

Mutual Fund vs Bank Deposit

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ABSTRACT

Investing in mutual funds has become increasingly common over the past two decades. The expansion of the mutual fund industry in India is reflected in an increase in both the number of schemes and the total sum invested. It is essential for a combined fund to operate effectively due to the millions of individual contributors. The success of a fund can be better understood in the context of other funds operating in the same industry. The primary motivation for conducting this investigation was to compare and contrast the yields provided by local term deposit banks and mutual funds. Analysts consider the typical buyer when employing standard statistical methods like aggregating and rate of return.

INTRODUCTION

The relative merits of fixed accounts and mutual funds, particularly debt mutual funds, continue to be hotly debated. Customers who posed little to no risk typically utilised the tried and true method of a savings account at a local bank. (debt or otherwise). As a consequence of the recent market shift, many mutual fund companies now offer interest debt mutual fund plans. No matter how much money is invested, these strategies always produce a profit. After reading this, he's contemplating investing in debt mutual funds, despite his initial reluctance. In the past five years or so, fixed accounts at banks and debt mutual funds have evolved into more complex financial instruments. In an attempt to be objective, Mutual Funds Manager has revised and expanded upon a previous article that compared fixed accounts to mutual funds. People typically put their money into one of two places: savings accounts or investment funds. (FDs). Think about your financial situation, your level of risk tolerance, and how much time you have before making any decisions. India's long-standing fondness for mutual funds can be traced back to 1964, when the country's first Unit Trust was established. (UTI).

The UTI was established so that residents would have a central location to meet and plot out ways to better their neighbourhood. Antibiotics were commonly used to avoid urinary tract infections in the 1980s. (UTIs).(Avadhani ,2009 : 620) Companies in India were given the green light to start selling mutual funds after the Banking Regulation Act was amended that year. Since households are responsible for a sizable share of the economy's combined net savings, banks regard mutual funds as a possibly fruitful option to channel community savings into productive channels. The State Bank of India (SBI) Mutual Fund, a form of exchange-traded fund (ETF), made its début in July 1987. (ETF).(SBI).(Srivastava, 2001: 504) The best business banking clients deserve special attention. It was expected that commercial banks would make money off of the sale of mutual fund goods. All of these goals, as well as decreases in customer acquisition costs and increases in customer loyalty, are possible through cross-selling, or the marketing of similar but distinct banking and non-banking services to an organisation's current customers.

Multiple Investment Fund Choices

Mutual funds' reasons for making acquisitions can be quite diverse.

According to accepted practices

An open-ended fund allows investors to contribute at their convenience. There is a huge range of possible uses for these. Shares of a mutual fund are always available for purchase and sale at the NAV. (Net Asset Value). (NAV).("NAV"). It's fascinating how many options can be chosen freely. Closed-end accounts could be financed in one of two ways. The average lifespan of a closed-end fund is between three and fifteen years. During that period, contributions can be made to the organisation. Plan Units can only be purchased by buyers in advance of the initial public offering's sale date. Shares of a closed-end fund cannot be bought or sold at a discount. (NAV). SEBI regulations mandate both of these purchasing methods.

There are three reliable financing choices.

Interval funds are an innovative investment vehicle that blend the advantages of closed-end and open-end equity exchange-traded funds. Since the NAV determined the present price, there has not been much of a shift in the market. Any one of these strategies can bring about greater justice more rapidly than the others. Long-term spending with a higher probability of success is more likely to increase GDP. Most of the time, all of the money that would be required already exists. Historically, equity returns have been the highest among all asset classes over the long run. In order to keep their position as industry leaders, top-performing teams typically make substantial expenditures. Each of the four choices may boost earnings or reduce expenses. In order to guarantee the smooth completion of their clients' monetary operations, financial management experts frequently keep late hours. Debentures are debt instruments issued by companies and governments and are also available to private investors. If you have a steady source of revenue, you never have to stress about meeting your financial obligations.

OBJECTIVES OF THE STUDY

- 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.
- To analyze the returns of mutual fund schemes.
- To compare the average returns of selected Mutual fund schemes with SBI domestic term deposit rates.
- To have a comparative analysis of various categories of Mutual fund schemes

The Role of Taxes in Economic Growth

Long-term development and achievement necessitate the laying of a strong monetary groundwork. The offering documents will detail all the stocks and fixed income assets that will be used to generate returns. In these schemes, the worth of the underlying assets can rise or fall independently of market conditions. When these are added to your existing sources of revenue, you will finally be able to kick back and relax.

The Road to Economic Freedom:

Money market funds prioritise capital preservation over short-term profit. These algorithms can handle low-risk, short-term assets like Treasury bills, certificates of deposit, commercial paper, and call money between businesses. The future interest rate could have a major effect on the achievement. This asset may be crucial to the survival of a business or a person.

There Are Seven Reasons Why You Should Purchase

Any money taken out of this account must first be approved by the government. Government action would be helpful in this hypothetical scenario. When interest rates and other macroeconomic variables, like revenue and debt, shift, the NAV of such plans shifts correspondingly.

Investing in Our Children's Futures

Mutual funds that "track" a specific benchmark hold only stocks that are identical to those owned by that benchmark. Two of the most popular indices are the Nifty 50 from Standard & Poor's and the Sensitive Index from the Bombay Stock Exchange. Due to tracking error, the total worth of assets in such a system would rise or fall in tandem with the movement of the index, but not by the same amount. A mutual fund's offer paper will lay out the fund's financial strategy in depth.

Debt reduction versus potential savings can be prioritized.

A savings account is a good option if you value safety of your funds more than earning income on them. Investments in risky assets, such as stocks, may magnify the fund's profits or losses. This further weakens the already flimsy connection between market money and bank funds. Indian investors continue to pour money into the funding gap despite the clear risks. A bank is a safe place to keep your money and valuables. A bank should be held liable for any losses sustained by a client that can be linked to the bank's negligence. If a depositor's money is lost or stolen, the bank will issue a written refund. Investors in mutual funds, however, are exposed to the market's ups and downs. As a result, the possibility of compensation is minimal. (either principal or income). Investors in mutual funds, in opposition to bank customers, receive physical possession of their funds immediately. Potential purchasers ought to investigate the firm's financial standing thoroughly. Because there aren't many rated Indian debt funds available, careful investors may have a hard time breaking into the Indian debt market. The total score is a good indicator of a fund's level of risk. When investing in unrated funds, investors must rely on their own judgement to determine how much risk is acceptable. If the fund favours high-quality assets over low-rated loans, that fact must be made public in its investment strategy. Potential investors in debt funds should evaluate their risk tolerance and long-term financial goals before making any promises, as these investments are more volatile than bank savings.

Whether or not this fund makes money compared to safer investments like savings accounts depends on how much danger you're willing to take. Even though banks offer legal protection, conservative debt funds may be a better option for investors. Putting your money into debt funds is a smart move that can help you reduce risk and maximise return.

Mutual fund funds, unlike bank savings, are subject to market fluctuations.

Before opening the savings account, you and the customer can agree on an interest rate that works for both of you. I'll explain with an example: Assume you were considering putting \$50,000 (or 50,000 Indian Rupees) into a Fixed Deposit (FD) with an interest rate of 8% for a period of five years. The profitability of a debt mutual fund is highly sensitive to both market fluctuations and the fund's own performance. Income from the fund will increase or decrease in accordance with its NAV, reflecting movements in the money market. Your interest rate is fixed by the bank and will not change independent of fluctuations in the market. This benefit of permanent accounts over mutual funds could easily turn into a major drawback. Mutual fund returns are anticipated to rise in tandem with the market, while FD returns should remain steady. The most concerning tendency is the possible expansion of India's business sector. With the economy as it is, this is more crucial than ever. If historical evidence is being considered, then sure. That's how things look at first glance, anyway. After increasing in 2013, the Indian stock market is expected to level off in 2014 before continuing its ascent in the years beyond.

Some of the goals of this study are as follows: This study aims to:

- Evaluate the efficacy of various mutual fund strategies over time
- To do this, we are comparing the returns of various mutual fund plans to the rates provided by SBI for domestic term accounts.

Check your facts before contributing to a common pot. Please make good use of the enclosed file, which contains pertinent data. According to studies performed by La Porta et al. for PricewaterhouseCoopers and the Chartered Institute for Investment in June 2013, independent financial advisers play a pivotal role in the process of allocating capital between channels. Clients value transparency and honesty when discussing the finer points of a strategy. In other words, they have the power to sway consumer preferences and increase demand for MF offerings. Of course, there are issues with this approach. It would be simple for an IFA who lacks expertise or knowledge to mislead a client. Inexperienced financial advisors in rural regions may have difficulty promoting mutual funds. We need a coordinated effort from AMCs and the regulator to spread financial literacy beyond the country's 15 largest towns. The creation of a functional financial system necessitates the use of legal counsel and regulatory structures. When ownership is concentrated across such a wide range of countries with different degrees of financial development, problems emerge with investor protection, reporting transparency, insider trading, taxation, the quality of law enforcement, and potential conflicts of interest.

REVIEW OF LITERATURE

(Thompson & Choi, 2001). The expansion of the mutual fund business may be influenced by supply-side variables, or characteristics shared by the banking and finance sectors. Because of its monopoly power, low entry barriers, and access to cheap outside financing, the banking industry has expanded quickly over the past few decades. **(Nicola & Michele, 2001).** Potential backers of the fund would be wise to weigh the pros and drawbacks of buying government-issued options before committing any cash.

(Chiyachantana et. al, 2004) The popularity of mutual funds in one nation can be influenced by events in another country. Superb qualifications in every relevant area (business history, financial projections, education, study abilities, checking references, etc.). Trading-related variables, such as transparency and

transaction fees, can provide insight into the nature of the mutual fund service provider. According to studies conducted by Barber et al., the public's desire to engage in mutual funds may be affected by current events. (2005). Investors are less concerned about the fees charged by a mutual fund than they are with the fund's overall success and marketing. As costs went up, returns suffered. Wire transfer delays due to a middleman are inconvenient and expensive. Unfortunately, costs far outpaced revenue. (or even a positive correlation in an unexpected direction). This surprising result may be due to the fact that mutual funds typically include marketing and promotion expenditures in their operational costs. Investing in mutual funds makes it easier to evaluate a broker's performance. (2010).

These results showed no connection between economic literacy and financial success. Anyone with integrity would probably consider twice before acting hastily here. The study's authors hypothesise that investors who think they have a better-than-average chance of finding superior investments are more drawn to active funds. A brilliant intellect is essential for success in the business world. Massa et al. found that the majority of the diversity seen in flow patterns can be traced back to just a few commonalities. (1999). We determined the optimal asset groups for distribution to mutual fund shareholders by analysing market performance. Funds that invested in the stock market or money markets fared very differently from those that invested in non-oil assets. According to these numbers, regular portfolio rebalancing is a major reason why the mutual fund business has been so successful. Precious metals prices tend to move in the opposite direction of market volatility, indicating that investors' views on the equity premium, rather than fundamental liquidity worries, drive market fluctuations. This study demonstrates that only variables measuring fund inflows are sufficient for properly describing the cross-sectional variance in mutual fund returns. Those who work in the mutual fund business may argue that investors would be worse off if the fee was eliminated.

(Anagol & Kim, 2012) Many large fund houses and distributors were forced to adjust their operations in 2009 as a result of the entrance load limit. Eliminating entry loads is widely believed to have a chilling effect on the expansion of mutual funds, but researchers found no evidence to support this view. Anagol et al. discovered that Indian mutual funds could no longer pay out profits after factoring in the price of distribution. (2013). High-fee funds were compared to low-fee funds in terms of success before the policy shift. The study's results challenge the common belief that this approach will make fewer people interested in buying mutual funds together. Long-Term Learning Institution The period from 1987 to 2010 is covered by this analysis. Private banks were given the green light to offer mutual funds following a change to the Banking Regulation Act in 1987. The early support of State Bank of India was crucial to the growth of this market. The research spans the years beginning in March 1987, when private companies launched the first mutual fund product, and ending in March 2010. We also investigated the function of non-governmental organisations in the field of joint funds. This analysis focused primarily on for-profit companies that have experience handling mutual funds. A total was then calculated for the sum of all funds administered by private mutual fund companies, corporate entities, and the Unit Trust of India. This report digs deeper into the Indian economy than any of its regional rivals.

ANALYSIS

1 Percentage of people above 15 years of age operating a Saving/Checking account at a formal institution

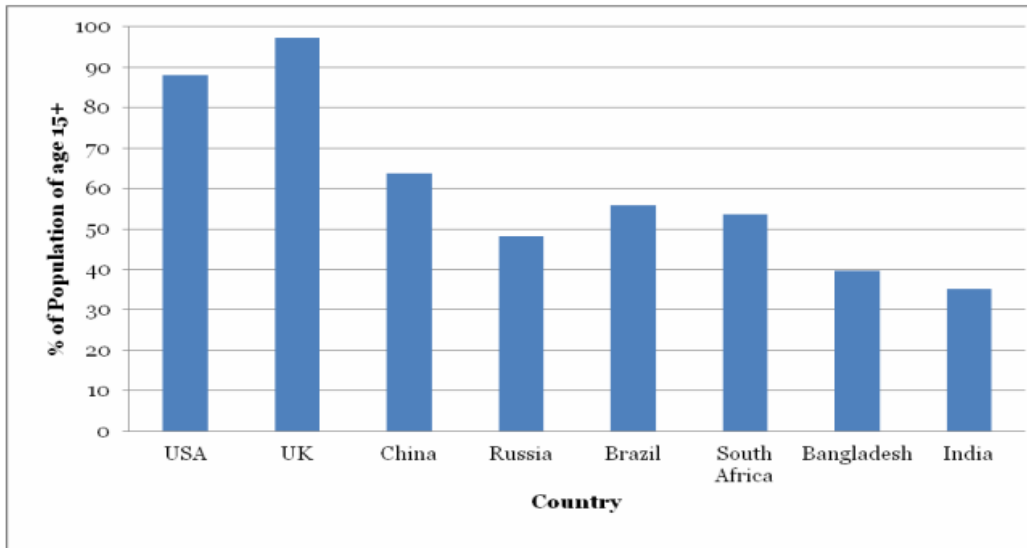
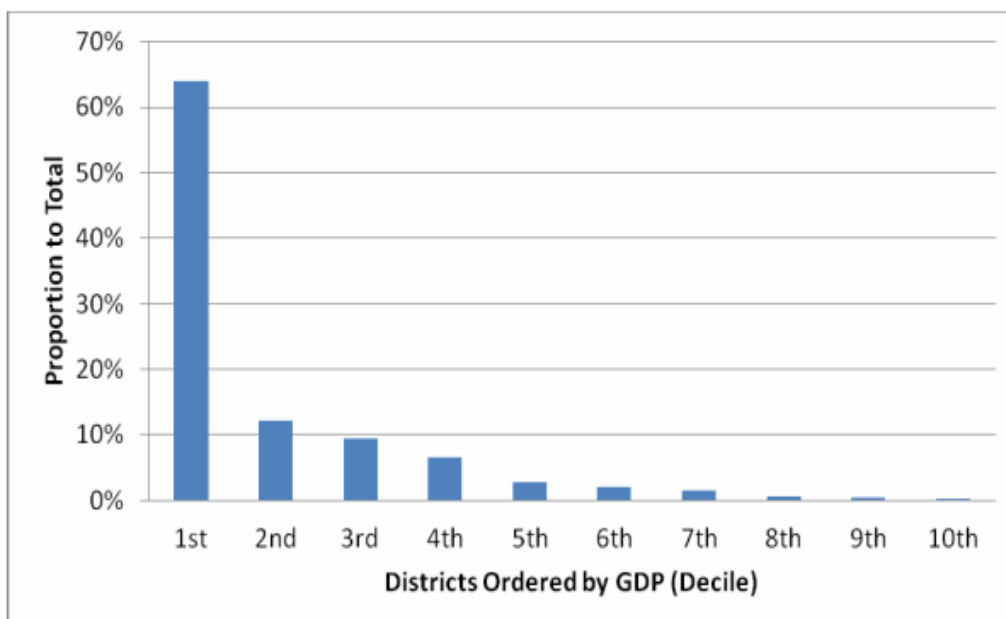


Table 1: Mutual fund percentage

Region	AUM/GDP
Mumbai	126.10%
1st Decile	29.53%
1st Decile <i>Excluding Mumbai city</i>	12.67%
2nd Decile	2.82%
3rd Decile	3.72%
4th Decile	1.89%
5th to 10th Decile	less than 1.00%



METHOD OF STUDY

There needs to be more research done on this topic. For their research projects in class, students are expected to delve quite thoroughly into their chosen areas of study. Any academic undertaking necessitates the participation of knowledgeable experts. A 3.5-star article detailing the lives of influential people in the banking and stock markets. At last, I'll go over what sets mutual funds apart from the standard bank savings account. Investors will have a simpler time making well-informed decisions. The study extensively utilised information obtained from external resources. (like www.nseindia.com, www.amfiindia.com, www.mutualfundsindia.com, www.sebi.gov.in, and www.moneycontrol.com).

Incorporating return on investment forecasts and industry standards into the output tool is essential. The purpose of this study was to compare the usual returns of mutual fund plans to those of domestic term deposits in the interest of educating the public.

Between 2008 and 2013, we examine the mutual fund industry's response to extremely small data sets. This makes it challenging to extrapolate the results to other mutual fund schemes or various time periods sharing the same characteristics. The study focused heavily on return averaging because its readers likely were not specialists in the subject. No refunds or tax rebates are offered.

Investing in the stock market or starting a company with some friends? Pick the option that most accurately describes who you are. Mutual fund investing is recommended for young individuals from middle-class and affluent families. But those with limited financial resources, such as the elderly, should take additional measures to safeguard their possessions. It's possible that not applying for a credit would be unnecessary if you had a savings account at the bank. You, of all people, should be able to manage your finances responsibly. You're the one taking the lead now. According to the data we have, a large percentage of people would rather retain their money in a traditional bank account than in a mutual fund.

ANALSIS

Ho= Index Return and Fund Return are not significantly related.

To study the relationship between index return and fund's Return, Pearson correlation is calculated between Index return and individual fund's return for the year **2020**.

Table 10 : Pearson Correlation Between index Return and fund return for the year (2020)

		S&P BSE100
1. SBI	Pearson Correlation	.990**
	Sig. (2-tailed)	<.001
	N	249

2. NIPPON	Pearson Correlation	.971**
	Sig. (2-tailed)	<.001
	N	249
3. UTI	Pearson Correlation	.992**
	Sig. (2-tailed)	<.001
	N	249
4. CANARA	Pearson Correlation	.993**
	Sig. (2-tailed)	<.001
	N	249
		NIFTY100 TRI
5. ICICI	Pearson Correlation	.993**
	Sig. (2-tailed)	<.001
	N	249
6.MIRAE LARGECAP	Pearson Correlation	.993**
	Sig. (2-tailed)	<.001
	N	249
7 HDFC	Pearson Correlation	.975**
	Sig. (2-tailed)	<.001
	N	249
8. FRANKLIN	Pearson Correlation	.948**
	Sig. (2-tailed)	<.001
	N	249
		NIFTY50

9 AXIS	Pearson Correlation	.979**
	Sig. (2-tailed)	<.001
	N	249
10.ADITYA	Pearson Correlation	.990**
	Sig. (2-tailed)	<.001
	N	249

INTERPRETATION

Table 14 shows the Pearson correlation coefficient and sig.(2tailed) value i.e. p- value between benchmark index return and selected mutual funds returns over 1 year. There is very strong relationship between Canara robeco blue chip fund and sensex return with Pearson correlation 0.993 and p –value obtained is<.001(p<0.05), In ICICI and Mirae asset Large cap fund and Niftyreturn the relationship strong with the correlation of 0.993 and p-value is<.001(p<0.05), In the case of UTI master share the relationship is very strong with correlation of 0.992 and p value is<.001(p<0.05),In the case of SBI blue chip fund& Aditya Birla blue chip fund there is strong relationship with the correlation of 0.990 and p-value is <.001(P<0.05),Axis blue chip fund also shows a strong relationship with the correlation of 0.979 and p-value is <.001(P<0.05),Nippon India large cap fund also have strong correlation of 0.971 and p-value is<.001(p<0.05)

All the funds have shown strong Relationship with benchmark and p-value obtained from all the funds is then value 0.05 which state that the fund return have significant relationship with the benchmark index and hence this hypothesis i.e. Index return and fund return are not significantly related and is ‘REJECTED’.

Table 11: Ranking of the fund based on the performance measure

FUND NAME	SHARPE’ S MEASUR E2019	SHARPE’ S MEASUR E2020	TREYNOR’ S MEASURE 2019	TREYNOR’ S MEASURE 2020	JENSEN’ S MEASUR E2019	JENSEN’ S MEASUR E2020
1. ICICI PRUDENT IAL BLUECHIP FUND	6 th	8 th	6 th	8 th	6 th	8 th
2. MIRAE ASSET LARGE CAP	3 rd	6 th	1 st	7 th	1 st	7 th

FUND						
3. HDFC TO 100 FUND	8th	9th	8th	9th	8th	9th
4.FRANK LIN INDIA BLUECHIP FUND	10th	7th	10th	6th	10th	6th
5.AXIS BLUE CHIP FUND	1st	2nd	2nd	2nd	2nd	3rd
6.ADITYA BIRLA SUN LIFE FRONTLINE EQUITY FUND	7th	5th	7th	5th	9th	5th
7. SBI BLUE CHIP FUND	4th	4th	4th	4th	4th	4th
8. NIPPON INDIA LARGE CAP	9th	10th	9th	10th	7th	10th
9.UTI MASTER CARD	5th	3rd	5th	3rd	5th	2nd
10. CANARA ROBECO BLUECHIP FUND	2nd	1st	3rd	1st	3rd	1st

INTERPRETATION:

If we are examining a well diversified portfolio, the ranking should be similar in three measures. In 2019, the funds that are having similar ranking SBI Blue-chip fund, UTI master share, HDFC top 100 fund, Franklin India blue-chip.

So, if we compare only Sharpe & Treynor measure, Out of 10 funds 7 funds are having similar ranking. And if we compare Treynor and Jensen measure then out of 10 funds 8 funds are having similar ranking.

So, In 2020 the funds with similar ranking in all the three measure are Canara robeco blue-chip fund, SBI Blue-chip fund, Aditya Birla frontline equity fund, ICICI Prudential blue-chip fund, HDFC Top100 fund, Nippon India Large cap fund.

If we compare only Sharpe & Treynor then out of 10 mutual fund 8 funds are having similar rankings. And if we compare only Treynor& Jensen Out of 10 mutual fund 8 funds are having similar rankings.

And the only fund out of 10 fund who has similar ranking in both the period that is pre covid and post Covid-19 is SBI Blue chip fund. It has secured 4th position in both years.

CONCLUSION

Any potential threats to the customer base will be disclosed. Few people's opinions on mutual funds have shifted since their start in 1961. For the time being, it is preferable to maintain the current expenditure strategy.

It is shown that some individuals consistently save money for the future. The overwhelming majority of respondents to the survey were optimistic about the direction of politics right now. Most individuals are extremely cautious about investing in the stock market. Modern consumers are more cautious than ever. The common belief that joint funds carry more danger than savings accounts is unfounded. Only a small fraction of Indians are aware that they can earn more than Rs. 1 million annually from a fixed account. At least half of the populace is unaware that married couples can open joint checking and savings accounts at H. Bank. N Every type of investor wants to get their hands on some long-term fixed-income assets. The value of starting to save for retirement is difficult to exaggerate.

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