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INSTITUTE OF MANAGEMENT

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Summer Internship Report

Princy Dhillon, Summer Trainee (IMNU)
Ahmedabad
MBA-FT 2020-22

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Address	**7th floor, Vishwakarma Arcade, ringroad, MahadevNagar society, Majuragate, Surat**
Date of Report	**12/07/2021**
Purpose of Report	**"Factors driving selection of Mutual Funds in India – Pre pandemic and during pandemic." "Business Development"**
Prepared for	**Institute of Management, Nirma University**
Submitted to	**Professor Bhavesh Patel**

PREFACE

Any serious thinking on contemporary and emerging issue of modern business suggested that basic pillar through which the students of management can learn & understand the basic difference between theories & practical is "Practical Training". Through students can know how to apply their mind in real business world.

I have visited company in order to set the practical knowledge about which I studied in theory class, so that, as the student of management, I can know the picture of a company in the training age.

This report is prepared as per the syllabus & guidance given by my mentor. I have prepared this report so far as my knowledge is concerned, that is to say there is possibility of mistakes. This report is reflection or what is award came to know during my visit at the company.

ACKNOWLEDGEMENT

Summer Internship provides a platform for learning, self-development and building up of skills necessary for a post graduate student. It also helps us to gain real time exposure about the working of the real corporate world. I express my gratitude to Institute of Management, Nirma University for giving me this opportunity to complete my summer internship with the Reserve Bank of India. My experience of carrying out the summer internship study for two months in Reserve Bank of India was a great opportunity to learn.

I am highly grateful to Mr Ravi Kachiwala, my mentor from NJ India Group, for his guidance throughout the period of the internship and providing necessary help for the preparation of the report and at last for helping me in making a proper professional format for the report.

I would also thank Mr.Vivek Kumar for his constant support and help during these two months by explaining me the basics of the topic and providing guidance on what all concepts have to be included in the report and from where to get authentic data for the report.

I want to extend my gratitude to Prof. Bhavesh Patel, my faculty mentor from Institute of Management, Nirma University who was available and provided me with his guidance throughout the internship.

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ABSTRACT

Mutual funds are considered one of the best options for investment during uncertain times. They offer diversified holdings instantly and are less risky than directly investing in stocks. Investors choose mutual funds as their investment by considering some important factors. This study aims to investigate various factors that influence selection of a mutual fund before the pandemic and during the pandemic with an objective to understand how factors change with an advent of a black swan event. The study has been conducted among 70 investors residing in Surat, Gujarat. These investors have been randomly selected to collect primary source of data. The study consists of both primary and secondary source of data in order to reach to the conclusions of the study.

Investors consider various factors while deciding the investment options but this study is limited to 5 major factors that observed the change before and during the pandemic. The 5 major factors taken into consideration are investment objective, risk tolerance, time horizon, asset allocation and market conditions.

The study concludes that there are significant changes in each factor. Investors have started investing in low risk investments for shorter duration with safety and income as their income objective. Investors now consider prevailing market conditions before making investments. The findings of this study will help mutual fund companies to identify areas for improvement and create new and innovative product by considering the most influencing factors of the investors during this uncertain market.

INDUSTRY OVERVIEW

Introduction

India has a diversified financial sector growing rapidly, both in terms of growth of existing financial services firms and new firms entering the market. Financial services sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. It also includes professionals who specialize in tax filing, wire transfers, currency exchange, and credit card services. Financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

Industry presently contributes to over 6% of India's GDP. It is the dynamic growth of financial services sector during post reform age that has helped it in assuming such an important place in Indian economy.

Size of the Industry

The AUM of the Mutual Fund industry rose from Rs 10.96 trillion in October 2014 to Rs 23.93 trillion in April 2020. Inflows into Indian mutual fund schemes reached Rs 82,453 crore in 2019 through the Systematic Investment Plan (SIP) path. At the end of December 2019, equity mutual funds posted a net inflow of Rs 8,04 trillion. As of January 2021, AUM managed by the mutual funds industry stood at Rs. 30.50 lakh crore. Insurance industry has been also expanding at a fast pace. The total first year premium of life insurance companies reached Rs. 2.59 lakh crore in FY20.Furthermore, Bombay Stock Exchange, will set up a joint venture with EbixInc to build a robust insurance distribution network in the country through a new distribution exchange platform.

Growth of the Industry

The financial services sector in India, which accounts for 6 percent of the nation's GDP, is growing rapidly. Although the sector consists of commercial banks, development finance institutions, nonbanking financial companies, insurance companies, cooperatives, mutual funds, and the new "payment banks," it is dominated by banks, which holds over 60 percent share. According to "India in Business," a website of the Union Government, India's banking sector assets were worth $1.8 trillion in the 2014-15 financial year. According to a report by KPMG-CII, India's banking sector is on the way to becoming the fifth largest in the world by 2020. The country's life insurance sector is the biggest in the world, and the market size is expected to touch about $400 billion by 2020. The assets of the mutual fund industry are worth $190 billion. The pension corpus fund is projected to record $1 trillion by 2025. Reforms to put the financial services industry and the economy on the fast track include measures to make finance available to medium, small, and micro industries.

Financial Services Industry - SWOT Analysis

Strength

- Highly skilled workforce through successful training and learning programs. Discover Financial Services is investing huge resources in training and development of its employees resulting in a workforce that is not only highly skilled but also motivated to achieve more.
- Strong distribution network – Over the years Discover Financial Services has built a reliable distribution network that can reach majority of its potential market.
- Strong dealer community – It has built a culture among distributor & dealers where the dealers not only promote company's products but also invest in training the sales team to explain to the customer how he/she can extract the maximum benefits out of the products.

Weakness

- Need more investment in new technologies. Given the scale of expansion and different geographies the company is planning to expand into, Discover Financial Services needs to put more money in technology to integrate the processes across the board. Right now the investment in technologies is not at par with the vision of the company.
- Investment in Research and Development is below the fastest growing players in the industry. Even though Discover Financial Services is spending above the industry average on Research and Development, it has not been able to compete with the leading players in the industry in terms of innovation. It has come across as a mature firm looking forward to bring out products based on tested features in the market.

- Not highly successful at integrating firms with different work culture. As mentioned earlier even though Discover Financial Services is successful at integrating small companies it has its share of failure to merge firms that have different work culture.

Opportunities

- Since the stock market and the Indian economy are booming, more and more people are willing to invest and multiply their wealth. Economic uptick and increase in customer spending, after years of recession and slow growth rate in the industry, is an opportunity for Discover Financial Services to capture new customers and increase its market share.

- Opening up of new markets because of government agreement – the adoption of new technology standard and government free trade agreement has provided Discover Financial Services an opportunity to enter a new emerging market.

- Due to this there is a demand of financial service provider to people to fulfill their advisory needs so that they can have money to support them at the time of crisis.

Threats

- Changing consumer buying behaviour from online channel could be a threat to the existing physical infrastructure driven supply chain model.
- Shortage of skilled workforce in certain global market represents a threat to steady growth of profits for Discover Financial Services in those markets.

Future Outlook

By 2028, India is expected to be the fourth largest global private wealth sector. On the back of strong banking and insurance industries, India is today one of the most dynamic global economies and a leading player in delivering financial services in India and abroad alike.With many companies announcing financial management plans to increase their stakes in joint ventures with Indian companies, the relaxation of foreign investment rules has received a positive response from the insurance sector of the financial services in India. There may be a series of joint venture deals between global insurance companies and local players over the coming quarters.Top Indian Financial Services Institutions, Such as The Indian Mutual Funds Association (AMFI) is targeting nearly five-fold AUM growth to Rs 95 lakh crore (US$ 1.47 trillion) and more than three-fold growth of 130 million investor accounts by 2025.India's mobile wallet industry, too, is expected to expand to reach US$ 4.4 billion by 2022 at a Compound Annual Growth Rate (CAGR) of 150%, while mobile wallet transactions will reach Rs 32 trillion (US$ 492.6 billion) during the same time.The financial service sector is mainly clustered in urban areas. The role of financial services has to be improved in the economic development for spreading out to the rural areas and explore the potential of rural markets.

OVERVIEW OF THE COMPANY: NJ INDIA INVEST PVT LTD

Name of the company	**NJ GROUP**
Owner	**Niraj Choksi** **Jignesh** **Desai**
Year of establishment	**1994**
Main Office	**Udhnashangh market, block no. 901 &902, 6th floor, 'B' tower, central road no. 10,Udhna, surat.**
Branch Office	**7th floor, Vishwakarma Arcade, ringroad, MahadevNagarsociety, Majuragate,Surat**
Nature of business	**Investment Service**
Email	**www.njgroup.in**

NJ Group is one of the leading players in the Indian financial services industry. NJ India Invest Private Limited was established in 1994 as the flagship company, to cater to the investor needs in the financial services industry. The NJ Wealth Distributor Network, started in 2003 is one of the largest networks of financial products distributor in India.

Over the years, NJ Group has diversified into various businesses ranging from financial products distributor network, asset management, real estate, insurance broking, training & development, technology & distribution of Organic food products, an Interior Designer, innovative loan products, offshore funds across the globe and charitable trust. Company is based in Surat, Gujarat and has presence in 95+ locations in India and has over 1475+ employees.

NJ Group was started as B2C organization but has emerged as B2B since 2000-2001. It has around 38000+ NJ Partners dealing directly with the customers. NJ Group provides a platform to the partners and the customers while offering various products.

Products offered by NJ Group are:

1) All Mutual Fund
2) Tax free and taxable bond
3) NJ Loans
4) Direct equity
5) NJ Portfolio Management Services
6) NCD/ Capital Gain Bond/ FDS
7) National Pension Scheme
8) Insurance life/ Non-life

An evolving, emerging & enterprising group with its roots in the financial services sector and today expanding into newer horizons with great passion. The vision of the group is to be leaders in businesses driven by customer satisfaction, commitment to excellence and passion for continued value creation for all stakeholders.

This vision has helped us grow and build the trust of our customers and associates which is at the cornerstone of everything we do. Trust is also at the heart of our success and the driver for passion for our success. NJ group is a leading player in the Indian financial services industry known for its' strong distribution capabilities. The journey of NJ began in 1994 with the establishment of NJ India Invest Pvt Ltd., the flagship company, to cater to investor needs in the financial services industry. Today, the wealth advisory network, also known as the NJ funds network, started in 2003 is among the largest networks of wealth advisors in India.

Over the years, NJ group has diversified into other businesses and today has the presence in businesses ranging from wealth advisory network, asset management, real estate, insurance broking, training & development and technology. Our rich experience in financial services, Combined with execution capabilities and strong process & system orientation, has enabled us to shape a rising growth trajectory in our businesses.

NJ group is based out of Surat in Gujarat (India) and has presence in over 100+ locations in India and has over1500+ employees.

Group Philosophy

1. **Work Philosophy:**

Doing the 'right' thing is a virtue most desirable. The difference between success and failure is often, not dictated by knowledge or expertise, but by its actual application and perseverance. When it comes to value creation for customers, it is something that we strongly strive for in all our endeavors. We are committed to provide our customers with continuous, long-term improvements and value-additions to meet their expectations.

Driven by passion, we continue to evolve and make the right product accessions and service innovations in our offerings. Over the years, our passion has seen us grow from strength to strength and expand rapidly, setting new benchmarks in the process. But to us, what really matters the most is winning the trust of our customers.

2) **Promoters:**

Mr. Neeraj Choksi and Mr. Jignesh Desai, two first generation entrepreneurs who began the journey of 'NJ' in 1994. The promoters of the NJ group were friends since their college years and the bond between Mr. Neeraj and Mr. Jignesh has been instrumental in the success of NJ. Discussing upon important things before taking any decision, is a habit that they have followed ever since they shared their hostel room in Vidhyanagar, where Mr. Neeraj was studying his Management courses and Mr. Jignesh was into engineering. They both have a complementary style of functioning that augurs perfectly well for the business.

The Key Members Of The Promoters Are:

Mr. Neeraj Choksi, Jt. Managing Director
Mr. Jignesh Desai Jt. Managing Director

NJ E – Wealth Account

NJ E-WEALTH A/C
a powerful tool to wealth creations

PRODUCTS

MARS
Direct equity SIP in stock
secondary bonds instaacash
SIP Top-Up
Loan Against securities NPS

SERVICES

Inter AMC Switch consolidation of entire portfolio freedom from paper & signature speed & accuracy transaction freedom from a/c statement confirm every transaction multi banks registration customer care

Mission and vision of NJ India Investment Pvt.Ltd.

Mission: Ensure creation of the desired value for our customers, employees and a through constant improvement, innovation and commitment to services and quality. At NJ they are provide solution which meet expectation and high professional & ethical standard along the allowances to services.

Major competitors of NJ India Investments

Angel Broking:

Angel broking, ltd. provides retail personal financial services in India. The company offers e-broking, portfolio management, mutual fund, private client group, commodities broking, investment advisory, wealth management, IPO, and depository services. The company was founded in 1987 and is in Mumbai, India.
Investing in a mutual fund is an excellent way of diversifying risk as well as portfolio. Angel presents its mutual fund services that strive to meet all your mutual fund investment needs.

They have a wide scheme of investment schemes from all the top mutual fund house Angel also provides recommendations based on in-depth research, mutual fund performance and mutual fund ratings to help meet your investment goals.

Prudent:

Incorporated in year 2000 with a clear vision of providing professional services in the area of personal and corporate investments, prudent has created a niche segment over a period to time with an excellent quality client base. Over the past few years prudent corporate advisory services has created in-house capabilities of analyzing funds on various parameters before suggesting them to clients.
The team approach worked wonders and in the short-span of just one decade, the prudent group expanded its horizon by offering specialized services in the areas of personal and corporate investment planning through mutual funds, equities, derivatives, third party products, fixed income products, life/general insurance and real estate through various companies listed below.

Bajaj capital:

The Bajaj capital group is one of India’s premier investment advisory and financial Planning companies. They are also SEBI-approved category merchant banker. As one of India’s largest distributors of financial products, they offer a wide range of investment products such as mutual funds, life and general insurance, bonds, post office schemes, etc. Offered by reputed public, private and government organizations.

Recognition:

Some of the awards and recognitions that the company has received in past.

- **Year-2000**: For Outstanding Performance presented by Chairman, Prudential Plc. at London

- **Year-2002**: For Outstanding Performance presented by Group Chief Executive, Prudential Plc. at London

- **Year-2003**: For Outstanding Performance presented by Group Chief Executive, Prudential Plc. at London
- **Year-2004**: Among Most Valued Business Associates presented by HDFC Standard Life at Edinburgh, Scotland For Outstanding Performance by Deputy CEO, Prudential Singapore at Malaysia
- **Year-2006:** Award for mobilizing the Highest Number of SIPs at National Level by Fidelity Mutual Fund Plc at Mumbai

SWOT analysis of the organization

SWOT analysis is a tool auditing an organization and its environment. It is the first stage of planning and helps markets to focus on key issued. SWOT stands for strength, weakness, opportunity and threats. Strength and weakness are internal factor. Opportunity and threats are external factors.

STRENGTH:

- In NJ India invest is present in more than 100 location in 23 states.
- NJ India is a dominant player in the Indian mutual fund distributor business with over decades of experience.
- NJ India invest has a given the very good research supports to his advisor.

- NJ India invest has tied up with almost all 44 AMC’s and with 16 insurance companies
- NJ funds over 15000+ crores of mutual funds’ assets under advices.
- The company has own print shop that will provides services to the as well as their employer.
- Seminar and partner meets are also conducted by company that will create healthy environment among advisors and company.
- NJ has strong 360* degree supports which makes it different from its competitor.

WEAKNESS:

- The first and foremost lacking element in the company is the awareness about company is very less in the market.
- NJ funds are only dominant only in mutual funds. They have also focused on other financial instrument.

OPPORTUNITIES:

- They have very wide scope in financial sectors.
- NJ India invest can utilize the dominants position. It has and optimally use the huge network of its partner.
- NJ can use its network of partner in selling insurance, even company can jump share trading business.

THREATS:

- New technology adopted by competitors.
- Online platform offered by various mutual fund companies.
- New sudden changes from AMFI and government.

Perks of joining NJ India Investment Pvt. Ltd.

1. Strong Lineage and Commitment the Business

Since its birth in 1994, NJ group has grown into a diversified business group in the last 21 years. The business of financial products distribution is the flagship business of the group and it remains at the heart of NJ group. The management and team at NJ share a very strong vision for the business and are committed to further strengthen and expand. NJ wealth also gets complemented and benefited with the growing presence of NJ group in other businesses.

2. Customer Centric Approach

The work culture of NJ wealth is geared towards helping customers win with solutions covering all critical areas of success. Be it NJ wealth partners or their customers, NJ's continuous focus has been to design, deliver and enrich our value-proposition in areas of product & service offerings, operational excellence, service quality, technology, governance and more. The business and wealth management ideas and strategies propagated at NJ are also centered on sound, proven principles that serve the best interests of the customers. With the continued trust of our customers, we are confident to steadfastly maintain the course of building strong customer relationships and experience.

3. Effective Use of Technology

At NJ we have constantly tried to see technology as an enabler to meaningfully deliver the most critical and relevant needs first. With our rich experience, understanding and an in-house team we have custom built our entire platform to match customer needs. Our integrated technology setup covers a gamut of business areas including customer offerings like online desks to the critical operations processes and all important areas of business management. NJ also has adapted global standards and best practices in information security, customer privacy and network, infrastructure management.

The effective use of Technology has helped us to manage the business growth and deliver solutions in a reliable, effective and secured fashion.

4. Controls through Well Defined Processes

NJ wealth takes governance, compliance and risk management as equally important business areas in addition to customer solutions and operational excellence. The culture at NJ has evolved over the years to be strong policy, process and systems oriented. We have put strong internal controls and monitoring mechanisms in place on one hand, while removed people dependency and atomized processes on the other. We continue to evolve our controls and processes to mitigate business risks, offer standard services, enhance productivity and improve customer experience and satisfaction.

5. Access to Multiple Products, Single Window Solutions

NJ provides easy access to a wide range of financial and non-financial products in diverse asset classes. The products are available to the customers of NJ partners. The product basket available includes all mutual funds schemes; direct equity, ETFS, PMS and fixed income products like banks, NCDS company deposits, and real estate properties. In addition to products, NJ also offers the services of demat and trading account with online and call & transact facility and also mobile trading service in mutual funds. The product & service basket is enough to meet the needs and build the entire portfolio for any retail, HNI or corporate client.

6. Wide Reach across India

Access to NJ branch is never very far with presence at 100 branches in 23 states. Further, internal systems at NJ provide the freedom for any partner and/or client to transact from across all the branches of NJ. Clients can also approach NJ for any assistance/transaction in absence of their partners at any of our branches.

PART – B

PROJECT WORK 1

"Factors driving selection of Mutual Funds in India – Pre pandemic and during pandemic."

PROBLEM STATEMENT

To help and assist the team in studying the factors that will be driving selection of mutual funds in India before the pandemic and during pandemic.

I will be working on the topic, **"Factors driving selection of Mutual Funds in India – Pre pandemic and during pandemic".**

OBJECTIVE

Primary Objective

- To analyze the change in factors influencing investments in mutual funds before and during the pandemic time.
- To study the changes in the preferences of the factors among the investors.

Secondary Objective

- To identify factors which have remained constant in deciding the mutual fund before and during the pandemic?
- To identify factors which have completely scrapped in deciding the mutual fund during the pandemic?
- To identify new factors which investors consider in deciding the mutual fund during the pandemic.

INTRODUCTION

Mutual Fund is an investment where many investors come together and pool their funds to earn returns on their capital invested over a period. This pooled amount is invested in securities like stocks, bonds, money market instruments and other assets. It is managed by investment professionals known as fund managers, who allocate the funds and build a portfolio as per the investment objectives of the investors. Mutual funds give small or individual investors an access to portfolios managed by professionals at a low price.

Mutual funds invest in various securities and their performance is tracked as per the change in the total market capital of the fund. The performance of mutual funds depends upon the performance of investment portfolio. Fund managers have sufficient knowledge about the stock markets and debt securities to handle the funds and make gains. They conduct research and analysis over the debt instruments and the stocks. As per their research, they invest the amount. When amount is invested in mutual fund scheme, the Asset Management Company allots the units as per the Net Asset Value of the mutual fund. When an individual investor invests, he/she buys a part of the portfolio’s amount in which the fund manager invests.

Mutual fund industry has witnessed impressive growth since its inception in 1963. Factors that have influenced this growth are raising household savings, favorable tax policies, introduction of new products, increase in no. of distributors and investor education campaign by various mutual fund companies. Despite the growth, share of the industry from GDP or household savings perspective has remained small. Industry is yet to achieve the rightful position in the investor’s basket. This shows the huge growth opportunity that lies in mutual fund industry. Mutual fund companies are using this opportunity by offering variety of schemes for all types of investors, providing ease in investment processes and offering flexibility for investments.

Mutual funds pool money from different investors and invest the same in various investment sources like shares, bonds etc. Target audiences of mutual fund are small investors, salaried people and other risk- averse groups who like to reap the benefits of stock market investing. Various products are offered by the mutual fund companies to meet the changing needs of all types of investors. This increases the confusion among the investors while selecting the best product for themselves. To opt for a particular product investors take various factors into consideration. This project will highlight the change in the factors driving in the selection of a mutual fund in unforeseen situation.

Benefits of investing in Mutual Fund

1) **Professional expertise:** Forming a portfolio while expecting returns is difficult for investors. Investing in market requires sufficient skill, knowledge and time. It is easy to invest in mutual funds because they are professionally managed and investors themselves are not required to do research, analysis, buy and sell of the stocks and debts. These professionals are qualified, expert and have experience in picking the right stocks and debts as per the investors investment objective.

2) **Low cost:** Investors are charged commissions for every transaction of securities like stocks. This commission charges add up to hundreds of dollars each year depending upon the size and frequency of the trades. Mutual Funds are less expensive as compared to other investments. As fund manager is required to do all the necessary trades to maintain the portfolio, investor is only responsible for one expense.

3) **Diversification:** Fund managers spread the investment amount of the investors over multiple assets classes. It helps investors to create an assorted portfolio that will segregate the investment in various sectors. They invest the money in a mixture of assets to avoid risk and invest as per the investment objective. Every stock is subject to three types of risk – company risk, sector risk and market risk. Mutual fund helps to diversify these risks by investing in a diversified portfolio of stocks across different sectors. Diversification is vital in today's market scenarios because of the changing market conditions. So investing in just one or two securities is highly risky.

4) **Tax benefits:** Mutual fund provides best tax saving option. ELSS Mutual funds have a tax exemption of Rs. 1.5 lakh a year under section 80C of Income Tax Act. Mutual funds are taxed as per the type and the tenure of their investment. Government of India has also played a major role in encouraging investments among people by providing tax benefits and exemptions.

5) **Disciplined investing:** Mutual finds encourage investors to invest for a long period of time. This helps in wealth creation. Systematic Investment Plan or SIPs encourage investors to invest in a systematic and disciplined manner to meet financial goals of

the investors. They also help safeguard investor's emotions by restricting investors from taking strong decisions of buying and selling in extreme bullish and bearish markets. By investing through SIPs in a mechanical way, investors can stay disciplined.

Types of Mutual Fund

- **Equity Funds**: These funds invest in equity or stocks. These are based upon the size of the firm investors invest in. Various types are: small, mid and large cap firms. Other types are as per their investment approach: aggressive growth, income oriented, value and others.

- **Fixed-Income Funds**: These pay a predetermined constant rate of return. It includes government bonds, corporate bonds, and other debt instrument. Investors investing in this mutual fund receive constant interest income. These funds are actively managed and try to buy undervalued bonds to sell them at profit.

- **Index Funds**: These funds are related to investing in major market index like S&P 500. These funds require less research and analysis on the fund managers part and there are few expenses to be borne by the investor. These are designed for cost sensitive investors.

- **Balanced Funds**: These funds invest in hybrid assets like stocks, bonds, money market instrument etc. These funds focus on reducing the overall risk of the investor by diversify across assets. Balanced funds follow two strategies, specific allocation strategy (required to maintain ratio between asset classes) and dynamic allocation strategy (not required to maintain any fixed ratio and have freedom to switch between assets).

- **Money Market Funds**: These funds consist of risk free assets. It includes short term debt instruments, government treasury bills. Investors cannot expect high returns from these funds but risk of losing their money is negligible.

- **Income Funds:** These funds aim to provide income on steady basis. These invest in government and corporate debts. Investors can expect to earn interest, if they hold the funds till maturity date.

- **International/Global Funds**: International funds invest in assets outside the home country and global funds invest in assets anywhere in the world, including home country. These funds have risks as per the countries and are more volatile.
- **Specialty Funds:** These funds concentrate on targeted strategy. Sector, regional and socially responsible funds are the three broad categories of these funds. Sector funds are targeted at specific sectors such as health, technology etc. Regional funds are area specific and make it easy for the investors to buy stock in foreign countries. Socially responsible funds invest in companies that meet some beliefs and guidelines issued.
- **Exchange Traded Funds**: These funds are traded on stock exchange and have benefit of buying and selling at any point of time on a trading day. They carry lower fees as compared to other mutual funds and enjoy tax benefit.

Effect of COVID – 19 Pandemic on mutual funds

COVID – 19 Pandemic disrupted every segment of the economy. No sector in the economy was left unaffected. Factory shutdowns, increase in unemployment rates, drastic change in consumption patterns adversely affected the GDP of the country. India's GDP growth rate for year 2021 has been forecasted 10.2 % by Global Forecasting Firm Oxford Economics.

On 30th January 2020, first COVID – 19 positive cases was found in India. On 25th March 2020, Government of India declared lockdown to help curb the virus from spreading. Lockdown was further extended due to increase in COVID-19 positive cases.

Coronavirus also impacted the market where mutual funds were hit the hardest. As per Gopal Kavalireddi, FYER; SIP collected of Mutual Fund industry dropped by 4% to Rs. 96000 crore in year 2020-21. As returns started falling sharply, investors started pulling out their money to have cash in hand. Investment behaviours of the investors changed. Investors started diving deep to look at various factors before investing in the market.

- **Effect on the No of investors of Mutual Funds:**

Mutual Fund industry is growing at a tremendous rate over the years. Investors are the backbone of this industry. Investors purchase and sell shares of companies for long term with the belief that the company will grow in future. They forecast that company's shares will give good value so that they can get returns. The number of investors in mutual funds is increasing at a pace higher since ever. It is because the awareness about mutual funds and their investments is on rise due to various investor awareness programmes and education provided by the financial advisors and distributors. People are acknowledging the importance of investing in mutual funds and earning returns to meet their financial needs.

According to data from the Association of Mutual Funds in India, more than 81 lakh investors joined mutual fund industry in year 2020-21increasing the total number of investors in mutual fund industry to 9.78 crore. Investors joined the industry during this pandemic as the markets looked attractive and existing investors diversified their investments into new schemes to make higher returns. This resulted in higher number of investors over the years. In year 2019-20 and 2018-19, industry added around 72.89 lakh investors and 1.13 crore investors respectively.

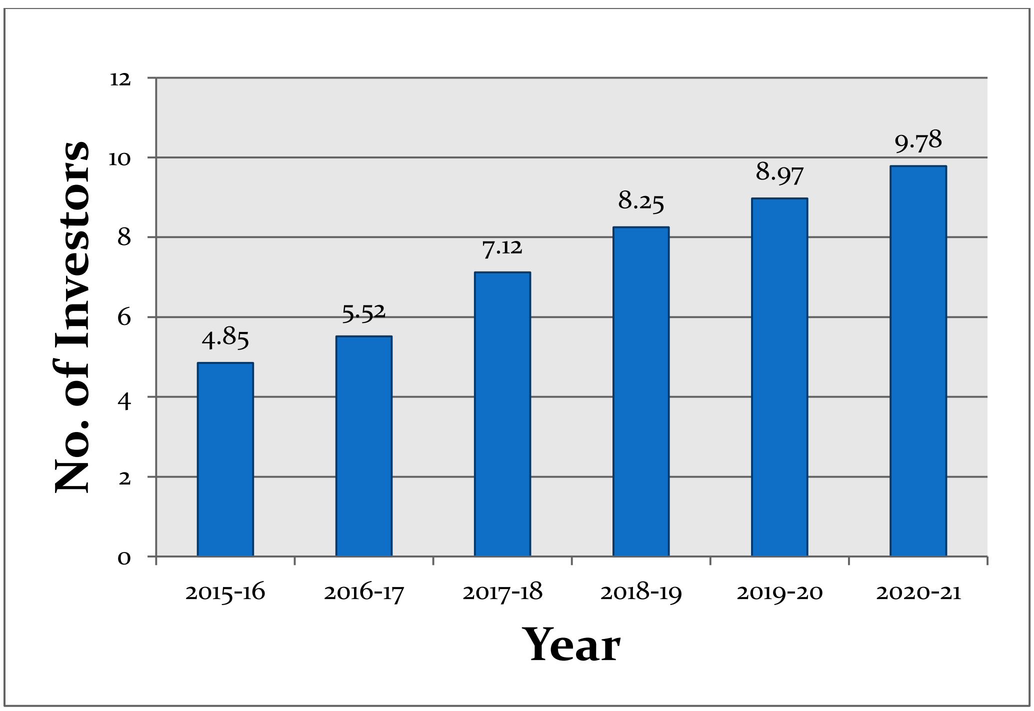


Figure 1: No. of Investors in Mutual Funds Industry over the years

- **Effect on the Amount of investment made by the investors in Mutual Funds:**

Investors have been investing in SIPs to earn returns. As per the research by Arpita Gurbaxani on "A study on the impact of COVID – 19 on investor behaviour of individuals in a small town in the state of Madhya Pradesh, India"; amount of investments made by the investors has shown a downward trend during the pandemic outbreak. A study was conducted on 100 respondents to study their investment behaviours before and after the pandemic. This study shows that the monthly amount that was invested in SIPs before the pandemic was different from during the pandemic. A downward trend of 43% in monthly investments has been acknowledged. It was observed that the monthly investment before COVID-19 was Rs. 4,390 and this has come down to Rs, 2495 during COVID – 19. This depicts that though more people have started making investments in mutual funds. But the amount invested by each investor is on decline. This is based on various factors including job loss, increasing medical expenses, low income and higher savings.

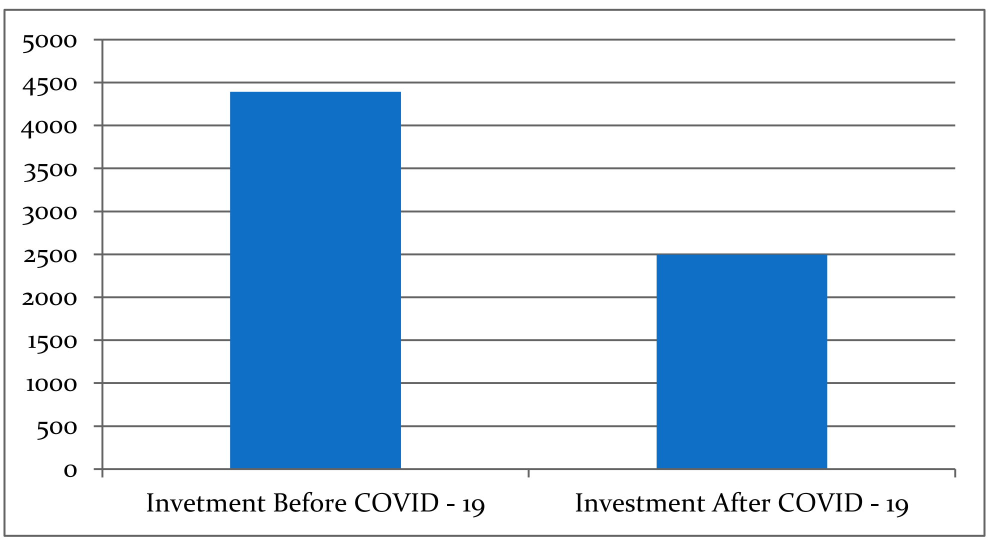
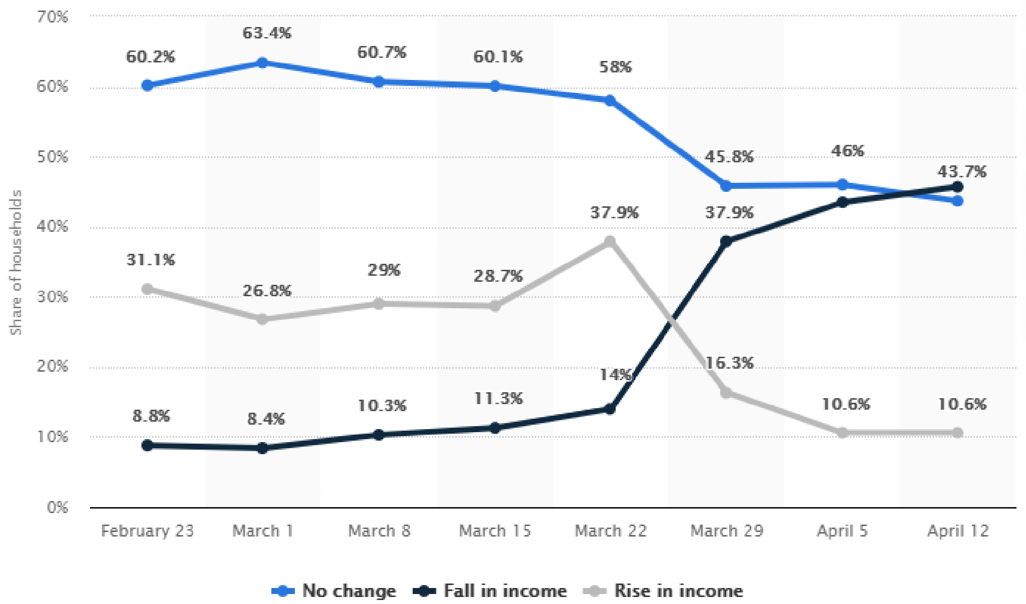


Figure 2: Change in Average amount invested in SIP

- **Effect on household income due to COVID – 19:**

Household income in India has been considerably impacted by the COVID – 19 outbreaks. Household income has decreased due to loss of jobs and increase in savings. As per the data from statista.com, fall in the household income has increased from 9% in February 2020 to 45% in April 2020.



Source: Statista

LITERATURE REVIEW

1. Using Risk Adjusted Performance To Select Top Mutual Funds, Donald D. Rugg

The article shows that performance of any asset (including mutual funds), must be measured on risk-adjusted performance. It gives detailed information on evaluation of any asset according to rate of return and the risk associated with it. Where, rate of return must be based upon total return. It recommended that compounding rates must be used to calculate rate of return and risk must be measured used statistical tools like beta coefficient and standard deviation. Author examined eight mutual funds to study and derive the conclusions. 8 moderate growth mutual funds were selected with their respective risk and returns associated. Range of performance varied widely from -8% to 19.9%. Treasury bill being the least risky gave 7.5% return and S&P 500 being most risky gave 16.5% return. Mutual funds that earned less than 9% per additional unit of risk underperformed in response to the market. Mutual funds that earned more than 9% per additional unit risk outperformed in response to the market. This showed that when people were willing to take more risk they could earn higher returns. From the study, it was concluded that neither fund with highest return nor the fund with lowest risk was the top adjusted performer. Mutual shares performed the best as it had the steepest, annualized return slope. Article is further concluded by telling about the performance index that it has several important attributes that can help to find out the best recent performers in the market. It is recommended by the author to screen funds for their general suitability including asset size, load fees and expenses.

2. **Factors affecting Mutual Funds Selection: An Empirical Investigation, Rajkishor Mishra**

The study aims to tell various factors that affect selection of mutual funds by the investors. Investors invest in mutual funds for diversification, flexibility, professional management etc. Investor’s behavior is based on various factors like availability of funds, duration of investment, nature of investment etc. Study has focused to explore vital aspects of mutual funds that affect the decision making of the investors. It also examines the differences in the investment behavior of large and small mutual fund investors. With the help of primary and secondary data, all the relevant information has been collected. Study from the data shows that in volatile market situations, mutual funds are considered as one of the most attractive investing asset due to low cost and transparency. Results concluded that out of the total 14 variables taken for the study only 3 were extracted and considered as the most important factors regarding perception of mutual funds investors. The three factors are quality, performance and portfolio. Also, it can be observed that there are differences in the factors of both small and big investors. On one hand, small investors prefer service quality and performance as vital factors and large investors consider portfolio and performance while deciding the mutual funds. Study has certain limitations like exclusion of perception of institutional investor’s; investor’s attitude is also not analyzed.

3. **Impact of COVID- 19 on Investor Behaviour of Individuals, Arpita Gurbaxani**

COVID – 19 impacted all the sectors of the economy and disrupted human life. Individual behavior for every activity changed due to the restrictions imposed, shut down of workplaces, job losses etc. This study aims to understand how the pandemic has impacted the investment behaviours and decisions in a small town of Madhya Pradesh. Both secondary and primary data had been used to collect sufficient data. Results derived from this study are compared with other crisis related studies to provide a deep and clear insight of the problem. From this study, it could be derived that measures taken to prevent the spread of pandemic like lockdown and traveling and the individual income had direct impact on the savings and investment patterns of the individual. It was concluded from the survey that there was a 43% drop in the SIP investments during the pandemic. This was due to decline in income, retaining cash for emergency, fall in stock market and negative returns from mutual funds. The study also shows that decline in SIP investment does not have any difference among the gender or the different age groups. This is because the driving factor for all was household income.

RESEARCH METHODOLGY

Approach

The research design is based on qualitative research approach. The whole research has been predominately carried out by the use of secondary sources which are available in public domain. A short questionnaire was used as primary source of data for collection of data to determine the change in factors that investors considered before the pandemic and during the pandemic. The survey consisted of 70 respondents. The other data was extracted from data sources and analysis was done to study the factors that investors consider to choose the best mutual fund scheme and the impact of COVID – 19 on these factors and mutual fund industry.

Sources of Data

Data for the project was collected through both primary and secondary sources of data. Primary data was collected through a questionnaire with a sample size of 70 respondents. The questionnaire was to judge the level of change in factors taken into consideration while choosing the best mutual fund scheme. The data collected from the primary source form the base of the project. The secondary sources of data used for the data collection was extracted from various websites like SEBI, AMFI and others as mentioned in resources. Also various research articles from library resources like EBSCO were used to collect data. Articles from various newspapers like the Economic Times, Business Standard, Live Mint etc were used to collect data.

Method of data collection

The data was collected through responses from the primary source- questionnaire and also by reading and analyzing the secondary sources of data which were available in the public domain.

Size of sample and method of sampling

The sample size for the survey conducted through the questionnaire was 70 respondents. The questionnaire was floated among investors investing in mutual funds to get data regarding the change in factors considered by the investors to decide the best mutual fund scheme. The method of sampling for the survey was probability sampling method under which the sample was chosen randomly from different investors. The secondary sources of data used the non-probability sampling method under which purposive sampling was done to choose the data sources through expertise that could give detailed knowledge and facts about the topic.

Sampling Area

Surat, Gujarat

Method of data analysis

As this is a purely qualitative research the analysis of the data that was studied is represented under as findings. This was done by properly observing, understanding and analyzing the data. Since the data was to be represented in its true form no editing has been done. The sources for the data have been mentioned under the Bibliography section.

DATA PRESENTATION

Mutual funds are becoming popular among investors due to their high returns and diversified investments. Mutual fund are linked to the market so are affected by the gains and losses incurred in the market. Investors chose their investments while considering various aspects as per their investment needs. They consider many factors; some factors have higher effect while some have lower effect in making the decision. The study conducted takes into account only 5 major factors that have seen changes in before pandemic and during the pandemic situation.

Investment Objective:

Investors invest in mutual funds with different objectives as per their needs. These objectives determine the kind of assets the funds are to be invested. Typically, investors have capital gain, income and safety as their investment objective.

Investors who want to have safety and income as their investment objective invest in government issued securities, government bonds, bank deposits, postal savings, gold and provident fund. This is because these options will preserve the principal amount and offer some return to the investors. Whereas, investors who focus on capital gains as an investment objective invest in options like mutual funds, stock market, real estate.

In survey, investors were asked to tell their investment objective before pandemic and during pandemic. It was observed that investors before pandemic mainly focused upon capital gain. During pandemic investors shifted their objective to safety and income. Investors shifted from making more profits to constant income source options.

How does Investment Objective influence in selecting the mutual fund?

This was the first question asked to the respondents. Survey showed that before pandemic investors had capital gain as their investment objective. During pandemic, this objective has shifted to safety and income. Before pandemic, 64 % investors had capital gain as their investment objective and this has reduced to 34% only. On the other hand, income as an objective has increased from 20% to 32%.

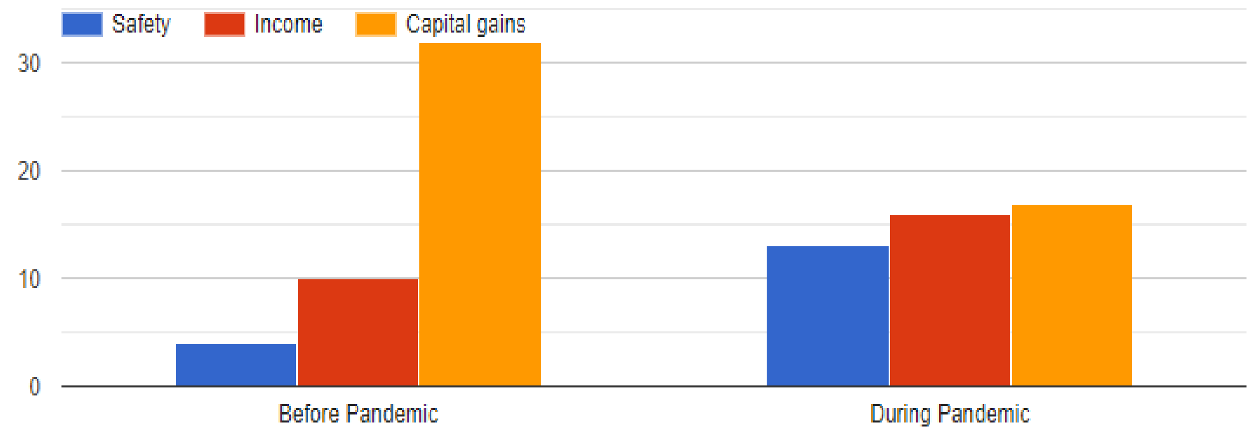


Figure 3: Change in Investment objective

Risk Tolerance:

Risk is always associated with any investment. Some investments have higher risk and others have low and moderate risks. Risk can never be eliminated, it can only be reduced. Investors have different risk appetite and therefore make their investment decision as per their needs. Returns and risks always go hand in hand. There are higher returns with higher risk and low returns and low risk. Investment options like bank deposits, gold, mutual fund, postal savings offer moderate returns and have less risk. Whereas, options like real estate, stock market has higher risk.

In survey, investors were asked to tell their risk tolerance before pandemic and during pandemic. It was observed that investors before pandemic and after pandemic did not have much effect on risk tolerance.

How does Risk tolerance influence in selecting the mutual fund?

This was the second question asked to the respondents. Survey showed that risk tolerance appetite of the investors was not affected by the pandemic. Before pandemic, 4% investors took low risk, 46% investors took medium risk and 32% investors took high risk while investing. During pandemic, investors with low risk and medium risk increased to 18% and 54% respectively. Investors with high risk reduced to 20% during pandemic.

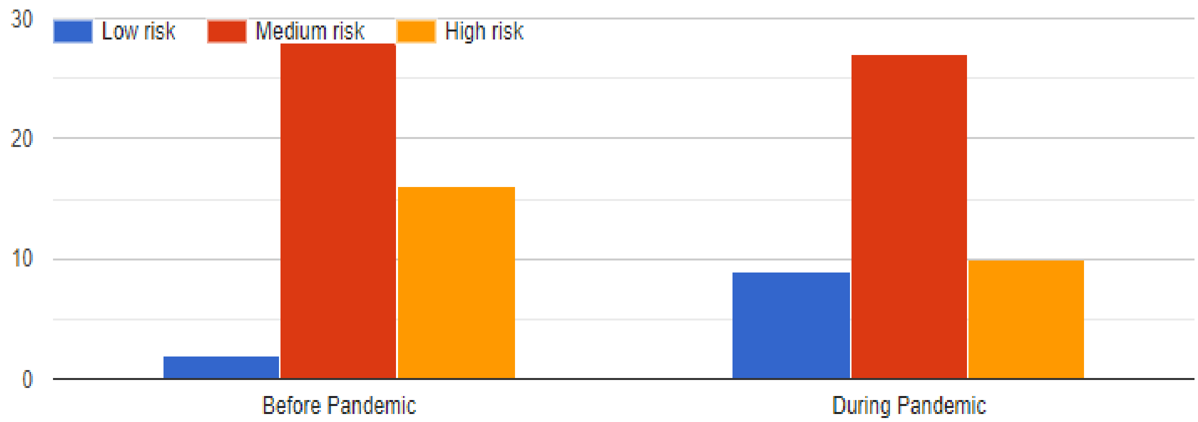


Figure 4: Change in Risk tolerance

COMPARISON OF RISK WITH FINANCIAL CRISIS 2008-09

As per a research, "Individual investor and perception and behaviour during the financial crisis" by ArvidO.I.Hoffmann, Thomas Post, Joost M.E. Pennings.

It was concluded that risk perceptions are more volatile than return expectations during unprecedented situations. It was observed that during the worst months of the financial crisis investors risk tolerance and return expectations reduce. Whereas, towards the end of the crisis risk tolerance and the return expectations of the investors recover. But it was observed that individuals change their perception and behaviour of investing but they continue to invest and trade in the market.

As observed in the above two situations of pandemic and financial crisis, it can be concluded that when some unplanned situations take place in the market investors do respond and change their investing pattern. In both the situations investors shifted from risky investments to less risky ones irrespective of the returns.

Time Horizon

Time horizon is the timeframe over which investors invest their funds in a particular scheme. Investors set their time horizons as per their objectives. Investors invest in varied investment options to match their time horizons. Investors willing to invest for short term invest in bonds, post savings and bank account. Investors with long term horizons invest in mutual funds, PPF, Fixed deposits, gold, and bonds. In survey investors were asked to tell their investment time horizons to observe the change in investment pattern before and during the pandemic.

How does Time horizon influence in selecting the mutual fund?

This was the third question asked to respondents to know if the time horizon has been affected by the pandemic or not. Survey showed that 10%, 39% and 41% investors before pandemic invested in 1-5 years, 5-10 years and 10+ years respectively. The number has changed to 22%, 32% and 44% in 1-5 years, 5-10 years and 10+ years respectively during pandemic. This shows that before pandemic investors usually invested for medium and long term to get higher returns. During pandemic investors started investing for short term as well as these options offer liquidity and instant returns. Percentage of investors investing for short term increased from 10% to 22%.

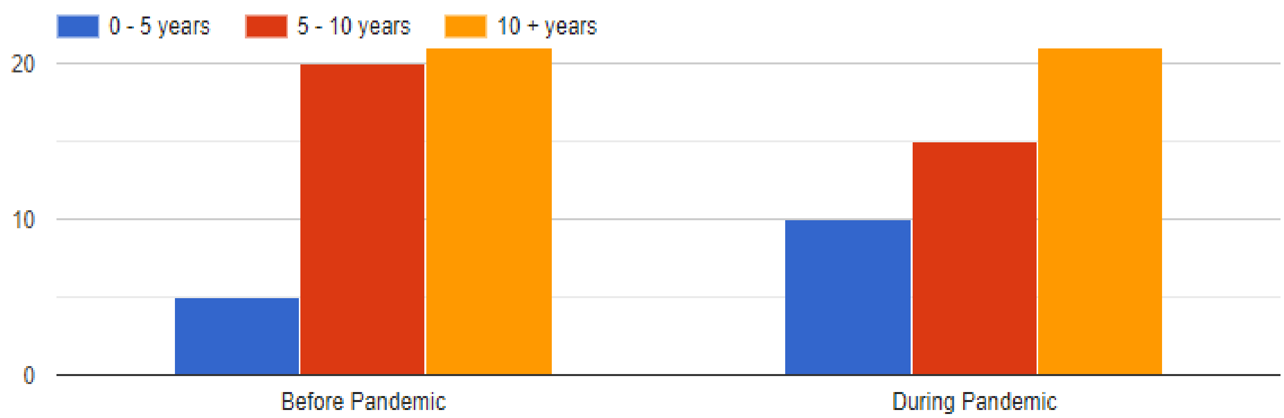


Figure 5 : Change in Time Horizon

Asset Allocation:

Investors practice asset allocation to spread their funds across various assets to balance the risk of overall portfolio. Asset allocation varies from investor to investor as per their needs and objectives. Investors can invest in65% equity 35% debt, 50% equity 50% debt and 35% equity 65% debt. Aggressive investors invest 60 – 70% funds in equity and remaining in debt in order to earn higher returns. People nearing retirement invest in equal proportions of equity and debt. Conservative investors invest more in debt and less proportion in equity to reduce the risk and get constant return. In survey, investors were asked about asset allocation to know the change in asset allocation of investors before and during the pandemic.

How does asset allocation influence in selecting the mutual fund?

This was the fourth question asked to the respondents. It was observed that before pandemic, investors mostly invested in 65% equity, 35% debt to earn high returns. During pandemic, investors started increasingly invest in 50% equity, 50% debt and 35% equity, 65% debt. This shows that investors during pandemic are willing to take less risk and shifting to more debt based investments.

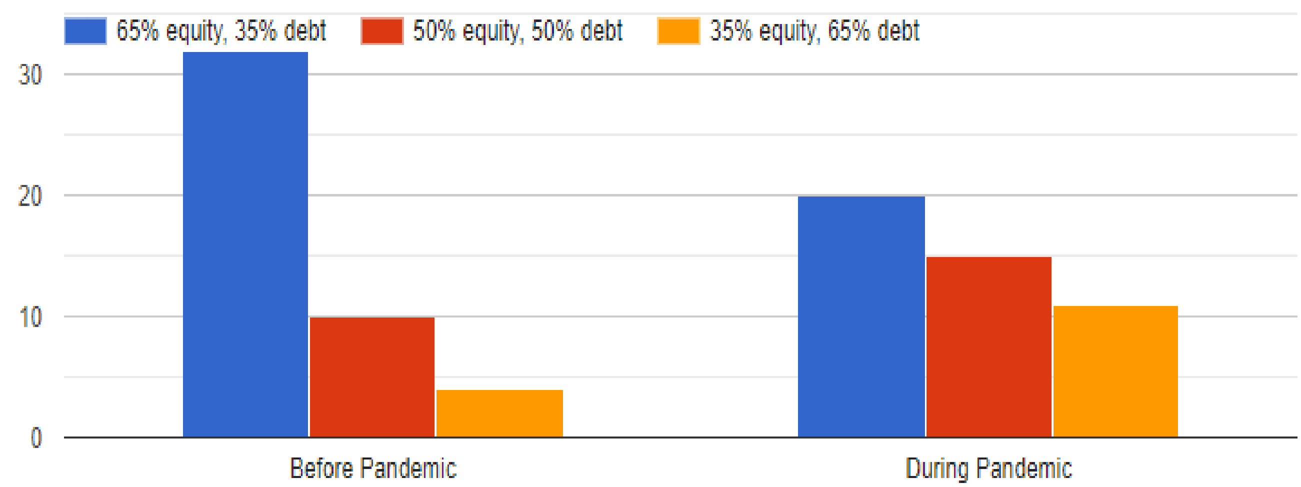


Figure 6: Change in Asset Allocation

Market Conditions:

Market risk is one of the major concerns of the investors. When market or economy declines there is high probability that an investor incurs losses. Investors expect to earn high profits when economy performs well. Investors consider prevailing market conditions as an important factor while investing in mutual funds. In survey, investors were asked about market condition to know the influence of market conditions on investment decisions before and during the pandemic.

How does market conditions influence in the mutual fund?

This was the fifth question asked to the respondents to know how market conditions affect the decision of the investors. It was observed from the survey conducted that before pandemic market conditions had moderate influence while during pandemic market conditions have high influence in mutual fund. Before pandemic 38% investors considered high influence and this increased to 60% during the pandemic.

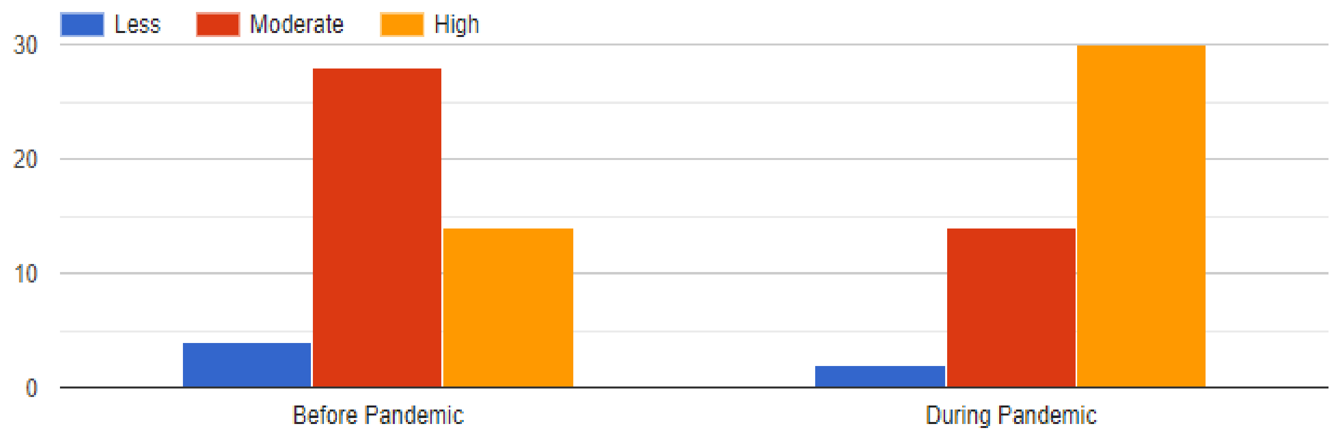


Figure 7: Change in Market Condition

Change in preference for investment options before and during COVID 19

Investors invest in various options in order to diversify their portfolio and reduce the overall risk.The most common investment options considered by the investors are stocks, bonds, mutual funds and ETFs. Other investment options include real estate, precious metals, gold etc. Before investing investors take into consideration the risk and returns associated with each option. Risk and return go hand in hand when risk increases so does returns. Investors may prefer low risk low return, moderate risk moderate return or high risk high return investment options as per their risk appetite and objectives.

As per a research, “A Study on the Impact of COVID-19 on Investors Behaviour of Individuals in a Small Town in the State of Madhya Pradesh, India” conducted by Arpita Gurbaxani. It was observed that majority of respondents changed their investment and portfolio management perception due to COVID-19. During pandemic, investors preferred investing in instruments that offered moderate returns with low risk like bank deposits, gold, mutual funds and postal savings.

Investors most preferred to invest in low risk options like bank deposits, gold and provident fund. It was concluded that investors shifted from high risk to low risk options.

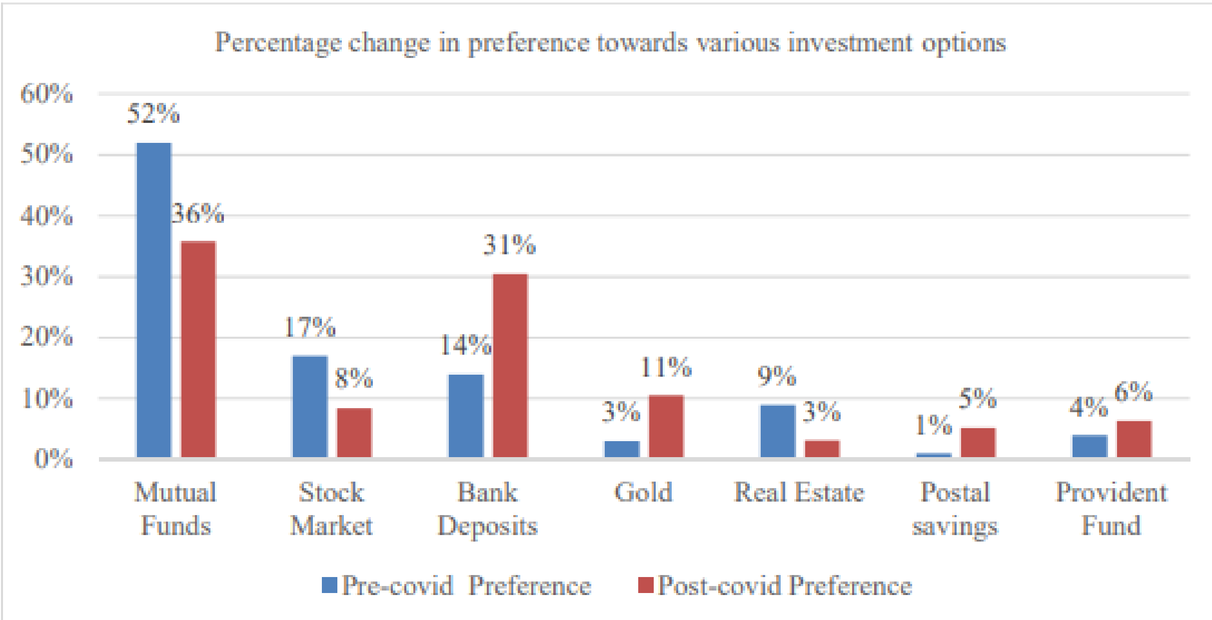


Figure 8: Percentage change in preference towards various investment options

It was observed that there was a 30% fall in preference for mutual funds, 53% fall in stock market and 63% fall in real estate. Fall in stock market and real estate is sharper due to high risk. Investors diversified their portfolio to less risky investment options like bank deposits, gold, postal savings and provident fund. Increase in bank deposits, gold and postal savings was highest because of low risk and moderate returns.

CONCLUSION

The COVID-19 pandemic impacted the economy adversely due to measures taken like social distancing and complete lockdown for few months. Financial sector was also a major hit where stock market crashed and investors reacted rapidly. Investors changed their investment patterns and the factors that they considered while deciding upon an investment option.

Using primary and secondary data sources, it was concluded that investment behaviour changes during an unprecedented situation. 5 major factors such as investment objective, risk tolerance, time horizon, asset allocation and market conditions were taken into consideration and thorough research was done to study the change in these factors before a pandemic and after a pandemic.

From the study, following can be concluded:

- Before pandemic investors considered capital gains as their investment objective to earn high returns. During pandemic this objective changed to safety and income where investors are now more willing to earn some money as constant source of income.
- Before pandemic investors willing to take moderate or high risk, low risk investors were very low. During pandemic low and moderate risk investors have increased and high risk investors have drastically declined.
- Before pandemic investors mostly invested for longer time duration i.e. 5-10 years and 10+ years. During the pandemic investors have also started investing for short term period of 0-5 years.
- Before pandemic investors mostly invested in 65% equity 35% debt portfolio in order to earn better returns. During pandemic investors have shifted to 35% equity 65% debt and 50% equity 50% debt in order to reduce the risk.
- Before pandemic investors moderately considered the prevailing market conditions in the economy. During pandemic investors are highly considering market conditions.
- Investors change their investment behaviour and factors in any unprecedented situation. Many similarities could be observed between COVID-19 pandemic and financial crisis of 2008-09.

LIMITATIONS OF THE STUDY

- Sample size of the study was limited to 70 only. Hence, sample size may not represent all the investors' behaviour.
- Study was only conducted during the pandemic and no inferences were done before pandemic for this study.
- The study is limited to the investors of Surat, Gujarat. Therefore, the inferences drawn cannot be generalized.

RECOMMENDATIONS

- Mutual Fund product designers must craft few schemes while considering such pandemic situations to help investors take better decision with respect to return and risk.
- Companies must launch various schemes so that right scheme serves the purpose of right

investor.

- During unprecedented situations investors should not panic and must make wise decisions by taking expert advice and keenly observing the market.

PROJECT WORK 2

"Business Development"

PROJECT OBJECTIVE

The objective of the project was to make new business acquisitions for NJ India Investment. I was required to help and assist the team in bringing in new business prospects.

APPROACH

1) **Data Collection**: I was required to collect data from various sources to bring in prospects for the organization. Sources like Justdial, LIC agent locator etc were used to collect data. I was required to maintain excel sheet for the same. Wherein data related to clients name, city and mobile number was recorded. Data was mainly recorded of individuals who have prior knowledge or have keen interest in financial products.

2) **Client Interaction**: I was further required to convert this recorded data of individuals into leads for NJ Group. I was supposed to call the people and present the opportunity of becoming NJ's Partner. I pitched the opportunity and the benefits that they can get by becoming a mutual fund distributor of NJ. Weekly webinars are conducted where prospects are given details of the benefits and the work they will be supposed to do. I called the individuals and invited them to the weekly webinar hosted by NJ India Managers.

CONCLUSION

- In two months, I called around 4500 prospects. I was supposed to call around 80-100 individuals on a daily basis. I achieved this target seamlessly.
- I converted two leads into NJs Partner in my two months journey.

LEARNINGS

My summer internship with NJ Group provided me great learning experience. This was my first corporate exposure and could immensely takeaway from this internship. During these 2 months I worked under my concerned mentor. He guided me at every point from day 1 of the internship in both the projects allotted to me.

Earlier in the classroom training I learned about the theoretical aspects of carrying out a research study and also understanding the needs of the consumer and how to communicate to them about the same. But now as a part of my summer training I got hands on experience of carrying out a research and interacting with clients. Internship at NJ Group helped me to apply theoretical knowledge in the corporate world.

In research project I learned to identify the problem and build the topic around the same by doing in depth study about the problem. I learned to collect the data for my research from both primary and secondary sources. I was supposed to prepare a questionnaire for NJ Partners to collect the data for my project. This helped me to learn how to prepare short questionnaires and also get the results from it. I was supposed to analyze the data and present it in my own words with proper facts and figures. The topic of my research was to study the change in factors that are driving the selection of mutual funds before and during the pandemic. From this topic I learned about mutual funds and the factors affecting in choosing the mutual fund.

In business development I learned to how to acquire new clients for the business. During this project, I learned to collect data from authentic sources. I learned how to approach any potential partner for the business. I was supposed to pitch in the idea of the business to the clients this helped me to learn the basic of financial products and improve my communication skills.

These two months with NJ Group were a great learning to help me boost my confidence for future corporate world exposure. This experience will be carried with me throughout my life.

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Ref. No. : HR/REC01/TR7974/07072021/07902

Date : 7th July 2021

CERTIFICATE

This is to certify that **Miss. PRINCY DHILLON** student of **INSTITUTE OF MANAGEMENT, NIRMA UNIVERSITY** has successfully completed her project on "**FACTORS DRIVING SELECTION OF MF IN INDIA PRE PANDEMIC AND POST PANDEMIC**". The project period was from 3rd May 2021 to 3rd July 2021.

During this period she was found to be regular and hard working. We wish her all the Best in her future endeavors.

Vatsal Soni

(Deputy General Manager - Human Resource)

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