A Study on the Impact of Covid-19 on the Performance of Different Categories of Mutual Fund: An Analysis of Indian Mutual Fund Industry

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ABSTRACT

The establishment of Unit Trust of India in 1963, at the initiative of the Indian government and reserve bank, marked the beginning of the mutual fund business in that country. Since many years, the Indian mutual fund market has displayed a very strong signal, which is a very favourable sign for investing through a mutual fund. Even amid the COVID problems, the mutual fund industry gave a positive signal. AUM increased by 22.48% in 2021, from 30.96% Trillion to Rs. 37.92 Trillion, making it a very intriguing year. Concerning retail investors, they are actively contributing to the aggregate AUM of mutual funds. 52.20% of the entire AUM at the beginning of 2021 was made up of individual investors. 45% of the assets are contributed by institutional investors, in this case. The major goal of this essay is to evaluate the mutual fund sector in India in the Post-Covid scenario and to analyze the mutual fund sector in India using characteristics such as investor trends and broad market insights.

Key words: *Investor's attitude, Mutual fund category Mutual funds in India, Post COVID-19 impact, performance, and growth of mutual funds in India.*

INTRODUCTION

Mutual fund investments serve as a kind of financial middleman between banks and investors looking to invest in the stock market. Which funds is a highly sought-after investment instrument that is built using a pool of money collected from numerous participants. Various investors prefer to invest in mutual funds to spread out the risk associated with the stock market. The majority of businesses and investors put their largest sums in mutual funds to manage the risk associated with their financial assets. Even amid the COVID problems, the mutual fund industry gave a positive signal. 2021 has been a really fascinating year, The total Asset Under Management for the year 2021 increased by 22.48%, or from Rs. 30.96% Trillion to Rs. 37.92 trillion. Concerning retail investors, they are actively contributing to the aggregate AUM of mutual funds. At the beginning of the year 2021, individual investors accounted for 52.20 percent of the total AUM. 45% of the assets come from institutional investors, in that order.

OBJECTIVES OF THE STUDY

- To analyze the impact of Covid-19 on the performance of different categories of Mutual Fund in India.
- To Study the recent trends in Indian Mutual Fund industry after Covid-19.
- To Analyze the impact of COVID-19 on mutual funds
- To analyze the investors trend post Covid-19.

LITERATURE REVIEW

A mutual fund is a way to put money into a professionally run, diversified pool of securities that should provide a decent return on the investors' capital. Our figures (geographical spread, May 2018) show that Uttar Pradesh makes up a very modest portion—3.9%—of the AUM composition of the top 20 states. Aside from that, the state has a low penetration rate, and people in eastern UP are less informed about investments and their possibilities. From Rs. 7.61 trillion as of July 31, 2013, to Rs. 23.06 trillion as of July 31, 2018, the mutual fund industry's AUM expanded by more than three times, according to AMFI data. However, Uttar Pradesh only contributes 3.9% of the AUM composition of the top 20 states, which is a negligible percentage. As a result, the following study subjects are necessary and significant: Research advances knowledge about overall industrial performance in Uttar Pradesh.

In the field of finance, the performance of mutual funds has been examined in relation to the rate of return on investment, but the risk element has not been taken into account. Tobin (1958) and Markowitz (1952) introduced the idea of measuring risk. Though the comparison of two or more investments was not clearly explained using the idea of variance, for instance, it is quite simple to select the investment with the larger return and lower variation. However, investments with higher returns and higher variation than another alternative can only be assessed to be a superior investment option based on the additional returns. In other words, if an investment has a larger variance, it must also produce an additional return. Therefore, both the risk and return factors must be taken into account while selecting a better investment option. Treynor (1965), Sharpe (1966), and Jensen (1968) provided a concept known as the Treynor ratio, Sharpe ratio, and 12 Jensen's alpha, respectively, in another study conducted in the 1960s. In their notion, they stated that it is necessary to compare the return of a professionally managed portfolio to the return of a conventional benchmark portfolio. These metrics were highly helpful in analyzing the mutual fund's performance, but they also have some drawbacks. The question of what portfolio would serve as the standard for comparison was one of the main issues that plagued them.

According to his result, A researcher Sharad Panwar concluded that there is not much difference in the percentage of returns in the public and private sectors. However, there is some significant difference is showing trough coefficient of variance, the average standard deviation on performance and interest. It gives a difference in the diversification of mutual funds and it impacts the performance. In order to get net assets and common stocks and market capitalization, there is no statistical difference among the foreign mutual funds and public and private mutual funds. Portfolio risk was outperformed both in the public and private sectors.

The author "Rao Neelakanteswar Dabbeeru" comes out with an idea of establishing a relationship between investment styles and the performance of mutual funds. It helps an investor, policymakers, and for research to get an idea of improving investment strategies and having a wealthy growth on mutual funds. An author particularly analysis open-ended equity with different investment styles. Since 419 investment scheme plans were offered by India Mutual funds, investors get confused about where to invest and when to invest. This study mention that whole mutual funds are progressing based on growth and dividend. Through the research, this study enforces that the growth plan gives better performance than Dividend plans. In terms of risk and return approximately 80% of Growth plans have better adjustment plans. By analyzing F-test and T-Test, it constructed that it is important to consider investment styles to get better performance on an investment portfolio.

The performance index and risk-related analyses are evaluated by Drs. S. Narayan Rao Sapar and Ravindran Madhava. Out of the 433 total schemes, he began to gather data with a sample of 269 open-ended schemes to calculate the relative performance index. For additional resources, he chooses 58 schemes, but he does not include the funds whose returns are lower than risk-free returns. They discover that the sample mutual fund schemes' monthly return and risk throughout the period were 0.59% and 7.10%, respectively, using statistical tools and ratios, as opposed to the market portfolio's corresponding figures of 0.14% and 8.57%. He came to the conclusion that the majority of the 58 mutual fund schemes in his sample were successful in exceeding investors' expectations for returns.

Research Methodology

Data Source When gathering data, there are two basic sorts of sources: primary and secondary data sources. The goal of the study is directly tied to primary sources. Primary data includes all information gathered throughout the course of the study that is directly relevant to its aim, including information gathered both personally and information obtained from a third party with a similar goal. On the other hand, secondary data includes pertinent information that has been gathered for a different reason but from which significant inferences can be drawn. In order to evaluate the post Covid performance of the mutual fund, secondary data was gathered for this research project from the reports of several companies and AMFI that deal in mutual funds.

Data Analysis and Interpretation

Industry Trends

Individual-Investor Assets Composition	Mutual funds were held by individual investors for a total of Rs.23.39 lakh crore as of January 2023, up 9.29% from that month the previous year. Individual investors' equity programme investments rose 11% from January 2022 to January 2023.
Individual Investors –	Distributors are primarily responsible for individual assets.

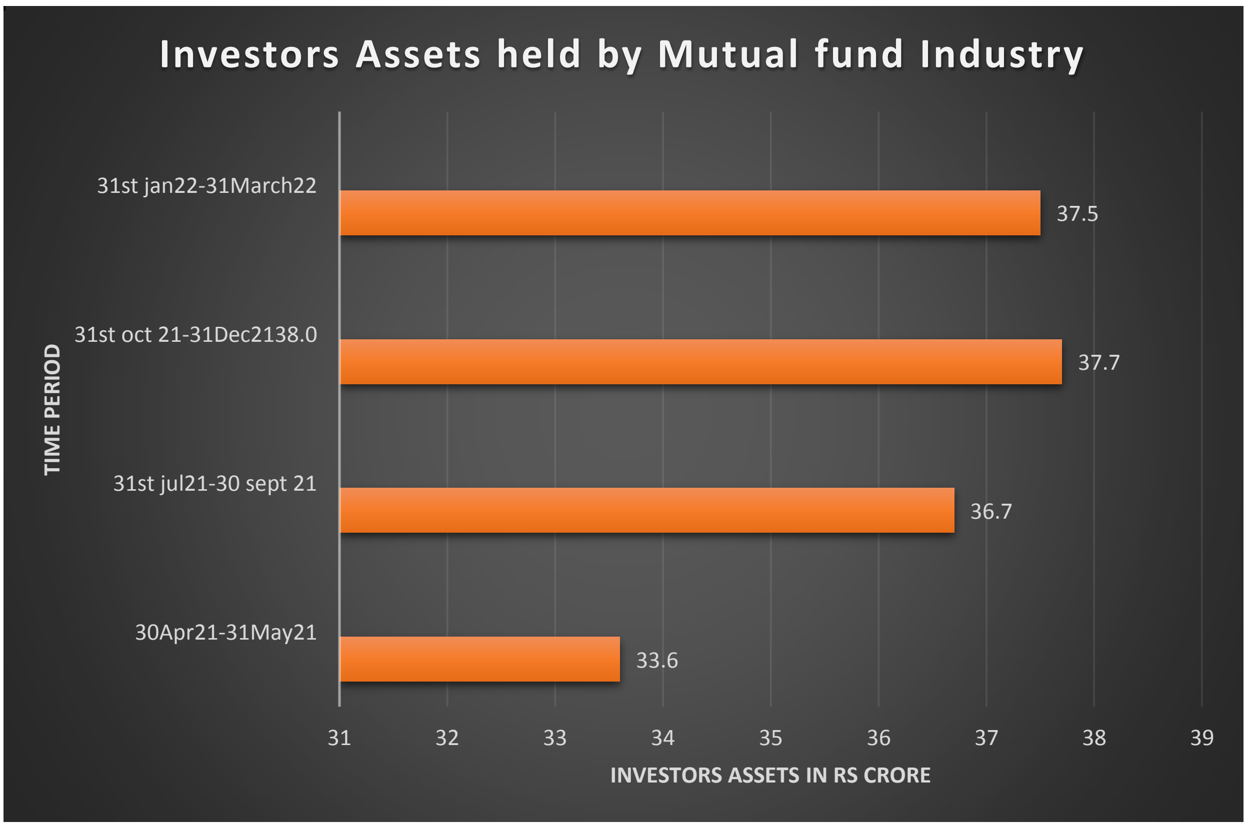
Overall Composition	Distributors brought in 56% of the assets of individual investors from T30 cities. Direct investments make up 23% of total assets, which are split into 5% from B30 and 18% from T30.

Total Assets (Rs Trillion)	The amount of money that the Indian mutual fund industry is responsible for managing increased from Rs. 38.89 trillion in January 2022 to Rs. 40.80 trillion in January 2023. That is a 4.93% growth in assets from January 2022. The amount of money that the Indian mutual fund industry is responsible for managing increased from Rs. 38.89 trillion in January 2022 to Rs. 40.80 trillion in January 2023. That is a 4.93% growth in assets from January 2022.
Scheme Wise Composition of Assets	The proportionate share of equity-oriented schemes has increased from 48.6% in January 2022 to 51.0% of industrial assets in January 2023. In January 2023, the proportion of debt-oriented schemes to industry assets was 19.3%, down from 24.6% in January 2022. ETF market share increased significantly, rising from 11.2% in January 2022 to 13.1% in January 2023.
Investor Type-wise Composition of Mutual Fund Assets	Individual investors now own a comparatively larger portion of industry assets, with 57.3% in January 2023 against 55.0% in January 2022. 42.7% of the assets are owned by institutional investors, with 96% of those assets being corporate. The remainder are institutions and banks from India and abroad.
Investors Categories Across Scheme Type	Individual investors (Retail + HNI) account for 89% of equity-oriented schemes' assets. Liquid and money market schemes, debt-oriented schemes, and ETFs and FOFs are all dominated by institutional investors (86%, 58%, and 90% respectively). 88% of the assets in equity-oriented schemes came from individual investors as of January 22. Institutional investors are primarily responsible for the majority of liquid and money market schemes (88%), debt-oriented schemes (63%) and ETFs and FOFs (89%). I
Composition of Inv estors' holdings	Individual investors' holdings in mutual funds increased in value from Rs. 21.40 lac cr. in January 2022 to Rs. 23.39 lac cr. in January

	2023, a 9.29% rise. Between January 2022 and January 2023, the value of institutional assets fell by 0.40%, from Rs.17.49 lac crore to Rs.17.42 crore.

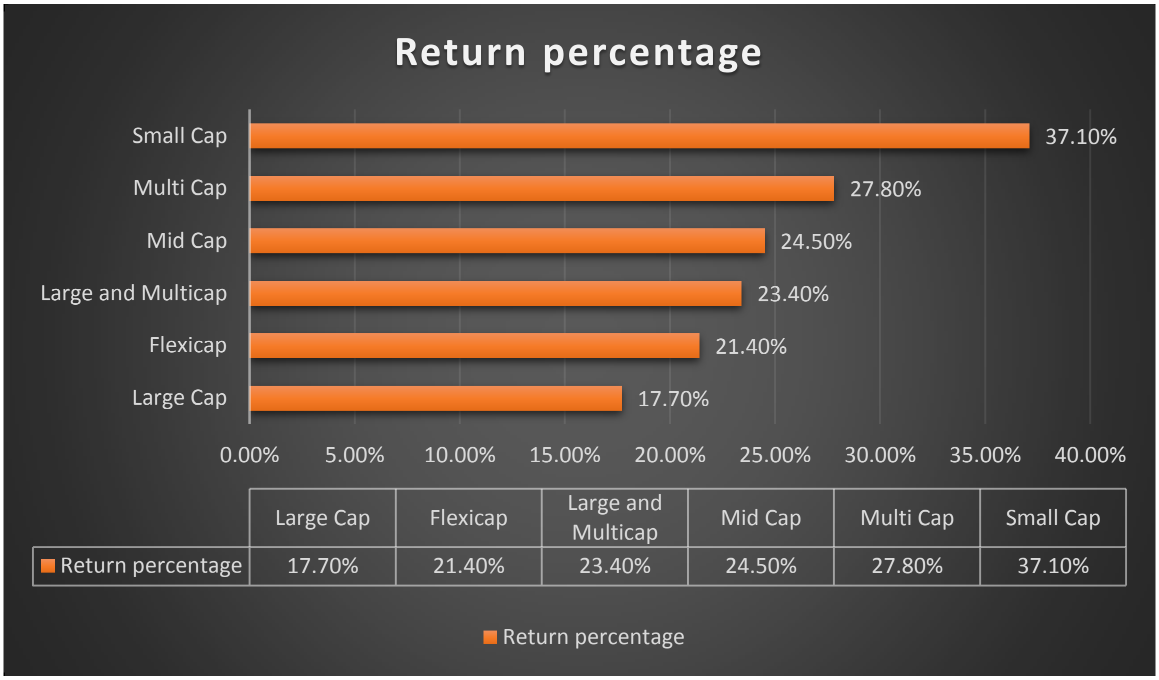
Source:https://www.amfiindia.com/Themes/Theme1/downloads/home/Industry-Trends.pdf

- ✓ Despite stock market volatility caused by the Russia-Ukraine crisis and increased crude oil prices in the latter part of the fiscal year, it was a solid year for equity schemes in terms of investor flows.
- ✓ By the end of the fiscal year 2021–2022, the mutual fund sector was in charge of managing investor assets of Rs 37.5 lakh crore. The CoVid-19 outbreak and the Franklin Templeton debt fund problem had an impact on the previous financial year and reduced investor confidence in mutual funds



Source:https://www.moneycontrol.com/news/photos/business/personal-finance/how-mutual-fund-industry-set-new-records-in-financial-year-2021-2022-8348521.html

- ✓ Small cap schemes delivered average returns of 37 percent in financial year 2021-2022



	Large Cap	Flexicap	Large and Multicap	Mid Cap	Multi Cap	Small Cap
Return percentage	17.70%	21.40%	23.40%	24.50%	27.80%	37.10%

Source:https://www.moneycontrol.com/news/photos/business/personal-finance/how-mutual-fund-industry-set-new-records-in-financial-year-2021-2022-8348521.html

Findings of Post Covid performance of mutual fund

- From the analysis it has been found that there is approximately 5% growth from January 2022 to 2023 which is a good signal for the mutual fund industry.
- It has been also analyzed that investment in equity based scheme and exchange traded fund have been increased from January 2022 to 2023 but the investment in the debt oriented scheme shown a declining trend.
- It has been also found that Individual investors now own a comparatively larger portion of industry assets, with 57.3% in January 2023 against 55.0% in January 2022. Rest 42.7% of the assets are owned by institutional investors
- From the study it has been observed that majority of the investment i.e.,89% in the equity fund has been done by Retail investors and High net worth individuals.
- Individual investors holding in mutual funds has also shown an increasing trend from January 2022 to 2023.
- If talked about fiscal year 2021-22 the mutual fund sector was in charge of managing investor assets of Rs 37.5 lakh crore. The CoVid-19 outbreak and the Franklin Templeton debt fund problem had an impact on the previous financial year and reduced investor confidence in mutual funds.
- For the fiscal year 2021-22 it has been also found that small cap schemes delivered average returns of 37 percent in financial year 2021-2022 which is maximum among all the categories of fund.

- Despite stock market volatility caused by the Russia-Ukraine crisis and increased crude oil prices in the latter part of the fiscal year, it was a solid year for equity schemes in terms of investor flows.

Conclusion and Discussion

With the above analysis we can concluded that Mutual fund industry shown an increasing trend if talked about the fiscal year 2022-23. Investors have taken more interest while investing in equity-based scheme when compared to ETF and debt-oriented scheme. It can also be concluded that Asset Under Management for the entire year 2021 has shown 22.48% increase i.e. AUM grown from 30.96% Trillion to Rs. 37.92 trillion in 2021.

We can also conclude post covid 19 retail investors and high net worth individuals have taken more interest while investing in mutual fund and majority of the investment have come under the category of equity-based fund.

It has been also observed that maximum return have been generated from the small cap fund this also indicate that investors shown that small market capitalization organizations has shown an increasing trend in their revenue which is the good signal for the economy as well as the small scale industries.

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