International Journal of Renewable Energy Exchange

ISSN 2321-1067 - Print Welcome to Renewable Energy World

Volume 5 Issue 4-8 2018

RENEWABLE
ENERGY
EXCHANGE

Published by:

Shri Jagdhishprasad Jhabarmal Tibrewala University

Vidhyanagari,Jhunjhunu-churu Road
Chudela, Distt.-Jhunjhunu(Raj.)-333001

Mutual Funds As An Investment Tool

Shreya Mishra, Research Scholar, JJTU, Rajasthan

Abstract : A Mutual Fund is a professionally managed investment fund that pools money from many investors to purchase securities. The advantages of mutual funds are professional management, diversification, economic of scale, simplicity and liquidity. The disadvantages of mutual fund are high costs, over diversification, possible tax consequences, and the inability of management to guarantee a superior return. The mutual fund industry started in India in a small way with the UTI Act creating what was effectively a small savings division within the RBI. Over a period of 25 years this grew fairly successfully and gave investors good return.

The present study aims at understanding about mutual fund how many people are aware about the investment in mutual funds and have proper knowledge regarding same and how many people make investment in mutual funds. The study is based on both primary and secondary data. Primary data is collected through questionnaire with sample size of 75. From the study it is clear that Most of the customers were not aware about mutual funds and its advantages. Customers are Risk Giver & Most of them invest for Long Term. Generally, People employed in private sectors and businessmen are more likely to invest in mutual funds, than other people working in other professions.

KeyWords : Mutual Funds, UTI, SEBI, SIP

Research Methodology

Research Objectives

Ø To Learn About Mutual Funds

Ø To Find Out the Preferences of the Investors.

Type of Research

The Research is Descriptive in nature.

Methods of Data Collection

Primary Data - Information collected from my Observation & Questionnaire.

Secondary Data - The secondary data has been collected from different website, Internet and Newspapers etc.

Sample Size – (No. of Respondents)

The sample size is 75

Introduction : A Mutual Fund is a professionally managed investment fund that pools money from many investors to purchase securities.

Mutual funds have both advantages and disadvantages compared to direct investing in individual securities. The primary advantages of mutual funds are that they provide a higher level of diversification, they provide liquidity, and they are managed by professional investors. On the negative side, mutual fund investors incur fees and expenses. The regulation of mutual funds varies by country.

There are three primary structures of mutual funds: open-end funds, unit investment trusts, and closed-end funds. Exchange-traded funds (ETFs) are open-end funds or unit investment trusts that trade on an exchange.

Mutual funds are generally classified by their principal investments as money market funds, bond or fixed income funds, stock or equity funds, hybrid funds or other. Funds may also be categorized as index funds, which are passively managed funds that match the performance of an index, or actively managed funds.

Investors in a mutual fund must pay various mutual fund fees and expenses. There is controversy

Rexjournal ISSN 2321-1067

regarding the level of mutual fund fees and expenses.

The first introduction of a mutual fund in India occurred in 1963, when the Government of India launched Unit Trust of India (UTI). UTI enjoyed a monopoly in the Indian mutual fund market until 1987, when a host of other government-controlled Indian financial companies established their own funds, including State Bank of India, Canara Bank, and Punjab National Bank. This market was made open to private players in 1993, as a result of the historic constitutional amendments brought forward by the then Congress-led government under the existing regime of Liberalization, Privatization and Globalization (LPG). The first private sector fund to operate in India was Kothari Pioneer, which later merged with Franklin Templeton. In 1996, SEBI, the regulator of mutual funds in India, formulated the Mutual Fund Regulation which is a comprehensive regulatory framework

Types of Investment in Mutual Fund :

- SIP
- Lump Sum

Systematic Investment Planning (SIP)

- An SIP is a specific amount, invested for a continuous period at regular intervals
- It is similar to a regular saving scheme like a recurring deposit.
- It allows the investor to buy units as per a pre decided frequency; the investor decides the amount and also the scheme / scrip to invest in.
- Due to the principle of cost averaging, more number of units are bought in a falling market and fewer units in a rising market
- SIPs allow you to take part in the stock market, without trying to time it, also bringing discipline to your investments.

Concept of Systematic Investment planning : Systematic Investment Plan (SIP) is a smart financial planning tool that helps you to create wealth by investing small sums of money every month, over a period of time. Systematic Investment Plan (SIP) is a planned approach to investment and an investment technique that allows you to provide for the future by investing small amounts of money in Mutual Fund schemes of your choice. Systematic Investment Plan is such a beautiful tool, which if used properly can help you to achieve all your financial goals

Example: SIP of Rs. 1000/- invested per month @10 % p.a. till age of 60

Starting Age	Total Amount Saved	Value at the age of 60
25	4,20,000	37,96,638
40	2,40,000	7,59,368

Why SIP?

. Disciplined approach to investments

. No need to time the market

. Lighter on wallet

. Reap benefits of starting early

Benefits of SIP

. SIP can be started with a minimum investment of Rs.500/- per month.

. It can be for a year, two year, three years etc.

. All type of funds except Liquid funds, cash fund and other funds who invest in very short fixed return investments offers the facility of SIP.

Capital gains, if applicable, are taxed on a first – in first –out basis.

As the investment made through SIP are not one time. Some units bought at high price and some at low price, so chances of making gain through SIP is higher than the one time investment.

Lump Sum : Lump Sum is single payment of money as opposed to a series of payment made over time. This means investing the entire sum of money at on go. There are n numbers of benefits in case of investing in MF to investors.

Example of Lump Sum : Suppose that you invest Rs.10000/- today at an interest rate of 10% per year and expect to hold the investment for one year. How much will the investment be worth at the end of this period? in other words, what is the future value?

The Rs.100000/- that is invested today is known as the present value, and your investment will grow at the rate of 10% per year for a period of one year. So, the future value is equal to the present value plus the interest over the course of the year. In other words:

100000+100000*0.10=110000

So, the future value will be Rs.110000/- at the end of the year

Data Analysis :

1) What is your Age Group?

Age Group	No of People
25-30	25
31-40	35
41-50	10
51-60	5
Above and not Specified	0

2) Do you invest in Mutual Fund?

Yes	35
No	40

3) Do you know about any Mutual fund scheme?

Yes	30
No	45

4) What kind of investor are you?

Risk Taker	30
Risk Giver	45

5) Which mode of investment will you prefer?

Long Term	50
Short Term	25

Findings:

- Most the customers were not aware about mutual fund and its advantages.
- Customers are Risk Giver & Most of them invest For Long Term.
- Generally, People employed in private sectors and businessmen are more likely to invest in mutual funds, than other people working in other professions.

Conclusion :

- Running of successful mutual funds require complete knowledge for small investor.
- Many of the Customers do not invest in mutual fund due to lack of knowledge although they have money to invest.
- Most of the Investors/ Customers prefer to invest in equity.
- Investors should be made aware of the benefits of Mutual Funds.

References :

www.icicisecurities.com
www.amfiindia.com
www.sebi.gov.in
Investment Analysis & Portfolio Management- Sheth Publication