



A STUDY ON MUTUAL FUNDS W.R.T EQUITY FUNDS

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Abstract

Investments goals vary from person to person. While somebody wants security, others might give more weight age to returns alone. Somebody else might want to plan for his child's education while somebody might be saving for the proverbial rainy day or even life after retirement. With objectives defying any range, it is obvious that the products required will vary as well.

Indian Mutual Funds industry offers a plethora of schemes and serves broadly all type of investors. The range of products includes equity funds, debt, liquid, gilt and balanced funds. There are also funds meant exclusively for young and old, small and large investors. Moreover, the setup of a legal structure, which has enough teeth to safeguard investor's interests, ensures that the investors are not cheated out of their hard earned money. All in all, benefits provided by them cut across the boundaries of investor category and thus create for them, a universal appeal. Investors of all categories could choose to invest on their own in multiple options but opt for Mutual Funds for the sole reason that all benefits come in a package. The Mutual Fund industry is having its hands full to cater to various needs of the investors by coming up with new plans, schemes and options with respect to rate of returns, dividend frequency and liquidity. In view of the growing competition in the Mutual Funds industry, it was felt necessary to study the investor's orientation towards Mutual Funds i.e. their pattern of risk appetite and preferences in various schemes, plans and options in order to provide a better service.

Introduction

Mutual Fund came into existence in India in the year 1963. Unit trust of India was the first association to launch the concept of Mutual Fund in India. It invited a lot of investors to invest in UTI Mutual Funds in order to make savings. UTI Mutual Fund ruled India for around 30 years and there were no competitors till 1988 when some new mutual fund companies came into existence. In spite of this, UTI Mutual Fund had always remained in the leading position. The performance of Mutual Funds in India started climbing the ladder of success with the consistently good performance of UTI Mutual Fund. Initially, people in India were not very much familiar with the Mutual Funds. In the year 1992, that is, in the post-liberalization era around 24 million shareholders or investors in the UTI Mutual Fund were assured high returns on investing in Mutual Funds. UTI Mutual Funds schemes actually sold the idea of getting benefited by investing in mutual funds to the Indian population which proved to be a successful measure in attracting investors. There was 0% risks involved in mutual funds schemes after liberalization and the number of investors started increasing rapidly thereafter.

Definition of Mutual Fund

A mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When you invest in a mutual fund, you are buying units or portions of the mutual fund and thus on investing becomes a shareholder or unit holder of the fund.

Review of Literature

Like most developed and developing countries the mutual fund culture has been catching on in India. There are various reasons for this. Mutual funds make it easy and less costly for investors to satisfy their need for capital growth, income and/or income preservation. And in addition to this a mutual fund brings the benefits of diversification and money management to the individual investor, providing an opportunity for financial success that was once available only to a select few.



A Mutual Fund is a trust 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 appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual

Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, - professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund.

Objectives

1. To show the wide range of investment options available in MF's by explaining various schemes offered by different AMC's.
2. To help an investor to make a right choice investment, while considering the inherent risk factors.

Research methodology and tools

This study is basically of

1. Primary Data
2. Secondary Data

Primary data: The primary data collected from the different companies through enquiry.

Secondary data: The secondary data collected from the different sites, brochures, news papers, company offer documents, different books and through suggestions from the project guide and from the faculty members of our college.

Tools used

The following parameters were considered for analysis:

- Treynor's Ratio
- Sharpe's Ratio

Data Analysis & Interpretation:

For the purpose of data analysis and interpretation the following mutual funds have been chosen;

- a) SBI Magnum Equity Fund Growth
- b) Birla Sun life 95 Growth
- c) Kotak 30 Growth
- d) TATA Equity Management Fund Growth

Comparative study of the performance of the selected AMC's using Sharpe and Treynor's index are calculated

Name of the Fund	Return (Rm)	Risk(std dev)	Beta ()	Rf	Sharpe's	Treynor's
					(Rm-Rf)/	(Rm-Rf)/
SBI Magnum Equity Fund Growth	-0.42	2.15	0.75	0.06	-0.22	-0.64



Birla Sun life 95 Growth	-0.28	1.69	0.51	0.06	-0.20	-0.67
Kotak 30 Growth	-0.35	2.07	0.75	0.06	-0.20	-0.55
TATA Equity Management Fund Growth	-0.42	1.86	0.65	0.06	-0.26	-0.73

Interpretation using Sharpe's index

- From the above table and we can know that Birla sun life and kotak are giving good returns and they are in first position,
- And the second position is SBI

Interpretation using Treynor's index

- From the above table and we can know Kotak is performing well and it is in first position
- And the second position is SBI
- The general trend in the reduction of the market price for various mutual funds studied is not encouraging the stock market index has also been falling continuously because of general economic slowdown

Findings and suggestions

1. There is 100% growth of mutual fund as foreign AMCS are in queue to enter the Indian markets
2. The prospective investors are needed to be made aware of the investment in mutual funds.
3. It is with this in mind, every institution should try to come up with variety of different type of products to fill different investment objectives.

Conclusion

From the above study we clearly understood that Mutual fund is a new concept in India and slowly its trend is catching up among the investors, as mutual funds generate constant returns with minimal risk and we also see that mutual funds yield good amount of returns when it is plan for long term, many AMC are offering different schemes depending on the needs of the investors and their risk bearing capacity. These schemes are proved to be successful as it has attracted so many investors towards the mutual fund.

- a. Investing in the KOTAK MUTUAL FUND (GROWTH) will leads to profits.
- b. The prospective investors are needed to be made aware of the investment in mutual funds.
- c. Mutual funds can also portrait in to rural areas.

Books

1. Donald E Fisher & Ronald J.Jodon, Securities Analysis and Portfolio Management Paperback publications 1995 edition.
2. H.Sadhak, Mutual Fund India Sage publications 2003 edition.