Chapter 2

Risk Return Analysis of Mutual Fund Schemes in Public and Private AMC Companies

Chandrashekhar Durgesh Reddy
Chandigarh University, India

Amandeep Kaur
Chandigarh University, India

Manjit Kour
http://orcid.org/0000-0003-1043-3187
Chandigarh University, India

Ramanjeet Singh
http://orcid.org/0000-0001-7424-7039
Chandigarh University, India

ABSTRACT

This study has provided a comparative analysis of the performance of mutual fund with a focus on three categories: Index Funds, Large Cap Funds, and Balanced Advantage Funds for both private and public sector AMCs. The study assessed 24 selected schemes to assess risk-adjusted returns and market association of schemes based on key financial metrics such as Sharpe Ratio, Treynor Ratio, Standard Deviation, and Beta for a 3-year period (2021-2024). The study found that public sector funds such as UTI and SBI do well in passive categories such as Index Funds while private sector funds such as HDFC and ICICI Prudential significantly outper-

DOI: 10.4018/979-8-3373-5047-9.ch002

form public sector funds in active categories with better risk-adjusted returns. The statistical analysis including Two-Way ANOVA indicates that the fund type (public vs. private) will have no significant effect on the performance, but fund category has a significant influence on the performance volatility of the funds.

1. INTRODUCTION

India's financial markets have experienced significant changes across the past two decades (Kour et al., 2025), mainly due to the growth in popularity of mutual funds as an ideal investment choice for both individual and institutional investors. A mutual fund is an example of a communal investment scheme which pools together funds received from several investors into a single diversified portfolio consisting of bonds, stocks, money market instruments, etc. (Sadhak, 2003). The investment management for mutual fund schemes is provided on behalf of the investors by professional asset managers employed by registered fund companies known as Asset Management Companies (AMC), providing investors with an easily accessible, regulated and transparent means of participating in the financial markets required for investment purposes. As part of this process, AMCs comply with SEBI's registration requirements and their fiduciary duties to investors. (Panigrahi, 1996).

Mutual Funds have been a vital way that increased investment opportunities leading to an increase in Financial Inclusion in India. India's financial ecosystem has historically been largely reliant on fixed deposits, gold, and real estate as traditional savings vehicles. However, mutual funds have drastically expanded the investment scope and potential, particularly for investors who did not have the knowledge to directly participate in the stock markets or had limited capital available (Sisodiya, 2004). Mutual funds have also offered diversification, systematic investment planning (SIPs), liquidity, flexibility of choice, certain tax benefits through ELSS, and online access have exploded their popularity (Sapar & Madava, 2003).

The beginning of mutual funds in India took place in 1963 with the formation of the Unit Trust of India (UTI), which had a monopoly over the mutual fund industry for more than two decades (Barua et al., 1991). The public sector mutual funds' launch in the late 1980s, subsequently the liberalization of the economy in 1991, started a structural transformation that also brought the private and foreign participants into the industry. The competition led to product innovation as well as transparency (Panwar & Madhumathi, 2006). Currently, mutual fund schemes are classified into equity fund, debt fund, hybrid fund, index fund, and thematic fund to provide additional accessibility to investors depending on their risk profile and expectation of returns (Rehmani, 2018; Sekhar, 2014).