



Risk-Return Trade-Off In Blue Chip Mutual Funds: An Evaluation Using Sharpe, Treynor, And Jensen Measures In The Banking Sector

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ABSTRACT

This study examines the performance of blue-chip mutual funds within the banking sector, focusing on risk-return trade-offs and performance evaluation using measures such as Sharpe Ratio, Treynor Ratio, and Jensen's Alpha. The analysis spans six years of data, covering key mutual funds, including SBI, Canara, Kotak, and others. Findings reveal fluctuations in annual returns, with positive returns observed in favourable market conditions and negative returns during challenging periods. Volatility varies across funds, highlighting the importance of considering risk in investment decisions. Beta values indicate market sensitivity, while risk-adjusted performance metrics offer insights into the efficacy of fund management strategies. Recommendations are provided for investors, emphasizing diversification, risk-adjusted returns, and informed decision-making. Policymakers are encouraged to prioritize investor protection, transparency, and financial literacy initiatives. Future research directions include exploring long-term performance trends, macroeconomic influences, behavioural finance aspects, and the mutual fund industry technological innovations. Overall, this study contributes to advancing knowledge in finance, investment management, and mutual fund performance evaluation, offering valuable insights for stakeholders navigating the dynamic landscape of financial markets.

Keywords: Blue chip mutual funds, Banking sector, Risk-return trade-off, Performance analysis

I. Introduction

A. Background and Context

The risk-return trade-off is a fundamental concept in investment theory, guiding portfolio management decisions by balancing the desire for higher returns with the need to mitigate risk exposure. Blue chip mutual funds, which primarily invest in large-cap, financially stable companies with a consistent performance history, are popular among investors looking for lower-risk portfolio options. These funds are particularly prominent in the banking sector, where they invest in well-established financial institutions that play a crucial economic role. The performance of blue-chip mutual funds in the banking sector is closely scrutinized due to the sector's sensitivity to macroeconomic factors, regulatory changes, and market dynamics. Evaluating the risk-return trade-off in these funds is essential for investors seeking to understand how they navigate the complexities of the banking industry while delivering consistent returns. Performance evaluation measures such as the Sharpe, Treynor, and Jensen ratios offer a systematic framework for assessing the banking sector's risk-adjusted performance of blue chip mutual funds. By analyzing these measures, investors can gain valuable insights into how these funds manage risk and generate returns relative to their peers. As market conditions and regulatory

environments evolve, understanding the risk-return tradeoff in blue chip mutual funds within the banking sector becomes increasingly important. This research aims to contribute to the existing knowledge by providing insights into the performance dynamics of these funds and offering guidance for investors, fund managers, and policymakers.

B. Statement of the Problem

The challenge lies in comprehensively understanding the risk-return balance within blue chip mutual funds amidst the intricate dynamics of the banking sector. Despite being perceived as relatively low-risk due to their focus on established companies, blue chip funds encounter distinct challenges within banking. This gap in analysis prompts an exploration into several key aspects: How effectively do blue chip mutual funds manage risk while delivering returns to investors in the banking sector? Secondly, what are the driving forces shaping the risk-return profile of these funds within banking, considering factors like market conditions, regulations, and macroeconomic trends? Thirdly, how do blue chip mutual funds in banking fare against benchmarks and alternative investment avenues? Finally, what are the implications of this risk-return dynamic for investors, fund managers, and policymakers aiming to optimize portfolio performance and mitigate risks? Addressing these inquiries demands a nuanced approach, blending theoretical frameworks with empirical data. This research unveils insights into blue chip mutual funds' efficacy in meeting investment objectives within the ever-evolving banking landscape by employing metrics like the Sharpe, Treynor, and Jensen ratios. Such insights enable stakeholders to make informed decisions and drive advancements in portfolio management practices across financial markets.

C. Purpose of the Study

This study explores the intricacies of the risk-return tradeoff within blue chip mutual funds operating within the banking sector. A thorough analysis aims to show how effectively these funds manage risk while delivering returns to investors. Additionally, the study seeks to identify the factors influencing the risk-return profile of blue-chip mutual funds within banking, including market conditions, regulatory changes, and macroeconomic trends. Furthermore, the comparative performance of blue-chip mutual funds against industry benchmarks and alternative investment options will be examined to provide valuable insights for investors, fund managers, and policymakers. Ultimately, the study aims to better understand the banking sector's risk-return dynamics within blue chip mutual funds, empowering stakeholders to make informed decisions and enhance portfolio management practices.

D. Research Questions

1. How effectively do blue chip mutual funds in the banking sector manage risk while generating returns for investors?
2. How does the performance of blue-chip mutual funds in the banking sector compare against industry benchmarks and alternative investment options?

E. Significance of the Study

The significance of this study lies in its potential to offer valuable insights into the risk-return dynamics of blue-chip mutual funds operating within the banking sector. By examining how these funds manage risk while delivering returns, the study can guide investors seeking to make informed decisions about their portfolios. Additionally, identifying factors influencing the risk-return profile of blue-chip mutual funds within banking can help investors and fund managers better understand the nuances of this market segment.

Moreover, the comparative analysis of blue-chip mutual funds against industry benchmarks and alternative investment options can offer benchmarking insights, enabling stakeholders to evaluate the performance of these funds relative to other investment avenues. Furthermore, the implications of the risk-return tradeoff in blue chip mutual funds can inform investment strategies and risk management practices for investors, fund managers, and policymakers alike.

Ultimately, this study has the potential to contribute to the advancement of portfolio management practices within the banking sector, thereby enhancing financial decision-making and fostering more excellent stability and efficiency in the financial markets.

II. Literature Review

A. Definition of Blue-Chip Mutual Funds

Blue-chip mutual funds represent a category of equity funds primarily focused on investing in large-cap companies renowned for their stability and consistent dividend payouts (Kalyan, 2017; A, 2022). These funds are favoured by investors seeking a relatively low-risk investment option, often incorporating them into conservative investment strategies (Kalyan, 2017). They are renowned for offering reliable returns, albeit typically at lower yields, due to their risk-averse nature (Narayanan, 2013). Technical metrics such as Sharpe's, Treynor's, and Jensen's ratios are commonly employed to gauge their performance (A, 2022). However, despite their perceived stability, blue-chip mutual funds are not immune to market fluctuations and are inherently

exposed to market risk (Mugunthan, 2017). This implies that while these funds may offer stability, investors must remain vigilant and cognizant of market conditions that could impact their performance.

B. Overview of the Banking Sector

The banking sector holds immense significance within the global economy, presenting various nations with distinct challenges and opportunities. M (2020) comprehensively examines this sector, emphasizing the criticality of continual improvement and quality management practices. Meanwhile, Ma (1996) delves into China's banking system, shedding light on the complexities of implementing regulations within a state-dominated economy. Goddard (2007) contributes insights on the European banking market, highlighting the ramifications of integration on systemic risk and the supervisory framework. Additionally, Khairullah (2022) contributes a theoretical exploration of the Indian banking system, emphasizing its pivotal role in driving economic growth and fostering social and economic development within the country. Collectively, these perspectives underscore the diverse challenges and opportunities inherent in the banking sector across different regions, offering valuable insights for policymakers, practitioners, and researchers alike.

C. Concept of Risk-Return Trade-off

The risk-return trade-off, a cornerstone concept in finance, has garnered extensive attention and discourse within academic circles. McAnally (1979) and Aslanidis (2015) contributed to this discourse by uncovering a negative relationship between risk and return. Notably, Aslanidis employed dynamic factor models to scrutinize European stock markets, offering valuable insights into the intricate dynamics. However, Wang (2016) introduced a novel perspective, suggesting that this trade-off may be influenced by reference-dependent preferences, particularly in light of prior gains or losses. These divergent findings underscore the complexity inherent in the risk-return trade-off and the necessity for further research to unravel its nuanced dynamics. Indeed, these studies catalyze ongoing exploration and debate, driving the quest for a deeper understanding of this fundamental concept in finance.

D. Introduction to Sharpe, Treynor, and Jensen Measures

The Sharpe, Treynor, and Jensen measures are prominent tools in evaluating portfolio performance and are widely utilized by practitioners and scholars alike. Yuniara (2017) contributed to this body of knowledge by conducting a comparative analysis of these measures and found no significant disparity in their performance assessment, suggesting their potential interchangeability. However, Jobson (1984) introduced a novel method to identify the performance contribution of new assets within a portfolio, proposing using a generalized Jensen index. Additionally, Miller (2009) identified a bias inherent in Sharpe's measure and proposed a corrective methodology to address this limitation, enhancing its accuracy in evaluating portfolio performance. Furthermore, Lee (1976) delved into the impact of functional form and skewness on the risk-return relationship, highlighting potential factors that could influence the accuracy of these measures. By addressing these methodological considerations, Lee's work underscores the importance of accounting for data distribution and functional form nuances when employing these measures for portfolio evaluation. Collectively, these studies enrich our understanding of the nuances surrounding portfolio performance evaluation metrics, offering valuable insights for practitioners and researchers navigating the complexities of financial analysis.

E. Previous Studies on Blue Chip Mutual Funds and Banking Sector Performance Analysis

Studies have delved into the performance of blue-chip mutual funds within the Indian banking sector, shedding light on their efficacy and highlighting notable performers. Geetha (2023) conducted research revealing that SBI Bluechip Fund, Canara Robeco Bluechip Fund, and Kotak Bluechip Fund surpassed their counterparts in terms of performance, underscoring the promising prospects of these funds within the sector. Sundar (2015) further accentuated the significance of market timing skills in the performance of banking sector funds, with Sundaram Financial Services Opportunities, Sahara Banking and Financial Services, and Reliance Banking Fund demonstrating notable prowess. Moreover, Badur (2012) and Gudimetla (2013) directed their attention towards the financial performance of mutual funds operated by private sector banks, with Gudimetla (2013) explicitly highlighting the commendable performance of ICICI Prudential Banking and Financial Services Fund and Reliance Banking Fund. These findings collectively emphasize the potential of blue-chip mutual funds within the Indian banking sector, particularly those managed by private-sector banks. Such insights offer valuable guidance for investors and fund managers seeking to navigate the intricacies of the banking sector and capitalize on promising investment opportunities.

III. Theoretical Framework

A. Risk Measurement Methods

a. Standard Deviation (σ)

Standard deviation, represented by the symbol σ , is a statistical measure that quantifies the degree of dispersion or variability of data points from the mean or average value. In investment and finance, standard deviation is commonly used to assess the volatility or risk associated with an investment or portfolio. A higher standard

deviation indicates more significant variability in returns, suggesting higher risk, while a lower standard deviation implies more stable returns and lower risk.

b. Beta (β)

Beta, denoted by the symbol β , is a measure of systematic risk or volatility of a security or portfolio about the overall market. It quantifies the sensitivity of an investment's returns to fluctuations in the broader market benchmark, such as the S&P 500 index. A beta value of 1 indicates that the investment moves in line with the market. In contrast, a beta greater than 1 signifies higher volatility than the market, and a beta less than 1 indicates lower volatility. Beta is a crucial metric in portfolio management as it helps investors understand how an investment may perform relative to the market and assess its risk-adjusted returns.

B. Sharpe Ratio

The Sharpe Ratio, developed by Nobel laureate William F. Sharpe, is a widely used measure of risk-adjusted return. It quantifies the excess return generated by an investment per unit of risk taken. The formula for the Sharpe Ratio is $(R - R_f) / \sigma$, where R is the average return of the investment, R_f is the risk-free rate of return, and σ is the standard deviation of the investment's returns. A higher Sharpe Ratio indicates better risk-adjusted performance, as the investment generates more return per unit of risk.

C. Treynor Ratio

The Treynor Ratio, introduced by Jack L. Treynor, is another measure of risk-adjusted return. It evaluates the excess return of an investment relative to its systematic risk, as measured by beta. The formula for the Treynor Ratio is $(R - R_f) / \beta$, where R is the average return of the investment, R_f is the risk-free rate of return, and β is the investment's beta. Like the Sharpe Ratio, a higher Treynor Ratio indicates better risk-adjusted performance, as the investment generates more return per unit of systematic risk.

D. Jensen's Alpha

Jensen's Alpha, developed by Michael Jensen, is a measure of a portfolio manager's ability to generate excess returns beyond what would be expected given the portfolio's level of systematic risk, as measured by beta. It is calculated as the difference between the actual return of the portfolio and the return predicted by the Capital Asset Pricing Model (CAPM), adjusted for the portfolio's beta and the risk-free rate of return. An optimistic Jensen's Alpha indicates that the portfolio manager has outperformed the market, while a negative alpha suggests underperformance.

IV. Methodology

A. Research Design

The research design adopted for this study is quantitative, focusing on analyzing data about seven blue chip mutual funds: SBI, Canara, Kotak, Axis, HDFC, ICICI, and Union Bank. The study examines the performance of these funds over six years, utilizing monthly data for analysis.

B. Data Collection

Data collection involved gathering relevant information on the returns, risk beta, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha of the seven selected blue chip mutual funds. Monthly data spanning six years was collected from reliable sources such as financial databases, mutual fund reports, and market research publications.

C. Sample Selection Criteria

The sample selection criteria for this study focused on identifying blue-chip mutual funds with a strong presence in the banking sector. Funds from reputable institutions such as SBI, Canara, Kotak, Axis, HDFC, ICICI, and Union Bank were included in the sample to ensure representation across significant players in the industry.

D. Data Analysis Techniques

The data analysis involved calculating the returns, risk beta, Sharpe Ratio, Treynor Ratio, and Jensen's Alpha for each of the seven selected blue chip mutual funds. These metrics were computed using appropriate formulas and statistical techniques to assess the performance and risk-adjusted returns of the funds over the six years. The analysis aimed to provide insights into the relative performance of the funds and identify any significant trends or patterns that may emerge from the data.

V.Data Analysis and Results

A. Output of the Analysis

		SBI	Canara	Kotak	Axis	HDFC	ICICI	Union	BSE 100
2018	Return	0.06	0.05	0.07	0.07	0.05	0.10	0.07	0.13
	Risk	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04
	Beta	1.03	0.98	1.03	0.70	0.57	0.84	0.98	
	Risk Free Return	0.07							
	Sharpe	-0.22	1.03	1.49	1.62	1.44	2.49	1.50	
	Treynor	-0.01	0.05	0.07	0.11	0.09	0.11	0.07	
	Jensen	-0.07	-0.07	-0.06	-0.02	-0.02	-0.01	-0.06	
2019	Return	-0.24	-0.19	-0.29	-0.13	-0.43	-0.25	-0.23	-0.27
	Risk	0.08	0.07	0.07	0.08	0.10	0.07	0.07	0.07
	Beta	1.02	0.84	0.96	1.08	1.33	0.98	0.95	
	Risk Free Return	0.08							
	Sharpe	-4.14	-2.89	-3.84	-1.59	-4.34	-3.41	-3.30	
	Treynor	-0.31	-0.23	-0.30	-0.12	-0.32	-0.25	-0.24	
	Jensen	0.04	0.03	-0.02	0.16	-0.07	0.02	0.03	
2020	Return	0.58	0.43	0.52	0.38	0.46	0.55	0.53	0.57
	Risk	0.06	0.05	0.05	0.05	0.07	0.05	0.05	0.05
	Beta	1.03	0.79	0.83	0.89	1.17	0.94	0.99	
	Risk Free Return	0.06							
	Sharpe	9.16	8.86	11.01	7.25	6.18	10.60	9.80	
	Treynor	0.51	0.54	0.63	0.43	0.39	0.59	0.53	
	Jensen	0.00	-0.02	0.05	-0.12	-0.21	0.02	-0.03	
2021	Return	0.16	0.07	0.17	0.12	0.10	0.21	0.18	0.18
	Risk	0.03	0.05	0.03	0.04	0.04	0.03	0.04	0.03
	Beta	0.89	1.22	0.99	0.86	0.84	0.87	1.00	
	Risk Free Return	0.07							
	Sharpe	2.84	1.42	4.81	3.13	2.46	6.80	5.05	
	Treynor	0.10	0.06	0.17	0.14	0.12	0.24	0.18	
	Jensen	-0.01	-0.15	-0.01	-0.04	-0.05	0.05	-0.00	
2022	Return	0.03	0.01	0.02	-0.09	-0.01	0.04	-0.00	0.00
	Risk	0.04	0.04	0.04	0.05	0.05	0.04	0.04	0.04
	Beta	0.87	0.84	0.86	0.97	0.87	0.85	0.95	
	Risk Free Return	0.07							
	Sharpe	-1.01	0.13	0.41	-1.92	-0.30	0.97	-0.04	
	Treynor	-0.05	0.01	0.02	-0.09	-0.02	0.04	-0.00	
	Jensen	0.02	0.00	0.01	-0.09	-0.02	0.03	-0.01	
2023	Return	0.25	0.28	0.28	0.33	0.37	0.36	0.31	0.29
	Risk	0.03	0.03	0.03	0.04	0.05	0.03	0.03	0.03
	Beta	0.96	0.92	0.92	0.93	1.26	0.84	0.88	
	Risk Free Return	0.07							
	Sharpe	6.03	9.94	9.71	8.90	6.92	13.52	11.39	
	Treynor	0.19	0.30	0.30	0.36	0.30	0.43	0.35	
	Jensen	-0.03	0.01	0.01	0.07	0.01	0.12	0.06	

B. Interpretation of Findings

The provided table offers a comprehensive overview of the performance of various mutual funds, including SBI, Canara, Kotak, etc., over the six years from 2018 to 2023. Let us delve deeper into the insights and implications derived from the data presented in the table:

- Return and Volatility Trends:** The table reveals fluctuations in annual returns across different mutual funds over the years. For instance, in 2020, all mutual funds exhibited positive returns, suggesting a favorable market environment. Conversely, in 2019, negative returns were observed across the board, indicating a challenging market scenario. Additionally, the risk column highlights variations in volatility, with some funds displaying higher standard deviations than others. This underscores the importance of considering volatility when assessing investment options.
- Beta and Market Sensitivity:** Beta values provide insights into the sensitivity of mutual funds to market movements. A beta of 1 implies that the fund moves in tandem with the market, while a beta below 1 suggests lower volatility relative to the market. Investors can use this information to gauge the market risk associated with each mutual fund and align their investment strategies accordingly.
- Risk-Adjusted Performance Measures:** The Sharpe Ratio, Treynor Ratio, and Jensen Ratio offer valuable insights into the risk-adjusted performance of mutual funds. Higher values of these ratios indicate superior risk-adjusted returns. Notably, the Sharpe and Treynor Ratios show higher values in 2020 and 2023, indicating better risk-adjusted performance. This suggests that investors may have achieved more favorable returns than the risk taken in these years.
- Market Conditions and Investment Strategies:** The trends in the table reflect the impact of varying market conditions on mutual fund performance. Positive returns in 2020 may be attributed to favorable market conditions, while negative returns in 2019 could indicate market downturns. Investors can leverage this

information to assess the efficacy of their investment strategies and make informed decisions based on prevailing market conditions.

- **Caveats and Considerations:** While historical performance data provides valuable insights, it is essential to exercise caution and recognize that past performance does not guarantee future results. Investors should consider their investment objectives, risk tolerance, and time horizon before making investment decisions. Consulting with a financial advisor can offer personalized guidance and assist in constructing a diversified investment portfolio aligned with individual financial goals.

In conclusion, the detailed analysis of mutual fund performance presented in the table offers investors valuable insights into historical trends, risk-adjusted returns, and market sensitivity. By carefully evaluating this information and considering their investment preferences and objectives, investors can make informed decisions to build resilient investment portfolios tailored to their needs.

VI. Discussion

A. Comparison of Sharpe, Treynor, and Jensen Measures

Comparing Sharpe Ratio, Treynor Ratio, and Jensen's Alpha: Risk-Adjusted Return in Focus

Investors strive to maximize returns while minimizing risk. To effectively compare investment options, we rely on risk-adjusted return metrics. Three prominent ones are the Sharpe Ratio, Treynor Ratio, and Jensen's Alpha. Let us delve into their similarities and differences:

Similarities:

- All three assess risk-adjusted return, aiming to quantify the extra return earned per unit of risk taken.
- They all incorporate a risk-free rate of return (typically government bond yield) as a baseline for comparison.
- Higher values in each metric generally indicate better performance.

Differences:

Risk Measurement:

- **Sharpe Ratio:** Uses total risk, measured by standard deviation of returns. This captures both market-related (systematic) and company-specific (unsystematic) risk.
- **Treynor Ratio:** Focuses on systematic risk by using the fund's beta. Beta reflects how much a fund's returns fluctuate compared to the market.
- **Jensen's Alpha:** Does not directly measure risk. Instead, it focuses on excess return - the difference between a fund's actual and expected returns based on the Capital Asset Pricing Model (CAPM).

When to Use Which:

- **Sharpe Ratio:** A versatile measure for comparing investments with varying risk profiles. It is beneficial when diversification can reduce unsystematic risk.
- **Treynor Ratio:** Ideal for comparing funds within the same asset class or with similar betas. It emphasizes how well a fund generates returns relative to its market risk.
- **Jensen's Alpha:** Valuable for assessing a fund manager's skill in generating alpha or outperforming the market after adjusting for systematic risk.

Additional Points:

- Sharpe and Treynor ratios are unitless, while Jensen's Alpha is typically expressed as a percentage.
- None of these metrics consider factors like fees or taxes.
- Limitations exist: They all rely on historical data and make assumptions about future market behavior.

B. Implications of Risk-Return Tradeoff in Blue Chip Mutual Funds

Lower Potential Returns, Lower Risk:

- The table shows annual returns ranging from negative values to around 13.52%. This aligns with blue-chip funds offering lower potential returns than riskier asset classes.
- However, the standard deviation (Risk) figures are generally lower than the return figures, indicating that these funds also exhibited lower volatility.

Ratio and Risk-Adjusted Performance:

- The Sharpe Ratio, a risk-adjusted return metric, is primarily negative or low across the years for most funds. This suggests that the returns are not necessarily superior to the risk-free rate (assumed to be 7% based on the table).

Mitigating Risk Through Diversification:

- It is essential to consider that the table only shows a small sample of blue-chip funds. By design, these funds are diversified holdings of blue-chip stocks. This diversification helps mitigate company-specific risk, which can contribute to the lower volatility observed in the table.

Overall, the table exemplifies the risk-return tradeoff in action. The blue-chip mutual funds have not delivered high returns but have also exhibited lower risk than expected with higher-growth investment options.

Additional points to consider:

- The time frame (six years) is relatively short for evaluating long-term investment performance.
- Fees and expenses of the mutual funds are not included in the table and can affect overall returns.

C. Limitations of the Study

The study has several limitations that should be acknowledged. Firstly, it relies on historical data covering six years, potentially missing recent market dynamics and future trends. Moreover, the data sources' accuracy and reliability could impact the findings' validity. Secondly, the study's focus on a specific set of seven blue chip mutual funds within the Indian banking sector may limit the generalizability of the results, and the selection of funds may introduce biases. Calculating risk-adjusted performance metrics such as Sharpe Ratio, Treynor Ratio, and Jensen's Alpha is based on certain assumptions and methodologies, which may not fully capture real-world complexities. Furthermore, the study may not account for all relevant market risks and external factors influencing fund performance, such as regulatory changes or geopolitical events. Interpretation of findings may also be subject to bias or misinterpretation. Finally, the study's reliance on historical performance may not provide insights into future market trends or the long-term sustainability of blue-chip mutual funds in the banking sector. These limitations highlight the need for cautious interpretation and consideration of external factors when using the study's findings for decision-making.

VII. Conclusion

VIII.

A. Summary of Findings

The analysis of mutual fund performance spanning six years from 2018 to 2023 provides valuable insights into historical trends, risk-adjusted returns, and market sensitivity. Here are the key findings:

- **Return and Volatility Trends:**

Fluctuations in annual returns were observed across different mutual funds over the years. Positive returns in 2020 indicated a favorable market environment, while negative returns in 2019 reflected challenging market conditions. Variations in volatility, highlighted by the risk column, underscored the importance of considering volatility when assessing investment options.

- **Beta and Market Sensitivity:**

Beta values offered insights into the sensitivity of mutual funds to market movements. Investors could gauge the market risk associated with each fund and align their investment strategies accordingly.

- **Risk-Adjusted Performance Measures:**

The Sharpe Ratio, Treynor Ratio, and Jensen Ratio provided valuable insights into the risk-adjusted performance of mutual funds. Higher values of these ratios in 2020 and 2023 indicated better risk-adjusted performance, suggesting that investors achieved more favorable returns than the risk taken in these years.

- **Market Conditions and Investment Strategies:**

Trends reflected the impact of varying market conditions on mutual fund performance. Positive returns in 2020 may be attributed to favorable market conditions, while negative returns in 2019 could indicate market downturns. Investors could leverage this information to assess the efficacy of their investment strategies and make informed decisions based on prevailing market conditions.

- **Caveats and Considerations:**

While historical performance data offered valuable insights, caution was advised, recognizing that past performance does not guarantee future results. Investors were urged to consider their investment objectives, risk tolerance, and time horizon before making investment decisions. Consulting with a financial advisor could offer personalized guidance aligned with individual financial goals.

Overall, the detailed analysis of mutual fund performance presented in the table gave investors valuable insights into historical trends, risk-adjusted returns, and market sensitivity. By carefully evaluating this information and considering their investment preferences and objectives, investors could make informed decisions to build resilient investment portfolios tailored to their needs.

B. Contributions to Existing Knowledge

- **Enhanced Understanding of Mutual Fund Performance:** The analysis contributes to existing knowledge by providing a comprehensive overview of the performance of various mutual funds over six years. By examining key performance metrics such as returns, volatility, beta, and risk-adjusted performance measures, the study offers valuable insights into the dynamics of mutual fund performance within the Indian banking sector.
- **Insights into Risk-Return Tradeoff:** The study contributes to understanding the risk-return tradeoff inherent in blue chip mutual funds. By assessing the relationship between returns and volatility, as well as the risk-adjusted performance measures such as Sharpe Ratio, Treynor Ratio, and Jensen's Alpha, the analysis sheds light on how mutual funds manage risk while aiming to achieve returns for investors.
- **Implications for Investment Decision-Making:** The study's findings have practical implications for investors and financial professionals. By highlighting the impact of market conditions on mutual fund performance and the importance of risk-adjusted performance measures, the analysis offers valuable guidance for investment decision-making and portfolio management strategies.
- **Methodological Contributions:** The study contributes methodologically by showcasing the application of various performance evaluation metrics, including Sharpe Ratio, Treynor Ratio, and Jensen's Alpha, in assessing mutual fund performance. By demonstrating the use of these metrics in the context of blue chip mutual funds in the banking sector, the analysis adds to the methodological toolkit available for researchers and practitioners in the field of finance.
- **Foundation for Future Research:** The study lays the groundwork for future research endeavors in mutual fund performance evaluation and portfolio management. By identifying gaps in existing literature and highlighting areas for further investigation, the analysis provides a roadmap for future studies to deepen our understanding of mutual fund performance and its implications for investors and financial markets. Overall, the contributions of the analysis extend beyond the scope of the current study, enriching existing knowledge in finance and providing valuable insights for both academia and practice.

C. Recommendations for Investors and Policy Makers

- **Diversify Investment Portfolios:** Investors should consider diversifying their investment portfolios across different asset classes, including blue chip mutual funds, to mitigate risk and optimize returns. By spreading investments across various funds with different risk profiles, investors can enhance portfolio resilience and reduce exposure to market volatility.
- **Focus on Risk-Adjusted Returns:** Investors should prioritize risk-adjusted performance metrics, such as Sharpe Ratio, Treynor Ratio, and Jensen's Alpha, when evaluating mutual fund options. These metrics provide insights into how well a fund generates returns relative to the level of risk taken, helping investors make informed decisions aligned with their risk tolerance and investment objectives.
- **Stay Informed and Seek Professional Advice:** Investors should stay informed about market trends, economic developments, and regulatory changes that may impact mutual fund performance. Consulting with a financial advisor can offer personalized guidance and help investors navigate complex financial markets, ensuring that investment decisions are aligned with long-term financial goals.
- **Monitor and Review Portfolio Performance:** Regular monitoring and review of portfolio performance are essential for investors to assess the effectiveness of their investment strategies and make necessary adjustments. By tracking the performance of mutual funds and benchmarking against relevant market indices, investors can identify underperforming funds and take timely corrective actions.
- **Advocate for Investor Protection and Transparency:** Policymakers should prioritize investor protection and transparency in the mutual fund industry by implementing robust regulatory frameworks and disclosure requirements. Clear and comprehensive disclosure of fees, expenses, and risks associated with mutual funds can empower investors to make well-informed decisions and enhance market integrity.
- **Foster Financial Literacy and Education:** Policymakers should invest in initiatives to promote financial literacy and education among investors. By equipping investors with the knowledge and skills to understand investment products, evaluate risks, and make informed decisions, policymakers can empower individuals to achieve financial well-being and resilience.
- **Encourage Innovation and Competition:** Policymakers should foster an environment conducive to innovation and competition in the mutual fund industry. Encouraging new entrants, promoting technological

advancements, and fostering market competition can lead to better product offerings, lower costs, and improved investor outcomes.

- **Conduct Periodic Reviews and Assessments:** Policymakers should conduct periodic reviews and assessments of the mutual fund regulatory framework to ensure its effectiveness and relevance in addressing emerging challenges and market dynamics. Policymakers can adapt regulations to promote market efficiency, investor protection, and financial stability by staying vigilant and proactive.

By implementing these recommendations, investors and policymakers can contribute to developing a robust and resilient mutual fund industry that serves the interests of investors and fosters long-term financial prosperity.

D. Areas for Future Research

Future research can explore several key areas to enhance further our understanding of blue-chip mutual funds in the banking sector. Firstly, a focus on long-term performance analysis spanning multiple market cycles and economic environments can provide insights into the sustainability and resilience of these funds over time. Secondly, investigating the impact of macroeconomic factors such as inflation, interest rates, and GDP growth on fund performance can deepen our understanding of market dynamics. Thirdly, incorporating behavioral finance perspectives, including investor sentiment and herding behavior, can shed light on the psychological drivers of investment decision-making and their implications for fund performance. Examining the integration of environmental, social, and governance (ESG) criteria in fund selection and performance evaluation can inform responsible investment practices. Furthermore, exploring the role of technological innovations, such as artificial intelligence and blockchain, in reshaping the mutual fund industry and influencing fund performance can provide insights into the future of finance. Evaluating the effectiveness of regulatory frameworks in ensuring market efficiency and investor protection and conducting comparative analyses of fund performance across different geographic regions and regulatory environments can offer valuable insights for policymakers and investors alike. Lastly, investigating alternative investment strategies and products compared to traditional blue chip funds can inform portfolio diversification strategies and risk management techniques. By addressing these research areas, scholars can contribute to advancing knowledge in finance and investment management, benefiting stakeholders across the financial ecosystem.

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