

MUTUAL FUNDS AT INDIA INFOLINE LTD

Tunge Archana ^[1]

MBA Student

Dr G Sudhakar ^[2]

PROFESSOR

^[1,2]MASTER OF BUSINESS ADMINISTRATION

^[1,2]Megha Institute of Engineering and Technology for Women, Sy. No. 7, Edulabad Road, Edulabad, Ghatkesar, Telangana.

ABSTRACT

Asset allocation is the rigorous implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame. The focus is on the characteristics of the overall portfolio. Such a strategy contrasts with an approach that focuses on individual assets.

This Project Deals with whether mutual fund investors attempting to follow an asset allocation plan can determine the appropriateness of a mutual fund in their portfolio simply by the fund name, the announced fund objective, or the classification of the fund by an independent organization. One reason for this difficulty may be the discretion fund managers are given in the fund's investment composition. We argue that this problem exists, and that true, effective asset allocation requires careful study of the manager's discretion over the composition of each fund's investments, as well as periodic review of the investment allocation of the fund.

We find that the aggregate asset allocation decisions of ICICI mutual fund investors depend on economic conditions. Both anticipated economic downturns and periods of turmoil lead investors to direct flow away from risky equity funds and towards lower-risk money market funds. These patterns are markedly stronger for investors in low cost and low turnover funds relative to investors in high cost and high turnover funds, consistent with sophisticated investors being more sensitive to changing conditions. Benchmarked against a buy-and-hold strategy, these asset allocation strategies reduce risk without degrading the risk-return trade-off. Our evidence suggests that individual investors, often dismissed as noise traders, collectively react to economic signals in a sensible manner when determining asset allocations.

INTRODUCTION

Asset allocation:

Asset allocation is the rigorous implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame.

Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

IMPORTANCE OF ASSET ALLOCATION:

Asset allocation is an investment portfolio technique that aims to balance risk and create diversification by dividing assets among major categories such as cash, bonds, stocks, real estate and derivatives. Each asset class has different levels of return and risk, so each will behave differently over time.

A mutual fund is an investment vehicle that pools money from investors who share a similar investment objective and invests the money in stocks, bonds, cash and cash equivalents, or other securities. Mutual funds are managed by professional investment managers who select and manage the securities held in the fund while the investors share in the fund's income, expenses, and any gains or losses the fund makes on its investments, in proportion to the shares they own.

ASSET ALLOCATION OF MUTUAL FUNDS

Asset allocation is the current rage of the mutual fund industry. In its simplest terms, asset allocation refers to the process of adjusting the relative proportion of different asset classes in an investment portfolio. Precisely because it is so popular, the merits of asset allocation tend to be accepted uncritically. We believe that its merits are seriously overrated.

Asset allocation is based on the fact that both the probable return and the probable volatility of each asset class are different. By combining asset classes in different proportions, it is supposed to be possible to modify a portfolio's overall volatility and return. Our view is that its appeal is based on false premises, and that it is in fact a misguided approach to portfolio management.

NEED FOR THE STUDY

A small investor is the one who is able to correctly plan & decide in which profitable & safe instrument to invest. To lock up one's hard earned money in a savings bank's account is not enough to counter the monster of inflation. Using simple concepts of diversification, power of compound interest, stable returns & limited exposure to equity investment, one can maximize his returns on investments & multiply one's savings.

Investment is a serious proposition one has to look into various factors before deciding on the instruments in which to invest. To save is not enough. One must invest wisely & get maximum returns. One must plan investment in such a way that his investment objectives are satisfied. A sound investment is one which gives the investor reasonable returns with a proper profitable management.

SCOPE OF THE STUDY:

The present study includes of BIRLA SUNLIFE Mutual Fund, Escorts Mutual Fund, JM Financial Mutual Fund, LIC Mutual Fund, L&T Mutual Fund, Mahindra mutual Fund, Reliance Mutual Fund, Shriram Mutual Fund, Sundharam Mutual Fund, Tata Mutual Fund.

OBJECTIVES OF THE STUDY:

- To Study the Mutual fund Industry.
- To analyse the NAV returns performance of Mutual Fund Schemes.
- To study risk and returns of mutual funds.

RESEARCH METHODOLOGY:

The present study based on secondary data. The data is collected from company website. Used the Daily NAV and NAV Returns of BIRLA SUNLIFE Advantage Fund, Escorts Income Plan Growth, JM Balanced Fund, LIC MF Balanced Fund- Growth, L&T Cash Fund, Mahindra Liquid Fund –Direct Plan-growth, Reliance Banking Fund-Direct Plan Dividend Plan, Shriram Mutual Fund, Sundharam Equity and Debt Opportunities, Tata Dual Advantage Fund.

LIMITATIONS OF THE STUDY

The present project work has been undertaken to provide information regarding the performance evaluation of mutual funds. The following are the limitations of this study.

- The study is limited only ten schemes available under the mutual funds selected.
- The Samples sizes is limited factor, only last year Data has been taken.
- The lack of information sources for the analysis part.
- Mutual funds are subject to market risk.
- There was a constraint regard to time allocation for the research study i.e. for a period of 45 days.

REVIEW OF LITERATURE

A mutual fund is an investment vehicle that pools money from investors who share a similar investment objective and invests the money in stocks, bonds, cash and cash equivalents, or other securities. Mutual funds are managed by professional investment managers who select and manage the securities held in the fund while the investors share in the fund's income, expenses, and any gains or losses the fund makes on its investments, in proportion to the shares they own.

Types of mutual funds

1. Money market funds

These funds invest in short-term fixed income securities such as government bonds, treasury bills, bankers' acceptances, commercial paper and certificates of deposit. They are generally a safer investment, but with a lower potential return than other types of mutual funds.

2. Fixed income funds

These funds buy investments that pay a fixed rate of return like government bonds, investment-grade corporate bonds and high-yield corporate bonds. They aim to have money coming into the fund on a regular basis, mostly through interest that the fund earns. High-yield corporate bond funds are generally riskier than funds that hold government and investment-grade bonds.

INDUSTRY PROFILE

Mutual funds industry in India, the origin of mutual fund industry in India is with the introduction of the concept of mutual fund by UTI in the year 1963. Though the growth was slow, but it accelerated from the year 1987 when non UTI players entered the industry.

In the past decade, Indian mutual fund industry had seen dramatic improvements, both quality wise as well as quantity wise. Before, the monopoly of the market had seen an ending phase, the assets under management (AUM) was Rs.67bn. the private sector entry to the fund family rose the AUM to Rs.470bn in March 1993 and till April 2004, it reached the height of 1,540bn.

Putting the AUM of the Indian mutual funds industry into comparison, the total of it is less than the deposits of SBI alone, constitute less than 11% of the total deposits held by the Indian banking industry.

The main reason of its poor growth is that the mutual fund industry in India is new in the country. Large sections of India investors are yet to be intellectualized with the concept. Hence, it is the prime responsibility of all mutual companies, to market the product correctly abreast of selling.

Major Mutual Fund Companies

ABN AMRO Mutual Fund:

ABN AMRO Mutual Fund was setup on April 15, 2004 with ABN AMRO Trustee (India) Pvt. Ltd. as the Trustee Company. The AMC, ABN AMRO Asset Management (India) Ltd. was incorporated on November 4, 2003. Deutsche Bank AG is the custodian of ABN AMRO Mutual Fund

Birla Sun Life Mutual Fund:

Birla Sun Life Mutual Fund is the joint venture of Aditya Birla Group and Sun Life Financial. Sun Life Financial is a global organization evolved in 1871 and is being represented in Canada, the US, the Philippines, Japan, Indonesia and Bermuda apart from India. Birla Sun Life Mutual Fund follows a conservative long-term approach to investment. Recently it crossed AUM of Rs. 10,000 crores.

COMPANY PROFILE

IIFL Holdings Limited (formerly known as India Infoline Limited) is the apex holding company of the entire IIFL Group, which is a leading financial services company in India, promoted by first generation entrepreneurs. We have a diversified business model that includes credit and FINANCE, wealth management, financial product distribution, asset management, capital market advisory and investment banking.

We have a largely retail focused model, servicing over 2 million customers, including several lakh first-time customers for mutual funds, insurance and consumer credit. This has been achieved due to our extensive distribution reach of over 2,700 business locations and also innovative methods like seminar sales and use of mobile vans for marketing in smaller areas.

Our evolution from an entrepreneurial start-up to a market leadership position is a story of steady growth by adapting to the changing environment, without losing the focus on our core domain of financial services. Our NBFC and lending business accounts for 71% of our consolidated income in FY14 and has a diversified product portfolio rather than remaining a mono-line NBFC. We are a leader in distribution of life insurance and mutual funds among non-bank entities. Although the share of equity broking in total income was only 11% in FY14, IIFL continues to remain a leading player in both, retail and institutional space.

Location: Mumbai

Corporate office :IIFL Center, B Wing, Trade Centre, Kamala Mills Compound, Off Senapati Bapat Marg, Lower Parel, Mumbai - 400 015.

Maharashtra Registered office IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, Thane Industrial Area, Wagle Estate, Thane - 400 604. Maharashtra

DATA ANALYSIS AND INTERPRETATION**Calculation of Risk and Returns of Birla Sun Life Mutual Fund**

Historical NAV for a period From 01-Jan-2022 to 30-Apr-2022					
Birla Sun Life Mutual Fund					
Birla Sun Life Advantage Fund					
Birla Sun Life Advantage Fund - Growth - Direct Plan					
NAV date	Net Asset Value	returns	avg returns	difference	d*d
2-Jan-22	328.07				
3-Jan-22	330.43	0.7194	0.2430	0.4763	0.2269
4-Jan-22	330.09	-0.1029	0.2430	-0.3459	0.1197
5-Jan-22	334.56	1.3542	0.2430	1.1111	1.2347
6-Jan-22	334.24	-0.0956	0.2430	-0.3387	0.1147
9-Jan-22	335.34	0.3291	0.2430	0.0861	0.0074
10-Jan-22	337.57	0.6650	0.2430	0.4220	0.2281
11-Jan-22	342.75	1.5345	0.2430	1.2915	1.6679
12-Jan-22	343.26	0.1488	0.2430	-0.0942	0.0089
13-Jan-22	342.02	-0.3612	0.2430	-0.6043	0.3651
16-Jan-22	343.27	0.3655	0.2430	0.1224	0.0150
22-Jan-22	342.88	-0.1136	0.2430	-0.3566	0.1272
18-Jan-22	345.57	0.7845	0.2430	0.5415	0.2932
19-Jan-22	346.9	0.3849	0.2430	0.1418	0.0201
20-Jan-22	343.26	-1.0493	0.2430	-1.2923	1.6701
23-Jan-22	345.52	0.6584	0.2430	0.4154	0.2225
24-Jan-22	349.26	1.0824	0.2430	0.8394	0.7046
25-Jan-22	354.96	1.6320	0.2430	1.3890	1.9293
27-Jan-22	356.87	0.5381	0.2430	0.2951	0.0871
30-Jan-22	356.11	-0.2130	0.2430	-0.4560	0.2079
31-Jan-22	353.65	-0.6908	0.2430	-0.9338	0.8720
1-Feb-22	361.27	2.1547	0.2430	1.9116	3.6544
2-Feb-22	363.83	0.7086	0.2430	0.4656	0.2168
3-Feb-22	365.03	0.3298	0.2430	0.0868	0.0075
6-Feb-22	368.47	0.9424	0.2430	0.6994	0.4891
7-Feb-22	367.52	-0.2578	0.2430	-0.5009	0.2509
8-Feb-22	369.02	0.4081	0.2430	0.1651	0.0273

9-Feb-22	368.67	-0.0948	0.2430	-0.3379	0.1142
10-Feb-22	369.43	0.2061	0.2430	-0.0369	0.0014
13-Feb-22	369.48	0.0135	0.2430	-0.2295	0.0527
14-Feb-22	366.82	-0.7199	0.2430	-0.9630	0.9273
15-Feb-22	361.22	-1.5266	0.2430	-1.7697	3.1322
16-Feb-22	366.14	1.3621	0.2430	1.1190	1.2522
22-Feb-22	367.87	0.4725	0.2430	0.2295	0.0527
20-Feb-22	370.69	0.7666	0.2430	0.5235	0.2741
21-Feb-22	371.87	0.3183	0.2430	0.0753	0.0057
22-Feb-22	369.98	-0.5082	0.2430	-0.7513	0.5644
23-Feb-22	370.78	0.2162	0.2430	-0.0268	0.0007
27-Feb-22	368.13	-0.7147	0.2430	-0.9577	0.9223
28-Feb-22	368.82	0.1874	0.2430	-0.0556	0.0031
1-Mar-22	369.54	0.1952	0.2430	-0.0478	0.0023
2-Mar-22	365.59	-1.0689	0.2430	-1.3119	1.7211
3-Mar-22	365.41	-0.0492	0.2430	-0.2923	0.0854
6-Mar-22	367	0.4351	0.2430	0.1921	0.0369
7-Mar-22	366.26	-0.2016	0.2430	-0.4447	0.1977
8-Mar-22	364.87	-0.3795	0.2430	-0.6225	0.3876
9-Mar-22	364.53	-0.0932	0.2430	-0.3362	0.1130
10-Mar-22	363.44	-0.2990	0.2430	-0.5420	0.2938
14-Mar-22	369.88	1.7720	0.2430	1.5289	2.3376
15-Mar-22	371.56	0.4542	0.2430	0.2112	0.0446
16-Mar-22	376.09	1.2192	0.2430	0.9762	0.9529
22-Mar-22	375.09	-0.2659	0.2430	-0.5089	0.2590
20-Mar-22	374.86	-0.0613	0.2430	-0.3043	0.0926
21-Mar-22	373.45	-0.3761	0.2430	-0.6192	0.3834
22-Mar-22	370.02	-0.9185	0.2430	-1.1615	1.3491
23-Mar-22	373.69	0.9918	0.2430	0.7488	0.5607
24-Mar-22	374.14	0.1204	0.2430	-0.1226	0.0150
27-Mar-22	372.3	-0.4918	0.2430	-0.7348	0.5400
28-Mar-22	374.83	0.6796	0.2430	0.4365	0.1906
29-Mar-22	376.14	0.3495	0.2430	0.1065	0.0113
30-Mar-22	377.95	0.4812	0.2430	0.2382	0.0567
31-Mar-22	380.48	0.6694	0.2430	0.4264	0.1818
3-Apr-22	381.23	0.1971	0.2430	-0.0459	0.0021
5-Apr-22	383.5	0.5954	0.2430	0.3524	0.1242

6-Apr-22	383.05	-0.1223	0.2430	-0.3604	0.1299
7-Apr-22	382.02	-0.2689	0.2430	-0.5119	0.2621
10-Apr-22	384.66	0.6911	0.2430	0.4480	0.2007
11-Apr-22	387.19	0.6577	0.2430	0.4147	0.2220
12-Apr-22	388.31	0.2893	0.2430	0.0462	0.0021
13-Apr-22	386.98	-0.3425	0.2430	-0.5855	0.3429
22-Apr-22	386.93	-0.0129	0.2430	-0.2559	0.0655
18-Apr-22	385.55	-0.3567	0.2430	-0.5997	0.3596
19-Apr-22	386.25	0.1816	0.2430	-0.0615	0.0038
20-Apr-22	387.7	0.3754	0.2430	0.1324	0.0225
21-Apr-22	386.38	-0.3405	0.2430	-0.5835	0.3405
24-Apr-22	390.22	0.9938	0.2430	0.7508	0.5637
25-Apr-22	393.57	0.8585	0.2430	0.6155	0.3788
26-Apr-22	394.05	0.1220	0.2430	-0.1211	0.0147
27-Apr-22	394.92	0.2208	0.2430	-0.0222	0.0005
28-Apr-22	396.73	0.4583	0.2430	0.2153	0.0464
		0.2430			34.8056

Average Returns (R_i) = 0.2430 Risk

$$(\sigma) = \sqrt{\sum D^2 / (n-1)}$$

$$= \sqrt{34.8056 / (80-1)}$$

$$= 0.663$$

Sharpe Performance Ratio = $(R_i - R_f) / \sigma$

R_f = Risk free Returns

= 10% per Annum

$$= 0.8333$$

Sharpe Performance Ratio = $(0.2430 - 0.8333) / 0.663$

$$= -0.889$$

FINDINGS:

- The BIRLA SUNLIFE MUTUAL FUND having the scheme of Birla Sun Life Advantage Fund - Growth - Direct Plan has an average return of 0.2430, risk is 0.663 and Sharpe performance ratio is - 0.889. The mutual fund having highest NAV value is 396.73 on 28-04-22, the lowest NAV value is 328.07 on 2-01-22.
- The Escorts Mutual Fund having the scheme of Escorts Income Plan-Growth has an average return of 0.02438, risk is 0.0986 and Sharpe performance ratio is -8.204. The mutual fund having highest NAV value is 54.8537 on 26-04-22, the lowest NAV value is 53.7425 on 2-01-22.
- The JM Financial Mutual Fund having the scheme of JM Balanced Fund-Growth has an average return of 0.1147, risk is 0.3972 and Sharpe performance ratio is -1.80. The mutual fund having highest NAV value is 41.6859 on 26-04-22, the lowest NAV value is 37.9203 on 2-01-22.
- The L&T Mutual Fund having the scheme of L&T Cash Fund - Direct Plan - Growth Option has an average return of 0.0197, risk is 0.0072 and Sharpe performance ratio is - 113. The mutual fund having highest NAV value is 1315.615 on 28-04-22, the lowest NAV value is 1290.518 on 1-01-22.
- The LIC Mutual Fund having the scheme of LIC MF Balanced Fund-Growth has an average return of 0.1314, risk is 8.888 and Sharpe performance ratio is -0.078. The mutual fund having highest NAV value is 93.6466 on 28-04-22, the lowest NAV value is 84.5779 on 2-01-22.

SUGGESTIONS:

- Among the ten funds taken up for the study, the Birla Sun Life Mutual Fund is having the highest returns when compared to other schemes.
- The next highest returns are from Reliance, Shriram and LIC mutual fund.
- The mutual fund having the highest risk is LIC mutual fund and
- The investor before making investment decision. Should consider Economic and market Environment for investing.

CONCLUSION:

In Indian mutual fund industry, most of the mutual fund schemes have been performing efficiently, The mutual fund is the safe investment and mutual funds are easy to buy and sell. We can either buy them directly from the fund company or through a third party. When compared to the equity funds and portfolio, mutual funds are better to invest the Birla Sun Life Mutual Fund as it allocates the assets effectively and procures highest returns with moderate risk among all the schemes.

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