

AN OVERVIEW ON MUTUAL FUNDS IN INDIA WITH SPECIAL REFERENCE WITH GROWTH SCHEMES AND TAX SAVINGS SCHEMES



Abstract:-

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. It helps in diverting the savings of common man, who have neither the time nor the money or experience to undertake direct investment in securities market successfully, from bank deposits, gold, etc. to the stock market. This study shows a view on mutual funds in India with special reference with growth schemes and tax saving schemes. This study describes the overall view of mutual fund's performance in India, also show the individual performance



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of both growth schemes and tax saving schemes in respect of return. And also this study give some suggestion about decision of choosing between the two. From this it has found out that mutual funds are performing satisfactory at some extent. And both tax saving schemes and growth schemes performance are also performing well. And preference in some extent given to Tax saving schemes in respect of return. For conducting this study focuses mainly given in secondary data. And this are collected primarily from internet, books, magazines. And also visiting various banks and collects their publications.

Keywords:

Mutual Funds, Growth Schemes And Tax Savings Schemes, common financial goal.

INTRODUCTION

Mutual Fund is an investment vehicles that collects funds from investors and invest these funds in capital market instruments such as shares , debentures and other securities . The income earned through these investments and the capital appreciation realized and shared by its unit holders in proportion to the number of units owned by them .

DEFINATION:

The Securities And Exchange Board Of India (Mutual Fund) Regulation 1996 defines a Mutual Fund as a “Fund established in the form of trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities , including money market instruments” .

Growth schemes: Growth Schemes are also known as Equity Schemes . The aim of these Mutual Fund Schemes is to provide capital appreciation over medium to long term .

Tax Saving Schemes: These are equity oriented schemes designed on the basis of tax policy with special tax incentives to investors . Tax Saving Schemes are introduce with the object of minimizing the tax burden of the investors

2.OBJECTIVE;

- I. To study the overall performance of mutual funds in Indian.
- II.To study the performance of each particular schemes i.e. growth schemes and tax savings schemes with special respect with return.
- III.To study ,between the two schemes ,growth and tax saving schemes, which schemes are mostly benefited in respect of return.

3.METHODOLOGY:

Data collection: For conducting this study data are so collected are mostly in secondary data. This are collected from internet.and also some primary data by visiting in various banks and mutual fund agencies and also taken some published journals. All the data that are collected are divided into two parts that from 2000 to 2012 and 2010 to upto august 2014.

Analysis of data : All the data that are collected are tabulated , analyzed and interpreted.for showing the performance of mutual fund ,collected data represents number of schemes launched,last 5 yr returns of top 10 ranked schemes,NAV , Return , AUM of selected categorized ranked schemes.

For also showing the performance of growth and Tax savings schemes average return and absolute returns were presented.

Tools and diagrams for data analysis: For analyzing and interpreting, some tools like arithmetic mean is taken .this tool taken for calculating average and absolute average returns of growth schemes and tax savings schemes for a period of year. Here line chart is also used.

4.LIMITATION:

There are various limitation for which it may not be able to fulfill all the objective properly:

- a.Unavailability of required information.only few limited sources are available for collecting data.
- b.Institutions are not willingly provide the required information.
- c.And mostly the topic is itself complicated which made it difficult to reach a final conclusion.

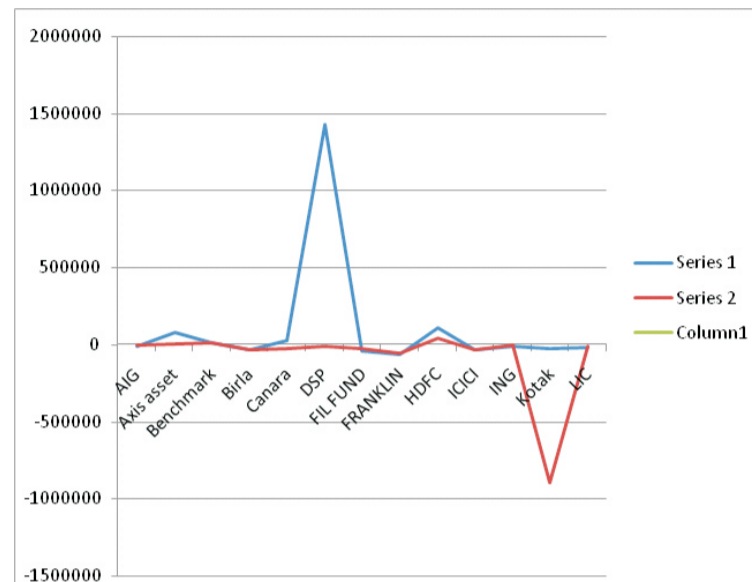
5.ANALYSIS AND INTEPRETATION

All the data collected from both primary and secondary sources are recorded systematically under various tables and diagrams. Those data are now analyzed and interpreted to fulfill the objectives of the study. For this study, researcher takes data in the two parts/angles i.e. data are relating to the 5 years immediately preceding the last year i.e. from 2008 to 2012 and in second part,data were related to last 5 years from current year i.e.from 2014 which helps to shows a overall performance of mutual funds in last few years

1 : analysis an overall performance of various mutual fund schemes

1.1 Analysis of number schemes launched by various Asset management companies

The following diagram roughly represent the number of schemes launched by top AMC in the year 2000 and the increase or decrease in the number of schemes launched from 2012 June to September 2010 :



Besides this, It was also noticed from the study that the UTI AMC Ltd has launched the highest number of schemes in the year June 2010 i.e. 101102095 but this number gradually decreases and reached 9971036 number of schemes to September 2010. That means 91131059 number of schemes are reduced from their list of schemes available in the market which is a huge number.

Though a few in numbers as compared to UTI but Axis AMC has shown a tremendous growth in the number of schemes launched i.e. from 158694 in June 2000 to 242714 a growth of 84023 in numbers.

Benchmark Asset management companies also shown a growth of 19707 in numbers from June to September. But the highest number of growth in schemes was recorded by DSP Black Rock from 158234 in June 2000 it leaped to 1569844 i.e. 1411610 numbers of new schemes were launched, which is the highest.

1.2. The following table shows top 10 mutual funds schemes with their last 5 years returns from 2014.

Schemes Name	Category	5 years Return (%)
Uti transport and logistic (G)	Sector- other	30.5
Sbipharma fund (G)	Sector –pharma and health care	29.4
Reliance pharma fund (G)	Sector –pharma and health care	28.6
UTI Pharma and Health (G)	Sector –pharma and health care	27.1
ICICI Oru. Tech . Fund (G)	Sector –technology	26.9
Religare Invesco Mid and Small Cap (G)	Small and mid cap	26.1
HDFC Mid Cap Opportunities (G)	Small and mid cap	24.4
BNP Paribas Mid Cap Fund (G)	Small and mid cap	24.7
Can Robeco Emerge-Equities (G)	Small and mid cap	24.7
DSP-BR Micro Cap Fund RP (G)	Small and mid cap	24.7

Here in this table it was noticed that ranked wise mutual fund schemes's return has gradually decreases. but the last three schemes's performances are consistent.

1.3 This tables shows the various ranked 1 mutual fund schemes of 4 categories with their NAV ,Return & AUM;

Quarter ended June 2014

Categories	NAV (Rs./Unit)	1 (%)	yrReturn	AUM Jun 14	(Rs. cr.)
Large cap					
Birla SL Long Term Advan. (G)	22.65	68.5		141.34	
Birla Sun Life Top 100 (G)	37.77	65.9		474.81	
BNP Paribas Equity Fund (G)	57.70	55.5		271.84	
Quantum long term equity (G)	35.84	57.8		272.92	
Diversified					
Birla Sun Life Equity Fund (G)	419.53	81.8		785.91	
Franklin High Growth Cos (G)	23.42	80.7		569.44	
ICICI PruExp&Other Services-RP (G)	35.76	69.7		360.70	
Principal Growth Fund (G)	85.48	75.2		309.95	
Tata Ethical Fund (G)	107.34	50.6		131.08	
Balanced					
HDFC Balanced Fund (G)	92.68	62.8		1429.12	
Liquid					
Can Robeco Liquid - Reg Plan (G)	1613.10	9.5		365.26	
ICICI Pru Liquid Plan (G)	196.36	9.6		11329.64	
ICICI Pru Money Market Fund (G)	185.45	9.3		2636.65	
ICICI PruMoneyMarket Fund (G)	2084.95	9.5		5933.94	

Out of Long term , Small and mid Cap, Diversified Equity , Thematic Infrastructure ,Index ,debt long Term,Debt short Term ,Credit opportunity Fund ,Ultra short Term, Gilt Long Term, Balanced , MIP aggressive, Liquid category of mutual fund schemes , the above table only shows some randomly selected

categorized mutual funds schemes. from this table it was noticed that diversified categorized mutual funds schemes shows a high rate of return in quarter ended june 2014. under which Birla Sun Life equity Fund gave its higher performance. again in Liquid category schemes are performing comparatively low but their Net asset Value is very high as compare to others. under this ICICI Pru Money Market Fund (G) has 2084.95 NAV.

2. Analysis of return of growth scheme and tax saving scheme

2.1 Table showing comparison of returns of top ten growth and tax saving scheme

YEAR	GROWTH SCHEMES	TAX SAVINGS SCHEMES
2008	-37.71	-54.77
2009	69.04	80.71
2010	28.41	15.04
2011	-16.41	-23.46
2012	26.28	28.74
average	13.922	9.252

Above table represents the return performance of growth scheme and tax saving scheme from 2008 to 2012. This figures shows the calculation of average returns of 10 selected growth schemes and tax savings schemes for five years i.e 2008 to 2012. It can be interpreted from the table that the performance of growth scheme is slightly higher than tax saving scheme over the years. Only in the year 2012 average return of tax saving scheme surpasses the growth scheme. Hence it can be said that on and average return of growth scheme is better than that of tax saving scheme over the 5 years i.e. from 2008 to 2012. as a whole it had seen that growth schemes is slightly well performing as compare to tax savings schemes.

2.2 This table shows 10 selected growth mutual fund schemes with their absolute return

From jan 2010 to aug 2014

(in %)

SCHEMES NAME	Absolute return
1. FRANKLING INDIA BLUECHIP FUND	66.0
2. DSPBR TOP 100 EQUITY FUND-IP	62.2
3. ICICI PRUDENTIAL DYNAMIC PLAN	87.3
4. RELIANCE EQUITY OPPURTUNITY -IP	-44.4
5. HDFC EQUITY FUND	86.4
6. UTI FLOTING RATE-IP	47.3
7. RELIANCE DIVERSIFIED POWER SECTOR FUND-IP	-11.7
8. JP MORGAN INDIA EQUITY FUND	68.9
9. RELIANCE PHARMA FUND	146.5
10. BPN PARIBAS EQUITY FUND	83.1
AVERAGE RETURNS	59.2

2.3 This table shows 10 selected tax savings mutual fund schemes with their absolute return

SCHEMES NAME	Absolute Return
1. ICICI PRUDENTIAL TAX PLAN	94.7
2. HDFC TAX SAVER	84.3
3. HDFC LT ADVANTAGE	90.3
4. FRANKLIN INDIA TAX SHIELD	93.1
5. RELIGARE INVESCO TAX PLAN	91.6
6. ING TAX SAVINGS	56.1
7. RELIGARE AGILE TAX FUND	31.4
8. SBI MAGNUM TAX GAIN	68.0
9. TARUS TAX SHIELD	50.4
10. SAHARA TAX GAIN	72.7
AVERAGE RETURNS	163.29

The above two line charts reflects the performance of a selected list of tax saving schemes and growth saving schemes with their absolute returns from 2010 to 2014. It can be clearly noticed that average absolute return performance of tax saving scheme was very high as compare to growth schemes i.e. 163.29%.

6. FINDINGS OF THE STUDY

1. MAJOR FINDINGS :

The study “THE PERFORMANCE OF MUTUAL FUND IN INDIA , A STUDY OF GROWTH SCHEMES Vs TAX SAVINGS SCHEMES “ based mainly on secondary data brings into light various aspects related to mutual funds schemes . It also gives a proper idea about the performance of mutual fund industry in India for a period of time . Major findings of the study are pointed out as follows ;

1. From the study it was found that some of the market leaders in the field of mutual fund has decreased their number of schemes launched over the years . UTI being the highest Asset management companies has decreased it's number of schemes to a large extent.
2. It was also found that in recent there is a number of mutual fund schemes which were ranked were performing very tremendously. Out of this UTI Transport and Logistic (G) schemes was performing very well.
3. The study also reveals that the return on growth schemes of mutual funds is satisfactory in case of average returns of last 5 years immediately preceding the last year that is upto 2012 as calculated above .it was noticed that in 2009 its performance is quite high.
4. The study also brings into light the performance of tax savings schemes .which shows a comparatively same performance Like growth schemes.its also show a high performance in 2009.
5. The comparative study of tax saving and growth schemes of mutual fund shows that the performance of tax saving schemes was higher as compare to growth scheme in the year 2009 i.e. 80.71% as against 69.04% , but it decline was also more in the year 2010 . But in the year 2012 the performance of tax saving schemes is bit higher than the growth schemes i.e. 28.74% against 26.28% . it was also seen that in 2008 and 2011 tax saving schemes show a comparatively high negative performance But as a overall view, the average returns comes from growth schemes are slightly higher as compare to tax saving schemes
6. It was also found out that in case of absolute return data and also called recent data shows a great performance of tax savings schemes which shows a quite high performance than growth schemes.

2. OVERALL FINDINGS :

With vast range of investment opportunities available for the investors , the mutual fund industry has lost its significance a bit . Analyzing various trends, it cannot say that , it is doing a very good job in the current market situation . Most of the leading Asset Management Companies has reduced their number of schemes .but it also should be mention that these mutual funds now a days provides a lot of opportunities to their customers because it provides a high rate of returns to their customers. But it also said that where there

is profit there is a risk, so some cases it also show a very poor rate of return. So we cannot say that its performance are not well.

The performance of growth schemes and tax savings schemes is said to be good if we take upto the year 2012 in respect to average return, but chart shows that it has not been able to reach that higher level as expected. And when it was taken as a consideration for comparison between the two schemes, we may say that both schemes are more or less similar in respect to average return in some last few years. But when we take the absolute return factor for decision making purpose it was said that tax saving schemes were performing very high as compare to growth saving schemes in the recent years i.e. upto Aug 2014.

Overall it can be said that mutual fund industry is not progressing as it would have expected but still now a days its performance was not ignored also.

7. SUGGESTIONS;

Our study focuses on measuring the performance of growth schemes and tax savings schemes and suggests a suitable benefited schemes for the investors between the two. After analyzing and interpreting the various data it has found that in the year 2012 and 2009 tax saving schemes are performing very well that the growth schemes but the downfall of tax savings schemes was also higher in 2011 and 2008 i.e. -23.46 and -54.77. But as a whole the growth saving schemes performance is slightly high.

But when we take the recent years absolute return performance it has seen that tax saving schemes performing comparatively very well. As this study only cover the return factor, so it was suggested that both the schemes were benefited but tax savings schemes is preferred than growth schemes in respect of absolute return.

8. CONCLUSION :

Our study mainly focuses on the overall view of mutual fund in India with special reference with Growth and Tax Saving schemes. It has found that trends in performance of mutual Fund in India has gone down in some aspect over the year, but it was also show a great performance of various top ranked schemes available.

While study the performance of growth schemes and tax savings schemes it has seen that both the schemes performing almost equally in a selected package of year. After that when the researcher take absolute return factor for showing the performance it has seen that tax saving schemes's performance is quite high than growth schemes. From this study it had concluded that mutual funds are performing well in some extent. and it was difficult to suggest only one benefited schemes to the investors as because this study only cover one aspects of schemes i.e. return.

Some steps should be taken by the Securities or Exchange board of India and UTI for upliftment of the industry.

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