

A STUDY ON INVESTORS AWARENESS TOWARDS MUTUAL FUNDS IN BANKS

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Abstract

A mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When you invest in a mutual fund, you are buying units or portions of the mutual fund and thus on investing becomes a shareholder or unit holder of the fund.

Mutual funds are considered as one of the best available investments as compare to others they are very cost efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns

He may not in most cases get allotment of the shares applied for in the primary market, on the other hand he will get full allotment of some dud shares. His investment would therefore not be balanced and diversified.

Key words – Mutual funds, investment, polices, statement, analysis.

INTRODUCTION

The goal of security industry is to a nation of shareholding capitalists to make every man and women a participant in corporate activities. A small investor is unsophisticated as far as corporate investment is concerned; with the limited resources he/she cannot buy share of blue-chip companies. He may not in most cases get allotment of the shares applied for in the primary market, on the other hand he will get full allotment of some dud shares.

Types of mutual funds:

Getting a handle on what's under the hood helps you become a better investor and put together a more successful portfolio. To do this one must know the different types of funds that cater to investor needs, whatever the age, financial position, risk tolerance and return expectations

1. Open-Ended Schemes

Open-ended schemes do not have a fixed maturity period. Investors can buy or sell units at NAV-related prices from and to the mutual fund on any business day. These schemes have unlimited capitalization,

2. Close-Ended Schemes

Close-ended schemes have fixed maturity periods. Investors can buy into these funds during the period when these funds are open in the initial

issue. After that such scheme cannot issue new units except in case of bonus or rights issue.

GROWTH FUNDS:

Growth funds primarily look for growth of capital with secondary emphasis on dividend. Such funds invest in shares with a potential for growth and capital appreciation. They invest in well-established companies where the company itself and the industry in which it operates are thought to have good long-term growth potential, and hence growth funds provide low current income.

Growth and Income Funds

Growth and income funds seek long-term growth of capital as well as current income. The investment strategies used to reach these goals vary among funds. Some invest in a dual portfolio consisting of growth stocks and income stocks, or a combination of growth stocks, stocks paying high dividends, preferred stocks, convertible securities or fixed-income securities such as corporate bonds and money market instruments.

Fixed-Income Funds

Fixed income funds primarily look to provide current income consistent with the preservation of capital. These funds invest in corporate bonds or government-backed mortgage securities that have a fixed rate of return. Within the fixed-income category, funds vary greatly in their stability of principal and in their dividend yields.

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Market Funds/Liquid Funds

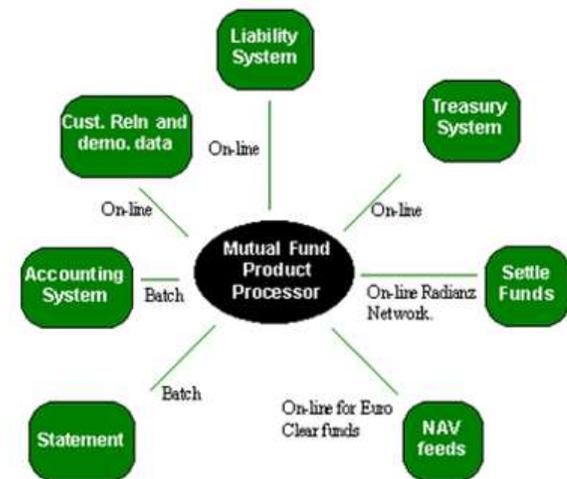
For the cautious investor, these funds provide a very high stability of principal while seeking a moderate to high current income. They invest in highly liquid, virtually risk-free, short-term debt securities of agencies of the Indian Government, banks and corporations and Treasury Bills. Because of their short-term investments, money market mutual funds are able to keep a virtually constant unit price; only the yield fluctuates. Therefore, they are an attractive alternative to bank accounts. With yields that are generally competitive with - and usually higher than -- yields on bank savings account, they offer several advantages.

. RISK vs. REWARD:

Having understood the basics of mutual funds the next step is to build a successful investment portfolio. Before you can begin to build a portfolio, one should understand some other elements of mutual fund investing and how they can affect the potential value of your investments over the years. The first thing that has to be kept in mind is that when you invest in mutual funds, there is no guarantee that you will end up with more money when you withdraw your investment than what you started out with. That is the potential of loss is always there. The loss of value in your investment is what is considered risk in investing. Even so, the opportunity for investment growth that is possible

through investments in mutual funds far exceeds that concern for most investors.

Investment cycle in Mutual Funds



History of the Indian Mutual Fund Industry:

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank them.

GROWTH IN ASSETS UNDER MANAGEMENT:

India is at the first stage of a revolution that has already peaked in the U.S. The U.S. boasts of an Asset base that is much higher than its bank deposits. In India, mutual fund assets are not even 10% of the bank deposits, but this trend is beginning to change. Recent figures indicate that in the first quarter of the current fiscal year.

The formation and operations of mutual funds in India is solely guided by SEBI (Mutual Fund) Regulations, 1993, which came into force on 20 January 1993. The regulations have since been replaced by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, through a notification on 9 December 1996.

The sponsor is required to contribute at least 40 per cent of the minimum net worth (Rs 10 crore) of the asset management company. The sponsor must have a sound track record and general reputation of fairness and integrity in all his business transactions.

NEED FOR THE STUDY:

Mutual funds are dynamic financial intuitions which play crucial role in an economy by mobilizing savings and investing them in the capital market. The activities of mutual funds have both short- and long-term impact on the savings in the capital market and the national economy. Mutual funds, trust, assist the process of financial deepening & intermediation. To banking at the same time, they also compete with banks and other financial intuitions. India is one of the few countries to day maintain a study growth rate is domestic savings.

SCOPE OF THE STUDY:

The study is limited to the analysis made for a Growth scheme offered by four AMC's. Each scheme is calculated their risk and return using different performance measurement theories. Because of the reason for such performance is immediately analyzed in the issue. Graphs are used to reflect the portfolio risk and return.

OBJECTIVES OF

THE STUDY:

- To show the wide range of investment options available in MF's by explaining various schemes offered by different AMC's.
- To help an investor to make a right choice of investment, while considering the inherent risk factors.
- To understand the recent trends in the MF world.
- To understand the risk and return of the various schemes.
- To find out the various problems faced by Indian mutual funds and possible solutions.

RESEARCH METHODOLOGY:

This study is basically depending on

1. Primary Data
2. Secondary Data

- **Primary data:**

The primary data is which is collected from first source i.e., questioners, enquiry with employees and management etc.

- **Secondary data:**

The secondary data collected from the different sites, brochures, newspapers, company offer documents, and different books magazines etc.

- Broachers
- Internet
- Websites
- Magazines
- Books

LIMITATIONS OF THE STUDY:

- The study is conducted in short period, due to which the study may not be detailed in all aspects.
- The study is limited only to the analysis of different schemes and its suitability to different investors according to their risk-taking ability.
- The study is based on secondary data. The secondary data may not be believable. .
- The study is limited by the detailed study of various schemes.
- The NAV'S are not uniform.
- The true data collection is not so easy because of some mutual funds are not disclosing the correct information.
- The study is not exempt from limitations of Sharpe Treynors and Jensen measure.

CONCLUSION:

From the study analysis conducted it is clear that in EQUITY FUNDS-BIRLA SUNLIFE MUTUAL FUND is performing very well. Investing in the KOTAK SECURITIES MUTUAL FUND (GROWTH) will leads to profits.

By seeing the overall performance KOTAK SECURITIES MUTUAL FUND is performing very well. The prospective investors are needed to be made aware of the investment in mutual funds. The Industry should keep consistency and transparency in its management and investors objectives. There is 100% growth of mutual fund as foreign AMCS are in queue to enter the Indian markets. Mutual funds can also portrait in to rural areas.

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