IJNRD.ORG ISSN : 2456-4184
INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT (IJNRD) | IJNRD.ORG
An International Open Access, Peer-reviewed, Refereed Journal

A COMPARATIVE STUDY ON MUTUAL FUND AND SMALLCASE SELECTED SCHEMES

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Abstract

An investment strategy is the first issue that investors should consider. In the beginning, investing is an act of trust, a willingness to put off present consumption, and save for the future. Investing for the long term is essential to the achievement of optimal returns by investors. Undoubtedly, the principle of investing for the long-term eschewing funds with high- turnover portfolios and investing in soundly managed funds as investments for a lifetime is privileged more in the breach than in the observance by most mutual fund managers and shareholders. No matter how difficult or how much easier said than done, they must focus not on the market's short - term direction, nor on finding the next hot fund, but on intelligent fund selection. The key focal point of fund selection is not an upcoming return which the investor cannot manage but on risk, cost, and time all of which the investor can control. In this paper, an attempt is made to understand and evaluate the investment performance of selected Mutual Fund and Smallcase schemes. Simple statistical tools like percentage and averages are used to analyze and interpret the data. Both the mutual fund and the smallcase schemes provide negative returns in the short term and positive returns in the long run.

Keywords: Mutual Fund, Smallcase, Investments, Financial planning

INTRODUCTION

A mutual fund is swiftly turning out to be an excellent and very intelligent source of income for the investors as they are very money-spinning, which is a lot safer and sounder investment. A mutual fund is shaped when funds collected by various investors are invested in purchasing companies share, stock, and bonds. Mutual funds are administered attentively by a professional fund manager to earn the highest possible returns. These managers put heedful concentration to the presentation of the entity mechanism of the fund, building transformations anywhere they consider necessary. While investors in the share market must keep a deep observation on their investment, investors in mutual funds stay put uncomplaining, to consent to their speculation to go according to the market command. Despite the category, you can almost always rest assured that your mutual fund will be secured against the risk of full lessen that is a risk found in investing the stock market.

Smallcase is the latest way to invest in stocks. Smallcases are professionally produced baskets of stocks that reveal trending ideas & strategies. It is a basket of up to 20 stocks that reflect a theme, ideas, or strategy. It only offers a portfolio. It is the first case where one platform can be accessed by numerous brokers. There is readymade portfolio suggested by experts and also investors can customize their smallcase portfolio according to his/her needs and choices if they wish to. This makes smallcase a flexible investment for active investors. According to Arun Thukral, (MD & CEO, AXIS Securities), smallcase provides greater control and flexibility to modify the portfolio and also enhance the ability of investors to influence the return. This also provides a good foundation for first-time investors who would like to pursue a long- term approach to creating wealth. Smallcase has also united with eight brokerages—Zerodha, HDFC Securities, Kotak Securities, IIFL Securities, 5paisa, Edelweiss, Axis Direct, and Alice Blue—which offer investors smallcases on their websites.

There are 5 categories offered by smallcase

1) Thematic

2) Smart Beta smallcases

3) Model-Based

4) Sector Trackers

5) ETF smallcases

REVIEW OF LITERATURE

Sikidar and Singh (1996) evaluated the behavioral aspects of the investors of the northeastern region towards equity and mutual fund investment portfolio. The study revealed concession benefits.

Rajeshwari et al. (1999) surveyed mutual fund investors in urban and semi-urban centers to study the factors influencing the fund selection behavior of retail investors. The study suggested that AMCs should design products consciously to meet the investor's needs and must be aware of the changing market moods.

SEBI-NCAER Survey (2000) was done to estimate the number of households and the population of individual investors, their economic and demographic profile, and investment preference for equity as well as other savings instruments. The data was collected from 30, 00,000 geographically detached rural and urban households. The findings of this study were: household's preference for instruments match their risk perception; Bank deposit has in demand across all income class; As compared to low-income groups, the high-income groups have a higher share of investment in mutual funds.

Bodla and Bishnoi (2008) concluded that the mutual fund investors in India at present have 609 schemes with a variety of features like growth, monthly income plans, Sectoral plans, money market, dividend, cumulative interest schemes, etc. Also, the open-end and close-end schemes showed excellent growth in fund mobilization. Portfolio–wise analysis concluded that income schemes have an edge above the growth schemes.

Walia and Ravi (2009) attempted to identify the vital gaps in the existing framework for mutual funds and further tried to understand the need of redesigning existing mutual fund services by acknowledging investor-oriented service quality arrangements (IOSQA) to figure out investor's behavior while introducing any financial innovations.

Agarwal and Jain (2013) attempted to study the investment avenue preferred by the investors of Mathura and also checked the preference given by the investors to mutual funds as compared to other available traditional investments. The sample size of 300 investor's snowball sampling procedure and structured questionnaire has been used in this study. The study concluded that 80% of investors were aware of mutual funds. The most preferred criterion of the investors regarding investment returns. Therefore, on the whole, the study concluded that real estate was the most preferred mode of investment for the investors of Mathura.

Amarjeet (2014) compared the performance of the mutual fund and fixed deposit. Simple statistical tools like averages and rates of returns were used. The study concluded that if an investor is young and able to take more risk than they choose the mutual fund. On the other hand, elderly people or low-income people can't able to take risks must choose a fixed deposit.

Anand (2017) has evaluated the various mutual fund schemes of SBI and HDFC in terms of risk and return from 2005 to 2014. The statistical tools used in this study were Alpha, Beta, CAGR, S.D, and Sharpe's ratio. The study concluded that mutual fund displayed tremendous growth than traditional investment options in the long term, and also suggested that people should compare fund based on the risk and return analysis.

Jyoti and Goud. (2018) evaluated the performance of the mutual fund and compare it with fixed deposit rates. The study concluded that mutual funds perform well than fixed deposits in all aspects like inflation-adjusted returns, capital appreciation, and also in terms of liquidity.

Elton et al. (2019) examined the performance and also made a comparison between passive index funds and ETFs (exchange-traded funds). The statistical methodology used in this study was Mean, Standard Deviation, Alpha, Beta, and regression analysis. The main findings of this study are: average exchange-traded funds pre –expenses moderately outperform, the index they follow, while index fund moderately underperform. Expenses ratio also becomes very much important in affecting differential return, investors followed a strategy of selecting either the index fund or ETFs depends on whichever had the lower expenses.

STATEMENT OF THE PROBLEM

In the current scenario interest rates are unpredictable in the share market as put investors are in mystification. Investors find it difficult to make judgments regarding investment. This is most important because the investment is insecure and they have to judge various factors before investing in various securities. Therefore, the study aims to compare mutual fund schemes and smallcases schemes concerning risk, return and liquidity.

Objectives of the study

1. To evaluate a comparative study of selected smallcase and mutual fund schemes.
2. To know the overall performance of selected smallcase and mutual fund schemes.

Scope of the study

A big boom has witnessed in the investment industry in recent times, a large number of investment opportunities are available for investors. Each of the investment options is trying to gain market share in the rapidly improving market. The present study is attempted to compare the randomly selected schemes of mutual fund and smallcase investment. Research has been carried with the help of secondary data.

Research methodology

The research study was based on secondary data. The data was collected from records, journals, magazines, internet, and all other sources of published data. The simple statistical techniques like percentage, CAGR, are used. For evaluation, Sharpe ratio, PB Ratio, PE Ratio has been taken. The data of all the randomly selected schemes are taken in March 2020.

TABLE: 1 PERFORMANCE ANALYSIS OF SELECTED SMALLCASE SCHEMES

SMALL CASE									
SCHEME NAME	INDEX VALUE	CAGR	PE RATIO	PB RATIO	SHARPE RATIO	DIVIDEND (%)	1Y Returns	3Y Returns	5Y Returns
LOW RISK-SMART BETA	679.67	16.17%	17.49	2.57	1.71	2.36	-9.53%	18.25%	36.01%
DIVIDEND ARISTOCRATS	235.17	15.45%	25.15	3.96	1.09	1	-8.35%	14.11%	48.43%
QUALITY SMART BETA	527.85	14.41%	17.12	5.94	1.4	2.41	-13.73%	0.53%	23.09%
BRAND VALUE	235.11	15.44%	29.21	4.89	1.25	1.02	-16.41%	16.14%	45.58%
ELECTRIC MOBILITY	198.99	12.25%	7.37	1	1.18	3.78	-47.10%	-40.70%	-8.17%
SAFE HAVEN	254.11	16.96%	17.71	2.64	1.24	1.22	-2.82%	21.21%	56%
RISING RURAL DEMAND	264.05	17.71%	21.45	4.14	1.37	1.37	-18.77%	-13.20%	50.28%
DIVIDEND - SMART BETA	462.75	13.20%	25.56	4.25	1.32	1.5	-13.61%	6.36%	32.55%
SPECIALITY CHEMICALS	464.61	29.44%	16.6	3.42	1.6	0.54	-6.26%	13.72%	97.06%
GROWTH AT A FAIR PRICE	499.35	31.02%	9.6	1.75	1.69	1.72	-31.94%	-37.15%	48.07%
MAGIC FORMULA	379.27	25.10%	4.7	1.15	2.05	4.03	-49.37%	-60.36%	9.88%
BARGAIN BUYS	216.13	13.82%	3.73	0.41	1.43	6.41	-46.81%	-36.85%	19.52%
CANSLIM-ESQUE	399.22	26.18%	24.37	4.41	1.66	0.77	-4.38%	29.73%	105.50%
INSURANCE TRACKER	71.07	-13.77%	21.91	2.79	0.63	1.66	-16.72%	-28.93%	-28.93%
GROWTH & INCOME - MID-CAP VERSION	275.37	18.55%	8.33	1.34	1.57	2.06	-29.86%	-16.20%	40.69%
ELECTRIC MOBILITY - LOW-COST VERSION	203.67	12.69%	7.04	0.95	1.19	4.01	-47.97%	-40.72%	-8.35%
BANKING TRACKER	158.27	8.01%	17.16	1.54	0.71	0.67	-36.35%	-24.78%	-12.17%
PHARMA TRACKER	169.59	9.28%	22.74	3.32	0.58	0.8	4.58%	-8.70%	-2.46%
AVG.	316.35	15.66%	16.51	2.80	1.32	2.07	- 21.97%	- 10.42%	30.70%

Interpretation: From the above table, it can be interpreted that CAGR (Compound annual growth rate) of 'growth at a fair price' is performed better with a value of 31.02%. whereas, 'insurance tracker' having a negative value -13.77%. Based on PE Ratio (Price to Earnings Ratio) the scheme 'brand value' is best performed with the value of 29.21. The most poorly performed scheme is the 'magic formula' with a value of 4.7. While calculating PB Ratio (Price to Book Value Ratio) the scheme 'quality smart beta' is best performed with the value of 5.94. Whereas, the worst performed scheme is the 'bargain buys' with a value of 0.41. Based on Sharpe's ratio the scheme 'magic formula' is the best performed with the value of 2.05. The worst performed scheme is the 'pharma tracker' with a value of 0.58. While computing dividend payout the scheme 'bargain buys' is the best performed with the value of 6.41. And the worst performed scheme on the behalf of dividend payout is 'specialty chemicals' with a value of 0.54.

It can be interpreted that returns almost all the schemes in 1st year are having negative returns, but only 1 scheme 'pharma tracker' provides positive returns 4.58% in 1st year. Also, in 3year returns, some of the schemes turned negative return to positive return. The Pharma tracker scheme returns also turned positive to negative in 3-year returns. The 'canslim-esque' scheme is providing the highest return 29.73% in 3years returns and the worst scheme is 'magic formula' providing the lowest return -60.36%. Also, in 5 year returns most of the scheme's returns are turned into negative to positive. The 'canslim-esque' scheme is still providing the highest return 105.50% in 5 years returns and the worst performing scheme is 'insurance tracker' providing negative returns -28.93%.

TABLE: 2 PERFORMANCE ANALYSIS OF SELECTED MUTUAL FUND SCHEMES

MUTUAL FUND									
SCHEME NAME	NAV	CAGR	PE Ratio	PB Ratio	SHARPE RATIO	DIVIDEND (%)	1 YR Return	3YR Return	5 YR Return
INVESCO INDIA GROWTH OPPORTUNITIES FUND DIRECT – GROWTH	29.22	3.79%	26.49	3.89	0.57	0.48	-16.98%	4.62%	20.45%
MIRAE ASSET EMERGING BLUECHIP DIRECT-G	46.6	7.71%	19.39	2.66	0.50	1.1	-21.33%	-0.10%	45.05%
SUNDARAM LARGE AND MID CAP FUND DIRECT – GROWTH	28.92	3.12%	29.34	3.58	0.48	0.53	-24.28%	-5.42%	16.62%
EDELWEISS LARGE & MID CAP DIRECT PLAN – GROWTH	2.76	2.06%	28.58	3.7	0.47	0.4	-19.99%	-0.52%	10.76%
LIC MF LARGE & MID CAP FUND DIRECT – GROWTH	13.54	5.07%	28.6	3.86	0.47	0.42	-16.91%	-0.16%	28.10%
MIRAE ASSET EMERGING BLUECHIP REG-G	43.56	5.52%	19.39	2.66	0.44	0.83	-26.27%	-7.43%	30.87%
SUNDARAM LARGE AND MID CAP REGULAR –G	27.37	1.21%	29.34	3.58	0.40	0.49	-29.30%	-12.72%	6.21%
EDELWEISS LARGE & MID CAP REG-G	25.62	0.03%	28.58	3.7	0.38	0.37	-25.31%	-8.19%	0.13%
KOTAK EQUITY OPPORTUNITIES FUND DIRECT – GROWTH	105.33	3.57%	23.41	2.98	0.36	0.67	-21.05%	-5.47%	19.22%
CANARA ROBECO EMERGING EQUITIES REG-G	77.46	3.75%	28.28	4.07	0.36	1.18	-25.66%	-9.86%	20.23%
LIC MF LARGE & MID CAP REG-G	12.71	2.99%	28.6	3.86	0.36	0.42	-25.62%	-7.80%	15.88%
SBI LARGE & MIDCAP FUND DIRECT PLAN – GROWTH	182.21	1.31%	23.4	2.99	0.33	2.8	-25.80%	-10.78%	6.74%
KOTAK EQUITY OPPORTUNITIES REG-G	97.64	1.29%	23.41	2.98	0.27	0.61	-26.28%	-13.17%	6.61%
DSP EQUITY OPPORTUNITIES DIRECT PLAN-GROWTH	187.24	3.05%	20.06	2.83	0.25	1.67	-24.23%	-10.90%	16.25%
BOI AXA LARGE & MID CAP EQUITY FUND DIRECT – GROWTH	30.47	-0.27%	31.02	4.98	0.18	0.4	-18.43%	-10.09%	-1.32%
IDFC CORE EQUITY FUND DIRECT – GROWTH	36.78	0.77%	21.48	2.34	0.18	0.33	-28.83%	-15.51%	3.93%
CANARA ROBECO EMERGING EQUITIES FUND DIRECT – GROWTH	83.54	6.16%	28.28	4.07	0.45	2.89	-20.08%	-1.45%	34.85%
TATA LARGE AND MID CAP GROWTH FUND DIRECT PLAN	178.55	1.83%	22.81	2.97	0.36	1.16	-20.60%	-5.70%	9.49%
AVG.	67.20	2.94%	25.58	3.43	0.58	0.98	-23.16%	-6.70%	16.12%

Interpretation: From the above table, it can be interpreted that CAGR (Compound annual growth rate) of 'Mirae asset emerging bluechip direct-g' is performed better with the value of 7.71%. Whereas, the scheme 'boi-axa large & mid-cap equity fund direct –growth' having a negative value -0.27%. Based on PE Ratio (Price to Earnings Ratio) the scheme 'boi-axa large & mid-cap equity fund direct –growth' is best performed with the value of 31.02. All the selected schemes are performing well. The lowest performed schemes are the 'Mirae asset emerging bluechip direct-g' and 'Mirae asset emerging bluechip reg-g' with a value of 19.39. While calculating PB Ratio (Price to Book Value Ratio) the scheme ''boi-axa large & mid-cap equity fund direct –growth'' is best performed with the value of 4.98. Whereas, the worst performed scheme is the 'idfc core equity fund direct-growth' with a value of 2.34. Based on Sharpe's ratio the scheme 'Invesco India growth opportunities fund direct- growth' is the best performed with the value of 0.57. The worst performed schemes are the 'boi-axa large & mid-cap equity fund direct –growth' and 'idfc core equity fund direct-growth' with a value of 0.18. While calculating dividend payout the scheme 'Canara Robeco emerging equities fund direct-growth' is the best performed with the value of 2.89. Whereas, the worst performed scheme on behalf of dividend payout is 'idfc core equity fund direct-growth' with a value of 0.33.

It can be interpreted that returns of all the selected mutual fund schemes are showing negative returns in 1 year & 3year returns. But only 1 scheme 'Invesco India growth opportunities fund direct- growth' in 3-year return is showing positive return 4.62. In 5-year, return, almost all the scheme returns turned negative to positive. The 'Mirae asset emerging bluechip direct-g' is providing the highest return 45.05% and the 'boi-axa large & mid-cap equity fund direct –growth' still showing negative returns -1.32%.

TABLE: 3 ANALYSIS OF OVERALL PERFORMANCE OF SMALLCASE AND MUTUAL FUND SCHEMES

AVG.	CAGR (%)	PE RATIO	PB RATIO	SHARPE RATIO	DIVIDEND (%)	1 Y Returns (%)	3 Y Returns (%)	5 Y Returns (%)
SMALL CASE	15.66	16.51	2.8	1.32	2.07	-21.97	-10.42	30.70
MUTUAL FUND	2.94	25.58	3.43	0.35	0.98	-23.16	-6.70	16.12

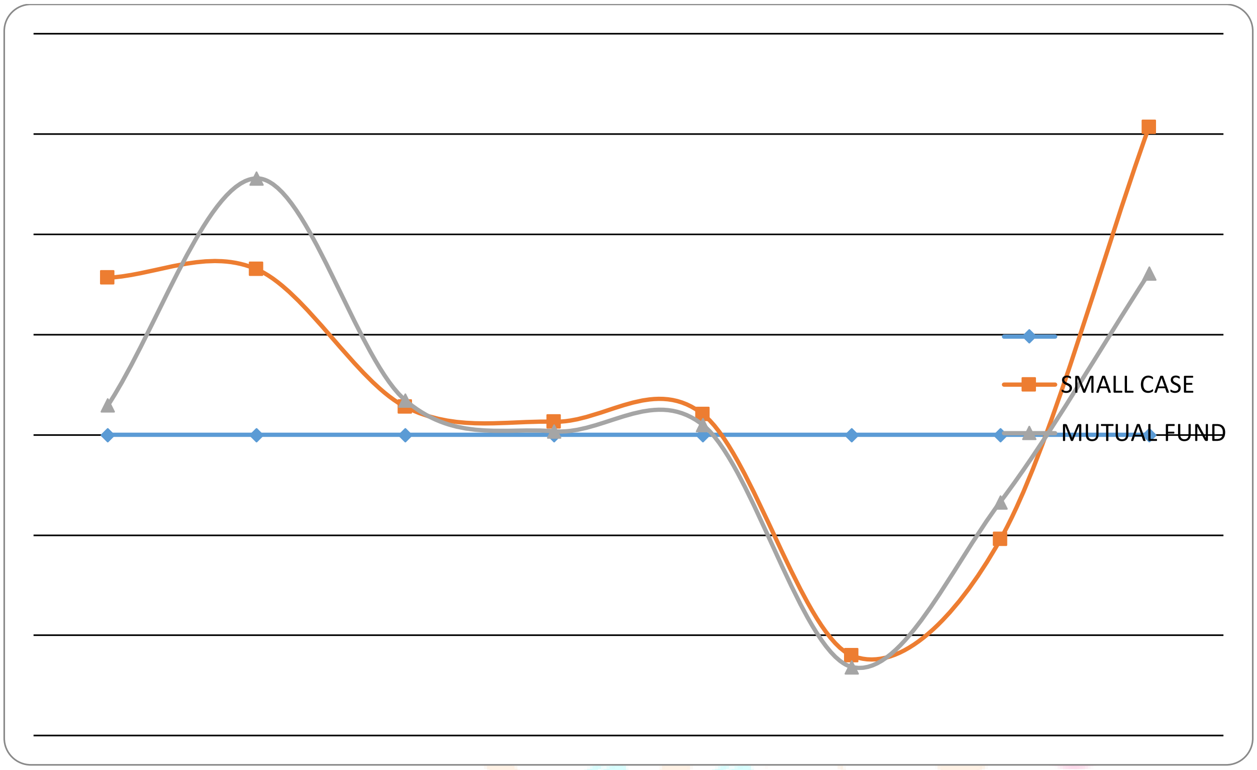

Figure 1: Analysis of Overall Performance

Interpretation: From the above table, it can be interpreted that CAGR (Compound annual growth rate) of selected smallcase schemes performed very well the Average CAGR of smallcase schemes 15.66% are higher than mutual fund average CAGR 2.94%. While calculating PE Ratio (Price to Earnings Ratio) average of mutual fund schemes performed very well. The Average PE Ratio of selected mutual fund schemes is 25.58 higher than selected smallcase schemes 16.51. Based on PB Ratio (Price to Book Value Ratio) the mutual fund schemes are performing well. The average PB Ratio of selected mutual fund schemes is 3.43 higher than selected smallcase schemes 2.80. Based on Sharpe's ratio the smallcase schemes performed well. The average Sharpe's ratio of selected smallcase schemes is 1.32 higher than the selected mutual fund schemes 0.35. While computing dividend payout the smallcase schemes performed very well. The average Dividend payout of selected smallcase schemes is 2.07 higher than selected mutual fund schemes 0.98.

While calculating returns average of both the investments in 1 year and 3-year returns are negative. In 5 years returns both turned negative returns to positive returns but the average of smallcase selected schemes returns 30.70% are higher than the selected schemes of mutual fund 16.12%.

Conclusion

Mutual funds and smallcase are two different kinds of investment tools and both have their objectives. Smallcase is build up around stocks of the same scheme or structure while the latter is a mixture of different investment tools like stocks, real estate, debt fund, etc. Some investors would prefer smallcase in such conditions as it's CAGR is comparatively higher than that of mutual funds that are 15.66% to 2.94%, now that's a big difference to dig upon. While if you look at the P.E Ratio, any investor would be interested in mutual funds as they lead the table with 25.58 to 16.51. The table depicts a very slight difference between smallcase and mutual funds when it comes to PB ratio although a mutual fund leads the way with 3.43 to 2.80 of smallcase. Sharpe ratio is very vital for every investor due to risk-adjusted measures so a wise investor would pick smallcase over the fact that its Sharpe ratio is comparatively very good and leads with 1.32 than that of 0.35 of mutual funds. Smallcase even leads his way when it comes to dividends with a huge no. Of 2.07% as compared to mutual funds 98%. Returns are the most important part for any investor to invest for so it depends upon the nature of an investor, Returns of both smallcase and Mutual funds depicts that smallcase provides better returns over the years, hence looks more attractive but An investor needs to know abt the pros and cons of every investment tools before investing in it and to make sure it fulfills his objectives. Smallcase offers a large variety and an investor with a good sense of market count it well while for a silent investor, mutual funds could be a great option as it's controlled by highly experienced masters of the stream.

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