**A Study On Performance Of Mutual Funds**

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**Abstract:**

A mutual fund is a pool of money managed by an Asset Management Company (AMC) that collect funds from different individuals as well as institutional investors, and invest those funds in various securities, capital assets such as bonds, real estates, stocks as well as in mutual funds. Most of the Asset Management Companies have different categories of equity mutual funds depending upon the risk associated with such investments. In this case, trailing return and rolling return indicate the performance of a mutual fund. However, a long-term investor has to consider other factors associated with such mutual funds (like asset under management, expenses ratio, number of stocks, and experience of the management) to finalise the selection of mutual funds. In this research paper, an attempt has been made to identify the relationship among the performance of selected equity mutual funds and the parameters considered by the investors for selecting the fund. 't-statistic’ has been used to identify such relationship. This research shows that there is no relationship between trailing return of any kinds of Equity mutual funds and the selected parameters by the investors. However, number of stocks and experience of management have a little impact on the rolling return of equity large cap mutual funds and Assets under management has a little impact on rolling return in case of mid-cap mutual fund only.

**Keywords:** mutual fund Asset Management Company, Equity mutual funds

**INTRODUCTION:**

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.

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 in 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.

* A mutual fund is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities.
* Mutual funds give small or individual investors access to diversified, professionally managed portfolios at a low price.
* Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek.
* Mutual funds charge annual fees (called expense ratios) and, in some cases, commissions, which can affect their overall returns.
* The overwhelming majority of money in employer-sponsored retirement plans goes into mutual funds.

**How Mutual Funds Work**

Investors typically earn a return from a mutual fund in three ways:

* Income is earned from dividends on stocks and interest on bonds held in the fund's portfolio. A fund pays out nearly allot the income it receive so the year to fund owners in the form of a distribution.
* Funds often give investors a choice either to receive a check for distribution store invest the earnings and get more shares.
* If the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution.

If fund holdings increase in price but are not sold by the fund manager, the fund's shares increase in price. You can then sell your mutual fund shares for a profit in the market.

**TYPES OF MUTUAL FUNDS**

Broadly, any mutual fund will either invest in equities, debt or a mix of both. Further, they can be open-ended or close-ended mutual fund schemes.

**A. Open-ended funds**

In an open-ended mutual fund, an investor can invest or enter and redeem or exit at any point of time. It does not have a fixed maturity period.

**B. Close-ended funds**

Close-ended mutual funds have a fixed maturity date. An investor can only invest or enter in these type of schemes during the initial period known as the New Fund Offer or NFO period. His/her investment will automatically be redeemed on the maturity date. They are listed on stock exchange(s).

**REVIEW OF LITERATURE:**

**Tile: A Study on A Study On Investment Avenues With Particular reference To Mutual Fund**

**Author:** **Tanya Gupta and Magdalene Peter**

**Source:** **Indian Journal of Science and Technology**

**Abstract**

Dr.G.Santhiyavaili: M.Usharani, “A Study On Investment Avenues With Particular reference To Mutual Fund Many developments have been taking place in the Indian capital market with the opening of the Indian economy .The Indian financial system fosters savings among the public and channels them to their most efficient use through financial institutions or intermediaries operating in the money and capital markets segments. One such financial intermediary which has played a significant role in the development and growth of capital markets is Mutual Fund. Like most developed countries the mutual fund cult has been catching on in India. There are various reasons for this. Mutual fund makes it easy and less costly for investors to satisfy their need for capital growth and income generation. In addition to this, a mutual fund brings the benefit of diversification and money management to the individual investors, providing an opportunity for financial success that was once available only to a select few. This paper will focus on saving pattern of investors, investment avenues, awareness about various investments and preference towards mutual funds and their different types.

**ARTICLE: 2**

**Tile: The Hazards of Mutual Fund Underperformance**

**Source: European Journal of Molecular & Clinical Medicine**

**Author:** **Amit Agrawal**

Lunde, Timmermann, and Blake (1999), in “The Hazards of Mutual Fund Underperformance: A Cox Regression Analysis” investigate the relationship between funds’ conditional probability of closure and their return performance. The authors explain that the process of fund attrition rates is important because: (1) survivorship bias is impacted by the funds’ lives and their relative performance; (2) duration profiles of funds is important for understanding fund managers’ incentive environments; and (3) termination processes may provide information about investor reaction to poor performance. The paper measures the importance of various factors influencing the process and rate by which funds are terminated. After examining a data set of dead and surviving funds (973 and 1402, respectively), the authors present some reasons why funds are terminated: (1) not reaching critical mass in capitalization, (2) merging a poorly performing fund with a similar, more successful fund, and (3) merging or closing a poorly performing fund to improve family group performance overall. All of these are related to fund performance, which the authors use to explain fund deaths.

**ARTICLE: 3**

**Tile: The Importance of Investors Perception and Growth Prospects of Mutual Funds**

**Author: Rami Ali**

**Source: European Journal of Molecular & Clinical Medicine-** **ISSN 2515-8260**

**Abstract**

Susanta Swain, Dr. Ansuman Sahoo, focused on “Investors Perception and Growth Prospects of Mutual Funds: With Special Reference to SBI Mutual Fund” Bhubaneswar, Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Being a part of financial markets although mutual funds industry is responding very fast by understanding the dynamics of investor’s perception towards rewards, still they are continuously following this race in their endeavor to differentiate their products responding to sudden changes in the economy. Thus, it is high time to understand and analyze investor’s perception and expectations, and unveil some extremely valuable information to support financial decision making of mutual funds. In few years Mutual Fund has emerged as a tool for ensuring one’s financial well being. Mutual Funds have not only contributed to the India growth story but have also helped families tap into the success of Indian Industry. As information and awareness is rising more and more people are enjoying the benefits of investing in mutual funds. The main reason the number of retail mutual fund investors remains small is that nine in ten people with incomes in India do not know that mutual funds exist. But once people are aware of mutual fund investment opportunities, the number who decide to invest in mutual funds increases to as many as one in five people.

.**RESEARCH GAP:**

# This project will focus on saving pattern of investors, investment avenues, awareness about various investments and preference towards mutual funds and their different types.

**OBJECTIVES:**

* To show the wide range of investment options available in MF’s by explaining various schemes offered by different AMC’s.
* To help an investor to make a right choice of investment, while considering the Inherent risk factors.
* To understand the recent trends in the MF world.
* To understand the risk and return of the various schemes.
* To find out the various problems faced by Indian mutual funds and possible solutions.

**RESEARCH METHODOLOGY:**

**Need For The Study**

1. Mutual funds are dynamic financial institutions which play crucial role in an economy by mobilizing savings and investing them in the capital market.

2. The activities of mutual funds have both short and long term impact on the savings in the capital market and the national economy.

3. Mutual funds, trust, assist the process of financial deepening & intermediation.

4. To banking at the same time they also compete with banks and other financial intuitions.

5. India is one of the few countries to day maintain a study growth rate is domestic savings.

**Scope Of The Study:**

* Subject matter is related to the investor’s approach towards mutual funds and tulips.
* People of age between 20 to 60
* Area limited to Hyderabad.
* Demographics include names, age, qualification, occupation, marital status and annual income.
* The study is limited to the analysis made for a Growth scheme offered by four AMC’s.

**Methodology**

**DATA COLLECTION**

The research was conducted with the analysis based on

1. Primary Data

2. Secondary Data

**Primary data:**

The primary data was collected from the executives companies through enquiry. Primary data pertaining to demographic and socio economic characteristics of the samples and their attributes, opinions, awareness and knowledge in relation to the topic undertaken on mutual fund industry and its low penetration in cities were obtained through the survey technique. Structured questionnaire with direct, open ended and closed ended and multiple choice questions were prepared.

**Secondary data:**

The secondary data collected from the different sites, broachers, news papers, company offer documents, different books and through suggestions from the project guide and from the faculty members of our college. . Secondary data which assisted to execute the research was collected through secondary sources.

**Limitations Of The Study**

1. Sample size taken is small and may not be sufficient to predict the results with 100% accuracy.
2. The result is based on primary and secondary data that has its own limitations.

**DATA ANALYSIS & INTERPRETATION:**

**PROFIT AND LOSS ACCOUNT OF ICICI BANK LIMITED**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **PROFIT & LOSS ACCOUNT OF ICICI BANK (in Rs. Cr.)** | **MAR 23** | **MAR 22** | **MAR 21** | **MAR 20** | **MAR 19** |  |
|  | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |  |
| **INCOME** |  |  |  |  |  |  |
| Interest / Discount on Advances / Bills | 57,551.11 | 47,942.62 | 40,866.21 | 39,603.39 | 38,943.15 |  |
| Income from Investments | 14,673.21 | 12,796.88 | 11,568.17 | 11,377.07 | 10,625.35 |  |
| Interest on Balance with RBI and Other Inter-Bank funds | 682.15 | 736.09 | 663.38 | 495.46 | 158.24 |  |
| Others | 1,891.85 | 1,925.60 | 1,868.14 | 2,680.35 | 3,012.69 |  |
| **TOTAL INTEREST EARNED** | **74,798.32** | **63,401.19** | **54,965.89** | **54,156.28** | **52,739.43** |  |
| Other Income | 16,448.62 | 14,512.16 | 17,419.63 | 19,504.48 | 15,323.05 |  |
| **TOTAL INCOME** | **91,246.94** | **77,913.36** | **72,385.52** | **73,660.76** | **68,062.49** |  |
| **EXPENDITURE** |  |  |  |  |  |  |
| Interest Expended | 41,531.25 | 36,386.40 | 31,940.05 | 32,418.96 | 31,515.39 |  |
| Payments to and Provisions for Employees | 8,271.24 | 6,808.24 | 5,913.95 | 5,733.71 | 3,012.69 |  |
| Depreciation | 947.12 | 776.91 | 780.74 | 757.65 | 679.29 |  |
| Operating Expenses (excludes Employee Cost & Depreciation) | 12,394.63 | 10,503.91 | 9,009.25 | 8,263.70 | 8,972.36 |  |
| **TOTAL OPERATING EXPENSES** | **21,614.41** | **18,089.06** | **15,703.94** | **14,755.06** | **12,683.56** |  |
| Provision Towards Income Tax | 3,746.03 | 3,360.60 | 2,661.85 | 2,180.12 | 5,788.61 |  |
| Provision Towards Deferred Tax | 2,371.20 | -2,947.14 | -2,004.72 | -702.60 | -3,319.18 |  |
| Other Provisions and Contingencies | 14,053.23 | 19,661.14 | 17,306.98 | 15,208.14 | 11,667.82 |  |
| **TOTAL PROVISIONS AND CONTINGENCIES** | **20,170.46** | **20,074.60** | **17,964.11** | **16,685.66** | **14,137.25** |  |
| **TOTAL EXPENDITURE** | **83,316.13** | **74,550.05** | **65,608.10** | **63,859.67** | **58,336.20** |  |
| **NET PROFIT / LOSS FOR THE YEAR** | **7,930.81** | **3,363.30** | **6,777.42** | **9,801.09** | **9,726.29** |  |
| **NET PROFIT / LOSS AFTER EI & PRIOR YEAR ITEMS** | **7,930.81** | **3,363.30** | **6,777.42** | **9,801.09** | **9,726.29** |  |
| Profit / Loss Brought Forward | 17,879.57 | 18,495.26 | 18,744.94 | 17,132.19 | 17,261.42 |  |
| **TOTAL PROFIT / LOSS AVAILABLE FOR APPROPRIATIONS** | **25,810.38** | **21,858.56** | **25,522.36** | **26,933.28** | **26,987.70** |  |
| **APPROPRIATIONS** |  |  |  |  |  |  |
| Transfer To / From Statutory Reserve | 1,982.80 | 840.90 | 1,694.40 | 2,450.30 | 2,431.60 |  |
| Transfer To / From Capital Reserve | 395.44 | 28.00 | 2,565.46 | 5,293.30 | 2,382.24 |  |
| Transfer To / From Revenue And Other Reserves | 0.00 | 350.00 | 700.00 | 0.00 | 500.00 |  |
| Dividend and Dividend Tax for The Previous Year | 645.31 | 0.00 | 0.00 | 0.00 | 3.85 |  |
| Equity Share Dividend | 0.00 | 965.13 | 1,457.46 | 0.95 | 2,907.52 |  |
| Tax On Dividend | 0.00 | 0.00 | 8.73 | -7.19 | 279.37 |  |
| Balance Carried Over To Balance Sheet | 21,327.47 | 17,879.57 | 18,495.26 | 18,744.94 | 17,132.19 |  |
| **TOTAL APPROPRIATIONS** | **25,810.38** | **21,858.56** | **25,522.36** | **26,933.28** | **26,987.70** |  |
| **OTHER INFORMATION** |  |  |  |  |  |  |
| **EARNINGS PER SHARE** |  |  |  |  |  |  |
| Basic EPS (Rs.) | 12.28 | 5.23 | 10.56 | 15.31 | 16.75 |  |
| Diluted EPS (Rs.) | 12.08 | 5.17 | 10.46 | 15.25 | 16.65 |  |
| **DIVIDEND PERCENTAGE** |  |  |  |  |  |  |
| Equity Dividend Rate (%) | 0.00 | 50.00 | 75.00 | 125.00 | 250.00 |  |

**BALANCE SHEET OF ICICI BANK LIMITED**

|  |
| --- |
|  |
| **BALANCE SHEET OF ICICI BANK (in Rs. Cr.)** | **MAR 23** | **MAR 22** | **MAR 21** | **MAR 20** | **MAR 19** |  |
|  | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |  |
| **EQUITIES AND LIABILITIES** |  |  |  |  |  |  |
| **SHAREHOLDER'S FUNDS** |  |  |  |  |  |  |
| Equity Share Capital | 1,294.76 | 1,289.46 | 1,285.81 | 1,165.11 | 1,163.17 |  |
| **TOTAL SHARE CAPITAL** | **1,294.76** | **1,289.46** | **1,285.81** | **1,165.11** | **1,163.17** |  |
| Revaluation Reserve | 3,114.87 | 3,044.51 | 3,003.19 | 3,042.14 | 2,817.47 |  |
| Reserves and Surplus | 112,091.29 | 104,029.40 | 100,864.37 | 95,737.57 | 85,748.24 |  |
| Total Reserves and Surplus | 115,206.16 | 107,073.91 | 103,867.56 | 98,779.71 | 88,565.72 |  |
| **TOTAL SHAREHOLDERS FUNDS** | **116,504.41** | **108,368.04** | **105,158.94** | **99,951.07** | **89,735.58** |  |
| Deposits | 770,968.99 | 652,919.67 | 560,975.21 | 490,039.06 | 421,425.71 |  |
| Borrowings | 162,896.76 | 165,319.97 | 182,858.62 | 147,556.15 | 174,807.38 |  |
| Other Liabilities and Provisions | 47,994.99 | 37,851.46 | 30,196.40 | 34,245.16 | 34,726.44 |  |
| **TOTAL CAPITAL AND LIABILITIES** | **1,098,365.15** | **964,459.15** | **879,189.16** | **771,791.45** | **720,695.10** |  |
| **ASSETS** |  |  |  |  |  |  |
| Cash and Balances with Reserve Bank of India | 35,283.96 | 37,858.01 | 33,102.38 | 31,702.41 | 27,106.09 |  |
| Balances with Banks Money at Call and Short Notice | 83,871.78 | 42,438.27 | 51,067.00 | 44,010.66 | 32,762.65 |  |
| Investments | 249,531.48 | 207,732.68 | 202,994.18 | 161,506.55 | 160,411.80 |  |
| Advances | 645,289.97 | 586,646.58 | 512,395.29 | 464,232.08 | 435,263.94 |  |
| Fixed Assets | 8,410.29 | 7,931.43 | 7,903.51 | 7,805.21 | 7,576.92 |  |
| Other Assets | 75,977.67 | 81,852.17 | 71,726.80 | 62,534.55 | 57,573.70 |  |
| **TOTAL ASSETS** | **1,098,365.15** | **964,459.15** | **879,189.16** | **771,791.45** | **720,695.10** |  |
| **OTHER ADDITIONAL INFORMATION** |  |  |  |  |  |  |
| Number of Branches | 5,324.00 | 4,874.00 | 4,867.00 | 4,850.00 | 4,450.00 |  |
| Number of Employees | 99,319.00 | 86,763.00 | 82,724.00 | 82,841.00 | 72,175.00 |  |
| Capital Adequacy Ratios (%) | 16.00 | 17.00 | 18.00 | 17.00 | 17.00 |  |
| **KEY PERFORMANCE INDICATORS** |  |  |  |  |  |  |
| Tier 1 (%) | 15.00 | 15.00 | 16.00 | 14.00 | 13.00 |  |
| Tier 2 (%) | 1.00 | 2.00 | 3.00 | 3.00 | 4.00 |  |
| **ASSETS QUALITY** |  |  |  |  |  |  |
| Gross NPA | 40,829.09 | 45,676.04 | 53,240.18 | 42,159.39 | 26,221.25 |  |
| Gross NPA (%) | 6.00 | 7.00 | 0.00 | 9.00 | 6.00 |  |
| Net NPA | 9,923.24 | 13,449.72 | 27,823.56 | 25,216.81 | 12,963.08 |  |
| Net NPA (%) | 1.54 | 2.29 | 5.00 | 5.00 | 3.00 |  |
| Net NPA To Advances (%) | 2.00 | 2.00 | 5.00 | 5.00 | 3.00 |  |
| **CONTINGENT LIABILITIES, COMMITMENTS** |  |  |  |  |  |  |
| Bills for Collection | 48,216.24 | 49,391.99 | 28,588.36 | 22,623.19 | 68,932.74 |  |
| Contingent Liabilities | 2,523,825.80 | 1,922,038.29 | 1,289,244.00 | 1,030,993.71 | 853,520.77 |  |

**CASH FLOW STATEMENT**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cash Flow** | | | | | |
| Rs (in Crores) | | | | | |
| **Particulars** | **MAR 23** | **MAR 22** | **MAR 21** | **MAR 20** | **MAR 19** |
| Profit Before Tax | 14048.04 | 3776.76 | 7434.56 | 11278.61 | 12195.72 |
| **Net Cash Flow from Operating Activity** | **78449.44** | **38418.79** | **13303.65** | **39222.81** | **22428.47** |
| **Net Cash Used in Investing Activity** | **-37107.40** | **-23875.31** | **-38968.80** | **7045.42** | **-3949.98** |
| **Net Cash Used in Financing Activity** | **-2644.55** | **-18251.09** | **34118.30** | **-30378.79** | **-585.07** |
| **Net Inc/Dec In Cash and Cash Equivalent** | **38859.45** | **-3873.09** | **8456.32** | **15844.32** | **17564.13** |
| Cash and Cash Equivalent - Beginning of the Year | 80296.29 | 84169.38 | 75713.06 | 59868.74 | 42304.62 |
| Cash and Cash Equivalent - End of the Year | 119155.74 | 80296.29 | 84169.38 | 75713.06 | 59868.74 |

**CONCLUSIONS**

* Investing in the ICICI MUTUAL FUND (GROWTH) will leads to profits.
* By seeing the overall performance ICICI MUTUAL FUND is performing very well.
* 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 100% growth of mutual fund as foreign AMCS are in queue to enter the Indian markets.
* Mutual funds can also perpetrate in to rural areas.

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