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IMPACT OF UNION BUDGET ANNOUNCEMENT ON THE DEPLOYMENT OF EQUITY MUTUAL FUNDS IN VARIOUS SECTORS IN INDIA

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Abstract

This study investigates the impact of Union Budget announcements on the deployment of equity mutual funds across various sectors in India. The deployment of equity mutual funds serves as a vital indicator of investor sentiment and market dynamics, yet the influence of budgetary decisions on these allocations remains underexplored. Utilizing a quantitative research design, we analyze historical data on equity mutual fund deployment before and after budget announcements, employing paired samples t-tests to assess significant differences among sectoral fund allocations. The findings reveal that budget announcements do not result in statistically significant changes in fund deployment across most sectors, indicating a potential disconnect between government policy and market response. The study provides valuable insights for policymakers, fund managers, and investors, highlighting the need for deeper understanding of investment behavior in response to budgetary measures. By shedding light on the complex dynamics between fiscal policy and equity markets, this research contributes to the growing body of literature at the intersection of public policy and finance, offering implications for future research and investment strategies.

Keywords: Equity Mutual Fund, Union Budget, Fund Deployment, Paired sample t test.

Introduction

The Union Budget is a pivotal event in India's fiscal calendar, serving as a comprehensive blueprint for the government's economic policies and priorities. Announced annually, it shapes the financial landscape by influencing various sectors through allocations, incentives, and regulatory changes. As the government lays out its strategic vision for economic growth, understanding how these budget announcements impact financial markets, particularly equity mutual funds, becomes crucial for investors and policymakers alike. Equity mutual funds, which pool resources from multiple investors to invest in stocks, are critical barometers of investor sentiment and market confidence.

Despite the significance of these funds, research on the relationship between Union Budget announcements and the deployment of equity mutual funds remains scarce. This gap is notable given that mutual funds are not only vital for capital market development but also reflect the expectations and reactions of investors to government policies. As sectors respond differently to budgetary measures, examining these variations can provide deeper insights into market dynamics and investor behavior.

This study aims to investigate the impact of Union Budget announcements on the deployment of equity mutual funds across various sectors in India. By analyzing historical data before and after budget announcements, this research seeks to identify whether significant shifts occur in fund allocations and which sectors demonstrate heightened sensitivity to these fiscal policies. The findings are expected to inform stakeholders, including policymakers, fund managers, and investors, fostering a better understanding of the interplay between government actions and market responses. Ultimately, this research contributes to the growing body of literature at the intersection of public policy and finance, illuminating the complexities of investment behavior in a dynamic economic environment.

Review of Literature

In a series of studies exploring the impact of Union Budgets on various economic indicators in India, several key findings emerged. Susan and Shah (2002) examined the stock market's response to Union Budget events using an event study methodology, discovering that while the post-budget period experienced higher volatility, it did not correspond to excess returns, with the market adding 10 points to the index. Following this, Gupta and Kundu (2008) analyzed the effects of Union Budgets on stock prices through statistical tests on returns around budget announcements, revealing that the budget exerted its maximum impact on returns immediately surrounding the budget day, although overall volatility did not generally increase post-budget. Lekha Chakraborty (2014) emphasized the macroeconomic framework of the budget over mere fiscal arithmetic, highlighting the need for balanced fiscal and monetary policies to promote growth revival and macroeconomic stability. More recently, Maharaj and Kalyan (2022) investigated the impact of the Union Budget on S&P BSE Sensex stocks, finding that the budget announcement positively influenced security returns and supported the Efficient Market Hypothesis by indicating that the market quickly adjusted to new information without significant abnormal returns. Finally, Thenkovan (2022) utilized a descriptive research method to analyze the financial status of India based on the Union Budget for 2020-2021, noting an increase in revenue expenditure and a fiscal deficit of 3.8 percent, which underscored the government's commitment to supporting economic growth through strategic resource allocation.

Statement of the Problem

The deployment of equity mutual funds is a crucial indicator of investor confidence and market stability. However, the impact of Union Budget announcements on the allocation of equity mutual funds across various sectors in India remains underexplored. Understanding whether these budget announcements influence fund deployment can provide insights into investor behavior and market trends, which are critical for stakeholders, including policymakers, fund managers, and investors.

The researcher has formulated the following research questions:

- How does the Union Budget announcement affect the deployment of equity mutual funds across different sectors in India?
- Are there significant differences in equity mutual fund allocation before and after the Union Budget announcement for various sectors?
- Which sectors show the highest sensitivity to changes in equity mutual fund deployment in response to budget announcements?

Research Objectives

- To evaluate the significance of differences in fund deployment across sectors in response to the budget announcement using statistical methods.
- To identify sectors that exhibit the most substantial changes in equity mutual fund deployment due to budget announcements.

Significance of the Study

The significance of this study lies in its potential to provide valuable insights for a diverse array of stakeholders. For policymakers, understanding the impact of Union Budget announcements on equity mutual fund deployment can inform strategies that promote balanced growth across various sectors, thereby enhancing economic stability. Fund managers and investors stand to benefit from the findings, as the research will offer guidance on investment strategies and fund allocation, enabling more informed decision-making in response to budgetary changes. Additionally, the study contributes to academic literature by exploring the intersection of public policy and financial markets, paving the way for future research in this domain. Overall, this study aims to illuminate the intricate relationship between budgetary decisions and market behavior, fostering a deeper understanding of investment dynamics in India.

Research Methodology

Research Design: A quantitative research design employed, utilizing statistical analysis to assess the impact of Union Budget announcements on equity mutual fund deployment.

Data Collection: Historical data on equity mutual fund deployments in various sectors collected for a period of five years starting from 2020 to 2024 from SEBI website, covering a significant time frame before and after budget announcements.

Statistical Analysis: Paired Samples T-Test: To determine if there are significant differences in equity mutual fund deployment before and after the union budget announcement across sectors.

Sample Size: A targeted sample of equity mutual funds across 34 sectors analyzed.

Data Analysis and Interpretation

Paired Samples ‘t’ Test

The analysis aimed to compare the deployment of equity mutual funds before and after the union budget announcement across various sectors, employing a paired samples t-test to assess statistically significant differences in means between the two conditions. Paired sample statistics, including the mean and standard deviation for each condition, were calculated to provide context for the t-test results. Additionally, the study examined correlations between the deployment of mutual funds pre- and post-budget announcement, calculating each pair’s correlation coefficient (r) and significance level (p) to evaluate the strength and significance of these relationships. The results are summarized below.

Ho: There is no significant difference in the fund deployment across sectors of Equity Mutual Funds before and after budget announcement.

Table 1: Paired Sample ‘t’ Test of Sector Wise Deployment of Equity Mutual Funds Before and After Budget Announcement

Paired Sample ‘t’ Test of Sector Wise Deployment of Equity Mutual Funds Before and After Budget Announcement										
Pair	Sector	Paired Sample Statistics				Paired Samples Correlation		Paired Samples t Test		
		Mean	N	S.D	S.E Mean	Correlation	Sig.	t	df	Sig. (2-tailed)
1	Auto Before Budget	73153.29	5	35029.61	15665.72	0.995	0.000	0.234	4	0.826
	Auto After Budget	72008.1	5	45263.32	20242.37					
2	Auto Ancillaries Before Budget	43075.65	5	21273.58	9513.83	0.973	0.005	0.501	4	0.643
	Auto Ancillaries After Budget	41894.85	5	22634.67	10122.53					
3	Banks Before Budget	455533.2	5	208132.6	93079.72	0.976	0.004	0.753	4	0.493
	Banks After Budget	438521.8	5	226226.5	101171.6					

4	Cement Before Budget	39545.23	5	14827.35	6630.99	0.869	0.056	1.361	4	0.245
	Cement After Budget	33911.77	5	18522.49	8283.51					
5	Chemicals Before Budget	30622.91	5	9295.12	4156.9	0.902	0.036	-0.623	4	0.567
	Chemicals After Budget	32108.83	5	11903.28	5323.31					
6	Diversified Before Budget	13836.53	5	17746.13	7936.31	0.997	0.000	-0.920	4	0.409
	Diversified After Budget	15107.13	5	20486.96	9162.05					
7	Engineering Before Budget	170.09	5	119.56	53.47	-0.390	0.516	-0.290	4	0.786
	Engineering After Budget	212.59	5	262.33	117.32					
8	Ferrous Metals Before Budget	27018.8	5	15248.36	6819.27	0.924	0.025	-0.025	4	0.982
	Ferrous Metals After Budget	27082.78	5	14218.2	6358.57					
9	Fertilisers Before Budget	6653.99	5	3010.50	1346.34	0.997	0.000	-0.213	4	0.841
	Fertilisers After Budget	6763.99	5	4124.54	1844.55					

10	Finance Before Budget	169673.2	5	56782.4	25393.9	0.980	0.004	0.714	4	0.515
	Finance After Budget	162205.3	5	76031.2	34002.2					
11	Gas Before Budget	19731.33	5	9494.49	4246.1	0.973	0.005	-0.280	4	0.794
	Gas After Budget	20109.99	5	11346.55	5074.33					
12	Hardware Before Budget	1522.44	5	1983.37	886.99	0.995	0.000	-0.053	4	0.960
	Hardware After Budget	1529.98	5	2231.69	998.04					
13	Healthcare Services Before Budget	26514.83	5	21597.51	9658.7	0.999	0.000	-0.745	4	0.498
	Healthcare Services After Budget	27411.68	5	24114.78	10784.46					
14	Hotels Before Budget	5884.36	5	3079.86	1377.35	0.779	0.121	1.162	4	0.310
	Hotels After Budget	4767.42	5	3338.75	1493.13					
15	Industrial Capital Goods Before Budget	23411.86	5	10519.68	4704.55	0.970	0.006	1.251	4	0.279
	Industrial Capital Goods After Budget	21536.59	5	12401.63	5546.18					
16	Industrial Products Before Budget	63546.57	5	41497.09	18558.07	0.993	0.001	0.774	4	0.482
	Industrial Products After Budget	61830.28	5	41227.84	18437.65					

17	Media And Entertainment Before Budget	6931.78	5	1835.95	821.06	0.890	0.43	0.925	4	0.408
	Media And Entertainment After Budget	6328.83	5	2828.33	1264.87					
18	Minerals/Mining Before Budget	10179.85	5	3917.87	1752.13	0.976	0.004	-1.305	4	0.262
	Minerals/Mining After Budget	11139.61	5	5230.32	2339.07					
19	Non - Ferrous Metals Before Budget	16478.57	5	7467.78	3339.69	0.931	0.021	0.339	4	0.751
	Non - Ferrous Metals After Budget	15955.17	5	9072.57	4057.38					
20	Oil Before Budget	16505.77	5	12012.36	5372.09	0.993	0.001	-1.204	4	0.295
	Oil After Budget	19049.81	5	16442.84	7353.46					
21	Paper Before Budget	1721.95	5	842.57	376.81	0.931	0.022	0.641	4	0.557
	Paper After Budget	1606.59	5	1043.70	466.76					
22	Pesticides Before Budget	9557.39	5	3005.62	1344.15	0.945	0.015	0.546	4	0.614
	Pesticides After Budget	9279.24	5	3413.14	1526.40					

23	Petroleum Products Before Budget	106256.78	5	51180.55	22888.64	0.993	0.001	-0.870	4	0.433
	Petroleum Products After Budget	108849.74	5	53525.77	23937.45					
24	Pharmaceuticals Before Budget	96685.90	5	31740.56	14194.81	0.982	0.003	-1.030	4	0.361
	Pharmaceuticals After Budget	107441.62	5	53750.25	24037.84					
25	Power Before Budget	65649.79	5	43799.87	19587.89	0.994	0.001	-0.995	4	0.376
	Power After Budget	71621.02	5	55998.99	25043.51					
26	Retailing Before Budget	41378.30	5	32013.43	14316.84	0.975	0.005	-1.184	4	0.302
	Retailing After Budget	55256.39	5	56420.27	25231.91					
27	Software Before Budget	174688.38	5	57957.22	25919.26	0.717	0.173	0.868	4	0.434
	Software After Budget	155739.33	5	68897.88	30812.07					
28	Telecom - Equipment And Accessories Before Budget	984.85	5	472.58	211.35	0.943	0.016	2.091	4	0.813

	Telecom - Equipment And Accessories After Budget	837.47	5	444.11	198.61					
29	Telecom - Services Before Budget	60813.04	5	38840.27	17369.89	0.999	0.000	-0.253	4	0.813
	Telecom - Services After Budget	61251.16	5	42441.99	18980.64					
30	Textile - Cotton Before Budget	1180.44	5	1087.74	486.45	0.914	0.130	1.417	4	0.229
	Textile - Cotton After Budget	893.15	5	894.52	400.04					
31	Textile - Synthetic Before Budget	138.67	5	157.98	70.65	0.986	0.002	-0.677	4	0.535
	Textile - Synthetic After Budget	146.83	5	161.49	72.22					
32	Textile Products Before Budget	9212.56	5	3092.82	1383.15	0.913	0.030	0.253	4	0.813
	Textile Products After Budget	8993.33	5	4294.59	1920.59					
33	Trading Before Budget	1007	5	918.044	410.56	0.524	0.365	0.639	4	0.558
	Trading After Budget	781.81	5	379.62	169.77					

34	Transportation Before Budget	20137.05	5	11969.40	5352.88	0.983	0.003	-1.094	4	0.336
	Transportation After Budget	21737.02	5	14193.08	6347.34					

Source: Computed Data

The analysis of deployment of mutual funds across various sectors revealed notable trends before and after the union budget announcement. In the Auto sector, the mean before the budget (M = 73,153.29, SD = 35,029.61) was slightly higher than after (M = 72,008.10, SD = 45,263.32), indicating a potential negative impact from the budget. Similarly, in Auto Ancillaries, the mean decreased from M = 43,075.65 (SD = 21,273.58) to M = 41,894.85 (SD = 22,634.67). The Banking sector experienced a significant decline, with means of M = 455,533.18 (SD = 208,132.58) before and M = 438,521.89 (SD = 226,226.53) after the budget. In the Cement sector, the mean decreased from M = 39,545.23 (SD = 14,827.35) to M = 33,911.77 (SD = 18,522.49). Contrastingly, the Chemicals sector showed positive growth, with the mean increasing from M = 30,622.91 (SD = 9,295.12) to M = 32,108.83 (SD = 11,903.28). The Diversified sector also exhibited a slight increase from M = 13,836.53 (SD = 17,746.13) to M = 15,107.13 (SD = 20,486.96), while Engineering improved from M = 170.09 (SD = 119.56) to M = 212.60 (SD = 262.33). The Ferrous Metals sector remained stable, with means of M = 27,018.80 (SD = 15,248.36) before and M = 27,082.78 (SD = 14,218.20) after. The Fertilisers sector saw a minor increase, while Finance and Gas experienced slight declines. Overall, mixed results were observed in other sectors, including Healthcare Services and Hotels, highlighting the varied impact of the budget across industries.

The correlation analysis revealed varying degrees of relationships between deployment of equity mutual funds before and after budget implementation across sectors. The Auto sector exhibited an exceptionally strong positive correlation ($r = .995$, $p < .001$), indicating a near-perfect relationship, closely followed by the Diversified ($r = .997$, $p < .001$), Fertilisers ($r = .997$, $p < .001$), Healthcare Services ($r = .999$, $p < .001$), and Petroleum Products ($r = .993$, $p < .001$) sectors, all demonstrating significant correlations. Strong correlations were also observed in the Auto Ancillaries ($r = .973$, $p = .005$) and Banks ($r = .976$, $p = .004$) sectors, while the Chemicals ($r = .902$, $p = .036$) and Ferrous Metals ($r = .924$, $p = .025$) sectors showed moderate to strong correlations. The Cement sector approached significance with a correlation of $r = .869$ ($p = .056$), whereas the Engineering sector exhibited a weak negative correlation ($r = -0.390$, $p = .516$), indicating no significant relationship. Additional notable correlations included strong relationships in the Oil ($r = .993$, $p = .001$) and Pharmaceuticals ($r = .982$, $p = .003$) sectors, while the Software sector showed a weaker correlation ($r = .717$, $p = .173$), suggesting a less consistent relationship between the pre- and post-budget metrics.

The t-test results indicated that none of the pairs exhibited statistically significant differences at the $p < .05$ level across the sectors analyzed. The t-values ranged from -1.305 to 2.091, with degrees of freedom consistently equal to 4. Specifically, the Auto sector showed no significant difference, $t(4) = 0.234$, $p = .826$, while Auto Ancillaries also confirmed stability with $t(4) = 0.501$, $p = .643$. The Banks sector yielded $t(4) = 0.753$, $p = .493$, and the Cement sector's results indicated no significant change with $t(4) = 1.361$, $p = .245$. Similarly, Chemicals showed no significant difference, $t(4) = -0.623$, $p = .567$, and the Diversified sector had $t(4) = -0.920$, $p = .409$. Engineering and Ferrous Metals reflected no meaningful differences, with $t(4) = -0.290$, $p = .786$ and $t(4) = -0.025$, $p = .982$, respectively. The Fertilisers sector also demonstrated stability, $t(4) = -0.213$, $p = .841$. Other sectors, including Finance ($t(4) = 0.714$, $p = .515$), Gas ($t(4) = -0.280$, $p = .794$), and Healthcare Services ($t(4) = -0.745$, $p = .498$), exhibited similar non-significant results. The Telecom Equipment and Accessories sector approached significance with t(4) = 2.091, p = .105, but did not meet conventional levels. Overall, these findings suggest that the deployment of equity mutual funds remained stable across most sectors following the union budget announcement.

Conclusion

The analysis of equity mutual fund deployment across various sectors following the union budget announcement indicates a mixed impact, with some sectors experiencing declines while others showed positive growth. Overall, the results suggest that most sectors maintained stable fund deployment post-budget, as evidenced by the lack of statistically significant differences in means and the predominantly strong positive correlations observed. This stability implies that the budget announcement may not have exerted a meaningful impact on financial performance across these sectors. However, the presence of both negative trends and pockets of growth highlights the complex dynamics at play in response to budgetary changes.

For future research, it is recommended to consider expanding the sample size to enhance the forcefulness of the findings and explore alternative analytical methods that may provide deeper insights into these trends. Additionally, incorporating qualitative analyses could further lighten the contextual factors influencing sector-specific responses to budget announcements. Investigating external variables, such as market conditions and regulatory changes, may also yield valuable information regarding their interplay with mutual fund deployment. By broadening the scope of the analysis, researchers can better understand the nuanced effects of budgetary policies on financial performance across diverse sectors.

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