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An Analysis of Investment Avenues in India: A Comparative Analysis of Government Benchmark Returns and Equity Mutual Funds in India

Aditi Pandey,
Assistant Professor, Department of Economics, CMP Degree College, Prayagraj, India.

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Corresponding Author:
Aditi Pandey

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ABSTRACT

Investment and Savings are the key variables for the growth of an economy. Investments are channelizing by accumulating the savings. Lewis, Kaldor, Schempeter etc. economists were advocated the role of investment is vital for the profit generation that lead to reinvestment of the funds. It is important for the economy to increase its investments. This paper provides the analytical view to compare the returns of various investment avenues in India. Government Benchmark returns are also taken by the researcher to set the comparison among the avenues. Mutual Funds are seen to be a dominant industry for the investment by the researcher. Performances of various Equity Mutual Funds are discussed here. Also researcher deals with the risks associated along with different equity funds in India. Equity funds are taken according to the market capitalisation i.e. large cap, mid cap and small cap. Five companies are randomly chosen by the researcher for analysis. Secondary data is taken from the AMFI, SEBI and RBI. By analysing various data researcher concludes that returns on equity funds are comparatively higher than the government securities benchmark returns. Also, the risk associated with equity funds varies according to market capitalisation. It is important for the investor to analyse various macro economic variables of the economy and ensure that the investment profile must be inflation beating.

Introduction

JA Schumpeter is as one of the supreme economists of the first half of the twentieth century. Innovation and entrepreneurship are key concepts given by Schumpeter in Economics. He associated the role of innovation with the entrepreneur to discuss the economic growth. The functions of entrepreneurs were discussed by Schumpeter to come with a new product with new combinations. He believed that Economic development is the result of discontinuous and *"revolutionary"* change which uplifts the economy out of its static mode and with the help of Circular flow dynamic path is achieved in the economy. In Theory of economic development and in further work Schumpeter assumed development as historical process of structural changes, substantially driven by innovation which was divided by him into five types :

1. Introducing a New Product;
2. Appliance of New Production Methods or Sales of a Product.
3. Discovery of a new market
4. Acquiring of new sources of supply of raw material
5. New industry structure such as the creation or destruction of a monopoly position.

According to Schumpeter an entrepreneur can seek profit with the help of innovation. This innovation can be any of five types that Schempeter discussed in his work. Schumpeter believed that innovation is considered as an essential driver of competitiveness and economic dynamics. According to Schumpeter innovation is a *"process of industrial mutation, that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one"*. So with the process of creative destruction an economy moves towards its take off phase. Different sectors of an economy gradually establish with the innovation. Indian Economy had also experienced the same pattern. One of the promising growth is shown by the Mutual Fund Industry in India over the decades.

Review of Literature

Chaudhary Roy, Dutta Uma, Bagchi Amaresh, (1988) , Domestic Savings in India, Trends and Issues, ISBN 0-7069-5397-5. This book is the outcome of a seminar organized by NIPFP in November 1988. Domestic saving ratio was constant during 1980s that was the major concern, thus studies were conducted to identify factors responsible for this constancy. The conclusions are

drawn by the authors are following; (1) by conducting the cross sectional studies (survey results of the National Council of Applied Economic Research) result supports the normal income hypothesis. There is lag in income to consumption response. Time trend analysis confirms the positive relation between the savings and income growth. (2) Primary sectors propensity to save is lower than that of other sectors propensity to save. (3) Intersectoral terms of trade shifts in favour of agriculture have adverse effect on saving rate.

Eduardo R. Borensztein, R Gaston Gelos, (2000), A Panic Prone Pack? The Behaviour of Emerging Market Mutual Funds. IMF Working Paper, Research Department. The paper discusses the trends of 400 emerging market equity funds on monthly basis over the period of January 1996 to March 1999 globally. The period of analysis witnessed various crisis such as Asian, Czech, Russian and Brazilian. So the paper tries to provide the answer of questions that how emerging markets deal before, during and after the crisis.

Disyatat Pili and R. Gaston Gelos, 'The Asset Allocation of Emerging Market Mutual Funds', Working paper of IMF (2001). This paper aims to gain the better understanding of international investors' behaviour. After the financial crisis the issues like contagion effects, the need for capital market regulation, and the role of multilateral financial institutions is redefined by the authors. This paper explains the selection of portfolio of emerging market funds by the large and chief group of investors.

Li Shujing, (2003), 'Too Many Mutual Funds? – Financial Product Differentiation over the State Space'. Stanford Institute for Economic Policy Research, Department of Economics Stanford University. The paper examines the product differentiation in the mutual fund industry. According to author investors invest by observing the past performances of the fund. But fund performance depends on fund manager ability as well as some stochastic noise factors also. To test this idea empirically sample of open-end diversified equity mutual funds from 1992 until 1998 are taken from Center for Research in Security Prices (CRSP) Mutual Fund Database.

Dhar Joyjit, (2003), 'Investment Management of Mutual Funds: Evidence of Timing and Selectivity from India during 1997-2003.' UGC sponsored minor research project. In this paper author assumes that the functioning of mutual funds is based on two principles i.e. Returns maximization and Risk diversification**.** Given study analyses the management of Indian mutual fund investment where the fund manager's selectivity and time framing efficiency can be studied. The sample of twelve schemes during April 1997- March 2003 is taken.

Chanda Rupa, (2005) 'Trade in financial Services: India's opportunities And Constraints'. Working Paper no. 152, Indian Council For Research on International Economic Relations. The Paper analyses the role of financial sector and its increasing importance in the global economy. With the introduction of globalization in financial sector potential risk is also increased. The paper examines the financial service sector and its trends and structure special emphasis on India's vision for liberalizing financial services under GATS.

Bilal Ahmad Pandow and Khurshid Ahmad Butt (2017), 'Risk and Return Analysis of Mutual Fund Industry in India', Journal of Banking and Financial Dynamics. Given Study shows the growth of mutual fund industry in India and recognize the challenges before the industry. Research Paper also demonstrates the risk and return of selected mutual funds in India. The period of study is taken by the researcher is five years from 2007-2011.

Introduction to Indian Mutual Fund Industry

Mutual fund industry in India is more than half a century old. In 1964, UTI was created by the government of India to give option to Indian people who had little capital to invest and were also afraid of entering in equity market. UTI's monopoly lasted for nearly a quarter of century when other government banks and entities were allowed to open mutual fund subsidiaries (1987). Later private and foreign players were also allowed (1994). Now nearly 42 mutual fund companies are functioning. Similar is the case of instruments /products provided by mutual fund companies. Now mutual fund schemes are varied and the number of investors and folios has increased.

Table 1: AUM (trillion) from 1987 to 2021.

Period	AUM in Rs Trillion
1987-2003	1.4
2009	6.7
2012	7.6
2013	8.3
2014	10.5
2015	12.8
2016	16.5
2017	21.3
2018	22.9
2019	26.5
2020	30.0
2021 (March)	32.1

Source: *AMFI, 2021*

Fig 1: AUM under MF Industry 1987-2021

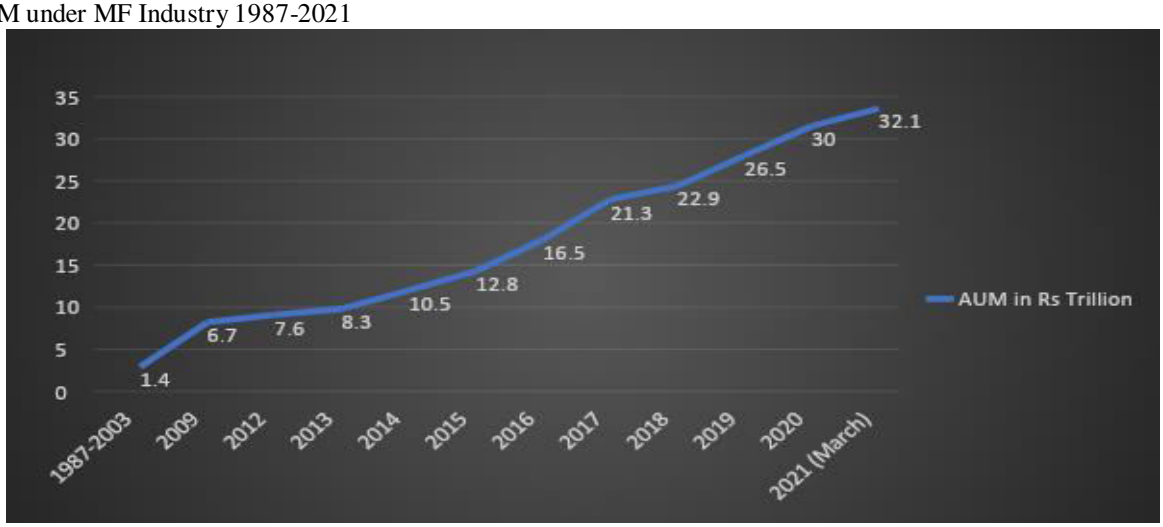


Fig 2 : No. of MF Schemes from 2011-2020

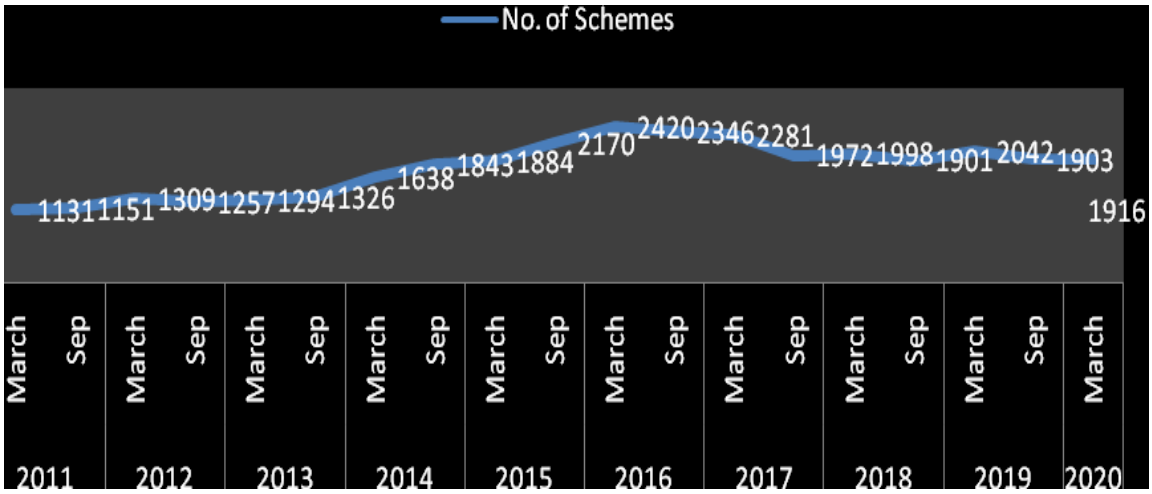
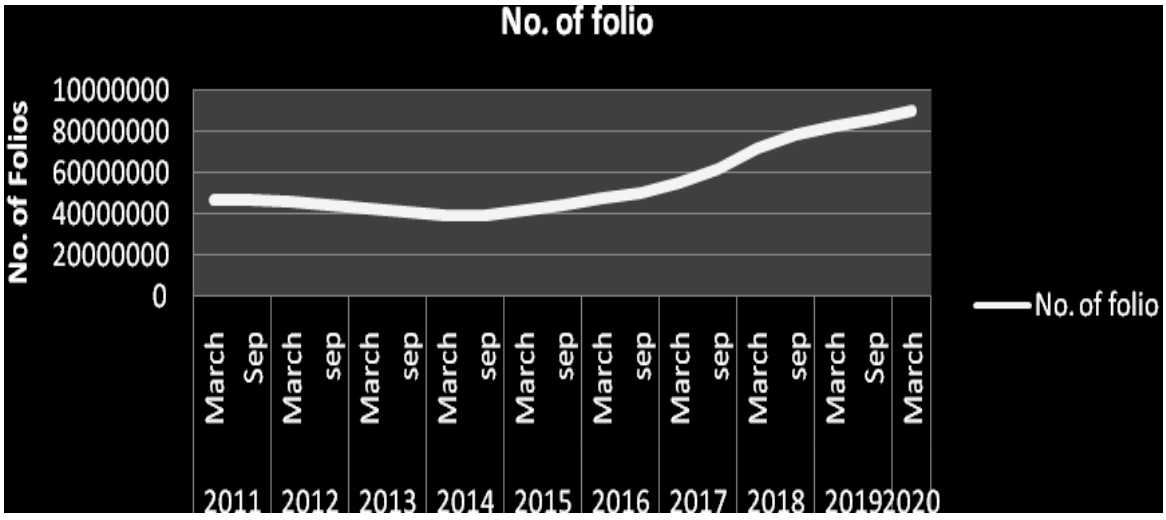


Fig 3: No. of MF Folios from 2011-2020



The above data have shown the growth of mutual fund industry in India. This growth can be explained by the innovation theory of Schumpeter. Due to innovation in Indian mutual fund industry, AUM, No. of Schemes and no. of folios are increased significantly.

Types of Mutual Funds

A. Equity Schemes:

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Multi Cap Fund	Minimum investment in equity & equity related instruments- 65% of total assets	Multi Cap Fund- An open ended equity scheme investing across large cap, mid cap, small cap stocks
2	Large Cap Fund	Minimum investment in equity & equity related instruments of large cap companies- 80% of total assets	Large Cap Fund- An open ended equity scheme predominantly investing in large cap stocks
3	Large & Mid Cap Fund	Minimum investment in equity & equity related instruments of large cap companies- 35% of total assets Minimum investment in equity & equity related instruments of mid cap stocks- 35% of total assets	Large & Mid Cap Fund- An open ended equity scheme investing in both large cap and mid cap stocks
4	Mid Cap Fund	Minimum investment in equity & equity related instruments of mid cap companies- 65% of total assets	Mid Cap Fund- An open ended equity scheme predominantly investing in mid cap stocks
5	Small cap Fund	Minimum investment in equity & equity related instruments of small cap companies- 65% of total assets	Small Cap Fund- An open ended equity scheme predominantly investing in small cap stocks
6	Dividend Yield Fund	Scheme should predominantly invest in dividend yielding stocks. Minimum investment in equity- 65% of total assets	An open ended equity scheme predominantly investing in dividend yielding stocks
7	Value Fund*	Scheme should follow a value investment strategy. Minimum investment in equity & equity related instruments - 65% of total assets	An open ended equity scheme following a value investment strategy
	Contra Fund*	Scheme should follow a contrarian investment strategy. Minimum investment in equity & equity related instruments - 65% of total assets	An open ended equity scheme following contrarian investment strategy
8	Focused Fund	A scheme focused on the number of stocks (maximum 30) Minimum investment in equity & equity related instruments - 65% of total assets	An open ended equity scheme investing in maximum 30 stocks (mention where the scheme intends to focus, *viz.*,

			multi cap, large cap, mid cap, small cap)
9	Sectoral/ Thematic	Minimum investment in equity & equity related instruments of a particular sector/ particular theme- 80% of total assets	An open ended equity scheme investing in __ sector (mention the sector)/ An open ended equity scheme following __ theme (mention the theme)
10	ELSS	Minimum investment in equity & equity related instruments - 80% of total assets (in accordance with Equity Linked Saving Scheme, 2005 notified by Ministry of Finance)	An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit

* Mutual Funds will be permitted to offer either Value fund or Contra fund.

B. Debt Schemes

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Overnight Fund**	Investment in overnight securities having maturity of 1 day	An open ended debt scheme investing in overnight securities
2	Liquid Fund $**	Investment in Debt and money market securities with maturity of upto 91 days only	An open ended liquid scheme
3	Ultra Short Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 months - 6 months	An open ended ultra-short term debt scheme investing in instruments with Macaulay duration between 3 months and 6 months (please refer to page no.__)#
4	Low Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 6 months- 12 months	An open ended low duration debt scheme investing in instruments with Macaulay duration between 6 months and 12 months (please refer to page no.__)#
5	Money Market Fund	Investment in Money Market instruments having maturity upto 1 year	An open ended debt scheme investing in money market instruments
6	Short Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 1 year – 3 years	An open ended short term debt scheme investing in instruments with Macaulay duration between 1 year and 3 years (please refer to page no.__)#
7	Medium Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay	An open ended medium term debt scheme investing in instruments with Macaulay

		duration of the portfolio is between 3 years – 4 years	duration between 3 years and 4 years (please refer to page no.__)#
8	Medium to Long Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 4 – 7 years	An open ended medium term debt scheme investing in instruments with Macaulay duration between 4 years and 7 years (please refer to page no.__)#
9	Long Duration Fund	Investment in Debt & Money Market Instruments such that the Macaulay duration of the portfolio is greater than 7 years	An open ended debt scheme investing in instruments with Macaulay duration greater than 7 years (please refer to page no.__)#
10	Dynamic Bond	Investment across duration	An open ended dynamic debt scheme investing across duration
11	Corporate Bond Fund	Minimum investment in corporate bonds- 80% of total assets (only in highest rated instruments)	An open ended debt scheme predominantly investing in highest rated corporate bonds
12	Credit Risk Fund^	Minimum investment in corporate bonds- 65% of total assets (investment in below highest rated instruments)	An open ended debt scheme investing in below highest rated corporate bonds
13	Banking and PSU Fund	Minimum investment in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions- 80% of total assets	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions
14	Gilt Fund	Minimum investment in Gsecs- 80% of total assets (across maturity)	An open ended debt scheme investing in government securities across maturity
15	Gilt Fund with 10 year constant duration	Minimum investment in Gsecs- 80% of total assets such that the Macaulay duration of the portfolio is equal to 10 years	An open ended debt scheme investing in government securities having a constant maturity of 10 years
16	Floater Fund	Minimum investment in floating rate instruments- 65% of total assets	An open ended debt scheme predominantly investing in floating rate instruments

C. Hybrid Schemes

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Conservative Hybrid Fund	Investment in equity & equity related instruments- between 10% and 25% of total assets; Investment in Debt instruments- between 75% and 90% of total assets	An open ended hybrid scheme investing predominantly in debt instruments
2	Balanced Hybrid Fund @	Equity & Equity related instruments- between 40% and 60% of total assets; Debt instruments- between 40% and 60% of total assets No Arbitrage would be permitted in this scheme	An open ended balanced scheme investing in equity and debt instruments
	Aggressive Hybrid Fund @	Equity & Equity related instruments- between 65% and 80% of total assets; Debt instruments- between 20% 35% of total assets	An open ended hybrid scheme investing predominantly in equity and equity related instruments
3	Dynamic Asset Allocation or Balanced Advantage	Investment in equity/ debt that is managed dynamically	An open ended dynamic asset allocation fund
4	Multi Asset Allocation ##	Invests in at least three asset classes with a minimum allocation of at least 10% each in all three asset classes	An open ended scheme investing in __, __, __ (mention the three different asset classes)
5	Arbitrage Fund	Scheme following arbitrage strategy. Minimum investment in equity & equity related instruments- 65% of total assets	An open ended scheme investing in arbitrage opportunities
6	Equity Savings	Minimum investment in equity & equity related instruments- 65% of total assets and minimum investment in debt- 10% of total assets Minimum hedged & unhedged to be stated in the SID.	An open ended scheme investing in equity, arbitrage and debt

D. Solution Oriented Schemes:

Sr. No	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Retirement Fund	Scheme having a lock-in for at least 5 years or till retirement age whichever is earlier	An open ended retirement solution oriented scheme having a lock-in of 5 years or till retirement age (whichever is earlier)
2	Children's Fund	Scheme having a lock-in for at least 5 years or till the child attains age of majority whichever is earlier	An open ended fund for investment for children having a lock-in for at least 5 years or till the child attains age of majority (whichever is earlier)

A. Other Schemes:

Sr. No	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Index Funds/ ETFs	Minimum investment in securities of a particular index (which is being replicated/ tracked)- 95% of total assets	An open ended scheme replicating/ tracking _ index
2	FoFs (Overseas/ Domestic)	Minimum investment in the underlying fund- 95% of total assets	An open ended fund of fund scheme investing in ___ fund (mention the underlying fund)

Source: SEBI

Research Problem

The main research problem before the researcher was as to how investors choose a particular scheme or schemes of investments. The objective of the study is to compare the returns of different mutual fund companies with government benchmark returns . The present paper aims to analyse the performance of only selected equity mutual fund schemes with benchmark returns of 1 year, 3 year and 5 year.

Hypothesis

H0 : The returns of all types of equity funds are significantly higher than benchmark returns on comparable instruments.
H1: The returns of all types of equity funds are not significantly higher than benchmark returns on comparable instruments.
H0: The risk in different categories of equity investment (large, mid and small) are nearly identical.
H1: The risk in different categories of equity investments(large mid and small) are not identical.

Methodology

The study is empirical based on analysis of five top rated mutual fund companies investment in different equity schemes. All data is based on secondary data taken from morning Star report of Bombay stock exchange. The standard deviation, beta and sharpe ratio are analysed to evaluate the performance of the different schemes of different mutual fund companies. The table discussing the returns has been taken from the values of BSE for different period. The benchmarks for the comparison are based on the value of government securities for different terms for the same period.

In this research paper sample of 5 top rated schemes each from different types of fund are selected.

Large Cap	Mid Cap	Small Cap
Axis Bluechip Fund Growth	HDFC Mid Cap Opportunities Growth Fund	DSP Small Cap Fund Growth
UTI Master share Unit Regular Plan Growth	Nippon India Growth Fund	Kotak Small Cap Growth
Franklin India Bluechip Fund Growth	SBI Magnum Midcap Fund regular growth	SBI Small Cap Fund Regular Growth
ICICI Prudential Bluechip Fund Growth	DSP Mi Cap Fund Growth	Franklin India Smaller Companies Fund Growth
Mirae Asset Large Cap Fund Regular Growth	Kotak Emerging Equity Scheme	HDFC Small Cap Fund Growth

Table 2: Equity Funds and Government Securities Average Returns in 1Y,3Y and 5Y.

Equity Funds						
Large Cap Company	1Y Return	1Y Gov Sec. Benchmark Rate	3Y Return	3Y Gov Sec. Benchmark Rate	5Y Return	5Y Gov Sec. Benchmark Rate
Axis Bluechip Fund Growth	1.47	4.75	9.54	5.37	8.89	7
UTI Master share Unit Regular Plan Growth	-2.51	4.75	3.56	5.37	5.41	7
Franklin India Bluechip Fund Growth	-8.23	4.75	-0.45	5.37	3.3	7
ICICI Prudential Bluechip Fund Growth	-6.32	4.75	3.04	5.37	6.31	7
Mirae Asset Large Cap Fund Regular Growth	-4.96	4.75	4.14	5.37	8.23	7
Average	**-4.11**		**3.966**		**6.428**	
Mid Cap Company	1Y Return	1Y Gov Sec. Benchmark Rate	3Y Return	3Y Gov Sec. Benchmark Rate	5Y Return	5Y Gov Sec. Benchmark Rate
HDFC Mid Cap Opportunities Growth Fund	-7.11	4.75	-2.51	5.37	5.51	7
Nippon India Growth Fund	-6.32	4.75	-0.15	5.37	4.97	7
SBI Magnum Midcap Fund regular growth	-3.69	4.75	-4.41	5.37	2.34	7
DSP Mi Cap Fund Growth	2.81	4.75	2.03	5.37	8.36	7
Kotak Emerging Equity Scheme	-3.8	4.75	-0.25	5.37	6.97	7
Average	**-3.622**		**-1.058**		**5.63**	
Small Cap Company	1Y Return	1Y Gov Sec. Benchmark Rate	3Y Return	3Y Gov Sec. Benchmark Rate	5Y Return	5Y Gov Sec. Benchmark Rate
DSP Small Cap Fund Growth	-5.5	4.75	-6.33	5.37	4.5	7
Kotak Small Cap Growth	-4.86	4.75	-3.38	5.37	4.69	7
SBI Small Cap Fund Regular Growth	0.4	4.75	3.63	5.37	9.58	7
Franklin India Smaller Companies Fund Growth	-21.37	4.75	-9.52	5.37	1.27	7
HDFC Small Cap Fund Growth	-19.41	4.75	-4.24	5.37	5.35	7
Average	**-10.148**		**-3.968**		**5.078**	

Testing of Hypothesis 1

Fund	**Average Return 1Y**	**Gov Sec 1 Y**
Large	-4.11	4.75
Mid	-3.62	4.75
Small	-10.1	4.75

Group Name	**N**	**Missing**	**Mean**	**Std Dev**	**SEM**
Avg Return 1Y	3	0	-5.943	3.608	2.083
Gov Sec 1Y	3	0	4.750	0.000	0.000

t = -5.133 with 4 degrees of freedom. (P = 0.007);
95 percent confidence interval for difference of means: -16.477 to -4.910

The difference in the mean values of the two groups is greater than would be expected by chance; there is a statistically significant difference between the input groups (P = 0.007).

Fund	**Average Return 3 Y**	**Gov Sec 3Y**
Large	3.96	5.37
Mid	-1.05	5.37
Small	-3.96	5.37

Group Name	N	Missing	Mean	Std Dev	SEM
Avg Return 3Y	3	0	-0.350	4.006	2.313
Gov Sec 3Y	3	0	5.370	0.000	0.000

t = -2.473 with 4 degrees of freedom. (P = 0.069);
95 percent confidence interval for difference of means: -12.142 to 0.702

The difference in the mean values of the two groups is not great enough to reject the possibility that the difference is due to random sampling variability. There is not a statistically significant difference between the input groups (P = 0.069).

Fund	Average Return 5 Y	Gov Sec 5 Y
Large	6.42	7
Mid	5.63	7
Small	5.07	7

Group Name	N	Missing	Mean	Std Dev	SEM
Avg Return 5Y	3	0	5.707	0.678	0.392
Gov Sec 5Y	3	0	7.000	0.000	0.000

t = -3.303 with 4 degrees of freedom. (P = 0.030);
95 percent confidence interval for difference of means: -2.381 to -0.206

The difference in the mean values of the two groups is greater than would be expected by chance; there is a statistically significant difference between the input groups (P = 0.030).

Hypothesis 2

Avg SD \ Funds	Large Cap	Mid Cap	Small Cap
Avg 3Y SD	19.458	23.912	25.996
Avg 5Y SD	17.366	21.468	23.078
Avg 10Y SD	16.51	20.24	20.862

Group Name	N	Missing	Mean	Std Dev	SEM
Large Cap	3	0	17.778	1.517	0.876
Mid Cap	3	0	21.873	1.869	1.079
Small Cap	3	0	23.312	2.575	1.487

Source of Variation	DF	SS	MS	F	P
Between Groups	2	49.467	24.733	5.972	0.037
Residual	6	24.849	4.142		
Total	8	74.316			

The differences in the mean values among the treatment groups are greater than would be expected by chance; there is a statistically significant difference (P = 0.037).

Findings

Hypothesis one null hypothesis is rejected for all categories of equity funds i.e. large, mid and small. The average annualised returns for large cap for different company is negative for all large cap companies and 80% companies of small and medium cap only DSP mid-caps and SBI small cap has positive returns of 2.8% and 0.4% return while benchmark return on government securities for one year period is +4.75%. Similarly three-year returns of most of mid-cap and small cap are negative while benchmark return is positive(+5.37%). In large cap companies only axis blue-chip Company provide a healthy positive return of 9.54% which is higher than benchmark. It can be concluded that even three yearly returns of benchmark are very much higher in comparison to most companies. Next are five yearly returns of all 15 companies.

The benchmark return is 7% government securities of five-year term. Against this two large cap companies i.e. axis excess blue-chip and Mirae Asset have posted higher returns than benchmark. None of the mid-cap has given higher returns and only SBI small cap regular has given higher returns i.e. 3 out of 15 have posted higher returns in comparison to benchmark. One must remember that benchmark returns of nearly 100% safe. One can conclude that in above study the hypothesis that returns of Mutual funds are higher in comparison to banks, government securities is rejected. But this can not be a thumb rule as the period of 2015 to 2020 has been a period where Indian economy has shown signs of recession especially after 2018. These data are related to 31 May 2020 so the impact of Covid could be the main cause of adverse result. If one glances returns for one year period the returns are negative for all companies. This is certainly because of Covid. So this period is not an average period to compare the returns because uncertainty and recession have a deep impact on sentiments of investment which is been reflected. Risk in all equity funds is identical in large, mid and small caps. This hypothesis is rejected for one year and three-year period but is selected for a

five-year period. In one year period the returns of most firms are negative but on an average for large cap are around -4.87% for Mid Cap are -6.32% while for a small cap at 9.3% .clearly the returns of large cap although negative but are not comparable to mid cap and small cap . The fact can be clearly demonstrated by the measures of risk. A careful look at the standard deviation of these caps in 3 years, 5 years and 10 years can clarify the hypothesis. The standard deviation for large cap for three-year period is between 16 to 19, for mid caps between 22 to 24 while for a small caps between 26 to 29. It is clear that lower the deviations lower the risk and they vice versa. Large cap deviations are much lower even in this uncertain situation. Taking a long term (10 year) one can find that deviation in large caps are between 15.7 to 17.2 For mid cap 19.4 to 21 while for a small cap are between 20 to 22. Thus even in long period all kind of mutual funds show greater stability but large cap are very stable while others are stable but not as a stable as large cap. If one looks these caps from the angle of beta which measure volatility thus a better measure of risk specifically in short period . One can look at the table and find that for different period Beta of large cap is around 0.9 5 (0.93 to 1) while for mid cap is around 0.94 (between 0.93 to 0.97) but for small caps it is around 0.84 (ranging between 0.71 to 0.91). Clearly large and mid-cap perform better in terms of stability in comparison to small cap . The researcher has also measured the sharp ratio which measures the performance of the stocks/bonds as adjusted against the risk. A brief look at the sharp ratio confirms that performance of large cap is a stable because large companies who have gained stability by performing over a time period are less affected by shocks although shocks like Covid where the economy becomes standstill do impact the functioning of large cap also . Risk adjusted returns of a small cap on higher because higher the risk higher is return. During this period Sharpe ratio measures the returns better than the beta and standard deviation due to high uncertainties.

Conclusion

Investors have so many avenues to invest their money but it is important to catch the opportunity which can provide the best returns. As discussed in the present paper that equity funds are provided higher returns than government securities but it has risk element more. So, to reap the benefit from equity funds it is mandatory to select correct scheme/fund/company. All companies are not performing well because. First, the selection of sound fund is important and second is to keep tracking the returns of that fund as well as other comparable investment instruments also.

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