MUTUAL FUNDS: A RIGHT INVESTMENT OPTION FOR SMALL INVESTORS

MILAN B.UNDAVIA
Assistant Prof.
M.Com, P.G.D.I.F.A, UGC NET, G-SET
K.S. School of Business Management (MBA DEPT.)
Gujarat University, Ahmedabad, Gujarat

ABSTRACT
A mutual fund is a trust that pools of savings of a number of investors who share a familiar monetary goal. The Indian capital market has been increasing extraordinary during the last few years. With the reforms of economy, reforms of industrial policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Indian money market and capital market. In order to help the small investors, mutual fund industry has come up to occupy an important place. Mutual fund industry invests only in big companies with established track records. Besides this, there are Mid-cap Mutual funds which invest in medium-sized companies.

Keywords: ULIP, AUM, SEBI.

Introduction to Mutual Fund

A Mutual Fund is a special type of investment institution that acts as an investment conduct. It pools the savings, particularly of the relatively. Small investors, and invests them in a well-diversified portfolio of sound investment. Mutual Funds issue securities to the investors in accordance with the quantum of money invested by them. The profits or losses are shared by the investors in proportion to their investments. A mutual fund is set up in the form of a trust, which has, sponsor, trustees, asset management company and custodian. The trust is set up by a sponsor who is like a promoter of a company. The trustee of the fund hold its property for the benefit of unit-holders. The Assets Management Company manages the funds by making investments in different types of securities. The custodian holds the securities of various schemes of the fund in its custody. (L.N.Koli)

Regulatory Mechanism

The Reserve Bank of India had issued a set of guidelines in 1987 for bank sponsored mutual funds. This was followed, in 1990 by stipulations for mutual funds from the Ministry of Finance, Government of India. In 1991, the Government of India initiated the process of creating a common regulation for all mutual funds and to permit the entry of private mutual funds. In October 1991, the Securities and Exchange Board of India issued guildelines for the creation of Asset Management Companies for Mutual Funds.

The main elements of the SEBI regulatory mechanism of mutual funds:

- Registration of mutual funds with the SEBI.
- Constitution and management of mutual funds and operation of trusts.
- Constitution and management of asset management company and custodian.
- Schemes of mutual funds.
- Investment objectives and valuation policy.
- General Obligations
- Inspection and audit, and

- Procedure for action in case of default. (L.N.Koli)

Open-ended Schemes – The various open ended schemes that are debt-oriented can be sub-divided into regular income and recurring income schemes. Regular Income Schemes-These provide steady, current and periodic income. Marginal capital appreciation may also take place. Recurring Investment Schemes, these are suited to investors who would like to save a certain sum over a period of time by regular savings, for which tax incentives are available under Section 88 of the Income Tax Act.

"An open ended scheme is a scheme in which an investor can buy and sell units on a daily, the scheme has perpetual existence and a flexible ever changing corpus"

A close ended scheme is one in which the subscription period for the mutual fund remains open only for the specific period called the redemption period. At the end of this period, the entire corpus is disinvested and the proceeds distributed to the various unit- holders. (L.N.Koli)

Objectives of the study

1. The basic objective of the study is to benefits of investment in mutual funds.
2. Mutual Fund source compared with other investment avenues.

Benefits of Investing in Mutual Funds

There are several benefits of investing in a mutual fund

Small Investments Investor invests any mutual funds scheme by SIP (Systematic Investment Plan) and can generate good returns.

Professional Fund Management Professional fund manager who has expert in research and selection of shares and to make efficient portfolio.

Transparency You get regular information about your scheme and portfolio details at the end of week from Mutual Funds.

Choice Investors have a wide variety to choose from as their are large amount of mutual funds. An investor can pick-up a scheme depending upon his risk/return profile.

Low Cost Mutual Funds are directly invested in stock market because the benefits of brokerage and other fees translate into lower costs for investors.

Regulations All the mutual funds are registered under the SEBI and follow the rules and regulations and provisions declared by SEBI. (Kaushik, 2015)

Advantages of Mutual Funds

(1) Diversification
(2) Expert Management
(3) Choice
(4) Liquidity
(5) Access to new markets
(6) Convenience of small investments
(7) Tax Benefits

Disadvantages of Mutual Funds

(1) Risks and Costs
(2) No Guarantees
(3) No Control

Investment Avenues	Return (%) 2017-18
Gold	7%
Silver	-6%
FD	6.50%
PPF	7.6%
EPF	8.65%
Bonds offered by Government and Corporates	7% to 9%
Mutual Funds	**Average 12%**
Post office (Senior Citizen Savings Scheme)	8.3%
Post office Monthly Income Scheme Account (MIS)	7.3%
National Savings Certificates (NSC)	7.6%
Kisan Vikas Patra (KVP)	7.3%

Conclusion

In the present scenario saving rates have become very less and the inflation rate has almost touched 7.00%. People are looking for investments where they could park their money safely and get good returns. The industry is managed by professionals who have depth knowledge about market and know where to park investor's money so that investment is safe and can generate good returns. This industry offers schemes according to the requirement of the people depending on the age of the people, the kind of risk (more or less) they want, the time horizon for which they could park their money. The mutual funds industry is emerging in India and investment has bright growth opportunity. So, a mutual fund today seems to be the best investment to earn good returns.

ABBREVIATION

SEBI - Securities Exchange Board of India
ULIP - Unit Linked Insurance Plan
AUM - Assets Under Management

References

1. G.Ashok Reddy, D. R. (2017, June). Mutual Funds. *International Journal of Research in Commerce & Management , 8*(06), 18-19.
2. *India Post Office*. Retrieved from https://www.indiapost.gov.in/Financial/Pages/Content/Post-Office-Saving-Schemes.aspx.
3. Kaushik, D. V. (2015). *UGC NET / SET Commerce.* New Delhi: Arihant Publication Limited.
4. L.N.Koli, D. *UGC NET /JRF / SET Commerce.* Agra: Upkar Prakashan.
5. S.R., N. (2015, December). Mutual Funds:An Emerging Trend in the Financial System. *International Journal of Research in Commerce & Management, 06*(12), 92-93.