IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study And Analysis On Performance Of Different Mutual Funds In India

Dr. A. Venkata Prasad
Lecturer in Economics
PRR & VS Government Degree College, Vidavalur

Abstract

The history of mutual funds in Indian began in 1963 when the Government of India launched Unit Trust of India. Since then the mutual fund industry has had an inevitable journey and thousands of investors today invest in mutual fund schemes, making it a terrible investment segment. Mutual fund industry has experienced a radical expansion within the past two decades. The performance analysis of mutual funds is commonly used topic in the various investment areas among different countries. This happens due to accessibility of information. They provide various profits to the investors. Mutual fund provides various updates of the market and they also provide various suggestions to the investors about making investment in the different schemes. The mutual fund industry, Assets under Management doubled in the past five years as it grew from Rs.22.26 lakh crore in 2019-20 to Rs. 54.1 lakh crore in 2023-24. Therefore, in recent years, the mutual fund industry has diversified its product offerings to cater to a wide range of investor preferences, including equity funds, debt funds, hybrid funds, and thematic funds. As the growth of mutual funds in India continues, the mutual fund industry is expected to play a vital role in channeling savings into productive investments, contributing to the overall expansion of the financial markets.

Keywords: Mutual Funds, Investment, Industry, UTI, Assets, hybrid funds and debt funds

1. Introduction

A mutual fund is an investment fund that pools money from many investors to purchase securities. The influence of mutual funds for the growth and development of directly financial markets and indirectly for the boost of economy cannot be weakened. Though mutual fund as a institution started working way back from 1964 with the foundation of UTI, the real growth of the institution and becoming as a key player in the economy can be seen only after 1991 new economic reforms. This pool of money is invested in agreement with a given objective. The joint ownership of the funds is thus ‘Mutual’, i.e. the fund belongs to all or any investors. The money thus collected is then invested in capital market instruments like shares, debentures and other securities. Thus a mutual fund is the best suited investment for the commoner because it offers a chance to take a position in a diversified, professionally managed basket of securities at a comparatively low cost.

Mutual funds are a prevalent investment vehicle to diversify one's portfolio and gain exposure to a range of assets. But, investing in mutual funds involves assumptions and a level of uncertainty. A scheme's prior performance might not guarantee its future performance; it can provide vision into stocks in the market. Being able to identify what to steer clear of and what to approach can set you on the right path in the market. Thus, critically evaluating mutual fund scheme performance is crucial for investors in order to make informed decisions.

2. Concept of Mutual Funds:

Mutual Fund is essentially a mechanism of pooling together the savings of a large number of small investors for collective investment, with a confirmed objective of attractive earnings and capital rise, holding the safety and liquidity as major parameters. A Mutual Fund is a reliance that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation recognized is shared by its unit holders in proportion to the number of units owned by them. Mutual funds are dynamic financial institutions (FIs) which play a vital role in an economy by mobilizing savings and investing them in the stock-market, thus establishing a direct link between savings and the capital market. Therefore, the activities of mutual funds have both short-and log-term impact on the savings pattern, growth of capital markets and the economy. The Mutual fund is a basket of securities, which contains variety of financial products in various combinations and these various combinations of financial securities are individually called Portfolio's. In a Mutual fund company the fund managers make portfolios of different combinations they continuously analyse the market risk and expected returns so that a positive return can be provided to the mutual fund investors.

3. Understanding how Mutual Funds work

When you buying a mutual fund, you are pooling money with other investors. The money pooled together by you and other investors are managed by a fund manager who invests in financial assets such as stocks, bonds, etc. The mutual fund is managed on a daily basis. Below is a figure of how mutual funds work:

Objectives:

1. To provide a concise overview of the history of mutual funds
2. To comprehend the crucial features of distinct mutual fund schemes
3. To describe the organization of Indian mutual funds
4. To give a comprehensible summary of how mutual fund investments are made

4. Benefits to the General Public:

It may not be obvious at first why you would want to purchase shares in different securities through a mutual fund "middle man" instead of simply purchasing the securities on your own. There are, however, some very good reasons why millions of people opt to invest in mutual funds instead of, or, in addition to, buying securities directly. Mutual funds can offer you the following benefits:

1. Mutual fund shares can be purchased in such small amount so it's easy to get started

2. Mutual fund can reduce the anxiety of investing

3. Mutual fund decrease risk through diversified

4. Mutual fund provides full time professional management

5. Mutual fund provides a secure place for your investment money

6. Price movement of mutual funds are more conventional than those of individual stock

5. Evaluation of Mutual Funds in India

First Phase (1964-1987)

The first phase of the growth of Mutual Fund in India Primarily rests on the institution of UTI. The other features of UTI are discussed below.

1. UTI was established in 1963 by an Act of Parliament which was set up by the RBI and it started functioning under the Regulatory and administrative control of RBI.

2. 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. The first scheme launched by UTI was Unit Scheme 1964 and at the end of 1988, UTI had an Asset Under Management of Rs. 6,700 crores.

Second phase (1987-1993)

This period is also unique in the sense that many non-financial organizations supported the Mutual Funds and hence, there was a tremendous growth of the same

I. During 1987 to 1993 many mutual funds were instituted by various public sector banks, Life Insurance Corporation of India (LIC), and General Insurance Company (GIC). To discuss some of them, SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canara Bank Mutual Fund in December, 1987; LIC Mutual Funds in June 1989; Punjab National Bank Mutual Fund in August,1989; Indian Bank Mutual Fund in November, 1989, Bank of India in June, 1990; Bank of Baroda Mutual Fund in October,1992; GIC Mutual Fund in December, 1990.

II. At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

Third phase (1993-2003): The total scenario of Mutual Funds in India dynamically changed during the third phase which commences from 1993 and ends with 2003. The foregoing discussions visualized its growth during the phase

I. Penetration of private sector funds in 1993 witnessed a new era in the history of mutual funds of India which provided a wider dimension of choice to the Indian investors in investment.

II. The first Mutual Fund Regulations in India (MFRI) became effective

III. There was a clear guideline for every private sector to register with MFRI before the operation of the mutual funds in India.

IV. The Kothari Pioneer which was merged with Franklin Templeton became the first private sector mutual fund who registered in July, 1993.

V. The 1993 SEBI Mutual Fund Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996

VI. The increase of firms in mutual fund sector in both from India and outside resulted in several mergers and acquisitions.

VII. As of 2003, a total number of 33 mutual funds were operating with total assets of Rs.121805 crores.

VIII. The Unit Trust of India with Rs.44, 541 crores of assets under management was way ahead of other mutual funds.

Fourth Phase (2003 to Present)

This phase remarkably witnessed many change in the organizational setup of UTI. To highlight the importance of this phase it can be mentioned that, (A) The Unit Trust of India Act, 1963 was repealed. (B) Consequently, UTI was divided into two separate entities such as, (i) Specified Undertaking of UTI with assets management of Rs. 29,835 cr. Until the end of January 2003 and it comprise Unit Scheme 64 schemes, assured return and other schemes. This division of UTI started functioning under an administrator and under the rules framed by Government of India which, however, was excluded from the purview of the Mutual Fund Regulations.

(ii) UTI Mutual Fund happens to be the second split unit of UTI is and the same was sponsored by various financial organizations and insurance companies like State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda and Life Insurance Corporation. This unit of UTI is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI, it had more than Rs.76000 crores of assets under management in March, 2000 and with the setting up of a UTI Mutual Fund; it conforms to the SEBI Mutual Fund Regulations

6. Top Mutual Fund Houses in India

Mutual funds are investment vehicles that pool together the funds of various investors to invest in a portfolio of securities such as stocks, bonds, and other assets. In India, mutual funds are managed and regulated by the Securities and Exchange Board of India (SEBI). There are many mutual fund houses in India. These mutual fund houses provide different schemes that investors can choose from according to their investment goals. Several mutual fund houses in India offer a wide range of investment options to cater to the needs of different investors. Some of the top mutual fund houses in India are:

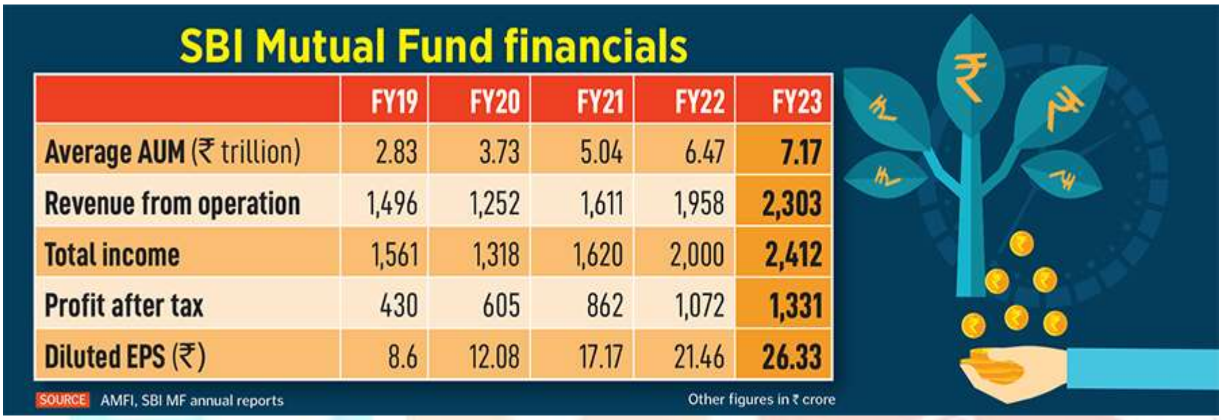
- SBI Mutual Fund
- ICICI Prudential Mutual Fund
- HDFC Mutual Fund
- Aditya Birla Sun Life Mutual Fund
- Axis Mutual Fund
- UTI Mutual Fund

7. SBI Mutual Fund

The SBI Mutual Fund Trustee Company Private Limited was set up as a trust under the Trust Act of 1882. This Trust controls the SBI Mutual Fund, one of India's largest and oldest Mutual Funds. The SBI Mutual Fund is a Joint Venture between one of India's largest and most profitable banks, the State Bank of India and Amundi, which is a French asset management company.

The SBI Mutual Fund was set up on June 29, 1987 and was incorporated on February 7, 1992. It was India's second Mutual Fund after the Unit Trust of India started operations in 1963. In July 2004, SBI decided to divest 37% of the Fund and roped in Mundi as a partner. SBI Mutual Fund has many firsts to its name. It was the first Indian Mutual Fund player to launch a 'Contra' fund, called the SBI Contra Fund. In 2013, SBI Mutual Fund India acquired Daiwa Mutual Fund, part of the Daiwa Group of Japan.

SBI Mutual Fund is the first in India to launch an ESG Fund. An acronym for Environment, Social and Governance, the fund provides resources for sustainable investment in major markets. In 2015, the Employees' Provident Fund of India invested Rs. 5000 Crore for the first time in a Mutual Fund in India via SBIMF Sensex ETFs Exchange Traded Funds.



SBI Mutual Fund financials

	FY19	FY20	FY21	FY22	FY23
Average AUM (₹ trillion)	2.83	3.73	5.04	6.47	**7.17**
Revenue from operation	1,496	1,252	1,611	1,958	**2,303**
Total income	1,561	1,318	1,620	2,000	**2,412**
Profit after tax	430	605	862	1,072	**1,331**
Diluted EPS (₹)	8.6	12.08	17.17	21.46	**26.33**

SOURCE AMFI, SBI MF annual reports

Other figures in ₹ crore

As of March 2024, the SBI Mutual Fund manages assets worth Rs.9.14 lakh crores. In early 2019, it moved past Aditya Birla and HDFC Mutual Funds to emerge as the 3rd largest Mutual Fund manages assets worth Rs.9.14 lakh crores. In early 2019, it moved past Aditya Birla and HDFC Mutual Funds to emerge as the third largest Mutual Fund body in India based on Assets under Management or AUM. The SBI MF is registered with the Securities and Exchange Board of India or SEBI.

8. ICICI Prudential Mutual Fund

ICICI Prudential Mutual Fund is the second largest mutual fund company in India in terms of AUM. It was established in 1993 as ICICI Prudential Asset Management Company Limited (a part of ICICI Group). In 1998, prudential Plc came in as a joint venture partner. Prudential Plc is one of the largest companies in the financial services sector in the United Kingdom (UK). ICICI Bank holds a 51% stake in the JV and Prudential Plc has 49%. With an experience of over two decades, ICICI Prudential Mutual Fund also offers Portfolio Management Services. Its reach is spread across over 350 locations and an investor base of more than 9.9 million investors (as of March 2024). As of 31st march 2024, the AMC had an AUM of Rs.681,454.84 crores. As of March 2024, the fund house comprises 12.76% of the industry's AUM.

9. HDFC Mutual Fund

HDFC Asset Management Company Ltd., or HDFC Mutual Fund, is currently the largest mutual fund and actively managed equity mutual fund in India. It is one of the most profitable asset management companies (AMC) in the country. The company manages assets worth Rs. 6.1 Lakh Crores as of March 31, 2024.

In the last 5 years, the CAGR of:

- Revenue from operators was 17.41 percent
- Operating profit was 20.08 percent
- Profit before tax was 21.35 percent
- Profit after tax was 21.07 percent
- Assets under management (AuM) was 25.86 percent
- Active equity AuM was 32.27 percent

The company serviced more than 75000 empanelled distribution partners through 210 branches spread across more than 200 cities in India.

10. Aditya Birla Sun Life Mutual Fund

Aditya Birla Sun Life Mutual Fund was founded jointly between ABCL and Sun Life AMC in 1994 and is the principal investment manager for the Aditya Birla Sun Life Mutual Fund. ABSLAMC, formerly known as Birla Sun Life Asset Management Company Limited, is a trusted company founded under the Indian Trust Act of 1882. In addition, Aditya Birla Sun Life Mutual Funds online has a variety of businesses, including portfolio management services, real estate investment, and alternative investment funds. Portfolio management services are customized to provide consistent, long-term results by adopting a research based, systematic investment approach.

Aditya Birla Sun Life AMC Online in India offers investment trusts, portfolio management, offshore and real estate services. The company is almost debt-free and has an excellent track record of return on equity (ROE) of approximately 37.07 percent for three years (March 2021). The company maintains a strong divided of 53.78 percent, and it has been reported that after-tax profits increased 27 percent to INR 186.2 billion in the three months to December 2021. In an IPO filing, the asset manager said that the company reported an after-tax profit of INR 146.8 billion in the same quarter of the previous fiscal year.

11. Axis Mutual Fund

Axis Mutual Fund which has Axis Bank as its sponsor is one of the largest mutual funds in India. Axis Asset Management Company (Axis AMC) is the investment manager of Axis Mutual Fund which has Axis Bank and Schroder's as its principal shareholders. Axis AMC has investment capabilities covering equity, fixed income, real estate and multi-asset solutions. Apart from managing Axis Mutual Fund, Axis AMC also offers other alternative investment management services including through alternative investment funds (AIF), portfolio management services (PMS) and advisory services to offshore funds/investors. Axis Mutual Fund has a distinctive investment philosophy that focuses on quality portfolios that have the potential for generating sustainable risk-adjusted returns over the long term for all its investors.

Axis Mutual Fund is one of India's top 10 asset management companies. It was established in 2009 and it is a joint venture between India's third largest private bank, Axis Bank, and Schroder Singapore Holdings Private Limited. This AMC is one of the fastest-growing mutual fund companies in India. As of

March 31st,2024, the company's AUM stood at Rs.2,64,946.86 crores, constituting 4.9 percent of the Indian mutual fund industry's AUM i.e. 53.4 lakh crores.

12. Conclusion:

From the study we depict that the mutual fund is safe investment instrument. Mutual fund is a diversified fund where the investor can diversified their funds. For the investment decision process the portfolio performance measure should be a key aspect. These instruments provide the necessary information for investors to assess how effectively their money has been invested or may be invested. An investor cannot credibly see the whole investment picture which may involuntarily lead to clouded decision without evaluating risk adjusted returns. After analyzing the different mutual fund schemes, it is concluded that while making the investment decision the first and most important consideration is risk and return aspect followed by investment decision the first and most important consideration is risk and return aspect followed by the safety and liquidity. If the investors want to go for less risk fund then they should go for higher rank in the neither Trey nor measure. The investors who want to diversify their funds and get higher rate of return should go for higher rank in Sharpe measure. The investors have the proper information about the asset management companies in order to get the good return and also contact the advisory securities of knowing which fund gives good return for their investment.

References:

.https://economictimes.indiatimes.com/industry/banking/finance/banking/how-to-evaluate-mutual-fund-scheme-performance/articleshow/99109671.cms?from=mdr

https://www.etmoney.com/mutual-funds/fund-houses/icici-prudential/11

https://www.researchgate.net/publication/364588208_PERFORMANCE_ANALYSIS_OF_MUTUAL_FUNDS_IN_INDIA

https://www.researchgate.net/publication/367406390_A_Study_on_the_Performance_of_Mutual_Funds_of_Indian_AMCs

https://ijcrt.org/papers/IJCRT1801340.pdf

https://groww.in/blog/top-10-mutual-fund-houses-india

https://www.moneycontrol.com/mutual-funds/best-funds/equity.html

https://www.livemint.com/mutual-funds/mutual-fund-stats

https://www.businesstoday.in/mutual-funds/best-mf