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A DESCRIPTIVE STUDY ON AN INVESTMENT OPPORTUNITY IN FLEXI CAP MUTUAL FUNDS

Dr. Manjula K R [1], Dr. Subramanya S V [2], Dr. Anil N [3], Dr. Ramesha V [4]

[1] Associate Professor, Department of Commerce, Government College for Women, Kolar, India
[2] Associate Professor, Department of Commerce, Government First Grade College, KR Pura, Bengaluru, India
[3] Associate Professor, Dept. of Commerce, Govt. First Grade College, Bagepalli
[4] Associate Professor & Co-Ordinator, Dept. of PG Studies in Commerce, Govt. College for Women, Kolar, India

Corresponding Author
Dr. Ramesha V,
mathrushree.ramesh@gmail.com

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ABSTRACT

The fund manager must have freedom to select the investment opportunities in large, mid and small cap companies. But the Securities Exchange Board of India has restricted the fund manager to invest in 25% each in large, mid and small cap companies. This does not let the fund manager to enjoy the best investment avenues though he is talent enough to select best capital investment opportunities. So, the Securities Exchange Board of India has emerged the flexi cap fund in 2020 which provides freedom to fund manager to invest as per market conditions such bearish and bullish. He is suggested to invest more funds in small and mid-cap companies in during bullish market conditions and similarly he is allowed to invest more funds in large cap companies like HDFC Bank, Reliance Industries, Infosys, TCS, Asian Paints, L & T etc during bullish market conditions. The present study is secondary data based. The data is collected from text books, magazines and journals and newspapers. The data also taken from you tube channel. The main findings of the study are SEBI's freedom is applied by the fund manager for increasing returns to the investor. Fund manager has no restrictions for selecting investment avenues.

Keywords: Flexi Cap, Large Cap, Mid Cap, Motilal Oswal Etc

1. INTRODUCTION

Fund managers are restricted to allocate the funds in case of large, mid and small cap mutual funds. The fund manager must allocate certain minimum percentage of investments among these three category of funds. But, the market conditions are different for large, mid and small cap companies. Now, Securities Exchange Board of India allowed the fund manager to allocate in his or her own calculations in flexi cap fund. Here, the fund manager can balance his funds among all three funds in any percentage criteria. This given lots of liberty to get favor of market conditions. But, investors should remain silent by sitting tightly over long term say more than seven years. Flexi cap fund investment required the temperament of the investors. They should wait for the good conditions. Fund manager has lots of research over Initial Public Offer. If he is confident of a particular company over five years, immediately, large returns may not be expected.

So, investors must have patience and wait over long term results. So, financial experts felt that flexi cap mutual funds are best suitable to investors of high patience.

2. REVIEW OF LITERATURE

Raju, Manjutha and Sachin (2028) the authors have found that mutual fund is bridging between investors and companies. It is pooling the small savings of people and thereby satisfying the huge financial needs of the companies. The study was done based on both type of data such as secondary and primary. Primary data was collected with 200 respondents. The type of the study was empirical in nature. Structured questionnaire was designed. The open and closed ended questions were asked to the respondents. The respondents are taken from Davanegeri district based on snow ball sampling. The statistical tests such as chi-square, Anova, correlation and regression were constructed to validate the primary data.

Samira and Sathyanaraya Gowda (2018), the article made an attempt to enquire the financial habits of people in our country. It reveals that Indians follow income mines expenditure is savings. So, they are unable to control expenditure due to heavy inflation in India. The authors have suggested to apply a formula such as income minus savings (at least 30%) is expenditure. The authors have given a financial model such as if Rs. 1,00,000 is monthly income, first savings must be made Rs. 30,000 and invested in Systematic Investment Plans and remaining Rs. 70,000 can be spent on expenditure as per needs, wants and enjoyment.

Muthalif and Munivel (2019) opined that investments must be done in accordance to the investors choices and funds manager's proficiency. So, while starting investment, investor's option must be taken in writing. The study has covered the 150 respondents in Dharmapuri district in March 2019. There are 99 male and 51 female respondents in the study. Simple random sampling is applied to select the sample. Descriptive statistics such mean, median, standard deviation are calculated to validate the data. The main findings of the study includes There exists a significant association among awareness level and mutual fund schemes, expected return and period for waiting. There is as such no difference found between risk levels, age, interest and return-risk trade off related to mutual fund. The researcher concluded that customer's need identification of best mutual funds management companies

Raju Gowda (2011) the author has conducted a case study on various mutual fund schemes such as open ended and closed ended scheme. The study was analytical. The data has been collected from secondary sources such as text books, magazines and journals, newspapers, you tube videos. The author has compared the financial discipline of Indians and Japanese. It spells that Indians are present oriented in spending but Japanese are futuristic. They work for the betterment of next generation people.

3. BENEFITS OF INVESTING IN FLEXI CAP MUTUAL FUNDS

The investment in flexi cap mutual fund is beneficial to both fund manager as well as investors. Some of benefits are

1) They offer exposure to invest in all sectors on Indian economy.
2) The SEBI does not restrict the fund manager the percentage of investments in large, mid and small cap companies.
3) The investment is best suitable for investors whose investment horizon is more than seven years.
4) It eliminates the requirement to buy different funds for market coverage broadly.
5) They ensure diversification across market and different sectors.
6) These funds are managed by professional fund managers who are always dynamic.
7) They continuously conduct research on large, mid and small cap companies.
8) They are changing the funds by buying and selling at profits as per bullish market conditions.
9) They offer more potentiality over long term and super long term periods.
10) There is tax efficiency. There is tax free benefit on short term capital gains upto Rs. 1,00,000 p.a.
11) Only 15% of tax is levied beyond Rs. 1,00,000 capital gains in a year.

4. CONSIDERATIONS BEFORE INVESTING IN FLEXI CAP MUTUAL FUNDS

1) **Market volatility:** It is said that markets are always subjected to volatility. So, during bullish period, investment in small and mid-cap companies would be better. During bearish period, investment in large cap companies would be appreciated. This will be perfectly done by the fund manager.
2) **Fund manager's expertise:** The investors must study the fund manager's education, experience and past returns ensured by him.
3) **Long term investment horizon:** Flexi cap funds are suitable only for long period say 5 – 7 years investment horizon.

5. POPULAR FLEXI CAP FUNDS IN INDIA

1) **HDFC Flexi Cap Fund:** the fund initiated to provide full freedom to the fund manager in investing the money among large, mid and small cap companies. Its expense ratio is around 1-2% p.a. exit load is 1% if withdrawn before lock in period and 0% thereafter. The risk profile is very high. It is suitable for long term investment journey more than seven years. Equity allocation is 88%.
2) **Parag Parekh Flexi Cap Fund:** the fund name is PPFAS mutual fund. Launched date is May 24th 2013. The expense ratio is 1.33%. Exit load is 2% if redeemed within 365 days. 1% if redeemed within 1 -2 years. 0% there onwards. Asset allocation is 77% into equity.
3) **Motilal Oswal Flexi Cap Fund:** the fund name is Motilal Oswal mutual fund. Launched date is April 8th 2014. The expense ratio is 1.72%. Exit load is 1% if redeemed within 365 days. 0% there onwards. Asset allocation is 75% into equity. It is suitable to high risk appetite people.
4) **Franklin India Flexi Cap Fund:** the fund name is Franklin Templeton Mutual Fund. Launched date is September 29th 1994. The expense ratio is 1.75%. Exit load is 1% if redeemed within one year. 0% there onwards. Benchmark is Nifty 500 TRI. Asset allocation is 95% into equity. Debt investment is around 4-5%. It is suitable to high risk appetite people. The top five holdings are HDFC Bank, ICICI, Bharati Airtel, Infosys, Larsen and Toubro.
5) JM Flexi Cap Fund: the fund name is JM Financial AMC. Launched date is September 23rd 2008. The expense ratio is 1.82%. Exit load is 1% if redeemed within one month. 0% there onwards. Benchmark is Nifty 50 TRI. Asset allocation is 95% - 99% into equity. Debt investment is around 1%. It is suitable to high risk appetite people. Two types of plans regular and direct. 3 year CAGR 23%.

6. SEBI GUIDELINES FOR FLEXI CAP FUND

1) The fund manager should invest at least 65% of the total assets in equity and equity related instruments.
2) The fund manager has no restrictions; he can invest in any percentage in large, mid and small cap companies. This enables the fund manager gain more during unfavorable market conditions; he can shift the funds regularly as per the investment strategies.
3) Flexi cap mutual funds are open ended schemes. So, investors have opportunity to invest and withdraw at any point of time. But, their patience yield better returns.
4) Asset Management Companies are required to select their bench mark index for performance comparison and transparency. In India NSE is the bench mark.
5) SEBI stipulates the mutual funds to ensure clarity for investors, the schemes name must reflect its category.
6) SEBI provides opportunity to the mutual fund and investors to convert the present scheme into flexi cap fund. But, the fund has to give proper and prior notification to the invests.

7. THE INCEPTION OF FLEXI CAP FUND

Before the introduction of flexi cap, multi cap funds had the flexibility to invest across different market capitalizations. But, they were guided to invest 25% of the total assets in large, mid and small cap companies. So, in

September 2020, SEBI relaxed this restriction in investment across various capitalizations. This lets the fund managers to invest in any percentage among large, mid and small cap companies.

8. STATEMENT OF THE PROBLEM

Mutual fund manager though free bird enough to select large, mid and small cap companies investment, he is tied up with 25% of his asset on large, mid and small cap each. This restriction is not given full freedom to the fund manager. So, in the year 2020, the Securities Exchange Board of India has come up with flexi cap scheme. It allows the fund manager invest in any percentage among large, mid and small cap companies. Therefore, the present study has been made on flexi cap companies for mutual fund investment.

8.1. OBJECTIVES OF THE STUDY

1) To study basics of flexi cap investment by the fund manager.
2) To study the review of literature regarding mutual fund investment in India.
3) To provide valuable suggestions to fund managers and investors.

8.2. SCOPE OF THE STUDY

The present study has been done in 2021 in Dharmapuri district. The respondents include both male and female, they have taken on snowball sampling basis.

8.3. REFERENCE PERIOD

The study has been done in the year 2021 from March to June.

9. FINDINGS AND SUGGESTIONS

1) Flexi cap offer exposure to invest in all sectors on Indian economy.
2) The scheme is introduced SEBI in 2020 and it does not restrict the fund manager the percentage of investments in large, mid and small cap companies.
3) The investment is best suitable for investors whose investment horizon is more than seven years.
4) It eliminates the requirement to buy different funds for market coverage broadly.
5) They ensure diversification across market and different sectors.
6) These funds are managed by professional fund managers who are always dynamic.
7) Some of popular flexi cap offering mutual funds are HDFC, Parag, Motilal Oswal, Franklin India.
8) The fund manager should invest at least 65% of the total assets in equity and equity related instruments.
9) The fund manager has no restrictions; he can invest in any percentage in large, mid and small cap companies. This enables the fund manager gain more during unfavorable market conditions; he can shift the funds regularly as per the investment strategies.
10) Asset Management Companies are required to select their bench mark index for performance comparison and transparency. In India NSE is the bench mark.
11) SEBI provides opportunity to the mutual fund and investors to convert the present scheme into flexi cap fund. But, the fund has to give proper and prior notification to the invests.
12) The purpose of Flexi cap fund is giving full freedom to the fund manager to invest according to market conditions – bullish and bearish.

10. CONCLUSION

Mutual funds are playing an important role in the economic development of the country. Mutual funds are monitored by Securities Exchange Board of India. The SEBI given full freedom to the fund manager to invest in his own research ideas according market conditions such as bullish and bearish. This encourages the fund manager to make use of investment in small cap companies during bullish market conditions and investment can be done in large cap companies such as HDFC, Reliance, Infoys, TCS during bearish market conditions.

CONFLICT OF INTERESTS

None.

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