



One Day Interdisciplinary National E-Conference on
Covid-19 & Its Impact on the Various Factors

Organized By - M.E.S. Arts & Commerce College Mehkar,
Dist Buldana - 443301 Maharashtra

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COVID 19: impact on mutual fund investment

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ABSTRACT

The spread of Covid-19 has impacted all capital markets. The global economic slowdown has sent sovereign yields crashing across the global market. Government of India announced huge fiscal and monetary packages to provide support to the locked down public as well to seek companies. While FPIs sold aggressively in both debt and equity in March, the outflows in April have come down substantially as markets seem to be stabilising. The lockdown and reduced market timings in India have impacted the liquidity in the bond market. However, aggressive action by the RBI in terms of sharp rate reduction (75 basis points Repo and 125 basis points reverse repo), targeted long-term repo auctions and open market purchases has kept G-Sec rates low and range bound whilst providing liquidity for corporate bond markets. The recent slowdown has created a worry in the market that there could be possibility of defaults due to which market participants become risk averse and stay away from low credit rated companies. In this paper, the researchers analysed the situation of mutual fund investment on the basis of inflow and outflow of money and asset under management.

KEYWORDS:- COVID-19, Mutual Fund, AAUM

INTRODUCTION

There has been unprecedented volatility in the equity markets in the last three months since February 2020 due to extremely high uncertainty on growth and human life due to the Covid-19 pandemic. The never seen before lockdown of practically most major cities of India have left investors worried and clueless about its direct and indirect impact on the Indian economy. However, Indian markets, after witnessing a sharp fall, seem to be stabilising on the back of strong monetary support from Reserve Bank of India.

Indian equity markets fell sharply by around 35- 40% in February and March. They have recovered around 25% since then by the end of April 2020. While in the long run, equity markets have trended upwards, there are many bulls and bears market phases within that larger uptrend. Within that market phase, different categories of funds perform differently. In general, in a bull phase, midcap/small cap funds perform better while in a bear phase, large cap funds outperform. In general, multicap funds are a more stable category with performance ranging between large caps & midcaps in all market phases. No fund outperforms across all investment horizons. Every fund performs in



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cycles. Hence, investors should be more cautious while investing in a best performing fund.

Fear, anxiety and pandemonium sum up the current scenario, which has been brought to an almost standstill situation in the wake of the Coronavirus issue. However, the researcher believe the recent announcements by the government & RBI and further expectation of more measures are likely to provide a much needed breather for the formal and informal segments of the economy. Historically, financial markets do discount unforeseen events like current Covid-19 at a very rapid pace, sometimes overshooting on the downside. Even on a historical basis, we believe broader markets have coincided with long term averages currently, which does not surely indicate a bottom.

However, at the same time, it has started throwing up opportunities in the market as the NAV of most of the mutual funds are at the lower side. In the current scenario, some of the large and best managed companies are available at attractive valuations on a historical basis.

LITERATURE REVIEW

Jani & Jain (2013) studied the relationship between AUM mobilized by mutual fund and GDP growth of the India. They analysed that mutual fund has become a main resource mobilizer for Indian financial system. They recommended that some improvements like proper structure & regulations are required in the case of black money and also proper regulatory framework for the investor's protection.

Chauhan & Adhav (2015) observed the recent trends in mutual funds industry in India. Their study inferred that in India investor base of mutual funds is high but when we compare India with other countries, it is still lacking far behind. They recommended that strong regulations, better services to the investors, and high returns could make mutual fund schemes more investor friendly.

RESEARCH METHODOLOGY

Objective

- To describe the dynamic changes of mutual fund in India during the last 12 months.
- To analyze the proportionate share of various types of schemes in India.
- To study the growth in net assets under fund management companies in India during COVID -19.

Hypothesis

H1:- The impact of COVID-19 pulled down the average asset under management of mutual fund companies during the lockdown period.

Sources of Data:-

The secondary data were collected from the AMFI website for monthly AUM. Simple statistical methods were used to analyse the data.

Limitations:-

- The study is limited to the AUM of mutual fund companies.
- The secondary data is subdivided into equity, debt and hybrid mutual fund AUM, rest of the schemes combined into the above category as per the nature of the scheme.



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Data Analysis And Interpretation

AAUM in Rs. Cr								
Months	BALANCED SCHEMES / ETF / FOF	%age Change	EQUITY ORIENTED SCHEMES	%age Change	INCOME / DEBT ORIENTED SCHEMES	%age Change	GRAND TOTAL	%age Change
Apr-19	318037.53		893764.24		1315830.72		2527632.49	
May-19	313675.59	-1.372	888494.69	-0.590	1341078.25	1.919	2543248.53	0.618
Jun-19	327224.56	4.319	914260.44	2.900	1339912.34	-0.087	2581397.34	1.500
Jul-19	325713.92	-0.462	903358.26	-1.192	1351953.49	0.899	2581025.67	-0.014
Aug-19	318233.06	-2.297	876636.87	-2.958	1369065.2	1.266	2563935.13	-0.662
Sept-19	320792.98	0.804	906570.02	3.415	1333059.83	-2.630	2560422.83	-0.137
Oct-19	330143.64	2.915	935646.84	3.207	1347876.08	1.111	2613666.56	2.079
Nov-19	342973.51	3.886	972587.95	3.948	1378823.41	2.296	2694384.87	3.088
Dec-19	345613.08	0.770	983091.46	1.080	1397227.55	1.335	2725932.09	1.171
Jan-20	359479.08	4.012	1012395.84	2.981	1446939.16	3.558	2818814.08	3.407
Feb-20	365741.61	1.742	1020769.35	0.827	1442127.97	-0.333	2828638.93	0.349
Mar-20	307367.67	-15.960	841156.78	-17.596	1322357.36	-8.305	2470881.81	-12.648
Apr-20	273430.22	-11.041	636985.75	-24.273	1105587.94	-16.393	2016003.91	-18.410

Table 1:- Average Asset Under Management

Source:- AMFI website

In table 1, the average asset under management shown monthwise from April 2019 to April 2020. The data is was subdivided into 3 parts viz. Balanced fund/ ETF/ FOF, Equity oriented schemes, Debt oriented schemes.

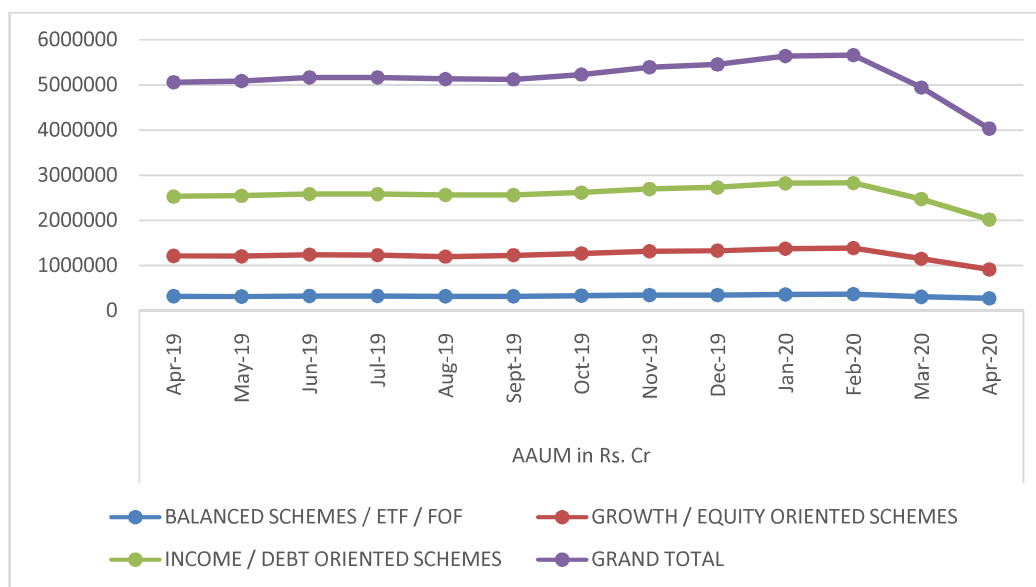


Figure 1:- Asset Under Management in Rs.



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Figure 1 shows graphically the flow of Average Asset Under Management from April 2019 to April 2020. Initially the graph shows the increase into the AAUM from April 2019 to February 2020, after that there is decrease in the AAUM from February 2020 to April 2020.

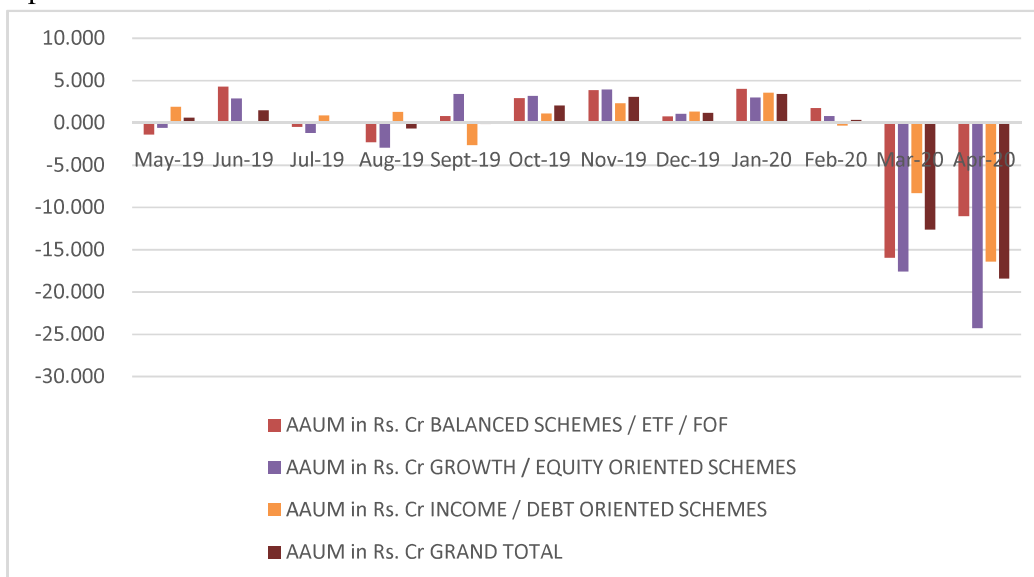


Figure 2:- Asset Under Management in percentage change

Figure 2 depicts the change in percentage of AAUM compared to the previous months AAUM, from May 2019 to April 2020. In above figure, the change in percentage of AAUM of March 2020 is showing downtrend as well in April 2020.

The mutual fund industry AAUM declined 18.4% in April 2020 to Rs. 20.1 lakh crore from Rs. 24.7 lakh crore in March 2020. Debt markets witnessed significant outflows of 16% due to financial year end requirement and heightened risk aversion due to Covid-19 related concerns. The equity corpus saw a decline by 24% despite fresh inflows during March due to a fall in value because of a sharp equity market fall.

All category of debt funds witnessed outflows in April 2020. While majority of the outflows may be attributed to liquidity requirement, risk aversion among investors also may have led to investors redeeming their debt investment across categories. Aggressive hybrid funds continued to witness outflows while arbitrage funds witnessed significant outflows in April.

SUGGESTIONS

Continue SIPs

Mutual fund investors should continue their systematic investment plans (SIP) as they allow an investor to buy units on a given date each month. The biggest advantage of an SIP is that the investor does not have to time the market. More units are purchased when a scheme's net asset value (NAV) is low and fewer units when the NAV is high. When the two situations are analysed together, the cost is averaged out and, the longer the time-frame of the investment, the larger will be the benefits of averaging. Also, investors



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who are willing to invest in stocks directly can look at stock SIPs which are offered by brokerage houses.

Diversify portfolio

Ideally, investors must build their portfolio with an equitable mix of equity, debt, gold and real estate which will deliver in all weathers. Ideally, an investor must have a portfolio with a mix of high quality mutual funds with proven track record, listed stocks and tax-free bonds that will take him through market ups and downs. Also, keeping your portfolio simple will make it extremely efficient and powerful in the long run. To meet regular cash flow needs, look at liquidity and protection of capital. If an investor wants liquidity, the redemption amount should not erode the original capital invested. Track the performance of your investment every year and rebalance the portfolio if required.

CONCLUSION

In the wake of the COVID-19 outbreak, volatility will continue to grip the Mutual Fund industry because of investor concerns over the ongoing turmoil of Indian economy. Although stimulus packages announced by both the Ministry of Finance and Reserve Bank of India may encourage the MF investors to continue investing through systematic investment plan, at same time it poses uncertainty about their future cash flows and exposure of investment to equity assets. Investors with a continuous flow of income who are aiming at long-term investment horizons should not pull out their money from mutual funds irrespective of volatility in the equity and debt funds in the short term. Mutual Funds have become the investment vehicle for propelling wealth and widening the choice of India's middle class. However, the current catastrophe amidst Corona virus- induced nation-wide lockdown has created havoc for both Mutual Fund investors and the Mutual Fund Industry.

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