A

Project Report

On

"A Study of Mutual Fund as an Investment Avenue"

Submitted to

G.S. College of Commerce & Economics Nagpur (Autonomous)

Affiliated to Rashtrasant Tukadoji Maharaj Maharaj Nagpur Unversity

In partial fulfillment for the award of the degree of

Bachelor of Business Administration

Submitted by

NIRAJ VIKAS SARAG

Under theGuidance of

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G.S. College Of Commerce & Economics, Nagpur

Academic Year 2021– 2022

G.S. College Of Commerce & Economics, Nagpur

Academic Year 2021-2022

CERTIFICATE

This is to certify that **"NIRAJ VIKAS SARAG"** has submitted the projectreport titled **"A Study of Mutual Fund as an Investment Avenue",** towards partial fulfillment of **Bachelor of Business Administration Degree Examination**. This has not been submitted forany other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Dr.Pragati Richa Pandey
(Project Guide)

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Place: NAGPUR

Date

G.S. College Of Commerce & Economics, Nagpur

Academic Year 2021- 2022

DECLARATION

I here-by declare that the project with title "A Study of Mutual Fund as an Investment Avenue" has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertakenby me.

Place: Nagpur

NIRAJ VIKAS SARAG

Date:

G.S. College Of Commerce & Economics, Nagpur

Academic Year 2021 - 2022

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. N.Y. Khandait, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide Prof. Dr. Pragati Richa Pandey for here guideline throughout the project. I tender my sincere regards to Co-coordinator, Dr. Afsar Sheikh for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

NIRAJ VIKAS SARAG

Place:

Date:

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INTRODUCTION

INTRODUCTION

What Is Investment?

The money you earn is spent and the rest saved for meeting future expenses. Instead of keeping the saving idle you may like to use savings in order to get returns on it in the future. This is called investment.

Why should one invest?

One needs to invest to:

• Earn return on your idle resources

• Generate a specified sum of money for a specific goal in life

• Make a provision for an uncertain future

One of the important reasons why one needs to invest wisely is to meet the cost of inflation. Inflation is the rate at which the cost of living increases. The cost of living is simply what it costs to buy the goods and services you need to live. Inflation causes money to lose value because it will not buy the same amount of good or a service in the future as it does now or did in the past.

When to Start Investing:

The sooner one start investing the better. By investing early you allow your investments more time to grow, whereby the concept of compounding increases your income, by accumulating the principal and interest or dividend earned on it, year after year. The three golden rules for all investor are:

• Invest early
• Invest regularly
• Invest for long term and not short term

Investment Options Available:

There are a large number of investment available today. To make our lives easier we would classify or group them. In India, numbers of investment avenues are available for the investors. Some of them marketable and liquid able while others are non-marketable and some of them also highly risky while others are almost risk less. The people has to choose Proper Avenue among them, depending upon his specific needs, risk preferences, and expected. Investment avenues can broadly categories under the following heads.

1. Saving account
2. Bank and fixed deposits
3. PPF
4. NSC
5. Post office savings
6. Government securities
7. Equity share market
8. Mutual funds
9. Life insurance
10. Corporate bonds and debentures
11. Real estate
12. Gold/Silver

A number of investment avenues in India depend on the size of investment and financial objectives. These avenues of investments should be wisely selected by an investor as we all know that saving and investing are the sole pillars of financial stability.

INVESTMENT AVENUES:

1. Saving Account

A savings account is an interest-bearing deposit account held at a bank or other financial institution. Though these accounts typically pay a modest interest rate, their safety and reliability make them a great option for parking cash you want available for short-term needs These accounts are one of the most popular deposit for individual accounts. Their account provided cheque facility and a lot of flexibility for deposits and withdrawal of funds from the account.

2. Bank Fixed Deposit:

A fixed deposit (FD) is a financial instrument provided by banks or NBFCs which provides investors a higher rate of interest than a regular savings account, until the given maturity date. It may or may not require the creation of a separate account. It is known as a term deposit or time deposit in India. For a fixed deposit is that the money cannot be withdrawn from the FD as compared to a recurring deposit or a demand deposit before maturity The interest rate varies between 4 and 7.50 percent. The tenure of an FD can vary from 7, 15 or 45 days to 1.5 years and can be as high as 10 years.

Benefits of FD:

• Customers can avail loans against FDs up to 80 to 90 percent of the value of deposits. The rate of interest on the loan could be 1 to 2 percent over the rate offered on the deposit.

• Residents of India can open these accounts for a minimum of 7 days.

• Investing in a fixed deposit earns you a higher interest rate than depositing your money in a saving account.

Taxability: Tax is deducted by the banks on FDs if interest paid to a customer at any bank exceeds Rs. 10,000 in a financial year.

3. Public Provident Fund (PPF):

The Public Provident Fund is a savings-cum-tax-saving instrument in India, introduced by the National Savings Institute of the Ministry of Finance in 1968. The aim of the scheme is to mobilize small savings by offering an investment with reasonable returns combined with income tax benefits. The scheme is fully guaranteed by the Central Government. Eligibility: Individuals who are residents of India are eligible to open their account under the Public Provident Fund, and are entitled to tax-free returns.

Investment and Returns: A minimum yearly deposit of ₹500 is required to open and maintain a PPF account. A PPF account holder can deposit a maximum of ₹1.5 lacs in his/her PPF account (including those accounts where he is the guardian) per financial year. Any amount deposited in excess of ₹1.5 lacs in a financial year won't earn any interest. The amount can be deposited in lump sum or in installments per year. The rate of interest for PPF Account every quarter. The interest rate compounded annually and paid on 31 March every year. Interest is calculated on the lowest balance between the close of the fifth day and the last day of every month.

Duration: Original duration is 15 years. Thereafter, on application by the subscriber, it can be extended for 1 or more blocks of 5 years each.

Withdrawal: There is a lock-in period of 15 years and the money can be withdrawn in full after its maturity period. However, pre-mature withdrawals can be made from the start of the seventh financial year. The maximum amount that can be withdrawn pre-maturely is equal to 50% of the amount that stood in the account at the end of 4th year preceding year or the end of immediately preceding year whichever is lower. After 15 years of maturity, full PPF amount can be withdrawn and all is tax free, including the interest amount as well.

4. National Saving Certificate:

National Savings Certificates, popularly known as NSC, is an Indian Government Savings Bond, primarily used for small savings and income tax saving investments in India. It is part of the postal savings system of Indian Postal Service (India Post). These can be purchasedfrom any Post Office in India by an adult (either in his/her own name or on behalf of a minor), a minor, a trust, and two adults jointly. The NSC has a maturity period of 5 years. The NSC rate of interest is 7.9% per annum compounded half-yearly but payable at maturity. That means, your investment of Rs. 100,000 will yield you Rs. 144,231 after 5 years.

There is no maximum limit on investment with a minimum amount of investment of Rs.100. Investments can be done in denominations of Rs.100, Rs. 500, Rs. 1,000, Rs. 5,000 and Rs.10,000. The NSC Certificate can be purchased in single holding or on behalf of a minor. Investment in NSC is tax deductible under Section 80C of The Income Tax Act. Interest on NSC is deemed to also be reinvested under Section 80 C and hence tax deductible, except interest in the final year of the NSC. NSC certificates can be pledged as security for availing bank loans. Certificates are transferable. Transfer from one person to another person is allowed only once during the investment tenure.

5. Post Office Savings:

Post Offices across India offer multiple savings schemes, some of which offer high interest to customers. They are Post office Monthly Income Scheme Account, 5-Year Post Office Recurring Deposit Account, Senior Citizen Savings Scheme, 15 year Public Provident Fund Account, and Sukanya Samriddhi Accounts. All these schemes are completely risk-free, and you do not need to have large sum of money to start investing in these post office schemes. Some schemes offer tax-saving benefits and some gives tax-free returns. So you need to find out some schemes as per your requirements.

6. Government Securities:

A government security is a bond or other type of debt obligation that is issued by a government with a promise of repayment upon the security's maturity date. Government securities are usually considered low-risk investments because they are backed by the taxing power of a government.

Features:

Government Securities are issued at face value.

Government Securities carry a sovereign guarantee and hence have zero risks of default. Investors can sell these Government Securities in the secondary market. Payment of Interest on Government Securities are paid on its face value. The interest payment on these Government Securities does not attract TDS, or Tax Deducted at Source.

Government securities can be held in dematerialized form.

The interest rate of Government Securities is fixed for the entire tenor of the instrument and cannot be changed during its tenor.

The Government Securities are redeemable at face value at the time of its maturity. The maturity period of Government Securities can range between 2 to 30 years. Most Government Securities qualify as SLR or Statutory Liquidity Ratio investments

7. Equity share market:

A stock market, equity market or share market is the aggregation of buyers and sellers of stocks (also called shares). The securities traded in the equity market can be either be public stocks, which are those listed on the stock exchange, or privately traded stocks. Equity market is one of the most likely areas but at the same time is also a place where an investor can earn high rates of return that will push up the return of the entire portfolio. Investment in equities can be made directly by the purchase of share from market.

8. Mutual funds:

Mutual funds are basically investment vehicles that comprise the capital of different investors who share a mutual financial goal. A fund manager manages the pool of money that is collected from various investors and invests the money into a variety of investment options such as company stocks, bonds, and shares.

Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI), and investing in mutual funds is considered to be the easiest way through which you can increase your wealth. Mutual fund units are issued and redeemed by the fund management company based on the fund's net asset value (NAV), which is determined at the end of each trading session. NAV is calculated as the value of all the shares held by the fund, minus expenses, divided by the number of units issued.

9. Life insurances:

Life Insurance is a protection product which forms an integral part of an individual's financial plan. Life insurance provides monetary cover against the life of the insured. Since the value of the human life cannot be assessed, Insurance companies provide the monetary cover is in terms of sum assured by the insured at the time of taking the policy. Life insurance substitutes for the loss of income in the event of the death of the wage earner. In case of the death of the insured person, the sum assured is paid to the dependent of the deceased. The sum assured depends on many parameters like age of the insured, current earnings, health condition of the persons and many other parameters as specified by the insurance companies. Based on the information provided by the individual, insurance companies will calculate the premium payable by the insured.

Life insurance contract are a long term contract and the contract period depend on the age of the insured. Regular payment of the premium till the contract period is mandatory. In case of the default in payment of the premium by due date, the insurance cover ceases to exist. The person defaulting in the payment of premium will get only the surrender value as per the terms and conditions of the policy. There are many types of life insurance products which are offered by the insurance companies. They all provide life cover, but have different conditions and maturity benefits.

10. Corporate Bonds And Debentures:

Bonds & debentures, these two words can be used interchangeably. In Indian markets, we use the word bonds to indicate debt securities issued by government, semi-government bodies and public sector financial institutions and companies. We use the word debentures to refer to the debt securities issued by private sector companies.

BONDS: - Debt securities issued by Govt. or public sector companies

DEBENTURES: - Debt securities issued by private sector companies When you purchase a bond, you are lending money to a government, municipality, corporation, or public entity known as the issuer. The issuer promises to pay a specified rate of interest during the life of the bond, in return for the loan. They also promises to repay the face value of the bond (the principal) when it "matures".

11.Real Estate:

In real estate, money is used to purchase property for the purpose of holding, reselling or leasing for income and there is an element of capital risk. Residential real estate includes undeveloped land, houses, condominiums, and townhouses. The structures may be single family or multi-family dwellings and may be owner-occupied or rental properties.

Commercial real estate includes non-residential structures such as office buildings, warehouses, and retail buildings. These buildings may be free standing or in shopping malls. Industrial real estate includes factories, business parks, mines, and farms. These properties are usually larger in size and locations may include access to transportation hubs such as rail lines.

12.Gold/Silver:

India is the largest consumer of gold in the world. In India we use gold mainly as jewels. Gold as an instrument tool always give good returns, flexibility, safety and liquidity to the investors.

INTRODUCTION OF MUTUAL FUND

There are a lot of investment avenues available today in the financial market for an investor with an investable surplus. He can invest in Bank Deposits, Corporate Debentures, and Bonds where there is low risk but low return. He may invest in Stock of companieswhere the risk is high and the returns are also proportionately high. The recent trends in the Stock Market have shown that an average retail investor always lost with periodic bearish tends. People began opting for portfolio managers with expertise in stock markets who wouldinvest on their behalf. Thus we had wealth management services provided by many institutions. However they proved too costly for a small investor. These investors have found a good shelter with the mutual funds.

CONCEPT OF MUTUAL FUND

A mutual fund is a common pool of money into which investors place their contributions that are to be invested in accordance with a stated objective. The ownership of the fund is thus joint or "mutual"; the fund belongs to all investors. A single investor's ownership of the fund is in the same proportion as the amount of the contribution made by him or her bears to the total amount of the fund.

Mutual Funds are trusts, which accept savings from investors and invest the same in diversified financial instruments in terms of objectives set out in the trusts deed with the viewto reduce the risk and maximize the income and capital appreciation for distribution for the members. A Mutual Fund is a corporation and the fund manager's interest is to professionallymanage the funds provided by the investors and provide a return on them after deducting reasonable management fees.

The objective sought to be achieved by Mutual Fund is to provide an opportunity for lower income groups to acquire without much difficulty financial assets. They cater mainly to the needs of the individual investor whose means are small and to manage investors portfolio in a manner that provides a regular income, growth, safety, liquidity and diversification opportunities for a small investors.

DEFINITION

"Mutual funds are collective savings and investment vehicles where savings of small(or sometimes big) investors are pooled together to invest for their mutual benefit and returns distributed proportionately".

"A mutual fund is an investment that pools your money with the money of an unlimited number of other investors. In return, you and the other investors each own shares of the fund. The fund's assets are invested according to an investment objective into the fund's portfolio of investments. Aggressive growth funds seek long-term capital growth by investing primarilyin stocks of fast-growing smaller companies or market segments. Aggressive growth fundsare also called capitalappreciation funds".

Why Select Mutual Fund?

The risk return trade-off indicates that if investor is willing to take higher risk then correspondingly, he can expect higher returns and vice versa if he pertains to lower risk instruments, which would be satisfied by lower returns. For example, if an investors opt for bank FD, which provide moderate return with minimal risk. But as he moves ahead to invest in capital protected funds and the profit-bonds that give out more return which is slightly higher as compared to the bank deposits but the risk involved also increases in the same proportion.

Thus investors choose mutual funds as their primary means of investing, as Mutual funds provide professional management, diversification, convenience and liquidity. That doesn't mean mutual fund investments risk free.

This is because the money that is pooled in are not invested only in debts funds which are less risky but are also invested in the stock markets which involves a higher risk but can expect higher returns. Hedge fund involves a very high risk since it is mostly traded in the derivatives market which is considered very volatile.

ADVANTAGES OF MUTUAL FUNDS:

If mutual funds are emerging as the favorite investment vehicle, it is because of the many advantages they have over other forms and the avenues of investing, particularly for theinvestor who has limited resources available in terms of capital and the ability to carry out detailed research and market monitoring. The following are the major advantages offered by mutual funds to all investors:

1. Portfolio Diversification:

Each investor in the fund is a part owner of all the fund's assets, thus enabling him to hold a diversified investment portfolio even with a small amount of investment that would otherwise require big capital.

2. Professional Management:

Even if an investor has a big amount of capital available to him, he benefits from the professional management skills brought in by the fund in the management of the investor's portfolio. The investment management skills, along with the needed research into available investment options, ensure a much better return than what an investor can manage on his own.
Few investors have the skill and resources of their own to succeed in today's fast moving, global and sophisticated markets.

3. Reduction/Diversification Of Risk:

When an investor invests directly, all the risk of potential loss is his own, whether he places a deposit with a company or a bank, or he buys a share or debenture on his own or in another from. While investing in the pool of funds with investors, the potential losses are also shared with other investors. The risk reduction is one of the most important benefits of a collective investment vehicle like the mutual fund.

4. Reduction Of Transaction Costs:

What is true of risk as also true of the transaction costs? Theinvestor bears all the costs of investing such as brokerage or custody of securities. When going through a fund, he has the benefit of economies of scale; the funds pay lesser costs because of larger volumes, a benefit passed on to its investors.

5. Liquidity:

Often, investors hold shares or bonds they cannot directly, easily and quickly sell. When they invest in the units of a fund, theycan generally cash their investments any time, by selling their units to the fund if open-ended, or selling them in the market if the fund is close-end. Liquidity of investment is clearly a big benefit.

6. Convenience and Flexibility:

Mutual fund management companies offer many investor services that a direct market investor cannot get. Investors can easily transfer their holding from one scheme to the other; get updated market information and so on.

7. Tax Benefits:

Any income distributed after March 31, 2002 will be subject to tax in the assessment of all Unit holders.However, as a measure of concession to Unit holders of open-ended equity- oriented funds, income distributions for the year ending March 31, 2003, will be taxed at a concessional rate of 10.5%.

In case of Individuals and Hindu Undivided Families a deduction upto Rs. 9,000 from the Total Income will be admissible in respect of income from investments specified in Section 80L,including income from Units of the Mutual Fund. Units of the schemes are not subject to Wealth-Tax and Gift-Tax.

8. Choice of Schemes:

Mutual Funds offer a family of schemes to suit your varying needs over lifetime.

9. Well Regulated:

All Mutual Funds are registered with SEBI and they function within the provisions of strict regulations designed to protect the interests of investors. The operations of Mutual Funds are regularly monitored by SEBI.

10. Transparency:

You get regular information on the value of your investment in addition to disclosure on the specific investments made by your scheme, the proportion invested in each class of assets and the fund managers investment strategy and outlook.

DISADVANTAGES OF INVESTING THROUGH MUTUAL FUNDS:

1. No Control over Costs:

An investor in a mutual fund has no control of the overall costs of investing. The investor pays investment management fees as long as he remains with the fund, albeit in return for the professional management and research. Fees are payable even if the value of his investments is declining. A mutual fund investor also pays fund distribution costs, which he would not incur indirect investing. However, this shortcoming only means that there is a cost to obtain the mutual fund services.

2. No Tailor-Made Portfolio:

Investors who invest on their own can build their own portfolios of shares and bonds and other securities. Investing through fund means he delegates this decision to the fund managers. The very-high-net-worth individuals or large corporate investors may find this to be a constraint in achieving their objectives. However, most mutual fund managers help investors overcome this constraint by offering families of funds- a large number of different schemes- within their own management company. An investor can choose from different investment plans and constructs a portfolio to his choice.

3. Managing a Portfolio of Funds:

Availability of a large number of funds can actually mean toomuch choice for the investor. He may again need advice on how to select a fund to achieve his objectives, quite similar to the situation when he has individual shares or bonds to select.

4. The Wisdom of Professional Management:

That's right, this is not an advantage. The averagemutual fund manager is no better at picking stocks than the average nonprofessional, but charges fees.

5. No Control:

Unlike picking your own individual stocks, a mutual fund puts you inthe passenger seat of somebody else's car

6. Dilution:

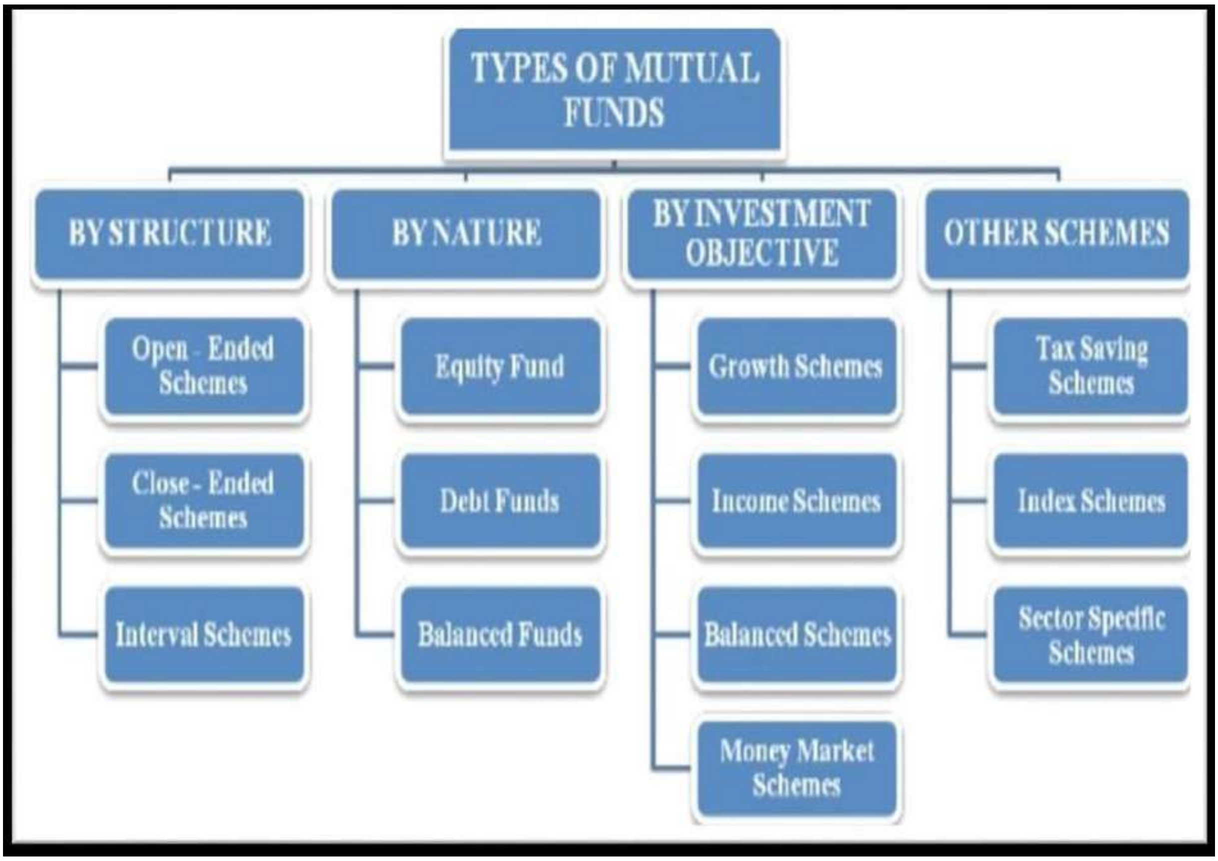
Mutual funds generally have such small holdings of so many different stocks that insanely great performance by a fund's top holdings stilldoesn't make much of a difference in mutual funds total performance.

7. Buried Costs:

Many mutual funds specialize in burying their costs and in hiring salesmen who do not make thosecosts clear to their clients.

TYPES OF MUTUAL FUNDS SCHEMES IN INDIA

Wide variety of Mutual Fund Schemes exists to cater to the needs such as financial position, risk tolerance and return expectations etc. thus mutual funds has Variety of flavors, Being a collection of many stocks, an investors can go for picking a mutual fund might be easy. There are over hundreds of mutual funds scheme to choose from. It is easier to think of mutual funds in categories, mentioned below.



MUTUAL FUND FEES AND EXPENSES

Mutual fund fees and expenses are charges that may be incurred by investors who holdmutual funds. Running a mutual fund involves costs, including shareholder transaction costs, investment advisory fees, and marketing and distribution expenses. Funds pass along these costs to investors in a number of ways.

1. TRANSACTION FEES

I. Purchase Fee:

It is a type of fee that some funds charge their shareholders when they buy shares. Unlike a front-end sales load, a purchase fee is paid to the fund (not to a broker) and is typically imposed to defray some of the funds costs associated with the purchase.

II. Redemption Fee:

It is another type of fee that some funds charge their shareholders when they sell or redeem shares.

Unlike a deferred sales load, a redemption fee is paid to the fund (not to a broker) and is typically used to defray fund costs associated with a shareholders redemption.

III. Exchange Fee:

Exchange fee that some funds impose on shareholders if they exchange (transfer) to another fund within the same fund group or "family of funds."

2. PERIODIC FEES

I. Management Fee:

Management fees are fees that are paid out of fund assets to the fund's investment adviser for investment portfolio management, any other management fees payable to the fund'sinvestment adviser or its affiliates, and administrative fees payable to the investment adviser that are not included in the "Other Expenses" category. They are also called maintenance fees.

II. Account Fee:

Account fees are fees that some funds separately impose on investors in connection with the maintenance of their accounts. For example, some funds impose an account maintenance fee on accounts whose value is less than a certain dollar amount.

3. OTHER OPERATING EXPENSES

Transaction Costs:

These costs are incurred in the trading of the fund's assets. Funds with a high turnover ratio or investing in illiquid or exotic markets usually face higher transaction costs. Unlike the Total Expense Ratio these costs are usually not reported.

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SELECTION PARAMETERS FOR MUTUAL FUND

- **Your objective:**

The first point to note before investing in a fund is to find out whether your objective matches with the scheme. It is necessary, as any conflict would directly affect your prospective returns. Similarly, you should pick schemes that meet your specific needs. Examples: pensionplans, children's plans, sector-specific schemes, etc.

- **Your risk capacity and capability:**

This dictates the choice of schemes. Those with no risk tolerance should go for debt schemes, as they are relatively safer. Aggressive investors can go for equity investments. Investors that are even more aggressive can try schemes that invest in specific industry orsectors.

- **Fund Manager's and scheme track record:**

Since you are giving your hard earned money to someone to manage it, it is imperative that he manages it well. It is also essential that the fund house you choose has excellent track record. It also should be professional and maintain high transparency in operations. Look at the performance of the scheme against relevant market benchmarks and its competitors. Lookat the performance of a longer period, as it will give you how the scheme fared in different market conditions.

- **Cost factor:**

Though the AMC fee is regulated, you should look at the expense ratio of the fund before investing. This is because the money is deducted from your investments. A higher entry load or

exit load also will eat into your returns. A higher expense ratio can be justified only by superlative returns. It is very crucial in a debt fund, as it will devour a few percentages from your modest returns.

Also, Morningstar rates mutual funds. Each year end, many financial publications list the year's best performing mutual funds. Naturally, very eager investors will rush out to purchase shares of last year's top performers. That's a big mistake. Remember, changing marketconditions make it rare that last year's top performer repeats that ranking for the current year. Mutual fund investors would be well advised to consider the fund prospectus, the fund manager, and the current market conditions. Never rely on last year's top performers.

Types of Returns on Mutual Fund

There are three ways, where the total returns provided by mutual funds can be enjoyed by investors:

- Income is earned from dividends on stocks and interest on bonds. A fund pays out nearly all income it receives over the year to fund owners in the form of a distribution.

- If the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution.

Iffund holdings increase in price but are not sold by the fund manager, the fund’s shares increase in price. You can then sell your mutual fund shares for a profit. Funds will also usually give you a choice either to receive a check for distributions or to reinvest the earningsand get more shares.

RISK FACTORS OF MUTUAL FUNDS:

1. The Risk-Return Trade-Off:

The most importantrelationship to understand is the risk-return trade-off. Higher theriskgreater the returns / loss and lower the risk lesser the returns/loss.

Hence it is up to you, the investor to decide how much risk you are willing to take. In order to do this you must first be aware of the different types of risks involved with your investment decision.

2. Market Risk:

Sometimes prices and yields of all securities rise and fall. Broad outside influences affecting the market in general lead to this. This is true, may it be big corporations or smallermid-sized companies. This is known as Market Risk. A Systematic Investment Plan (“SIP”) that works on the concept of Rupee Cost Averaging (“RCA”) might help mitigate this risk.

3. Credit Risk:

The debt servicing ability (may it be interest payments or repayment of principal) of acompany through its cash flows determines the Credit Risk faced by you. This credit risk is measured by independent rating agencies like CRISIL who rate companies and their paper. An‘AAA’rating is considered the safest whereas a ‘D’ rating is considered poor credit quality.A well-diversified portfolio might help mitigate this risk.

4. Inflation Risk:

Things you hear people talk about:

"Rs. 100 today is worth more than Rs. 100 tomorrow."

"Remember the time when a bus ride costed 50 paise?"

"Mehangai Ka Jamana Hai."

The root cause,Inflation. Inflation is the loss of purchasing power over time. A lot of times people make conservative investment decisions to protect their capital but end up with a sum of money that can buy less than what the principal could at the time of the investment. Thishappens when inflation grows faster than the return on your investment. A well-diversified portfolio with some investment in equities might help mitigate this risk.

5. Interest Rate Risk:

In a freemarket economy interest rates are difficult if not impossible to predict. Changes in interest rates affect the prices of bonds as well as equities. If interest rates rise the prices of bonds fall and vice versa. Equity might be negatively affected as well in a rising interest rate environment. A well-diversified portfolio might help mitigate this risk.

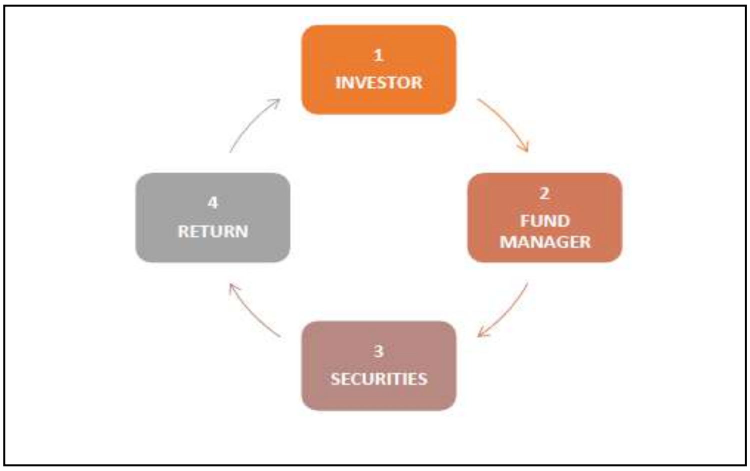
6. Political / Government Policy Risk:

Changes in government policy and political decision can change the investment environment. They can create a favorable environment for investment or vice versa.

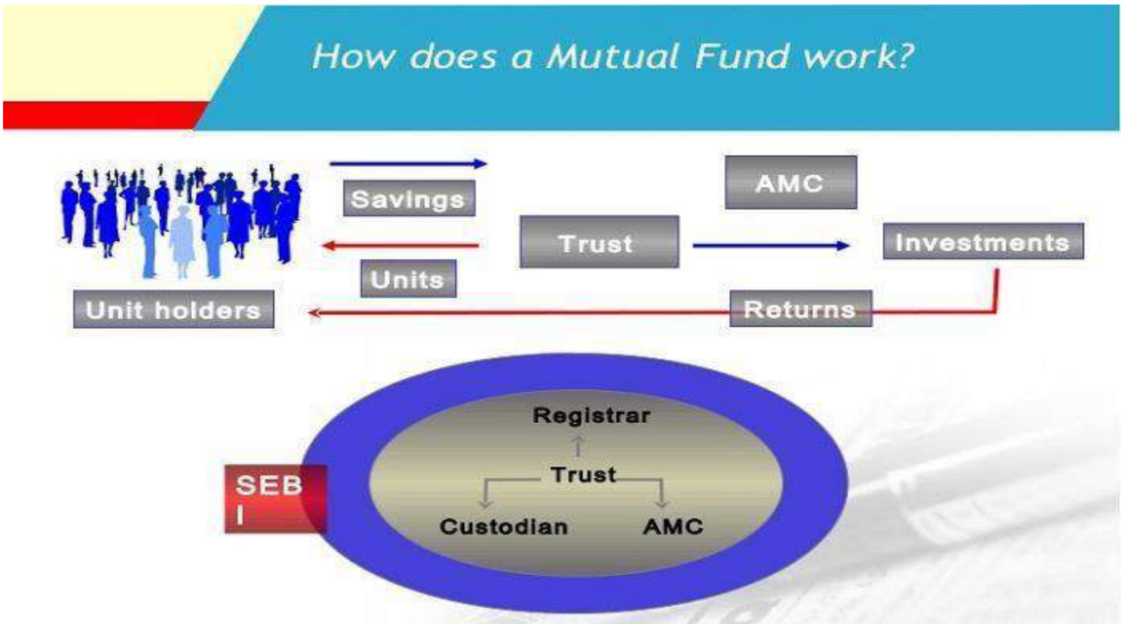
7. Liquidity Risk:

Liquidity risk arises when it becomes difficult to sell the securities that one has purchased. Liquidity Risk can be partly mitigated by diversification, staggering of maturities as well as internal risk controls that lean towards purchase of liquid securities.

WORKING OF MUTUAL



The mutual fund collects money directly or through brokers from investors. The money is invested in various instruments depending on the objective of the scheme. The income generated by selling securities or capital appreciation of these securities is passed on to the investors in proportion to their investment in the scheme. The investments are divided into units and the value of the units will be reflected in Net Asset Value or NAV of the unit. NAV is the market value of the assets of the scheme minus its liabilities. The per unit NAV is thenet asset value of the scheme divided by the number of units outstanding on the valuation date. Mutual fund companies provide daily net asset value of their schemes to their investors. NAV is important, as it will determine the price at which you buy or redeem the units of a scheme. Depending on the load structure of the scheme, you have to pay entry or exit load.



STRUCTURE OF A MUTUAL FUND

India has a legal framework within which Mutual Fund have to be constituted. In India open and close-end funds operate under the same regulatory structure i.e. as unit Trusts. A Mutual Fund in India is allowed to issue open-end and close-end schemes under a common legal structure. The structure that is required to be followed by any Mutual Fund in India is laid down under SEBI (Mutual Fund) Regulations, 1996.

The Fund Sponsor

Sponsor is defined under SEBI regulations as any person who, acting alone or in combination of another corporate body establishes a Mutual Fund. The sponsor of the fund is akin to the promoter of a company as he gets the fund registered with SEBI. The sponsor forms a trust and appoints a Board of Trustees. The sponsor also appoints the Asset Management Company as
fund managers. The sponsor either directly or acting through the trustees will also appoint a custodian to hold funds assets. All these are made in accordance with the regulation and guidelines of SEBI.

As per the SEBI regulations, for the person to qualify as a sponsor, he must contribute at least40% of the net worth of the Asset Management Company and possesses a sound financial track record over 5 years prior to registration.

Mutual Funds as Trusts

A Mutual Fund in India is constituted in the form of Public trust Act, 1882. The Fund sponsor acts as a settlor of the Trust, contributing to its initial capital and appoints a trustee to hold the assets of the trust for the benefit of the unit-holders, who are the beneficiaries of the trust. The fund then invites investors to contribute their money in common pool, by scribing to “units” issued by various schemes established by the Trusts as evidence of their beneficial interest in the fund.

It should be understood that the fund should be just a “pass through” vehicle. Under the Indian Trusts Act, the trust of the fund has no independent legal capacity itself, rather it is.

Trustees

A Trust is created through a document called the Trust Deed that is executed by the fund sponsor in favor of the trustees. The Trust- the Mutual Fund – may be managed by a board of trustees- a body of individuals, or a trust company- a corporate body. Most of the funds in India are managed by Boards of Trustees. While the boards of trustees are governed by the Indian Trusts Act, where the trusts are a corporate body, it would also require complying with the Companies Act, 1956. The Board or the Trust company as an independent body, acts as a protector of the of the unit-holders interests.

The Asset Management Companies

The role of an Asset Management Company (AMC) is to act as the investment manager of the Trust under the board supervision and the guidance of the Trustees. The AMC is required to be approved and registered with SEBI as an AMC. The AMC of a Mutual Fund must have a net worth of at least Rs. 10 Crores at all times. Directors of the AMC, both independent and non-independent, should have adequate professional expertise in financial services and shouldbe individuals of high morale standing, a condition also applicable to other key personnel of the AMC.

Custodian and Depositories

Mutual Fund is in the business of buying and selling of securities in large volumes. Handling these securities in terms of physical delivery and eventual safekeeping is a specializedactivity. The custodian is appointed by the Board of Trustees for safekeeping of securities or participating in any clearance system through approved depository companies on behalf of the Mutual Fund and it must fulfill its responsibilities in accordance with its agreement withthe Mutual Fund.

Bankers

A Fund's activities involve dealing in money on a continuous basis primarily with respect to buying and selling units, paying for investment made, receiving the proceeds from sale of the investments and discharging its obligations towards operating expenses. Thus the Fund's bankerplays an important role to determine quality of service that the fund gives in timely delivery of remittances etc.

Transfer Agents

Transfer agents are responsible for issuing and redeeming units of the Mutual Fund and provide other related services such as preparation of transfer documents and updating investor records. A fund may choose to carry out its activity in-house and charge the scheme for the service at a competitive market rate. Where an outside Transfer agent is used, the fundinvestor will find the agent to be an important interface to deal with, since all of the investor services that a fund provides are going to be dependent on the transfer agent.

REGULATORY STRUCTURE OF MUTUAL FUNDS IN INDIA

The structure of mutual funds in India is guided by the SEBI. Regulations, 1996.Theseregulations make it mandatory for mutual fund to have three structures of sponsor trustee and asset Management Company. The sponsor of the mutual fund and appoints the trustees. The trustees are responsible to the investors in mutual fund and appoint the AMC for managing the investment portfolio. The AMC is the business face of the mutual fund, as it manages all the affairs of the mutual fund. The AMC and the mutual fund have to beregistered with SEBI.

SEBI REGULATIONS

- As far as mutual funds are concerned, SEBI formulates policies and regulates the mutual funds to protect the interest of the investors.
- SEBI notified regulations for the mutual funds in 1993. Thereafter, mutual funds sponsored by private sector entities were allowed to enter the capital market.
- The regulations were fully revised in 1996 and have been amended thereafter from time to time.
- SEBI has also issued guidelines to the mutual funds from time to time to protect the interests of investors.
- All mutual funds whether promoted by public sector or private sector entities including those promoted by foreign entities are governed by the same set of Regulations. The risks associated with the schemes launched by the mutual funds sponsored by these entities are of similar type. There is no distinction in regulatory requirements for these mutual funds and all are subject to monitoring and inspections by SEBI.

ASSOCIATION OF MUTUAL FUNDS IN INDIA (AMFI)

With the increase in mutual fund players in India, a need for mutual fund association in India was generated to function as a non-profit organization. Association of Mutual Funds in India (AMFI) was incorporated on 22nd August, 1995.

AMFI is an apex body of all Asset Management Companies (AMC) which has been registered with SEBI. Till date all the AMCs are that have launched mutual fund schemes are its members. It functions under the supervision and guidelines of its Board of Directors.

Association of Mutual Funds India has brought down the Indian Mutual Fund Industry to a professional and healthy market with ethical lines enhancing and maintaining standards. It follows the principle of both protecting and promoting the interests of mutual funds as well as their unit holders.

The Objectives of Association of Mutual Funds in India

The Association of Mutual Funds of India works with 30 registered AMCs of the country. It has certain defined objectives which juxtaposes the guidelines of its Board of Directors. The objectives are as follows:

- This mutual fund association of India maintains high professional and ethical standards in all areas of operation of the industry.
- It also recommends and promotes the top class business practices and code of conduct which is followed by members and related people engaged in the activities of mutual fund and asset management. The agencies who are by any means connected orinvolved in the field of capital markets and financial services also involved in this code of conduct of the association.
- AMFI interacts with SEBI and works according to SEBIs guidelines in the mutual fund industry.
- Association of Mutual Fund of India do represent the Government of India, the Reserve Bank of India and other related bodies on matters relating to the Mutual Fund Industry.
- It develops a team of well qualified and trained Agent distributors. It implements a programme of training and certification for all intermediaries and other engaged in the mutual fund industry.

Chapter - 2

COMPANY PROFILE

MUTUAL FUNDS IN INDIA

In 1963, the day the concept of Mutual Fund took birth in India. Unit Trust of India invited investors or rather to those who believed in savings, to park their money in UTI Mutual Fund.

For 30 years it goaled without a single second player. Though the 1988 year saw some new mutual fund companies, but UTI remained in a monopoly position.

The performance of mutual funds in India in the initial phase was not even closer to satisfactory level. People rarely understood, and of course investing was out of question. But yes, some 24 million shareholders were accustomed with guaranteed high returns by the beginning of liberalization of the industry in 1992. This good record of UTI became marketing tool for new entrants. The expectations of investors touched the sky in profitabilityfactor. However, people were miles away from the preparedness of risks factor after the liberalization.

The net asset value (NAV) of mutual funds in India declined when stock prices started falling in the year 1992. Those days, the market regulations did not allow portfolio shifts into alternative investments. There was rather no choice apart from holding the cash or to further continue investing in shares. One more thing to be noted, since only closed-end funds werefloated in the market, the investors disinvested by selling at a loss in the secondary market.

The performance of mutual funds in India suffered qualitatively. The 1992 stock market scandal, the losses by disinvestments and of course the lack of transparent rules in the whereabouts rocked confidence among the investors. Partly owing to a relatively weak stock market performance, mutual funds have not yet recovered, with funds trading at an average discount of 1020 percent of their net asset value.

The securities and Exchange Board of India (SEBI) came out with comprehensive regulation in 1993 which defined the structure of Mutual Fund and Asset ManagementCompanies for the first time.

The supervisory authority adopted a set of measures to create a transparent and competitive environment in mutual funds. Some of them were like relaxing investmentrestrictions into the market, introduction of open-ended funds, and paving the gateway for mutualfunds to launch pension schemes.

The measure was taken to make mutual funds the key instrument for long-term saving. The more the variety offered, the quantitative will be investors.

Several private sectors Mutual Funds were launched in 1993 and 1994. The share of the private players has risen rapidly since then. Currently there are 34 Mutual Fund organizationsin India managing 1,02,000 Crores.

At last to mention, as long as mutual fund companies are performing with lower risks andhigher profitability within a short span of time, more and more people will be inclined to invest until and unless they are fully educated with the dos and don’ts of mutual funds.

Mutual fund industry has seen a lot of changes in past few years with multinationalcompanies coming into the country, bringing in their professional expertise in managing fundsworldwide. In the past few months there has been a consolidation phase going on in the mutualfund industry in India. Now investors have a wide range of Schemes to choose from depending on their individual profiles.

MUTUAL FUND COMPANIES IN INDIA

The concept of mutual funds in India dates back to the year 1963. The era between 1963and 1987 marked the existence of only one mutual fund company in India with Rs. 67bn assets under management (AUM), by the end of its monopoly era, the Unit Trust of India (UTI). By the end of the 80s decade, few other mutual fund companies in India took their position in mutual fund market.

The new entries of mutual fund companies in India were SBI Mutual Fund, CanbankMutual Fund, Punjab National Bank Mutual Fund, Indian Bank Mutual Fund, Bank of India Mutual Fund.

The succeeding decade showed a new horizon in Indian mutual fund industry. By the endof 1993, the total AUM of the industry was Rs. 470.04 bn. The private sector funds started penetrating the fund families. In the same year the first Mutual Fund Regulations came intoexistence with re-registering all mutual funds except UTI. The regulations were further given a revised shape in 1996.

Kothari Pioneer was the first private sector mutual fund company in India which has now merged with Franklin Templeton. Just after ten years with private sector players penetration, thetotal assets rose up to Rs. 1218.05 bn. Today there are 33 mutual fund companies in India.

Major Mutual Fund Companies in India

DSP ASSET MANAGEMENT COMPANY

DSP Mutual Fund was set up as a trust under the Indian Trust Act, 1882. The sponsors to the Fund are DSP ADIKO Holdings Pvt. Ltd and DSP HMK Holdings Pvt. Ltd. DSP Investment Managers Pvt. Ltd. (formerly known as DSP BlackRock Investment Managers Pvt. Ltd. is the asset management company to the Fund. DSP Trustee Pvt. Ltd. ("formerly known as DSP BlackRock Trustee Company Pvt. Ltd.") acts as the trustee to the Fund.DSP

Group, headed by Mr. Hemendra Kothari, is one of the oldest and most respected financial services firms in India. The firm commenced its stock broking business in the 1860s and the family behind the group has been very influential in the growth and professionalization of capital markets and money management business in India. It is one of the oldest financial firm in India more than 150 years. The family behind DSP Group also consisted of a founding member of the Bombay Stock Exchange.

JM ASSET MANAGEMENT COMPANY

JM Financial Asset Management Limited, the Asset Management Company of JM Financial Mutual Fund is sponsored by JM Financial Limited. JM Financial Asset Management Limited started operations in December 1994 with a simultaneous launch of three funds-JM Liquid Fund (now JM Income Fund), JM Equity Fund and JM Balanced Fund. Today, JM Financial Mutual Fund offers a bouquet of funds that caters to the diverse needs of both its institutional and individual investors. The mission is to manage risk effectively while generating top quartile returns across all product categories. The fund believes that to cultivate investor loyalty, and must provide a safe haven for their investments.

LIC ASSET MANAGEMENT COMPANY

LIC Mutual Fund was established on 20th April 1989 by LIC of India. Being an associate company of India's premier and most trusted brand, LIC Mutual Fund is one of the well known players in the asset management sphere. With a systematic investment discipline coupled with a high standard of financial ethics and corporate governance, LIC Mutual Fund is emerging as a preferred Investment Manager amongst the investor fraternity Mutual Fund endeavours to create value for its investors by adopting innovative and robust investment strategies, catering to all segments of investors. LIC Mutual Fund believes in providing delight to its customers and partners by way of superior investment experience and unparalleled service thereby truly bring them Khushiyaan, Zindagi Ki.

UTI ASSET MANAGEMENT COMPANY

UTI mutual Fund is a professionally managed company led by Board of Directors and a dedicated and experienced management team. For purposes of the SEBI Mutual Fund Regulations, there are four sponsors such as State Bank of India, Life Insurance Corporation of India, Punjab National Bank and Bank of Baroda, each of which has the Government of India as a majority shareholder. T. Rowe Price Group, Inc., a global asset management company, is the major shareholder. They have a national footprint and offer schemes through a diverse range of distribution channels. As their distribution network includes 163 UTI Financial Centres, 273 Business Development Associates and Chief Agents (46 of whom operate Official Points of Acceptance and 33 other OPAs.

CANARA ROBECO ASSET MANAGEMENT COMPANY

Canara Robeco, are India's second oldest asset management company, in existence since 1993, it is known as Canbank Mutual Fund. In 2007, Canara Bank partnered with Robeco group by way of a joint venture and the mutual fund was renamed as Canara Robeco Mutual Fund. Robeco group was founded in 1929 in Rotterdam, is a pure play asset manager. Robeco group has an active investment style and is known as a global leader in sustainable investing. With a presence in 17 countries and over 909 employees, Robeco group has investment centers in key cities subsequently, in 2007 Canara Bank partnered with Robeco (now a part of ORIX Corporation, Japan) and the mutual fund was renamed as Canara Robeco Mutual Fund. Since then, it has consistently been one of the fastest growing mutual funds in India in terms of AUM.

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY

Kotak Mahindra Asset Management Company Limited (KMAMC), a wholly owned subsidiary of Kotak Mahindra bank Limited (KMBL), is the Asset Manager for Kotak Mahindra Mutual Fund (KMMF). KMAMC started operations in December 1998 and has approximately 7.5 Lac investors in various schemes. KMMF offers schemes catering to investors with varying risk - return profiles and was the first fund house in the country tolaunch a dedicated gilt scheme investing only in government securities. The company is present in 76 cities and has 79 branches. The group has a net worth of Rs.7,911 crore and employs around 20,000 employees across its various businesses, servicing around 7million customer accounts through a distribution network of 1,716 branches, franchisees andsatellite offices across more than 470 cities and towns in India and offices in New York,California, San Francisco, London, Dubai, Mauritius and Singapore.

BNP PARIBAS ASSET MANAGEMENT COMPANY

The BNP Paribas Asset Management is the investment management arm of BNP Paribas, one of the world’s major financial institutions. Since 2002, BNP Paribas Asset Management has been a major participant in sustainable and responsible investing. It is a recognized asset manager with EUR 421 billion in assets under management and advisory. It has a presence in more than 30 countries on 5 continents i.e. Europe, APAC, North America, Latin America, and EEMEA with more than 3,000 employees and more than 530 investment professionals, each team specialising in a particular asset class.

ADITYA BIRLA SUN LIFE ASSET MANAGEMENT COMPANY

It is established in 1994, Aditya Birla Sun Life AMC Limited, is a joint venture between the Aditya Birla Capital Limited and Sun Life AMC Investments Inc. It is primarily the investment manager of Aditya Birla Sun Life Mutual Fund, a registered trust under the Indian Trusts Act, 1882. Additionally, it has various other business lines such as Portfolio Management Services, Real Estate Investments and Alternative Investment Funds. The Portfolio Management Service is a highly customized service designed to seek consistent long-term results by adopting a research based, methodical approach to investing.

SBI MUTUAL FUND

SBI Mutual Fund is one of India's largest and oldest MFs. The SBI Mutual Fund is a Joint Venture between one of India's largest and most profitable banks, the State Bank of India, and Amundi, which is a French asset management company. SBI Mutual Fund was set up on June 29, 1987 and was incorporated on February 7, 1992. It was India's second Mutual Fund after the Unit Trust of India started operations in 1963. In July 2004, the SBI decided to divest 37% of the Fund and roped in Amundi as a partner. It was the first Indian Mutual Fund player to launch a 'Contra' fund, called the SBI Contra Fund.

ICICI PRUDENTIAL MUTUAL FUND

ICICI Prudential is the leading Asset Management company in the country focused on bringing the gap between saving and investment and creating long wealth for investor throughout a range of simple and relevant investment solutions. It is a joint venture between ICICI Bank, a well-known trusted bank in financial services in India and Prudential Plc, a UK's largest player in financial services sector. The AMC has witnessed the substantial growth in scale; from 2 location and 6 employees at the inception of JV in 1998, to a current strength of 2062 employees with a reach of over 300 locations reaching out to an investor base of more than 4 million investor.

NIPPON LIFE INDIA ASSET MANAGEMENT COMPANY

Nippon India Mutual Fund has been established as a trust under the Indian Trusts Act, 1882. Nippon Life Insurance Company is the Sponsor and Nippon Life India Trustee Ltd is the Trustee. Nippon India Mutual Fund has been registered with the Securities & Exchange Board of India (SEBI) on June 30, 1995. Nippon India Mutual Fund was earlier known as Reliance Mutual Fund. The name of Mutual Fund was changed from Reliance Mutual Fund to Nippon India Mutual Fund effective September 28, 2019.

HDFC ASSET MANAGEMENT COMPANY

HDFC AMC is India's largest and most profitable mutual fund manager with ₹3.8trillion in assets under management. Started in 1999, They were set up as a joint venture between Housing Development Finance Corporation Limited and Standard Life Investments Limited. During FY18-19 we carried out an initial public offering, and became a publicly listed company in August 2018. Currently, 20% of the company is owned by the public. HDFC Asset Management Company is the investment manager to the schemes of HDFC Mutual Fund. They offer a comprehensive suite of savings and investment products across asset classes, which provide income and wealth creation opportunities to the large retail and institutional customer base of 9.4 million live accounts.

INVESCO INDIA ASSET MANAGEMENT COMPANY

Invesco Asset Management (India) aims to serve investment needs of individual investors, corporate and institutions through mutual funds and sub-advised portfolios. It has an average asset base of over **Rs.** 25,664.50 **crores.** It has AUM of Rs.954.8 billion around the globe. It has a product portfolio which is managed by individually focused management teams to create optimum balance and results. They are committed to providing financial care and top class service. They subscribe to sustainable business models and process that factor in the dynamism of the business in fast changing market scenarios. Investors can expect best-in class investment products that will leverage on the expertise and global resources of Invesco.

IDFC ASSET MANAGEMENT COMPANY

It was established in 2000, they manage client investment assets of over Rs. 1 trillion forover 1 million investor folios representing leading institutions, body corporate, family offices and individual clients. They are promoted by IDFC Ltd, a widely held publicly listedcompany originally set up by the Government of India as India's premier infrastructurefinance company. IDFC AMC is today one of India's Top 10 asset managers by AUM, witha seasoned investment team and deep, on-the-ground presence across over 46 cities, andserving clients across over 280 towns in India.

BARODA PIONEER ASSET MANAGEMENT COMPANY

Baroda Asset Management India Limited, investment manager to Baroda Mutual Fund, is a wholly owned subsidiary of Bank of Baroda and is positioned to serve the varied asset management needs of investors in India through a range of equity, debt and money market offerings. In 2008, Pioneer Global Asset Management acquired 51% stake in the AMC, which was renamed as Baroda Pioneer Asset Management Company Ltd. and PGAM became a co-sponsor of the Mutual Fund. The joint venture had Rs. 30 crores in AUM in June 2008 which grew to Rs. 12,159 crores in November 2018.Thave have moved out of the joint venture and Bank of Baroda, India's 2nd largest PSU Bank has now become the sole sponsor for the Mutual Fund.

PRINCIPAL ASSET MANAGEMENT COMPANY

Principal Asset management Private Limited. is an investment manager of principal mutual fund which offers financial solutions short-term investment to mid-term investment to long term investment financial goals set by investors. It follows a focused fund management and disciplines risk management strategy that is ably supported by a thorough credit and economic research. Principal AMC manages assets under various debt and equity funds with average AUM of Rs.6601.5 Crore. which is contributed by over 5.5 Lakh investors. At Principal Mutual Fund, they offer products that provide a mix of short term, mid-term and long-term investment financial goals.

L & T ASSET MANAGEMENT COMPANY

L&T Investment Management Ltd. is the asset management company of L&T Mutual Fund. The company is a wholly-owned subsidiary of L&T Finance Holdings Ltd., which is a publicly-listed NBFC.L&T Mutual Fund is a mutual fund company in India. It caters to the investment needs of investors through various mutual fund schemes. The company claims to have sound investment management practices and a knowledgeable fund management team. The CEO is Kailash Kulkarni.

HSBC ASSET MANAGEMENT COMPANY

HSBC is one of the world's largest banking and financial services organisations. They serve more than 40 million customers through our global businesses: Wealth and Personal

Banking, Commercial Banking, and Global Banking and Markets. Their network covers 64 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America. **HSBC Mutual Fund** serves more than 1 million customers through its 1000 plus offices spread all over India.

FRANKLIN TEMPLETON ASSET MANAGEMENT COMPANY

Franklin Templeton AMC has been founded in 1947 and dedicated to delivering exceptional asset management for institutional, retail, and high-net-worth clients. Find out what gives us our unique investment perspective. With more than 600 investment professionals[1]in 25 countries around the world, we are uniquely positioned to look beyond the largest or most visible securities in each market to spot smart global investments that meet our rigorous investment criteria.

TAURUS ASSET MANAGEMENT COMPANY

Taurus Mutual Fund was amongst the first few private sector Mutual Funds to be registered with SEBI. It was constituted as a Trust on August 20, 1993.The Mutual Fund was registered with SEBI on Sept 21, 1993. HB Portfolio Limited is the present sponsor of the Fund & the Taurus Investment Trust Company Ltd is the Trustee. In 1999, a merger was announced between HB Mutual Fund & Taurus Mutual Fund.

MUTUAL FUNDS VS. OTHER INVESTMENTS

From investors 'view point' mutual funds have several advantages such as:

• Professional management and research to select quality securities.

• Spreading risk over a larger quantity of stock whereas the investor has limited to buy only a hand full of stocks. The investor is not putting all his eggs in one basket. • Ability to add funds at set amounts and smaller quantities such as $100 per month. • Ability to take advantage of the stock market which has generally outperformed other investment in the long run.

• Fund manager are able to buy securities in large quantities thus reducing brokerage fees.

However there are some disadvantages with mutual funds such as:

• The investor must rely on the integrity of the professional fund manager. • Fund management fees may be unreasonable for the services rendered. • The fund manager may not pass transaction savings to the investor. • The fund manager is not liable for poor judgment when the investor's fund loses value.

- There may be too many transactions in the fund resulting in higher fee/cost to the investor - This is sometimes call "Churn and Earn".
- Prospectus and Annual report are hard to understand.
- Investor may feel a loss of control of his investment dollars.

Company Fixed Deposits versus Mutual Funds

Fixed deposits are unsecured borrowings by the company accepting the deposit.Credit rating of the fixed deposit program is an indication of the inherent default risk in the investment.

The moneys of investors in a mutual fund scheme are invested by the AMC in specific investments under that scheme. These investments are held and managed in-trust for the benefit of scheme's investors. On the other hand, there is no such direct correlation between a company's fixed deposit mobilization , and the avenues where these resources are deployed.

A corollary of such linkage between mobilization and investment is that the gains and losses from the mutual fund scheme entirely flow through to the investors. Therefore, there can be no certainty of yield, unless a named guarantor assures a return or, to a lesser extent, ifthe investment is in a serial gilt scheme. On the other hand, the return under a fixed deposit is certain, subject only to the default risk of the borrower.

Both fixed deposits and mutual funds offer liquidity, but subject to some differences:

The provider of liquidity in the case of fixed deposits is the borrowing company. In mutual funds, the liquidity provider is the scheme itself (for open-end schemes) or the market (in the case of closed-end schemes).

The basic value at which fixed deposits are uncased is not subject to a market risk. However, the value at which units of a scheme are redeemed depends on the market. If securities have gained in value during the period, then the investor can even earn a return that is higher than what he anticipated when he invested. But he could also end up with a loss.

Early encashment of fixed deposits is always subject to a penalty charged by the company that accepted the fixed deposit. Mutual fund schemes also have the option of charging penalty on "Carly" redemption of units (through by way of an 'exit load'.) If the NAV has appreciated adequately, then even after the exit load, the investor could eam a capital gain on his investment.

Bank Fixed Deposits verses Mutual Fund:

Bank fixed deposits are similar to company fixed deposits. The major difference is that banks are generally more stringently regulated than companies. They even operate under stricter requirements regarding Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR).While the above are causes for comfort, bank deposits too are subject to default risk. However, given the political and economic impact of bank defaults, the government as well as Reserve Bank of India (RBI) try to ensure that banks do not fail.

Further, bank deposits up to Rs 100,000 are protected by the Deposit Insurance and Credit Guarantee Corporation (DICGC), so long as the bank has paid the required insurance premium of 5 paise per annum for every Rs 100 of deposits. The monetary ceiling of Rs 100,000 is for all the deposits in all the branches of a bank, held by the depositor in the same capacityandright.

Bonds and Debentures versus Mutual Funds

As in the case of fixed deposits, credit rating of the bond / debenture is an indication of the inherent default risk in the investment. However, unlike FD, bonds and debentures are transferable securities.

While an investor may have an early encashment option from the issuer (for instance through a "put" option), generally liquidity is through a listing in the market.

Implications of this are:

• If the security does not get traded in the market, then the liquidity remains on paper. In this respect, an open-end scheme offering continuous sale / re- purchase option is superior.

• The value that the investor would realize in an early exit is subject to market risk. The investor could have a capital gain or a capital loss. This aspect is similar to a MF scheme.

It is possible for a professional investor to earn attractive returns by directly investing in the debt mark et, and actively managing the positions. Given the market realities in India, it is difficult for most investors to actively manage their debt portfolio. Further, at times, it is difficult to execute trades in the debt market even when the transaction size is as high as Rs 1 crore. In this respect, investment in a debt scheme would be beneficial.

Equity versus Mutual Funds

Investment in both equity and mutual funds are subject to market risk.

An investor holding an equity security that is not traded in the market place has a problem in realizing value from it. But investment in an open-end mutual fund eliminates this direct risk of not being able to sell the investment in the market. An indirect risk remains, because the scheme has to realize its investments to pay investors. The AMC is however in a better position to handle the situation

Advantages of Mutual Funds over Stocks

• A mutual fund offers a great deal of diversification starting with the very first dollar invested, because a mutual fund may own tens or hundreds of different securities.

- Small sums of money get you much further in mutual funds than in stocks.
    - You can exit a fund without getting caught on the bid/ask spread.
    - Funds provide a cheap and easy method for reinvesting dividends.
- Last but most certainly not least, when you buy a fund you're in essence hiring a professional to manage your money for you. That professional is (presumably) monitoring the economy and the markets to adjust the fund's holdings appropriately.

Chapter 3

LITERATURE REVIEW

REVIEW OF LITERATURE

Review of literature is very important to give better understanding and insight necessary to develop a broad conceptual framework in which a particular problem can be examined.
"A mutual fund is an investment that pools your money with the money of an unlimited number of other investors. In return, you and the other investors each own shares of the fund. The fund's assets are invested according to an investment objective into the fund's portfolio of investments. Aggressive growth funds seek long-term capital growth by investing primarily in stocks of fast- growing smaller companies or market segments. Aggressive growth funds are also called capital appreciation funds".

The review of some of the literature related to the performance of mutual fund is shown below:-

Economist Jack L Treynor (1965) suggested a new predictor of mutual fund performance, one that differs from virtually all those used previously by incorporating the volatility of a funds return in a simple yet meaningful manner.

Jensen (1967) derived a risk adjusted measure of portfolio performance (Jensen alpha) that estimates how much a manager's forecasting ability contributes to a fund's returns.

Sapar& Narayan (2003) examined the performance of Indian mutual funds in a bear market through relative performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure, Jensen's measure and Fama's measure with a sample of 269 open ended schemes

Mehta S. (2010) analyzed the performance of mutual fund schemes of SBI and UTI and found that SBI schemes have performed better than the UTI in the year 2007- 2008. Compared to private company, public company scheme is better to invest.

Gupta and Jain (2008) on the basis of an all-India survey of 1463 households found the preferences of investors among the major categories of financial assets, such as investment in shares, indirect investment through various types of mutual fund schemes, other investment types such as exchange-traded gold fund, bank fixed deposits and government savings schemes. The study provides interesting information about how the investors' attitude towards various investment types are related to their income and age, their portfolio diversification practices, and the over-all quality of market regulation as viewed by the investors themselves.

Joseph and Prakash (2014) have revealed in their paper 'A Study on Preferred Investment Avenues Among the People and the Factors Considered for Investment', that to have an insight into different investment avenues available and to understand the preferred investment avenue among the people of Bangalore City. In the present day world, new financial products are available. It has become difficult and confusing to choose the best options due to lack of proper financial knowledge to the common man to decide the factors which are considered for making sound investment decisions.

Chapter 4
RESEARCH STUDY

OBJECTIVE

- The main objective of the study is to find out the investor's preference towards various investment avenues like fixed deposits, post-office schemes, bonds / debentures, share market, mutual funds and insurance.
- To give a brief idea about the benefits available from Mutual Fund investment.
- To know the preference of common investors for investment inIndia.
- To give an idea of the types of schemes available.
- To discuss about the market trends of Mutual Fund investment.
- To study some of the mutual fund schemes.
- To study some mutual fund companies and their funds.
- To observe the fund management process of mutual funds.
- To explore the recent developments in the mutual funds in India.
- To give an idea about the regulations of mutual funds.

Need of the study:

People do not understand properly that which investment is safe and fruitful. Mutual funds do not let them in any loss of money like shares.

The risk return trade-off indicates that if investor is willing to take higher risk then correspondingly, he can expect higher returns and vice versa if he pertains to lower risk instruments, which would be satisfied by lower returns. For example, if an investors opt for bank FD, which provide moderate return with minimal risk. But as he moves ahead to invest in capital protected funds and the profit-bonds that give out more return which is slightly higher as compared to the bank deposits but the risk involved also increases in the same proportion.

Thus investors choose mutual funds as their primary means of investing, as Mutual funds provide professional management, diversification, convenience and liquidity. That doesn't mean mutual fund investments risk free.

This is because the money that is pooled in are not invested only in debts funds which are less risky but are also invested in the stock markets which involves a higher risk but can expect higher returns. Hedge fund involves a very high risk since it is mostly traded in the derivatives market which is considered very volatile.

HYPOTHESIS

Hypothesis 1

H0-The mutual fund is not considered as best investment avenue.

H1- The mutual fund is considered as best investment avenue.

Hypothesis 2

H0-The Systematic Investment plan in mutual Fund is not considered as best method for Investment.

H1- The Systematic Investment plan in mutual Fund is considered as best method for investment .

Hypothesis 3

Ho- The investors don't prefer to invest in mutual funds.

H1- The investors do prefer to invest in mutual funds.

Relevance of the study :

The scope of project is mainly concentrated on different category of the mutual fund such as equity funds, debt funds and other funds as well. The project is mainly based on the preferences of investor in various investment avenue available. The main purpose of doing this project was to know about mutual fund and its functioning. This helps to know in details about mutual fund industry right from its inception stage, growth and future prospects. It also helps in understanding different schemes of mutual funds. Because my study depends upon prominent funds in India and their schemes like equity, income, balance as well as the returns associated with those schemes.

Problem of the Study:

They have their own set of problems regarding costs, services, regulations, profitability, participation, financial instability and others, whichhave been causing big concern to investors. The growing realisation on such issues is adversely affecting the investors' stake in mutual funds industry in India. But, fostering economic variables in the country are giving faith for its vividness. Disadvantages include high expense ratios and sales charges, management abuses, tax inefficiency, and poor trade execution.

Limitation of the study:

1) The study is restricted with saving in mutual funds only.
2) The area for analysis is also limited.
3) The number of consumers for questionnaire is also limited.

CHAPTER 5
RESEARCH METHODOLY

RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problems. It may understand as a science of study how research is done scientifically.

RESEARCH DESIGN & DATA COLLECTION TOOLS

Research Design

A research design is the specification of methods and procedure for acquiring the information needed. It is over – all operation patterns or framework of the project that stipulates what information is to be collected from which source by what procedure, it is also refers to the blue print of the research process.

Primary Data:A research design is purely and simply the framework of plan for a study that guides the collection and analysis of data. Primary data-collected through structured questionnaire will be done.

Analysis tool will be used:

- Percentage
- Graphs & charts
- Table forms

Secondary Data: Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all. The sources of secondary data are as follows

- Newspapers, News channels, internet-websites, magazines, books-libraries, other projects.

DATA COLLECTION

Sample Design is a definite plan to obtain a sample from the sampling frame. The method which is adopted by the researcher in selecting the unit of sampling from the population is called sampling design.

Sample Size: It represents how many candidates you have chosen to fill up your questionnaire. I had chosen sample of 71 candidates.

Method of Data Collection:-

The data was collected using questionnaire from professionals/Common man like those who wants invest in mutual funds and other Investment option.

A study on research design which has been made use of is the descriptive research design which describes the awareness and perception of the population that is being studied.

In this we used the Quantitative research.

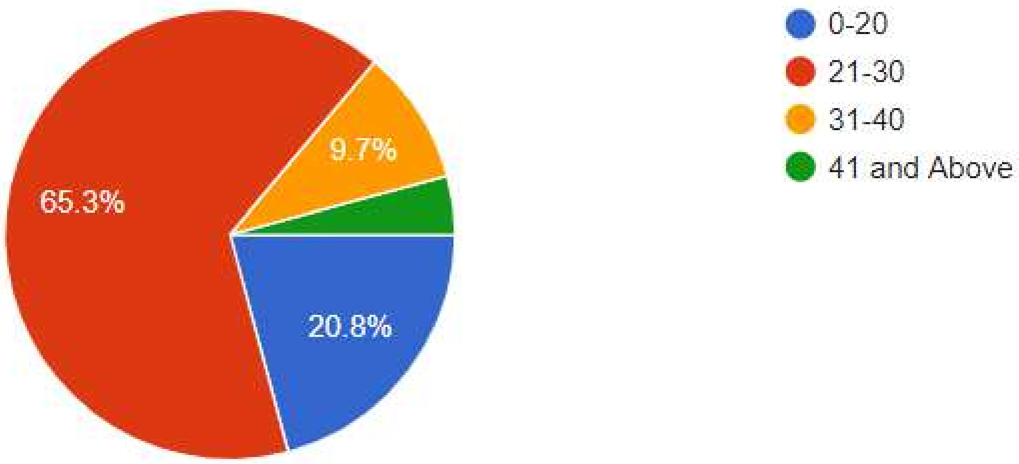
Primary data has been col9lected the information through survey.

Chapter 6
DATA ANAYSIS AND INTERPRETATION

DATA ANALYSIS AND INTERPRETATION

- **Age wise Distribution of Respondent**

Age of Respondent	No. Of Respondent	Percentage
0-20	15	20.8%
21-30	47	65.3%
31-40	7	9.1%
41-and Above	3	4.2%

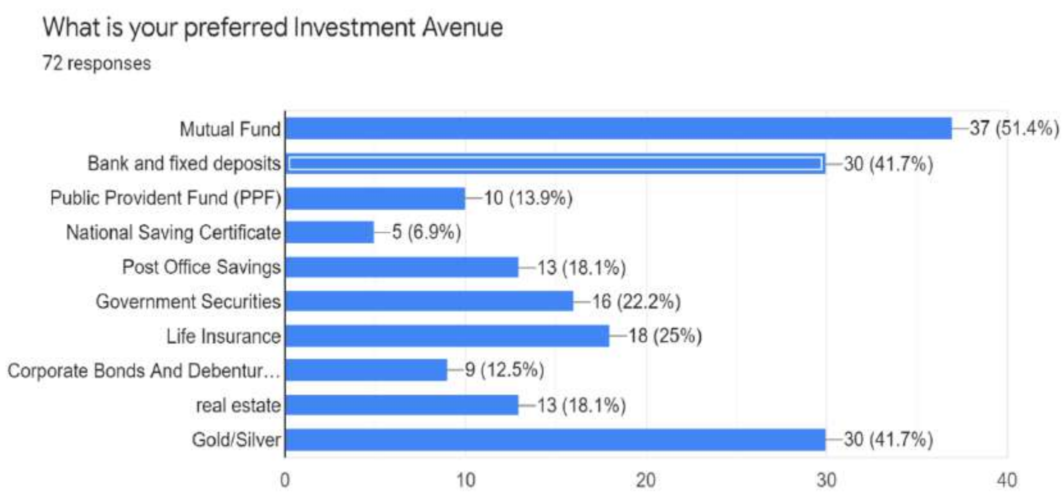


Investment preference and decision-making process could change as an individual grows older. Respondents were classified in terms of age, which is presented in table. Majority of the respondents (65.3%) were from the age group of 21 – 30 years, followed by 0-20 age group. Respondents below 20 were less in number. Respondents from the 21-30 age groups were more willing to participate in the survey as comparison above 41 years.

- **Analysis of Preferred Financial Products of the Respondent**

There could be various reasons for an investor to invest in a particular type of financial product. A study of the current investments held by the respondents will provide insight on the various financial products preferred by investors.

Investment Avenues	No. of Respondent	Percentage Shared
Mutual funds	37	51.4%
Bank and Fixed Deposits	30	41.7%
Public Provident Fund	10	13.9%
National Saving Certificate	5	6.9%
Post Office Saving	13	18.1%
Government Securities	16	22.2%
Life Insurance	18	25%
Corporate Bonds and Debentures	9	12.5%
Real Estate	13	18.1%
Gold/Silver	30	41.7%

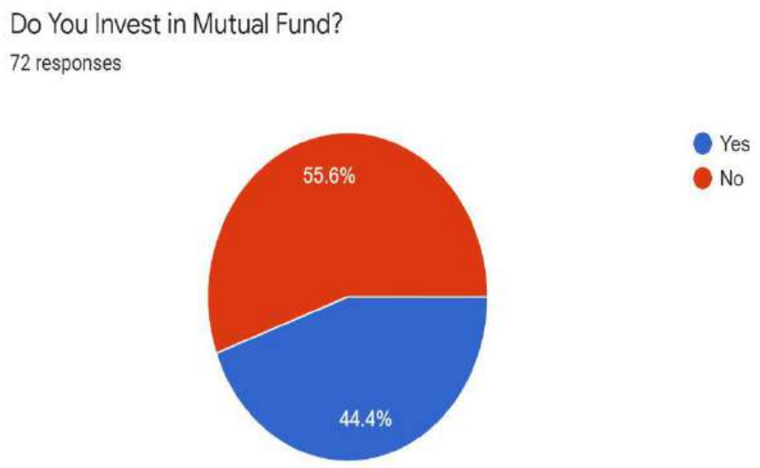


It can be observed from table that, majority of the respondents hold Mutual Fund (51.4%) followed by Bank and Fixed Deposits (41.7%), Gold and Silver (41.7%) and Life Insurance (25%). All other financial product holding was on lower side.

- **Trends of Respondents Investment in Mutual Funds**

India is predominantly known as the next big investment economy, reflected by high savings and investment rate, as compared to other world economies. In today's ever changing market environment, mutual funds are considered upon as a transparent and low cost investment avenue, which appeals a fair share of investor attention leading to growth of the industry. The financial sector in India is unceasingly evolving for which credit goes to regulatory modifications being undertaken, which is leading market participants like the asset management companies (AMCs) and distributors to restructure their strategies and adopt business models which will yield sustainable benefits both for the investor and also for the economy as a whole.

Option	Respondent Opinion	Percentage Share
Yes	40	55.6%
No	32	44.4%

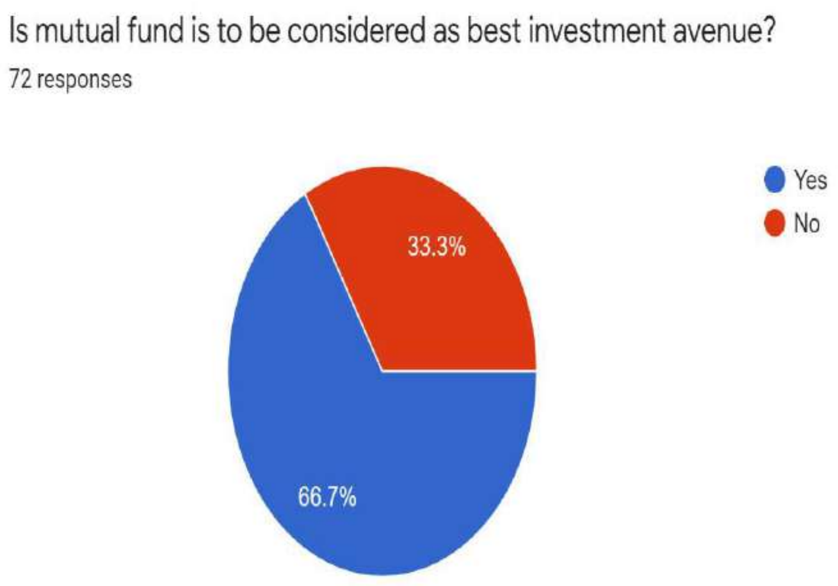


It can be observed from table and figure that most of the respondent is preferred to investment in mutual fund. The "Yes" saying respondent are 55.6% and "No" saying respondent are 44.4%.

- **Respondent Opinions about Mutual Fund Best Investment Avenue**

The advent of Mutual Funds changed the way the world invested their money. The start of Mutual Funds gave an opportunity to the common man to hope of high returns from their investments when compared to other traditional sources of investment.

Best Investment Avenue	Opinion from Respondent	Percentage Share
Yes	48	66.7%
No	24	33.3%

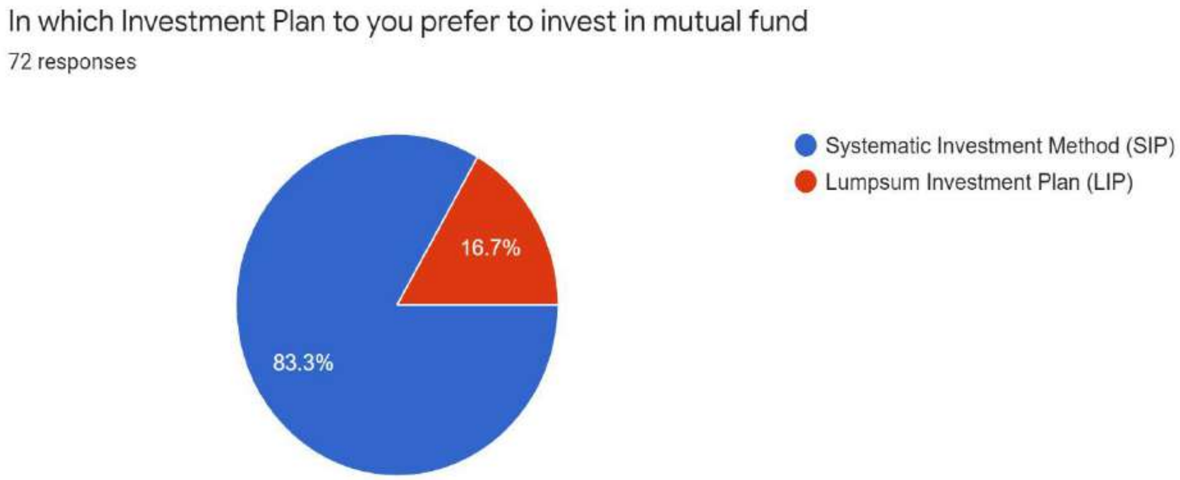


From the above table it would be concluded that 66.7% respondents considers the mutual fund as best investment avenue and 33.3% of respondents considers that mutual fund is not a best investment avenue.

- **Respondent Opinion on Mutual Investment Plan**

A Systematic Investment Plan (or SIP) is an investment mode through which you can invest in mutual funds. As the term indicates, it is a systematic method of investing fixed amounts of money periodically. This can be monthly, quarterly or semi-annually etc. A lump sum investment (LIP) is depositing the entire amount at one go. Lump-sum investment is a popular way of investing in mutual funds. If you invest the entire amount available with you in a mutual fund scheme, it is called the lump-sum mutual fund investment.

Mutual Fund Investment Plan	**No. Of Respondent**	**Percentage Share**
Systematic Investment Plan (SIP)	60	83.3%
lump sum investment Plan (LIP)	12	16.7%



Most of the respondents prefer systematic investment plans and got their source of information primarily from banks and financial advisors. The Systematic Investment plan has majority share that is 83.3% and lump sum Investment plan has a share of 16.7%.

Chapter-7
FINDINGS

FINDINGS

- There are wide range of products available in mutual in the Indian market.
- A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and otherassets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.
- The aggressive market that can tap any individual is financial services. Investors have their individual risk appetite and believe in the market they are entering in.
- They have been identified as one of the important factors pushing up the market prices of securities.
- From Respondents itself it is found that the most of the peoples are investing in mutual fund, They consider that it is they that it is best investment avenue in the market available.
- It is found that most of the investors invest in Systematic Investment Plan Method

Chapter-8
CONCLUSION

CONCLUSION

Mutual Funds now represent perhaps most appropriate investment opportunity for most investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk.

Mutual fund satisfies these requirements by providing attractive returns with affordable risks: The fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough competition in this sector mutual funds are launching a variety of schemes which caters to the requirement of the particular class of investors. Risk takers for getting capital appreciation should invest in growth, equity schemes. Investors who are in need of regular income should invest in income plans.

The stock market has been rising for over three years now. This in turn has not only protected the money invested in funds but has also to help grow these investments.

This has also instilled greater confidence among fund investors who are investing mo into the market through the MF route than ever before.

Reliance India mutual funds provide major benefits to a common man who wants to make his life better than previous.

India's largest mutual fund, UTI, still controls nearly 80 per cent of the market. Also, the mutual fund industry as a whole gets less than 2 per cent of household savings against the 46 per cent that go into bank deposits. Some fund managers say this only indicates the sector's potential. "If mutual funds succeed in chipping away at bank deposits, even a triple digit growth is possible over the next few years.

Chapter-9
SUGGESTION

SUGGESTION

- Advertisement on television is the main source of attraction so the company must advertise its products heavily.
- Product must be improved.
- There should be provision of complain suggestion boxes at each branch.
- Investment made by the investors needs to be prioritized in respect to their objectives.
- Depending upon their age the investors should go for equity exposure.
- Investors should look for long term capital appreciation and invest in diverse asset class

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www.amfiindia.com

SEARCH ENGINE:

www.google.com

www.altavista.com

www.yahoo.com

ANNEXURE

QUESTIONNAIRE:

QUESTIONNAIRE ON INVESTORS ATTITUDETOWARDS MUTUAL FUNDS PERSONAL PROFILE

Name of the Investor:

Age :

o 0-20

o 21-30

o 31-40

o 41 and above

Gender: O Male O Female

What is your preferred Investment Avenue? Mutual funds Bank and Fixed Deposits Public Provident Fund National Saving Certificate Post Office Saving Government Securities Life Insurance Corporate Bonds and Debentures Real Estate Gold/Silver

Do you invest in Mutual Fund?

o Yes

o No

Is mutual fund is to be considered as best investment avenue?

o Yes

o No

In which Investment Plan to you prefer to invest in mutual fund?

o Systematic Investment Method (SIP)

o Lumpsum Investment Plan (LIP)