

A Comparative Study between Investment in Equity and Mutual Fund

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Abstract: *Exposure to heavy The present paper is based on the study of comparing and analyzing the equity investing in respect of risk and return. Further the paper compares and analyzes the mutual fund schemes in respect of risk and return. The main objective of this research work is to study relationship between the risk and return of equity shares and mutual fund through the statistical parameters such as (returns, alpha, beta, standard deviation, Sharpe ratio, Treynor ratio and Jensen ratio. CAPM). The study is based on secondary data which is collected from the BSE official website and money control website. In research study the monthly closing price of 5 years from 1st Jan 2016 to 31st Dec 2020 of companies taken. Top Ten companies as per market capitalization equities as per 2021 on each monthly basis are selected and for Benchmark BSE SENSEX have been taken as a sample and ten mutual funds are selected as per large cap/Blue-chip fund. The need of the study arises because the investors are confused to take right decision on investment. Since investments are risky in nature, investors have to consider various factors before investing in equity share or else in mutual fund. The findings of this study is Kotak and HUL have performed the best among the selected equity shares and Axis Bluechip Fund and CanaraRobecoBluechip Equity Fund is at top among all analysed funds in terms of performance during the last financial year 2016-2020*

Keywords: Mutual Funds, BSE Sensex, Sharpe ratio, Jensen ratio

I. INTRODUCTION

A stock market is a platform where investors come to trade in financial instruments like shares, bonds, and derivatives. The stock exchange works as a facilitator of this transaction and enables the buying and selling of shares. Stock markets form the largest avenues for investments. There are primarily two stock exchanges in India, the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Companies list their shares for the first time in the primary market and in the secondary markets investors can buy and sell their shares during an Initial Public Offering. The regulation and supervision of the stocks markets in India rest with the Securities and Exchange Board of India.

SEBI was formed as an independent identity under the SEBI Act of 1992 and has the power to conduct inspections of the stock exchanges. The inspections review the operations of the market and the organizational structure along with aspects of administrative control. An investment is an asset or item acquired with the goal of generating income or appreciation. An equity investment is money that is invested in a company by purchasing shares of that company in the stock market. These shares are traded on stock exchanges. Investor spend their surplus into stocks mainly for capital appreciation, dividends, and also for voting rights, which allows them to be a part of key company decisions. As per SEBI Regulation, 1996, Mutual Fund can be defined as "A fund established in form of a trust to raise money through the sale of units to public or a section of public under one or more schemes for investing in securities, including money market instruments". Sharpe (1966) explains in a modern portfolio theory context that the expected return on an efficient portfolio and its associated risk (unsystematic risk) are linearly related. A Portfolio is the total collection of all investments held by an individual or institution, including stocks, bonds, real estate, options, futures, and alternative investments, such as gold or limited partnerships. Most portfolios are diversified to protect against the risk of single securities or class of securities. Hence, portfolio analysis consists of analysing the portfolio as a whole rather than relying exclusively on security analysis, which is the analysis of specific types of securities. To assemble an efficient portfolio, one needs to know how to calculate the returns and risks of a portfolio, and how to minimize risks through diversification.

II. LITERATURE REVIEW

Dibin K. K., Alfiathaha (2017) examined about —Mutual Funds, Stocks and Banks: A Study on the Changing Perspectives of Investments. The aim of this study was to analyze the real and nominal returns from Banks, Mutual Funds and Stocks. To suggest the best investment platform based on the risk-return dynamics. Survey method was Financial data of 10 years have been collected for the purpose of evaluation from the Financial Year (FY) starting 2007 to 2017. The samples are selected based on Judgmental sampling which involves the choice of funds and companies based on the report published by the rating agency (CRISIL) and the stock samples were chosen based on the market capitalization. The findings of this study was revealed that a mutual fund has outperformed among the other investment alternatives in terms of return and risk and the reason behind this could be the entry of millennial investors. The real return from the Mutual funds with an average half yearly return of 7.15% is an exemption.

Sushil Moar (2014) examined about —A Comparative Study on Stock Market and Mutual Fund Industry. The aim of this study was to compare the stock market and mutual fund. Survey method was secondary data and research design is descriptive data. The finding of this study was revealed that mutual fund is a low risk low profit form of investment, the stock market is a high risk high profit one and the stock market is full of risks but if manage to overcome it, then become successful.

2.1 Objectives

- To study the preference of the target investors for equity mutual funds and direct equity.
- To identify reasons for preferring mutual funds and direct equity investment.
- To identify factors considered while investing in mutual funds.
- To identify the investment objective while investing in equity stock.

2.2 Hypothesis

Hypotheses can be considered as the expected outcomes of the study that can consider our observations for the external world. Hypotheses which we frame for our study generally describe the causal relationship between the studied variable wherein one can be considered as cause that is what process and mechanism we have used for study wherein the outcomes of the study are effect. Observations are data – what we see or measure in the real world.

H₀= The mutual fund is not considered as best investment avenue.

H₁= The mutual fund is considered as best investment avenue.

III. RESEARCH METHODOLOGY

Research methods can be classified in different ways, the most common distinction is between the quantitative and the qualitative approaches. Quantitative approaches were originally used while studying natural sciences like: laboratory experiments, survey methods and numerical methods. A qualitative study is used when the researcher wants to get a deeper understanding on a specific topic or situation to state that the qualitative approach was developed in social sciences in order to support the researcher in studies including cultural and social phenomena. Sources included in the qualitative approach are interviews, questionnaires, observations, documents and the researcher's impression and reactions. The chosen approach is qualitative.

Qualitative research typically takes the form of in-depth interviews with a small number of respondents. These interviews may be done one individual at a time, or in groups. Individual interviews have the advantages of providing very rich information and avoiding the influence of others on the opinion of any one individual. Individual interviews are very expensive and time consuming, however, and as a result, it is not likely that any one research program will interview large number of individuals.

Data Collection

Data Collection Method The data so collected used for evaluating objectives of the study in respect of the area under research conducted in Nagpur District. The data used in this study are based on primary and secondary sources, and are discussed below:

Primary data - Primary data was collected from the feedback of the Employee with the help of questionnaire.

Secondary data - Secondary data was collected from various newspaper, magazines and internet.

Research Design

Research Design is purely and simply the framework of a plan for a study that guides the collection and analysis of data.

Descriptive research design will be used which will indicate that the study is all about a certain characteristic of investor towards investment.

Scope of Study

The scope of the study of mutual funds and equities is very large but my study is limited to 10 companies.

The analysis is strictly based on share price and unit price information. Other company performance indicators are not considered.

The scope of the study of mutual funds is very large but this study includes only 10 AMC's of mutual funds without any priority towards any particular sector or theme

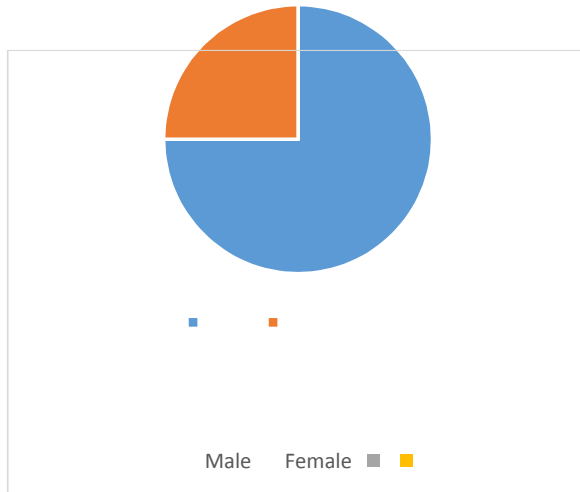
Analysing the Data

PERSONAL PROFILE

Name (optional):

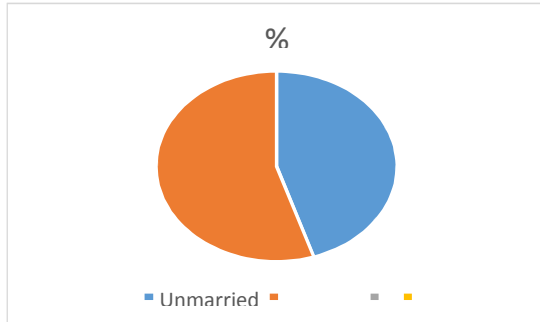
Gender : Male Female

Gender	Count
Male	75
Female	25



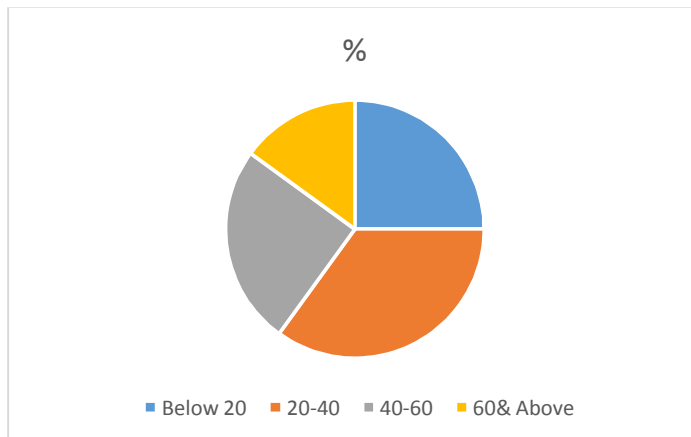
Marital Status : Unmarried Married

Marital Status	Count
Unmarried	45
Married	55



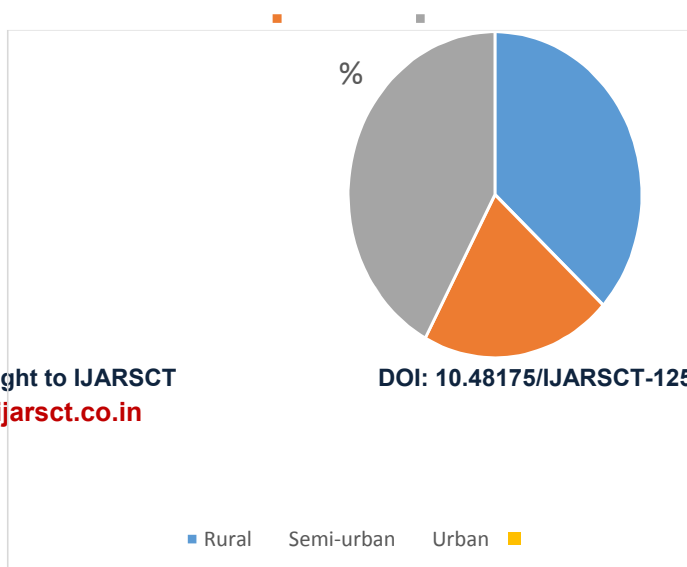
Age : Below 20 20-40 40-60 60& Above

Age	Count
Below 20	25
20-40	35
40-60	25
60& Above	15



Locality : Rural Semi-urban Urban

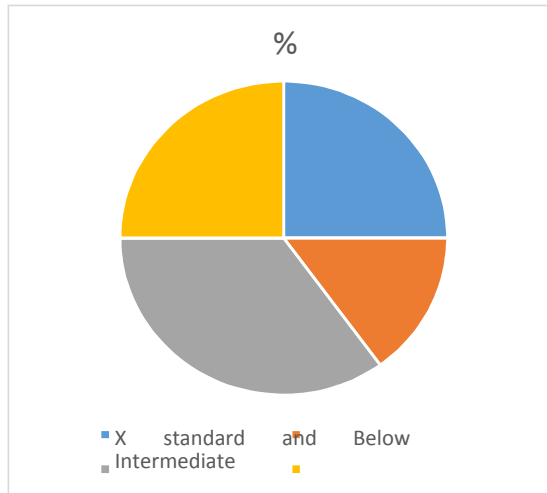
Locality	Count
Rural	35
Semi-urban	20
Urban	40



Education : X standard and Below Intermediate

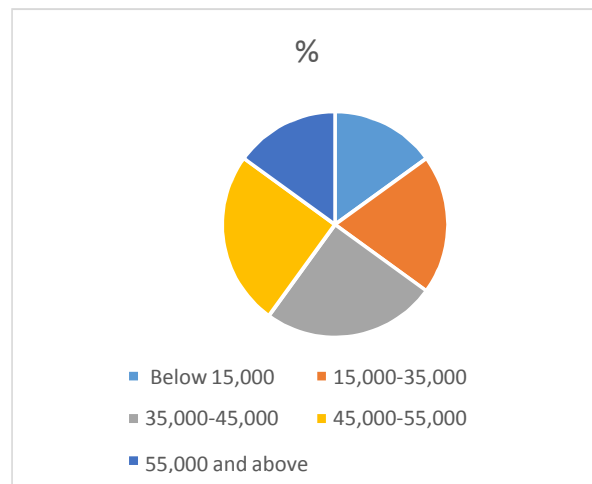
Diploma/Technical Graduation

Education	Count
X standard and Below	25
Intermediate	15
Diploma/Technical	35
Graduation	25



Monthly Income (Rs.) : Below 15,000 15,000-35,000
 35,000-45,000 45,000-55,000 55,000 and above

Monthly Income (Rs.)	Count
Below 15,000	15
15,000-35,000	20
35,000-45,000	25
45,000-55,000	25
55,000 and above	15

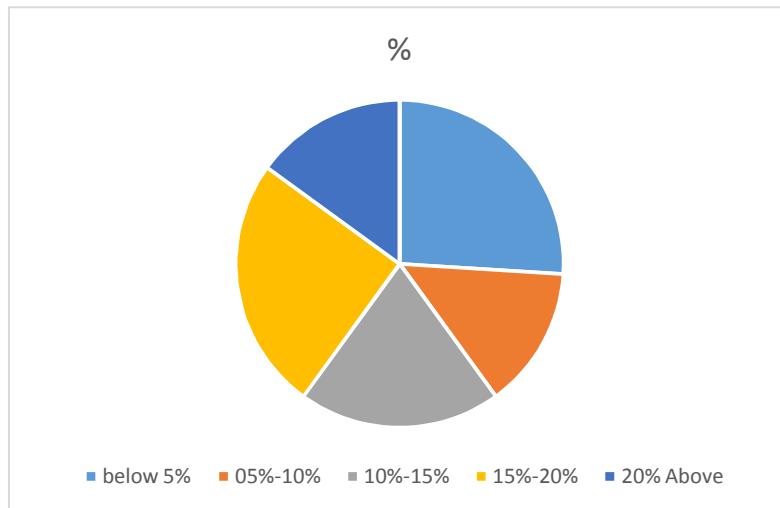


Investor's insight on investment decisions

How much you save? (% of annual income)

Below 5% 05%-10% 10%-15% 15%-20% 20%&Above

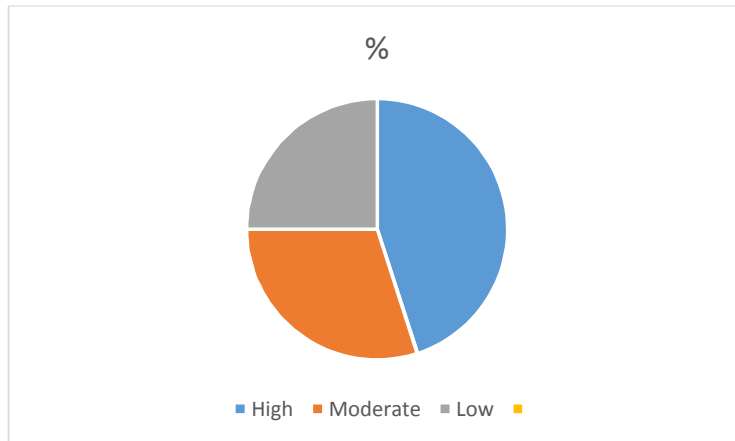
Saving	%
Below 5%	26
05% - 10%	14
10%-15%	20
15%-20%	25
20% above	15



Your Risk Tolerance?

High Moderate Low

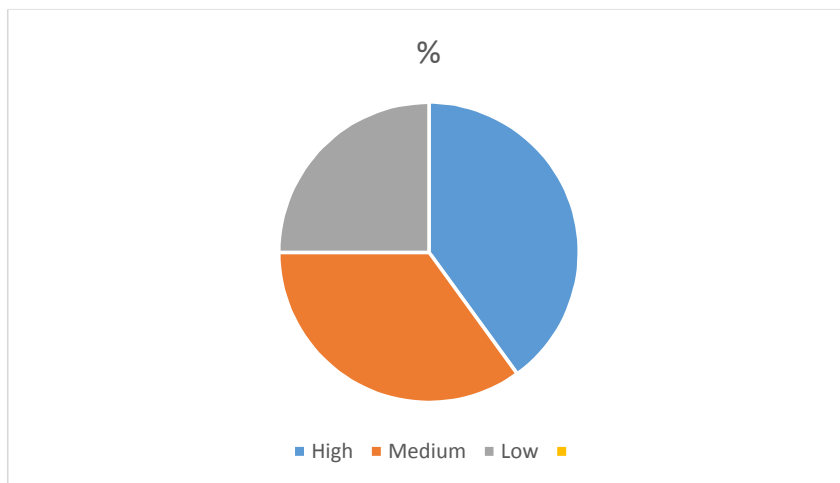
Risk	Count
High	45
Moderate	30
Low	25



Your return expectation?

High Medium Low

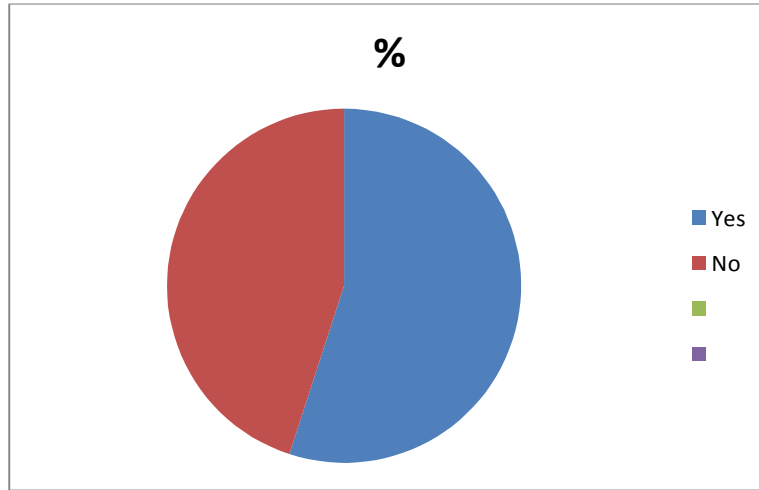
Return	Count
High	40
Medium	35
Low	25



Are you satisfied with your present holdings?

Yes No

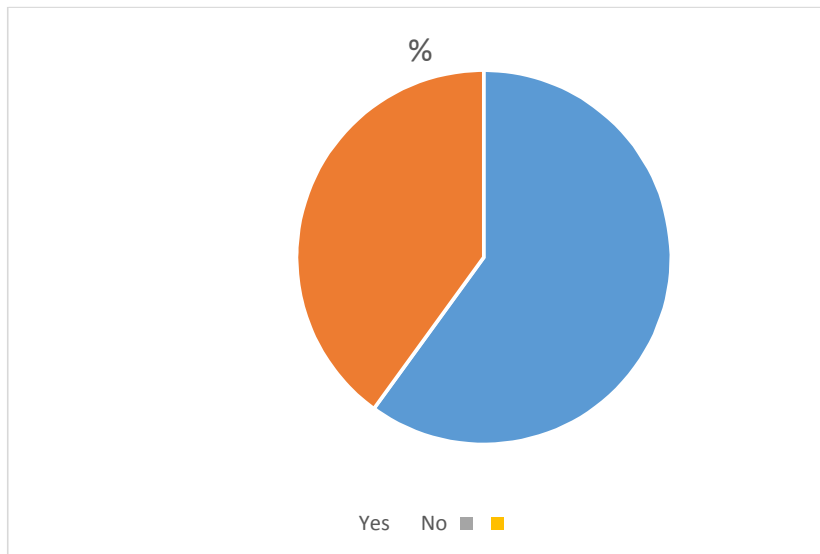
Satisfied	Count
Yes	55
No	45



Will you recommend mutual fund investment to your friends and relatives?

Yes No

Recommend	Count
Yes	60
No	40



If the return from your mutual fund investment is less than you expected, what will you do?

Prompt withdrawal Hold up for few days

Purchase other mutual fund schemes

Option	Count
Prompt withdrawal	26
Hold up for few days	14
Purchase other mutual fund schemes	35
Wait for few months	25

IV. CONCLUSION

- This paper aims at studying difference between investing in shares and mutual funds.
- The study revealed that as a new investor, one would like to get maximum returns on his investments, but it is important to devote time to study the stock market and to keep track of them. Also a lot knowledge and research is required for a good portfolio management. So, for new investors mutual funds is advantageous in terms of portfolio diversification, high liquidity, lesser risk, low transaction cost, professional management, choice of schemes, transparency & safety, flexibility etc. Mutual fund is subject to market risk, despite of that it have low risk than stock market.
- The risk-return analysis can be used as a stable platform by the investors in establishing the trade-off between portfolio risk and return.
- The amount to be invested also plays an important role in generating return. If a person wants to earn in long term with low risk associated than he must invest in mutual fund and
- avail the benefit of compounding interest. If the person wants to earn money in short term and ready to take risk than he must invest in equity or must do trade or short sell and book their profit or loss

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