism, mutual fund inflows increase, particularly into equity-based funds.The study concluded that educating investors about the long-term nature of mutual fund investing could mitigate such behaviors.
- **Patel and Mehra (2020)** offer a compelling analysis of mutual fund resilience during recessions, highlighting performance disparities across fund types and strategies, providing valuable insights for investors during economic downturns.

Research Methodology:

This research employs a descriptive and comparative design with a focus on analyzing and comparing the performance of mutual fund schemes from five selected Asset Management Companies (AMCs) in India—namely HDFC Mutual Fund, ICICI Prudential Mutual Fund, SBI Mutual Fund, Axis Mutual Fund, and Nippon India Mutual Fund. The objective is twofold: first, to evaluate the performance of large-cap equity mutual fund schemes offered by these AMCs over a five-year period; and second, to identify investor preferences and perceptions using primary data obtained through structured questionnaires employing the Rank Order Scale.

Research Approach:

This study adopts a mixed-method approach by integrating:

- Quantitative data from primary sources via questionnaires using rank order scaling.
- Secondary data from financial databases like AMFI, SEBI, Moneycontrol, and Value Research Online to evaluate fund performance based on Net Asset Value (NAV), Sharpe Ratio, Standard Deviation, and other financial metrics.

Sampling Design:

Population - The population comprises mutual fund investors in India who have invested in large-cap equity schemes from any of the five selected AMCs.

Sampling Technique - A non-probability purposive sampling method was used, as the sample was specifically drawn from individuals who actively invest in mutual funds.

Sample Size - A sample size of 100 respondents was targeted and successfully collected, which provides adequate data for preliminary statistical interpretation and ranking.

Data Collection Method:

Primary Data - Primary data was collected using a structured questionnaire designed with 15 rank-order based questions.

Secondary Data - Secondary data included historical performance metrics of selected mutual fund schemes.

Data Analysis Tools:

Rank Order Scale Analysis

In the rank order scaling technique, respondents were asked to rank their preferences or levels of importance across multiple options (e.g., fund selection factors like NAV, expense ratio, fund manager reputation, etc.). The rankings were analyzed using Rank Sum Method:

- Each rank was assigned a numerical weight (e.g., Rank 1 = 5 points, Rank 2 = 4 points, Rank 3 = 3 points, Rank 4 = 2 points, Rank 5 = 1 point).

- The total weighted scores were calculated for each item.
- Items were then ordered by total score to determine overall preferences or satisfaction.

Statistical Analysis

The following methods were used:

- Bar Charts and Pie Charts: To visualize investor rankings and preferences.
- Comparative Tables: To contrast fund performance data with investor perceptions.

Software tools used: Microsoft Excel.

Reliability and Validity:

Pre-testing: The questionnaire was tested with 10 respondents to check for clarity and ambiguity. Feedback was incorporated into the final version.

Content Validity: Ensured through literature review alignment and expert review from academic faculty.

Limitations of the Methodology:

- The study is limited to rank order preferences, which does not capture intensity of preference like Likert scales.
- The sample was urban-centric, largely excluding rural investors or those using offline investment channels.
- Only five AMCs were included; the findings may not generalize across the entire mutual fund industry.
- Respondent bias (e.g., anchoring on past returns) may affect rankings.

Ethical Considerations:

- Participation in the survey was voluntary and based on informed consent.
- No personally identifiable information was collected.
- Data is being used solely for academic purposes in line with university guidelines.

Data Analysis and Interpretation:

This chapter presents the results derived from 100 filled responses collected via a structured questionnaire using rank order scaling. Two primary sections were analyzed:

1. Factors Influencing Fund Selection
2. AMC Preferences

Each respondent ranked five items per category. Scores were assigned based on ranking:

- Rank 1 = 5 points
- Rank 2 = 4 points
- Rank 3 = 3 points
- Rank 4 = 2 points
- Rank 5 = 1 point

The total score for each item was calculated across 100 responses, and the items were arranged based on descending scores to determine preference order.

Analysis of Fund Selection Factors-

Respondents ranked five key factors that influence their selection of a mutual fund scheme. The table below shows the data of 100 respondents:

FACTORS	**RANK 1**	**RANK 2**	**RANK 3**	**RANK 4**	**RANK 5**	**TOTAL**
Past Performance (NAV Trend)	45	25	12	10	8	100
Expense Ratio	15	30	25	20	10	100

Fund Manager Reputation	20	25	30	15	10	100
Fund Ratings (CRISIL, etc.)	10	10	18	35	27	100
AMC Brand Reputation	10	10	15	20	45	100
TOTAL	100	100	100	100	100	**500**

The weighted scores:

- Past Performance(NAV Trends) = (45x5)+(25x4)+(12x3)+(10x2)+(8x1) = 415
- Expense Ratio = (15x5)+(30x4)+(25x3)+(20x2)+(10x1) = 355
- Fund Manager Reputation = (20x5)+(25x4)+(30x3)+(15x2)+(10x1) = 360
- Fund Ratings (CRISIL, etc.) = (10x5)+(10x4)+(18x3)+(35x2)+(27x1) = 282
- AMC Brand Reputation = (10x5)+(10x4)+(15x3)+(20x2)+(45x1) = 240

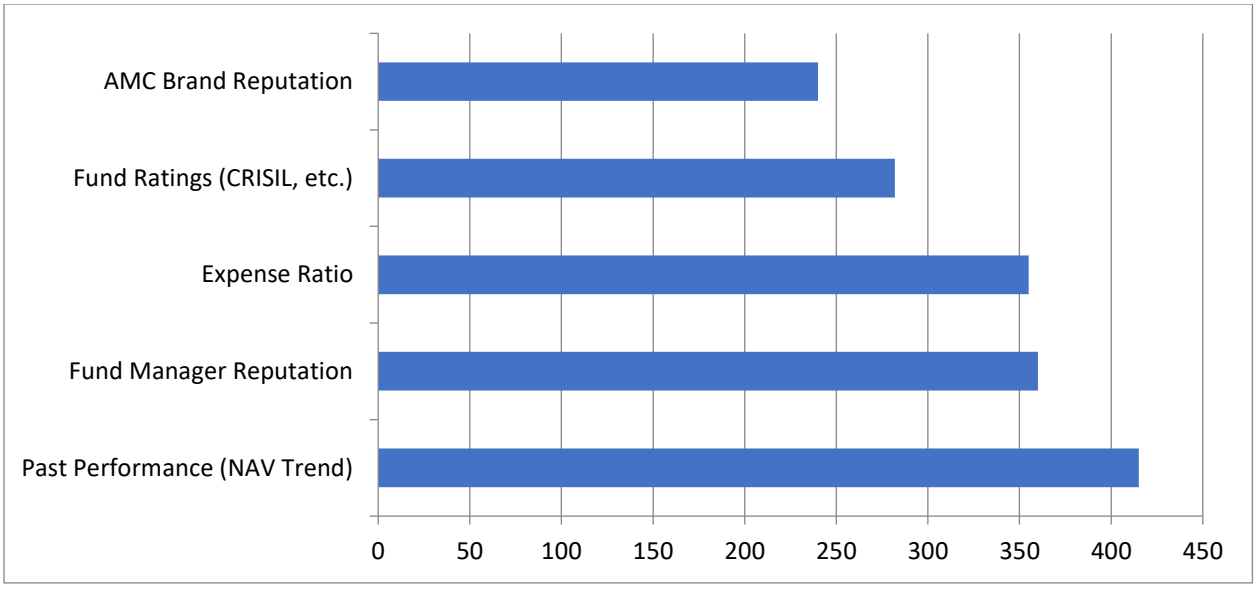
The table below summarizes the weighted scores:

FACTORS	**RANK 1**	**RANK 2**	**RANK 3**	**RANK 4**	**RANK 5**	**TOTAL SCORE**
Past Performance (NAV Trend)	45	25	12	10	8	415
Expense Ratio	15	30	25	20	10	355
Fund Manager Reputation	20	25	30	15	10	360
Fund Ratings (CRISIL, etc.)	10	10	18	35	27	282
AMC Brand Reputation	10	10	15	20	45	240

Interpretation:

- **Past performance (NAV trend)** is the most influential factor for investors, with a total score of 415.
- **Fund Manager Reputation** and **Expense Ratio** are moderately important.
- **AMC Brand** and **Fund Ratings** appear less important, suggesting that investors are more focused on numerical performance than brand or third-party evaluations.

Bar Chart: Fund Selection Factors (Total Scores)



Analysis of AMC Preferences-

Respondents were asked to rank their preferred AMCs out of the five studied. The table below shows the data of 100 respondents:

AMC	**RANK 1**	**RANK 2**	**RANK 3**	**RANK 4**	**RANK 5**	**TOTAL**
HDFC Mutual Fund	38	35	20	10	7	100
ICICI Prudential Mutual Fund	20	30	25	15	10	100
SBI Mutual Fund	22	20	28	20	10	100
Axis Mutual Fund	10	15	17	30	28	100
Nippon India Mutual Fund	10	10	10	25	45	100
TOTAL	100	100	100	100	100	**500**

The weighted scores:

- HDFC Mutual Fund = (38x5)+(35x4)+(20x3)+(10x2)+(7x1)= 421
- ICICI Prudential Mutual Fund = (20x5)+(30x4)+(25x3)+(15x2)+(10x1)= 360
- SBI Mutual Fund = (22x5)+(20x4)+(28x3)+(20x2)+(10x1)= 354
- Axis Mutual Fund = (10x5)+(15x4)+(17x3)+(30x2)+(28x1)= 267
- Nippon India Mutual Fund = (10x5)+(10x4)+(10x3)+(25x2)+(45x1)= 225

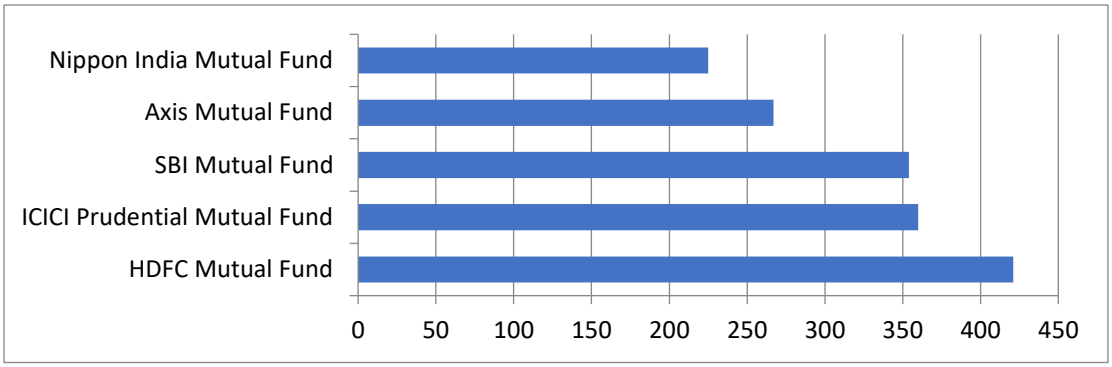
The table below summarizes the weighted scores:

FACTORS	**RANK 1**	**RANK 2**	**RANK 3**	**RANK 4**	**RANK 5**	**TOTAL SCORE**
HDFC Mutual Fund	38	35	20	10	7	421
ICICI Prudential Mutual Fund	20	30	25	15	10	360
SBI Mutual Fund	22	20	28	20	10	354
Axis Mutual Fund	10	15	17	30	28	267
Nippon India Mutual Fund	10	10	10	25	45	225

Interpretation:

- HDFC Mutual Fund is the most preferred AMC, as it received the highest number of Rank 1 placements and the highest total score (421).
- ICICI Prudential and SBI Mutual Fund follow closely behind in preference. Nippon India Mutual Fund is the least preferred, likely due to perceived lower consistency or brand trust.

Bar chart: Rank 1 choices for AMC Preference



- The results affirm the importance of historical returns and expert fund management in influencing investor decisions.
- Brand loyalty is weak, with investors focusing more on quantifiable metrics.

- The top three AMCs (HDFC, ICICI, SBI) dominate investor preference, likely due to consistent past performance and trust in management.
- Tools like CRISIL ratings and brand image, though useful, are not standalone decision influencers.

Conclusion:

HDFC Mutual Fund, ICICI Prudential Mutual Fund, SBI Mutual Fund, Axis Mutual Fund, and Nippon India Mutual Fund are five well-known Asset Management Companies (AMCs) in India. The goal of this research work was to compare the performance of their mutual fund schemes. The goal was twofold: to assess the performance of equity funds using important measures and to use rank order scaling to analyze primary data in order to comprehend investor preferences. No single AMC consistently outperforms across all characteristics, including NAV growth, Sharpe Ratio, Alpha, Beta, and Expense Ratio, according to the secondary data study. Every fund showed both advantages and disadvantages in various domains. For instance, ICICI Prudential and SBI Mutual Funds provided a balanced performance between risk and return, whilst HDFC Mutual Fund demonstrated outstanding historical returns (high NAV growth and Sharpe Ratio). However, Nippon India Mutual Fund's performance and investor confidence were inconsistent.

According to primary data gathered from 100 respondents using rank order scale questionnaires, previous performance (NAV trends) is the most significant element influencing investor decisions. This is followed by expense ratio and fund manager reputation. The majority of respondents chose HDFC Mutual Fund as the top AMC in terms of investor preferences, followed by ICICI Prudential and SBI Mutual Fund. The information supports a more general trend in the industry: investors place a higher value on professional fund management and consistent performance than on branding or third-party evaluations. Furthermore, the growing dependence on digital platforms and analytical tools is a reflection of an increasingly knowledgeable and metrics-driven investor base. In summary, even if mutual funds are still a popular choice for investors, they are nonetheless picky and performance-focused. In order to boost investor confidence in the mutual fund sector, the comparative analysis emphasizes the significance of open reporting, a consistent fund management approach, and investor education.

Recommendations for Investors:

1. **Focus on Risk-Adjusted Returns:** Instead of relying solely on NAV growth, investors should evaluate Sharpe Ratio and Standard Deviation to understand the risk-return trade-off.
2. **Choose Based on Investment Horizon:** Long-term investors can opt for schemes with higher volatility and potential for greater returns (e.g., large-cap and multi-cap funds), while short-term investors may consider stable schemes with lower beta.
3. **Diversify Across AMCs and Fund Types:** Instead of sticking to one AMC, investors should consider diversifying across fund houses and categories for better portfolio.

Recommendations for Asset Management Companies:

1. **Enhance Fund Manager Transparency:** AMCs should regularly disclose fund manager strategies and qualifications to improve investor confidence.
2. **Improve Investor Communication:** Clear, periodic, and data-backed performance reports can help educate and retain retail investors.
3. **Expand Digital Outreach:** AMCs must improve mobile and web interfaces to capture the growing digital-savvy investor base.

Recommendations for Regulators and Policy Makers (SEBI, AMFI):

1. **Standardize Performance Reporting:** A more uniform format for disclosing fund performance metrics can help reduce confusion among retail investors.
2. **Strengthen Investor Education Campaigns:** Workshops, webinars, and educational content can bridge knowledge gaps and reduce behavioral biases like herd mentality.
3. **Monitor AMC Advertising and Claims:** To ensure ethical marketing, SEBI should closely regulate the use of past performance data in promotional materials.

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