Shodhsamhita: Journal of Fundamental & Comparative Research
Vol. VIII, No. 5: 2022
ISSN: 2277-7067

A STUDY ON COMPARISON BETWEEN INVESTMENT IN EQUITY AND MUTUAL FUNDS IN ANGEL BROKING CO.

V. LAKSHMI PRASANNA KUMARI

ASSISTANT PROFESSOR, DEPARTMENT OF MBA, ST. MARTIN'S ENGINEERING COLLEGE, DHLUPALLY, SECUNDERBAD

Vlprasanna527@gmail.com

K. MADHU

DEPARTMENT OF MBA, ST. MARTIN'S ENGINEERING COLLEGE, DHLUPALLY, SECUNDERBAD

madhu.katakam04@gmail.com

ABSTRACT:

A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors and invests it in stocks, bonds, short- term money market instruments and other securities. Mutual funds have a fund manager who invests the money on behalf of the investors by buying / selling stocks, bonds etc. management team. Another reason why investors prefer mutual funds is because mutual funds offer diversification.

An investor's money is invested by the mutual fund in a variety of shares, bonds and other securities thus diversifying the investor's portfolio across different companies and sectors. This diversification helps in reducing the overall risk of the portfolio. It is also less expensive to invest in a mutual fund since the minimum investment amount in mutual fund units is fairly low (Rs. 500 or so). With Rs. 500 an investor may be able to buy only a few stocks and not get the Currently, the worldwide value of all mutual fund's totals more than $US 26 trillion. There are various investment avenues available to an investor such as real estate, bank deposits, post office deposits, shares, debentures, bonds etc.

A mutual fund is one more type of investment avenue available to investors. There are many reasons why investors prefer mutual funds. Buying shares directly from the market is one way of investing. But this requires spending time to find out the performance of the company whose share is being purchased, understanding the future business prospects of the company, finding out the track record of the promoters and the dividend, bonus issue history of the company etc.

Key words: *investors, stocks, bonds, diversification, dividend, promoters.*

INTRODUCTION

The last two decades have witnessed phenomenal growth in trade and industry the world over. The days are passed when capital used to remain within the boundaries of nations. In this era of globalization and liberalization, technology, capital, and other resources are crossing the borders of the nation and increasing the volume of international trade. The rapidity with which the concept of corporate finance, bank finance, and investment finance has changed in recent years has given birth to new financial products known as Mutual funds.

As the name suggests, this is a financial instrument that pools the savings of several investors who share a common financial goal. The money thus collected is invested by the fund's manager in different types of securities depending on the objective of the scheme.

Mutual funds have become increasingly important in the world of finance. Mutual funds are legally known as “open-ended companies” are subject to regulations set forth by the Investment Company Act 1940, when deciding how to invest. Mutual funds are attractive because they require less of investors, as they offer diversification, expert talk and bond selection, low cost, and preferential tax treatment. Additionally, Mutual funds do not have a predetermined number of stocks to sell; rather stocks are added to the fund as required by the demand.

A mutual fund is a trust that pools the savings of several investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. This could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme is shared by its unit holders in proportion to the number of units owned by them.

Thus mutual fund is the most suitable investment for the common man as it offers the opportunity to invest in a diversified professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in mutual funds.

A mutual fund is the ideal investment vehicle for today’s complex and modern financial scenario. Markets for equity shares, bonds and other fixed income instruments, real estate derivatives, and other assets have become mature and information-driven. A typical individual is unlikely to have the knowledge, skills, inclination, and time to keep track of events, understand their implications, and act speedily. Thus a mutual fund is the total of many parts, each of which is designated to perform a specific function. SEBI, the market regulator has outlined clearly the role and responsibilities of each entity. How well they function determines, in part, the quality of your experience with the mutual fund.

REVIEW OF LITERATURE

They found a significant negative relationship between net operating profitability and the average collection period, inventory turnover in days, average payment period, and cash conversion cycle for a sample of Indian firms listed on the Bombay Stock Exchange. These results suggest that managers can create value for their shareholders by reducing the number of days accounts receivable and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills (Raheman & Nasr, 2007).

In this paper, findings indicate one angle loud and clear that a company’s inventory management policy, debtors’ management policy, and creditors’ management policy play an important role in its profitability performance. The concerned managers should give due attention to policy formulation in this regard as well as the implementation of such working capital policies (Vishnani & Shah, 2007).

This study analyses determinants of firm profitability using variables related to working capital management practices using a sample of Turkish manufacturing firms for the period, inventory period of 1998-2007. Studies show that the account receivable period, inventory period, and leverage are significant and positive. And also examining the cash conversion cycle, and the size of the organization does not have significant effects on firm profitability but leverage is an important variable affecting firm profitability negatively (Samiloglu & Demrtgunes, 2008).

This paper attempted to examine the efficiency of working capital management of the Indian cement companies during 1992 – 1993 to 2001 – 2002. For measuring the efficiency of working capital management, performance, utilization, and overall efficiency indices were calculated instead of using some common working capital management ratios. The findings of the study indicated that the Indian Cement Industry as a whole did not perform remarkably well during this period (Ghosh & Maji, 2003).

Emphasized that working capital theory is comprised of shared goals of profitability. The problem under the investigation was to establish whether the more recently developed alternative working capital concepts showed improved association with return on investment to that of traditional working capital ratios or not. Results indicated that there were no significant differences between the years concerning the independent variables (Smith & Benemann, 1997).

RESULTS AND DISCUSSION

FMCG – SECTOR MUTUAL FUNDS & EQUITIES

(TABLE :4.1)

RETURNS OF FMCG SECTOR EQUITIES & MUTUAL FUNDS

NAME	**1. Absolute returns %**		
	3 MONTHS	6 MONTHS	1 YEAR
Franklin FMCG Fund	15.12	-9.9	55.20
Pru ICICI FMCG Fund	0.57	0.30	0.12
Magnum FMCG Fund	0.21	0.04	0.10
Hind Lever ltd Equity	0.84	0.95	0.84
Dabur equity	-0.82	0.38	0.01
Colgate Equity	0.72	0.48	0.79
Britannia Equity	0.0019	0.08	0.0013
Tata tea Equity	0.014	0.05	0.06

RETURNS OF EQUITIES

(BAR DIAGRAM – 4.1)

RETURNS OF MUTUAL FUNDS & EQUITIES

Figure. I

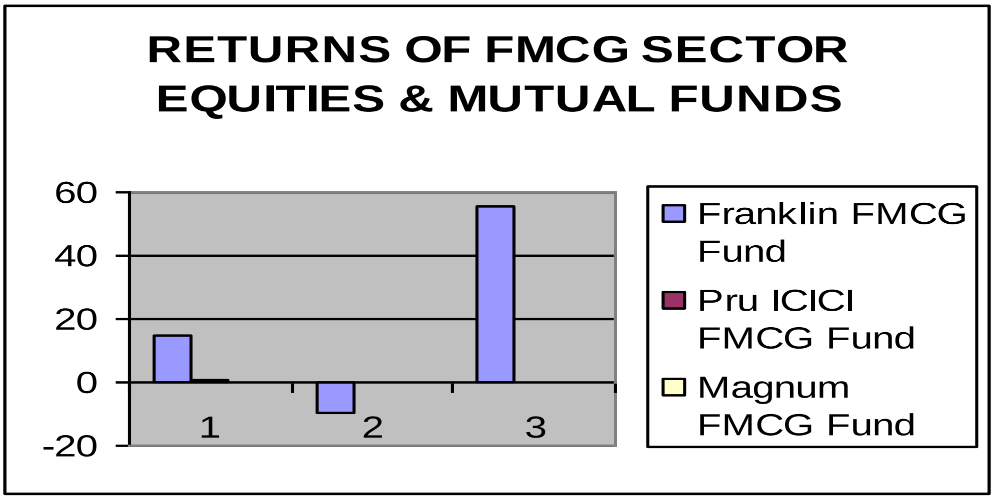


Figure. II

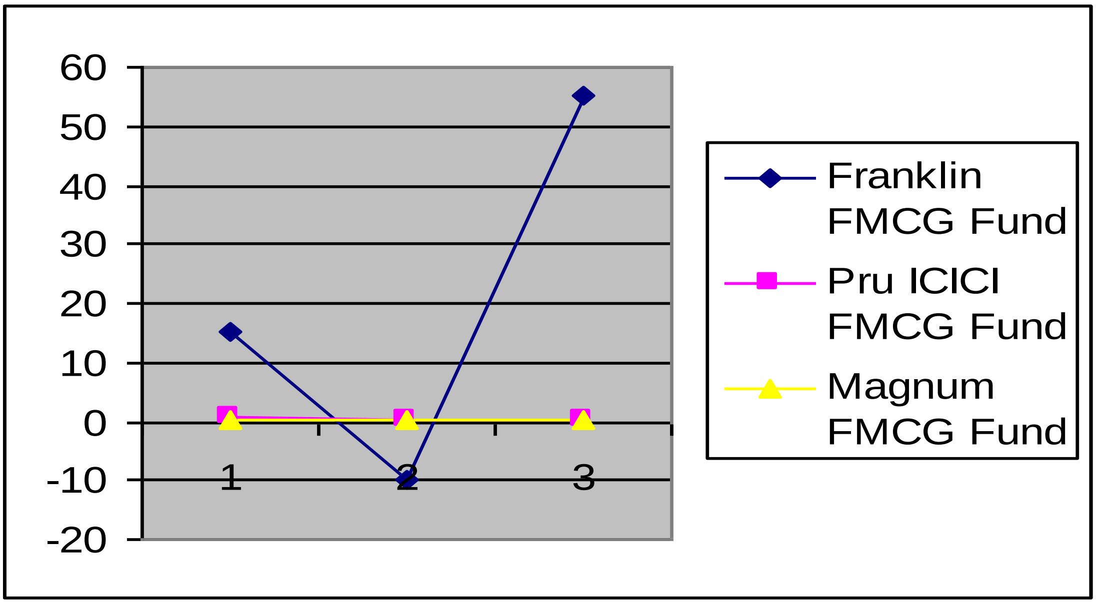


Figure. III

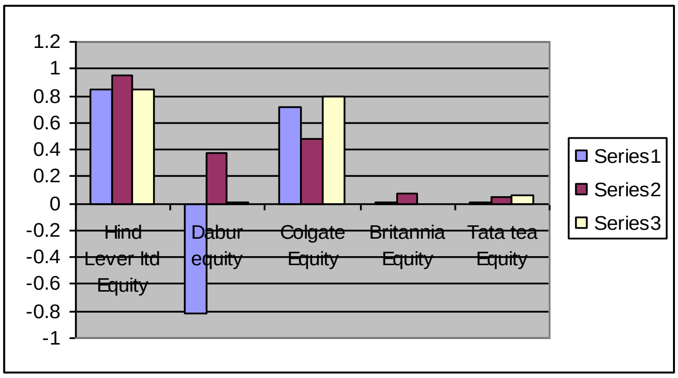


Figure. IV

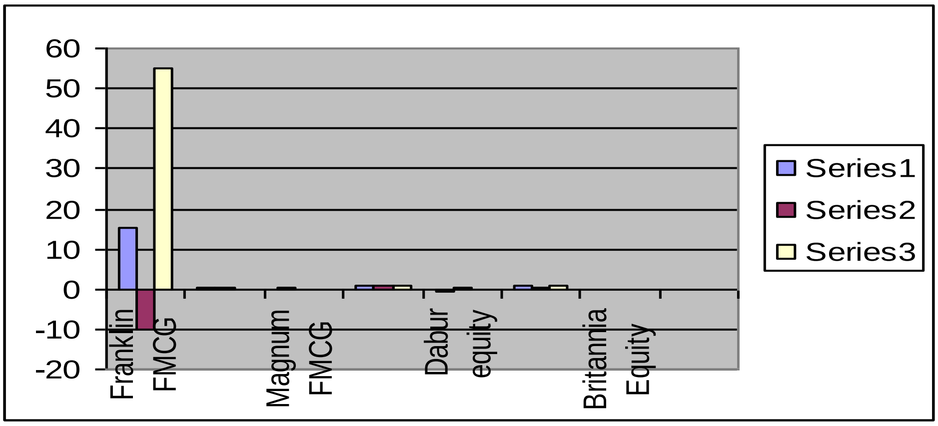
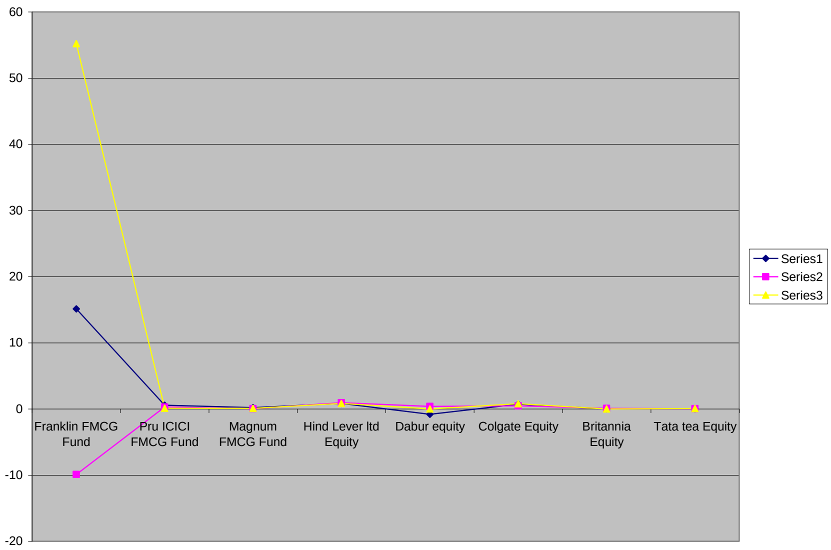


Figure. V



(TABLE :4.1A)

FMCG MUTUAL FUNDS VS EQUITIES & RELATIVE INDEX

NAME	ABSOLUTE RETURNS IN %		
	3 MONTHS	6 MONTHS	1 YEAR

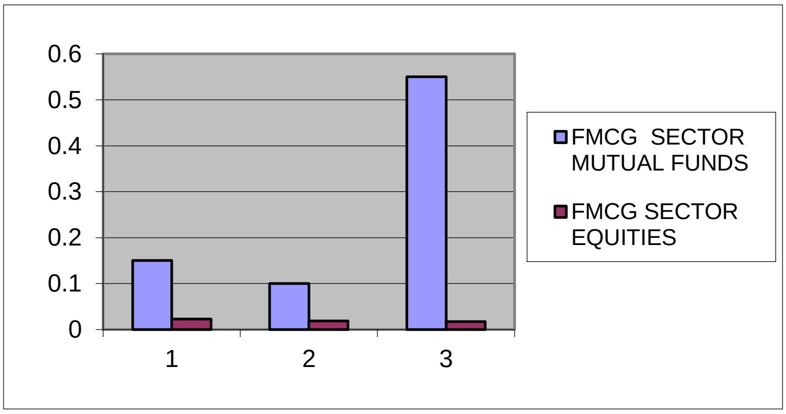
Shodhsamhita: Journal of Fundamental & Comparative Research
Vol. VIII, No. 5: 2022
ISSN: 2277-7067

FMCG SECTOR MUTUAL FUNDS	0.15	0.10	0.55
FMCG SECTOR EQUITIES	0.023	0.019	0.017
RELATIVE TO SENSEX	594.13	1476.18	1725.89
RELATIVE TO NIFTY	6561.00	9965.46	9830.72

- FMCG Mutual Funds includes Franklin FMCG Fund, Prudential ICICI FMCG Fund and Magnum FMCG fund.
- FMCG Equities includes Hindustan lever ltd, Dabur, Colgate, Tata Tea and Britannia

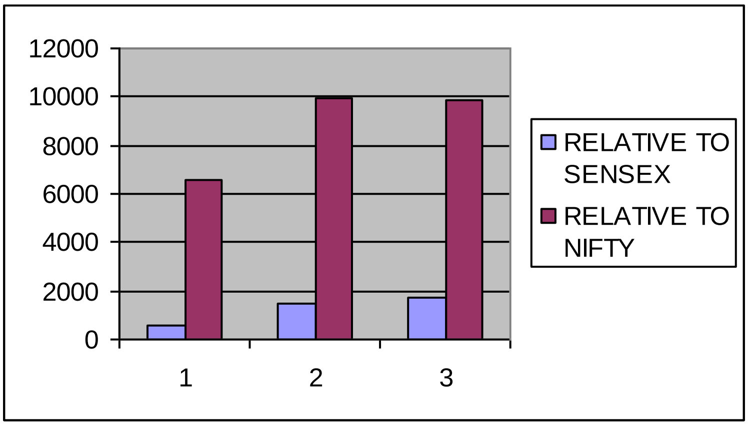
ABSOLUTE RETURNS OF MUTUAL FUNDS AND EQUITIES

Figure.VI



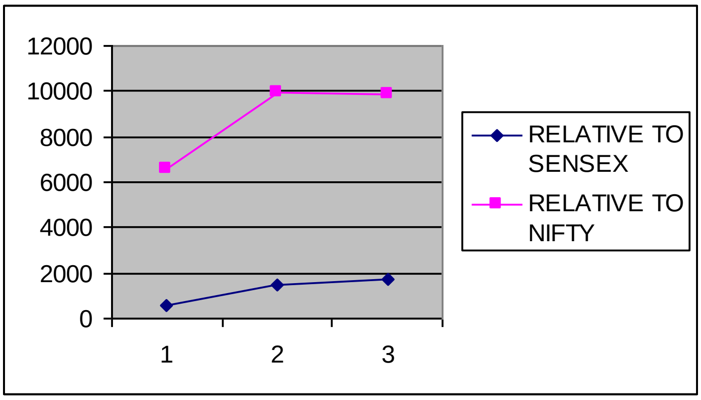
ABSOLUTE RETURNS OF INDEX

Figure.VII



ABSOLUTE RETURNS OF INDEX

Figure VIII



(ANALYSIS)

- As observed from the Table, we can say that ICICI Prudential FMCG Fund, Franklin FMCG Fund and Magnum FMCG Fund Gives Good Return. The Bar diagram representation makes it very clear.
- In FMCG Equities from Table and Bar Diagram we can see that Hind lever gives maximum Returns than any other Equities. The next comes Colgate and Tata Tea which gives almost the same Returns. Tata tea Equities shows good Returns only in long term period Whereas Dabur gives Negative Returns in short term period.
- The Returns of individual Mutual Fund of FMCG Sector in particular period is summed up and then average is taken as the Returns of FMCG Mutual Funds. In the same manner individual Equity is summed up and the average is taken as FMCG Equities. These aggregated Mutual funds and Equities are now compared in Table with the Nifty and Sensex, the Index of NSE and BSE.

- FMCG Mutual funds, as observed from the Table and Line Diagram grows rapidly. FMCG Equities show very good Returns in long term and short-term period i.e., in 3 & 6 months and 1 year's period. But Dabur shows negative returns in 3 months from the Table
- When comparison is made between Mutual Funds and Equities, Returns are not similar in both short term and long-term period as we can see clearly from the Line Diagram.
- As Sensex and Nifty grows in the Market, FMCG Mutual Funds shows upward trend whereas equities show down ward. Both Sensex and Nifty is going at different level having different Exchanges. We can see Mutual Funds, Equities, Nifty and Sensex all together in the line Diagram
- Overall Performance of Equities and Mutual Funds is not satisfactory, mutual funds shows better yielding compare to equities. Equities shows negative returns. If investor don't want to take risk, then he must go for Mutual funds as we can observe form the Table that in individual Equity sometimes returns are negative for example in Dabur Equity, but in Mutual Funds we can see negative Returns but compare to equities mutual funds are risk minimising.

CONCLUSION

From this study the following conclusions are drawn:

- A mutual fund is the best investment option for all small investors spites several other investments available. If proper research is done before investing the investor can gain good returns with less risk. The measures mentioned in this study help the investor to understand and assess the mutual fund in a larger scope and then invest in the best option available. The mutual funds are subjected to market risk hence for the investors risk averse investors, there are many other investment choices available in the market apart from the mutual fund investment such as government bonds, fixed deposits, pension scheme funds, etc., to avoid the risk. This study includes Balanced Mutual fund schemes where the risk chances are reduced even more. These funds are mainly for beginners and fewer risk-takers. Even though having comparatively less risk the funds can gain good returns. Hence, some people should have an investment in Balanced Mutual Funds than other investment options like equity, venture capital, real estate investment, long-term dividend bonds, etc. Based on the above the study is going to conclude that Balanced mutual funds are the best investment option for small investors and risk-averse investors. The strategies mentioned in this study can help the investor to invest in the best way possible provided that the research has been done before investing.

REFERENCES

Sources of data:

List of books:

Bogle, J. C. (2015). Bogle On Mutual Funds: New Perspectives for The Intelligent Investor(Wiley Investment Classics) (1st ed.). Wiley.

Karthikeyan, P. (2016). Equity, Debt and Balanced Mutual Fund Schemes in India: AnAnalysis. LAP LAMBERT Academic Publishing.