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A Study on impact of Pandemic on performance of children Fund

Manisha kumari¹, Dr. Vishal Kumar²

¹Research Scholar- ICFAI university, Jharkhand

²Assistant professor - ICFAI University, Jharkhand

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ABSTRACT

COVID-19 and the worldwide lockdown left life in worse condition in which people struggle to meet their livelihood. People are concerned about their lives, jobs, savings, education cost and investments. This paper had analysed the changes in the mutual fund industry in India due to the pandemic from 2018 to March 2021. Children fund regular growth funds has been considered for this study to analyse their performance along with the other investment avenue to secure child future. The results show that the return of majority of the funds had jumped, while some funds had return to normal during the period. The paper has analysed solution oriented schemes from the perspective of number of folios, redemption/repurchase, asset under management and return.

Introduction

Mutual Fund : Mutual Fund is form of Collective Investment that pools of money from investor and invested and managed by Fund Manager based on the objective and Nature of Fund . Mutual Fund can be divided into three category : Open ended, Closed ended and interval fund.

Children fund is a solution oriented open ended scheme of mutual fund to offers returns that help to meet future financial requirement i.e higher education cost ,boarding , reallocation cost in order to achieve future dream of child. This investment avenue is tailor-made for parents who want to create a substantial financial backup for their children to help them build their careers. It also offers customisable options for seasoned investors and helps build discipline amongst new long-term investors. This creates long term appreciation and come under the category of hybrid /balanced fund. Fund manager invest in a combination of debt and equity. with the help children plans , different goals for different phases can be accomplished i.e child schooling Higher education,health care needs, wedding plan, home and purchase plan. At present ten Children mutual Funds available in India

are Icici Prudential Child care, Hdfc Children Gift Fund, Tata Young Citizen Fund, Franklin's Children Asset Plan, UTI children Career plan, Axis Children's Gift Fund, Aditya Birla Sun Life Bal Bhavishya Yojna, SBI Magnum Children's Benefit Fund - Savings Plan, LIC Children gift fund. Apart from Children Mutual Fund Other Avenue which can secure the child future :

1. Systematic investment plan: Goal Based Investment tool will help in creating corpus for the child.
2. Sukanya Samriddhi Yojna(SSY): Scheme was Launch by Government of India to secure girl Child's Future.
3. Children insurance plan: This is combination of Insurance and investment plan to ensure life of junior and financial need as well
4. Gold : Gold investment is perfect for hedge against equity when the market is volatile. Parent can make investment in ETF, E-gold , Gold Mutual Fund.
5. Public Provident Fund: it is long term investment plan with the lockin period of 15 years
6. National Saving Certificate : NSC can be purchased for a period of 5 year and reinvested the same maturity.

Due to uncertainty and increasing Cost of Education, children fund is one of option available with parents to achieve aspiration of little ones. Lot of investment avenues are availed in the market to overcome the uncertainty.

Statement of Problem:

The cost of higher education is quite high and increasing at the rate of 10 to 15 % per annum. Children education is most important cash inflow which can't be avoided and all parents should prepare and compulsory save 20-30% their earning and investment in Child specific investment avenue. One side increasing cost of education and other is Uncertainty (certain increase in Corona cases impacted the children a lot. Keeping pandemic into Mind, My Study will help parents to Choose appropriate avenue depending on their Risk Taking Capacity and Excepted Amount Required to fulfil the dream of Child. This study is conducted to find out the impact of Covid-19 on fluctuation of NAV and its performance on children Fund

Literature Review:

1. Sangiseti Manoj(2020), Mutual Fund organizations are intermediaries providing financial services through mobilisation, comparative analysis of growth oriented equity scheme for 5 months during Covid-19 based on return and risk. The examination was accomplished by surveying different monetary tests like Average Return, Sharpe Ratio, Treynor,Ratio, Standard Deviation and Beta..
2. Monty (2017), This study included a review of various papers published over the time period related to comparative performance, growth and performance, investor's perception towards mutual funds etc. The paper concluded the attention to be paid to the correlation between the funds and market return
3. Agarwal(2017), The study concluded to measure the performance of selected Mutual fund scheme on the basis of Risk and return and compare the schemes with benchmark and ranked the fund and suggested the strategies to investment.

4. Dr. Shriprakashsoni(2015) concluded comparative study of scheme offered by Kotak mutual fund and HDFC mutual Fund. Kotak is good in large cap equity where as hdfc good in Mid Cap .schemes. whereas both are managed in debt market. All the study Conducted Mutual Fund as a whole or comparative study conducted to two mutual fund companies. My studies is concentrated to understand the performance of solution oriented scheme of Mutual fund.

Objectives of the Study:

1. To Study the performance of children fund – A solution oriented scheme based on Assets under Management (AUM)
2. To compare the Performance of children Fund in by using sharpe ratio
3. To compare the Performance of children Fund with other alternative investment avenue used to secure child future

Data Source and Research Methodology

This research paper accomplished to analyse the impact of COVID-19 pandemic on the Indian Mutual Fund industry.

Source of information:

The study is based on Secondary data acquired from newspaper articles, journal articles, reports and web materials.

Data Analytical Method : Average return, Standard Deviation , Sharpe Ratio

Sharpe ratio: Sharpe Index is based on the scheme's total risk and scheme's performance adjusted for risk. Hence the Sharpe index measure reflects the excess return earned on a fund per unit of total risk (standard deviation).

The risk free rate of return is considered as 6.14 (Rf on 31.3.2021)

Sharpe Index = [(return of children Fund - Risk-free Rate of Return) /standard deviation of Fund]

i.e. $[(R_p - R_f) / \sigma_p]$

Scope & Limitation:

1. This Study was limited to Children fund under regular growth option and only Sharp ratio has been considered for analysis
2. Time horizon taken into consideration was 2018-19 till- 31 march 2021.

Data Analysis:

Number of scheme, Number of folio, fund mobilisation and Assets Under Management (AUM) of children fund under Solution Oriented Schemes of Mutual fund

Table 1: Growth of AUM in the Pre-COVID and during COVID 19 (Rs. in crores)

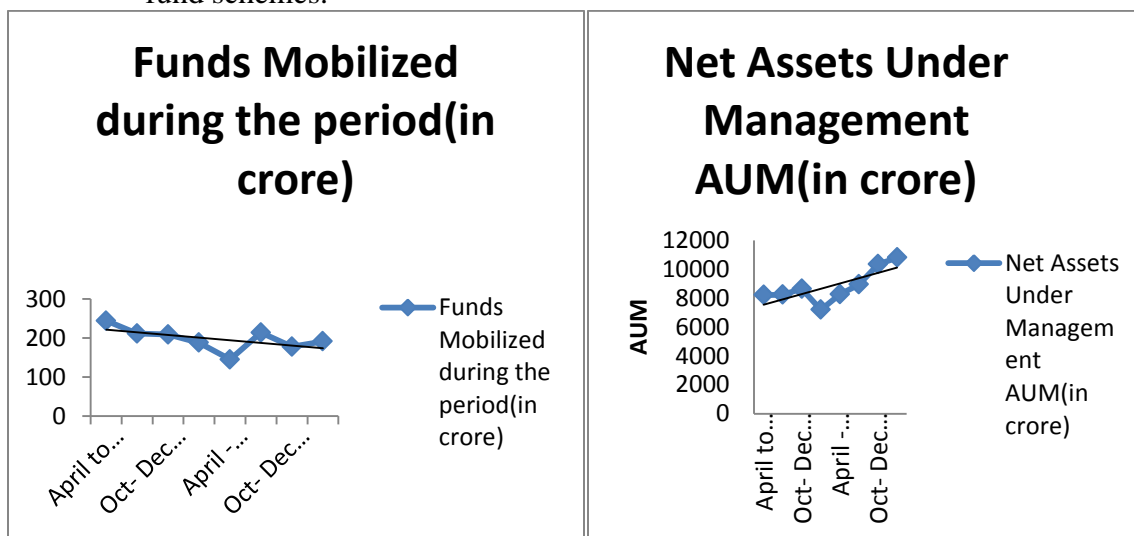
CHILDREN FUND(solution oriented scheme of Mutual fund)								
	April to June 2019	July - Sep 2019	Oct - Dec 2019	Jan- March 2020	April - June 2020	July – Sept 2020	Oct- Dec 2020	Jan to Mar 2021
No. of Schemes	9	9	9	9	9	10	10	10
No. of Folios	288369	288708	289172	289208	289117	289372	288861	288387

	6	8	3	7	5	0	6	7
Funds Mobilized during the period(in crore)	244	211	209	188	145	213	177	191
Net Assets Under Management AUM(in crore)	8210	8235	8648	7192	8257	8944	10338	10808

Source: AMFI

To understand the growth Of AUM from Children funds during the Pre-covid and during - Covid the secondary data was collected. The period from April to June 2019, July to September 2019, October to December 2019, January to March 2020, is a pre-covid stage and the period from, April to June 2020, July to September 2020, October to December 2020, Jan to Mar 2021 is considered as during pandemic. The Number of children fund schemes appears to be 9 schemes during the pre-covid and 10 schemes during the Covid period. The scheme introducers in order to overcome the effect of pre-covid period and to attract the investors in children funds they have increased the schemes.

The number of folios during the pre-covid period from April to June 2019 is 28,83,696, July to September 2019 is 28,87,088, October to December 2019 is 28,91,723 and in January to March 2020 is 28,92,087. Further, during the pandemic period April to June 2020 is 2891,175, July to September 2020 is 2893720 , October to December 2020 is 28,88,616 and in Jan to Mar 2021 is 2,883,877. The number of portfolios was towards the increasing trends during the pre-covid period but, suddenly the trend reduced during the covid period. The number folios are decreased due to the reduced per-capita income of investors, unemployment problems, lockdowns, amendments in the disaster management act and so.on. The Fund managers should introduce the new schemes like reduced monthly payment schemes and with reasonable returns in order to boost the investments in children fund schemes.



The Net assets under Management during the pre -covid period from April to June 2019 is 8210, July to September 2019 is 8235, October to December 2019 is 8648

and in January to March 2020 is 7192. Likewise, during the covid period April to June 2020 is 8257, July to September 2020 is 8944, October to December 2020 is 10338 and in Jan to Mar 2021 is 10808. The Net assets under Management is reduced during the covid period due the financial impact and economic situation in the world. The wealth managers should focus on how to rebuild and retain the existing investors. The fund managers have to make amendments like postponement of payments of monthly income schemes and so on in the existing schemes to retain the investors and attract the new investors specially to the children schemes.

TABLE 2: sharpe ratio of of various children Fund and market index

year	2018-19	2019-20	2020-21	average	SD	Sharpe Ratio
Children Fund	return	return	return	return		
Aditya Birla Sun Life Bal Bhavishya Yojna		- 21.52 %	52.46 %	15.47 %	52.31 %	0.29
Axis Children's Gift Fund	4.42%	- 10.85 %	47.31 %	13.63 %	30.15 %	0.45
HDFC Children's Gift Fund	8.20%	- 19.51 %	57.02 %	15.24 %	38.75 %	0.39
ICICI Prudential Child Care Fund-Gift Plan	7.22%	- 20.73 %	46.86 %	11.12 %	33.96 %	0.33
LIC MF Children's Gift Fund	3.21%	- 14.38 %	44.50 %	11.11 %	30.22 %	0.37
SBI Magnum Children's Benefit Fund - Savings Plan	4.61%	- 8.25%	25.90 %	7.42%	17.25 %	0.43
Tata Young Citizens Fund	- 2.36%	- 21.55 %	70.62 %	15.57 %	48.63 %	0.32
UTI Children's Career Fund-Investment Plan	5.15%	- 24.31 %	73.25 %	18.03 %	50.04 %	0.36
UTI Children's Career Fund-Savings Plan	2.22%	- 11.04 %	30.51 %	7.23%	21.22 %	0.34
Average of Children Fund	4.08 %	- 16.90 %	49.82 %	12.33 %	34.12 %	0.36
Market index						
NIFTY 50 65:35 Index Hybrid Composite Debt	13.14 %	- 12.89 %	48.18 %	16.14 %	30.64 %	0.52

CRISIL Hybrid Aggressive Total Return Index (35+65)	10.46 %	- 12.94 %	49.75 %	15.76 %	31.68 %	0.50
NIFTY 50 Hybrid Composite Debt 15:85 Index	8.16%	5.87%	17.06 %	10.36 %	5.91 %	1.74
CRISIL Hybrid 25+75 Aggressive Index	10.95 %	- 25.24 %	76.26 %	20.66 %	51.44 %	0.40
S&P BSE 200 Total Return Index	12.10 %	- 26.44 %	77.58 %	21.08 %	52.58 %	0.40
CRISIL Short Term Debt Hybrid 60+40 Fund Index	9.63%	- 4.98%	32.51 %	12.39 %	18.89 %	0.65
average market index	10.74 %	- 12.77 %	50.22 %	16.06 %	31.83 %	0.50

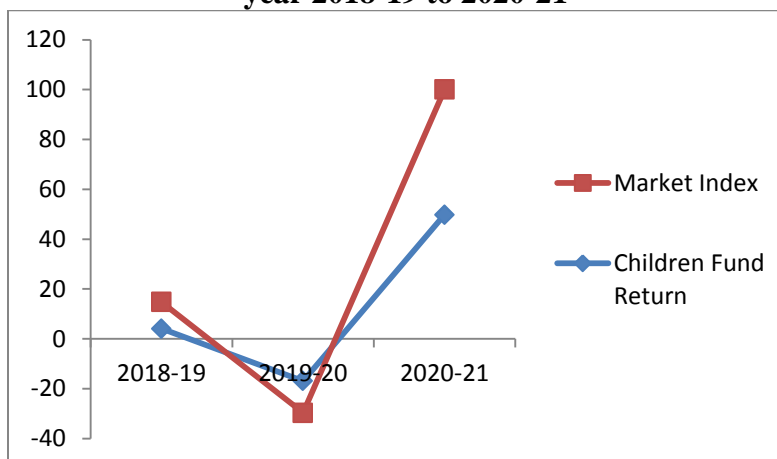
To know the average return of children schemes and Market Index for the year 2018-2019 to 2020-2021 offered by various Institutions comparative study is conducted. The Average return of three years provided by Aditya Birla Sun life Bal Bhavishya Yojna in the year is 15.47 (SD= 52.3 1%, Sharpe ratio= 0.29). Likewise, the average return of Axis Children's Gilt Fund is 13.63. (SD= 30.1 5%, Sharpe ratio= 0.45) Furthermore, average return of HDFC Children's Gilt fund is 15.24 (SD= 38.7 5%, Sharpe ratio= 0.39). Eventually, the average return of ICICI Prudential Child Care Fund Gift Plan is 11.12 (SD= 33.9 6%, Sharpe ratio= 0.33). The average return of LIC MF Children's Gift Fund is 11.11 (SD= 30.2 2%, Sharpe ratio= 0.37). Likewise, SBI Magnum Children's Benefit Fund - Savings Plan is 7.42 (SD= 17.2 5%, Sharpe ratio= 0.43). Furthermore Tata Young Citizens Fund is 15.57 (SD= 48.6 3%, Sharpe ratio= 0.32). Likely, UTI Children's Career Fund - Investment Plan is 18.03 (SD= 50.0 4%, Sharpe ratio= 0.36). Lastly, UTI Children's Career Fund Savings Plan 7.23 (SD= 21.2 2%, Sharpe ratio= 0.34).

The average children fund offered by all the Financial institutions under the study in the year 2018-19 is 4.08%. Likewise, in the year 2019-20 is 16.90%. Further, in the year 2020-21 is 49.82%.

The Market Index in the year 2018-19 is 10.74%. Eventually, in the year is 2018-19 is 10.74%. Likewise, in the year is 2020-21 is 50.22%

The Axis Children's Gilt Fund with the average return 13.63. (SD= 30.1 5%, Sharpe ratio= 0.45) is performing better in the market comparing to the other children's fund scheme in the market. It is advisable to all other scheme issuers to reconstruct the scheme plans to boost the investors in order to invest in the children's funds. The scheme issuers should also promote the schemes and they need to plan for personal meeting specially with the parents in order to motivate the parents to invest in such schemes.

Year wise Average Return Performance of child fund and Market index for the year 2018-19 to 2020-21



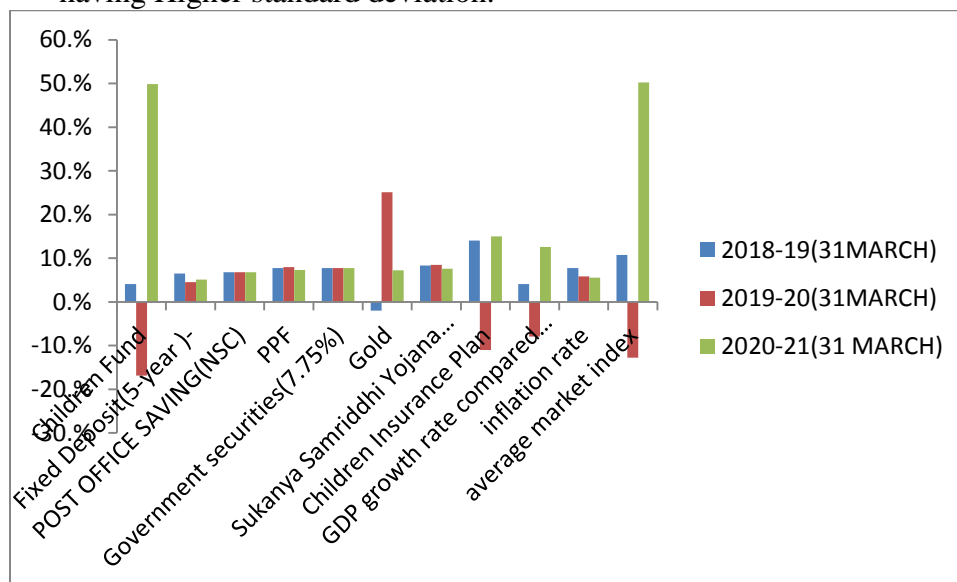
Children Fund recovered faster as Compare to Market index , but Fund Manager Should Work to Maximise Return with Comparatively lower than market index. Graphs Depicts the average Return performance of Child Fund and Market Index.

Table 4 : Annual Return of other Child Investment Avenues, GDP growth rate and Inflation Rate for the period of 2018-19 and 2019-20

year	2018-19(31MAR CH)	2019-20(31MAR CH)	2020-21(31MARCH)	Average RETURN	Standard Deviation(RISK)	Correlation with children fund
Children Fund	4.08%	-16.90%	49.82%	12.33%	34.12%	
Fixed Deposit(5-year)-	6.50%	4.50%	5.10%	5.37%	1.03%	0.09%
POST OFFICE SAVING(NSC)	6.80%	6.80%	6.80%	6.80%	0.00%	
PPF	7.70%	7.95%	7.30%	7.65%	0.33%	-1.00%
Government securities(7.75%)	7.75%	7.75%	7.75%	7.75%	0.00%	
Gold	-2.04%	25.10%	7.25%	10.10%	13.79%	-0.47%
Sukanya Samriddhi Yojana (SSY)	8.30%	8.45%	7.60%	8.12%	0.45%	-0.99%
Children Insurance Plan	14.00%	-11.00%	15.00%	6.00%	14.73%	0.76%
GDP growth rate compared to previous year	4.04%	-7.97%	12.55%	2.87%	10.31%	0.95%
inflation rate	7.76%	5.84%	5.52%	6.37%	1.21%	-0.34%
average market index	10.74%	-12.77%	50.22%	16.06%	31.83%	1.00%

To analyse the various types of children Investment avenues the secondary data is collected of three years i.e, 2018-19, 2019-20 and 2020-21 analysed by applying the

Standard Deviation and Correlation. Children fund is giving highest Return and having Higher standard deviation.



Finding

1. The Number of children fund schemes appears to be 9 schemes during the pre-covid and 10 schemes during the the Covid period. The scheme introducers in order to overcome the effect of pre-covid period and to attract the investors in children funds they have increased the schemes.
2. The number of folios during the pre-covid period from April to June 2019 is 28,83,696, July to September 2019 is 28,87,088, October to December 2019 is 28,91,723 and in January to March 2020 is 28,92,087. Further, during the the covid period April to June 2020 is 2891,175, July to September 2020 is 2893720, October to December 2020 is 28,88,616 and in Jan to Mar 2021 is 2,883,877.
3. The Net assets under Management during the pre -covid period from April to June 2019 is 8210, July to September 2019 is 8235, October to December 2019 is 8648 and in January to March 2020 is 7192. Likewise, during the during the covid period April to June 2020 is 8257, July to September 2020 is 8944, October to December 2020 is 10338 and in Jan to Mar 2021 is 10808.
4. UTI Children's Career Fund-Investment Plan is best performer followed by Tata Young Citizens Fund is 15.57 (SD= 48.6 3%, Sharpe ratio= 0.32).
5. The average children fund offered by all the Financial institutions under the study in the year 2018-19 is 4.08%. Likewise, in the year 2019-20 is 16.90%. Further, in the year 2020-21 is 49.82%.
6. The Market Index in the year 2018-19 is 10.74%. Eventually, in the year is 2018-19 is 10.74%. Likewise, in the year is 2020-21 is 50.22%

Suggestion

1. The study has found that returns are comparatively good as compare to respective market index as bench marks but still AUM and customer penetration is comparatively lower than other fund .
2. The number folios are decreased due to the reduced per-capita income of investors, unemployment problems, lockdowns , amendments in the disaster

management act and so on. The Fund managers should introduce the new schemes like reduced monthly payment schemes and with reasonable returns in order to boost the investments in children fund schemes.

3. The Net assets under Management is reduced during the covid period due the financial impact and economic situation in the world. The wealth managers should focus on how to rebuild and retain the existing investors. The fund managers have to make amendments like postponement of payments of monthly income schemes and so on in the existing schemes to retain the investors and attract the new investors specially to the children schemes.

4. It is advisable to the scheme issuers to reconstruct the scheme plans to boost the investors in order to invest in the children funds. The scheme issuers should also promote the schemes and they need to plan for personal meeting specially with the parents in order to motivate the parents to invest in such schemes.

Scope for further Research:

This study has been limited to understand the performance of children specific funds, parent preference, perception and behaviour related study can be conducted .

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