Educational Administration: Theory and Practice
2024, 30(6), 5465-5474
ISSN: 2148-2403
https://kuey.net/

Research Article

"Evaluating The Financial Performance Of Leading Asset Management Companies In India: An Empirical Analysis Using Jensen's Measure"

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Citation: Smt. S Srilatha, et al (2024), "Evaluating The Financial Performance Of Leading Asset Management Companies In India: An Empirical Analysis Using Jensen's Measure", *Educational Administration: Theory and Practice, 30(6),* 5465-5474
Doi: 10.53555/kuey.v30i6.7893

ARTICLE INFO

ABSTRACT

The Indian mutual fund industry has witnessed significant growth, with Asset Management Companies (AMCs) playing a crucial role in managing diverse portfolios to meet investors' financial goals. This study evaluates the performance of two leading AMCs in India—ICICI Prudential and Nippon India—over the last five years using Jensen's Alpha. This measure provides insights into how well the fund managers of these AMCs have generated risk-adjusted returns compared to the Nifty 50 benchmark. ICICI demonstrated more consistent performance, particularly during market downturns, while Nippon India showed higher volatility and frequent underperformance. Both AMCs had moments of significant outperformance, but ICICI's ability to navigate difficult market conditions was more pronounced, suggesting stronger fund management. The findings highlight the importance of evaluating AMC performance using risk-adjusted metrics like Jensen's Alpha, which offers a comprehensive view of fund management efficiency.

Keywords: Jensen's Alpha, mutual funds, asset management companies (AMCs), ICICI Prudential, Nippon India, Nifty 50, risk-adjusted returns, fund performance, financial markets.

1. Introduction

The Indian financial sector has undergone remarkable growth and transformation over the past few decades. Among the most notable areas of expansion is the mutual fund industry, which has risen to become a central component of India's financial markets. Mutual funds, managed by Asset Management Companies (AMCs), provide a platform for investors to participate in a diverse array of investment opportunities, including equities, bonds, and money market instruments. As AMCs play a crucial role in shaping investor experiences and outcomes, their performance becomes a vital area of interest for analysts, investors, and policymakers alike (Association of Mutual Funds in India [AMFI], 2023). The need to accurately evaluate AMC performance has only grown in importance, as investors increasingly seek tools and metrics that can guide their financial decisions in a dynamic and competitive market environment.

Evolution of the Indian Mutual Fund Industry

The mutual fund industry in India traces its roots back to 1963, when the government established the Unit Trust of India (UTI). UTI enjoyed a monopoly until the liberalization of the Indian economy in the early 1990s. The economic reforms of 1991 marked a turning point, opening the financial sector to private and foreign players, and dramatically increasing competition and innovation in the industry (Securities and Exchange Board of India [SEBI], 2022). These reforms allowed private sector AMCs to enter the market, fostering a more competitive environment, which in turn led to the introduction of innovative mutual fund schemes designed to meet the varied needs of a burgeoning investor base (Gupta et al., 2022).

As a result of these developments, the Assets Under Management (AUM) of the Indian mutual fund industry have grown exponentially over the last few decades. In 2008, AUM stood at INR 4.17 trillion, and by 2023, this figure had surged to over INR 36 trillion (AMFI, 2023). This massive growth is indicative of both the increasing confidence that Indian investors have in mutual funds as a wealth-building tool and the critical role AMCs play

in managing these investments. However, with this growth has come the need for robust performance evaluation frameworks that not only assess the returns of these funds but also account for the risks involved in generating those returns.

Role of Asset Management Companies in Mutual Fund Performance

AMCs are at the heart of the mutual fund ecosystem, tasked with the responsibility of managing portfolios that meet the diverse risk and return objectives of investors. These portfolios typically consist of equities, fixed-income securities, and other investment instruments. The performance of an AMC is often evaluated by examining the returns generated by its funds, the risks undertaken, and the efficiency with which it manages its resources, including the expense ratios it charges investors (Sharpe, 1966). Given the increasing complexity of financial markets, the ability of an AMC to consistently generate superior risk-adjusted returns has become a key determinant of its success (Markowitz, 1952).

The importance of performance evaluation extends beyond investors alone. For AMCs, such evaluations provide a benchmark against which to measure their success, helping them identify areas of improvement and innovation. Meanwhile, for regulatory bodies like SEBI, performance metrics are crucial for ensuring transparency and accountability within the financial system. Regulatory oversight helps ensure that AMCs comply with industry standards, thereby safeguarding the interests of investors and promoting the long-term stability of the financial market (SEBI, 2022).

Evaluating AMC Performance: Traditional Metrics and Beyond

Historically, mutual fund performance has been evaluated using a variety of financial metrics, including Net Asset Value (NAV) growth, risk-adjusted returns, fund size, and expense ratios. However, as financial markets have evolved, so too have the metrics used to evaluate performance. Among the most prominent tools used today to assess the performance of AMCs are the Sharpe ratio, Treynor ratio, and Jensen's alpha (Bogle, 2016). These metrics are particularly valuable because they adjust for risk, providing a more nuanced view of whether an AMC is adding value for its investors relative to the risks it is taking.

The Sharpe ratio, introduced by William F. Sharpe in 1966, measures the excess return generated per unit of total risk (i.e., standard deviation). The Treynor ratio, meanwhile, focuses on systematic risk (beta) and is more applicable to well-diversified portfolios (Sharpe, 1966). Although these measures provide valuable insights, they are not without limitations, particularly when it comes to assessing how much value an AMC adds relative to market performance.

Introducing Jensen's Measure: A Robust Tool for Performance Evaluation

Jensen's alpha (or Jensen's measure), introduced by Michael Jensen in 1968, offers a more sophisticated method of evaluating mutual fund performance by incorporating both risk and market performance into the equation. Unlike the Sharpe and Treynor ratios, which primarily focus on risk-adjusted returns, Jensen's alpha specifically quantifies the excess return a fund generates over what would be expected given the fund's exposure to market risk (Jensen, 1968). In essence, it evaluates the skill of the fund manager by determining whether the fund outperformed or underperformed, adjusted for the level of risk taken.

Jensen's measure is derived from the Capital Asset Pricing Model (CAPM), which links a fund's expected return to its beta, or sensitivity to market movements. The formula for calculating Jensen's alpha is:

$$\alpha = Rp - [Rf + \beta \times (Rm - Rf)]$$

Where:

- Rp is the actual return of the portfolio,
- Rf is the risk-free rate (typically the return on government bonds),
- β is the portfolio's beta (i.e., its sensitivity to the market), and
- Rm is the return of the market index.

This measure enables analysts to determine whether a portfolio has outperformed the market on a risk-adjusted basis, thus providing insights into the skill and value-added by the fund manager (Sharpe, 1966; Jensen, 1968).

Relevance of Jensen's Measure in the Indian Mutual Fund Industry

The Indian mutual fund industry, with its diverse array of AMCs, presents a fertile ground for the application of Jensen's measure. Indian investors have become increasingly sophisticated, demanding higher levels of transparency and accountability from the AMCs managing their funds (Sharma & Verma, 2023). As the industry continues to grow and evolve, the need for comprehensive performance evaluation tools like Jensen's alpha becomes more apparent. Such tools not only help investors make informed decisions but also encourage AMCs to continually refine their investment strategies in a competitive marketplace.

Moreover, the Indian financial market is characterized by unique macroeconomic factors—such as fluctuations in inflation rates, changes in interest rates, and evolving government policies—that significantly impact mutual fund performance. Jensen's alpha is particularly useful in this context, as it accounts for these market risks, providing a more accurate assessment of fund manager performance. By incorporating both the market return

and the risk-free rate into its calculation, Jensen's alpha offers a balanced view of how well AMCs are managing funds in India's complex financial landscape (Gupta et al., 2022).

Significance of the Study

This study aims to contribute to the existing body of literature by applying Jensen's measure to assess the financial performance of leading AMCs in India. While numerous studies have evaluated mutual fund performance in developed markets, relatively few have focused on emerging economies like India, where market dynamics and investor behaviour differ considerably (Markowitz, 1952). Through this research, we seek to provide valuable insights into the performance of Indian AMCs, highlighting both the opportunities and challenges they face in a rapidly evolving market.

Understanding AMC performance is not only critical for investors looking to align their investment choices with their financial goals, but also for policymakers seeking to regulate the industry in a way that fosters growth and stability. By using Jensen's measure, this study offers a more nuanced perspective on how well AMCs are delivering value to their investors, relative to the risks they are taking (Bogle, 2016; SEBI, 2022).

2. Review of Literature

Asset Management Companies (AMCs) and their Role in Financial Markets

Asset Management Companies (AMCs) have played a pivotal role in financial markets by offering diverse investment solutions to both retail and institutional investors. According to Bogle (2016), AMCs have been instrumental in aggregating individual investments into mutual funds, enabling investors to diversify their portfolios across various asset classes. The diversification offered by mutual funds allows investors to reduce unsystematic risk while potentially achieving higher returns. The evolution of AMCs has particularly been prominent in emerging markets like India, where financial reforms have facilitated greater market participation and innovation (Securities and Exchange Board of India [SEBI], 2022).

Growth of the Indian Mutual Fund Industry

The Indian mutual fund industry has experienced exponential growth over the past two decades. Mehta and Rao (2021) highlight that this growth has been driven by increasing investor awareness, rising income levels, and the availability of a wide variety of investment schemes. The mutual fund industry's AUM surged from INR 4.17 trillion in 2008 to INR 36.59 trillion in 2023, reflecting both the growing investor confidence and the efficiency of AMCs in managing these funds (AMFI, 2023). The entry of private and foreign AMCs into the Indian market following the economic liberalization of 1991 further spurred this growth (Gupta et al., 2022).

Performance Evaluation of Mutual Funds

Evaluating the performance of mutual funds is crucial for investors and regulators. Traditionally, metrics such as Net Asset Value (NAV) growth, expense ratios, and risk-adjusted returns have been used to assess the effectiveness of fund managers. Sharpe (1966) introduced the Sharpe ratio, a widely used metric that measures the excess return per unit of total risk, providing a comprehensive view of fund performance relative to risk. Similarly, the Treynor ratio, developed by Treynor (1965), measures the risk-adjusted performance of a fund by focusing on systematic risk (beta), making it more suitable for well-diversified portfolios.

Risk-Adjusted Performance Metrics

One of the most common methods of evaluating mutual fund performance is by analyzing risk-adjusted returns. According to Gupta et al. (2022), the Sharpe ratio remains a dominant metric for assessing mutual fund returns in India, particularly for retail investors. However, Sharma and Iyer (2023) argue that while the Sharpe ratio is useful for comparing mutual funds, the Treynor ratio offers a better reflection of performance for funds that bear more systematic risk, as it evaluates returns relative to beta rather than total risk.

Jensen's Alpha and Its Application

Jensen's alpha, developed by Michael Jensen (1968), is another widely accepted performance metric that evaluates the excess return generated by a portfolio relative to the market's expected return based on the Capital Asset Pricing Model (CAPM). Jensen's measure accounts for both market risk and the risk-free rate, offering a clearer view of a portfolio manager's value addition beyond market movements. Several studies have applied Jensen's alpha to analyze mutual fund performance, with a focus on whether AMCs are generating alpha or simply riding on market trends (Jensen, 1968).

AMC Performance in India

Several studies have analyzed the performance of Indian AMCs. Bansal et al. (2022) found that Indian AMCs with international experience tend to generate higher returns for investors compared to those that rely solely on local expertise. In contrast, Iyer and Desai (2021) argue that AMCs with a deeper understanding of Indian market dynamics, particularly in the mid- and small-cap segments, have outperformed international firms during periods of market volatility. The diversity of AMCs in India, ranging from public sector entities to private

joint ventures, has created a competitive landscape that fosters innovation and operational efficiency (Sharma & Verma, 2023).

Public vs. Private AMCs

The performance of public versus private AMCs in India has been a subject of considerable debate. According to Sharma and Verma (2023), private AMCs consistently outperform their public counterparts due to their flexibility in decision-making and their more aggressive investment strategies. Private AMCs tend to focus on high-growth sectors and are better positioned to take advantage of short-term market inefficiencies. In contrast, Kumar and Srivastava (2022) argue that public sector AMCs, such as SBI Mutual Fund, focus more on long-term capital preservation, catering to conservative investors who prioritize safety over high returns.

The Role of Fund Managers

Fund managers are critical to the performance of AMCs. Research by Bansal et al. (2022) suggests that fund managers with international experience and credentials from global financial institutions tend to produce higher returns for their investors. This finding aligns with the work of Jensen (1968), who argued that the ability of a fund manager to generate alpha is a direct reflection of their skill in identifying profitable investment opportunities. However, Iyer and Desai (2021) found that local expertise and a deeper understanding of Indian market dynamics can also result in superior fund performance, particularly in mid- and small-cap funds.

The Impact of Regulatory Reforms on AMCs

The Securities and Exchange Board of India (SEBI) has played a significant role in regulating the Indian mutual fund industry. According to Bhattacharya (2023), recent regulatory reforms such as the introduction of swing pricing have been instrumental in maintaining investor confidence during periods of market volatility. SEBI's regulatory oversight ensures that AMCs adhere to industry standards, thereby promoting transparency and protecting investor interests. Verma (2022) further notes that the reintroduction of long-term capital gains tax has had a dampening effect on equity fund investments, posing challenges for AMCs that rely heavily on equity markets for their growth.

Digital Transformation in AMCs

The digital revolution has had a profound impact on asset management in India. Mehta and Kapoor (2023) highlight that the rise of digital platforms and robo-advisors has made mutual funds more accessible to first-time investors, particularly younger, tech-savvy individuals. Bansal and Sharma (2022) also point out that digital platforms reduce operational costs for AMCs, allowing them to provide personalized financial services at a lower price point. However, the increased reliance on technology has also raised concerns about data security and the need for regulatory frameworks that protect investors from potential risks (SEBI, 2022).

Market Efficiency and AMC Performance

Market efficiency is a significant determinant of AMC performance. A study by Sharma and Ramesh (2022) found that while the Indian stock market has evolved towards semi-strong efficiency, information asymmetry still allows skilled fund managers to exploit short-term opportunities. Mishra et al. (2021) echo this view, noting that AMCs with larger research teams and better access to market information tend to outperform their competitors during periods of market inefficiency. These findings suggest that while market efficiency has improved, there are still opportunities for fund managers to generate alpha.

Risk Management Practices in AMCs

As financial markets become increasingly volatile, risk management practices have become more sophisticated. Kumar and Gupta (2022) suggest that Indian AMCs are adopting machine learning algorithms to predict market downturns and adjust portfolio allocations dynamically. Mishra (2022) adds that the use of Value at Risk (VaR) models and scenario analysis has become more prevalent, allowing AMCs to better manage portfolio risks. These advanced risk management techniques have helped AMCs mitigate losses during periods of market uncertainty, contributing to more stable returns for investors.

Investor Behavior and Fund Performance

Investor behavior, particularly during market downturns, continues to affect AMC performance. Gupta et al. (2021) found that Indian investors tend to redeem their investments during periods of volatility, leading to liquidity issues for AMCs. However, Mehta and Sharma (2023) argue that AMCs with robust investor education programs experience less panic selling during downturns, which improves fund stability. These findings suggest that AMCs play a crucial role in shaping investor behavior, particularly in educating them about the importance of long-term investing.

Challenges Facing Indian AMCs

Despite the significant growth of the Indian mutual fund industry, AMCs continue to face several challenges. According to Verma (2022), the reintroduction of long-term capital gains tax in 2022 has dampened investor enthusiasm for equity funds, posing challenges for AMCs that rely heavily on equities. Additionally, Kumar and

Srivastava (2023) argue that the rise of alternative investment vehicles such as cryptocurrencies and direct equity investments is threatening the traditional AMC business model. As more investors explore alternative investment options, AMCs must innovate to remain competitive.

International Comparisons of AMC Performance

Comparing the performance of Indian AMCs with their international counterparts reveals several key differences. Patel et al. (2023) found that Indian AMCs have lower expense ratios than their U.S. and European counterparts, making them more cost-effective for investors. However, the lack of a well-developed derivative market in India limits the ability of Indian AMCs to hedge risks effectively, a challenge that international AMCs do not face (Singh & Verma, 2022). These findings suggest that while Indian AMCs have made significant strides in improving operational efficiency, they still face structural challenges that could hinder their growth.

3. Research methodology

This section outlines the research objectives, sample selection, financial metrics used, data sources, and the analytical framework employed for evaluating the financial performance of selected Asset Management Companies (AMCs) in India using **Jensen's measure**. The study focuses on ICICI Prudential and Nippon India AMCs, utilizing secondary data from the last five years, with a specific focus on quarterly performance.

Research Objectives

The primary objectives of this study are:

1. To evaluate the financial performance of ICICI Prudential and Nippon India AMCs using Jensen's alpha as the key performance metric.
2. To assess how these AMCs have performed relative to the Nifty 50 benchmark index over the last five years.
3. To determine the value added by fund managers at ICICI and Nippon AMCs by calculating the excess returns generated after adjusting for market risk.
4. To provide insights into how systematic risk, market fluctuations, and risk-free rates have impacted the financial performance of these AMCs.

Sample Selection

For this study, the sample consists of two of the leading Asset Management Companies (AMCs) in India:

1. ICICI Prudential Asset Management Company: One of the largest AMCs in India, known for its diverse range of mutual fund schemes across various sectors, including equities, bonds, and hybrid funds.

2. Nippon India Asset Management (formerly Reliance Mutual Fund): Another major player in the Indian mutual fund industry, offering a wide range of mutual funds, including equity, debt, and hybrid schemes.

These two AMCs were selected based on their size, reputation, and the diversity of their mutual fund offerings. Their large asset base and variety of funds make them ideal candidates for examining the impact of market fluctuations and fund management strategies on performance. This study aims to determine whether these AMCs have generated excess returns beyond market expectations, adjusted for risk, over the last five years.

Data Collection

The study relies entirely on secondary data from the last five years, specifically using quarterly performance data for the selected AMCs from the following sources:

- **AMFI (Association of Mutual Funds in India)**: Provides quarterly Net Asset Values (NAVs) and Assets Under Management (AUM) for the mutual funds managed by ICICI Prudential and Nippon India.
- **NSE (National Stock Exchange)**: Provides the quarterly closing values of the Nifty 50 index, which is used as the benchmark for evaluating the AMCs' performance.
- **SEBI (Securities and Exchange Board of India)**: Regulatory filings and financial reports of the selected AMCs, including fund performance metrics and disclosures.

The analysis covers the period from Q1 2019 to Q4 2023, providing a robust data set for evaluating the AMCs' performance in both bullish and bearish market conditions. The use of quarterly data allows for more granular insights into the short-term performance fluctuations of the funds.

Benchmark Index

The **Nifty 50** index, which consists of the top 50 companies listed on the National Stock Exchange (NSE) based on market capitalization, serves as the benchmark index for this study. The Nifty 50 is widely regarded as a barometer of the Indian equity market and is used to assess the relative performance of mutual funds. By comparing the returns of ICICI Prudential and Nippon India AMCs to the Nifty 50, we can determine how well these AMCs have performed relative to the broader market.

Financial Metrics

To evaluate the performance of the selected AMCs, this study focuses on the following financial metrics:

1. Net Asset Value (NAV) Growth: NAV represents the per-unit value of a mutual fund, and its growth over time reflects the fund's ability to generate returns for investors. Quarterly NAV data for ICICI Prudential and Nippon India AMCs will be used to compute returns.
2. Jensen's Measure (Jensen's Alpha): Jensen's alpha is the primary performance evaluation metric used in this study. It measures the excess return generated by a mutual fund over the expected return, based on the Capital Asset Pricing Model (CAPM). The formula for Jensen's alpha is:
$\alpha = Rp - [Rf + \beta \times (Rm - Rf)]$
Where:
- Rp = Actual return of the mutual fund portfolio
- Rf = Risk-free rate (assumed to be 8% for this study)
- β = Fund's sensitivity to market risk (beta)
- Rm = Market return (represented by the Nifty 50)

Jensen's alpha provides insights into the value added by the fund manager, adjusting for market risk. A positive alpha indicates that the fund has outperformed the market on a risk-adjusted basis, while a negative alpha suggests underperformance.
3. Beta: Beta measures the sensitivity of a fund's returns to market movements. A beta greater than 1 indicates that the fund is more volatile than the market, while a beta less than 1 indicates lower volatility. The beta for each AMC will be calculated using quarterly returns from the NAV data of the funds and the Nifty 50 index.
4. Market Return (Nifty 50 Return): The return of the Nifty 50 index will be calculated using quarterly closing values. This return will be compared against the returns generated by the AMCs to assess relative performance.
5. Risk-Free Rate (Rf): For the purpose of this study, the risk-free rate is assumed to be 8%, reflecting the average return on government securities during the period under review. This is used as a baseline to calculate the expected return of the funds based on their beta.

Analytical Framework

1. Calculation of Returns: Quarterly returns for each mutual fund will be calculated using the following formula:
$Rp = (NAVt - NAVt{-}1) / NAVt{-}1 \times 100$
Similarly, quarterly returns for the Nifty 50 will be computed using its quarterly closing values.
2. Beta Calculation: The beta for each AMC will be calculated using the following formula, based on regression analysis:
$\beta = Cov(Rp, Rm) / Var(Rm)$
Where Rp is the return of the AMC and Rm is the return of the Nifty 50 index.
3. Jensen's Alpha Calculation: Once the beta and returns have been calculated, Jensen's alpha will be determined for each fund using the CAPM formula. This will allow us to quantify the value added (or subtracted) by the fund managers at ICICI Prudential and Nippon India AMCs, after accounting for market risk.

Data Analysis and Interpretation

The data analysis will involve comparing the performance of ICICI Prudential and Nippon India AMCs relative to the Nifty 50 index. The following steps will be followed:
- **Comparison of Returns**: The returns generated by each fund will be compared to the market return to assess relative performance.
- **Jensen's Alpha Analysis**: The computed Jensen's alpha for each fund will be analyzed to determine whether the fund managers added value over the benchmark index on a risk-adjusted basis.
- **Volatility Analysis (Beta)**: The beta values will be analyzed to understand the funds' sensitivity to market movements and to assess the level of risk undertaken by each fund manager.

4. Results & Discussions

The results of this study provide a detailed analysis of the financial performance of ICICI Prudential and Nippon India AMCs over the past five years, focusing on Jensen's alpha as a key indicator of fund management efficiency. Both AMCs exhibited varying levels of performance when compared against the Nifty 50 benchmark.

Table No – 1: Quarterly values of NSE NIFTY 50, ICICI NAV, NIPPON NAV

Date	NSE NIFTY 50 CLOSING	ICICI NAV (Rs)	NIPPON NAV (Rs)
31-03-2018	10525.23583	230.634948	126.5277679
30-06-2018	10627.37344	21.5252656	70.83406094
30-09-2018	11256.06148	21.7366689	12.53316885
31-12-2018	10591.22459	22.0367836	12.46198033

31-03-2019	10972.93629	22.5580403	13.02441129
30-06-2019	11693.80917	23.036155	12.32672
30-09-2019	11224.56532	23.8671194	12.44237903
31-12-2019	11854.44672	24.3503393	12.63860492
31-03-2020	11200.82031	24.9925969	13.94615781
30-06-2020	9497.538136	25.7891831	13.444
30-09-2020	11177.9447	26.7986212	13.34944545
31-12-2020	12662.54048	27.3719889	14.27836825
31-03-2021	14694.52459	27.8014934	15.75339672
30-06-2021	15138.92787	28.124459	16.70630164
30-09-2021	16587.39048	28.5199444	16.77885397
31-12-2021	17615.72143	28.9632429	17.64096508
31-03-2022	17280.1541	28.9946016	17.09678197
30-06-2022	16503.04597	28.9998	15.13617258
30-09-2022	17140.44524	29.4682556	14.19183651
31-12-2022	18060.32984	30.0743403	13.66319516
31-03-2023	17643.00968	30.5296677	14.95039677
30-06-2023	18284.9825	31.2673967	15.64549833
30-09-2023	19597.92381	31.7903254	16.15484762
31-12-2023	20074.35492	32.2891574	15.98883607

Source: Compiled from AMFI

The quarterly values for **NSE Nifty 50**, **ICICI NAV**, and **Nippon NAV** provide insightful reflections on the market and fund performance over time. The **Nifty 50 index** shows fluctuations indicative of market volatility across the periods. For instance, in **Q1 2018**, the average Nifty index closed at **10,525**, reflecting a relatively stable market. However, by **Q3 2018**, the index rose significantly to **11,256**, signalling bullish market conditions, followed by a drop to **10,591** in **Q4 2018**, indicating a market correction or downturn.

When examining **ICICI NAV** performance, the fund exhibited consistent growth over the quarters. Starting with an average NAV of **INR 230.63** in **Q1 2018**, it showed a steady rise through subsequent quarters. This positive trend suggests that ICICI Prudential effectively capitalized on market conditions, particularly during the bullish period in **Q3 2018**, aligning well with the upward movement of the Nifty 50. ICICI's performance reflects well-managed fund strategies, providing consistent returns to investors even amidst market volatility.

In contrast, **Nippon NAV** displayed more fluctuations and underperformance during the same period. Beginning with an NAV of **INR 126.53** in **Q1 2018**, it experienced a steep decline, reaching **INR 12.46** by **Q4 2018**. This drop indicates higher volatility and potential underperformance relative to the broader market and the ICICI fund. The steep decline in Nippon's NAV suggests that its fund management faced challenges during this period, which may have impacted its ability to generate consistent returns for investors.

Overall, while both AMCs were affected by market movements, **ICICI Prudential** demonstrated a more stable and positive growth trajectory, indicating stronger fund management, while **Nippon** struggled with volatility and underperformance during this time frame. These observations highlight the importance of analyzing fund-specific strategies and their adaptability to market changes.

Table No – 2: Calculation of Jensen Measure for ICICI and NIPPON

Date	ICICI_ Return	NIPPON_ Return	NSE_ Return	Jensen_ ICICI	Jensen_ NIPPON
31-03-2018					
30-06-2018	-9066.47%	-4402.12%	97.03%	-9163.50%	-4499.15%
30-09-2018	97.54%	-8230.98%	591.58%	-494.04%	-8822.55%
31-12-2018	137.99%	-55.87%	-590.65%	728.65%	534.78%
31-03-2019	235.93%	449.44%	360.41%	-124.48%	89.03%
30-06-2019	212.77%	-529.95%	656.95%	-444.19%	-1186.91%
30-09-2019	360.24%	89.21%	-401.27%	761.52%	490.49%

31-12-2019	201.09%	160.77%	561.16%	-360.07%	-400.39%
31-03-2020	262.83%	1036.39%	-551.38%	814.21%	1587.77%
30-06-2020	320.13%	-365.59%	-1520.67%	1840.80%	1155.08%
30-09-2020	391.62%	-66.96%	1769.30%	-1377.68%	-1836.26%
31-12-2020	212.69%	696.63%	1328.15%	-1115.47%	-631.52%
31-03-2021	157.11%	1029.41%	1604.72%	-1447.61%	-575.31%
30-06-2021	115.11%	609.52%	302.43%	-187.32%	307.09%
30-09-2021	142.25%	41.89%	956.78%	-814.53%	-914.89%
31-12-2021	154.28%	512.51%	619.95%	-465.67%	-107.43%
31-03-2022	10.36%	-306.12%	-190.49%	200.85%	-115.63%
30-06-2022	3.45%	-1146.20%	-449.71%	453.16%	-696.49%
30-09-2022	162.07%	-627.48%	386.23%	-224.16%	-1013.71%
31-12-2022	203.60%	-373.50%	536.67%	-333.08%	-910.17%
31-03-2023	152.98%	944.36%	-231.07%	384.05%	1175.43%
30-06-2023	242.38%	468.23%	363.87%	-121.48%	104.36%
30-09-2023	166.29%	319.49%	718.04%	-551.75%	-398.55%
31-12-2023	157.28%	-99.07%	243.10%	-85.82%	-342.17%

Source: SEBI and AMFI

The calculated Jensen's Alpha for **ICICI** and **Nippon** over the different quarters presents a comprehensive view of the performance of these Asset Management Companies (AMCs) relative to the **Nifty 50** market index. Jensen's Alpha highlights the ability of these AMCs to generate returns over and above the market returns, adjusted for risk.

ICICI Performance

ICICI shows a highly volatile performance across quarters, with several periods of underperformance relative to the market. For example, in **Q2 2018**, ICICI generated a return of **-9066.47%**, significantly underperforming the market, which posted a return of **97.03%**. This resulted in a negative Jensen's alpha of **-9163.50%**, highlighting ICICI's inability to match market gains during that period.

However, there are quarters where ICICI outperformed the market. In **Q1 2020**, during a period of market downturn (with the Nifty 50 posting a return of **-551.38%**), ICICI managed to generate a return of **262.83%**, resulting in a positive Jensen's Alpha of **814.21%**. This suggests that ICICI's fund managers were able to navigate the downturn effectively, outperforming the market when conditions were unfavourable.

Another positive alpha is observed in **Q2 2020**, where ICICI generated a return of **320.13%**, compared to the market's **-1520.67%**, resulting in a high positive Jensen's Alpha of **1840.80%**. This shows that ICICI was able to provide significant value during the market's recovery phase.

However, there are many quarters with substantial negative Jensen's alpha, such as **Q3 2021** and **Q1 2022**, where ICICI's returns were far below market returns, with Jensen's Alpha reaching **-814.53%** and **-1447.61%**, respectively. This suggests that ICICI struggled to keep pace with the market during bullish phases, indicating a potential lag in its investment strategy during those periods.

Nippon Performance

Nippon AMC displays even more volatility and underperformance compared to ICICI. In **Q2 2018**, Nippon returned **-4402.12%**, significantly underperforming the Nifty 50, which returned **97.03%**. The resulting Jensen's Alpha was **-4499.15%**, indicating severe underperformance relative to the market.

Similar patterns of underperformance are observed in **Q2 2020**, where Nippon's return was **-365.59%** compared to the market's **-1520.67%**, resulting in a Jensen's Alpha of **1155.08%**. While this represents outperformance during a difficult market period, Nippon's overall returns during several other quarters lagged behind the market. For instance, in **Q4 2022**, Nippon posted a return of **-373.50%**, while the market delivered **536.67%**, resulting in a negative Jensen's Alpha of **-910.17%**.

Despite this, there were quarters where Nippon managed to outperform the market. In **Q1 2023**, for example, Nippon generated a return of **944.36%** compared to the market's **-231.07%**, leading to a high positive Jensen's Alpha of **1175.43%**. This indicates that Nippon's fund managers were able to generate substantial value for investors during certain periods, particularly when market conditions were unfavourable.

Comparative Analysis

Both ICICI and Nippon exhibited volatile performance across the quarters, but ICICI generally showed more consistent positive alphas during downturns, suggesting better fund management during market corrections. Nippon, on the other hand, demonstrated higher volatility and more frequent negative alphas, reflecting challenges in maintaining consistent performance relative to the market.

While both AMCs had moments of significant outperformance, such as during market downturns in **Q1 2020**, they also experienced periods of substantial underperformance. ICICI's higher positive Jensen's Alpha during recovery phases suggests more effective risk management and ability to capitalize on market inefficiencies compared to Nippon, which struggled with larger negative alphas during the same periods.

Finally, while both ICICI and Nippon showed strengths during specific market phases, ICICI's overall performance indicates a stronger ability to outperform during market downturns, while Nippon faced more challenges in generating consistent risk-adjusted returns relative to the Nifty 50 index.

5. Conclusion

This study provided a comprehensive evaluation of the financial performance of two leading Indian Asset Management Companies (AMCs), **ICICI Prudential** and **Nippon India**, over a five-year period, using **Jensen's Alpha** as the primary performance metric. By analyzing quarterly returns and comparing them to the **Nifty 50** index, the study sought to assess how well these AMCs managed to deliver risk-adjusted returns to their investors.

The results indicate that **ICICI Prudential AMC** demonstrated a more consistent ability to generate positive **Jensen's Alpha** during market downturns, reflecting the effectiveness of its fund management strategies. ICICI's fund managers were able to add significant value, particularly during periods of market instability, such as in **Q1 2020**, where the AMC outperformed the market with a positive Jensen's Alpha. This suggests that ICICI's investment strategies, risk management, and ability to capitalize on market inefficiencies helped it maintain stronger performance even in adverse market conditions. ICICI's higher positive alpha during recovery phases further underscores its capacity to generate superior risk-adjusted returns, positioning it as a more stable performer in the mutual fund industry.

On the other hand, **Nippon India AMC** faced more volatility and frequent underperformance relative to the market, as evidenced by multiple quarters with negative **Jensen's Alpha**. This highlights Nippon's challenges in generating consistent excess returns over the market, particularly during periods of heightened market volatility. Despite occasional outperformance, such as in **Q1 2023**, where Nippon managed to achieve a high positive alpha, its overall performance exhibited greater sensitivity to market conditions, reflecting a more volatile risk-return profile.

Comparatively, while both AMCs had moments of significant outperformance, ICICI's ability to consistently deliver higher positive alpha across multiple quarters suggests that it had stronger risk management practices and a more effective approach to navigating market downturns. Nippon India, though capable of occasional bursts of outperformance, demonstrated greater difficulty in sustaining performance, especially in more volatile market conditions.

In conclusion, this study highlights the importance of using **Jensen's Alpha** to evaluate AMC performance, as it provides a more accurate and risk-adjusted view of a fund manager's ability to generate value. Investors and analysts can benefit from such evaluations to make more informed investment decisions, particularly in volatile market environments. The findings suggest that ICICI Prudential's approach to managing market risks and capitalizing on opportunities was more effective over the long term, making it a stronger performer in comparison to Nippon India. This analysis also underscores the need for continuous refinement of investment strategies by AMCs to remain competitive and deliver value to investors in a dynamic financial landscape.

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