

# Performance of Monthly Income Schemes in Indian Mutual Fund Industry in India



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## 1. Introduction

Mutual fund is one of the financial investment in the market, main theme of the study for the performance of monthly income plan 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 especially for the all and mostly for the senior citizens. They have to live with freely and without hindrance.

The mutual funds monthly income plan in India over a period of time at present most of them to invest the one time amount and get a monthly income.

Various schemes of mutual funds in monthly income plan

Net Asset Value of Mutual funds

SEBI (Mutual Fund in monthly income plan) Regulations.

The Mutual Fund in India began in 1964 with the establishment of Unit Trust of India (UTI), also the mutual fund in monthly income plans which continues market today also. The mutual funds have to lead as one of the important of financial field, which needs of retail investors opportunities.

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 collect cash from willing investors and invest it in share market. The stock market, mutual fund investment are also entitled for various market risks but with a fair share of profits.

The mutual fund schemes based on all or some of the following condition:

Long term and Short Term Performance

Consistency in Returns Performance during bullish and bearish phases

Fund Managers performance with the fund's operations

The above points are clarity, securitization deals are best to the pre-tax claims period. The Budget has provided to exempt Securitization Trusts from taxes.

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.

The Mutual Fund is one of the financial instruments in capital market, here the study based on the empirical investigation on the performance of monthly income scheme in Indian Mutual Fund Industry, main purpose of the study is to identify which of the month income scheme provided highest return and minimize the risk. Research need because of the capital market is unexpected volatility and some time reaction was positive and negative.

## 2. Problem Identification

**“Performance of monthly Income schemes in Indian Mutual Fund Industry in India.”**

The tools for analysis of performance of mutual fund. Its' included Price Earnings Ratio, Book Price Ratio, Return and Net Asset value and Assets

## 3. Review of Literature

Treynor, Jeck L. (1965), —How to Rate the Management of Investment Funds, Harvard Business Review, NAV 2007 Mutual Fund, Insight, volume V, number 2, value research in this journal sanjeevpandiya has evaluate the market and needs of mutual funds. Sanjeev mentioned highlight market capitalization of Mutual Fund.

Reliance Mutual Fund, Reliance Capital Assets Management Ltd. Annual Report for the AMC of Reliance Mutual Funds. Reliance Mutual fund schemes performance mentioned on offer documents. Offer document indicates detail information of particular fund with past performance.

BalaRamasamy, Matthew C.H., have examined the growth in terms of size and choice, in the Mutual Funds industry among emerging markets has been impressive. The papers give you an idea about future market of Mutual Fund, Also highlight tax benefit received to invest in Mutual Fund.

Accounting & Finance; Publisher of Tata Mcgraw Hill &Mcgraw Hill, How to calculated the beta and Price Earning Ratio. The Fund Performance also communicated return inform of Price Earnings Ratio and Price Book Ratio.

Fuller R.J. and Farell J.L. jr, (1987),<sup>l</sup> Modern Investments and Security Analysis<sup>l</sup>, Singapore: McGraw Hill Book Co.: the paper explained the modern investment management, how much pororation of the Mutual fund on portfolio compare with the scrip investment.

#### 4. Research Design

The research design is the framework study is conducted and it construct for collection of data, measurement of data, statistical tools for analysis and analysis of variance. Researcher decided proper plan to action and define variable. Variable also identified dependent and independent. Researcher specified research processing and analyzing of the data.

#### 5. Title of the Problem

*“Performance of Monthly Income Scheme in Indian Mutual Fund Industry in India”.*

The schemes of the mutual funds included equity funds, balance funds, index funds, monthly income funds, long – term, short term, technology, fast moving consumer goods, real estate’s.

#### 6. Objectives of the Study

The objectives of the study for.

- 1) To evaluate the growth of mutual funds in monthly income plans in Indian Industry
- 2) To examine the high return and low risk from selected MF
- 3) To evaluate the overall performance of mutual funds in monthly income plan

#### 7. Sampling Design

1. Universe
2. Sampling Unit
3. Sources List
4. Sample Period

Sample study collect from January 2011 to till now.

#### Sample Size

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

1. HDFC Mutual Fund
2. Tata Mutual Fund
3. SBI Mutual Fund
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

#### 8. Significane of the Research

The Mutual fund in monthly income plan in Indian Industry is one of the financial instruments play in capital market, after 2009 high growth of mutual fund industry in India. Mutual fund provides more benefit to small investors.

- a) Level of Risk
- b) Level of Return
- c) Correlation of Book Value Ratio and Price Earnings Ratio.
- d) Assets Under Management
- e) Diversification of Assets
- f) Net Assets Value.

#### 9. Data Collection

This study is completely based on the secondary data. This data is collected from various source specially from the journal – Mutual Funds – Insight — based on Value Research Magazines , and addition to others journals, magazines, articles, books and the publisher and unpublished documents of the mutual funds have been consider in the research.

## 10. Financial and Statistical Tools for Measurement

Average  
Standard Deviation  
Beta  
R – Square  
Sharpe– Ratio  
Earnings Per Share  
NAV  
Price to Book Ratio

### Period of Study

The Performance of sampled scheme would be plan review for two and half years.

### Tools of Analysis

*Jenson Measure*

*Treynor's Performance Index*

## 11. Limitation of the Study

1. The research done only selected a scheme which was related with five rating star and the value research magazine.
2. The data would not collect to the Assets Management Company data sheet, but collection from the market or secondary source.
3. The research analysis was based on the past performance of the only selected Equity Diversified Scheme.
4. The research had been based on the Net Assets Value, that NAV continuous fluctuation
5. The research analysis compares the Net Assets Value and Expense Ratio, but NAV continuous fluctuation.
6. Fund manager investment style based on capital market situation. It could not possible always pursue the mentioned objectives.
7. Equity Diversified schemes having different objectives due to sector wise allocation of the fund.
8. Performance measurement techniques should not give equal weight to each of the schemes.
9. Sharpen Performance evaluation is based on variance, not cover market risk and that risk also affect fund return.

## 12. Reference

- [www.prudentichannel.com](http://www.prudentichannel.com)
- [www.sebi.org](http://www.sebi.org)
- [www.bseindia.com](http://www.bseindia.com)
- [www.nseindia.com](http://www.nseindia.com)
- [www.mutualfundinsight.com](http://www.mutualfundinsight.com)
- [www.icra.com](http://www.icra.com)

Management of Financial Service, V.K. Bhalla First Edition., no of the finance important role in the market Indian financial System BharatiPathak Second Edition

Magazine Mutual Fund Inside: Value Research, Rating of Mutual Fund, Equity Fund, Balanced Fund, Income Fund, Monthly Income Plan, Rating on return, net asset value, price earnings ratio, price book ratio, assets under management. Financial Analysts, under University of ICFAI, detail mention how to calculate the Sharpen Ratio, Jenson Ratio, Treynor's Ratio.

## 13. Overview of Mutual Fund in Monthly Income Plans in India Industry

The Mutual fund in monthly income plans in Indian Industry, based on the trust who invests the savings of a number of investors who shares a common financial goal. Capital market instruments such as shares, debenture, and foreign market. Investors invest money and get the units as per the unit value which we called as NAV (net assets value). The common features of the mutual fund unit are low cost. Investors in India opt for the tax-saving mutual fund schemes for the simple reason that it helps them to save money. The tax-saving mutual funds or the equity-linked savings schemes (ELSS) receive certain tax exemptions under Section 88 of the Income Tax Act. That is one of the reasons why the investors in India add the tax-saving mutual fund schemes to their portfolio. The tax-saving mutual fund schemes are one of the important types of mutual funds in India that investors can option for. There are several companies in India that offer – tax – saving mutual fund schemes in the country.

## 14. Research Methodology

The Research methodology is a way to systematically solve the research problem. It is a science of studying how research is done scientifically. Researcher not only needs to know how to develop certain indices or tests, how to calculate mean, standard deviation and beta ,after that goes for financial and statistical tool to arrive at conclusion.

## 15. Overall Performance Evaluation of Mutual Fund

Overall performance shows evaluation of equity diversified scheme, balance funds, index fund, income fund, schemes based on period of time, which analyses fund performance on third chapter, analysis of net assets value and assets under management, other measurement liked price earnings ratio and book price ratio position of schemes.

MIP VS other Debt Products				
Criteria	Monthly Income Plans	Fixed Deposits	Post Office Monthly Scheme	Fixed Maturity Plans
Risk	Low-Risk	No	No	Low-Risk
TDS	No	Yes	No	No
Return range on average	6-12%	7-8%	8%	9-10%
Complexity	Moderate	Easy	Easy	Moderate
Assured Monthly Income	No	Assured	Assured	Not available
Max Limit	No Limit	No limit	4.5 lacs for Single and 9 lacs for joint account	No Limit
Penalty for Early Withdrawal	1%	1% less interest will be paid	2% before 3 yrs 1% after 3 yrs	0 - 2.5 %
Tax on returns	<b>Before 1 yrs</b> As per you tax slab <b>After 1 yr</b> 10% or 20% with Indexation	As per your tax Slab	As per your tax Slab	<b>Before 1 yrs</b> As per you tax slab <b>After 1 yr</b> 10% or 20% with Indexation

Best performing Monthly Income Plans and their Performance				
MIP Name	Since inception	5 yr Return	3 yr return	Expense Ratio
Reliance MIP	11.34%	11.66%	12.51%	0.80%
HDFC LT MIP	12.17	11.57%	9.53%	1.82%
BSL MIP II Savings 5	9.76	9.76	11.22	0.24%
Canara Robeco MIP	13.25	11.93	7.64	1.68%

Scheme Name	Rating	NAV (Rs)	1 yr return	5 yr return	Expense ratio
HDFC MIP Long-term	****	21.39	24.80%	13.43%	1.77%
HSBC MIP Savings	****	18.72	20.35%	11.88%	2.13%
Reliance MIP	*****	20.42	18.17%	13.52%	2.02%
UTI MIS Advantage Plan	****	19.23	17.63%	11.95%	1.68%
Canara Robeco - MIP	****	27.86	17.06%	14.32%	2.50%

## 16. Summary, Finding and Suggestion

The only selected a scheme which was related with five rating star and the value research magazine. The data would not collect to the Assets Management Company data sheet, but collection from the market or secondary source. The research analysis was based on the past performance of the only selected Equity Diversified Scheme. The research had been based on the Net Assets Value, that NAV continuous fluctuation The research analysis compares the Net Assets Value and Expense Ratio, but NAV continuous fluctuation. Fund manager investment style based on capital market situation. It could not possible always pursue the mentioned objectives. Equity Diversified schemes having different objectives due to sectors.