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A Study on Mutual Funds in Indian Markets

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Abstract:

Mutual funds have become one of the most popular investment avenues in India, offering investors an opportunity to participate in capital markets with professional management and diversified portfolios. This study examines the growth, performance, and investor perception of mutual funds in the Indian financial market. The research analyzes the role of mutual funds in mobilizing household savings and channeling them into productive investments. It also evaluates different categories of mutual funds, including equity, debt, and hybrid funds, to understand their risk–return characteristics. Data for the study is collected from secondary sources such as reports published by the Association of Mutual Funds in India and Securities and Exchange Board of India. The findings indicate that increasing financial literacy, digital investment platforms, and systematic investment plans have significantly contributed to the rapid expansion of the mutual fund industry in India. However, factors such as market volatility, lack of investor awareness in rural areas, and risk perception continue to influence investment decisions. The study concludes that mutual funds play a crucial role in strengthening the Indian capital market and recommends measures to improve investor education and regulatory transparency.

Introduction:

A mutual fund is a sort of collective investment vehicle that pools the capital of multiple investors and distributes it across stocks, bonds, government securities, and money market instruments.

In compliance with the plan's investment objective, qualified fund managers allocate the money received from mutual fund schemes among stocks, bonds, and other instruments. The "Net Asset Value," or NAV, of the collective investment scheme is used to determine how the income or profits are distributed equally among the investors after deducting any applicable fees and taxes. In return, Mutual funds charge a small amount of fees.

A mutual fund, to put it briefly, is a group of investors' contributions combined with professional fund management.

A strong and widely engaged financial market is necessary for a modern economy. The Unit Trust of India (UTI), the nation's first mutual fund, was introduced in 1963 by the Indian government and Reserve Bank of India with the main objective of "encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities."

Research Problem:

Difficulty accessing a **representative sample** of investors (urban vs rural, digital vs traditional). **Limited access to investor-level data** due to regulations by Securities and Exchange Board of India. **Low survey response rates** and reluctance to share financial details. Dependence on intermediaries and AMCs like SBI Mutual Fund for data access. Language and financial literacy differences across regions.

Review of Literature:

1. A STUDY ON PORTFOLIO MANAGEMENT THROUGH MUTUAL FUND. Mr. KC. Narayana, Dr. M. Ganesan. Published in the year 2007, ISSN no: 2319 – 8753.
2. MUTUAL FUNDS INDUSTRY IN INDIA: A GROWTH TREND ANALYSIS. Kumar Kishore, Das. Published in the year 2016, ISSN no: 2349-4182.
3. A COMPARATIVE STUDY OF RETURNS OF SELECTED MUTUAL FUNDS
SCHEMES WITH NIFTY50.Anil Kumar Goyal, Tamanna Madan. Published in the year 2018, ISSN no: 2231-248X.
4. VALIDATION OF SELECTION TECHNIQUES OF MUTUAL FUND SCHEMES IN
INDIA**.** Sachin Kumar Rohatgi, P.C. Kavidayal, Bhakti Bhushan Mishra, Krishna Kumar Singh, Anjali Dixit. Published in the year 2020, ISSN no: 2277-3878.
5. A STUDY ON THE PERFORMANCE OF MUTUAL FUNDS OF INDIAN AMCS. Nandini Seal, Soumya Mukherjee. Published in the year 2022, ISSN (Online): 2583-1747.

Objectives:

1. To understand the concept of Mutual funds in India.
2. To examine the recent development in the mutual funds in India.
3. To study mutual fund schemes and analyze them and popular mutual funds schemes.

Research Questions:

1. How has the growth of mutual funds influenced investment patterns in the Indian capital market?
2. What factors influence investors’ decisions to invest in mutual funds in India?
3. How do different categories of mutual funds (equity, debt, and hybrid) perform in terms of risk and return?

Research Methodology:

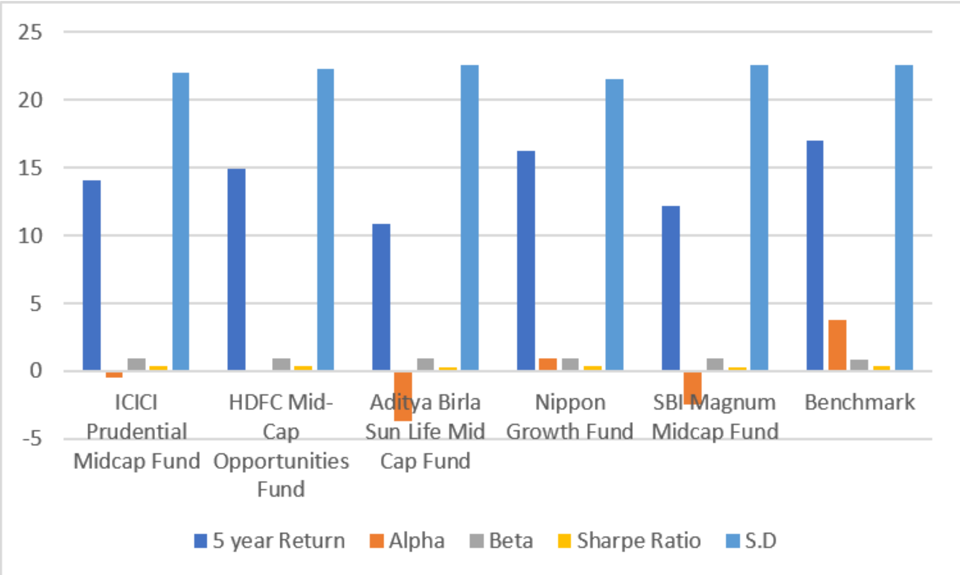
1. **Population and Sample:** Research is done on the Mutual Funds’ investments.
2. **Methodology:** The Study reviews about Mutual Funds in Indian Markets.
3. **Source of Data:** The study is based on the secondary data. Data Regarding study is collected from the different websites, books and other credible sources.
4. **Tools and Techniques used for the analysis:** Tools used for the study are Microsoft Word and Excel.

Data Analysis:

Table: 1 Mid Cap Fund

MID CAP FUND	ICICI Prudential Midcap Fund	HDFC Mid-Cap Opportunities Fund	Aditya Birla Sun Life Mid Cap Fund	Nippon Growth Fund	SBI Magnum Midcap Fund	Benchmark
5 year Return	14.05	14.94	10.86	16.27	12.16	17.03
Alpha	-0.47	0.04	-3.68	0.91	-2.48	3.77
Beta	0.94	0.97	0.98	0.95	0.97	0.81
Sharpe Ratio	0.37	0.39	0.23	0.39	0.28	0.4
S.D	22.03	22.32	22.61	21.58	22.59	22.58
NAV	112.9	64.972	336.9	1407.39	100.28	-
AUM (In Rs. Cr.)	2093	25052	2470	8154	4205	-

Graph: 1



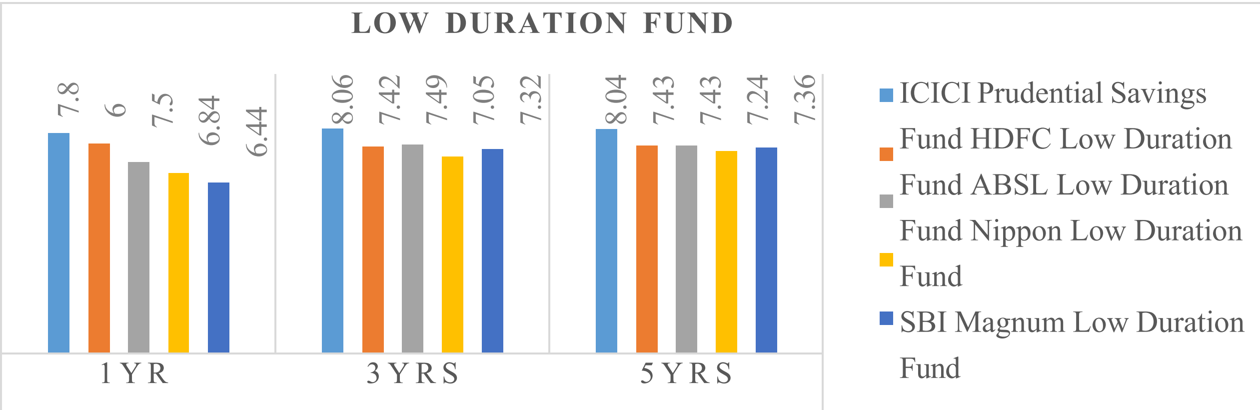
Interpretation:

The table 1 is representing the mid cap funds for 5 years of 5 AMC'S they are They are compared with Bench mark and 5 years return of each AMC's which are calculated by Alpha, Beta, sharp ratio, SD, Net Asset Value and AUM of each AMC.The Graph 1 are representing the mid cap funds 5 year return, Alpha, Beta, Sharpe Ratio and SD of the all 5 selected AMC's. The Nippon mid cap fund is providing better from the last 5 years but compared to the bench mark its return is less. The Nippon fund alpha is better than the others. The all AMC beta is changing up and down on the basis of their bench mark or market value. The HDFC and Nippon are having Sharpe ratio is higher so that is the better performance fund or scheme. The risk of this fund is the higher risk in ABSL and the less risk in Nippon fund.

Table: 2 Low Duration Fund

Fund Name	AUM (In Rs. Cr.)	NAV	Return (%) as on January 31st 2025		
			1Yr	3Yrs	5Yrs
ICICI Prudential Savings Fund	26706	415.13	7.86	8.06	8.04
HDFC Low Duration Fund	26099	44.85	7.5	7.42	7.43
ABSL Low Duration Fund	15504	547.97	6.84	7.49	7.43
Nippon Low Duration Fund	8698.75	2901.22	6.44	7.05	7.24
SBI Magnum Low Duration Fund	15616	2780.32	6.11	7.32	7.36

Graph:2



Interpretation:

The table 2 is representing the low duration funds of 5 AMC'S company they are The last 5 years funds returned on January 31st 2025,

The Graph 2 representing the last 5 years of low duration funds returned by 5 AMC's. They continuously giving highly return from the last five years provide through ICICI prudential savings fund. The low duration fund provides the return in 6 to 12 months and the ICICI provide better return compare to the other AMC's. A per unit highest NAV is Nippon low duration fund.

Findings:

1. The findings of the study that the equity schemes are provide return for taking a risk and the debt schemes provide risk free return.
2. The large-cap fund has to provide a better return but less than the benchmark. The ICICI prudential large cap fund is 15.67% better performance their risk and return are less than the benchmark and the alpha are given a negative impression for the investor's mind. The Nippon mid cap fund are 16.27% performed better than other AMC's and the risk is less and return is more so the performance of the fund are good relative to the other funds.
3. The small cap fund the Nippon small cap fund 17.11% gave a better return but the risk is also high. The HDFC multicap is 16.1% providing a higher return with a higher risk and the alpha has very far from the benchmark alpha. The ABSL is having 14.20% better return from the equity linked

saving scheme and in this scheme and the Nippon ELSS fund having a risk increasing compare to the other.

Suggestions:

- If the investors want to invest their money with less risk they can invest mutual fund with proper knowledge about various funds and schemes are available in mutual fund.
- To earn maximum returns from mutual fund, the inventors must have clear financial goals and decide your risk tolerance capacity.
- These mutual funds have strong presence in the market and have delivered consistent performance over the years.

Conclusion:

The conclusion of the study that the Mutual Funds as an investment option have displayed growth potential market and performed much better than the traditional market options in the long term helps investors to think about that investment. It is the importance that investors do not make a rash decision simply by looking at the return figures generated by an individual fund, they should compare funds based on the risk and return analysis and find out which fund is giving better returns equivalent to their risk taken. Statistical analysis helps inventors make a correct decision looking at facts based on numbers instead of just going by their gut feelings. Also compared to the traditional options, mutual funds provide a more professional approach towards investment and some amount of diversification.

Bibliography:

1. A STUDY ON PORTFOLIO MANAGEMENT THROUGH MUTUAL FUND. Mr. KC. Narayana, Dr. M. Ganesan. Published in the year 2007, ISSN no: 2319 – 8753.
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