



A Study on Performance of Mutual Fund with Reference to Equity Growth Fund

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Abstract

This research aims to analyze the performance of mutual funds, specifically focusing on Equity Growth Funds, within the context of the dynamic financial market. Mutual funds play a pivotal role in channeling investments into various financial instruments, and Equity Growth Funds, in particular, are designed to capitalize on opportunities in the equity markets to achieve long-term capital appreciation. This study employs a comprehensive approach to assess the performance of these funds, taking into account various financial metrics, market trends, and risk factors. The research methodology involves a thorough examination of historical fund performance, benchmark comparisons, and risk-adjusted returns. Additionally, the study explores the impact of macroeconomic factors, market volatility, and fund manager expertise on the overall performance of Equity Growth Funds. Utilizing both quantitative and qualitative analysis, the research aims to provide valuable insights for investors, fund managers, and financial institutions seeking a deeper understanding of the dynamics influencing mutual fund performance.

Keywords: Mutual Fund, Equity Growth Fund, Performance Evaluation, Financial Markets, Risk Analysis, Benchmarking, Fund Manager Expertise, Macro-Economic Factors, Capital Appreciation, Investment Strategies.

1. Introduction

Mutual funds are considered as one of the best available investments as compare to others they are very cost efficient and also easy to invest in, thus by pooling money together a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification by minimizing risk & maximizing returns [1]. The advantages of mutual fund are professional management, diversification and economic scale, simplicity, and liquidity. The disadvantages of mutual fund are high costs, over diversification, possible tax consequence, and the inability of management to guarantee a superior return. The biggest problem with mutual fund are their costs and fees it includes purchase of Redemption fee, exchange fee, management fee, account fee, and

transaction costs. There are some loads which add to the costs of mutual fund [2]. Load is a type of commission depending on the type of funds. Mutual funds are easy to buy and sell. You can either buy them directly from the fund company or through a third party. Before investing in any funds one should consider some factor like objective risk, Fund manager's and scheme track record, cost factor etc. A code of conduct and registration structure for mutual fund intermediaries, which were subsequently mandated by SEBI in addition, this year AMFI was involved in a number of developments and enhancements to the regulatory framework Mutual funds provide an opportunity for investment in a stock market with professional acumen. They provide the benefit of risk diversification with a minimum allocation of funds



The selection of mutual fund itself is tedious given growth in number of schemes offered by them [3]. The number of world-wide regulated open-ended mutual fund schemes was 114,131 in 2017 (Investment Company Institute Fact Book, 2018). Investors consistently search for investment strategy to maximize their personal gains. An advertisement by mutual funds largely glorifies their past performance. While, the same comes with a disclaimer that past year's performance may not guarantee future performance. This raises a question about why mutual funds spend so much to advertise about their performance when it carries no information for investors. Investors can also access publicly available information about various operational parameters of mutual funds. They may wish to know whether such information can generate any profitable bets for them. The present study aims to investigate whether performance of funds is associated with past performance and other fund characteristics [4]. We examined this for Indian mutual funds as the industry has interesting trajectory of growth. The growth trajectory is probably similar to many emerging countries. The Government of India, offered the first equity mutual fund scheme, "Unit 64", to Indian investors by setting up "Unit Trust of India" (UTI) mutual fund way back in 1963. The unique feature of the scheme was guaranteed returns as its investments were not linked to market returns. UTI suffered erosion of assets due to market crash leading to severe payment crisis. This eroded faith of investors in mutual funds. Simultaneously, Government of India, under its Liberalization [5], Privatization, and Globalization (LPG) policy, allowed private sector to offer mutual fund schemes. This led to growth of private sector mutual funds, but, with hesitant investors. The Government of India took various measures to restore the faith of investors in capital markets in general and mutual funds in particular. The first reform was to bring all mutual funds under capital market regulator, Securities Exchange Board of India (SEBI). The SEBI provides various operational regulations for mutual funds and further, prescribes the format for dissemination of information to

investors. For instance, offer document must disclose adequate information such as tax, principles of valuation, frequency, and model of distribution of income, to enable investors to make informed decisions. Further, to bring transparency in expenses charged by mutual funds, expense ratio charged by mutual funds is specified as per average weekly net assets and is limited to 2.5% for equity and 2.25% for debt mutual funds. There is need to provide detailed break-up of expenses. Through various reformative measures, it brought transparency in computation of Net Asset Value (NAV), expenses charged by mutual funds, transparency in portfolio holdings, and distribution charges. There is transparency in functioning of mutual funds and all relevant information is publicly available with such measures. But, the issue is whether investors can generate profitable bets through such information. The effect of past performance and other fund characteristics on performance is widely researched in context of developed countries [6]. It was interesting to investigate such issue in Indian context as there is counter argument that with transparency, and so much restrictive regulations, such information is not valuable for investors. The present study is an attempt to investigate this issue. The important contributions of the study are, one, we applied sys-GMM approach which has advantages over fixed effect panel data model. In this, dependent variable is explained by its own past values. It allows to enter non-observable constant characteristics of a fund that do not vary over a period of time. The managerial acumen and ownership of mutual fund are constant non-observable characteristics that need to take into consideration. Another contribution is consideration of various measures of performance, that is, gross returns and risk-adjusted returns (measured with Sharpe ratio and conditional Carhart alpha). The investors usually consider gross return but it is desirable to adjust risk undertaken to achieve particular return. Further, we studied effect of fund characteristics on trading strategy of mutual funds [7]. This will provide better insights into the fund management style of fund manager. It can

establish the probable link between trading strategies and performance.

2. Need of the Study

Mutual funds are dynamic financial intuitions which play crucial role in an economy by mobilizing savings and investing them in the capital market. The activities of m have both short and long term impact on the savings in the capital market and the national economy. Mutual funds, trust, assist the process of financial deepening & intermedia to banking at the same time they also compete with banks and other financial institutions. The investors risk is reduced to the minimum. The fund managers maximise the income of the funds. The present study is undertaken to find out performance of equity finds [8].

2.1 Objectives of the Study

- To study the performance of equity funds of selected Mutual Fund Companies.
- To do a comparative study using Sharpe and Treynor Measure.
- To understand the risk and return of the growth schemes.
- To come out with suitable suggestions based on NAV and performance of schemes.

3. Research Methodology

3.1 Research Design

The Method of Research Design that was used is both Exploratory in Nature Exploratory Research is used for Secondary Data Sample Design [9]:

The Performance of the following schemes is studied are as follows:

- SBI Equity Fund
- Birla Sun le 95 fund Kotak 30 fund

The secondary data was collected from the different the Mutual fund websites and reports from respected find houses for studying the performance of equity finds in 2020 Data collection methods:

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3.2 Data Analysis Tools

The following parameters and Tools considered for analysis:

- Beta
- Alpha
- Correlation coefficient
- Treynor's Ratio
- Sharpe's Ratio

4. Scope of the Study

- The study is limited to the analysis made for a Growth scheme offered by four AMC's. 2. Each scheme is calculated their risk and return using different performance measurement theories.
- Because of the reason for such performance is immediately analyzed in the issue.
- Graphs are used to reflect the portfolio risk and return.

5. Limitations of the Study

- The study is limited to the Public sector banks Located in Hyderabad City only.
- The Study was undertaken for a period of 45 days approximately.
- The sample size is Limited to 100 respondents only.
- The opinion of the Respondents may change over the period of time.

The 44-player industry logged an asset under management (AUM) of Rs 24.53 lakh crore Mutual fund houses witnessed an overall inflow of Rs 1.02 trillion (US\$ 14.59 billion) last month, much higher than Rs 87,000 crore (US\$ 12.45 billion) seen in July. Of these, liquid funds alone witnessed an impressive over Rs 79,000 crore (US\$ 11.30 billion) in August [10]. Fund managers attributed growth in asset base to higher retail participation and robust inflows in equity schemes and liquid funds. Among debt-oriented schemes, liquid funds saw an infusion of Rs 79,428 crore (US\$ 11.36 Retail investor interest in equity mutual funds, for the fourth time in succession, continues to Inflows in mutual funds (MFs) through SIPs in August stood at Rs 8,231 crore (US\$ 1.18 billion), a slight fall as compared with Rs 8,324 crore (US\$ 1.19 billion) a month ago, (US\$ 350.98 billion) in July-end, according to data from the Association of Mutual Funds in India (AMFI). Open-ended equity schemes witnessed an infusion of Rs 9.152 crore (US\$ 1.31 billion), while there was a small outflow of Rs 62 crore (US\$ 8.87



million) in close-ended equity plans, taking total equity inflows to Rs 9,090 crore (US\$ 1.30 billion) last month. In July, net inflow in such schemes stood at Rs 8,092 crore (US\$ 1.16 billion). In last month as compared to Rs 45,441 crore (US\$ 6.50 billion), in July. Besides, gold exchange-traded funds saw a total inflow of Rs 145 crore (US\$ 20.75 million) against an outflow of Rs 17.66 crore (US\$ 2.53 million). Be steady, displaying maturity, despite uncertain economic and volatile market situation Speaking on the outlook for September. Venkatesh said that on the equity side, SIPS (systematic investment plans) would witness robust flows and on debt side, liquid funds. The MF industry added 4.81 lakh folios accounts, though an investor can have multiple accounts numbers designated to individual investor last month to a total of 8.53 crore (US\$ 1.19 million). MFs are investment vehicles made up of a pool of funds collected from a large manager of investors. India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system. The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guideline to banks regarding collateral requirements and setting up a Micro Unit Development and Refinance Agency (MUDRA). With a combined push by Government and private

sector. India is undoubtedly one of the world's most vibrant capital markets [11-13].

5.1 Market Size

As of November 2020, Assets Under Management (AUM) managed by the mutual fund industry stood at Rs. 30 lakh crore (US\$ 407.39 billion). Inflow in India's mutual fund schemes via the Systematic Investment Plan (SIP) route reached Rs. 82,453 crores (US\$ 11.70 billion) in 2019, Equity mutual funds registered a net inflow of Rs. 8.04 trillion (US\$ 114.06 billion) by end of December 2019. Another crucial component of India's financial industry is the insurance industry. Insurance industry has been expanding at a fast pace. The total first year premium of life insurance companies reached Rs. 2.59 lakh crore (US\$ 36.73 billion) in FY20. Furthermore, India's leading bourse, Bombay Stock Exchange (BSE), will set up your venture with Ebix Inc. to build a robust insurance distribution network in the country through a new distribution exchange platform.

5.2 Investments/ Developments

In November 2020, Paytm reported 2x growth in digital gold transactions in the last six months. New customers have increased 50% since the beginning of this financial year and the average order value has increased by 60%. In November 2020, LIC took initiative to facilitate quicker proposal completion by launching a digital application - ANANDA. In November 2020, the Reserve Bank of India (RBI) announced establishment of its Innovation Hub. In order to encourage access to financial services and goods and foster financial inclusion, this initiative would create an ecosystem: The Innovation Hub of the Reserve Bank (RBIH) is intended to promote innovation across the financial sector by leveraging technology and creating a conducive environment for innovation. VC investments grew to US\$ 3.6 billion in July-September 2020 from US\$ 1.5 billion in the previous quarter, powered by the mega deals, which included the US\$ 1.3 billion raised by the online Retailer-Flipkart. On November 6, 2020, WhatsApp started its UPI payment services in India on receiving the National Payments Corporation of India (NPCI) approval to "Go Live on UPI in a

graded manner [14]. In October 2020, Unified Payments Interface (UPI) recorded 2.07 billion transactions worth Rs. 3.86 lakh crore (US\$ 52.10 billion).

5.3 Government Initiatives

In November 2020, the Union Cabinet approved the government's equity infusion plan for Rs. 6,000 crores (US\$ 814.54 million) in the NIIF Debt Platform funded by the National Investment and Infrastructure Fund (NIIF) consisting of Aseem Infrastructure Finance Limited (AIFL) and NIIF Infrastructure Finance Limited (NIIF) (NIIF-IFL). In November 2020, two MoUs were signed one between India International Exchange (India INX) and Luxembourg Stock Exchange and another between State Bank of India and Luxembourg Stock Exchange for cooperation in financial services, ESG (environmental, social and governance) and green finance in the local market. On November 11, 2020, The Cabinet Committee on Economic Affairs approved continuation and revamping of the scheme for financial support to public private partnerships (PPPs) in 'Infrastructure Viability Gap Funding (VGF) Scheme until 2024-25 with a total outlay of Rs. 8,100 crores (US\$ 1.08 billion).

5.4 Read Ahead

India is expected to be the fourth largest private wealth market globally by 2028 India is today one of the most vibrant global economies on the back of robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players. The Association of Mutual Funds in India (AMFI) is targeting nearly five-fold growth in AUM to Rs. 95 lakh crore (US\$ 1.47 trillion) and more than three times growth in investor accounts to 130 million by 2025. India's mobile wallet industry is estimated to grow at a Compound Annual Growth Rate (CAGR) of 150% to reach US\$ 4.4 billion by 2022, while mobile wallet transactions

will touch Rs. 32 trillion (USD\$ 492.6 billion) during the same period.

6. Company Profile

6.1 SBI Mutual Fund

SBI Mutual Fund was incorporated in 1987 with its corporate head office located in Mumbai SBIFMPL is a joint venture between the State Bank of India, an Indian public sector Bank and Amundi, a European asset management company. A shareholder agreement in this and has been entered on April 13, 2011, between SBI & AMENDI Asset Management [15-17]. Accordingly, SBI currently holds 63% stake in SBIFMPL and the 37% stake is held by AMUNDI Asset Management through a wholly owned subsidiary, Amundi India Holding 581&AMUNDI Asset Management shall jointly develop the company as an asset management company of international repute by adopting global best practices and maintaining international standards.

6.2 Findings

6.2.1 SBI Magnum Equity Fund Growth

- The Average Returns of the fund is 0.353285715
- The Market Average Return is 0.12
- The average return of the fund is lower than that of the average market return which indicates that the fund is not performing well as compared to the market
- The standard deviation of 2.209661158 indicates the amount of risk invoked in investing in the fund.
- The fund's beta of 0.0052655 is relatively lower than that of the market index which gives the idea that the proportionate change in the fund resulting from the change in the market index is relatively low.

6.2.2 Birla Sun life 95 Growth

- The Average Returns of the fund is 0.19732153
- The Market Average Return is 0.12
- The average return of the fund is lower than that of the average market return which indicates that the fund is not performing well as compared to the market

- The standard deviation of 0.63094656 indicates the amount of risk involved in investing in the fund.
- The fund's beta of 0.51 is relatively lower than that of the market index which gives the idea that the proportionate change in the fund resulting from the change in the market index is relatively low [18].

6.2.3 Kotak 30 Growth

- The Average Returns of the fund is 0.125215286 The Market Average Return is 0.12
- The average return of the fund is lower than that of the average market return which indicates that the fund is not performing well as compared to the market The standard deviation of 0.6833748 indicates the amount of risk involved in investing in the fund.
- The fund's beta of 0.00530537 is relatively lower than that of the market index which gives the idea that the proportionate change in the fund resulting from the change in the market index is relatively low.

6.2.4 TATA Equity Management Fund Growth

- The Average Returns of the fund is 0.03607152 The Market Average Return is 0.12
- The average return of the fund is lower than that of the average market return which indicates that the fund is not performing well as compared to the market The standard deviation of 0.986259561 indicates the amount of risk involved in investing in the fund.
- The fund's beta of -1.71194 is relatively lower than that of the market index which gives the idea that the proportionate change in the fund resulting from the change in the market index is relatively low.
- As per Sharpe performance measure, a high Sharpe ratio is preferable as it radiates a superior risk adjusted performance of a fund. From the above table Birla sunlite and Kotak show a better risk adjusted performance out of top 4 AMCS

- As per Treynor's ratio the Treynor's reward to volatility - having high positive index favourable. Therefore, as per this ratio also Kotak 30 fund is preferable [19].

7. Suggestions

- Financial goals depend on a variety of factors, including the age of the investor, lifestyle, financial independence, family dedication, and income and spending levels. Therefore, it is necessary for investment trust companies to assess the needs of consumers.
- Investors have the purpose of investment, such as regular income, home purchase, children's wedding or education funding, or a combination of all these needs, the amount of risk, and willingness to accept, and cash flow requirements define your needs. Investors should choose the right mutual fund system that suits their needs.
- Investors should fully read the offering documents of the mutual fund plan. Several factors that need to be evaluated before selecting a particular mutual fund are the performance records of the fund over the past few years, with appropriate standards and similar funds in the same category.
- Other factors include portfolio allocation, dividend yield and transparency, which are reflected in the frequency and quality of communications. For investors, the best way is to invest a fixed amount at a specific time interval.
- Investing a fixed amount each month, you can reduce the number of purchases at higher prices and increase the number of purchases at lower prices, thereby reducing the average cost per share. This is called the rupee cost average.

Conclusion

The study on performance of mutual fund schemes in the frame work of risk and returns was undertaken with an objective of understanding the basic concepts of mutual funds and its benefits as an investment avenue and to understand the importance of mutual funds in investing money [20]. It was also taken up with an objective of analysing the

performance of different mutual fund schemes on the basis of Various parameters and to analyse the alternative investment options for investing money. From the study analysis conducted it is clear that in equity Funds-Birla Sun life is performing very well. Investing in the Kotak growth fund will lead to profits. The prospective investors are needed to be made aware of the investment in mutual funds. The Industry should keep consistency and transparency in its management and investors objectives. There is Major growth of mutual fund as foreign AMCs are in queue to enter the Indian markets.

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