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Review Paper- "COMPARATIVE STUDY OF MUTUAL FUNDS IN INDIA REGARDS TO FINSAARTHI LEARNING SOLUTIONS"

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Abstract –

Mutual fund is an important and good source of investment options for investors. This source helps the investors in earning better returns compared to other source of investment. In India most of the people does not have the adequate knowledge on the subject of mutual fund. They feel that investment in mutual is unsafe and it's like gambling.

The lack of awareness and misunderstanding about mutual fund leads to low investment in this industry. There is a need to raise public awareness by enlightening people about the advantages of investing in mutual funds. This report Contains information on the performance of chosen companies from various mutual fund schemes. The study's major goal is to figure out why SBI mutual fund schemes outperform when compared to other companies' mutual fund schemes and to scrutinize the risk and return of various funds. As in India companies are focusing young people and adopting modern technology aspect in this industry. This project gave a knowledge exposure and I was able to understand the performance of fund and customer behavior towards mutual fund. In this project report the first part includes industry and company related information, vision, mission, SWOT Analysis and financial reports of the company.

Keywords – Asset Management Company, Asset Under Management, Mutual Funds, Net Asset Value..

I. INTRODUCTION --

Mutual funds are investment vehicles that pool money from multiple investors to invest in a diversified portfolio of securities, such as stocks, bonds, and money market instruments. They are professionally managed by experienced fund managers who make investment decisions on behalf of the investors. Mutual funds provide individuals and institutional investors with an opportunity to participate in the financial markets without directly buying individual securities. By spreading investments across various assets, mutual funds offer diversification, which helps reduce risk. Investing in mutual funds offers benefits such as liquidity, transparency, and convenience. Investors can buy and sell mutual fund units on any business day at the fund's net asset value (NAV). The regular disclosure of portfolio holdings ensures transparency and allows investors to track their investments.

"A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want." "A mutual fund is nothing more than a collection of stocks and/or bonds. You can think of a mutual fund as a company that brings together a group of people and invests their money in stocks, bonds, and other securities. Each investor owns shares, which represent a portion of the holdings of the fund."

Systematic Investment Plans (SIPs) are a popular way to invest in mutual funds. SIPs enable investors to invest a fixed amount regularly, promoting disciplined investing and reducing the impact of market volatility. Additionally, mutual funds may offer tax benefits in certain categories, making them a tax-efficient investment option.

ADVANTAGES

Portfolio Diversification: -Investing in a diversified portfolio can be very expensive. The nice thing about mutual funds that they allow anyone to hold a diversified portfolio. The reason why investors invest in a diversified portfolio is because it increases the expected returns while minimizing the risk. Liquidity: - Another nice advantage to mutual funds is that the assets are liquid. In financial language, liquidity basically refers to converting your assets to cash with relative ease. Mutual funds are considered liquid assets since there is high demand for many of the funds in the marketplace. Ease of Companies: - Mutual funds are also convenient because they are easy to compare. This is because many mutual fund dealers allow the investor to compare the funds on metrics such as level of risk, return price. Because Information is easily available, the Investor is able to make wise decisions. Less Risk: - Investors acquire a diversified portfolio of securities even with a small investment in a mutual fund. The risk in diversified portfolio is lesser than investing Low Transaction cost: -

Due to Economies of scale mutual funds pay lesser transaction cost. The benefits are passed on to investors.

DISADVANTAGES

Cost: -The downside of mutual funds is that they have a high cost associated with them in relation to the returns they produce. This is because investors are not only charged for the price of the fund but they will often face additional fees. Depending on the fund, commission charges can be significant. You will need to pay fee that will go towards the fund manager. Index Does Better: - In some cases, the stock Index may outperform the mutual fund. However, this is not always the case as it depends in large part on the mutual fund the investor has invested in, as well as the skill set of fund manager. Therefore, it is a good idea to do your research before investing in fund. It is historical data indicates that is consistently underperformed compared to an index, then it is not wise investment. Fees: -The fees that are charged will depend on the type of mutual fund purchased. If a fund is risker and more aggressive, the management fee will tend to be higher. In addition, the investor will also be required to pay taxes, transaction fees as well as other costs related to maintaining the fund. No Control over Investments: - You have absolutely no control over what the Fund manager Des with your money. You can't advise him on how your money is to be invested. You only sit back and hope for the best.

Role of SEBI in Mutual fund

SEBI is the policymaker in charge of mutual funds and also governs the sector. It establishes guidelines for mutual funds to protect investors' interests. Mutual funds have significantly different investment policies and asset allocation techniques. It is necessary to have consistency in the functioning of mutual funds, which can be identical in schemes. It will make it easier for shareholders to make investment decisions. To encourage standardization and uniformity in comparable schemes, the Mutual Fund was listed as follows:

- Debt Schemes
- Solution-Oriented Schemes
- Hybrid Schemes
- Equity Schemes
- Other Schemes With a few exceptions, categorizing and streamlining mutual funds into these five primary categories means that mutual fund businesses may only have one program in each subcategory. It simplifies the fund selection process and works in the best interests of investors by examining the risk choices they make before investing in any scheme.

I. TYPES OF MUTUAL FUND SCHEMES IN INDIA --

A. BY STRUCTURE SCHEMES:

i. Open-Ended –

This scheme allows investors to buy or sell units at any point in time. This does not have a fixed maturity date. Investors can conveniently buy & sell units at Net Asset Value related Prices. The key feature of Open-Ended scheme is liquidity.

ii. Closed-Ended –

A closed-end fund has a fixed number of shares outstanding and operates for a fixed duration (generally ranging from 3 to 15 years). The fund would be open for subscription only during a specified period and there is an even balance of buyers and sellers, so someone would have to be selling in order for you to be able to buy it. Closed-end funds are also listed on the stock exchange so it is traded just like other stocks on an exchange or over the counter. Usually, the redemption is also specified which means that they terminate on specified dates when the investors can redeem their units.

iii. Interval –

Interval schemes combine the features of open-ended and close-ended funds. The units may be traded on the stock exchange or may be open for sale or redemption during pre-determined intervals at NAV-related prices. Fixed maturity plans, or, FMPs are examples of these types of schemes

B. BY NATURE:

i. Equity Fund –

Equities are a popular mutual fund category amongst retail investors. They invest the funds into Equity holdings. The structure of the fund may vary different for different schemes and the fund manager's outlook on different stocks. These funds are sub-classified depending on Investment objective such as

a) Diversified Equity Funds

b) Mid-Cap Funds

c) Sector Specific Funds

d) Tax Savings Funds (ELSS) **ii. Debt Funds –**

Debt funds are mutual funds that invest in fixed income securities like bonds and treasury bills. Gilt fund, monthly income plans (MIPs), short term plans (STPs), liquid funds, and fixed maturity plans (FMPs) are some of the investment options in debt funds. Apart from these categories, debt funds include various funds investing in short term, medium term and longterm bonds.

iii. Balanced Funds –

This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.

C. BY INVESTMENT OBJECTIVE

i. Growth Schemes –

Growth Schemes are also known as equity schemes. The aim of these schemes is to provide capital appreciation over medium to long term. These schemes normally invest a major part of funds in Equities & look for capital appreciation.

ii. Income Scheme – income Scheme are also known as debt schemes. The aim of the scheme is to provide regular and steady income to the investor. These Schemes invest in fixed income securities such as bonds & corporate debentures. In such schemes capital appreciation may be limited.

iii. Balance Scheme –

This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.

iv. Money Market scheme –

This is ideal for investors looking to utilize their surplus funds in short term instruments while awaiting better options. These schemes invest in short-term instruments such as treasury bills, certificate of Deposit, commercial paper & Intercompany call money and seek to provide reasonable returns for the investors.

D. OTHER SCHEMES

i. Tax Saving Schemes –

As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities thereby offering long-term growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) has a 3-year lock-in period.

ii. Index Schemes –

Index schemes is a widely popular concept in the west. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like Nifty, Sensex, etc.

iii. Sector Specific Schemes –

Sectoral funds are invested in a specific sectors like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large caps, mid-caps, etc. This scheme provides a relatively high risk-high return opportunity within the equity space

Net Asset Value (NAV)

The Net Asset Value (NAV) of a mutual fund is the price at which the units of a mutual fund are bought and sold. It is the market value of the fund after deducting its liabilities. The value of all units of a mutual fund portfolio are calculated on a daily basis, from this all expenses are then subtracted. The result is then divided by the total number of units the resultant value is the NAV. NAV is also sometimes referred to as Net Book Value or book Value.

NAV indicates the market value of the units in a fund. So, it helps an investor keep track of the performance about the mutual fund. An investor can calculate the actual increase in the value of their investment by determining the percentage increase in the mutual fund NAV. NAV, therefore, gives accurate information about the performance about the mutual fund.

Calculation of NAV

Mutual fund assets usually fall under two categories- securities & cash. Securities, here, include both bonds and stocks. Therefore, the total asset value of a fund will include its stocks, cash and bonds at market value. Dividends and interest accrued and liquid assets are also included in total assets o **The formula for calculating NAV:**

NAV of a mutual funds = <u>(Assets of the fund - Liabilities of the fund)</u>

Number of outstanding units of the fund

The mutual fund itself and/or certain accounting firms calculate the NAV of a mutual fund. Since, mutual funds depend on stock markets, they are usually declared after the closing hours of the exchange.

All Mutual Funds are required to publish their NAV at every business day as per SEBI guidelines.

NAV is obtained after subtracting the expense ratio of a fund. This expense ratio is the total of all expenses made by the mutual fund annually, including the operating expenses and the management fees, distribution and marketing fees, transfer agent fees, custodian fees and audit fees.

Example of calculation of NAV

As an example, assume there are two investors X and Y who have invested in a mutual fund which decided to issue out units at Rs 1/-

X invests Rs 100/- and Y invests Rs 200/-.

The total corpus of the mutual fund will be Rs 100+ Rs 200 = Rs 300/- and X will get 100 units and Y will get 200 units.

Now suppose the mutual fund manager invests smartly over a year and makes the investment grow and the corpus becomes Rs 800/-.

The NAV will be calculated as

NAV of a mutual funds = <u>(Assets of the fund - Liabilities of the fund)</u>

Number of outstanding units of the fund

units of the fund = [Rs 800/-

0]/300-2.67

- The NAV is 2.67.

= So X's value of investments will be 100 units 2.67 Rs 267/- and

-Y's value of investments will be 200 units * 2.67 = Rs 534/-.

As per the regulator SEBI's guidelines, all mutual funds are required to publish the NAV of their schemes at least once a week and in two leading newspapers.

II.BY INVESTMENT OBJECTIVE

v. Growth Schemes –

Growth Schemes are also known as equity schemes. The aim of these schemes is to provide capital appreciation over medium to long term. These schemes normally invest a major part of funds in Equities & look for capital appreciation.

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I.PERFOMANCE ANALYSIS OF MUTUAL FUNDS –

o **Equity Mutual Funds:**

Equity mutual funds primarily invest in equities or stocks of companies. They offer investors an opportunity to participate in the growth potential of the stock market. Evaluation of equity mutual funds involves the following key aspects:

a. Performance: Assess the historical performance of the fund over different time periods, such as 1-year, 3-year, 5-year, and so on. Compare the fund's returns with its benchmark index and peers to gauge its relative performance.

b. Risk: Analyze the volatility and downside risk associated with the fund. Evaluate how the fund has performed during market downturns and its ability to withstand market fluctuations.

c. Investment Style: Understand the investment approach of the fund, whether it follows a growth-oriented, value-oriented, or a blend of both styles. Consider the fund's sectoral allocation and its impact on overall risk and returns.

d. Fund Manager: Assess the track record and expertise of the fund manager managing the equity fund. The experience and skill of the fund manager can significantly influence the fund's performance.

➢ **Debt Mutual Funds:**

Debt mutual funds invest in fixed-income securities such as government bonds, corporate bonds, and money market instruments. When evaluating debt mutual funds, consider the following factors:

a. Yield and Returns: Evaluate the historical yield and returns of the fund. Compare it with relevant benchmarks and peers to understand its performance in the debt market.

b. Credit Quality: Analyze the credit quality of the debt securities held by the fund. Higher credit quality indicates lower default risk but may come with lower returns, while lower credit quality may offer higher returns but carries higher risk.

c. Duration and Interest Rate Sensitivity: Assess the fund's average duration and its sensitivity to changes in interest rates. Longer duration funds may be more volatile in response to interest rate fluctuations.

d. Expense Ratio: Consider the expense ratio of the fund as it directly impacts the net returns for investors.

o **Hybrid Mutual Funds:**

Hybrid funds, also known as balanced funds, invest in a mix of equities and debt instruments. Evaluating hybrid funds involves the following:

a. Asset Allocation: Understand the fund's asset allocation between equities and debt. Different hybrid funds may have varying proportions of equity and debt, affecting the riskreturn profile.

b. Risk-Adjusted Returns: Evaluate the fund's risk-adjusted returns, considering both equity and debt components. This helps assess the fund's overall performance in comparison to its peers.

c. Investment Strategy: Analyze the fund's investment strategy and the rationale behind the chosen asset allocation. Look for consistency in the fund's approach.

➢ **Thematic Mutual Funds:**

Thematic funds focus on specific themes or sectors like technology, healthcare, infrastructure, etc. When evaluating thematic funds:

a. Theme Suitability: Assess the relevance of the chosen theme to the investor's portfolio and the current market conditions.

b. Concentration Risk: Consider the concentration risk associated with thematic funds, as they invest heavily in a specific sector, making them more susceptible to sector-specific risks.

c. Performance and Fund Manager Expertise: Evaluate the historical performance of the fund and the expertise of the fund manager in managing the chosen theme.

Recruiting the right candidate is not always about the degrees that they possess but also sometimes it is dependent on the skill set that is not mentioned anywhere. And here is when the interview along with the group discussion comes into picture. The complete recruitment process is a

mix and match of the education, the courses that are pursued, the experience and the skill set.

Recruitment procedure involves various steps which may tend to keep the team busy, but if the shortlisting of the candidates is done as per the prescribed format, this gives a sigh of relief by decreasing the workload of the HR department.

There are several common sequential steps in the recruitment and selection process which helps to manage the recruitment as well as analyze different recruitment models. (Thebe and Waldt 2014) Selection is also considered as a part of the recruitment process. As recruitment is to attract potential candidates to meet the requirement whereas selection is to evaluate differences between those candidates and discover the best candidate according to the job description. (Newell, 2005). The selection process usually starts at the screening of the applicants and in the case of recruitment, the steps in the selection process are sequential in nature (Thebe and Waldt 2014).

II. CONCLUSION –

In conclusion, this project embarked on a comprehensive exploration of mutual funds in the context of Finsaarthi Learning Solutions. The study began with an in-depth overview of both the company and the mutual fund landscape in India. Through this journey, various crucial aspects were illuminated, including the evolution of the mutual fund industry, regulatory frameworks, and the diverse array of mutual fund schemes available.

The project seamlessly transitioned into an exploration of how mutual funds operate and the pivotal role of Net Asset Value (NAV) in this domain. The performance analysis delved into the evaluation of different types of mutual funds, shedding light on their risk and return profiles. This analytical approach allowed for a nuanced comparison between the mutual funds offered by SBI and HDFC, two major players in the market.

Furthermore, a detailed examination of the top 5 stocks held in the portfolios of HDFC MidCap Opportunities Fund - Growth and SBI Mutual Fund provided valuable insights into their investment strategies and directions. The ultimate yardstick of returns was then utilized to draw a conclusive comparison between the returns offered by HDFC and SBI Mutual Fund, offering a tangible perspective on their relative performance.

While this study yielded valuable insights into the comparative dynamics of mutual funds in India with respect to Finsaarthi Learning Solutions, it's important to acknowledge the limitations of the project that may have impacted the depth and scope of the findings. The financial landscape is dynamic and subject to continuous changes, hence the conclusions drawn must be interpreted within the context of the data available during the study's timeframe.

In essence, this project has endeavoured to shed light on the intricacies of mutual funds and their performance within the Indian financial market, particularly in relation to Finsaarthi Learning Solutions. It is hoped that the findings presented here will contribute to a more informed understanding of investment choices, aiding both individuals and institutions in making well-informed financial decisions.

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