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Study of Mutual Funds in India

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Abstract: A mutual fund is a pool of money managed by an Asset Management Company (AMC) that collect funds from different individuals as well as institutional investors, and invest those funds in various securities, capital assets such as bonds, real estates, stocks as well as in mutual funds. Most of the Asset Management Companies have different categories of equity mutual funds depending upon the risk associated with such investments. In this case, trailing return and rolling indicate the performance of a mutual fund. However, a long-term investor has to consider other factors associated with such mutual funds to finalize the selection of mutual funds. In this research paper, attempt has been made to identify the relationship among the performance of selected equity mutual funds and the parameters considered by the investors for selecting the fund. 't-statistic' has been used to identify such relationship. This research shows that there is no relationship between trailing return of any kinds of equity mutual funds and the selected parameters by the investors. However, number of stocks and experience of management have a little impact on the rolling return of equity large cap mutual funds and assets under management has a little impact on rolling return in case of mid-cap mutual fund only. Mutual Fund is one of investment that raise funds from the investor to be invested in a portfolio of securities and managed by an investment manager in accordance with the investment objectives. This study was conducted to determine the effect of cash flow, fund size, family size, expense ratio, stock selection ability and load fee on the performance of mutual fund. The method that used is multiple reggression analysis with classical assumption by using a normality test, autocorrelation test, heteroscedasticity test, and mulitcollinearity test.

The method that used for testing the hypothesis are the F-test and t test. The result of this test showed partially cash flow and stock selection ability have a positive significant effect on the performance of mutual funds.

Keywords: Asset management companies, mutual funds, trailing return, rolling return, asset under management, expenses ratio

I. INTRODUCTION

The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964 (US'64) was the first scheme launched by UTI.

The year marked the entry of public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). The Indian securities market gained greater importance with the establishment of SEBI in April 1992 to protect the interests of the investors in securities market and to promote the development of, and to regulate, the securities market. In September 2024, mutual funds held Rs: 1.86 lakh crore in cash, which was 5.02% of their total AUM. Fund managers keep cash to manage redemptions or seize market opportunities.

The overall size of the Indian Mutual Fund industry has grown from ₹ 10.96 trillion as on 31st October 2014 to ₹67.26 trillion as on 31st October 2024, more than 6fold increase in a span of 10 years. The Mutual Funds industry's AUM has grown from ₹26.33 trillion as on October 31,2019 to ₹67.26 trillion as on October 31, 2024, more than 2fold increase in a span of 5 years.

The number of investors folios has gone up from 8.65 crore folios as on 30-November-2019 to 22.08 crore as on 30-November-2024, more than 2fold increase in a span of 5 years.

The growth in the size of the industry has been possible due to the twin effects of the regulatory measures taken by SEBI in re-energising the mutual fund industry in September 2012 and the support fro9m mutual fund distributions in expanding the retail base.

II. REVIEW OF LITERATURE:

N. Geetha and M. Ramesh, (2011), have studied Investors' Perception on Mutual Funds with reference to Chidambaram Town. The main objective of the study is to elucidate the perceptions and behavior of the small investors located in the town Chidambaram, Tamil Nadu, South India towards the mutual funds and also suggest some measures to increase the quantum of investors and investments as well.

Ms. K. Hema Divya (Apr 2012), has done A Comparative study on evaluation of selected mutual funds in India. Mutual Funds industry has grown up by leaps & bounds, particularly during the last 2 decades of the 20^{th} century. Proper assessment of fund performance would facilitate the peer comparison among investment managers, help average investors successfully identify skilled managers.

Further the growing competition in the market forces the fund managers to work hard to satisfy investors & management. Therefore regular performance evaluation of mutual funds is essential for investors and fund managers also. The present study is confined to evaluate the performance of mutual funds on the basis of yearly returns compared with BSE indices

Dr. Nishi Sharma (Aug 2012), has done research on Indian investor's perception towards Mutual Funds. This Paper attempts to investigate the reasons responsible for lesser recognition of mutual fund as a prime investment option. It examines the investor's perception with reference to distinct features provided by mutual fund companies to attract them for investing in specific funds/schemes.

The study uses principal component analysis as a tool for factor reduction. The paper explored three factors named as fund/schemes related attributes, monetary benefits and sponsor's related attributes (having respectively six, four and four variables) which may be offered to investors for securing their patronage. The results are expected to provide fruitful insight to mutual fund companies for tailoring their offers suitable to cater the needs and expectations of Indian investors.

Dr. k. Mallikarjuna Rao and H. Ranjeeta Rani, (Jul 2013), have studied Risk Adjusted Performance Evaluation of Selected Balanced Mutual Fund Schemes in India. In this paper, an attempt has made to study the performance of selected balanced schemes of mutual funds based on risk-return relationship models and various measures.

Balanced schemes of mutual funds are the ones which are mostly preferred by Indian investors because of their balanced portfolio in equity and debt. A total of 10 schemes offered by various mutual funds have been studied over the time period April, 2010 to March, 2013 (3 years).

III. OBJECTIVES

1) To provide professional management of investments by employing experienced fund managers who make strategic decisions to achieve the fund's objectives.
2) Mutual funds aim to diversify investments across various asset classes, such as stocks, bonds, and money market instruments, to reduce overall portfolio risk and potentially enhance returns.
3) Mutual funds offer investors the flexibility to redeem their investments at any time, providing liquidity.
4) Investing in mutual funds is convenient and straightforward. Investors can buy or sell units of a mutual fund scheme through various channels such as online platforms, agents, distributors, or directly from the mutual fund company.

IV. RESEARCH METHODOLOGY

Nature of the study: The study is analytical and descriptive in nature.

Data source: The data has been collected only from the secondary sources. The secondary data has been used for analysis which is collected from various sources such as annual reports of the company website, bank journals and government articles.

Study Period: The study period is for 5 years only.

Methods of presentation: The data has been presented in tabular form.

V. DATAANALYSIS

The study has been made on three categories of equity MFs viz, Large-cap, Mid-cap and
Small-cap MFs. To identify the relationship between different parameters associated with MFs t-statistic has been used.

Table-1
Age distribution of the Investors

Age	<=30	31-35	36-40	41-45	46-50	>50
No. of investors	12	18	30	24	20	16

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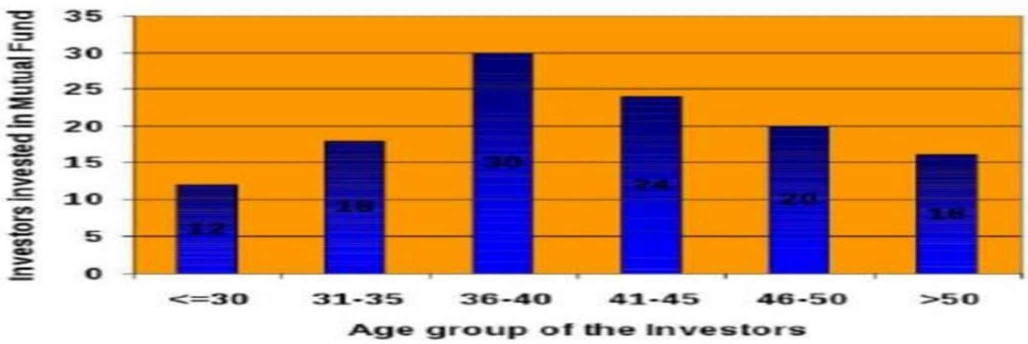
Graph-1

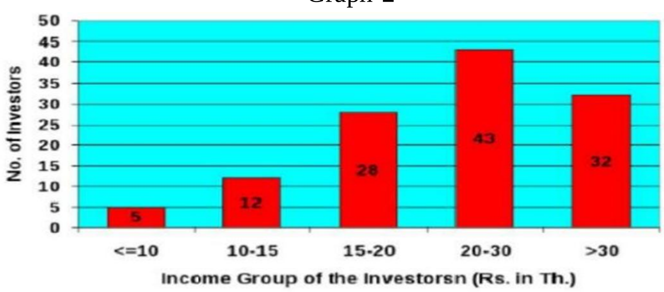


Interpretation: According to this chart out of 120 Mutual Fund investors of the most are in the age group of 36-40 years. i.e. 25%, the second most investors are in the age group of 41- 45 years. i.e. 20% and the least investors are in the age group of below 30 years.

Table-2
Monthly Family income of the Investors

Income Group	No. of Investors
<=10,000	5
10,001-15,000	12
15,001-20,000	28
20,001-30,000	43
>30,000	32

Graph-2



Interpretation: In the Income Group of the investors, out of 120 investors, 36% investors that is the maximum investors are in the monthly income group Rs.20,001 to Rs.30,000, Second one i.e.27% investors are in the monthly income group of more than Rs.30,000 and the minimum investors i.e. 4% are in the monthly income group of below Rs.10,000

Table-3
Investors prefer sip investment

Opinion	Number of Investors	Percentage of investors
Strongly Agree	63	31.5%
Agree	84	42%
Neutral	33	16.5%
Not Agree	12	6%
Strongly Disagree	08	4%
Total	200	100%

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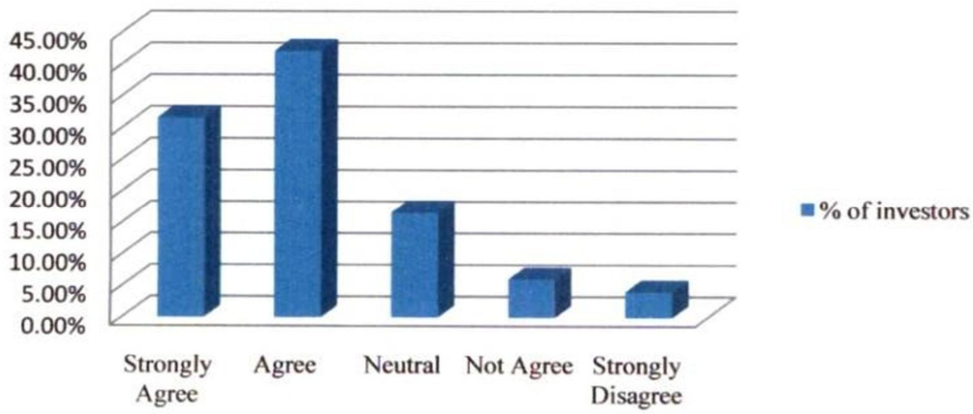
Graph-3



Interpretation: As far investors is concerned about sip plans, 84 investors i.e. 42% agree that they prefer sip plans, 63i.e. 31.5% strongly agree upon sip is preferred whereas 33 i.e. 16.5% are neutral, 6% investors not agree and 4% strongly disagree that they prefer sip plans.

VI. FINDINGS

1) In the Age Group of 36-40 years were more in numbers. The second most Investors were in the age group of 41-45 years and the least were in the group of below 30 years.
2) In family Income group, between Rs.20,001-30,000were more in numbers, the second most were in the Income group of more than Rs.30,000 and the least were in the group of below Rs.10,000. least were in the group of below Rs.10,000.
3) Mostly Respondents preferred High Return while investment, the most preferred Low Risk then liquidity and the least preferred Trust.
4) For Future investment the maximum Respondents preferred Reliance Mutual Fund, the Second most preferred ICICI Prudential, SBIMF has been preferred after them.
5) The most preferred Portfolio was Equity, the second most was Balance (mixture of both equity and debt), and the least preferred Portfolio was Debt Portfolio.
6) Maximum Number of Investors Preferred Growth Option for returns, the second most preferred Dividend Payout and then Dividend Reinvestment.

VII. SUGGESTIONS

1) The most vital problem spotted is of ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance to no longer bliss and what they are losing by not investing.
2) Mutual funds offer a lot of benefit which no other single option could offer. But most of the people are not even aware of what actually a mutual fund is? They only see it as just another investment option. So the advisor should try to change their mindsets. The advisors should target for more and more young investors. Young investors as well as persons at the height of their career would like to go for advisors due to lack of expertise and time.
3) Mutual Fund Company needs to give the training of the Individual Financial Advisors about the Fund/Scheme and its objective, because they are the main source to influence the investors.
4) Before making any investment Financial Advisors should first enquire about the risk tolerance of the investors/customers, their need and time (how long they want to invest). By considering these three things they can take the customers into consideration.
5) Younger people aged under 35 will be a key new customer group into the future, so making greater efforts with younger customers who show some interest in investing should pay off.
6) Customers with graduate level education are easier to sell to and there is a large untapped market there. To succeed however, advisors must provide sound advice and high quality.

7) Systematic Investment Plan (SIP) is one the innovative products launched by Assets Management companies very recently in industry. SIP is easy for monthly salaried person as it provides the facility of do the investment in EMI. Though most of the prospects and potential investors are not aware about the SIP. There is a large scope for the companies to tap the salaried persons.

VIII. CONCLUSION

Running a successful Mutual Fund requires complete understanding of the peculiarities of the Indian Stock Market and also the psyche of the small investors. This study has made an attempt to understand the financial behavior of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, Channels etc. I observed that many of people have fear of Mutual Fund. They think their money will not be secure in Mutual Fund. They need the knowledge of Mutual Fund and its related terms. Many of people do not have invested in mutual Fund due to lack of awareness although they have money to invest. As the awareness and income is growing the number of mutual fund investors are also growing.

"Brand" plays important role for the investment. People invest in those Companies where they have faith or they are well known with them. Some AMCs are not performing well although some of the schemes of them are giving good return because of not awareness about Brand. Reliance, UTI, SBIMF, ICICI Prudential etc. they are well known Brand, they are performing well and their Assets Under Management is larger than others whose Brand name are not well known like Principle, etc.

Distribution channels are also important for the investment in mutual fund. Financial Advisor are the most preferred channel for the investment in mutual fund. They can change investors' mind from one investment option to others. Many of investors directly invest their money through AMC because they do not have to pay entry load. Only those people invest directly who know well about mutual fund and its operations and those have time.

REFERENCES

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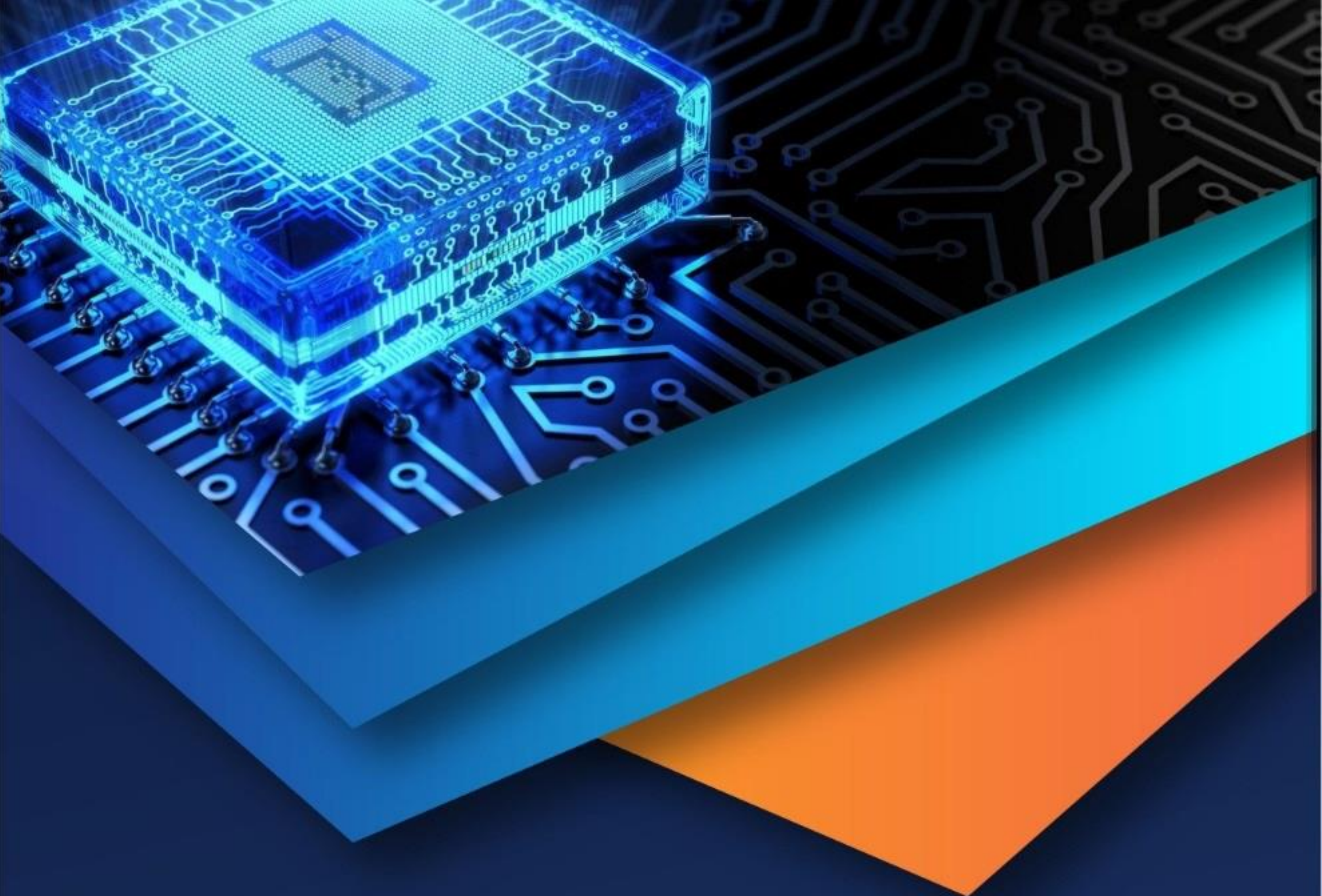

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