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A STUDY OF THE TREND OF SELECTED DEBT AND LIQUID MUTUAL FUND SCHEMES DURING PRE AND POST COVID PERIOD: AN INSTITUTIONAL PERSPECTIVE

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Abstract

A mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund is managed by a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). Mutual funds mobilize funds by selling their own shares also known as units. When an investor owns a unit in mutual funds, he owns a proportional share of the securities portfolio held by a mutual fund. Mutual fund industry now becomes more attractive to the institutional investors due to professional management, well regulated, flexibility, low cost, tax benefits, wider selection of funds, increasing risk appetite, diversification etc. But the recent pandemic due to Covid-19 has created disruptions across the economy and businesses which makes the institutional investors to look for alternative of mutual fund investments. This paper is an attempt to study monthly log returns of selected mutual fund schemes with Nifty 50 in order to show the trend in returns during pre and post Covid-19 period and to assess the impact of the pandemic and lockdown on the mutual fund industry. The study is based on secondary data and the period of study selected is from April 2019 to July 2020. The main objectives of this paper are: (1) To highlight the scheme wise composition of mutual fund investment by Institutional investors before and during the Covid-19 period,(2)To examine the trend of selected debt and liquid/money market mutual fund schemes before and during Covid-19 period on the basis of monthly log returns, (3)To compare the performance of monthly average log returns of selected debt and liquid/money market mutual fund schemes with Nifty 50 before and during covid-19 pandemic and (4) finally to predict the average returns of the selected debt and liquid/money market mutual funds schemes for the months of August, 2020 to December, 2020 using R software and to suggest some short-term investment strategies to the institutional investors on the basis of prediction for coping with the worst impact of the pandemic and lockdown. The perspective of this paper is institutional investors i.e. corporate because institutions mainly hold liquid and debt oriented schemes.

Keywords: *ELSS, NAV, Nifty, Portfolio, Log Returns, Schemes, Debt.*

1. INTRODUCTION

A mutual fund is a financial intermediary that pools the savings of a group of investors for collective investment in a diversified portfolio of securities. In recent times emerging trend in mutual fund industry is a huge investment by the mutual fund in stock markets which is generating momentous investment growth in the economy. Mutual fund pool funds by selling their units to the investors and they invest the pooled funds in securities according to pre-determined investment objectives. As investments in securities are spread across a wide cross-section of industries and sectors, the risk is reduced. The benefit of diversified portfolio of securities is that at the same time all the stocks are not going to move in the same direction in the same proportion. The reasons for the growth of mutual fund industry is due to stronger rules and regulations for mutual funds; investors' education and awareness program; lower transaction cost; greater return in long term etc. The investors are showing their interest in the mutual fund industry because the risk involved is moderate. The regulatory body of the mutual fund industry not only protects the investor's interest but all ensures transparency and uniform standards in the industry. There is lack of awareness among investors about investment in mutual funds compared to its counterparts like investment in recurring deposits, FDs, shares, bonds, PPFs, insurance policies, NSCs etc in our country. This has been taken care of by organizing various Investor Awareness Programmers both by SEBI and AMFI, with an objective to educate investors and make them informed about the mutual fund industry.

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2. OBJECTIVES

The main objectives of this paper are:

(1) To highlight the scheme wise composition of mutual fund investment by Institutional investors before and during the Covid-19 period.
(2) To examine the trend of debt and liquid/money market mutual fund schemes before and during the Covid-19 period on the basis of monthly log returns.
(3) To compare the performance monthly average log returns of mutual fund schemes with Nifty 50 before and during covid-19 pandemic and
(4) To predict the average returns of the mutual funds schemes and Nifty 50 for the months of August, 2020 to December, 2020 using R software and to suggest some investment strategies to the institutions on the basis of prediction.

3. LITERATURE REVIEW

No literature review was available regarding the impact of Covid-19 and lockdown on mutual fund industry so far except the following few cases.
According to **Business Standard**[1] (Sun, March 22 2020. 10:40 IST),Equity-oriented mutual fund schemes delivered a negative return of about 25 per cent to investors over the last one month as the broader market witnessed significant downtrend amid corona virus-triggered recession fears.
According to **Corporate Capital Ventures**[2]**(2020)**, as we all aware that global as well as Indian economy is experiencing a sharp downturn and market crisis due to outbreak of unprecedented infectious disease COVID-19 resulted vanishing the momentum of global growth.
According to **AMFI**[3] (2020), industry trends June 2020,Individual investors now hold a lower share of industry assets, i.e. 50.5% in June 2020, compared with 54.3% in June 2019.

4. RESEARCH GAP

No study was found regarding the impact of Covid-19 and lock-down on the mutual fund industry during the pandemic and after the pandemic period.

5. METHODOLOGY

The data for this study was mainly collected from Secondary Sources like Journals, and various websites. The returns on schemes have been collected from www.investing.com, www.amfiindia.com, www.sciencedirect.com, www.mutualfundindia.com, moneycontrol.com. Returns on benchmark, Nifty 50, have been collected from yahoo finance. Nifty 50 is treated as Market Portfolio in this study. Analysis has been done by using statistical tools like average log returns and plotting the graphs in Microsoft Excel, SPSS and R of those selected mutual funds.
5.1 Charts and Graphs used for Data Representation: The charts of this paper have been generated using Microsoft Excel 2016, SPSS software and prediction for the month of August, 2020 to December, 2020 has been made on the basis of using R software.
5.2 Sample size and Sampling techniques
Five Debt Fund and five Liquid Fund/ money market schemes have been chosen randomly from the list of top performing mutual schemes for the past five years (2015-2019).
6. Data Analysis and Interpretation
6.1Share of Institutional investors in Mutual Fund Assets:
According to the first objective of this paper the share of Institutional investors in mutual fund assets is shown in Table 1.It shows that share of institutional investors i.e. corporate in mutual fund asset has increased from Rs.11.79 trillion from June, 2019 to Rs.12.90 trillion during June, 2020.The increase is by 1.11 trillion i.e. 9.41% compared to previous year i.e. June, 2019 which shows that share of institutional investors has gone up during pandemic period. It indicates that institutional investors have increased their level of investment in the mutual fund industry during the Covid-19 period compared to pre-covid-19 period and as a result of which the industry experienced no setbacks.
Table 1: Share of Institutional investors in Mutual Fund Assets (Rs. in Trillion)

Asset Value June, 2019 (Rs. trillion)	Asset Value June, 2020 (Rs. trillion)	Change in Asset value in the year 2020 compared to 2019 (Rs. trillion)
25.81 (total assets) X 45.7(share of institutions)=11.79	26.07 (total assets) X 49.5(share of institutions)=12.90	1.11(9.45%)

(Source: AMFI**)**

Similarly as per first objective the Table 2 shows that 28.3% of the industry assets are held in Debt Oriented Schemes in June, 2019 by the institutional investors i.e. corporate which has increased to only 28.5% in the month of June, 2020.The table also reflects that 25% of the institutional assets are held in Liquid/Money Market Schemes in June, 2020 compared to 23.6% in June, 2019.This increase from 23.6% to 25% indicates that institutional investors are indifferent towards factors like Covid-19 outbreak, declaration of lock down, fear factor among individual and institutional investors, large scale unemployment and negative GDP predictions. It also indicates that most of the institutional investors prefer liquid or money market schemes which can be liquidated very easily in short-time period.

Table 2: Investment in different Mutual Fund Schemes by Institutional Investors during June, 2019 to June, 2020

	Institutional Investors			
Mutual Fund Schemes	**Asset Value June, 2019 (Rs. in Trillion)**	**Proportionate share in industry assets (%) June, 2019**	**Asset Value June, 2020 (Rs. in Trillion)**	**Proportionate share in industry assets (%) June, 2020**
Debt Oriented Schemes	25.81(Total Assets) X 28.3%=7.30	28.3	26.07 X28.5%= 7.42	28.5
Liquid/Money Market Schemes	25.81 X 23.6%=6.09	23.6	26.07X 25%=6.51	25

(**Source:** AMFI)

6.2 Comparison of the performance of monthly average log returns of five debt funds and five liquid/money market schemes with Nifty50 before and during covid-19 pandemic and predictions for the months of August, 2020 to December, 2020

In this study the monthly average returns of five debt fund schemes were collected. Then the monthly log returns were calculated for the five debt fund schemes and Log Nifty using SPSS and R for the period August, 2019 to July, 2020.

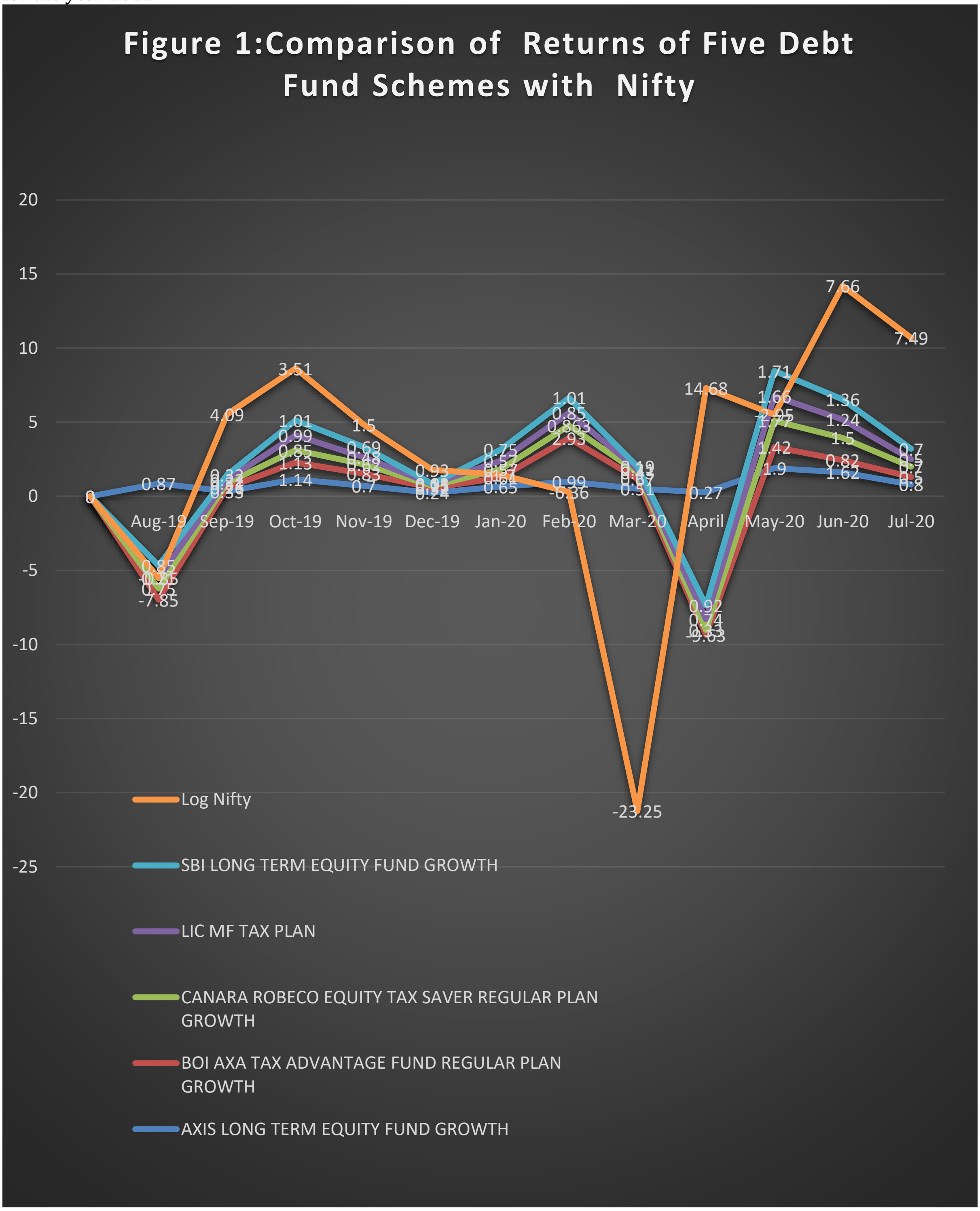
Table 3: Comparison of Average Log Returns of Debt Fund and Log Nifty

Months	**Average Log Returns of Debt Fund**					**Log Nifty**
	AXIS LONG TERM EQUITY FUND GROWTH	BOI AXA TAX ADVANTAGE FUND REGULAR PLAN GROWTH	CANARA ROBECO EQUITY TAX SAVER REGULAR PLAN GROWTH	LIC MF TAX PLAN	SBI LONG TERM EQUITY FUND GROWTH	
August 19	0.87	-7.85	0.75	0.71	0.85	-0.85
September 19	0.33	0.26	0.31	0.22	0.32	4.09
October 19	1.14	1.13	0.85	0.99	1.01	3.51
November 19	0.7	0.83	0.62	0.48	0.69	1.50
December 19	0.24	0.32	0.15	0.11	0.03	0.93
January 20	0.65	0.61	0.57	0.57	0.75	-1.70
February 20	0.99	2.93	0.863	0.85	1.01	-6.36
March 20	0.51	0.67	0.43	0.21	0.19	-23.25
April 20	0.27	-9.63	0.33	0.74	0.92	14.68
May 20	1.9	1.42	1.77	1.66	1.71	-2.95
June 20	1.62	0.82	1.5	1.24	1.36	7.66
July 20	0.8	0.5	0.7	0.50	0.70	7.49

(Source: Secondary data**)**

- **Findings and Interpretation:**

On the basis of Table 3 and Figure 1 it can be observed that average log returns of the five debt fund schemes are more or less flat during the period August, 2019 to January, 2020 with an increase in monthly returns in the month of February, 2020. But due to outbreak of Covid-19 in India from February, 2020 and in different parts of the world the average log returns of the five debt fund schemes started declining and the maximum decline happened during lock-down period i.e. 25th March to April, 2020.After that the average log returns of the five debt fund schemes started increasing up to July, 2020.The Figure 2 also shows the predicted average log return of the five debt fund schemes for the months of August, 2020 to December, 2020. It will help the institutional investors for their portfolio investment plan for the remaining period of the year. Compared the log Nifty for the period August, 2020 to December, 2020 the Average log returns of the five debt fund schemes will decrease from the month of August, 2020 up to the end of October, 2020. So, institutional investors must take cautious approach while investing the funds in the above mentioned five debt fund schemes during the months of August, September and October,2020.But the mutual fund industry is going to witness massive improvements in the months of November and December,2020 due to probable launching of vaccines, completing opening up of economy by way of unlock 4, better investment climate due to atmanirvar bharat and industry 4.0, more job opportunities to migrant labour and overall expected growth of the MSME sector due to several measures declared by RBI to curb the impact of pandemic on MSME sector and better expected GDP growth projections for the year 2021.



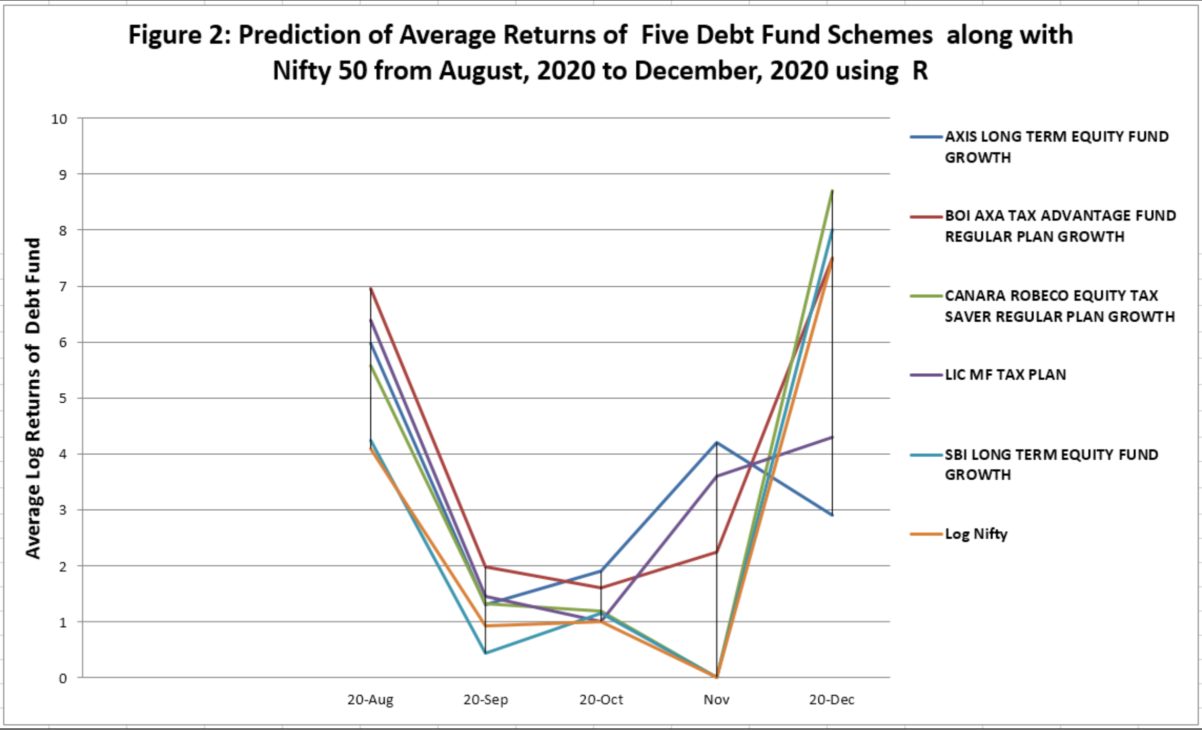


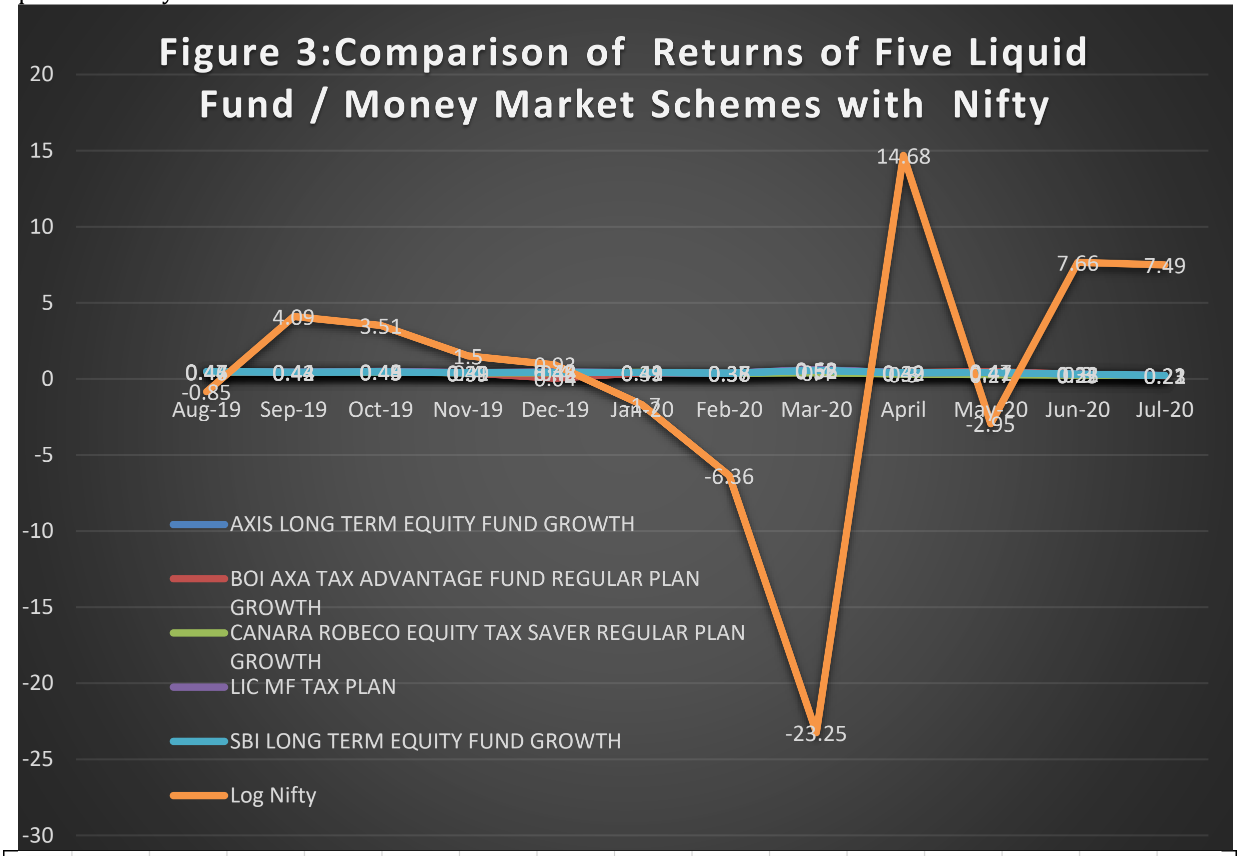
Table 4: Comparison of Average Log Returns of Liquid Fund/ Money Market Schemes and Log Nifty

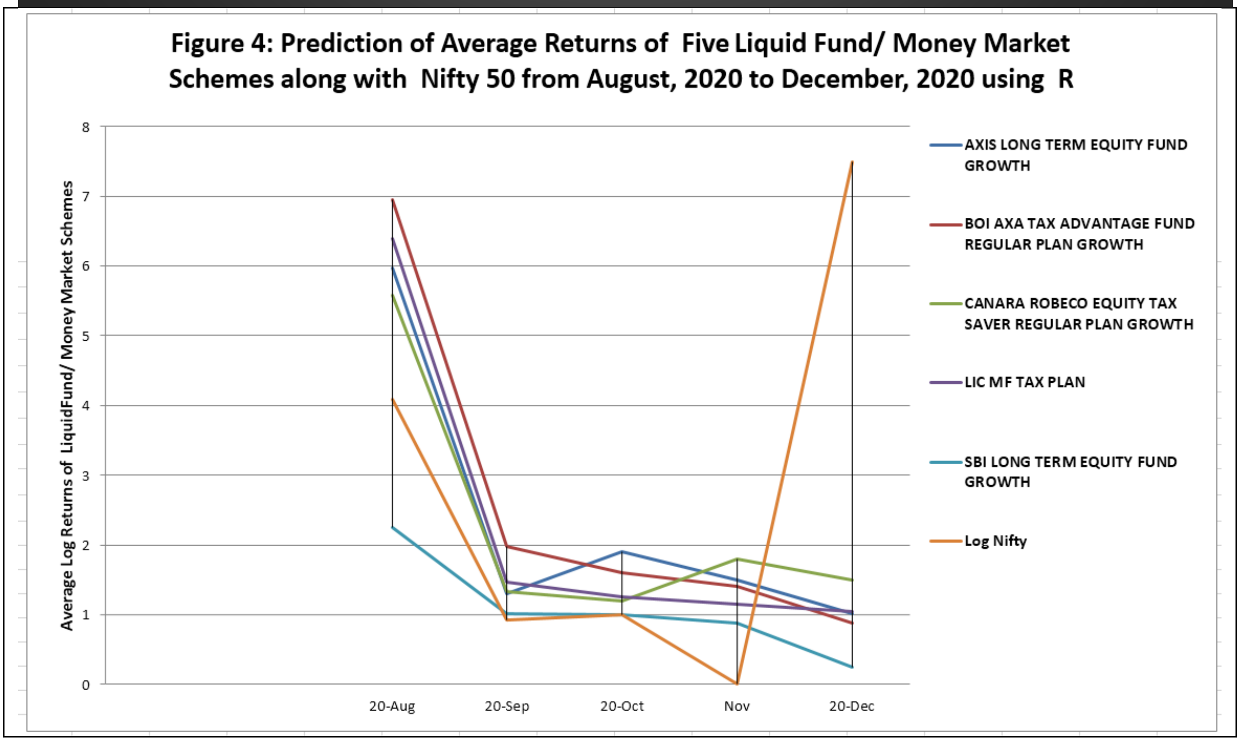
Months	Average Log Returns of LiquidFund/ Money Market Schemes					Log Nifty
	AXIS LONG TERM EQUITY FUND GROWTH	BOI AXA TAX ADVANTAGE FUND REGULAR PLAN GROWTH	CANARA ROBECO EQUITY TAX SAVER REGULAR PLAN GROWTH	LIC MF TAX PLAN	SBI LONG TERM EQUITY FUND GROWTH	
August 19	0.47	0.46	0.44	0.47	0.47	-0.85
September 19	0.44	0.43	0.42	0.43	0.44	4.09
October 19	0.45	0.45	0.44	0.49	0.46	3.51
November 19	0.39	0.39	0.39	0.41	0.40	1.50
December 19	0.42	.040	0.40	0.45	0.44	0.93
January 20	0.41	0.39	0.43	0.42	0.41	-1.70
February 20	0.38	0.36	0.37	0.38	0.37	-6.36
March 20	0.58	0.52	0.40	0.62	0.56	- 23.25
April 20	0.42	0.42	0.30	0.39	0.39	14.68
May 20	0.41	0.47	0.27	0.41	0.41	-2.95
June 20	0.30	0.30	0.25	0.32	0.31	7.66
July 20	0.22	0.21	0.22	0.23	0.22	7.49

(**Source:** Secondary data)

❖ **Findings and Interpretation:**

In case of Liquid Fund/ Money Market Schemes it can be observed that average log returns of the five Liquid Fund/ Money Market Schemes are more or less flat up to December, 2019 but from January, 2020 to March,2020 it registered a negative growth due to outbreak of Covid-19 as global pandemic and lockdown announced by Indian government from 25th March, 2020.Inspite of lockdown and fear factor among the institutional investors regarding the investment climate of mutual fund industry, the industry registered a positive growth in the month of April,2020 and it again fall in the month of May,2020 and thereafter increased in the month of June and July,2020. The Figure 4 shows that five Liquid Fund/ Money Market Schemes is going to experience drastic fall in the average log return from the month July, 2020 up to December, 2020.So the institutional investors must try to avoid investing funds in these five mutual fund investments during the rest period of the year.





7. CONCLUSION

The trend of mutual fund industry was more or less stable and the average return of the selected debt and liquid fund/money market schemes were satisfactory during the period August, 2020 to February, 2020.But due to outbreak of Covid-19 from February, 2020 in India and declaration of Covid-19 as global pandemic by

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WHO on 11th March followed by complete lock down from 25th March caused tremendous redemption pressure on these selected debt and liquid fund/money market schemes and such outflow of funds caused huge pull down in the AUM and as a result of which the average monthly return of these five debt funds and five liquid fund/money market schemes fall drastically in the months of March and April,2020. But after the lifting of lock down and opening of economy in a phased manner the average return increased to a satisfactory level and the institutional investors regain their confidence on the mutual fund industry. But the projection shown in the figures shows a gloomy picture of the mutual fund industry for the months of August to the end of October, 2020. The calculations also indicate that the selected mutual fund schemes are going experience huge fall in the average monthly return from the month of August, 2020 and the industry is going to witness huge increase in the month of November and December, 2020 due partial control over the pandemic and change in the investment climate due to launching of vaccines and atmanirvar bharat and employment opportunities to the migrant labourers and unemployed youth of the country.

8. LIMITATION OF THE STUDY

The study is done for a shorter time period covering only one year starting from April, 2019 to July 2020.So if the data is taken for a longer time period then the findings and conclusion of the study may vary.

URLs Visited

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