

“Performance of monthly income schemes in Indian Mutual Fund Industry”

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Introduction of study

Mutual fund is one of the financial investments in the market, main theme of the study for the performance of monthly income schemes in Indian Mutual Fund Industry to invest the investment in the field and return high profit with low risk in every monthly income.

Mutual fund is based on the investor to invest the one time amount deposited and getting the monthly income schemes in the field.

Trend of mutual funds in India over a period of time, mobilization of resources by Mutual Funds

- Various schemes of mutual funds
- Risks involved in mutual funds
- Net Asset Value of Mutual funds
- Overviews of SEBI (Mutual Fund) Regulations, 1996

The small investors who generally lack expertise to invest on their own in the securities market have reinforced, They prefer some kind of collective investment vehicle like, MFs, which pool their marginal resources, invest in securities and distribute the returns therefrom among them on cooperative principles

MFs in India began in 1964 with the establishment of Unit Trust of India (UTI), which continues to be market leader even today The mutual funds have emerged as one of the important class of financial intermediaries which cater to the needs of retail investors.

The advantages of investing in a mutual fund are:

Professional Management

Diversification

Convenient Administration

Return Potential

Low Costs

Liquidity

Transparency

Investments in Mutual Funds

Mutual Fund firms accumulate cash from willing investors and invest it in share market. Like stock market, mutual fund investment are also entitled for various market risks but with a fair share of profits. One should select mutual fund schemes based on all or some of the following criteria: Long term and Short Term Performance Consistency in Returns Performance during bullish and bearish phases Fund Managers performance with the fund's operations

This clarity, securitization deals are likely to come back to the pre-tax claims period. This year's Budget has provisions to exempt securitization Trusts from taxes.

Usually banks, MFs and other financial institutions invest in such instruments, where the coupon (interest rate) is normally higher than the other instruments like commercial papers (CPs) or certificate of deposits (CDs).

The cost advantage that mutual funds offered to investors has been slightly reduced to "revive" the fortunes of the industry. The Securities and Exchange Board of India (Sebi) recently changed rules to encourage the mutual fund industry to increase its reach beyond the large cities. The result is a slightly higher cost for investors

Need for the study

To analyse the monthly income scheme performance, net asset value, ratio analysis and high return and low risk factor

Monthly Income Plans are a good option for risk adverse investors who are looking for a higher return and more liquid alternative to Fixed Deposits. We also present a list of best MIP mutual fund.

Monthly Income Plan (MIP) mutual fund.

Primarily, MIP of mutual fund is a debt-oriented scheme that generally invests up to 75-80% of its corpus in debt instruments and the remaining in equity instruments. MIPs aim to provide investors with regular pay-outs (though dividends) - although it is not mandatory for the mutual fund scheme as dividends are paid at the discretion of the fund house and subject to availability of distributable surplus.

Objective of the study

1. To evaluate the growth of monthly Income in Mutual Fund in India.
2. To examine the risk and return from Mutual Funds
3. To examine the regulatory frame work of Mutual Industry in India.
4. to clear statement to be given the monthly income schemes performance of Mutual fund Industry in India.
5. To make a suggestion to investor for making a right investment decision.

Investment Objective

MIP aims to provide reasonable returns on a monthly basis through investment in debt as well as a small portion in equities. MIPs are market-linked to the extent of their equity portfolio.

The monthly dividends are subject to interest rate fluctuations and even market volatility (with the increasing exposure to equities). However, mutual fund MIPs score over 'regular-income products' on two fronts: returns and tax efficiency. They can be an investment alternative for senior citizens looking for regular income beyond fixed deposits. They are also a preferred choice for risk-averse investors wanting to enter the stock market with limited exposure.

However, do not depend only on MIPs of mutual funds for regular income. Instead, invest in a mix of assets to limit the loss from any one investment.

Research Methodology

Research Methodology is to solve the problem in the relevant field way of the calculation method and ratio analysis and deviation method. Research methodology includes the size, design, types and period.

NAV of units under the Scheme would be calculated as shown below:

$$\text{NAV (Rs.)} = \frac{\text{Market or Fair Value of Scheme's investments} + \text{Current Assets} - \text{Current Liabilities and Provision}}{\text{No. of Units outstanding under Scheme on the Valuation Date}}$$

Ranking Methodology

The equity category: large cap, large and midcap, mid and small-cap, multi-cap, and tax-savings; two from hybrid: equity-oriented and monthly income; and three from the debt category: short-term, income and liquid funds. We considered past three years data for equity and hybrid funds, and past 18-month data for debt categories. The methodology used to rank them was based on risk-adjusted returns.

Risk:

To calculate risk, monthly/weekly returns were compared with monthly risk-free returns for equity and hybrid funds, and weekly risk-free returns for debt funds. For all practical purposes, State Bank of India's 46-90 days term deposit rate, which is currently 5.5 per cent, was assumed as the risk-free return. For months/weeks that the fund had underperformed the risk-free return, the magnitude of underperformance was added. This was then divided by the category average to get a risk score, which was ranked with those of other similar funds and a relative risk score assigned.

Returns:

The monthly/weekly returns of each fund (adjusted for dividend, bonus or rights) were compared with the monthly/weekly risk-free return to get the fund's total returns in excess of the risk-free return.

The monthly average risk-adjusted return was then divided by the average category return for return score. In case of a negative category average, the risk-free return was used as the benchmark. The returns were then ranked with other funds of the same type and a relative return score assigned. All return estimations assumed reinvestment of dividend and were adjusted for bonus or rights. Finally, a composite risk-return score was obtained by subtracting the risk score from the returns score.

Value Research Classifications

Value Research classifies diversified equity funds on the basis of their three-year average allocation to large, mid or small cap stocks. Diversified equity funds with average three-year allocation to large cap stocks more than or equal to 80% of portfolio are classified as large cap funds; 60-80% as large and mid-cap funds, 40-60% as multi-cap funds, and less than 40% as mid and small cap funds. For equity tax-savings, all funds compliant with Section 80C of the Income Tax Act were

considered. In the hybrid category, funds with average equity allocation of 60% and above in the past three years have been classified as hybrid: equity-oriented funds and those with equity allocation up to 25% as Hybrid: Monthly Income. In debt category, funds with average maturity of 1-4.5 years in the last 6 months have been classified as short-term funds.

Data Collection method

Data collection is only from secondary data from magazine, books, news collection relevant through financial field.

Review of Literature

1. Out look book,
2. Financial related book.
3. Security and shares related news and articles
4. RBI statement
5. Reliance mutual fund, Reliance Capital Assets Management ltd Reports from the every year and also leading Mutual fund Investments annual report in field.

The list of top 10 performing mutual fund companies is as follow:

1. HDFC Mutual Fund
2. Tata Mutual Fund
3. SBIMutualFund
4. Reliance Mutual Fund
5. DSP Black Rock Mutual Fund
6. Kotak Mutual Fund
7. Principal Mutual Fund
8. Sundaram BNP Paribas Mutual Fund
9. Franklin Templeton Mutual Fund
10. Birla Sun Life Mutual Fund

Research outcome

The research outcome is mainly for the high gain and low risk factor of the monthly income schemes of the mutual fund in the forthcoming financial industry in India and by way of we can give a good solution for the investors in the mutual fund. Make sure concentrate on regularly monthly incomes from mutual fund for the investors and also will keep perform always.

Reference

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3. www.mutualfundinsight.com
4. www.bseindia.com