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EXPLORING THE GROWTH OF MUTUAL FUNDS IN INDIA

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ABSTRACT

At the time, many people invest their money in mutual funds. The Indian financial market is rapidly expanding in terms of mutual funds. It offers a variety of plans to fulfill the needs and risk-return preferences of various types of investors. Individuals and small enterprises can now participate in the complex and cutting-edge world of finance through mutual funds. People who want to invest in a mutual fund can do so by purchasing "fund units. "A mutual fund is a trust that invests in stocks, bonds, money market bonds, or a combination of these. This organization pools the savings of numerous people who all aim to achieve the same financial objective and administers them with the assistance of well-managed investment support. Additionally, those who invest in these funds are referred to as unit owners. A person who invests money receives a share or unit of stock equal to the amount of money invested. Furthermore, everyone has the right to receive both the gains and losses that result from competently managed financial assets that work for them as unit holders. People who hold units share the increase in value of the assets, as well as any income earned or lost from these assets, based on the number of units they own. This is accomplished by deducting any necessary costs, debts, and taxes.

Keywords: *debt securities, money-market securities, risk, rate of return, Portfolio.*

1. INTRODUCTION

Recent Trends in Mutual Funds in India

The Indian mutual fund industry has expanded in recent years as a result of low interest rates, low inflation, and robust stock market performance. The stock market exploded in 2014 due to a change in government and an increase in public expectations. At the same time, the mutual fund industry in India expanded. The Indian mutual fund industry had 67093099 lakhs in assets under management (AUM) five years ago. It had 182958449 lakhs in 2019, a 22.21% rise. Furthermore, AUM in the Indian mutual fund industry increased by an astounding 35.17 percent in FY2017. AUM increased from Rs 13.53 lakh crore in March 2016 to Rs 18.29 lakh crore in March 2019, according to the Association of Mutual Funds in India (AMFI).

Market Share of Asset Management Companies

In terms of AUM penetration, the Indian mutual fund industry accounts for little under 6% of GDP (Paul, 2014). Even though mutual funds are not widely used in India, the industry is highly concentrated. Despite the fact that 44 AMCs are now in operation, the majority of the industry's AUM is concentrated in five well-known fund houses. ICICI, HDFC, Reliance, Birla Sun Life, and SBI Mutual Funds manage approximately 57% of the AUM.

Rank	Fund Houses	AUM (in Lakh)	Percentage (%)
1	ICICI Prudential Mutual Fund	24296130.61	13.28
2	HDFC Mutual Fund	23717761.00	12.96
3	Reliance Mutual Fund	21089063.82	11.53
4	Birla Sun Life Mutual Fund	19504900.94	10.66
5	SBI Mutual Fund	15702527.68	8.58
	Others	78647965.78	42.99
	Total	182958349.83	100

2. LITERATURE REVIEW

Investigations into investor behavior have garnered and will continue to receive a great deal of scholarly interest. A considerable volume of research has also been conducted on the effectiveness of mutual fund systems. Secondary sources are included in this literature review to assist you comprehend the study and how investors can respond more effectively. The emphasis then shifted to real-world research conducted in India and other nations in relevant domains. A literature review is an important aspect of any study since it allows the researcher to understand where the study's conceptual frameworks fall short in contrast to earlier studies.

Deepak Agrawal (2011) According to Deepak Agrawal (2011), both the primary and secondary markets have undergone structural changes as a result of economic restrictions and the establishment of the Indian Capital Market in 1992. Access to capital is critical for emerging economies, and mutual funds play a vital role in making financial markets more global. He has conducted real-world study into how pricing work in the Indian mutual fund industry, in addition to looking at data at the level of fund managers and investors. The study's findings indicate that the financial success of the Indian mutual fund business is influenced by both how much people save and invest and how trustworthy, loyal, and well-paid project managers are.

Prajapati, K. P., & Patel, M. K. (2012) Prajapati and Patel examined the success of Indian mutual funds in 2012 using a variety of criteria, including Treynor's ratio, Sharp's ratio, Jensen's measure, Fama's measure, and the relative performance index. The NAVs at the conclusion of each day are used for research purposes. The research was carried out between January 1, 2007 and December 31, 2011. Between January 2007 and June 2011, the majority of mutual fund success measures showed that 28 equity-diversified fund schemes in India made money. The chosen equity diversified fund schemes have produced inconsistency. According to his research, over 60% of the fund schemes outperformed the benchmark markets. Despite being riskier, fund strategies that performed well were less likely to be harmed by market risks. It was discovered that the plans under consideration had lower risk exposure than the market as a whole, but they still had a high level of volatility. Because most of the funds were fairly diversified, there was less of a clear danger. As a result, there was an inverse link between returns and particular hazards. Furthermore, the survey found that savvy stock choosing assisted approximately 58% of fund schemes in outperforming the market in terms of investment. In terms of market timing, he claims that fund managers nearly failed to earn money while the market was rising and buying equities when it was falling.

Bansal, S., &Yash, P. T. (2014) Bansal and Yash (2014) conducted an experiment in which they compared the performance of large-cap equities and debt mutual fund plans. It contains data on the returns and volatility of several stock and debt mutual funds. The Treynor ratio, standard deviation, Sharpe ratio, Bata, and R-squared are all study technique tools. The UTI Opportunities Fund was determined to be the greatest equity mutual fund scheme because it had the lowest standard deviation, lowest beta, highest alpha value, highest Sharpe ratio, and highest Treynor ratio. Nonetheless, the UTI Short Term Income Fund performs worse than other debt mutual funds due to its high beta and low Sharpe Ratio. This research is useful for both investors and asset management organizations since it allows them to assess their portfolios and performance.

Renu Gosh (2014) Renu Gosh (2014) rated the success of mutual funds using risk-return analysis, Jensen's measure, Fama's measure, Treynor's ratio, and Sharpe's ratio. The daily closing NAVs of three public, three private, and three private (foreign) sponsored mutual fund schemes were utilized as proof in the study from January 1, 2010, to December 31, 2013. She deliberated and concluded that performance indicators demonstrate that foreign private company-sponsored mutual fund schemes outperform both public and private company-sponsored mutual fund schemes.

Busse, Goyal and Wahal (2014) From 1991 to 2009, Busse, Goyal, and Wahal (2014) examine actively managed retail mutual funds and institutional products that might invest in overseas stock markets. They conduct a study utilizing both global and regional factor models and discover little strong evidence concerning alphas in general or on average.

There are a couple significant alphas toward the right end of the distribution. Once they distinguish between stock selection and nation selection, they discover that the very farthest right tail indicates very high stock selection skills. Simulations, on the other hand, demonstrate that luck, rather than expertise, is more crucial in their production. Persistence tests provide little evidence of long-term performance enhancement.

Bhutada et, al. (2015) Bhutada et al. (2015) conducted a comparison analysis of the mutual fund plans offered by Kotak and HDFC mutual funds. While both businesses' debt market schemes are very effectively run, it was discovered that Kotak Mutual Fund programs hurt large cap equity schemes more than HDFC Mutual Fund schemes hurt mid cap equity schemes. The best big cap equity scheme is Kotak Select Focus, the best mid-size scheme is HDFC Mid-Cap, and the best balanced fund scheme is HDFC Balanced Fund.

N. Bhagyasree& B. Kishori (2016) N. Bhagyasree and B. Kishori (2016) investigated the effectiveness of growth-oriented, open-ended equity plans in the transition economy from April 2011 to March 2015. The daily closing NAV of multiple fund schemes was utilized to calculate the schemes' earnings. The BSE-Sensex served as the foundation of the market portfolio. Using the results of Sharpe, Treynor, and Jensen's metric, investors can look at how well the chosen schemes have performed in the past and make better investment decisions. The analysis discovered that fourteen of the thirty mutual fund plans outperformed the benchmark in terms of returns. The data also revealed that several of the methods did not perform as well as they should have; these strategies struggled with variation. The Sharpe ratio was positive for every plan examined. This signifies that the funds earned more than the risk-free rate. According to the Jensen measure, 19 of the 30 schemes had positive alpha, indicating that they performed better than the others.

3. RATIONALE OF THE STUDY:

India has one of the world's seven largest economies, and its savings rate is relatively high in comparison to other countries. Improving how these funds are kept is just as crucial for generating economic growth in our society as increasing the number of people who save. Because buying stocks directly carries too much risk, mutual funds have taken over as the most popular way to receive money and spread it around. The mutual fund industry has expanded dramatically in recent years. Despite this, our country has a lot of room for growth because few people invest significant money in mutual funds. Furthermore, more people should be interested in participating in mutual funds (MF) schemes if they are better informed about their various schemes, benefits, and methods.

The enormous number of companies offering a diverse variety of programs has made it difficult for the average investor to select one. Researchers that want to conduct additional in-depth investigations could use this crucial study to help them make financial decisions. It would also benefit others considering investing. Numerous studies have been undertaken to determine the effectiveness of mutual fund systems. However, simply looking at all of the systems chosen for this purpose is insufficient.

As a result, this study should concentrate on how well these individual mutual fund schemes have performed so that small investors can make informed decisions and select schemes based on their performance. This study will benefit the general public, the government, academia, and asset management executives.

4. OBJECTIVE OF THE STUDY

To determine the effectiveness of equity mutual fund strategies by examining their risk and return.

HYPOTHESEIS OF THE STUDY

Profits on large-cap mutual funds in India are fairly consistent. This is Hypothesis Number One.

PROFILE OF THE SELECTED MUTUAL FUNDS

The market share and success of India's five largest mutual fund companies were examined for this study in order to rate the effectiveness of equity programs. They are referred to by the following names:

The ICICI Prudential Prudential Insurance Fund SBI manages the Birla Sun Life Investment Fund, a mutual fund. HDFC

Mutual Fund's Dependence Compilation Fund
A collection of mutual fund plans is chosen to be examined and evaluated based on their performance. The performance of a specific group of mutual funds was examined using standard performance evaluation measures, with a focus on the risk-return correlation. From April 2009 to March 2019, the researcher examined the performance of the 15 plans picked by the top five mutual fund companies. Choosing one example plan from each of the top five fund houses. These are all Large Cap funds featuring a Growth option. Schemes are classified as follows:

Large Cap Funds: substantial cap funds can be defined by the percentage of their assets invested in companies with substantial market capitalizations. The top five fund houses provided the following large-cap plans:

Being cautious The ICICI Bank The top one hundred HDFC The top two hundred are determined by Birla's 200 finest Sun Life Magnum Blue Chips The 100 Most Influential SBI

Research Gap

Many studies have utilized quantitative or statistical approaches to examine how well mutual fund schemes have performed up to this point, according to previous research or literature reviews. Each study will only examine mutual funds from one or two businesses or programs, or it will employ one or two ways to assess how well public and private fund houses perform. There have been research studies that solely looked at one sort of fund and reported on its merits and cons. Some studies fail to investigate how identical open-ended growth strategies perform in other asset classes, including as big, mid, and small-cap funds, as well as multi-cap funds. To overcome this gap, this study use a variety of statistical and ratio methodologies to examine a subset of plans from the five major mutual fund companies across a variety of areas.

Performance Evaluation of the Selected Mutual Fund Schemes Performance Analysis of Large Cap fund

Over a ten-year period, we evaluated the return, risk, beta, and coefficient of determination of five alternative large-cap plans to the return of the benchmark index, the S&P BSE 100. This demonstrates how to build a compelling argument for investment.

SUMMARY OF RISK, RETURN, BETA AND R SQUARE

S.No.	Schemes	Scheme Return	Scheme Risk	Beta	R Square
1	ICICI Top 100	1.1320	6.0334	0.817	0.948
2	HDFC Top 200	1.3147	6.8783	0.934	0.953
3	Reliance Top 200	1.1298	6.7826	0.910	0.955
4	Birla Top 100	1.1764	6.1505	0.838	0.960
5	SBI Blue Chip	1.1105	6.5704	0.894	0.958

The return on SBI Blue Chip was the lowest (1.1105), and the highest (1.3147) on HDFC Top 200. The standard deviation of the schemes can be used to calculate the level of risk associated with a fund. Each of the five plans has a higher amount of risk. The ICICI Top 100 (6.0334) was shown to be the least hazardous plan, while the HDFC Top 200 (6.8783) had the most variable fund returns. The beta (2) concept might help you understand how the mutual fund scheme responds to changes in the benchmark index. HDFC Top 200 was found to be the most risky plan (0.934), while ICICI Top 10 was found to be the safest and least harmful plan (0.817).The S&P BSE 100 market index is used to calculate the coefficient of determination (R2) for the research time. Birla Top 100 (0.960), SBI Blue Chip (0.958), Reliance (0.955), HDFC (0.953), and ICICI (0.948) performed the best in terms of diversity and R2 scores.

RANKING OF LARGE CAP SCHEMES ON THE BASIS OF SHARPE, TREYNOR AND ALPHA MEASUREFOR 10 YEARS

S.No.	Schemes	Sharpe Measure	Ranks	Treynor Measure	Ranks	Jenson Alpha	Ranks
1	ICICI Top 100	0.0791	3	0.5836	3	0.2220	4
2	HDFC Top 200	0.0959	1	0.7060	1	0.3682	1
3	Reliance Top 200	0.0700	4	0.5217	4	0.2508	3
4	Birla Top 100	0.0848	2	0.6220	2	0.2599	2
5	SBI Blue Chip	0.0693	5	0.5091	5	0.1764	5

For each standard deviation, the sharpe ratio reveals how much more money a plan makes than the risk-free return. The Sharpe value for HDFC Top 200 was 0.0959 in the table above, and the Sharpe value for SBI Blue Chip was

0.0693.The Treynor measure, which measures the fund's excess return over the risk-free rate per unit of market risk, gives the best score to HDFC Top 200 (0.7060). SBI Blue Chip (0.5091) had the lowest Treynor value of any of the Large Cap plans selected.

If the alpha number is higher, it indicates that the fund outperformed the benchmark index. The alpha value for SBI Blue Chip was 0.1764, whereas HDFC Top 200 had the highest (0.3682).

The findings reveal that each of the five schemes successfully gives a compelling reason to invest over a ten-year timeframe. The return on HDFC Top 200 was the lowest, at 1.2881 percent, and the best, at 1.5667 percent, on SBI Blue Chip. According to the data, HDFC Top 200 (5.1528) has the greatest difference in fund returns when compared to Reliance Top 200 (4.5064). The SBI Blue Chip (3.804), on the other hand, is the most secure investing strategy because to its low standard deviation.When it comes to beta, both the HDFC Top 200 (1.168%) and Reliance Top 200 (1.004%) large cap mutual fund schemes have demonstrated it on multiple occasions. Following that, the ICICI Top 100 (0.896), SBI Blue Chip (0.856), and Birla Top 100 (0.990) all have beta scores less than one, indicating that these investment plans are low risk. The plans with the most diverse sorts of results were Birla Top 100 (0.961), HDFC Top 200 (0.936), SBI Blue Chip (0.922), ICICI Top 100 (0.908), and Reliance Top 200 (0.904).After ten years, it was discovered that the Birla Top 100 program had the greatest average R Square value. This distinguished it from other schemes and resulted in the rejection of hypothesis H01. Because this is the case, the null hypothesis is false.

5. CONCLUSION

According to the study's findings, mutual funds are the most popular option for respondents to spend their money. Mutual funds are good investments for persons with middle-class salaries since they provide higher interest rates as well as a substantial principal amount at the conclusion of the investment's maturity period. Brokers provide crucial information about mutual funds, claiming that these investments are risk-free, provide the best return on investment, and look out for the best interests of their clients. Customers are easily duped by different banks' promotions and advertisements, thus it is critical to understand a lot about mutual funds, industry groups, and mutual fund experts.

When market conditions change, many buyers alter their funds in an attempt to make more money. It's worth noting, however, that 64% of buyers prefer to invest in mutual funds that have been around for a while. This is because these investors rate schemes based on how well they have performed in the past and believe that participating in new funds or schemes carries more risk and cost, both of which can reduce earnings. Mutual fund companies must take the initiative to provide full advisory services to investors, allow buyers to actively engage in portfolio construction, and ensure that clients have access to all necessary information.

Mutual fund firms must provide investors with accurate information in order for them to fully grasp the terms and conditions of various mutual fund schemes. It is critical for mutual fund companies to devise an effective method of informing investors about the potential risks associated with their investments and to advocate for fund designs that satisfy investors. Mutual fund information should also be displayed and written in a way that consumers can understand. However, the government and regulatory authorities believe that further legislation is required to protect investors' funds from being misappropriated. They also want greater supervision over asset management firms, larger tax incentives for mutual fund investments, and a convenient means for customers to raise concerns. Investors have the right to be educated as well.

SUGGESTIONS

This study has come up with a variety of approaches to make people more aware of mutual fund schemes and investments, with the purpose of providing mutual fund investors with knowledge that will assist them make decisions. Consultant intermediaries would determine what buyers desire and then recommend methods based on that. These are the ones who have been mentioned: Mutual funds can be purchased and sold, although nearly no buyers are aware of this. Investors who are interested in mutual fund programs should be provided a basic understanding of how funds work. Investors must also understand how to set financial goals and diversify their portfolios to reduce risk. Government organizations and mutual fund providers can take the lead in encouraging women to invest by educating them and providing additional benefits across all types of investments. Furthermore, asset management companies (AMCs) should develop customized investment programs for various sorts of investors. This would enable people to manage hazardous assets, combat inflation, and earn more money.

Governments and investment businesses must assist investors in a variety of ways, including providing advice, teaching investors, allowing investors to participate in portfolio construction and management, and providing all necessary information.

Once it is determined what the investors desire, the appropriate information should be provided to assist them in understanding the terms, conditions, and processes of various schemes.More monitoring of asset management businesses, a good means for investors to raise complaints, and education about their rights as investors are all examples of how information should be disseminated in a way that benefits investors. To inspire people to invest more, which will aid in the long-term growth of the firm.

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