

DECODING PRE-COVID DYNAMICS IN THE INDIAN MUTUAL FUND SPHERE: A COMPARATIVE STUDY

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Abstract: This research delves into the performance evaluation of mutual funds within the context of Uttar Pradesh, a state in India. Mutual funds offer a professionally managed and diversified approach to investing, potentially yielding favorable returns for unit holders. However, the current study reveals that Uttar Pradesh, despite its substantial demographic weight, contributes a mere 3.9% to the Assets Under Management (AUM) composition among the top 20 states. This highlights a lower penetration level and awareness of investment opportunities, particularly in the eastern part of the state. With the mutual fund industry's AUM ballooning from Rs. 7.61 trillion in July 2013 to Rs. 23.06 trillion in July 2018, there emerges a stark disparity in Uttar Pradesh's participation. This investigation sheds light on a pivotal aspect of financial evaluation – the interplay of risk and return. Previous analyses primarily focused on returns without sufficiently incorporating risk considerations. Grounded in seminal works by Markowitz and Tobin in the 1950s, this research accentuates the importance of incorporating risk, especially variance, in comparing investments. While the comparison between two investments with differing returns and variances may be straightforward, the pivotal role of additional returns for investments with higher variances is underscored. Subsequent to this foundational concept, the study turns to performance metrics introduced by Treynor, Sharpe, and Jensen in the 1960s – the Treynor ratio, Sharpe ratio, and Jensen's alpha, respectively. These ratios compare the returns of managed portfolios with a benchmark portfolio. However, a critical issue emerges regarding the selection of a suitable benchmark portfolio for such comparisons. The study thus extends beyond these ratios, factoring in an array of crucial parameters, including loads, asset size, expense ratio, and historical performance. By doing so, this research aims to provide a comprehensive understanding of mutual fund performance beyond traditional measures. It recognizes that while risk and return are vital aspects, other factors significantly contribute to an investment's overall performance. The broader context of the capital market theory serves as the backdrop for these performance evaluations, with an emphasis on anticipated risk and portfolio returns. This study is poised to bridge the existing gap in understanding by uncovering multifaceted performance metrics, potentially informing investment decisions and industry growth.

Keywords: Mutual funds, performance evaluation, risk and return, Uttar Pradesh, AUM composition

Introduction

Mutual fund represents a way of investing money into a professionally managed and diversified pool of securities that hopefully will provide a good return on unit holder's money. As our statistics show (geographical spread May 2018) Uttar Pradesh contributes 3.9% AUM composition in top 20 states which are very less and also the penetration level in the state is low and people of eastern UP are less aware of different investment avenues and also they have less knowledge of investment. As per AMFI data, the mutual fund industry's AUM has grown from Rs.7.61 trillion as on 31st July 2013 to 23.06 trillion as on 31st July 2018 more than threefold increase in 5 years. However, Uttar Pradesh contributes 3.9% AUM composition in the top 20 states which is very less. Hence the need and significance of the study areas following Research extends an understanding about overall industry performance concerning the Uttar Pradesh.

In finance performance of mutual funds have been analysed by the rate of return of investment and on the basis of which the performance of the mutual fund has been analysed, but the risk component was not considered by doing this. Markowitz (1952) and Tobin (1958) given the concept to measure the risk of an investment. Though with the concept of variance the comparison of two or more investments were not well described for an example if any investment has a higher return and lower variance than another one, it is very easy to choose the better one. But investments having the higher returns and higher variance than another one the better investment option can be judged only by the additional returns means to say if the investments have the higher variance it must generate some additional return. Therefore, while choosing a better investment option the risk and return factor both must be considered. In another study in the 1960s, by Treynor (1965), Sharpe (1966) and Jensen (1968) given concept which is known as Treynor ratio, Sharpe ratio, and Jensen's alpha respectively. In their concept, they explained that the return of the professionally managed portfolio has to be compared with the return of some standard benchmark portfolio. These measures were very useful to analyse the performance of the mutual fund, but they also face some limitations. One of the major problems behind them was what would be the benchmark portfolio for the purpose of comparison. This concept takes into consideration the Capital market theory for performance measures which is totally based on expected risk and the return of the portfolio. In their study, they have not discussed the other factors which are also important for the analysis of the performance of mutual funds. These are some factors like loads, asset size, expense ratio, current and historical performance etc.

Objectives

- ❖ To analyze the performance of the mutual fund in pre Covid scenario.
- ❖ To analyze the Quarterly Asset Under Management of Mutual Fund Industry.
- ❖ To analyze the top AMCs and their performance.
- ❖ To analyze the investors trend.
- ❖ To analyze the overall insight of mutual fund industry

Methodology

Source of Data There are two different types of sources when collecting data: primary and secondary data sources. Primary sources are directly related to the study purpose. Primary data consists the data collected throughout the study that directly related to the study purpose; both personally gathered as well as data from a third party that has been collected with an equivalent purpose. Secondary data, on the other hand, contains relevant data that has been collected with a different purpose, but from which conclusions are valuable for the purpose.

In this research work, secondary data was collected from the reports of various companies dealing in the mutual fund in order to assess the performance of the mutual fund.

Data Analysis and Interpretation**Industry QAAUM(Quarterly Average Assets under Management)****(Industry QAAUM)**

Time Period	Industry QAAUM	Top ten AMC	Growth in QAAUM
For the quarter ended September 2016	<p>Industry QAAUM hits another high, crosses RS.16 lakh cr</p> <p>The 11.8% QoQ growth in QAAUM was driven by strong participation from retail investors and robust inflow in equity schemes</p> <p>Low AUM to GDP ratio of 7% (as of 2015) compared with 11.4% in Australia, 91% in the US and 51% in the UK suggests the huge potential for growth in coming quarters</p> <p>ICICI Prudential MF sustain pole position with QoQ growth of 11.7%</p>	<p>ICICI mutual fund</p> <p>HDFC mutual fund</p> <p>Reliance mutual fund</p> <p>Birla sun life mutual fund</p> <p>SBI mutual fund</p> <p>UTI mutual fund</p> <p>Franklin Templeton mutual fund</p> <p>Kotak mutual fund</p> <p>IDFC mutual fund</p> <p>DSP black rock mutual fund</p>	<p>Top 5 AMC shows the growth of 10% to 13%</p>
For the quarter ended December 2016	<p>Industry hits another high, 82,610 cr added in</p> <p>There is a dominant presence of equity scheme from retail investors showing 5.1% QoQ growth in QAAUM.</p> <p>Assets under management of</p>	<p>ICICI mutual fund</p> <p>HDFC mutual fund</p> <p>Reliance mutual fund</p> <p>Birla sun life mutual fund</p> <p>SBI mutual fund</p> <p>UTI mutual fund</p> <p>Kotak mutual fund</p> <p>Franklin Templeton</p>	<p>There is an increase of 1.10% in the share of top-10 AMCs (in terms of QAAUM)as compared to the last quarter.</p> <p>ICICI Pru mutual fund retained pole</p>

	mutual fund industry likely to grow at CAGR of 19% between FY15-FY20 and cross RS.30 lakh crore in 2020	mutual fund DSP black rock mutual fund IDFC mutual fund	position with QoQ growth of 5.6%
For the quarter ended March-17	<p>Industry QAAUM bagged another high, Rs.136,244 C added in QFY17</p> <p>There is again a strong presence of equity scheme through SIP which indicates 8.05% QoQ growth.</p> <p>AUM of the mutual fund industry has increased five times in the last decade and is expected to touch the figure of Rs. 20 trillion in CY17</p>	<p>ICICI mutual fund HDFC mutual fund Reliance mutual fund Birla sun life mutual fund SBI mutual fund UTI mutual fund Kotak mutual fund Franklin Templeton mutual fund DSP black rock mutual fund IDFC mutual fund</p>	<p>Top 5 AMC shows the growth of 6% to 12%</p> <p>Top 10 AMCs contribute for 81% of QAAUM.</p> <p>QAAUM of three fastest growing AMC below Rs. 15,000 Cr</p> <p>Among larger AMCs (QAAUM> Rs. 35,000 crore), Kotak Mahindra, DSP black rock, Axis, and L&T mutual fund have shown robust growth in the corpus in FY17</p>
For the quarter ended June 17	<p>Industry QAAUM up 7% - Rs 122,191 crore in 1st quarter of FY 18</p> <p>In this quarter the industry asset was driven by equity schemes through SIP and showing 6.7% quarterly growth.</p>	<p>ICICI mutual fund HDFC mutual fund Reliance mutual fund Birla sun life mutual fund SBI mutual fund UTI mutual fund Kotak mutual fund Franklin Templeton</p>	<p>Top 5 AMCs shows growth of 5% to 8%.</p> <p>QAAUM of five fastest-growing AMCs below 20,000 crore</p> <p>The larger AMCs</p>

	In the last decade yearly AUM of the MF industry has grown five times and is expected to touch the mystical figure of RS. 9 lakh crore by 2025.	mutual fund DSP black rock mutual fund Axis mutual fund	(QAAUM> Rs.35thousand crore), Kotak Mahindra, DSP black rock, Axis and L&T mutual fund have shown mystical growth in assets. Kotak Mahindra AMC crossed the milestone of 1 100,000 crore in the Q1FY18 and became the seventh AMC to join the Rs. 1 lakh crore AUM category.
For the quarter ended Sep -17	Industry QAAU M up 7%- 143,078 crore added in Q2FY18 Again there is strong growth in equity schemes through the systematic investment plans showing 7.3% quarterly growth and mark to market gains.	ICICI mutual fund HDFC mutual fund Reliance mutual fund Birla sun life mutual fund SBI mutual fund UTI mutual fund Kotak mutual fund Franklin Templeton mutual fund DSP black rock mutual fund Axis mutual fund	Top 5 AMC's shows 4% to 12% growth QAAUM of six fattest growing AMC's below Rs. 20,000 crore Among the larger AMC's (QAAUM. Rs.35,000crore), Kotak Mahindra, DSP black rock, axis, and L&T mutual fund have shown tremendous growth in assets.
For the quarter	Industry QAAUM shows a mystic hike and up by 7% - crosses	ICICI mutual fund HDFC mutual fund	Top 5 AMC's shown of Rs. 5% to 9%.

ended Dec-17	Rs.22 Lakh crore. In this quarter the industry is driven by strong inflows in equity schemes through both lumpsum and SIPs and shows 6.8% quarterly growth.	Reliance mutual fund Birla sun life mutual fund SBI mutual fund UTI mutual fund Kotak mutual fund Franklin Templeton mutual fund DSP black rock mutual fund Axis mutual fund	The larger AMC's (QAAUM>Rs. 35,000), Kotak Mahindra, DSP black rock, Axis, and L&T mutual fund shown exceptional growth in assets. QAAUM of six fastest growing AMC below Rs.20,000 crore.
For the quarter ended Mar-18	Industry QAAUM up 3%- crosses Rs. 23 Lakh Crore. Rs. 68,95 crore added in QFY18 The 3.1% quarterly growth in industry assets was driven by benign capital markets for the most part of fiscal; investor awareness campaigns like “ mutual fund Sahihai”; and strong retail participation.	ICICI mutual fund HDFC mutual fund Reliance mutual fund Birla sun life mutual fund SBI mutual fund UTI mutual fund Kotak mutual fund Franklin Templeton mutual fund DSP black rock mutual fund Axis mutual fund	Top ten AMC's shows the growth of 0.5% to 6%. Among the larger AMC's (QAAUM>Rs. 35,000), SBI and L&T mutual fund has shown tremendous growth in assets QAAUM of eight fastest growing AMC's below Rs. 20,000
For the quarter ended June-18	Industry QAAUM up 20% YoY to RS. 23.4 crore in Q1FY19 Rs.35,166 crore put together in Q1FY19. The effective rise that are working for the industry Robust SIP inflows	ICICI mutual fund HDFC mutual fund Reliance mutual fund Birla sun life mutual fund SBI mutual fund UTI mutual fund	Top 5 AMC's shows the growth of -2% to 7% 10 largest AMC's account for 81% of QAAUM

	Strong retail participation Investor awareness programme such as “ Mutual fund Sahihai”	Kotak mutual fund Franklin Templeton mutual fund DSP black rock mutual fund 0 Axis mutual fund	QAAUM of nine fastest growing AMC below Rs.20,000 crore Among the larger AMCs (QAAUM>Rs 35,000crore), L&T mutual fund has shown tremendous growth in assets.
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Source: [https://www.mutualfundindia.com/ MF/Research Report View/Research](https://www.mutualfundindia.com/MF/Research Report View/Research)

Investors Trend

(Investor Trend)

Time Period	Investor trends
For the quarter ended June-2017	<p>Data show that the mutual fund industry added 28.3 lakh folio.</p> <p>It has been also analysed that in the last 15 months, investors are more oriented for the long term wealth creation and there is an increase of approximately 70 lakh folios in ELSS and equity schemes.</p> <p>In this quarter individual and institutional investors show similar growth.</p> <p>Individual and institutional investors shown a positive trend and grew at a CAGR of 25.2% and 25.9% respectively in the last five years.</p>

	<p>In this quarter equity funds were preferred by individual investors while institutional investors most liked the fixed income funds.</p> <p>Equity funds created 53% of the total asset base of individual investors, while debt-oriented funds made up 85% of the portfolio of institutional of which liquid schemes formed 32% as of March 17.</p> <p>It has been also analysed that, improved distribution and regulatory changes to fee structure have brought more people into mutual fund fold.</p>
For the quarter ended September-2017	<p>This quarter investor trend shows that the industry added 38.2 lakh folios.</p> <p>Result and analysis also show that total folios at the end of September estimated as 6.2 crore which is 6.6% higher than previous year data.</p> <p>This quarter analysis also shows that investors opting for equity fund for long term income generation.</p> <p>In this quarter more people are attracted towards the investment in the mutual fund due to the regulatory changes in fee structure.</p>
For the quarter ended December-2017	In this quarter mutual fund industry added

	<p>4.4 lakh folio.</p> <p>It has been also analysed that total asset to individual and institutional investors grew at a CAGR of 30.5% and 22.2% respectively.</p> <p>This quarter result also shows that institutional investor prefers debt oriented fund and individual investors prefer equity funds.</p>
For the quarter ended March- 2018	<p>In this quarter mutual fund industry adds 48.6 lakh folios.</p> <p>In this quarter the country's smaller towns accounted for 18.8% of the total industry AUM.</p>
For the quarter ended June-2018	<p>In this quarter MF industry adds 32.8 lakh folio.</p> <p>As per statistics, this quarter folio was 4.6% higher than the previous quarter</p> <p>In this quarter also the country's smaller towns locations accounted for 14.1% of the total industry AUM.</p>

Source: [https://www.mutualfundindia.com/ MF/Research Report View/Research](https://www.mutualfundindia.com/MF/Research%20Report%20View/Research)

Industry Insight (Industry Insight)

Time Period	Industry insight
For the quarter ended September 2016	There is an increase in investor base due to improved distribution and regulatory

	changes to the fee structure results in increasing participation in smaller places.
For the quarter ended December 2016	<p>Industry shows fall in yields post demonetization results in outer performance of long term debt funds</p> <p>It has been also observed that in last one year, gilt mutual funds have topped the chart, the category got support after bond yields plunged following the demonetization move, which led to heightened liquidity in the banking sector.</p> <p>In this quarter equity funds continue to deliver positive returns.</p>
For the quarter ended March-2017	<p>March -17witnesses highest monthly folio addition in FY17</p> <p>As per SEBI data, 10.1 lakh folio count reached 5.5 crores, 1.90% higher than Feb-17.</p> <p>The ELSS category drove the increase; 3.2 lakh folios were added in the month.</p> <p>It has been observed that due to the change in fee structure and regulatory changes there is an increasing trend in investment from places.</p>
For the quarter ended June-2017	As per AMFI data, during the period gross commission earned by mutual fund distributors almost doubled from Rs.2,600

	<p>crore in FY14 to Rs. 4,990crore in FY17.</p> <p>During the period top 10 distributors earned Rs.2, 379 crore commission from the AMC in FY, representing 47.70% of the total commission paid to distributors.</p> <p>In the last three fiscals, average assets under management of top 10 distributors have increased from Rs. 1.3lakh crore to 2.74 lakh crore.</p>
For the quarter ended September-2017	<p>Large-cap funds indicate the largest share of assets.</p> <p>There is more instrument allocation pattern in the debt segment.</p>
For the quarter ended December-2017	<p>In this period equity, mutual fund control over the domestic equity markets and large market capitalization funds directed the largest share of the assets.</p> <p>There was no change in instrument allocation pattern in the debt category and average maturity income and debt funds.</p>
For the quarter ended March- 2018	<p>In this quarter mutual fund inflows continue to control the equity market.</p> <p>Also, the large caps fund continues to command the largest share of assets.</p> <p>Most of the debt segment shows the instrument allocation pattern.</p>

	In this quarter average maturity remains constant.
For the quarter ended June-2018	Again the equity mutual fund continues to drive the markets. Again Most of the debt segment shows the instrument allocation pattern.

Source: [https://www.mutualfundindia.com/MF/Research Report View/Research Findings of mutual fund performance \(Industry Trend\)](https://www.mutualfundindia.com/MF/Research Report View/Research Findings of mutual fund performance (Industry Trend))

- ❖ It has been clear from the statistics that the industry has been shown a positive trend with respect to the quarterly asset under management with retail participation.
- ❖ ICICI mutual fund, HDFC mutual fund, Reliance mutual fund, and Birla sun life mutual fund were among the top funds' category.
- ❖ Top AMC has been shown year on year growth.
- ❖ Investor trend shows that the industry has shown a positive trend and added folio to every quarter
- ❖ Inflow and outflow analysis shows that retail investor was driven by SIPs in equity. .
- ❖ The analysis also shows that all equity mutual fund category remains on the top because of the positive trend in benchmark indices
- ❖ There was an increase in investor base due to various regulatory measures taken to protect the interest of investor by SEBI and AMFI.

Conclusion and Discussion

Overall we can say that year on year mutual fund industry showing a positive trend due to the various measures taken by SEBI to create the awareness among the investors regarding mutual fund and also various regulatory action taken by SEBI to protect the interest of the investor

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