IMPACT OF COVID 19 ON PERFORMANCE OF MUTUAL FUNDSAND ANALYSIS OF AUM

Prof. Supriya Kale

Lecturer, NCRD's Sterling
Junior College of Arts,
Commerce & Science,Nerul,

ABSTRACT

A mutual fund serves as a link between the investors & the securities market by mobilizing savings from the investors & investing them in the securities market to generate returns. Covid-19 pandemic situation has also affected the Asset management company's growth in terms of Asset under management. The whole industry also got affected because of this Covid-19 pandemic. For performance gradient and size parameter of a fund house AUM can be considered. In this paper the researcher analysed the situation of mutual fund investment based on inflow & outflow of money & asset under management. Evaluating the past/historic performance of mutual funds is important for both investors as well as portfolio managers. It enables an investor to access what risk level has been assumed in generating such returns & as to how much return has been generated by the portfolio manager. Similarly fund managers would also be able to know their performance over time and other competitors in the industry.

Keywords: *Mutual fund, Covid -19, AUM, Portfolio Managers, Evaluation of performance*

INTRODUCTION

Mutual Fund

Mutual fund is a instrument for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Securities and Exchange Board of India (SEBI) regulates securities markets before it can collect funds from the public as such mutual fund is required to be registered with SEBI.The Indian Mutual Fund Industry is one of the most fastest growing & most competitive segment of finance sector. The first and foremost Mutual fund in India was UTI (Unit Trust of India) since 1963 which was set up by the Reserve Bank of India and the Government of India. Primitively, it starts to attract small investors and describe them about schemes and investment.

Growth of mutual fund industry in India

During 1964-1987: Mutual fund industry in India started in 1963. 1st Mutual scheme was launched in1964 from a mere AUM of ₹ 25 crores it scaled to ₹6700 crores in 1988.

During 1987 1993: Entry of public sector mutual funds set up by PSU banks, LIC & General Insurance Corporation in 1987. Industry's AUM stood ₹47004 crores by end 1993.

During 1993-2003: Entry of private sector mutual funds leading to an increase in mutual fund houses. In 1996, The SEBI (mutual funds) Regulations of 1993 were replaced by a comprehensive set of regulations. By the end of Jan '03 the AUM has shoot up to ₹121,805 crores with 33 mutual houses managing them.

During 2003-2014: This phase is noted as the phase of consolidation due to M & As. The industry lost 17% of its AUM due to the 2008-09 global crisis. In March 2014 the AUM raised to ₹ 824,250 crores from ₹417,300 crores in March 2009.

From 2014 – now: The Industry's AUM crossed the milestone of ₹10 lakh crore on 31st May 2014. In less than 4 years, AUM doubled & crossed ₹ 20 lakh crore in August 2017. The Industry AUM currently stands at ₹24.25 lakh crore spread over 8.38 crores folio accounts across 40+ mutual fund houses.

Asset under management is the total combine asset sum of a specific mutual fund. It implies the total market value that a fund holds, merging the value of asset, and capital. Fund houses directly handle AUM; fund managers supervise the performance of these assets and take asset choices to help investors enjoy considerable capital appreciation. AUM is considered as a performance gradient and size parameter of a fund house. The total average Assets Under Management of the Mutual Funds industry of India registered almost Rs. 25,63,935 Crore in August 2019, which is almost a 2.5% increase than the total of 2014. The top ten AMCs in terms of AUM as of April-June 2020 is summarised in Table 1.

Table 1 Average AuM of Indian Mutual Funds (Apr-Jun 2020)

Sl. No	AMCs	Average AuM (in ₹ lakhs) April – June 2020
1	Aditya Birla Sun Life Mutual Fund	21459195.96
2	Axis Mutual Fund	13431574.16
3	Baroda Mutual Fund	730748.16
4	BNP Paribas Mutual Fund	638024.07
5	BOI AXA Mutual Fund	194337.60
6	Canara Robeco Mutual Fund	1726299.16
7	DSP Mutual Fund	7347734.32
8	Edelweiss Mutual Fund	2361973.69
9	Essel Mutual Fund	63857.52
10	Franklin Templeton Mutual Fund	7980838.83

Source: https://www.amfiindia.com/research-information/aum-data/average-aum

NEED FOR THE STUDY

This study is undertaken with the growth of selected Mutual fund schemes with the fund category and Asset under management. This study covers the gap of analysing the fund performance with the categories and Asset under management movement. The need to analyse the mutual fund performance is most vital at this pandemic situation to overcome the financial burdens.

REVIEW OF LITERATURE

Markowitz (2019) projected however rational investors can use diversification to optimize their portfolios and the way risky quality is ought to be priced. the trendy portfolio theory models associate quality come back as a variable and models a portfolio as a weighted combination of assets; the comeback of a portfolio is so the weighted combination of the assets come back. He found that assets were affected otherwise by economic and alternative forces. Risk is often reduced by finance during a heterogenous cluster of stocks, particularly those whose individual movements facilitate nullify the general impact of the variability of the others. expressed otherwise, the necessary quality characteristic one refers to as risk depended not upon individual volatility, however on however assets behave relative to every alternative. Markowitz's grand contribution was, therefore, in providing the formal abstract framework to implement a rather straightforward plan. as a result of investors area unit involved with the come back on their entire portfolio of assets, the danger of anyone quality has relevancy solely in to date because it contributes to the danger of the general portfolio.

Sharpe (2019) has developed a composite live that thought-about come and risk, that is popularly called Sharpe's reward to variability quantitative relation. He evaluated the performance of 34 open-ended mutual funds throughout the amount 1954-63 by the live developed by him. He ended that the common investment company performance was clearly inferior to associate degree investment within the Dow Jones Industrial Average (DJIA). it absolutely was additionally discovered in his study that sensible performance was related to low expense quantitative relation and solely low relationship was discovered between fund size and performance.

Treynor and Mazuy (2019) found applied math proof to conclude that investment managers of the 57 funds had with success outguessed the market. The results recommended that the returns for capitalist in investment firm hinges upon the fluctuations within the general market.

Jensen (2018) developed a composite portfolio analysis technique that thought-about returns adjusted for risk variations and used it for evaluating a hundred and fifteen open-end mutual funds throughout the amount 1945-66. For the complete amount Jensen examined returns web of expenses and gross of expenses. The analysis of web returns indicated that thirty-nine funds (34 percent) had higher than average returns. exploitation gross returns, forty eight funds (42 percent) showed higher than average results and sixty seven (58 percent) had below average results. He completes that proof on investment trust performance indicated that not solely these a hundred and fifteen mutual funds on the typical weren't able to predict security costs to an adequate degree to surpass obtain and hold policy, however additionally that there was little proof to indicate that a person fund was able to perform considerably higher than that expected come back.

Kaur and Kaushik (2016) remarked that Mutual funds in India haven't been as favourable investment alternatives as in developed countries, as assets below management of mutual funds to gross domestic product in India are 7-8 per cent compared to 37% globally. Further, capitalist base of mutual funds has been narrowed, as retail investors represent 98% of folios however contributed solely 58% of investments in Sep 2014. To broaden the capitalist base for mutual funds in India, it remains imperative to grasp the determinants of investment behaviour of investors towards mutual funds.

Dass et al. (2013) recommended that whereas localised higher cognitive process will allow larger specialization in a company, it heightens the price of coordinative selections.

The fund business – especially, sole- and team-managed balanced funds provides a perfect setting to check the specialization versus coordination trade-off, as data on call structures and fund actions is well obtained. This study showed that sole-managed balanced funds, with centralized call rights, exhibit important market temporal arrangement that needs reallocation across plus categories in withdrawal and tax aspects. However, according to coordination difficulties between managers specializing especially plus categories, no market temporal arrangement was evident in team-managed balanced funds. These results hold cross-sectionally and for funds that switch managed structures. These results had implications for the management structure within the fund business. The proof recommended that there's very little joint production in groups at intervals balanced funds attributable to the many coordination prices. These findings were according to the notion that coordination prices will still play important role within the overall fund business.

Jani & Jain (2013) studied the relationship between AUM mobilized by mutual fund and GDP growth of the India. They analysed that mutual fund has become a main resource mobilizer for Indian financial system. They recommended that some improvements like proper structure & regulations are required in the case of black money and proper regulatory framework for the investor's protection.

Chauhan & Adhav (2015) observed the recent trends in mutual funds industry inIndia. Their study inferred that in India investor base of mutual funds is high but when wecompare India with other countries, it is still lacking far behind. They recommended thatstrong regulations, better services to the investors, and high returns could make mutualfund schemes more investor friendly.

OBJECTIVES OF THE STUDY

- To study the development of mutual funds in India in recent years.
- To study the impact of COVID-19 on mutual funds
- To study the pattern of net assets under fund management companies in India throughout COVID-19.

Data Analysis And Interpretation

AAUM in Rs. Cr								
Months	BALANCED SCHEMES / ETF / FOF	%age Change	EQUITY ORIENTED SCHEMES	%age Change	INCOME / DEBT ORIENTED SCHEMES	%age Change	GRAND TOTAL	%age Change
Apr-19	318037.53		893764.24		1315830.72		2527632.49	
May-19	313675.59	-1.372	888494.69	-0.590	1341078.25	1.919	2543248.53	0.618
Jun-19	327224.56	4.319	914260.44	2.900	1339912.34	-0.087	2581397.34	1.500
Jul-19	325713.92	-0.462	903358.26	-1.192	1351953.49	0.899	2581025.67	-0.014
Aug-19	318233.06	-2.297	876636.87	-2.958	1369065.2	1.266	2563935.13	-0.662
Sept-19	320792.98	0.804	906570.02	3.415	1333059.83	-2.630	2560422.83	-0.137
Oct-19	330143.64	2.915	935646.84	3.207	1347876.08	1.111	2613666.56	2.079
Nov-19	342973.51	3.886	972587.95	3.948	1378823.41	2.296	2694384.87	3.088
Dec-19	345613.08	0.770	983091.46	1.080	1397227.55	1.335	2725932.09	1.171
Jan-20	359479.08	4.012	1012395.84	2.981	1446939.16	3.558	2818814.08	3.407
Feb-20	365741.61	1.742	1020769.35	0.827	1442127.97	-0.333	2828638.93	0.349
Mar-20	307367.67	-15.960	841156.78	-17.596	1322357.36	-8.305	2470881.81	-12.648
Apr-20	273430.22	-11.041	636985.75	-24.273	1105587.94	-16.393	2016003.91	-18.410

Table 1:- Average Asset Under Management **Source:- AMFI website**

In Table 1, the average asset under management shown month wise from April 2019 to April 2020. The data was subdivided into 3 parts viz. Balance Fund/ETF/FOF, Equity oriented schemes & Debt oriented schemes.

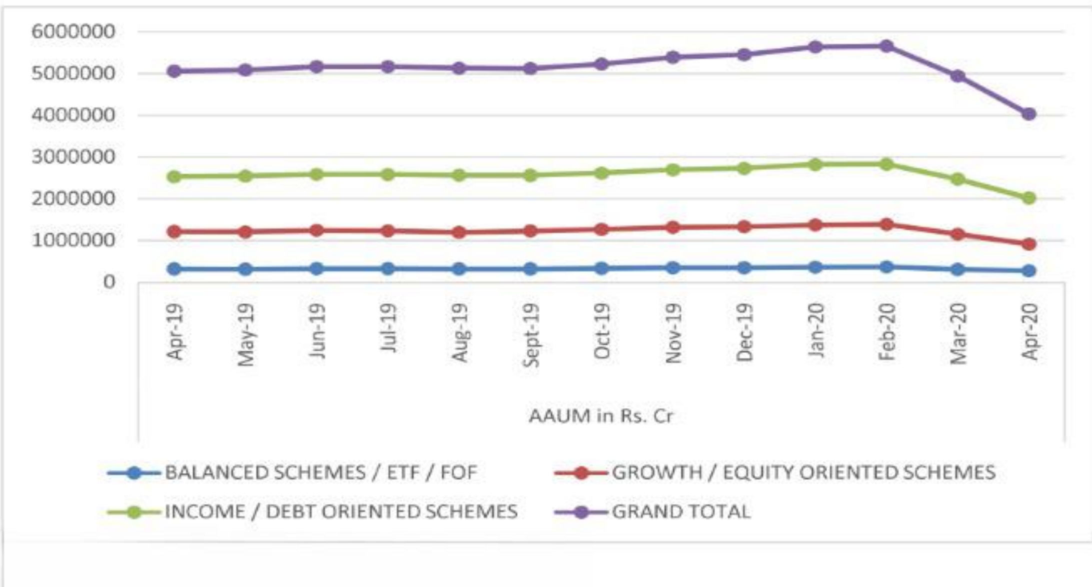

Figure 1: Asset under Management in Rs.

Figure 1 shows graphically the Average asset under management from April 2019 to April 2020. Initially the graph shows the increase in to AAUM from April 2019 to February 2020, after that there is decrease in AAUM from February 2020 to April 2020

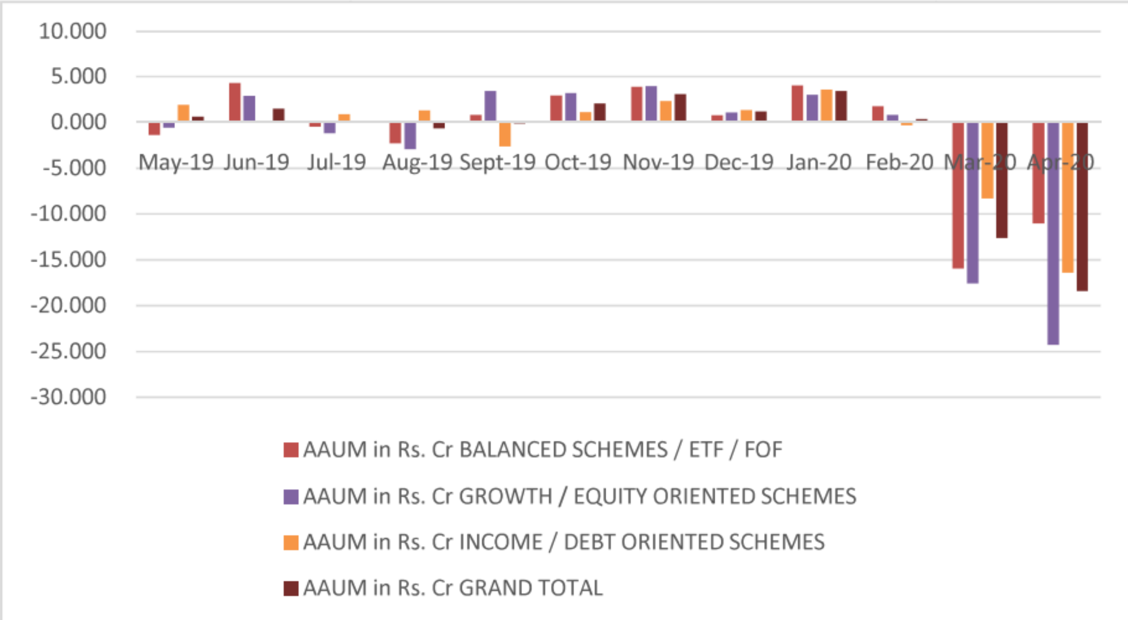

Figure 2:- Asset Under Management in percentage change

Figure 2 depicts the change in percentage of AAUM compared to the previousmonths AAUM, from May 2019 to April 2020. In above figure, the change in percentageof AAUM of March 2020 is showing downtrend as well in April 2020. The mutual fund industry AAUM declined 18.4% in April 2020 to Rs. 20.1 lakh crore from Rs. 24.7 lakh crore in March 2020. Debt markets witnessed significant outflows of 16% due to financial year end requirement and heightened risk aversion due to Covid-19 related concerns. The equity corpus saw a decline by 24% despite fresh inflowsduring March due to a fall in value because of a sharp equity market fall.All category of debt funds witnessed outflows in April 2020. While majority of the outflows may be attributed to liquidity requirement, risk aversion among investors also may have led to investors redeeming their debt investment across categories. Aggressive hybrid funds continued to witness outflows while arbitrage funds witnessed significant outflows in April.The total number of accounts (or folios as per mutual fund parlance) as on September 30, 2022 stood at 13.81 crore (138.1 million), whereas the number of folios under Equity, Hybrid and Solution Oriented Schemes& the maximum investment is from retail segment stood at about 11.03 crore (110.3 million).The Industry's AUM had crossed the landmark of

₹10 Trillion (₹10 Lakh Crore) for the first time in May 2014 and in a short span of about three years, the AUM size had increased almost double and crossed ₹ 20 trillion (₹20 Lakh Crore) for the first time in August 2017. First time the AUM size crossed ₹ 30 trillion (₹30 Lakh Crore) in November 2020&as on September 30, 2022 the Industry AUM stood at ₹38.42 Trillion (₹ 38.42 Lakh Crore). In a span of 10 years the AUM of the Indian MF Industry has grown from ₹ 7.20 trillion as on September 30, 2012 to ₹38.42 trillion as on September 30, 2022 more than 5-fold increase. In a span of 5 years the MF Industry's AUM has grown from ₹ 20.40 trillion as on September 30, 2017 to ₹38.42 trillion as on September 30, 2022, around 2-fold increase. Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of September 2022 stood at ₹ 39,87,990 crore.

SCOPE OF THE STUDY

The secondary data was collected from the website of Asset Management Companies (AMCs), Value Research, Association of Mutual Funds in India, and Journals Etc. The data was analyse using simple statistical methods.

The time frame for this research study isfrom Aril, 2019 to September, 2022.

LIMITATIONS

- The study is limited to the AUM of mutual fund companies.
- The secondary data is subdivided into equity, debt and hybrid mutual fund AUM, restof the schemes combined into the above category as per the nature of the scheme.
- Continue SIPS

SUGGESTIONS

Mutual fund capitalists ought to continue their systematic investment plans (SIP) as they permit associate investor to shop for units on a given date every month. The most important advantage of associate SIP is that the capitalist does not have to be compelled to time the market. A lot of units are purchased once a scheme's internet plus worth (NAV) is low and fewer units once the NAV is high. Once the 2 things area unit analysed along, the value is averaged out and, the longer the timeframe of the investment, the larger are the advantages of averaging. Also, investors World Health Organization area unit willing to speculate in stocks directly will scrutinize stock SIPs that area unit offered by brokerage homes.

- Diversify portfolio

Ideally, investors should build their portfolio with associate just mixture of equity, debt. gold and land which can deliver altogether weathers. Ideally, associate capitalist should have a portfolio with a mixture of high-quality mutual funds with evidenced journal, listed stocks and untaxed bonds which will take him through market ups and downs. Also, keeping your portfolio easy can create it very economical and powerful within the long haul. to satisfy regular income desires, scrutinize liquidity and protection of capital. If associate capitalist needs liquidity, the redemption quantity should not erode the first capital invested with. Track the performance of your investment per annum and rebalance the portfolio if needed.

CONCLUSION

In the wake of the COVID-19 outbreak, volatility will continue to hold the Mutual Fund industry because of investor concerns over the ongoing turmoil of Indian economy. Although stimulus packages announced by both the Ministry of Finance and Reserve Bank of India may encourage the MF investors to continue investing through systematic investment plan, simultaneously it poses unpredictability about their future cash flows and exposure of investment to equity assets. Investors with a continuous flow of income who are aiming at long-term investment horizons should not withdraw their money from mutual funds irrespective of volatility in the equity and debt funds in the short term. Mutual Funds have are becoming the investment vehicle for propelling wealth and widening the choice of India's middle class.During May 2021the mutual fund industry has crossed a milestone of 10 crore folios.

The investors must create a contingency fund that will be helpful in case of an emergency such as job loss, health crisis, etc. that will be taking care of them at least for 3 months. Always have some individual cover like health cover, cannot expect only banks and companies will cover our loss. In case of a situation to leave a job or lose a job, those types of individual cover will help you and balance your life.

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