An Overview Mutual Fund Investments in India

Dr. Dilshad Begum
M.com. M.phil., PhD, Assistant Professor, Department of Commerce, Government College (Autonomous) Mandya-571401

***Abstract* - The present article is based on the overview of mutual fund investments in India. The origin of mutual fund industry started in 1963. Mutual fund investment industry plays pivotal role for the economic development of the country. The development of the mutual funds industry in India from all the parameters like number of asset management companies, various schemes, number of investors, and amount of fund invested in mutual funds, mutual funds for the industrial and economic growth etc. The entire journey of mutual fund investments in India through the collection of households funds to investments in the financial markets under different securities. The study found that mutual fund is an investment vehicle which pool savings of middle and low class in the investment company, the fund manager's uses to collect money and invest under different securities. This study focused on the entire journey of mutual fund investments in India under various securities and also highlighted the risk factors and returns involved under equity and debt funds.**

***Index Terms* - Mutual Fund, Assets under Management, Returns, Risk, Schemes.**

I.INTRODUCTION

Mutual Fund is an investment vehicle for investors and trust that attracts and pools together the savings of a number of investors in diversified portfolio securities who share a common financial goal with an attractive yields and appreciation in their value. The money thus collected is then invested in various capital market or financial instruments such as stock, shares, bonds, gold, debentures government and other securities etc.
Mutual funds are managed by professional investment managers called fund managers. These experts buy and sell securities on behalf of investors. The performance of the fund depends on the performance of the investment portfolio. For this, the fund managers spend a considerable amount of time on market analysis and for choosing the right stock to buy.

According to SEBI a mutual fund defined as a fund, established in the form of a trust to raise money through the sale units of the public under one or more schemes for investing in securities, including money and market instruments.

History of Mutual Funds

- First Phase - 1964-1987

Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

- Second Phase - 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (1987), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (1989), Bank of India (1990), Bank of Baroda Mutual Fund (1992). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.
At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

- Third Phase - 1993-2003 (Entry of Private Sector Funds)

In the year 1993 was the year in which the first Mutual Fund Regulations came into existence with private sector funds, under which all mutual funds, except UTI were to be registered and governed. First private sector mutual fund registered in July 1993 under SEBI

Regulations and revised Mutual Fund Regulations in 1996 and also witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The UTI with Rs. 44,541 crores of assets under management.

- Fourth Phase - since February 2003

In UTI was bifurcated into two separate entities. The Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores, the assets of US 64 scheme, assured return and certain other schemes and functioning under an administrator rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

Basic Terms Should Know Before Investing In Mutual Funds

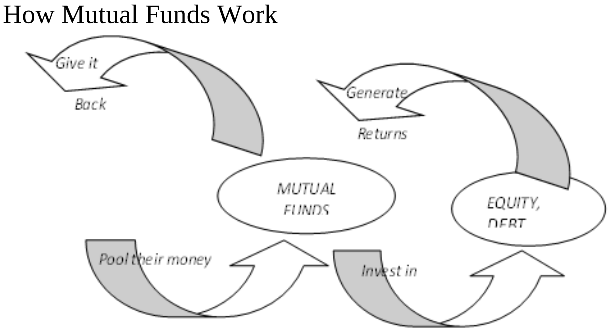
There are 44 mutual funds companies

1. Asset Management company (AMC): like -SBI, HDFC, ICICI Prudential etc
2. Asset Under Management (AUM) – Value of Assets
3. Net Asset Value (NAV) – based on units
4. Expense Ratio – charging fees
5. Fund Manager (Agent)
6. Scheme information document (information about company)
7. New Fund Offer (NFO) – newly investment
8. Exit Load – checking out from mutual funds

Methods of Investments

1. SIP- Systematic Investment Plan - low risk – low returns
2. Lump sum – High risk – high returns

How Mutual Funds Work



Types of Mutual Funds

1. Equity funds: In contradiction to debt funds, equity funds investing money in stocks /shares of companies. Capital appreciation is an important aim for these funds. But since the returns on equity funds are linked to market movements of stocks, these funds have a higher degree of risk. Equity funds can include specialty funds like infrastructure, fast moving consumer goods and banking. They is a good choice to invest for long term goals such as retirement planning or buying a house as the level of risk comes down over time.
   1) Investing in Shares – Long term – High returns – Low risk(sometimes high risk)
   2) Diversification - investing in different sectors
   3) Professional Expertise
   4) Low investment is enough(min Rs.500)
   5) High Liquidity (can take cash at any time)
   6) Tax benefits

Totally there are 11 types of equity mutual funds

2. Debt Funds: Debt funds (also known as fixed income funds) these are funds that invest in debt instruments e.g. company debentures, government bonds and other fixed income assets. These funds aim to offer reasonable returns to the investor and are considered relatively less risky. They are considered safe investments and provide fixed returns. These funds do not deduct tax at source so if the earning from the investment is more than Rs. 10,000 then the investor is liable to pay tax.
   a) Investing in money markets, Government bonds or securities, debentures
   b) Low risk- low returns
   c) Risks- (1) credit risk –(loan) (2) Interest rate risk (depend on RBI regulations)

Short term is the best in debt mutual funds, There are 16 types

3. Hybrid or Balanced Funds: These are funds that invest in a mix of asset classes. Hybrid funds Invest in a mix of both equity and fixed income securities. Based on the allocation between equity and debt. In some cases, the proportion of equity is higher than debt, while in others it is the another way of round. Risk and returns are balanced out this way. An example of a hybrid fund would be 65% to 80% of the investment is made in equities and the remaining 20% to 35% is invested in the debt market. This is so because the debt markets offer a lower risk than the equity market.

Equity	Debt
65% to 80%	20% to 35%

Structure of Mutual Funds

The structure of mutual funds is unique. The constituent functions based on rules and regulations laid by SEBI guidelines. In the year 1992, SEBI was formed to protect the interest of the investors to regulate and promote the development of the securities market. There are various stakeholders involved in a mutual fund but the core structure is three-tier that has been framed by SEBI:

1. Sponsor
2. Trustee
3. Asset Management Company (AMC)

1. Sponsor – Sponsor is the promoter of mutual fund. When the Sponsor decides to start a mutual fund business, first need to approach SEBI and based on the criteria. The eligibility of the sponsor is verified by SEBI.
2. Trust and Trustees – A mutual fund is formed as a Trust, which comprises – the sponsor(s), Trustees and asset management company. The Trustees are the guardians of mutual fund investors and it ensures that all the funds are managed and the investors' interest is protected. They appoint an asset management company to manage the funds of the investors.
3. Asset Management Company (AMC) – The major entity is the AMC which is investment manager or fund manager, who manages the money of the investors and its services. The operations are managed by the AMC and it launches various mutual fund schemes in the market as per the need of the investors.

II. LITERATURE REVIEW

Kale & Panchapagesan (2012), authors presents an overview of the mutual fund industry in India and the reasons for its poor penetration, which includes lack of objective research and raises key issues regarding the ownership and performance of mutual funds and the importance of regulation to its growth largely under researched in India. Vyas (2012), found that although financial markets have turned to be expensive under different financial instruments. The study highlighted that most of the investors choose bank and post office for deposits as one of the investment avenues, in comparison to Mutual Fund. Goyal (2013), author focused on the entire journey of mutual fund investments in India. A mutual fund an investment company it is an investment vehicle which pools the money of many investors. The study was conducted to analyze and compare the performance of different types of mutual funds in India and concluded that equity funds and money market outperform income funds. Reepu (2017), author highlighted, led to the dawn of industry i.e. mutual fund industry in India how to pool investors savings in mutual funds with minimizing the risk and maximizing the returns and also tries to focus how an attempt to know about mutual fund under various schemes and analyze the different risk factors involved. Goyal & Raj, (2019), author stated the development of the mutual funds parameters like number of asset management companies, number of schemes, number of investors, and mutual funds played major role in the development and economic growth of the country's. The study recommended for overcoming from the challenges which are being faced by mutual funds industry in India. Prabhu et al (2016), authors believed that Mutual Fund Industry in India is at rapid growth rate. It is considered that Mutual Fund investments are less risky in comparison to investments in other securities. But the study found that still several investors are unaware about the benefits of investing in Mutual Funds.

III. OBJECTIVES OF THE STUDY

1. To study the overview of mutual fund investments in India.
2. To identify the standards and describe the recent trends of mutual funds process in India

IV. RESEARCH METHODOLOGY

The study conducted using descriptive type of methodology. The study depends on secondary data and to confirm the feasibility of the study.

SECONDARY DATA

The Secondary data are collected from Journals, Articles, published data, Reports, Books, Periodicals, Research Papers, Websites, Manuals etc.

V. SCOPE OF THE STUDY

The secondary data was used to highlight the conceptual framework of mutual fund investments in India. The sources of secondary data for the study were collected from the standards of mutual fund investments, committee reports, journals, articles, thesis, internet sources and published papers/ data.

VI. CONCLUSION

The study concludes that the Mutual funds is one of the best investment source available for Indian small investors to make their investment, it may give big returns with little savings. As the Mutual Fund investment is subject to market conditions, therefore for the risk averse investors there are so many other investment alternatives available apart from the mutual funds, such as investment in other Financial Assets (stock market, debentures, Bonds, Treasury bills etc) and other Non Financial Assets (post office certificates, Bank deposits, Pension schemes, Real estate's) to avoid risk. Diversification and SIP allows investor to manage the risks. Sponsor, Trust, Trustee, Transfer Agent, Asset Management Company etc. forms key element Mutual Fund structure. Moreover, with the investment in Mutual Fund the investor can avail tax benefits too and the eligibility of the sponsor is verified by SEBI.

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