

Significance of Mutual Funds as a Mode of Investment after demonetization in India

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ABSTRACT

Mutual Funds as a diversified mode of investment, is so popular after the globalization ,privatization and liberalization era in India .But after demonetization, it has acquired so much fame as the return is comparatively high while the risk factor is scattered over the investors. So return and risk concept of Investment Portfolio is practically applied in the case of mutual fund investments. So different types of mutual funds, especially SIP(Systematic Investment Plan)is so popular among the middle masses of India. Demonetization has provided very much opportunities to an average Indian investor to channelize his/her resources into a protected and tax saving mode. So in this paper we try to analyze the significance of mutual funds as a mode of investment after demonetization in India. Though value of mutual funds depends on Net Asset Value, investors are protected from the uphill task of Security Analysis as it is performed by qualified CAs and CMAs of Asset Management Companies.

Key Words : Demonetization, Asset Management Company, Net Asset Value, Systematic Investment Plan, diversified mode of investment risk and return.

Introduction

The Indian Mutual fund Industry has not performed well in gaining the small individual investor confidence and trust by offering better products, better processes, and better services. MFs are popular mainly with the urban, high and middle income groups only. But 'Demonetization had an indirect positive impact on the MF industry. As the real assets market staggered and more of the country's money entered the mainstream, a significant portion of it found its way to the one investment avenue that was performing and completely above board. Other asset classes like gold and real estate are not very

profitable to invest in. With gold losing its sheen and real estate reeling under the twin problems of debt management and late delivery the Indian investor has warmed up to long term mutual funds in a big way. The reason for mutual funds gaining in popularity is because it provides great liquidity scopes and an ability to compound valuations during a long term period. Lower bank deposit rates are also responsible for turning towards mutual funds.

LITERATURE REVIEW:

Kanchan Kathial(2018):concluded that Digital transactions showed a sudden growth on the next month of demonetization. Low availability of cash moves the country towards cashless transactions. The move of demonetization forced people to use electronic Internet banking, mobile banking, credit and debit cards, mobile wallets and other prepaid payment instruments (PPIs) to buy goods and services and do other financial transactions.

Raghunandan G, Ms. Harshita GK , Ms. Jyothi A(2018)concluded thatThe real accomplishment of demonetization has been that it has helped the government in curbing black money flow into the economy. Unethical practices such as terrorism funding, gambling have come to a standstill. The cost of assets like land and gold has deflated to a large extent.

Barsharani(2018):Suggested that Mutual funds have already changed the investment scenario of international as well as Indian financial markets as mutual funds are those investment tools in which a large number of investors, having a common goal, can invest together. Mutual fund is a company which combines the investment funds of many investors whose investment goals are similar, and in return invests those funds in a variety of securities carrying maximum profit and minimum risk.

Rajeswari M. Raja(2018) : concluded that in the modern world the trend of financial market plays very crucial role in the development of nation's economy. Common public is also interested to get higher rate of dividends for their investments in various money markets out

Objectives

1. To understand the impact of demonetization on Mutual fund.
2. To assess the preferences of investors towards mutual funds after demonetization.
3. To identify the factors which lead the investor to mutual funds.

Research Methodology: The research is based on both primary and secondary data. To achieve the objectives of study data is collected from various journals, RBI reports, News papers. Various related websites have been explored to collect data relates with the study.

Sample Size: After developing the questionnaire, 100 questionnaires were distributed among the Commerce professors of Palakkad-Dt,Kerala.

Tools used for Analysis

Mathematical tool such as percentage and statistical tool such as diagram are used for analysis and interpretation. After the collection of data through the questionnaire ,editing was done carefully .Based on the response of the samples, tables were prepared. Besides Chi-square Test was used in analysis and interpretation of data.

Research Findings

Table1:

DEMONETIZATION BOOSTS TO MUTUAL FUNDS

Net cash inflows in crores

Month	Equity	Balanced	ELSS	Other ETFs	Total	An year ago	% growth (year on year)
Oct' 17	15218	5897	784	1675	23574	13719	71.83
Sep '17	18010	8141	926	1968	29045	8551	239.66
Aug' 17	19515	8783	847	1513	30658	10129	202.67
Jul' 17	12037	7864	690	1753	22344	4972	349.39
Jun' 17	7453	7458	711	1365	16987	3731	355.29
May' 17	10208	7663	531	584	18986	6461	193.85
Apr' 17	8842	7136	587	456	17021	4875	249.14
Mar' 17	5310	5952	2906	3599	17767	418	4150
Feb' 17	5465	4562	997	930	11954	4653	156.9
Jan' 17	3714	3304	1166	6748	14932	5179	188.31
Dec' 16	9196	3947	907	4349	18399	8877	107.26
Nov' 16	8068	3632	1011	2830	15541	8554	81.68
Total	123036	74339	12063	27770	237208	80119	196.07

Source: AMFI monthly reports

The move of the government which was otherwise very disruptive, led to a growing traction in SIPs. The proof is in the pudding. SIP investments in November '16soared by 13.1 per cent compared to a fall of 7.1 per cent in October '16. During the 12 month period from Nov '16 to Oct '17 SIP contribution grew by an impressive 40 per cent further reiterating the fact. Please follow the table for more details.

Table2:

Here is how SIP contribution grew since demonetization.

Month	SIP Contribution (Rs crore)	% growth (month on month)
Sep' 17	5516	5.95
Aug' 17	5206	5.23
Jul' 17	4947	4.27
Jun' 17	4744	3.49
May' 17	4584	7.37
Apr' 17	4269	-1.52
Mar' 17	4335	7.04
Feb' 17	4050	1.09
Jan' 17	4095	3.07
Dec' 16	3973	2.29
Nov' 16	3884	13.1
Oct' 16	3434	-7.13
Sep' 16	3698	5.74

Source: AMFI

From the above table values ,a clear picture can be drawn that SIP investment d

Has increased after demonetization in India

Table 3:Familiarity with Terminology of Mutual Funds

Serial No	Familiar with Terminology of Mutual Funds(No.)	Percentage
1 .Yes	80	80
2.No	20	20

Only 80% of sample ,which is the pool of college professors of Palakkad dt has familiar with the terminology of mutual funds .only 20percent of the sample size responded negatively.20percent of the sample size has no idea about systematic investment plan,open end funds ,closed end funds etc.

Table4:Rseponse towards Ranking to Mutual Fund

Serial No	Top most rank given to mutual Fund as in investment(No.)	Top most rank given to Other investments
1.Yes	20	80
2.No	80	20
Total	100	1000

20 percentage professors have given top most preference to mutual fund as investment mode and 80 percentage of professors give real investments and non –securitized Financial securities as top rank as per their value system

Table 5:Purchase decision after Demonetization

Serial No.	No of Purchase after Demonetization	No of purchase before demonetization
1.	7	6
Total	7	6

Chi-Square Test can be used to analyze the above data.

H₀: There is goodness of fit between observed frequencies and expected frequencies.

Chi-Square value-0.5	Level of Significance -0.05	Degree of freedom -1	Table value -3.84	Calculated Value-0.5	Greater value- 3.84	Hypothesis Accepted -Null Hypothesis	Conclusion There is goodness of fit Between observed and Expected frequencies

From the above analysis we can infer that demonetization is not a important factor as far as the commerce Professors of Palakkad is Concerned while deciding their purchase about mutual fund

Conclusion:

The secondary data shows that mutual investment in India shows an upward trend after demonetization India. All types of mutual funds especially SIP (systematic investment Plan) is the need of the hour and most people prefer it due to the return attached with it. Whereas from the primary data which pertains to the Palakkad district of Kerala depicts that demonetization has no impact either Positive or negative with respect to mutual funds as the people of Kerala still love with traditional forms of investment.

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