

## REVIEWER'S REPORT

Manuscript No.: IJAR-55713

**Title: The Limits of Active Management: Evidence from Indian Equity Mutual Funds**

### Recommendation:

Accept as it is .....

**Accept after minor revision.....**

Accept after major revision .....

Do not accept (*Reasons below*) .....

Rating	Excel.	Good	Fair	Poor
Originality		✓		
Techn. Quality		✓		
Clarity		✓		
Significance	✓			

Reviewer Name: Dr.M.Devaki

## Detailed Reviewer's Report

### 1. Overall Evaluation

This research paper examines how actively managed equity mutual funds in India perform when compared with their benchmark indices. The study focuses on three categories of funds: large-cap, mid-cap, and small-cap. The main aim of the research is to understand whether active fund managers are able to generate extra returns and to identify the reasons for underperformance, if any.

The topic is highly relevant because many investors believe that active fund management can consistently beat the market. The authors have used reliable data sources and applied several statistical tools to analyze fund performance. The analysis is detailed, and the results are logically explained. Overall, the paper is well-structured, informative, and contributes meaningfully to the existing literature on mutual fund performance in India.

### 2. Strengths of the Study

#### Clear Research Objectives

The objectives and research questions are clearly stated. The study clearly explains what it wants to analyze and why the comparison across large-cap, mid-cap, and small-cap funds is important.

#### Strong Data and Sources

The data used in the study is collected from reliable and authentic sources such as the Association of Mutual Funds in India (AMFI) and scheme-level fact sheets published by asset management companies. The five-year study period is adequate for evaluating fund performance.

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### Use of Multiple Performance Measures

The study does not rely on only one performance indicator. Instead, it uses several measures such as alpha, Sharpe ratio, information ratio, M<sup>2</sup> alpha, beta-neutral returns, and volatility-adjusted alpha. This provides a more complete and accurate picture of fund performance.

### Robust Methodology

The use of cross-sectional analysis, multiple linear regression, and logistic regression strengthens the reliability of the findings. Applying more than one statistical model helps confirm the results from different perspectives.

### Comparative Analysis Across Fund Categories

Analyzing large-cap, mid-cap, and small-cap funds separately is a major strength of the study. It helps in understanding how market efficiency and managerial skill differ across market capitalization segments.

### Clear Interpretation of Results

The authors explain the results clearly and relate them to financial theories such as market efficiency and risk-adjusted performance. The conclusions drawn are supported by the empirical findings.

## 3. Areas for Improvement

### Literature Review Needs More Integration

The literature review lists many previous studies, but it can be improved by better connecting and comparing these studies. The authors should clearly explain how their study fills gaps left by earlier research.

### Explanation of Benchmark Values

The benchmark cut-off values used to classify underperformance (such as alpha, information ratio, and Sharpe ratio) should be explained in more detail. A brief justification or sensitivity analysis would improve transparency.

### Survivorship Bias

The study mentions survivorship bias as a limitation but does not address it empirically. Including funds that have closed or merged during the study period could improve the accuracy of the results.

### Very High R<sup>2</sup> Values

The extremely high R<sup>2</sup> values in the regression results, especially for mid-cap and small-cap funds, may indicate overfitting or multicollinearity. Additional diagnostic tests and discussion would strengthen the analysis.

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### Presentation and Readability

Some tables are very detailed and lengthy, making them difficult to read. The study would benefit from summarizing key results or presenting highlights in charts or simplified tables.

### Language and Formatting

There are minor grammatical and formatting issues throughout the paper. A careful proofreading will improve clarity and professionalism.

### Practical Implications

The paper could further explain how the findings can help investors in choosing funds, fund managers in improving strategies, and regulators in understanding market efficiency.