

# A COMPARATIVE ANALYSIS OF INVESTMENT IN LARGE, MID AND SMALL CAP MUTUAL FUNDS

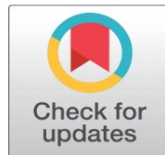
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## ABSTRACT

The financial literacy percentage in our country is very lessor compared advanced countries like USA, England, Japan. This limits the direct investment by Indians in Equity, bonds, commodities etc. Mutual funds plays an important role in this regard. Companies are also struggling to get required finance from Indian retail investors. Mutual funds are linking between investors and companies. Securities Exchange Board of India is regulating all investment activities in India and thereby protecting the interests of investors. Mutual funds are offering to invest in large, mid and small cap companies. Blue chip companies are regarded as large cap companies. They are fundamentally strong in assets management. The present study is made based on secondary data. The data is collected from existing sources such as text books, journals and magazines, newspapers and you tube videos. The main findings of the study are, Mutual funds are playing a pivotal role in the economic development of the country, and they are regarded as investment vehicles since they pool the small savings of many people and carry these collected funds to the industry requirements. Mutual funds are managed by proficient fund managers who are experienced and have strong confidence in their career. The best services are available to the small investors at nominal fees say less than 1% p.a.

**Keywords:** Systematic Investment Plans, HDFC Bank, Portfolio Management Etc

## 1. INTRODUCTION

Mutual fund is an investment vehicle which pools small savings from middle income people and invest in diversified portfolio such as stocks, bonds, commodities, gold, real estate, currencies etc. They are professionally managed by portfolio managers to produce better returns to the investors. They are acting as bridge between investors and companies. They are helping both investors and companies. They also ensure economic development of the country. Some of popular mutual funds are Life Insurance Corporation of India, HDFC Mutual Funds, Kothak Mahindra Bank, Nippon India Mutual Fund, Quant Mutual Fund etc. These mutual fund companies are offering to invest in large capital, medium capital and small capital companies.

Mutual funds are reducing the risk and creating safety by diversifying the investments in variety of securities. They are managed experienced and professional fund managers. This is a best advantage and service available to small investors at nominal fees say maximum 1% annually. Further, it is observed they provide liquidity since any time purchase and sale can be done in stock markets such as National Stock Exchange and Bombay Stock Exchange. The investment in mutual funds is termed as NAVs.

In India, Mutual Funds are regulated by Securities and Exchange Board of India. They are established as trusts under the Indian Trusts Act, 1882. They are regarded as Asset Management Companies (AMCs). Investors can choose their investment plans based on their investment goals and risk appetite.

## 2. REVIEW OF LITERATURE

Numerous studies are already done in the field of mutual funds. Mutual fund investment can be done in the large cap, mid cap and small cap funds. The main reviews in the articles and youtube videos are,

**Khurana (2020)** a comparative study has been done over 10 years from 2010 – 2020, the performance of select large cap equity funds like HDFC bank, Reliance, TCS, Asian paints. The study revealed that there is good opportunity to investors to invest in large capital oriented companies over long term such as more than 10 years. The author recommended fundamental analysis for the deciding the investment in blue chip companies. Those who cannot do fundamental analysis can subscribe to large cap funds. The fund manager will take care about fundamental analysis.

**Jain (2021)** the study has been done to compare the large, medium and small capital companies. The market capitalization is the main base for dividing all companies into three categories. The mutual funds which are investing in these funds are also categorized into three types such as large cap mutual fund, mid cap and small cap mutual funds. The selection of mutual fund is highly depending on risk apatite and age of the investor. If the age is lower than 20 years, it is better to invest in small and medium cap companies. If the age is above 40 years, investment in blue chip companies is recommended by the author.

**Sharma (2021)** the study has been done as a comparative analysis of the performance evaluation of select debt, equity and hybrid mutual fund schemes. It revealed that there is a direct relationship between risk and return. Higher the risk leads to higher the returns and lower the risk leads to lower returns. So, it is left to the investor to decide his risk and return profile. The study further suggested that hybrid mutual fund will balance fixed and fluctuating returns.

**Singh (2020)** the study is done on the secondary data basis. The data has been collected from various existing sources such as text books, magazines, newspapers, and you tube videos on top ranked mutual funds in India. The study also focusses on the SEBI guidelines to regulate the mutual funds. The investors are on safer side since the stock brokers and fund managers of all mutual funds are forced to obey all regulations. The SEBI is also provides to invest in small quantity of debt. The earlier limit of Rs. 10,00,000 has been decreased to Rs. 1,00,000. This initiative motivate the retail investors to invest in debt as well as equity.

**Levi (2017)** the study evaluated the performance of large cap and mid cap companies over 10 years from 2007 to 2017. The study says that the revolution has been done in the mutual funds in the year 2007 when many mutual funds have been started in India with the permission of SEBI. The required data has been collected through primary and secondary sources. The primary data has been collected with the help of structured questionnaire and direct observation. The study concluded that Indians are starting to save and invest in mutual funds to the better extent due to financial literacy programs initiated by the SEBI.

**Nagajyothi (2018)** the study was done on Systematic Investment Plans. The SIP creates a financial discipline in retail investors. The methodology done in the research was primary data basis. The sample size was 200, stratified sampling was applied for data deciding sample. The descriptive statistics like mean, median, mode and standard deviation have calculated to validate the data. The conclusion says that financial education improves the financial education and it helps for the development of SIPs.

## 3. STATEMENT OF THE PROBLEM

Investment is an opportunity to save more and spend less. The present inflation makes the people to spend more and save less. This is not healthy practice for the future betterment. Our future depends on financial freedom. So, we

need to cultivate the habit of living within our means. So, the present study is undertaken on investment in various kinds of mutual funds like large, mid and small cap.

### 3.1. OBJECTIVES OF THE STUDY

- 1) To study Indian scenario of large, mid and small cap mutual funds.
- 2) To study the comparative analysis of large, mid and small cap mutual funds.
- 3) To provide valuable suggestions to fund managers and investors.

## 4. PROS & CONS OF MUTUAL FUNDS

Advantages	Limitations
Advanced portfolio management	High expense ratios and sales charges
Dividend reinvestment	Management abuses
Risk reduction	Tax inefficiencies
Convenience and fair pricing	Poor trade execution

### 4.1. TYPES OF MUTUAL FUNDS

**Large Cap Fund:** As per National Stock Exchange (NSE), the companies are ranked based on market capitalization. The investment in top 1 to 100 companies is regarded as large cap. Some of large cap companies are Reliance Industries Limited, Tata Consultancy Services, HDFC Bank, ICICI Bank, Infosys Ltd, Hindustan Univar Ltd, State Bank of India, ITC Ltd, Bajaj Finance Ltd etc.

**Mid Cap Fund:** The investment in 101 to 250 companies is regarded as mid cap. In Indian stock market, mid-cap companies generally have a market capitalization between Rs. 5,000 crore and Rs. 20,000 crore. Some mid cap companies are Lemon Tree Hotels India Ltd, Ceat Ltd, Persistent Systems Ltd, Muthut Finance, Polycab, Ashok Leyland etc. These mid-cap companies represent a diverse range of sectors and have proven best returns over 5 to 10 years span. They also balance the risk and returns.

**Mid Cap Fund:** The investment in above 250 companies is regarded as small cap. Their capital is less than Rs. 5,000 crores. They are in growth stage but has high potential. There is option to investors. Those who have high risk appetite can be interested in these funds. Their annual returns are some times more than 50%. Some of mid cap companies are Masket Ltd, V-guard Industries, Yathra Online Ltd, Easy Trip Planners ltd etc.

### 4.2. WHAT IS SMALL CAP MUTUAL FUND?

They invest in the stocks of small-sized (say 251 or more) companies in India. The market capitalization of these companies is around Rs. 5,000. Some of small cap companies are Aegis Logistics Ltd, Indraprastha Gas Ltd, Aster DM Healthcare Ltd, IDBI Bank Ltd, Narayana Hrudayalaya Ltd, Etc.

#### Advantages of Small Cap Companies

- 1) There is a benefit of investing early at low price through IPOs and fantastic growth is ensured in future.
- 2) They are best suitable for aggressive investors with 10 or more investment horizon.
- 3) They provide advantage of high risk and high reward matrix

#### Popular Top Ten Small -Cap Funds in India

Fund Name	Fund Size (Rs. In Crores)	Average Returns p.a. (%)
Bandhan Small Cap Fund	10,244	32.44
Quant Small Cap Fund	26,222	30.86
Invesco India Small Cap Fund	6,822	29.65
Nippon India Small Cap Fund	58,029	29.19
Tata Small Cap Fund	9,418	27.24
Franklin India Smaller Companies Fund	12,530	27.11
HSBC Small Cap Fund	14,737	27.02

Bank of India Small Cap Fund	1,639	26.58
Edelweiss Small Cap Fund	4,237	26.51
HDFC Small Cap Fund	30,880	26.23
<b>Average Return of 29 funds</b>		<b>25.54</b>

### What is Mid Cap Mutual Fund?

They invest in the stocks of mid-sized (say 101 – 250) companies in India. Some of mid cap companies are Hindustan Zinc Ltd, Solar Industries India Ltd, Kalyan Jewellers, Persistent Systems, Mphasis etc.

### Advantages of Mid Cap Companies

- 1) They are high growth stocks and provide market beating returns.
- 2) They sustain during tough market conditions.
- 3) They are best suitable for aggressive investors with 7 or more investment horizon.

### Popular Top Ten Mid -Cap Funds in India

Fund Name	Fund Size (Rs. In Crores)	Average Returns p.a. (%)
Motilal Oswal Mid Cap Fund	27,770	32.57
Edelweiss Mid Cap Fund	9,242	29.19
Invesco India Mid Cap Fund	6,642	29.14
Nippon India Growth Fund	34,690	29.37
HDFC Mid Cap Opportunities Fund	74,910	27.91
Mahindra Manulife Mid Cap Fund	3,553	26.88
Sundaram Mid Cap Fund	11,690	26.12
Quant Mid Cap Fund	8,776	25.83
ICICI Prudential Mid Cap Fund	5,932	25.73
Kotak Emerging Equity Fund	49,646	25.37
<b>Average Return of 27 funds</b>		<b>26.78</b>

### What is Large Cap Mutual Fund?

They invest in the stocks of largest 100 companies, highest market capitalization in India. Often, they are regarded as blue chip companies. Some of few blue chip companies are Reliance, TCS, HDFC Bank, Infosys, SBI etc.

### Advantages of Large Cap Companies

- 1) They are well established companies. Their existence is sure in future also.
- 2) They provide most essential goods and services, so their survival is sure in future.
- 3) Their sales and profit growth in the past are consistent.

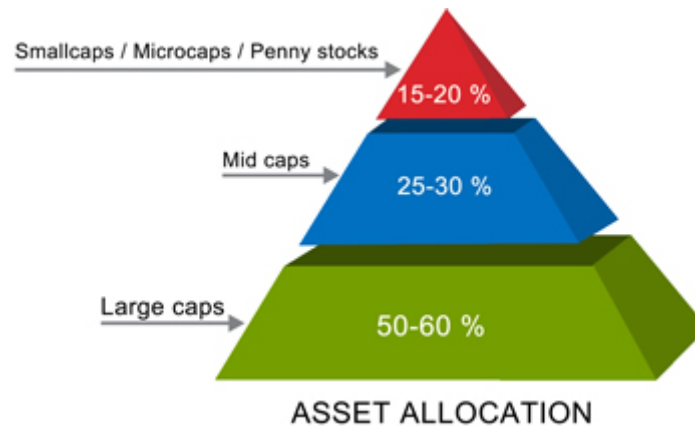
### Popular Top Ten Large -Cap Funds in India

Fund Name	Fund Size (Rs. In Crores)	Average Returns p.a. (%)
Nippon India Large Cap Fund	39,677	22.61
ICICI Prudential Blue Chip Fund	68,034	20.03
Invesco India Large Cap Fund	1,488	19.33
DSP Large Cap Fund	5,611	19.11
HDFC Large Cap Fund	37,315	18.55
Baroda BNP Paribas Large Cap Fund	2,543	18.09
Bandhan Large Cap Fund	1,828	17.98
Edelweiss Large Cap Fund	1,229	17.96
Kotak Blue Chip Fund	9,830	17.86
Canara Robeco Blue chip Equity Fund	15,621	17.80
<b>Average Return of 33 funds</b>		<b>18.88</b>

## 5. FINDINGS AND SUGGESTIONS

- 1) Mutual funds are playing a pivotal role in the economic development of the country.
- 2) They are regarded as investment vehicles since they pool the small savings of many people and carry these collected funds to the industry requirements.
- 3) Mutual funds are managed by proficient fund managers who are experienced and have strong confidence in their career.
- 4) The best services are available to the small investors at nominal fees say less than 1% p.a. commission.
- 5) Mutual funds cannot cheat investors since they are regulated by the Securities Exchange Board of India.
- 6) Systematic Investment Plans are creating discipline among investors and ensure regular investments monthly, quarterly, or annually.
- 7) Normally lock in period is two years after which investor can get back his fund.
- 8) Companies registered in the National Stock Exchange are the base for categorizing large, mid and small cap companies.
- 9) Aggressive investors with high risk appetite prefer to invest in small cap companies which ensure more than 30% of returns annually.
- 10) Normal investors in combination of mid and large cap companies.
- 11) Conservative investors who do not wish to take risk prefer to invest in large cap companies which are offering around 20% returns annually.
- 12) The average return provided by the small cap companies is identified at 25.54%.
- 13) The average return provided by the mid cap companies are identified at 26.78%.
- 14) The average return provided by the large cap companies is identified at 18.88%.
- 15) Bandhan Small Cap Fund tops the list among small caps, its annual return is 32.44%.
- 16) Motilal Oswal Mid Cap Fund tops the list among mid-caps, its annual return is 32.57%.
- 17) Nippon India Large Cap Fund tops the list among large-caps, its annual return is 22.61%.
- 18) As per SEBI guidelines, the fund manager in mutual fund must allocate at least 65% of the investment in mid cap in the form of equity.
- 19) Remaining 35%, he is investing in large and small cap companies.
- 20) Mutual funds are mutually helping the investors and companies. So, they are regarded as boon to both.

### ASSET ALLOCATION MODEL IN AUMS



## 6. CONCLUSION

From the above studies, it can be concluded that mutual funds are playing an important role in the economic development of the country like India. The Systematic Investment Plans offered by mutual funds create financial

discipline among small and medium investors. People who are able manage their portfolios can invest their funds directly into the equity of large, mid and small cap companies. But, those who do not have financial knowledge and who do not have time can be benefited by the mutual funds.

## CONFLICT OF INTERESTS

None.

## ACKNOWLEDGMENTS

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