JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

STUDY ON MUTUAL FUNDS IN INDIA

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Abstract

The purpose of this paper is to study on the mutual funds in India. How it begin, rise and fall through the years and how it going on and what future holds for mutual fund. There are numbers of options available for investors in India to put their money in a productive return venture. According to the specialists mutual funds are less risky and provides high rate of return.

Mutual fund is a company that collects money from different people and then invest it in stocks, bonds and other assets. The securities bought here known as the fund portfolio. This study is done to analyze the functioning of the mutual funds in India, History of mutual fund, types of mutual funds and how they work.

The mutual fund industry has seen enormous growth in the markets in recent years.

INTRODUCTION

A mutual fund is an investment tool that pools money from different investors and invest it in stocks, bonds, short term money market instruments to get high returns. The investors in return receives dividend. Mutual funds have gain huge attentions from people these days, people are looking to put something aside for retirement to make wealth. They collect cash from different groups of individual with the same objective to purchase market securities. Any person having as little as 2 to 3 thousand can invest in mutual funds. The share price of mutual fund is known as NAV (NET ASSET VALUE), it is decided on a day to day basis. In recent times mutual fund industry has become a guaranteed instrument for ones financial interest. Nowadays due to different reasons mutual fund industry has expanded vastly.

LITERATURE REVIEW

HISTORY OF MUTUAL FUNDS

The mutual fund that we know was first introduced in Boston in 1924 as THE MASSACHUSETTS INVESTORS TRUST, which was the first mutual fund with an open end capitalisation.

The mutual fund in India was introduced in 1963 with the formation of UNIT TRUST OF INDIA, with the initiative of government of India and RBI.

One of the first schemes introduced by UTI was unit scheme in 1964.

First phase (1964-1987) IDBI overtook the control of UTI from RBI and at the end of 1988 UTI had Rs. 6,700 crores of assets.

Second phase (1987-1993) entry of public sector funds such as public sector banks and LIC (June1989) and GIC (December1990). SBI mutual fund was the first non UTI fund established in 1987. At the end of 1993 the mutual fund industry had assets worth 47,004 crores.

Third phase (1993-2003) entry of private sector funds. The erstwhile Kothari was the first private sector mutual fund established in July 1993.And at the end of January 2003 there were 33 mutual funds with total assets worth 1,21,805 crores, and UTI with 44,541 crores of assets and way ahead of other mutual funds.

Fourth phase (Since 2003) with recent merges the mutual fund industry has entered its current phase of consolidation and growth.

TYPES OF MUTUAL FUNDS IN INDIA

Mainly there are 5 types of mutual funds-

1. Equity (multi cap, large and mid cap, large cap, small cap, mid cap, value, focused, contra, dividend yield etc)

2. Debt (short-term, long-term, gilt, income, liquid, floating rate)

3. Hybrid (balanced, MIPs,)

4. Solution oriented (retirement, children)

5. And others (gold, international funds, real estate, exchange traded)

PROSPECTUS

A mutual fund prospectus is a written document that mentions in details the investment objectives and strategies. These can be directly obtained from fund companies via mail or email. It helps the investor to make more informed decisions. It is a legally binding contract between the fund holder and the fund. The way in which information of fund is organised vary although by law all prospectus must contain these important sections-

1. Investment objectives

2. Investment strategy

3. Risk of investing in the fund

4. Past performance

5. Distribution policy

6. Fees and Expenses

7. Fund management

8. Bottom line

MUTUAL FUND SHARE CLASS

Mutual fund share class are the different types of mutual fund stock or company. Different classes carry different privileges like voting rights, fees and expenses. A single mutual fund may offer more than one class and each class represents similar interest in mutual fund portfolio. Different share classes are-

1. Class A shares

2. Class B shares

3. Class C shares

4. Transaction shares

MANAGEMENT AND RANKING

Management - The mutual funds are managed by a professional manager who's in charge of taking decision regarding which security should be bought and which one should be sold. These managers are required to know all the necessary details and the law and regulation in the industry.

RANKING – Funds are ranked on the basis of their performances.

RESEARCH METHODLOGY

The research was applied by assembling secondary data. Information was collected through online websites, already filled in surveys, And through personal interactions. The existing data summarised and collated with the information to increase the overall effectiveness of the research.

CONCLUSION

This research study is very pertinent and with the systematic liberalisation of policies in recent times the Indian economy is about to grow in the upcoming future. But with diversification the mutual fund industry needs to enhance their way of working. And they must adopt to new technologies.

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