



## A STUDY ON RISK - RETURNS OF MUTUAL FUNDS IN INDIA

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### ABSTRACT

**KEYWORDS:**  
*Mutual fund, Retail investors, investments, stocks, bonds*

*Mutual fund offers an opportunity to invest in a diversified fields, professionally manages large number of securities at relatively low cost. Small investors can use it as tool for investing in a well diversified portfolio of equities, bonds and other securities. Investments in each security will split into different section of industries and sectors. So the risk is diversified and reduced. The object of this research work is to know about the Mutual funds, its types and the schemes available to the public.*

### INTRODUCTION

A mutual fund pools the savings of many investors to invests the money in securities like stocks, bonds, short-term money market instruments. Investors in a mutual fund have a common financial goal and their money is invested in different assets. Investments in mutual funds entail comparatively small amounts. Retail investors are having the advantage of funds are managed by efficient experts in mutual funds.

Investing in mutual budget may be a clever flow for nearly any form of investor. beginning investors and expert cash managers, and each experience degree of investor in among, can take advantage of the capabilities and benefits of mutual funds and practice them to their funding goals.

- **Instant diversification:** A mutual fund will provide us with a “basket of stocks” that will provide diversification in portfolio.
- **Effective for smaller accounts:** Mutual fund affords publicity to masses or lots of stocks, it is not needed to exit and purchase masses or heaps of stocks for personal, which may be very prohibitive for a smaller-sized funding account and confined capital to make investments with.
- **Professional money management:** Mutual funds is being managed by investment managers who would likely be considered “experts”

in their field. Mutual fund companies have resources that are above and beyond what one may have as an individual, retail investor.

### REVIEW OF LITERATURE

**The studies on mutual funds are plenty over the years:**

**Dr.Rajesh Manikraoji and M.R.Senapathy (2013)** in their study examined a comparative study on the Performance of Mutual Funds on the SBI Mutual Funds v/s others. Their main objective is to assess the performance of selected mutual funds and to understand various schemes of Prominent mutual funds in India. They found that SBI mutual fund are performing very good compared to other Mutual Fund.

**Dr M.M.Goyal (2015)** in his study examined the performance evaluation of top 10 Mutual Funds in India as per Crisil September, 2014 ranking and also compares it with the benchmark index i.e, S&P CNX Nifty. Various absolute and relative performance measures like sharp measure, treynor measure and Jensen Alpha is being used to compare the performance. The study finds that overall all the schemes provide higher and better average return than the market. Franklin India Opportunities Fund is the best performer with higher average return, lower risk which is good for investors who want to reap higher returns at a lower risk.

**Table showing details of top 10 mutual funds in 2017**

Fund Name	Fund Type	1 Year Returns	3 Year Returns	5 Year Returns	Risk Grade	Return Grade
<b>ICICI Prudential Focused Bluechip Equity Fund</b>	Equity: Large Cap	19.99%	13.25%	18.83%	Below Average	Above Average
<b>Franklin India Prima Plus Fund</b>	Equity: Multi cap	16.77%	17.26%	21.10%	Low	Average
<b>ICICI Prudential Value Discovery Fund</b>	Equity: Multi cap	12.09%	14.22%	22.59%	Below Average	Above Average
<b>DSP BlackRock Opportunities Fund</b>	Equity: Multi cap	23.92%	18.39%	22.17%	Average	Above Average
<b>Axis Long Term Equity Fund</b>	ELSS	16.80%	16.57%	24.52%	Low	Above Average
<b>DSP BlackRock Tax Saver Fund</b>	ELSS	22.02%	17.16%	22.49%	Below Average	Above Average
<b>ICICI Prudential Corporate Bond Fund</b>	Debt: Credit Opportunities	9.88%	9.85%	9.29%	Low	Average
<b>Franklin India Ultra Short Bond Fund - Super Institutional Plan</b>	Debt: Ultra Short Term	9.31%	9.61%	9.75%	Below Average	High
<b>Reliance Dynamic Bond Fund</b>	Debt: Dynamic Bond	10.93%	10.74%	9.74%	High	Average
<b>Birla Sun Life Short Term Fund</b>	Debt: Short Term	9.10%	9.56%	9.49%	Average	Average

Source: [www.financial Express.com](http://www.financial Express.com)

The above table shows the details of top ten mutual funds in India for the year 2017. Mutual funds which is listed shows the details of its Fund types, risk and returns. It is been found that Franklin India Ultra Short Bond Fund is with high rate of return among other mutual funds in 2017.

#### Top Ten Mutual Fund Houses in India for 2018

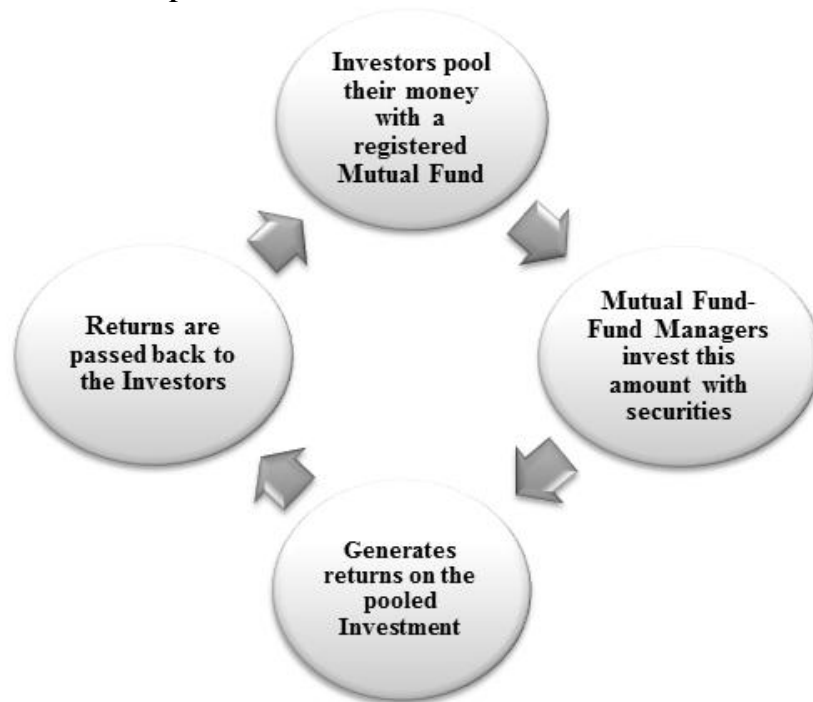
1. ICICI Prudential Mutual Fund
2. HDFC Mutual Fund
3. Reliance Mutual Fund
4. Birla Sun Life Mutual Fund
5. SBI Mutual Fund
6. UTI Mutual Fund
7. Kotak Mutual Fund
8. Franklin Templeton Mutual Fund
9. DSP Black Rock Mutual Fund
10. IDFC Mutual Fund.

#### Top ten best Mutual Funds for Investors

Conservative Investors	Moderate Investors	Aggressive investors
SBI Magnum MIP - Direct (G)	HDFC Balanced Fund	ICICI Prudential Value Discovery Fund
Can Robeco Yield Adv. -Direct (G)	SBI Bluechip	HDFC Balanced Fund
UTI Monthly Income Scheme-Direct(G)	ICICI Prudential Value Discovery Fund	BNP Paribas Mid Cap Fund(G)
Sundaram CPOF- Sr 4 -2 years (G)	Aditya Birla SL Frontline Equity Fund(G)	Franklin India Smaller Companies Fund(G)
ICICI Pru MIP - Direct (G)	Franklin India Bluechip Fund(G)	Aditya Birla SL Tax Plan(G)
Principal Equity Savings Fund - D - (G)	DSPBR Opportunities Fund-Reg(G)	ICICI Pru Banking & Fin Serv Fund(G)
HSBC MIP - Direct (G)	Axis LT Equity Fund(G)	Franklin Build India Fund(G)
ICICI Prudential Regular Income-Dir (G)	ICICI Pru Banking & Fin Serv Fund(G)	Canara Robeco Emerging Equities Fund - Regular Plan
Aditya Birla SL MI (G)	ICICI Prudential Dynamic Plan	DSP BlackRock Micro Cap Fund - Regular Plan
JM Monthly Income Plan - Direct (G)	Quantum Long Term Equity	Kotak Emerging Equity Scheme Regular Plan

Source: [Bankbazaar.Com](http://Bankbazaar.Com)

**How a Mutual fund does operate?**



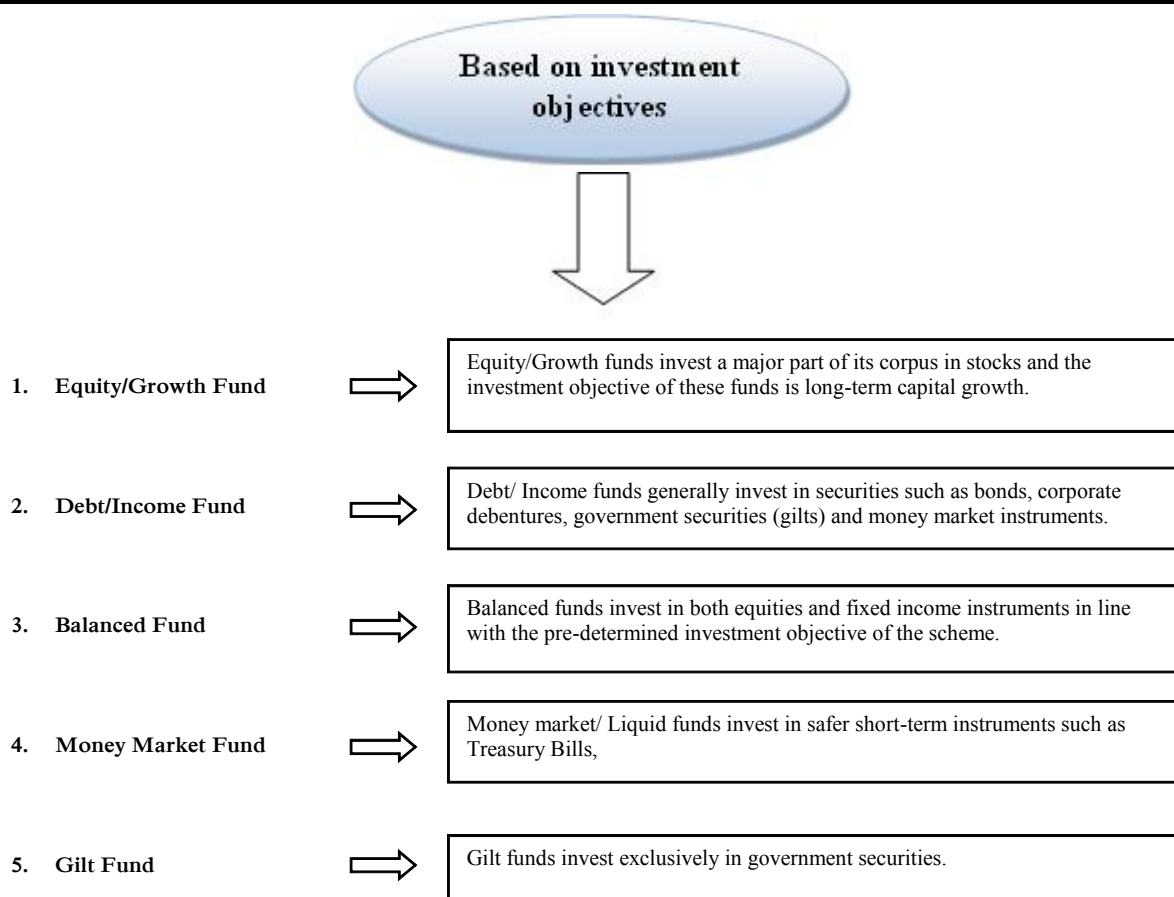
A mutual fund company collects money from several investors, and invests it in various options like stocks, bonds, etc. This fund is managed by professionals who understand the market well, and try to accomplish growth by making strategic investments. Investors get units of the mutual fund according to the amount they have invested. The

Asset Management Company is responsible for managing the investments for the various schemes operated by the mutual fund. It also undertakes activities such like advisory services, financial consulting, customer services, accounting, marketing and sales functions for the schemes of the mutual fund.

**TYPES OF MUTUAL FUND SCHEMES**



- |                      |   |  |
|----------------------|---|--|
| 1. Open-ended Funds  | ⇒ | It is a fund that is available for subscription and can be redeemed on a continuous basis.   |
| 2. Close-ended Funds | ⇒ | It is a fund that has a defined maturity period, e.g. 3-6 years. These funds are open for subscription for a specified period at the time of initial launch. |
| 3. Interval Funds    | ⇒ | Interval funds is the combination of open-ended and close-ended funds.   |



## **BENEFITS OF INVESTING IN MUTUAL FUNDS**

### **Professional Management**

When money is invested in a mutual fund, money is managed by finance professionals. Investors who do not have the time or skill to manage their own portfolio can invest in mutual funds. By investing in mutual funds, we can gain the services of professional fund managers, which would otherwise be costly for an individual investor.

### **Diversification**

Mutual funds provide the benefit of diversification across different sectors and companies. Mutual funds widen investments across various industries and asset classes. Thus, by investing in a mutual fund, we can gain from the benefits of diversification and asset allocation, without investing a large amount of money that would be required to build an individual portfolio.

### **Liquidity**

Mutual funds are usually very liquid investments. Unless they have a pre-specified lock-in period, our money is available to us anytime we want subject to exit load, if any. Normally funds take a couple of days for returning our money. Since they are well integrated with the banking system, most funds can transfer the money directly to our bank account.

### **Flexibility**

Investors can benefit from the convenience and flexibility offered by mutual funds to invest in a wide range of schemes. The option of systematic (at regular intervals) investment and withdrawal is also offered to investors in most open-ended schemes. Depending on one's inclinations and convenience one can invest or withdraw funds.

### **Low transaction cost**

The transaction cost is very low due to economies of scale. The Individual who enters the market directly cannot enjoy the benefit which is passed on to the mutual fund investors.

### **Transparency**

Investors are being updated with the information relating to the markets and schemes through factsheet, offer documents, annual reports etc.

### **Well regulated**

Securities and Exchange Board of India regulates and monitor Mutual Funds in India to protect the interest of Investors. There is a complete transparency which is registered with SEBI. Investors are being provided with the standard information by the Mutual Funds about their investments along with others information like specific investments made by the scheme and the quantity of investment in each asset class.

## **MUTUAL FUND TAXATION POST BUDGET**

Ensure to weigh your tax liabilities before you are making that promote. If you are a mutual fund investor or are planning to go into the equity markets through deciding on to spend money on mutual finances, it's far crucial to apprehend your taxation elements submit price range. Finance Minister Arun Jaitley in his ultimate full time finances earlier than the 2019 elections introduced two major taxation choices associated with equity investments. the primary is a ten% Dividend Distribution tax (DDT) on dividend options of fairness price range and the second one, the reintroduction of long term capital gains tax relevant for profits exceeding Rs 1

lakh from the sale of equities to be taxed at 10% without indexation.

Any fund which invests 65% or better in fairness comes under the equity fund category and is taxed thus. Funds with a decrease equity factor than 65% stay taken into consideration as debt price range for taxation functions.

#### **Mutual Fund Investments and LTCG Tax**

Profits from sale of any inventory or equity oriented fund exceeding a minimum limit of Rs 1 lakh after January 31, 2018 will now be taxed at 10% without indexation. The tax is not retrospective and all gains before Jan 31, 2018 are exempt from the ambit of this tax.

#### **Mutual Fund Investments and Dividend Distribution Tax (DDT)**

Investing in mutual funds with a dividend alternative, there has been no DDT for character buyers. The quantity acquired as dividend by way of the mutual fund organization became tax loose as an investor. Post budget 2018, DDT at the rate of 10% is now applicable in to each individual fairness investor.

#### **Mutual fund investments And Security Transaction Tax (STT)**

For sale of all fairness-oriented mutual funds, a STT of zero.001% is levied through the fund enterprise for all such sales. The STT is still the same for all fairness-orientated mutual funds in conjunction with the DDT taxation.

#### **Mutual Fund Investment and Tax Rates for Financial Year 2018-2019**

With LTCG tax and 10% DDT, investment in growth and dividend mutual fund investments are almost at par. If the final post tax return on investments continues to be lucrative, the new taxation decision should not lead to any alarming change in mutual fund asset allocation.

### **RISK INVOLVED IN INVESTING**

#### **MUTUAL FUND**

Mutual price range spends money on special securities like shares or constant profits securities, relying upon the fund's goals. As a result, one-of-a-kind schemes have distinct dangers relying on the underlying portfolio. The cost of an investment may also decline over a time period

because of financial alterations or different activities that affect the general marketplace. Also, the government might also provide you with new guidelines, which may also have an effect on a specific enterprise or magnificence of industries. A majority of these factors influence the overall performance of Mutual price range.

**Risk and Reward:** The diversification that mutual funds provide can help ease threat by offsetting losses from a few securities with profits in other securities. On the other hand, this could restrict the upside ability that is supplied by way of preserving a single safety.

### **CONCLUSION**

This study is an attempt to understand the "Mutual Funds in India". The Mutual Fund as a funding option have displayed first rate growth capacity while the markets are constructive and when wise selections are made. They have got achieved lots higher than traditional funding alternatives in the long term and accordingly help investor beat inflation to some extent. It's far very importance to be aware that investors ought to not take choice definitely with the aid of looking on the return figures from man or woman fund, they must evaluate budget based on the danger and return analysis and discover which fund is giving better returns commensurate to the chance taken.

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