A PROJECT REPORT

A PROJECT REPORT ON ANALYSIS OF MUTUAL FUNDS PROCESSING AT DEEPAK S. KASAT (FINANCIAL ADVISOR)

SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF BACHELOR OF MANAGEMENT STUDIES

SUBMITTED BY

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SEMESTER VI

THE WILSON COLLEGE

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PROJECT GUIDE

MRS. BHOOMI RATHOD

SUBMITTED TO

THE UNIVERSITY OF MUMBAI

ACADEMIC YEAR

2021- 2022

DECLARATION BY LEARNER

I the undersigned Miss Kalyani kurkure hereby, declare that the work embodied in this project work titled ”Analysis of mutual funds processing at Deepak S. Kasat (Financial advisor)” forms my own contribution to the research work carried out under the guidance of Mrs. Bhoomi Rathod is a result of my own research work and has not been previously submitted to any other university for any other Degree/Diploma to this or any other university.

Whenever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I hereby further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Kalyani Kurkure

Name and Signature of the Learner

Date: 10.02.2022

Place: Mumbai

CERTIFICATE

This is to certify that Ms. Kalyani Kurkure has worked and duly completed her Project Work for the degree of Bachelor of Management Studies under the faculty of Commerce in the subject of Finance and her project is entitled "ANALYSIS OF MUTUAL FUND PROCESSING AT DEEPAK S. KASAT" under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is her own work and facts reported by her personal findings and investigations.

Mrs. Bhoomi Rathod
(Project Guide)

Dr. Zuleika Homavazir
(SFC Co-ordinator)

Principal

External Examiner

Seal of the College

Date of Submission: 10.02.2022

Place: Mumbai

LETTER OF ACKNOWLEDGEMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me the opportunity to carry out this project.

I would like to thank my **Principal,** Dr. Anna Nikalje for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **SFC Coordinator**, Dr. Zuleika Homavazir, for her moral support and guidance.

I would also like to express my sincere gratitude towards my **Project guide** Mrs. Bhoomi Rathod whose guidance and care made this project successful.

I would like to thank **Deepak S. kasat** for providing me with this valuable Internship opportunity, and also for having provided various insights to my project. I would also like to thanks for their constant support and guidance which helped me to successfully complete my Internship.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and Peers** who supported me throughout my project.

EXECUTIVE SUMMARY

Chapter 1: This chapter gives the information about the research and methodology of this project and the objectives of the project.

Chapter 2: This chapter includes the detailed information about the sector profile of the topic "ANALYSIS OF MUTUAL FUND PROCESSING AT DEEPAK S. KASAT".

Chapter 3: This chapter explains the different type of mutual fund schemes in India.

Chapter 4: This chapter explains about company profile of the internship sector of financial advisor DEEPAK S. KASAT.

Chapter 5: This chapter explains about the internship and the learnings from the internship.

Chapter 6: This chapter gives the detailed information of why we should select mutual funds.

Chapter 7: This chapter gives information about different channels of the Mutual fund among investor.

Chapter 8: This chapter explains the different marketing strategies of mutual funds in market.

Chapter 9: This chapter shows the process flow chart of mutual funds.

Chapter 10: This chapter gives the information about SWOC Analysis of mutual funds at firm.

Chapter 11: This chapter gives detailed information about the PESTLE sector

Chapter 12: This chapter explains about different future prospects of mutual fund.

Chapter 13: This chapter explains how Covid-19 affected mutual funds.

Chapter 14: This chapter contains conclusion of the project.

Chapter 15: This chapter have the bibliography and the references.

DEEPAK S. KASAT (Financial Advisor)

(18, Navi Peth, Nr. Kabra Typing, Above UCO Bank, Jalgaon-425001)

CERTIFICATE

To WHOM SO EVER IT MAY CONCERN

This is to certify that **Ms. Kalyani Sunil Kurkure.** A Student of **B.M.S (BACHELOR IN MANAGEMENT STUDIES)** Wilson College, Mumbai, has undergone practical training and internship project at **DEEPAK S. KASAT (FINANCIAL ADVISOR)** during four weeks of her practical training she has completed a project work on **'ANALYSIS OF MUTUAL FUND AMONG THE INVESTORS'** .

In the time of Internship this candidate was found to be satisfactory. We wish for her bright future.

Date: 30 November 2021

Signature

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DEEPAK S.KASAT

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CHAPTER 1: RESEARCH METHODOLOGY

The research methodology aims to find the perfect investment schemes for investors. In this procedure, research is examined and appropriate ideas and identified the knowledge which is the best appropriate ideas and identified the knowledge which is the best appropriate topic to the investment

To achieve the objective of studying the mutual fund, data has been collected.

Research methodology carried for this study can be two types:-

- Primary
- Secondary

PRIMARY:

The date which has been collected for the first time and it is the original data. In this project the primary data has been taken from financial advisor, guide of the Project.

SECONDARY:

The secondary information is mostly taken from websites, book, journals, news e.t.c.

OBJECTIVES OF THE STUDY

A big boom has been witnessed in Mutual Fund Industry in recent times. A large number of new players have entered the market and trying to gain market share in this rapidly improving market.

1. To find out the Preferences of the investors for Asset Management Company.
2. To know the Preferences for the portfolios.
3. To know why one has invested or not invested in Mutual fund
4. To find out the most preferred channel.
5. To find out what should do to boost Mutual Fund Industry
6. To know the various factors that may affect selection of mutual funds schemes directly or indirectly.

CHAPTER 2:- SECTOR PROFILE

A mutual fund is, basically, a pooled amount of money that is collected from multiple investors and collectively invested in different types of financial instruments like equity, debt funds and others. Unlike stocks, where you invest some money to buy shares of a company directly, a mutual fund allows you to invest through an Asset Management Company or AMC, not just into stocks but many different portfolios. One of the advantages of mutual funds is that the AMC, which is the professional fund manager, will be managing your investment and deciding the best areas in which to invest your money.

The consequence of this is that your money is in safe and professional hands, and their expertise in this arena will ensure that your investment shall give good returns, which is the ultimate goal of these fund managers. Also, an investment in a mutual fund need not be high. It can actually be as low as Rs.500 if you're going for a Systematic Investment Plan or SIP.

When an investor subscribes for the units of a mutual fund, he becomes part owner of the assets of the fund in the same proportion as his contribution amount put up with the corpus (the total amount of the fund). Mutual Fund investor is also known as a mutual fund shareholder or a unit holder any change in the value of the investments made into capital market instruments (such as shares, debentures e.t.c is reflected in the Net Asset Value (NAV) of the scheme. NAV is defined as the market value of the Mutual Fund scheme's assets net of its liabilities. NAV of a scheme is calculated by dividing the market value of scheme's assets by the total number of units issued to the investors.

Concept of mutual fund

Many investors with common financial objectives pool their money

Investors, on a proportionate basis, get mutual fund units for the sum contributed to the pool

The money collected from investors is invested into shares, debentures and other securities by the fund manager

The fund manager realize gains or losses, and collects dividend or interest income

Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units help by them

HISTORY OF MUTUAL FUNDS

History of Mutual Funds in India The mutual fund industry in India started in 1963 with the formation of Unit Trust of India (UTI), under the initiative of Government of India (GOI) and Reserve Bank of India (RBI). The history of mutual funds in India can be broadly divided into four distinct phases Phase I – 1964-87 UTI was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the regulatory and administrative control of the Reserve Bank of India.

In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control from RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management. Phase II – 1987-1993 (Entry of Public Sector Funds) Since 1987 non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) came into existence.

SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC set up its mutual fund in December 1990. By the end of 1993, the mutual fund industry had assets under management of Rs.47004 crores. Phase III – 1993-2003 (Entry of Private Sector Funds).

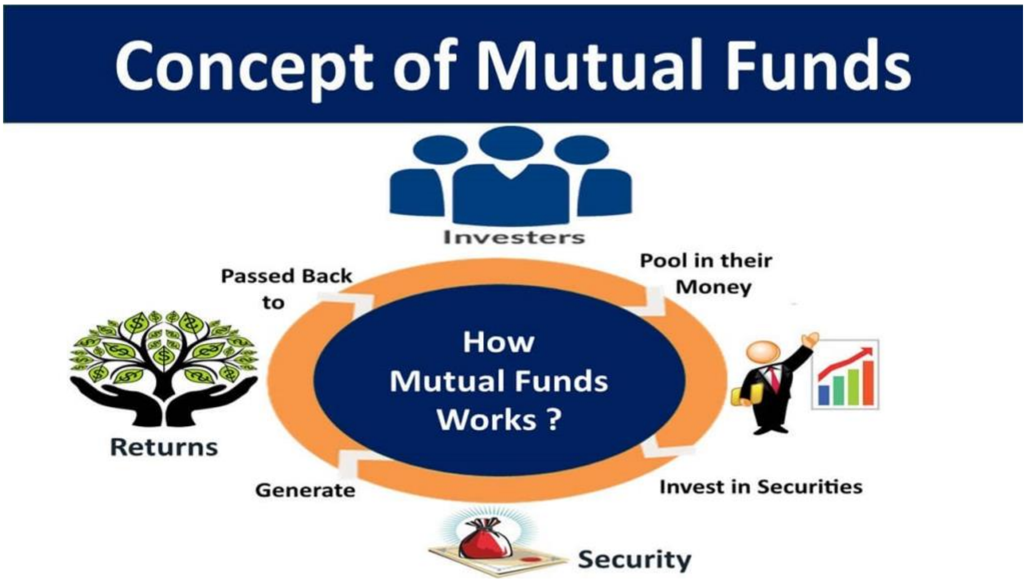
In 1993 the Indian mutual fund industry went through a major change with the entry of private sector mutual funds. This gave the Indian investors a wider choice of funds. The first Mutual Fund Regulations were introduced in 1993. All mutual funds except UTI were to be registered and governed. Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. Phase IV since February 2003 In February 2003, the Unit Trust of India Act, 1963 was repealed. UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes.

The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India does not come under the purview of the Mutual Fund Regulations Net Asset Value (NAV).

The concept The NAV is nothing but the market price of a particular scheme in relation to all the assets of a scheme. It can otherwise be called the intrinsic value of each unit. The value is the true indicator of the performance of the fund. If NAV > Face value of the unit, it indicates that the money invested on that unit has appreciated.

HOW MUTUAL FUND WORKS?



What exactly happens when you invest in mutual funds? Let us consider that you have invested Rs 2000/- into a mutual fund. As a standalone amount, your investment is not very significant and will not give you appreciable returns. However, just like you, many other investors will be investing in mutual funds with the Asset Management Company, with everyone putting in various amounts. Now, the AMC has lots of different investments from different contributors. So, what they do is they pool all of this money together and create a sizeable corpus.

This corpus is then invested in a diversified portfolio. The investment is not just made into a particular stock, but a variety of equity funds and debt funds. This is done to make sure that the fund is balanced in a fluctuating market. So when prices of a stock go down, others may go up and thus the invested amount remains more or less the same.

What is Net Asset Value, or NAV?

A Net Asset Value is a numerical value that is assigned to mutual funds. It is the price of one single unit of the mutual fund. It is calculated by dividing the total cash value of the mutual fund (after subtracting all charges and liabilities) by the total number of mutual fund shares. The net asset value determines how your mutual fund is performing and it is calculated by the AMC at the end of every day.

When you invest in mutual funds, you can make money via two different ways.

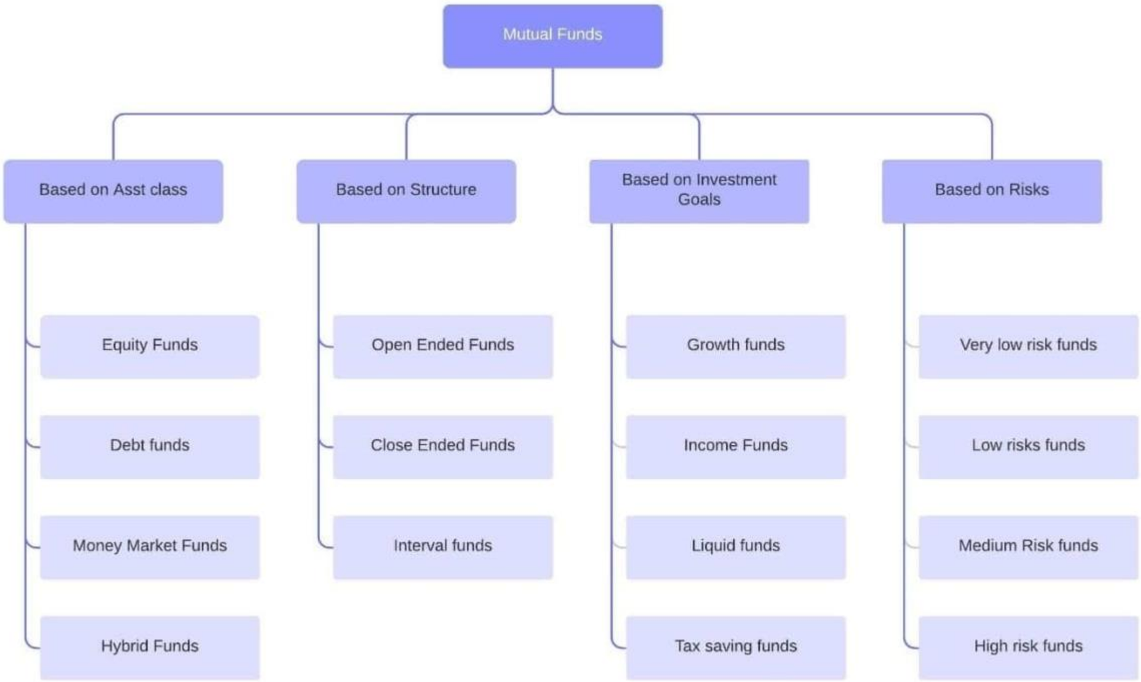
Via dividends

The first way to earn returns from your investment is via dividends. The funds that were invested for the mutual funds will give out dividends based on the market. If you choose to receive these dividends for your investment, then you're making money out of your investment through these dividends. However, many AMCs will give you a second option, which is to reinvest the dividends into the mutual fund and keep on doing it until your money grows with the power of compounding.

Via capital gain

The second way that you can make money off your investment is via capital gains. This is similar to the share market, where you buy your units of the mutual fund for a particular price, and when the price of your units increases at some point in the future; you sell your units and earn a profit. This is dependent on the Net Asset Value of the mutual fund.

TYPES OF MUTUAL FUNDS



BASED ON ASSET CLASS

Equity Funds

Equity funds primarily invest in stocks, and hence go by the name of stock funds as well. They invest the money pooled in from various investors from diverse backgrounds into shares/stocks of different companies. The gains and losses associated with these funds depend solely on how the invested shares perform (price-hikes or price-drops) in the stock market. Also, equity funds have the potential to generate significant returns over a period. Hence, the risk associated with these funds also tends to be comparatively higher.

Debt Funds

Debt funds invest primarily in fixed-income securities such as bonds, securities and treasury bills. They invest in various fixed income instruments such as Fixed Maturity Plans (FMPs), Gilt Funds, Liquid Funds, Short-Term Plans, Long-Term Bonds and Monthly Income Plans, among others. Since the investments come with a fixed interest rate and maturity date, it can be a great option for passive investors looking for regular income (interest and capital appreciation) with minimal risks.

Money Market Funds

Investors trade stocks in the stock market. In the same way, investors also invest in the money market, also known as capital market or cash market. The government runs it in association with banks, financial institutions and other corporations by issuing money market securities like bonds, T-bills, dated securities and certificates of deposits, among others. The fund manager invests your money and disburses regular dividends in return. Opting for a short-term plan (not more than 13 months) can lower the risk of investment considerably on such funds.

Hybrid Funds

As the name suggests, hybrid funds (Balanced Funds) is an optimum mix of bonds and stocks, thereby bridging the gap between equity funds and debt funds. The ratio can either be variable or fixed. In short, it takes the best of two mutual funds by distributing, say, 60% of assets in stocks and the rest in bonds or vice versa. Hybrid funds are suitable for investors looking to take more risks for 'debt plus returns' benefit rather than sticking to lower but steady income schemes.

BASED ON INVESTMENT GOALS

Growth Funds

Growth funds usually allocate a considerable portion in shares and growth sectors, suitable for investors (mostly Millennials) who have a surplus of idle money to be distributed in riskier plans (albeit with possibly high returns) or are positive about the scheme.

Like income funds, liquid funds also belong to the debt fund category as they invest in debt instruments and money market with a tenure of up to 91 days. The maximum sum allowed to invest is Rs 10 lakh. A highlighting feature that differentiates liquid funds from other debt funds is the way the Net Asset Value is calculated. The NAV of liquid funds is calculated for 365 days (including Sundays) while for others, only business days are considered.

Income Funds

Income funds belong to the family of debt mutual funds that distribute their money in a mix of bonds, certificate of deposits and securities among others. Helmed by skilled fund managers who keep the portfolio in tandem with the rate fluctuations without compromising on the portfolio's creditworthiness, income funds have historically earned investors better returns than deposits. They are best suited for risk-averse investors with a 2-3 years perspective.

Tax-Saving Funds

ELSS or Equity Linked Saving Scheme, over the years, have climbed up the ranks among all categories of investors. Not only do they offer the benefit of wealth maximisation while allowing you to save on taxes, but they also come with the lowest lock-in period of only three years. Investing predominantly in equity (and related products), they are known to generate non-taxed returns in the range 14-16%. These funds are best-suited for salaried investors with a long-term investment horizon.

Aggressive Growth Funds

Slightly on the riskier side when choosing where to invest in, the Aggressive Growth Fund is designed to make steep monetary gains. Though susceptible to market volatility, one can decide on the fund as per the beta (the tool to gauge the fund's movement in comparison with the market). Example, if the market shows a beta of 1, an aggressive growth fund will reflect a higher beta, say, 1.10 or above.

Capital Protection Funds

If protecting the principal is the priority, Capital Protection Funds serves the purpose while earning relatively smaller returns (12% at best). The fund manager invests a portion of the money in bonds or Certificates of Deposits and the rest towards equities. Though the probability of incurring any loss is quite low, it is advised to stay invested for at least three years (closed-ended) to safeguard your money, and also the returns are taxable.

Fixed Maturity Funds

Many investors choose to invest towards the of the FY ends to take advantage of triple indexation, thereby bringing down tax burden. If uncomfortable with the debt market trends and related risks, Fixed Maturity Plans (FMP) – which invest in bonds, securities, money market etc. – present a great opportunity. As a close-ended plan, FMP functions on a fixed maturity period, which could range from one month to five years (like FDs). The fund manager ensures that the money is allocated to an investment with the same tenure, to reap accrual interest at the time of FMP maturity.

Pension Funds

Putting away a portion of your income in a chosen pension fund to accrue over a long period to secure you and your family's financial future after retiring from regular employment can take care of most contingencies (like a medical emergency or children's wedding). Relying solely on savings to get through your golden years is not recommended as savings (no matter how big) get used up. EPF is an example, but there are many lucrative schemes offered by banks, insurance firms etc.

BASED ON STRUCTURE

Mutual funds are also categorised based on different attributes (like risk profile, asset class, etc.). The structural classification – open-ended funds, close-ended funds, and interval funds – is quite broad, and the differentiation primarily depends on the flexibility to purchase and sell the individual mutual fund units.

Open-Ended Funds

Open-ended funds do not have any particular constraint such as a specific period or the number of units which can be traded. These funds allow investors to trade funds at their convenience and exit when required at the prevailing NAV (Net Asset Value). This is the sole reason why the unit capital continually changes with new entries and exits. An open-ended fund can also decide to stop taking in new investors if they do not want to (or cannot manage significant funds).

Closed-Ended Funds

In closed-ended funds, the unit capital to invest is pre-defined. Meaning the fund company cannot sell more than the pre-agreed number of units. Some funds also come with a New Fund Offer (NFO) period; wherein there is a deadline to buy units. NFOs comes with a pre-defined maturity tenure with fund managers open to any fund size. Hence, SEBI has mandated that investors be given the option to either repurchase option or list the funds on stock exchanges to exit the schemes.

Interval Funds

Interval funds have traits of both open-ended and closed-ended funds. These funds are open for purchase or redemption only during specific intervals (decided by the fund house) and closed the rest of the time. Also, no transactions will be permitted for at least two years. These funds are suitable for investors looking to save a lump sum amount for a short-term financial goal, say, in 3-12 months.

BASED ON RISK

Very Low-Risk Funds

Liquid funds and ultra-short-term funds (one month to one year) are known for its low risk, and understandably their returns are also low (6% at best). Investors choose this to fulfil their short-term financial goals and to keep their money safe through these funds.

Low-Risk Funds

In the event of rupee depreciation or unexpected national crisis, investors are unsure about investing in riskier funds. In such cases, fund managers recommend putting money in either one or a combination of liquid, ultrashort term or arbitrage funds. Returns could be 6-8%, but the investors are free to switch when valuations become more stable.

Medium-risk Funds

Here, the risk factor is of medium level as the fund manager invests a portion in debt and the rest in equity funds. The NAV is not that volatile, and the average returns could be 9-12%.

High-Risk Funds

Suitable for investors with no risk aversion and aiming for huge returns in the form of interest and dividends, high-risk mutual funds need active fund management. Regular performance reviews are mandatory as they are susceptible to market volatility. You can expect 15% returns, though most high-risk funds generally provide up to 20% returns.

Specialized Mutual Funds

Sector Funds

Sector funds invest solely in one specific sector, theme-based mutual funds. As these funds invest only in specific sectors with only a few stocks, the risk factor is on the higher side. Investors are advised to keep track of the various sector-related trends. Sector funds also deliver great returns. Some areas of banking, IT and pharma have witnessed huge and consistent growth in the recent past and are predicted to be promising in future as well.

Index Funds

Suited best for passive investors, index funds put money in an index. A fund manager does not manage it. An index fund identifies stocks and their corresponding ratio in the market index and put the money in similar proportion in similar stocks. Even if they cannot outdo the market (which is the reason why they are not popular in India), they play it safe by mimicking the index performance.

Funds of Funds

A diversified mutual fund investment portfolio offers a slew of benefits, and 'Funds of Funds' also known as multi-manager mutual funds are made to exploit this to the tilt – by putting their money in diverse fund categories. In short, buying one fund that invests in many funds rather than investing in several achieves diversification while keeping the cost down at the same time.

Emerging market Funds

To invest in developing markets is considered a risky bet, and it has undergone negative returns too. India, in itself, is a dynamic and emerging market where investors earn high returns from the domestic stock market. Like all markets, they are also prone to market fluctuations. Also, from a longer-term perspective, emerging economies are expected to contribute to the majority of global growth in the following decades.

International/ Foreign Funds

Favoured by investors looking to spread their investment to other countries, foreign mutual funds can get investors good returns even when the Indian Stock Markets perform well. An investor can employ a hybrid approach (say, 60% in domestic equities and the rest in overseas funds) or a feeder approach (getting local funds to place them in foreign stocks) or a theme-based allocation (e.g., gold mining).

Global Funds

Aside from the same lexical meaning, global funds are quite different from International Funds. While a global fund chiefly invests in markets worldwide, it also includes investment in your home country. The International Funds concentrate solely on foreign markets. Diverse and universal in approach, global funds can be quite risky to owing to different policies, market and currency variations, though it does work as a break against inflation and long-term returns have been historically high.

Real Estate Funds

Despite the real estate boom in India, many investors are still hesitant to invest in such projects due to its multiple risks. Real estate fund can be a perfect alternative as the investor will be an indirect participant by putting their money in established real estate companies/trusts rather than projects. A long-term investment negates risks and legal hassles when it comes to purchasing a property as well as provide liquidity to some extent.

Commodity-focused Stock Funds

These funds are ideal for investors with sufficient risk-appetite and looking to diversify their portfolio. Commodity-focused stock funds give a chance to dabble in multiple and diverse trades. Returns, however, may not be periodic and are either based on the performance of the stock company or the commodity itself. Gold is the only commodity in which mutual funds can invest directly in India. The rest purchase fund units or shares from commodity businesses.

Market Neutral Funds

For investors seeking protection from unfavourable market tendencies while sustaining good returns, market-neutral funds meet the purpose (like a hedge fund). With better risk-adaptability, these funds give high returns where even small investors can outstrip the market without stretching the portfolio limits.

Inverse/Leveraged Funds

While a regular index fund moves in tandem with the benchmark index, the returns of an inverse index fund shift in the opposite direction. It is nothing but selling your shares when the stock goes down, only to repurchase them at an even lesser cost (to hold until the price goes up again).

Asset Allocation Funds

Combining debt, equity and even gold in an optimum ratio, this is a greatly flexible fund. Based on a pre-set formula or fund manager's inferences based on the current market trends, asset allocation funds can regulate the equity-debt distribution. It is almost like hybrid funds but requires great expertise in choosing and allocation of the bonds and stocks from the fund manager.

Gift Funds

Yes, you can also gift a mutual fund or a SIP to your loved ones to secure their financial future.

Exchange-traded Funds

It belongs to the index funds family and is bought and sold on exchanges. Exchange-traded Funds have unlocked a new world of investment prospects, enabling investors to gain extensive exposure to stock markets abroad as well as specialised sectors. An ETF is like a mutual fund that can be traded in real-time at a price that may rise or fall many times in a day.

Mutual funds may invest in equity and equity-related instruments, debt or a mix of both. You can broadly classify mutual funds into equity funds, debt funds and hybrid funds.

Equity funds

Equity funds invest at least 65% of the total assets in equity and equity-related instruments. It may invest the remaining corpus in debt and money market instruments.

Debt funds

Debt funds invest the bulk of the corpus in fixed income instruments such as bonds, government securities and money market instruments such as treasury bills, commercial paper and certificates of deposit.

Hybrid funds

Hybrid funds put money in more than one asset class. It may be a combination of equity, debt and even a small proportion in gold. Hybrid funds are of different types such as aggressive hybrid funds, conservative hybrid funds, dynamic asset allocation or balanced advantage fund, equity savings fund, multi-asset allocation fund and balanced hybrid funds.

SEBI had announced the re-categorisation of mutual fund schemes on October 6, 2017. It was done to bring uniformity as mutual fund houses had launched several mutual fund schemes. You may find investing in mutual funds quite easy after this move, as investors put money in mutual fund schemes that match their investment objectives and risk tolerance. Investors used to struggle to select the right mutual fund as AMCs had launched a plethora of similar mutual fund schemes.

SEBI had classified mutual funds into the following categories:

Equity Funds:

SEBI has categorised equity funds into eleven broad categories

Large Cap Fund:

It invests at least 80% of the total assets in equity and equity-related instruments of large-cap companies.

Large & Mid Cap Fund:

It invests 35% of the total assets in equity and equity-related instruments of large-cap companies. It also invests 35% of total assets in equity and equity-related instruments of mid-cap firms.

Mid Cap Fund:

It invests at least 65% of the total assets in equity and equity-related instruments of mid-cap companies.

Small Cap Fund:

It invests at least 65% of the total assets in equity and equity-related instruments of small-cap companies.

Multi Cap Fund:

It invests a minimum of 65% of the total assets in equity and equity-related instruments.

Dividend Yield Fund:

It invests mainly in dividend-yielding stocks and has a minimum of 65% of the total assets in equity.

Value Fund:

It follows a value investment strategy and has at least 65% of the total assets in equity.

Contra Fund:

It follows a contrarian investment strategy and has at least 65% of total assets in equity and equity-related instruments.

Focused Fund:

It focuses on a maximum of 30 stocks. It has at least 65% of total assets in equity and equity-related instruments.

Sectoral/Thematic Fund:

It invests a minimum of 80% of total assets in equity and equity-related instruments of a particular sector or a particular theme.

ELSS:

It invests a minimum of 80% of total assets in equity and equity-related instruments (In accordance with Equity Linked Saving Scheme, 2005 notified by the Ministry of Finance).

Debt Funds

SEBI has categorised debt funds into sixteen broad categories.

Overnight Fund:

It invests in overnight securities with maturity of one day.

Liquid Fund:

It invests in debt and money market securities with a maturity of up to 91 days.

Ultra Short Duration Fund:

It invests in debt and money market instruments where the Macaulay duration of the portfolio is between three months to six months.

Low Duration Fund:

It invests in debt and money market instruments where the Macaulay duration of the portfolio is between six months to twelve months.

Money Market Fund:

It invests in money market instruments with a maturity of up to one year.

Short Duration Fund:

It invests in debt and money market instruments where the Macaulay duration of the portfolio is between one year to three years.

Medium Duration Fund:

It invests in debt and money market instruments where the Macaulay duration of the portfolio is between three years to four years.

Medium to Long Duration Fund:

It invests in debt and money market instruments where the Macaulay duration of the portfolio is between four years to seven years.

Long Duration Fund:

It invests in debt and money market instruments where the Macaulay duration of the portfolio is above seven years.

Dynamic Fund:

It invests across duration.

Corporate Bond Fund:

It invests at least 80% of the total assets in corporate bonds of the highest rating.

Credit Risk Fund:

It invests at least 65% of total assets in corporate bonds (Investment in below rated highest instruments).

Banking and PSU Fund:

It invests a minimum of 80% of total assets in debt instruments of banks, PSUs and Public Financial Institutions.

Gilt Fund:

It invests a minimum of 80% of total assets in Gsecs across maturity.

Gilt Fund with 10-year constant duration: It invests a minimum of 80% of total assets in GSecs where the Macaulay duration of the portfolio is ten years.

Floater Fund:

It invests a minimum of 65% of total assets in floating rate instruments.

Hybrid Funds:

SEBI has categorised hybrid funds into seven broad categories.

Conservative Hybrid Fund:

It invests between 10% and 25% of the total assets in equity and equity-related instruments. It invests between 75% to 90% of the total assets in debt instruments.

Balanced Hybrid Fund:

It invests between 40% and 60% of the total assets in equity and equity-related instruments. It invests between 40% to 60% of the total assets in debt instruments. No arbitrage is allowed in this scheme.

Aggressive Hybrid Fund:

It invests between 65% and 80% of the total assets in equity and equity-related instruments. It invests between 20% to 35% of the total assets in debt instruments.

Dynamic Asset Allocation or Balanced Advantage:

It invests in equity or debt that is managed dynamically.

Multi-Asset Allocation:

It invests in a minimum of three asset classes with an allocation of at least 10% each in all three asset classes.

Arbitrage Fund:

It invests a minimum of 65% of total assets in equity and equity-related instruments. The scheme follows an arbitrage strategy.

Equity Savings:

It invests a minimum of 65% of total assets in equity and equity-related instruments. It invests a minimum of 10% of total assets in debt instruments. The minimum hedged and unhedged would be stated in the SID.

Solution-oriented schemes:

Retirement Fund:

You may fund these schemes having a lock-in of at least five years or till the retirement age, whichever is earlier.

Children's Fund:

The scheme would have a lock-in of at least five years or till the child attains majority age whichever comes earlier.

METHODS OF INVESTING IN MUTUAL FUNDS

When it comes to investing in mutual funds, you have two options. You can either invest a lump sum amount as a one-shot payment, or go for small investments at regular intervals.

Investing lump sum amount

If you have some surplus cash that you would like to invest in mutual funds, you can do so by investing the entire amount at once. The advantages of doing this are that you will get greater returns for your investment.

Investing via Systematic Investment Plan or SIP

If you plan to invest in mutual funds by putting in small, regular amounts, then that is called as a Systematic Investment Plan. A SIP is one of the best ways for an individual to invest in a structured and regulated manner. For example, you can invest amounts as small as Rs. 500 every month for as long as you like. The dividends earned on this amount are reinvested and through the power of compounding, your investment will grow slowly but significantly. When it comes to SIP, a long-term plan is most feasible. And when the time comes for you to achieve your short term or long-term goals, you can easily liquidate your funds.

SECTOR MUTUAL FUNDS

While investing in mutual funds, most investors seek different ways to diversify their investment portfolio. One way of diversifying is investing in different asset classes like equity, debt, real estate, gold, etc. Another popular way of diversifying investments is by investing in different sectors of the economy. There are various mutual funds which allow people to invest in a specific sector(s) of the economy. We will now explore Sector Mutual Funds and talk about some important aspects that you need to know.

Sector Mutual Funds are equity schemes that invest in a specific sector of the economy. These sectors can be utilities, energy, infrastructure, etc. Sector Funds also sometimes referred to as sectoral funds can invest in stocks of companies with varying market capitalizations and security classes. These funds allow people to invest in the best-performing stocks in the specified sector.

Broadly speaking, sector funds can be classified into the following types:

- Real Estate Funds - which allow investors with a small investible corpus to participate in the real estate market.

- Utility Funds - which invest in well-performing companies from the utility sector and are usually focused towards offering steady dividends.

- Natural Resources Funds - which are focused on investing in companies from the oil and natural gas, energy, forestry, and timber-related industries.

- Technology Funds - which allow investors to gain exposure to the technology sector.

- Financial Funds - which invest primarily in companies from the financial industry like banking, insurance, accounting firms, etc.

- Communications Funds – which focus on investing in the telecommunications sector and often include internet-related companies too.

- Healthcare Funds – which cover companies and for profit medical institutions like pharmaceutical companies, path lab chains, etc.

- Precious Metals Funds which offer the investors exposure to various precious metals like gold, platinum, silver, copper, and palladium.

If your portfolio lacks exposure in a specific sector(s), the Sector Funds offer a great option to invest in the said sector in a diversified manner. Instead of investing directly in the stocks of companies from the said sector, a Sector Fund allows the investor to gain exposure to an entire sector that is expected to experience growth. Also, sometimes sector funds can help investor hedge their portfolios. For example, if the energy prices suddenly rise, then the other industries might take a hit but the energy sector will experience growth. Hence, investors can invest in a sector fund focused on energy companies to hedge their portfolio.

If the demand for a certain product rises, then all companies belonging to that sector can experience growth. Investing in a sector fund allows you to earn good returns by investing in well-performing companies from that sector.

A QUICK, STEP BY STEP GUIDE TO INVESTING IN MUTUAL FUNDS:-

Given below is a quick guide to understand how mutual funds work step by step.

Step 1: Choose your Asset Management Company or AMC. Choose a reputed AMC that has a good history of managing mutual funds. Since you're trusting the money manager with your hard-earned funds, experience and past record always matters.

Step 2: Decide whether you want to invest a lump sum amount or start SIP. A lump sum amount is best if you have surplus cash that you're looking to invest. It will make sure your money grows and since the amount will be significant, the growth itself will also be significant. SIP is best when you want to invest small amounts every month.

Step 3: Approach the AMC. When you've done your research, visit the branch of your chosen AMC and enquire about the various mutual fund schemes available. You can choose high risk and low risk options by dividing your funds into equity and debt funds.

Step 4: Submit documents. If you already have an account, you can immediately start your SIP by submitting KYC documents.

Step 5: Watch your money grow. Once you've done your investment, sit back and watch it grow. The longer you keep it invested, the more it will grow. Keep an eye on the NAV value at regular intervals so you know how your fund is performing.

Investing in mutual funds is considered one of the best ways of investing your money. It is relatively safer and excellent for the long term. The phenomenon of compounding dictates that the longer you invest, the higher will be the benefits. So, it is important to start as early as possible, when it comes to mutual funds.

Banking is the sector on top of the list of mutual fund holdings. But allocation to pharmaceuticals have gone down, despite being one of is top most sectors. Though most mutual funds follow a bottom-up approach while choosing stocks, fund managers are conscious about picking the right sectors. They look for sectors having healthy growth potential and consistent profitability.

Over the past two years, COVID-19 has impacted businesses across the world and reshaped the way they operate. Many sectors have become 'flavours of the season' while many turned out of favour. Here is the list of top six sectors that are preferred the most by mutual funds. Data as on August 31, 2021. Banking has been the most preferred sector for MFs accounting for about one-fifth of the industry's equity AUM. The sector has grown faster than India's GDP over the last two decades.

The top five banking stocks held by mutual funds include ICICI Bank, HDFC Bank, State Bank Of India, Axis Bank and Kotak Mahindra Bank. As businesses get increasingly digitized and invest more in technology, software companies capitalised on the trend and did well. Stocks that are favourites are Infosys, Tata Consultancy Services, HCL Technologies, Tech Mahindra and Info Edge (India).

With fund houses, insurance companies, non-bank firms getting listed, that opened up avenues for fund managers to capitalise on newer income streams. Some of the financial services companies that are held by most mutual funds include HDFC Ltd, Bajaj Finance, SBI Life Insurance Company, Bajaj Finserv and Max Financial Services. FMCG, once perceived as defensive sector, has seen growth in these tough times. With continued fear of complete lockdown, food-based retail chains and essential commodity providers have emerged as winners.

Top stocks in the sector include ITC, Hindustan Unilever, Asian Paints, Nestle India and Tata Consumer Products. Between 2015 and 2020 Indian pharma companies had a rough ride. However, rising demand for certain drugs during the Covid-19 pandemic pushed pharma stocks higher. Sun Pharmaceutical Industries, Divi's Laboratories, Cipla, Dr. Reddy's Laboratories and Ipca Laboratories are a few preferred stocks among mutual funds.

THE STRUCTURE OF MUTUUAL FUNDS AS PER SEBI GUIDELINES:-

The SEBI guidelines define the guarantor as one who, in his capacity as an individual or in partnership with a different entity or entities, launches a mutual fund. The role of the guarantor is to generate revenues by putting together a mutual fund and handing it to the fund manager.

A sponsor sets up the mutual funds as per the guidelines of the Indian Trust Act, 1882, for Public Trust. They are responsible for listing with the SEBI, having provisions for resource management and ensuring the functioning of the fund takes place as per the SEBI guidelines.

The Trustee or Trust is established through a trust deed that is implemented by the sponsors of the funds and is accountable to all the investors of the mutual fund. The trustee company is regulated by the Indian Companies Act 1956, while the firm and the board members are overseen by the Indian Trust Act 1882. The investment management of the trust is done through an Asset Management Company, which is to be listed as per the regulations of Companies Act of 1956.

ROLE OF SEBI IN MUTUAL FUND REGULATION

As far as mutual funds are concerned, SEBI is the policymaker and also regulates the industry. It lays guidelines for mutual funds to safeguard the investors' interest. Mutual funds are very distinct in terms of their investment strategy and asset allocation activities. This requires bringing about uniformity in the functioning of the mutual funds that may be similar in schemes. This will assist the investors in making investment decisions more clearly.

The categorisation and rationalisation of mutual funds into these five broad categories ensures that the mutual fund houses are only able to have one scheme in each sub-category, with some exceptions. The categorisation helps in simplifying the selection of funds and works in the best interest of the investors by allowing them to evaluate their risk options before making decisions about investing in any scheme. Following this consolidation of schemes, the investors can take a more informed decision without much hassle or confusion. To fulfil this purpose, SEBI has come up with some guidelines to help the retail investors in their mutual funds' investment decisions.

Key Highlights of SEBI guidelines for Mutual Funds

The categorisation of schemes into five groups – Equity, Debt, Hybrid, Solution-Oriented, and Others

Large, mid and small-cap mutual funds have been defined clearly

There is a lock-in period specified for solution-oriented schemes

Permission of only one scheme in each category, except for Index Funds/Exchange-Traded Funds (ETF), Sectoral/Thematic Funds and Funds of Funds.

SEBI Guidelines to invest in Mutual Funds

a) SEBI keeps in place the regulatory framework and guidelines

It govern and regulate securities markets in the country. The guidelines for investors are listed below. Mutual funds present the most diversified form of investment options and therefore, may carry a certain amount of risk with it. Investors must be very clear in their assessment of their financial position and the risk-bearing capacity in the event of the poor performance of such schemes. Investors must, therefore, consider the risk appetite of an investment scheme.

b) Before venturing into mutual fund investment

It is imperative for you as an investor to obtain detailed information about the mutual fund scheme option. Having the right information when required to make the necessary decision is the key to making suitable investments. This may help in choosing the right schemes, knowing the guidelines to follow and also be informed of the investors' rights.

c) Diversify your portfolios

Diversification of portfolios allows investors to spread out their investments over various schemes, thereby increasing chances of maximizing profits or mitigating risk of potentially huge losses. Diversification is crucial to gaining a long-term and sustainable financial advantage.

d) Avoid the clutter of portfolios

Choosing the right portfolio of funds requires managing and monitoring these schemes individually with care. The investor must not clutter the portfolio and decide on the right number of schemes to hold so as to avoid overlap and be able to manage each one of them equally well. Not sure of the right schemes for your portfolio? ClearTax can help simplify this for you. .

e) Assign a time dimension to the investment schemes

The investors should assign a time frame to each scheme to encourage the financial growth of the plan. It may help in containing the volatility and fluctuations in the market if the plans are maintained stably over a period.

CHAPTER 3:-MUTUAL FUND SCHEMES IN INDIA

TYPES OF MUTUAL FUND SCHEME CLASSIFICATION

Mutual funds come in many varieties, designed to meet different investor goals. Mutual funds can be broadly classified based on –

Organisation Structure – Open ended, Close ended, Interval

Management of Portfolio – Actively or Passively

Investment Objective – Growth, Income, Liquidity

Underlying Portfolio – Equity, Debt, Hybrid, Money market instruments, Multi Asset

Thematic / solution oriented – Tax saving, Retirement benefit, Child welfare, Arbitrage

Exchange Traded Funds

Overseas funds

Fund of funds

SCHEME CLASSIFICATION BY ORGANIZATION STRUCTURE

• Open-ended schemes are perpetual, and open for subscription and repurchase on a continuous basis on all business days at the current NAV.

• Close-ended schemes have a fixed maturity date. The units are issued at the time of the initial offer and redeemed only on maturity. The units of close-ended schemes are mandatorily listed to provide exit route before maturity and can be sold/traded on the stock exchanges.

• Interval schemes allow purchase and redemption during specified transaction periods (intervals). The transaction period has to be for a minimum of 2 days and there should be at least a 15-day gap between two transaction periods. The units of interval schemes are also mandatorily listed on the stock exchanges.

SCHEME CLASSIFICATION BY PORTFOLIO MANAGEMENT

Active Funds

In an Active Fund, the Fund Manager is ‘Active’ in deciding whether to Buy, Hold, or Sell the underlying securities and in stock selection. Active funds adopt different strategies and styles to create and manage the portfolio.

The investment strategy and style are described upfront in the Scheme Information document (offer document)

Active funds expect to generate better returns (alpha) than the benchmark index.

The risk and return in the fund will depend upon the strategy adopted.

Active funds implement strategies to ‘select’ the stocks for the portfolio.

Passive Funds

Passive Funds hold a portfolio that replicates a stated Index or Benchmark e.g. –

Index Funds

Exchange Traded Funds (ETFs)

In a Passive Fund, the fund manager has a passive role, as the stock selection / Buy, Hold, Sell decision is driven by the Benchmark Index and the fund manager / dealer merely needs to replicate the same with minimal tracking error.

ACTIVE V/S PASSIVE FUNDS

Active Fund –

- Rely on professional fund managers who manage investments.
- Aim to outperform Benchmark Index.
- Suited for investors who wish to take advantage of fund managers' alpha generation potential.

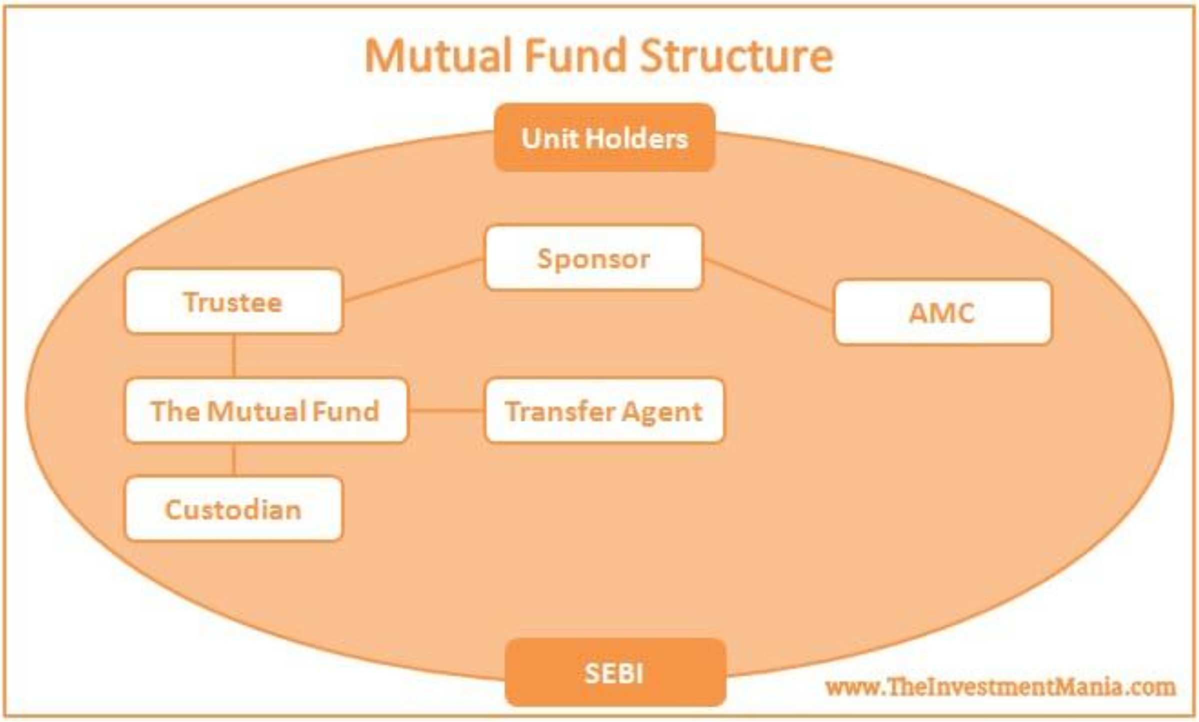
Passive Funds –

- Investment holdings mirror and closely track a benchmark index, e.g., Index Funds or Exchange Traded Funds (ETFs)
- Suited for investors who want to allocate exactly as per market index.
- Lower Expense ratio hence lower costs to investors and better liquidity.

Name of Schemes	AUM (in Crore)	Type of Scheme	1 Year Return	3 Year Return	5 Year Return
HDFC Liquid Fund	87799.02	Debt	7.27%	7.00%	7.54%
ICICI Prudential Liquid Fund	68726.96	Debt	7.33%	7.08%	7.59%
Aditya Birla Sun Life Liquid Fund	61142.99	Debt	7.53%	7.18%	7.70%
HDFC Balanced Advantage Fund	42592.25	Hybrid	-1.17%	7.70%	8.24%
ICICI Prudential Balanced Advantage Fund	29104.88	Hybrid	4.36%	8.14%	9.85%
SBI Equity Hybrid Fund	30028.1	Hybrid	1.92%	9.24%	11.43%
Kotak Standard Multicap Fund	26010.02	Equity	-2.19%	8.85%	12.40%
Aditya Birla Sun Life Frontline Equity Fund	22001.9	Equity	-4.91%	6.30%	9.14%
HDFC Mid Cap Opportunities Fund	22825.43	Equity	-10.49%	4.90%	9.88%
HDFC Equity Fund	23230.66	Equity	-5.95%	8.53%	8.17%

STRUCTURE OF INDIAN MUTUAL FUNDS

Mutual fund industry is highly regulated by the government keeping in view of the protection of investor's interest as well as to maintain operational transparency.
In India SEBI Regulations Act, 1996, guides the formation and operation of Mutual Funds. A Mutual Fund comprises of 4 separate entities.



1) Sponsor
2) Board of Trusties
3) Asset Management Company
4) Custodian and Depositories
5) Distributors

1. Sponsor:

"Sponsor" is defined under SEBT regulation as any person who, acting alone or in combination with another body corporate, establishes a mutual fund. The sponsor gets the fund registered with SEBI. The sponsors form a trust and appoint a Board of Trustees.

- The sponsor must contribute at least 40% of the net worth of the AMC.

- The sponsor must possess a sound financial track record over 5 years prior to registration.

2. Board of Trustees:

Mutual funds are managed by Board of Trustees. Trust is created by a document called the Trust Deed that is executed by fund sponsor in favour of trustees. The tastes appoint the AMC and custodian with the prior approval of SEBI. They also approve all the schemes floated by the AMCs. They have right to dismiss the AMC, with the approval of SEBI.

Half of the masters should be independent persons. Neither the AMC, nor its employees can act as trustee. A trustee cannot be appointed as a trustee of two or more mutual funds until and unless he is an independent person or has permission from the Mutual Fund where he is trustee. Trustees can be removed only by prior approval of SEBI.

3. Asset Management Company:

The role of an AMC is to act as the investment manager of the Trust under the Board supervision and direction of the Trustees. The AMC is required to be approved and registered with SEBI. The AMC of a Mutual Fund must have a net worth of at least Rs. 10 crore at all time. The AMC cannot act as a trustee of any other Mutual Fund.

They will float schemes only after obtaining the prior approval of the Trustees and SEBI. The director of AMC should be a person of reputed of high standing and at least have five years' experience in relevant field. AMC can be terminated with 75% unit holders or majority of trustees.

4. Custodian and Depositories:

As per SEBI Regulations Mutual Funds shall have a custodian who is not any way associated with the AMC. It carry outs the activity of safe keeping the securities or participating in any clearing system. The custodian should be independent from sponsors and AMC and should have a sound track record and adequate relevant experiance. As Indian capital markets are moving away from having physical certificates to ownership of these securities in "dematerialized" form with Depository. Mutual Fund's "dematerialized" securities are hold by depository participant.

5. Distributors:

For a fund to sell units across a wide retail base of individual investors, an established network of distribution agents is essential. AMCs usually appoint Distributors or Brokers, who sell units on behalf of the fund. A broker usually acts on behalf of several mutual funds simultaneously and may have several sub-brokers under him for the purpose of distribution of units.

CHAPTER 4:-COMPANY PROFILE

The **Deepak S. Kasat (Financial Advisor)** group was formed in 2007 at Jalgaon, India. It is a premier integrated financial service provider. This group provides services to over 100 corporates, comprising who is who of Corporate India.

It covers the entire spectrum of financial services such as Stock broking, Depository Participants, Distribution of Financial products like mutual funds, bonds, fixed deposit, Merchant Banking & Corporate finance, Insurance Broking, Commodities Broking, Personal Finance Advisory Services, IPOs, among others.

It has a professional management team and ranks among the best in technology, operations, and more importantly, in research of various industrial segments. Kasat's realty services, which started in 2007, have quickly established itself as a broker, who adds value in the realty sector.

Profile of the firm

VISION:

To achieve and sustain market leadership, they aim for complete customer satisfaction, by combining its human and technological resources, to provide world class quality services. In the process they shall strive to meet and exceed customer's satisfaction and set industry standards.

MISSION:

"Our mission is to be a leading and preferred service provider to our customers, and we aim to achieve this leadership position by building an innovative, enterprising and technology driven organizations which will set the highest standards of services and business ethics"

KASAT CREDO:

- "Proper Planning Ultimate Solution".
- "Our Clients. Our Focus".
- Personalised service, professional care; pro- activeness are the values that help the organisation nurture enduring relationships with clients.

- Teamwork
- Responsible Citizenship

Respect for the individual each and every is an essential building block of the organization.

Deepak Subhash Kasat in Jalgaon is one of the leading businesses in the Mutual Fund Agents. Also known for Mutual Fund Agents, Life Insurance Agents, Life Insurance Agents-LIC, Insurance Agents, LIC Agent Life Insurance, Mutual Fund Agents-Canbank, Insurance AgentLIC, Mutual Fund Agents-Dws and much more. Find Address, Contact Number, Reviews & Ratings, Photos, Maps of Deepak Subhash Kasat, Jalgaon

Deepak Subhash Kasat in Navi Peth Jalgaon, Jalgaon is a top player in the category Mutual Fund Agents in the Jalgaon. This well-known establishment acts as a one-stop destination servicing customers both local and from other parts of Jalgaon.

Over the course of its journey, this business has established a firm foothold in it's industry. The belief that customer satisfaction is as important as their products and services, have helped this establishment garner a vast base of customers, which continues to grow by the day.

This business employs individuals that are dedicated towards their respective roles and put in a lot of effort to achieve the common vision and larger goals of the company. In the near future, this business aims to expand its line of products and services and cater to a larger client base.

CHAPTER 5 :-INTERNSHIP PROFILE

"Life is about accepting the challenges along the way, choosing to keep moving forward, and savouring the journey."

- To get a brief understanding about the mutual funds.
- To know about the different schemes of mutual funds.
- To know various factors that may affects selection of mutual fund schemes directly or indirectly.
- As an intern, I learned how to keep a track of financial news and enhance the knowledge in the finance field.

- To have an excellent communication skills to communicate with different types of people as Good communication requires both listening and speaking skills.
- As an intern , I learned how to invest in market in stocks and mutual funds and their strategies.
- As a finance student , always enhance the knowledge about the finance aspects from different point of views.
- As an intern, always assist and contribute to the team.
- To understand how the procedure and functions of mutual funds works at DEEPAK S. KASAT (financial advisor).

CHAPTER 6:-WHY SELECT MUTUAL FUNDS

Mutual funds can hold many different securities, which makes them very attractive investment options. Among the reasons why an individual may choose to buy mutual funds instead of individual stocks are diversification, convenience, and lower costs.

Actively managed funds require a portfolio manager who constantly updates their holdings, while a passively managed fund's portfolio is built on a buy-and-hold strategy.

Diversification

Ask any investment professional, and they'll likely tell you that one of the most important ways to reduce your risk is through diversification. It's a lesson most people learned after the financial crisis. The underlying theme here is that you shouldn't put all your eggs in one basket. So don't just invest in one industry or one type of investment vehicle.

Many experts agree that almost all of the advantages of stock diversification (the benefits derived from buying a number of different stocks of companies operating in dissimilar sectors) are fully realized when a portfolio holds around 20 stocks from companies operating in different industries. At that point, a large portion of the risk associated with investing has been diversified away. The remaining risk is deemed to be systematic risk or market-wide risk. Since most brokerage firms charge the same commission for one share or 5,000 shares, it can be difficult for an investor just starting out to buy into 20 different stocks.

That's where mutual funds come into play. Mutual funds offer investors a great way to diversify their holdings instantly. Unlike stocks, investors can put a small amount of money into one or more funds and access a diverse pool of investment options. So you can buy units in a mutual fund that invests in as many as 20 to 30 different securities. If you were looking for the same thing in the stock market, you'd have to invest much more capital to get the same results.

Mutual funds also invest in a variety of different sectors. So a large cap fund may invest across different industries like financials, technology, health care, and materials. Again, if you were to try to match this through individual stocks, you'd have to spend a lot of money to get the same returns.

Convenience

The convenience of mutual funds is surely one of the main reasons investors choose them to provide the equity portion of their portfolio, rather than buying individual shares themselves. Some investors find that buying a few shares of a mutual fund that meets their basic investment criteria easier than finding out what the companies the fund invests in actually do, and if they are good quality investments. They'd prefer to leave the research and decision-making up to someone else.

Determining a portfolio's asset allocation, researching individual stocks to find companies well-positioned for growth as well as keeping an eye on the markets is all very time-consuming. People devote entire careers to the stock market, and many still end up losing money on their investments. Although investing in a mutual fund is certainly no guarantee that your investments will increase in value over time, it's a good way to avoid some of the complicated decision-making involved in investing in stocks.

Many mutual funds offer investors a chance to buy into a specific industry or to buy stocks with a specific growth strategy. Here are a few options:-

- Sector funds invest in companies within a specific industry or sector of the economy.
- Growth funds focus on capital appreciation through a diversified portfolio of companies that have demonstrated above-average growth.
- Value funds invest in companies that are undervalued and are normally held by long-term investors.
- Index funds allow investors to track the overall market by constructing a portfolio that tries to match or track a market index.
- Bond funds generate monthly income by investing in government and corporate bonds as well as other debt instruments.

Costs

The costs of frequent stock trades can add up quickly for individual investors. Gains made from the stock's price appreciation can be cancelled out by the costs of completing a single sale of an investor's shares of a given company. Investors who make a lot of trades should take a look at our list of brokers who charge lower-than-average fees.

With a mutual fund, however, the cost of trading is spread over all investors in the fund, thereby lowering the cost per individual. Many full-service brokerage firms make their money off of these trading costs, and the brokers working for them are encouraged to trade their clients' shares on a regular basis. Though the advice given by a broker may help clients make wise investment decisions, many investors find that the financial benefit of having a broker just doesn't justify the costs.

It's important to remember there are disadvantages of mutual fund investment as well, so as with any decision, educating yourself and learning about the bulk of available options is the best way to proceed.

Most online brokers have mutual fund screeners on their sites to help you find the mutual funds that fit your portfolio. You can also search out funds that can be purchased without generating a transaction fee or funds that charge low management fees. The search function can also let you locate funds that fit into a specific style of investing like socially responsible funds.

A mutual fund provides diversification through exposure to a multitude of stocks. The reason that owning shares in a mutual fund is recommended over owning a single stock is that an individual stock carries more risk than a mutual fund. This type of risk is known as unsystematic risk.

Unsystematic risk is risk that can be diversified against. For example, by owning just one stock, you carry company risk that may not apply to other companies in the same sector of the market. What if the company's CEO and executive team leave unexpectedly? What if a natural disaster hits a manufacturing center slowing down production? What if earnings are down because of a defect in a product or a lawsuit? These are just a few examples of the types of things that could happen to one company but are not likely to happen to all companies at once.

There is also systematic risk, which is risk that you cannot diversify against. This is similar to market or volatility risk. You should understand there is risk associated with investing in the market. If the market declines in value as a whole, that is not something that can easily be diversified against.

Therefore, if you'd like to invest in individual stocks, I would recommend researching how you can compile your own basket of stocks so you don't own just one stock. Make sure you are sufficiently diversified between large and small companies, value and growth companies, domestic and international companies, and also between stocks and bonds—all according to your risk tolerance. This is where it might be helpful to seek out professional help when constructing these types of portfolios. Just know, though, that this type of research and portfolio construction and monitoring can take quite some time.

ADVANTAGES OF MUTUAL FUNDS

The alternative is to invest in a mutual fund for instant diversification. Of course, there is a list of things to be aware of when choosing mutual funds as well. Fees, investment philosophy, loads, and performance are just a few components to consider when evaluating mutual funds.

1.Professional Management:

The biggest advantage of investing in mutual funds is that they are managed by qualified and professional expertise that are backed by a dedicated investment research team which analyses the performance and prospects of companies and selects suitable investments.

2. Portfolio Diversification:

Since one of the primary rules of investment is to diversify portfolios, a mutual fund can be a simple and successful way to accomplish this goal. They invest in a number of companies across a broad cross-section of industries and sectors. This diversification reduces the risk because seldom do all stocks make losses at the same time and in the same proportion.

3. Convenient Administration:

Investing in a mutual fund reduces paperwork and helps you to avoid many problems such as bad deliveries, delayed payments and unnecessary follow up with brokers and companies. Mutual Funds save your time and make investing easy and convenient.

4. Return Potential:

Over a medium to long-term, mutual funds have the potential to provide a higher return as they invest in a diversified basket of selected securities.

5. Low Costs:

Mutual funds are one of the best investment options considering the costs involved. They are a relatively less expensive if compared to directly investing in the capital markets because the benefits of scale in brokerage, custodial and other fees translate into lower costs for investors.

6. Liquidity:

In open-ended schemes, you can get your money back at net asset value related prices from the mutual fund itself, except equity linked savings schemes which has lock in period of 3 years. With close-ended schemes, you can sell your units on a stock exchange at the prevailing market price or avail of the facility of direct repurchase at NAV related prices which some close-ended and interval schemes offer you periodically.

7. Transparency:

You get regular information on the value of your investment through account statement and in addition to disclosure on the investments made by your scheme through portfolios disclosures, which indicates the proportion invested in each class of assets. The Scheme related documents also specifies the investment strategy and asset allocation for each scheme.

8. Flexibility:

Through features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans, you can systematically invest or withdraw funds according to your needs.

9. Variety of Schemes:

You can find a mutual fund scheme that matches almost exactly what you are looking for from an investment. This could be related to both your risk tolerance and your investment horizon.

10. Well Regulated:

All mutual funds are registered with SEBI and they function within the regulatory provisions framed to protect the interests of investors. The operations of mutual funds are regularly monitored by SEBI.

Over the period, mutual funds have come out as a very easy investing vehicle because of its different advantages like diversification, professional expertise and returns etc. Due to its exceptional features, investors are turning their preference to mutual funds over the traditional instruments .

Major Mutual Fund Companies in India

ABN AMRO MUTUL FUND:

ABN AMRO Mutual Fund was setup on April 15, 2004 with ABN AMRO Trustee (India) Pvt. Ltd. as the Trustee Company. The AMC, ABN AMRO Asset Management (India) Ltd. was incorporated on November 4, 2005, Deutsche Bank AG is the custodian of ABN AMRO Mutual Fund.

Birla Sun Life Mutual Fund:

Birla Sun Life Mutual Fund is the joint venture of Aditya Birla Group and Sun Life Financial, Sun Life Financial is a global organisation evolved in 1871 and is being represented in Canada the US, the Philippines, Japan, Indonesia and Bermuda apart from India Birla Sun Life Manual Fund follows a conservative kung-term approach to investment, Recently it crossed AUM of Rs. 10,000 crores.

Bank of Baroda Mutual Fund (BOB Mutual Fund):

Bank of Baroda Mutual Fund or BOB Mutual Fund was setup on October 30, 1992 under the sponsorship of thank of Baroda. HOR Asset Management Company Limited is the AMC of HOB Mutual Fund and was incorporated on November 5, 1992. Deutsche Bank AG is the custodian.

HDFC Mutual fund

HDFC Mutual Fund was setup on June 30, 2000 with two sponsor's namely Housing Development Finance Corporation Limited and Standard Life Investments Limited.

HSBC Mutual Fund:

HSBC Mutual Fund was setup on May 27, 2002 with HSBC Securities and Capital Markets. India Private Limited as the sponsor. Board of Trustees, HSBC Mutual Fund acts as the Trustee Company of HSBC Mutual Fund.

Prudential ICICI Mutual Fund:

The mutual fund of ICICI is a joint venture with Prudential Plc. of America, one of the largest life insurance companies in the USA. Prudential ICICI Mutual Fund was setup on 13th of October, 1993 with sponsors, Prudential Plc. and ICICI Lid. The Trustee Company formed in Prudential ICICI Trust Lad, and the AMC is Prudential ICICI Asset Management Company Limited incorporated on 22nd of June, 1993.

Sahara Mutual Fund:

Sahara Mutual Fund was set up on July 18, 1996 with Sahara India Financial Corporation Ltd as the sponsor Sahara Asset Management Company Private Limited incorporated on Aug 31, 1995 works as the AMC of Sahara Mutual Fund. The paid-up capital of the AMC stands at Rs25.8 crore.

State Bank of India Mutual Fund:

State Bank of India Manual Fund is the first Bank sponsored Manual Fund to launch offshore fund, the India Magnum Fund with a corpus of Rs. 225 cr. approximately today to the largest Bank sponsored Mutual Fund in India. They have already launched 35 Schemes out of which 15 have already yielded handsome returns to investors. State Bank of India Manual Fund has more than Rs. 5,500 Crores as AUM. Now it has an investor base of over 8 Lakes spread over 18 schemes.

Tata Mutual Fund:

Tata Mutual Fund (TMF) is a Trust under the Indian Trust Act, 1882. The sponsors for Tata Mutual Fund are Tata Sons Ltd., and Tata Investment Corporation Ltd. The investment manager is Tata Asset Management Limited and its Tata Trustee Company Pvt. Limited. Tata Asset Management Limited's is one of the fastest in the country with more than Rs. 7.703 crores (as on April 30, 2005) of AUM.

Kotak Mahindra Mutual Fund:

Kotak Mahindra Asset Management Company (KMAMC) is a subsidiary of KMBL. It is presently having more than 1.99.818 investors in its various schemes. KMAMC started its operations in December 1998. Kotak Mahindra Mutual Fund offers schemes catering to investors with varying risk return profiles. It was the first company to launch dedicated gilt scheme investing only in government securities.

Unit Trust of India Mutual Fund:

UTI Asset Management Company Private Limited, established in Jan 14, 2003, manages the UTI Mutual Fund with the support of UTI Trustee Company Private Limited. UTI Asset Management Company presently manages a corpus of over Rs.20000 Crore. The sponsors of UTI Mutual Fund are Bank of Baroda (BOB), Punjab National Bank (PNB), State Bank of India (SBI), and Life Insurance Corporation of India (LIC). The schemes of UTI Mutual Fund are Liquid Funds, Income Funds, Asset Management Funds, Index Funds, Equity Funds and Balance Funds.

Reliance Mutual Fund:

Reliance Mutual Fund (RMF) was established as trust under Indian Trusts Act, 1882. The sponsor of RMF is Reliance Capital Limited and Reliance Capital Trustee Co. Limited is the Trustee. It was registered on June 30, 1995 as Reliance Capital Mutual Fund which was changed on March 11, 2004. Reliance Mutual Fund was formed for launching of various schemes under which units are used to the Public with a view to contribute to the capital market and to provide investors the opportunities to make investments in diversified securities.

Standard Chartered Mutual Fund:

Standard Chartered Mutual Fund was set up on March 13, 2000 sponsored by Standard Chartered Bank The Trustees Standard Chartered Trustee Company Pvt. Ltd. Standard Chartered Asset Management Company Pvt. Lid is the AMC which was incorporated with SEBI on December 20,1999.

Franklin Templeton India Mutual Fund:

The group, Franklin Templeton Investments is a California (USA) based company with a global AUM of USS 4092 ha (as of April 30, 2005). It is one of the largest financial services groups in the world. Investors can buy or sell the Mutual Fund through their financial advisor or through mail or through their website. They have Open and Diversified Equity schemes, Open end Sector Equity schemes, Open end Hybrid schemes, Open end Tax Saving schemes, Open end Income and Liquid schemes, Closed end Income schemes and Open end Fund of Funds schemes to offer.

Morgan Stanley Mutual Fund India:

Morgan Stanley is a worldwide financial services company and its leading in the market in securities, investment management and credit services Morgan Stanley Investment Management (MISM) was established in the year 1975. It provides customized asset management services and products to governments, corporations, pension funds and non-profit organizations. Its services are also extended to high net worth individuals and retail investors In India it is known as Morgan Stanley Investment Management Private Limited (MSIM India) and its AMC is Morgan Stanley Mutual Fund (MSMF). This is the first close und diversified equity scheme serving the needs of Indian retail investors focusing on a long-term capital appreciation.

Escorts Mutual Fund:

Escorts Mutual Fund was setup on April 15, 1996 with Escorts Finance Limited as its sponsor. The Trust Company is Escorts Investment Trust Limited Its AMC was incorporated on December 1, 1995 with the name Escorts Asset Management Limited.

Alliance Capital Mutual Fund:

Alliance Capital Mutual Fund was setup on December 30, 1994 with Alliance Capital Management Corp. of Delaware (USA) as sponsor. The Trustee is ACAM Trist Company Pvt. Lad und AMC, the Alliance Capital Asset Management India (Pvt Ltd with the corporate office in Mumbai.

Benchmark Mutual Fund:

Benchmark Mutual Fund was setup on Jane 12, 2001 with Niche Financial Services Pvt. Lad as the sponsor and Benchmark Trustee Company Pet. Lid at the Trustee Company. Incorporated on October 16, 2000 and headquartered in Mumbai, Benchmark Asset Management Company Pvt. Ltd. is the AMC.

CHAPTER 7:-MUTUAL FUND DISTRIBUTION CHANNEL AMONG INVESTORS

The Indian mutual fund industry has been in existence for close to 30 years, but it has been truly over the past 8-10 years that we have seen exponential growth in the assets under management (AUM), with industry assets doubling over the last four years.

Traditionally, mutual funds have formed a very small portion of household savings, with the bulk going into bank deposits or physical assets like gold and real estate. Over the last decade, the regulator along with the asset managers and the distribution fraternity has been actively involved in trying to increase the popularity of mutual funds as the investment vehicle of choice. But there is still a long way to go.

Mutual funds have traditionally been distributed through the channel of independent financial advisers (IFAs), national distributors and banks. Originally, there were multiple share classes, retail and institutional, with the institutional share class requiring a much larger minimum investment and a lower expense ratio.

Early 2013, the Securities and Exchange Board of India (SEBI) did away with multiple distributor share classes and instead introduced a direct share class, with a lower expense, which could be subscribed to by anyone irrespective of their investment amount. With the launch of a direct share class in 2013, several institutional investors moved into the direct share class by directly making investment applications with the fund house. Individual investors though still largely remained in the distributor share class, as the value of financial advice coupled with ease of transacting, consolidated portfolio statements kept them within the distribution realm. A majority of the applications in mutual funds are still paper-based despite rapid penetration of technology in our daily lives.

In order to increase penetration of mutual fund products and to energise the distribution network, while protecting the interest of investors, the regulator has been proactively making changes to the regulations. From the launch of advisory regulations that allow investors to get into advisory-only arrangements with financial advisers, to the capping of mutual fund commissions to prevent mis-selling, to special commissions for mutual fund distribution in "below 15" cities (B-15) to increase the penetration of mutual funds in smaller cities. These moves have brought about a change to the distribution landscape in India.

Meanwhile, technology has come to the forefront, with asset management companies (AMCs) and the registrar & transfer agents (RTAs) launching applications/technology platforms to make investing more seamless for investors. One such innovation is the mutual fund utility (MFU), which allows investors to place orders with multiple AMCs and transfer funds seamlessly, all through a single window.

The promulgation of right distribution practices and advancing technology needs to be coupled with effective client documentation mechanism to make the process truly seamless. The introduction of e-KYC using Aadhar is a right move and could prove to be game changer for online investing.

Despite these advancements on multiple fronts, online investments haven't yet taken off in a big way. Many clients still prefer to go through traditional distribution channels. This is primarily due to the fact that many investors do not have the wherewithal to make investment decisions and prefer receiving professional advice. Traditional distribution channels though have often been accused of product push and frequent portfolio churn, without really taking a holistic view of the client's portfolio. Here is where new age platforms like robo advisory will play a part.

Robo advisory largely takes away human intervention from the portfolio construction process. These platforms offer a seamless online experience in making investments. From assessing client risk levels, to gauging client's current financial situation and investment needs, to making portfolio recommendations to the final execution can all be done online without the need for any human intervention.

Robo advisory is a popular concept in the developed markets and is definitely catching the eye of Indian investors as well. Robo advisory will certainly prove to be an effective mechanism to take clients online. A second such step taken by SEBI is the proposal to allow sale of mutual funds through e-commerce websites.

E-commerce websites have a fairly wide reach and are very well accepted among the Indian consumer. The ability to seamlessly place an order, transfer money and provide KYC details through a single window should help increase the reach of mutual funds by leaps and bounds. What will be important to see is if there is a differential pricing for these units compared with the existing share classes and how receptive are investors to making investments online with little or no advice. We certainly believe the more savvy investors would be keen to use this platform, provided it is priced appropriately.

This is by no means is a death knell to the traditional distribution models, if anything, they will get stronger with the increased visibility that mutual funds would receive. Many traditional distribution set-ups too are working towards integrating technology onto their platforms to streamline delivery and make it cost effective.

The online model as well as the traditional adviser/distributor models would continue to coexist, with the biggest beneficiary being the end investor. We do believe we are in for exciting times in the mutual fund industry and these steps taken by the regulator can help achieve a cost-efficient industry that can grow several times in size over the years.

The distributors of mutual funds can be an individual Considerable development has occurred in the mutual fund industry over the last decade. The flourishing capital market and attractive tax regime are the prime reasons for this phenomenal growth. And the ultimate beneficiary of this growth is its investors. Distributors play an important role in the expansion of the mutual fund industry. In fact, they are the main link between the investors and the fund houses. The distributing channels ensure the prosperity and survival of the mutual fund industry. Get an idea about the mutual fund distribution channel in this post.

A mutual fund is a trust that pools money from different investors who share a common financial goal. Those who wish to invest in this instrument buy units of a particular scheme. The scheme that they choose must have a defined strategy and objective when it comes to investment. The fund manager collects money from various investors and then reinvests it into different types of securities. They invest them in money market instruments, shares, and debentures based on the scheme objective.

A well-organized and effective distribution channel Like any other consumer industry, the mutual fund industry also requires an effective and efficient distribution network. The consumer base in this industry is very large, and trying hard to attract retail investors. The distribution channels act as the main vehicle for large collective investments. They work on the principle of pooling money to make funds. A good portion of the mutual fund investment occurs at the retail level. The vital link between the investors and mutual funds are the agents and distributors.

Main distribution channels

Mutual fund distributors are not directly registered with the SEBI in India. The Securities and Exchange Board of India has mandated the distributors or agents of mutual funds to register with the AMFI (Association of Mutual Funds of India) through various circulars. They also bind to follow the code of conduct prescribed by AMFI. But some stockbrokers, sub-brokers, and investment advisors registered with SEBI for the distribution of mutual funds.

The distributors of mutual funds can be an individual or an entity. The main distribution channels of this investment instrument are:

Agents or distributors:

An agent acts as a broker between the fund house and the investor. They also act on behalf of the principal but not exclusive to the fund. Instead sells other financial services as well. He understands the needs of the investor and offers investment advice to address his concerns. An agent also evaluates the risk tolerance and analyzes investment options, and brings a suitable investment strategy.

Distribution companies:

It is another distribution channel of mutual funds. They sell different products of mutual funds on behalf of the fund houses. Several sub-brokers or employees are there under such companies. Such distribution companies manage the distribution of numerous funds, and they receive commissions for their services.

Banks and NBFCs:

Many banks, especially foreign and private banks, distribute mutual funds. They provide almost similar services as the distribution companies. Like distribution companies, they provide services on a commission basis.

Direct Marketing:

Many mutual fund houses sell their own products through the employees and sales officers of the AMC. The main aim of this distribution channel is to mobilize funds from institutional investors and high net-worth individuals.

E-commerce platforms:

Apart from the above distribution channels, the Securities Exchange Board of India proposed new distribution channels like E-commerce platforms for selling mutual fund schemes. In digital India, many people find the internet as a solution for buying products, getting services, and address them each query. So, the arrival of e-commerce platforms can help many potential mutual fund investors.

Before investing in a mutual fund, you must have a deep understanding and knowledge about it. With the arrival of the internet, investors can get all information about any investment instrument online. And mutual fund features in the portfolio of every individual. The Securities Exchange Board of India might bring new channels to widen the scope of distributing mutual funds.

CHAPTER 8:-MARKETING STRATEGIES OF MUTUAL FUNDS

Digital Marketing for Mutual Funds in India

According to a survey of fund houses by SEBI, the biggest challenge faced by mutual fund houses in selling MF products is: Lack of information and financial literacy among investors The traditional route to selling MF has been through distributors in different regions. However, lack of quality distributors has been an impediment. What are the typical challenges faced by a potential investor:

Lack of financial literacy

Too many fund houses and schemes

Fear of losing money due to stock market movements

Lack of 1-1 connect with fund houses/distributors which do not help build trust

Forceful selling by distributor vs education

Financial Services are intangible which poses a challenge for an investor to understand and grasp the benefits

Largely, retail investors in India, especially the boomers prefer investing in LIC, PPF, FD, RD and Post Offices. The “false” sense of security given through assured returns is one of the reasons why people tend to choose these financial instruments. And this “financial wisdom” is passed onto next generation, the millennials, who end up investing and saving money on these instruments. This poses a big challenge for MF houses.

This brings us to the use of digital marketing effectively to connect and educate the masses who in turn will influence their network. The fact that millennials are online and are using social channels for day to day lifestyle is well established. From finding restaurants, recharging mobile/DTH connections to purchasing electronics, books and apparels, millennials are using mobiles and social media to trust and engage with brands and making a purchase.

Mutual funds are baskets of stocks that are actively managed by a professional investor. You can choose from more than 10,000 funds from the United States. Large fund companies such as Charles Schwab, Fidelity and Vanguard offer these funds to individuals using a number of different marketing strategies. In fact, Fidelity has been so successful that it has surpassed $1 trillion in assets under management.

Business Accounts

The most common sales and marketing strategies for mutual funds is to sign-up companies as a preferred option for their retirement plans. This provides a simple way to sign-up numerous accounts with one master contract. To market to these firms, sales people target human resource professionals. Marketing occurs through traditional business-to-business marketing techniques including conferences, niche advertising and professional organizations. For business accounts, fund representatives will stress ease of use and compatibility with the company's present systems.

Consumer Marketing

Consumer marketing of mutual funds is similar to the way other financial products are sold. Marketers emphasize safety, reliability and performance. In addition, they may provide information on their diversity of choices, ease of use and low costs. Marketers try to access all segments of the population. They use broad marketing platforms such as television, newspapers and the internet. Marketers especially focus on financially oriented media such as CNBC television and Businessweek magazine.

Performance

Mutual funds must be very careful about how they market their performance, as this is heavily regulated. Mutual funds must market their short, medium and long-term average returns to give the prospective investor a good idea of the actual performance. For example, most funds did very well during the housing boom. However, if the bear market that followed is included, performance looks much more average. Funds may also have had different managers with different performance records working on the same funds, making it hard to judge them.

Marketing Fees

Mutual funds must be very clear about their fees and report them in all of their marketing materials. The main types of fees include the sales fee (load) and the management fee. The load is an upfront charge that a mutual fund charges as soon as the investment is made. The management fee is a percentage of assets each year, usually 1 to 2 percent.

Here are five factors an investor should keep in mind when markets are touching all-time highs:

1. Avoid Lump Sum Investments In Equities

When markets are at uncomfortably higher levels, it is better to avoid large one-time investment in equity products. Instead, invest via systematic investment plans (SIPs). The SIP is quite an established tool of investment for generating long-term wealth. It ensures your investments are staggered and gives you the benefit of accumulating units at different levels, thus averaging out your costs of investments.

2. Diversify Asset Allocation

A rigorous and well-thought-out asset allocation is essential for investments to succeed. It is not advisable to invest all your funds in equity products alone. Your investment portfolio must be balanced, with funds invested across asset classes, including debt assets. Concentrating investments to one particular asset class increases the risk: if a particular sector or fund, or the equity or debt market as a whole sees reverses, your entire investment could be impacted and your returns may not be on expected lines. Diversifying spreads out the risk and minimises shocks due to over-concentration of funds in one asset category.

3. Go For Dynamic Asset Allocation Funds

If you are an investor whose risk-taking capacity is low to moderate but want to invest in equity, look to investing in balanced funds with dynamic asset allocation. This category of funds dynamically balances the asset allocation depending on the market condition. At a time when stocks look overvalued, such funds cut exposure to stocks and increase investments in debt products. And when markets are in the oversold zone, these funds increase investments in equity and cut down their debt exposure. Such an investment strategy helps investors get the benefits of both debt and equity, and typically tends to give steady returns to investors irrespective of market conditions.

4. Switch Between Debt and Equity Funds Via STP

Systematic Transfer Plan, commonly known as STP, could be an effective tool in bullish market conditions. STP is an automated way of shifting funds from one scheme to another scheme of the same fund house. It is similar to SIP, but with the key difference that in STP the deduction of instalment happens from your existing scheme to the new fund you choose. It essentially means to invest the lump sum amount in a debt fund and set the deduction date for systematic transfer to the equity fund in a staggered manner.

At times when markets are at a high, investors who want to invest lump sum but not at the risk of timing the market should ideally opt for an STP. Here, they can invest the lump sum in a debt fund and then systematically transfer the invested amount to the chosen equity fund in a staggered manner – weekly, monthly, or quarterly – over a period of time. This helps an investor earn reasonable returns from the debt investments, and at the same time, the regular transfer of funds from debt schemes to equity schemes ensures they do not fall into the trap of timing the market.

5. Focus On Value Investing

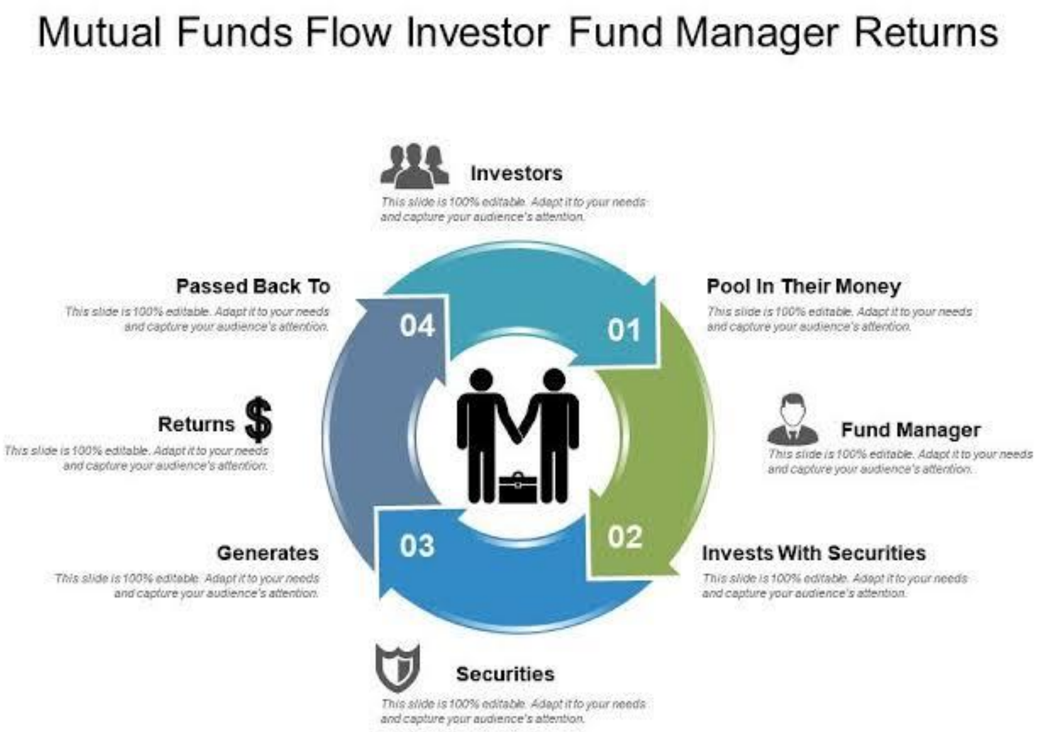
Even when stock indices are at an all-time high, there are several stocks which are way behind their actual real worth. Value investing is an investment strategy that involves investing in such stocks which appear to be trading for less than their intrinsic value. Several funds have a portfolio of stocks that are undervalued but fundamentally strong. Investing in such funds help investors tap the growth opportunity in certain pockets of the market which remained weak despite key stock indices at a high.

Markets are cyclic, and investing at a time when the indices are at a high makes people wary of losses from a potential fall. However, terminating investments or putting them on hold simply because markets are too high can hamper your ability to meet financial goals. Instead, stay focused, diversify your asset allocation, and utilise strategies such as SIPs, STPs, and value investing to get maximum returns from your investments in the market.

INVESTMENT STRATEGIES

1. **Systematic Investment Plan**: Under this a fixed sum is invested each month on a fixed date of a month. Payment is made through post-dated cheques or direct debit facilities. The investor gets fewer units when the NAV is high and more units when the NAV is low. This is called as the benefit of Rope Cost Averaging (RCA).
2. **Systematic Transfer Plan**: Under this an investor invest in debt oriented fund and give instructions to transfer a fixed sum, at a fixed interval, to an equity scheme of the same manual fund.
3. **Systematic Withdrawal Plan**: If someone wishes to withdraw from a mutual fund then he can withdraw a fixed amount each month.

CHAPTER 9:- PROCESS FLOW CHART OF MUTUAL FUNDS



Mutual funds pool money from different investors to invest in securities like shares, bonds, government securities, etc. Each mutual fund scheme has a strategy that is set at the time of the NFO (New Fund Offer). Once the strategy is decided, the fund must follow it. Starting from the launch of NFO to the distribution of returns, mutual fund investing is a cycle of 4 steps.

NFO Launch

In a New Fund Offer (NFO), investors get an opportunity to subscribe to a mutual fund scheme and say invested in it right from its inception. However, they can subscribe only for a limited time. Once the NFO closes, the investors will only be able to purchase the units. Moreover, the fund's strategy is disclosed at the time of the NFO launch. Once the fund manager fixes the fund strategy, it cannot be changed. It is because investors invest in the fund based on the strategy. NFO's are cheaper than existing funds as it's new to the market. However, mutual funds investors need to consider the fund houses' reputation, objectives of the fund, cost of investment, risk, minimum subscription amount, and the investment tenure before investing in an NFO.

Money is Pooled

Mutual funds pool money from many small investors to invest in securities. Investors invest small amounts of money from their savings. Mutual funds allow small investors to invest money in large portfolios, which they otherwise cannot. It can be due to the lack of money or lack of time to perform mutual fund research in detail. Thus, mutual funds are the solution to such investors.

Invest Money in Securities

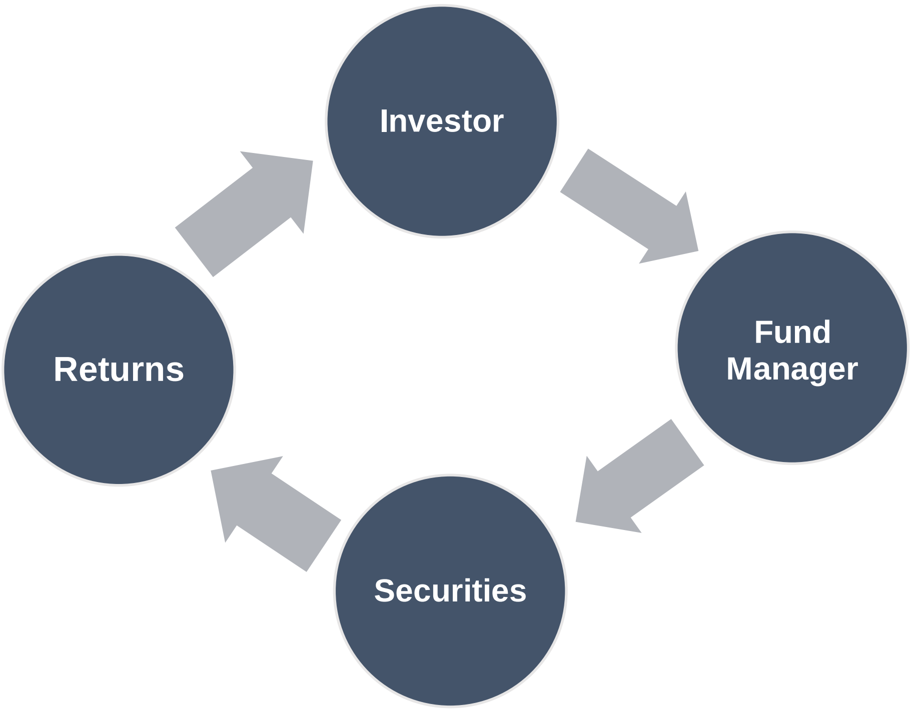
The pooled money is invested in securities like shares, bonds, and government securities. The fund manager decides the portfolio of the fund based on the strategy of the fund. The portfolio manager has the expertise and time to do a thorough research of the securities. Also, they perform a company, industry, and economy level analysis. In order to find the securities that best fit the fund's strategy and maximize the return for the mutual funds investors. And at any point in time, if the selected securities are underperforming, they replace them with better-performing securities. They sometimes use multiple strategies to choose the securities for a fund. And sometimes, they also use a combination of investing and trading strategies to take advantage of the stock market situations. All these efforts put by the fund managers give investors access to large portfolios.

Fund Returns

The portfolio manager continuously strives to earn returns from the investments they make on behalf of the fund investors. Thus, all their efforts in mutual fund research, monitoring, and rebalancing the portfolio increases the fund's NAV. Once the fund makes returns, they are either distributed or invested back into the fund. While, for dividend funds, the returns are distributed in the form of dividends. For growth funds, the returns are reinvested into the fund to enhance the wealth of the fund investors. It is the critical step of mutual fund investing as this completes the cycle of investing. The returns, if retained in the fund, are further invested in creating more wealth for investors.

Hence, mutual fund investing is a continuous process that channelizes small.

MUTUAL FUND CYCLE



From above cycle, it can be observed clearly that how the money from the investors flow and they get returns out of it. With a very small amount of fund, investors pool their money with fund managers.

After studying the market, the fund manager invests money of the investors in various securities like shares, bonds, debentures, government securities etc. to achieve goal of the investors.

With ups and downs in the market returns are generated and they are passed on to the investors in form of dividend or capital gain or lost. The above cycle is very clear and also very effective.

The fund manager while investing on behalf of investors takes into consideration various factors like time, risk; amount etc, so that he/she can make proper investment decision.

SET UP OF MUTUAL FUNDS

A mutual fund is set up in the form of a trust, which includes (s), trustees, AMC and custodian. The trust is established by a sponsor or more than one sponsor who is like the promoter of a company.

The trustees of the mutual fund hold its property for the benefit of the unit holders. Either the sponsor should appoint four trustees or establish a trustee company with at least four independent directors. Additionally, at least two thirds of the trustees or the directors should be independent not associated with the sponsor in any way. All the schemes launched by the AMC have to be approved by the trustees prior to launch. The trustees will be reviewing all the transactions of the AMC on a quarterly basis wile filing reports to SEBI on a half yearly basis.

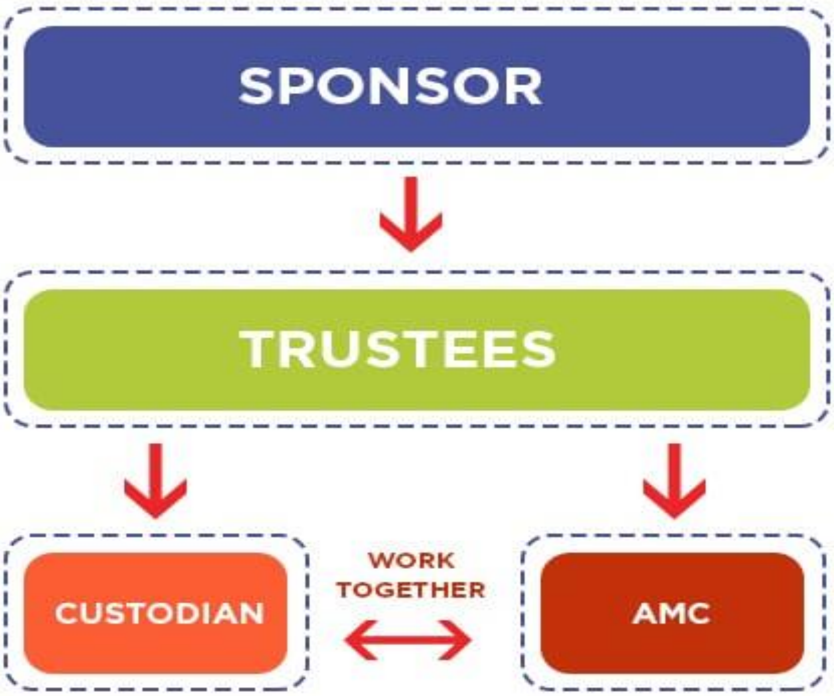


Image: Organizational structure of mutual fund Source: Google

CHAPTER 10:- SWOC ANALYSIS OF MUTUAL FUNDS

SWOC analysis is the only tool to tide over the problem of investors when they select the right type of schemes for investment in mutual fund. It is a basic and straightforward model and also examines strengths, weakness, opportunities and challenges in the mutual fund schemes.

STRENGTHS	WEAKNESS
➢ OPTION AVAILABLE ➢ DIVERSIFICATION ➢ PROFESSIONAL MANAGEMENT ➢ POTENTIAL RETURNS ➢ WELL REGULATED ➢ TECHNICAL ANALYSIS ➢ CONVENIENT ADMINISTRATION ➢ RETURN POTENTIALS ➢ LOW COST ➢ TRANSPARENCY ➢ AFFORDABILITY ➢ FLEXIBILITY	➢ NO CONTROL OVER COST ➢ NO TAILOR MADE PORTFOLIO OF FUNDS ➢ MANAGING A PORTFOLIO OF FIRM
OPPOURTUNITIES	CHALLENGES

➢ BID SCOPE FOR EXPANSION ➢ SAVING RATE IN INDIA ➢ GROWING CITIES ➢ ONLINE TRADING OF MUTUAL FUNDS ➢ LIKE EQUITY AND COMMODITY ➢ CLUBBING UP WITH OTHER INVESTMENT	➢ UNCERTAINITY ➢ CHANGE OF MARKET TRENDS ➢ INCREASING NUMBER OF ASSETS MANAGEMENT COMPANY

There are many disadvantages too ,which can become as a weakness of the sector or to the investors.

Disadvantages are as follows:-

Fluctuating returns:

Mutual funds do not offer fixed guaranteed returns in that you should always be prepared for any eventuality including depreciation in the value of your mutual fund. In other words, mutual funds entail a wide range of price fluctuations. Professional management of a fund by a team of experts does not insulate you from bad performance of your fund.

No Control:

All types of mutual funds are managed by fund managers. In many cases, the fund manager may be supported by a team of analysts. Consequently, as an investor, you do not have any control over your investment. All major decisions concerning your fund are taken by your fund manager. However, you can examine some important parameters such as disclosure norms, corpus and overall investment strategy followed by an Asset Management Company (AMC).

Diversification:

Diversification is often cited as one of the main advantages of a mutual fund. However, there is always the risk of over diversification, which may increase the operating cost of a fund, demands greater due diligence and dilutes the relative advantages of diversification.

Fund Evaluation:

Many investors may find it difficult to extensively research and evaluate the value of different funds. A mutual fund's net asset value (NAV) provides investors the value of a fund's portfolio. However, investors have to study various parameters such as sharpe ratio and standard deviation among others to ascertain how one fund has fared compared to another which can be complicated to some extent.

Past performance:

Ratings and advertisements issued by companies are only an indicator of the past performance of a fund. It is important to note that robust past performance of a fund is not a guarantee of a similar performance in the future. As an investor, you should analyse the investment philosophy, transparency, ethics, compliance and overall performance of a fund house across different phases in the market over a period of time. Ratings can be taken as a reference point.

Costs:

The value of a mutual fund may fluctuate depending on the changing market conditions. Furthermore, there are fees and expenses involved towards professional management of a mutual fund which is not the case for buying stocks or securities directly in the market. There is an entry load which has to be borne by an investor when buying a mutual fund. Furthermore, some companies charge an exit cost as well when an investor chooses to exit from a mutual fund.

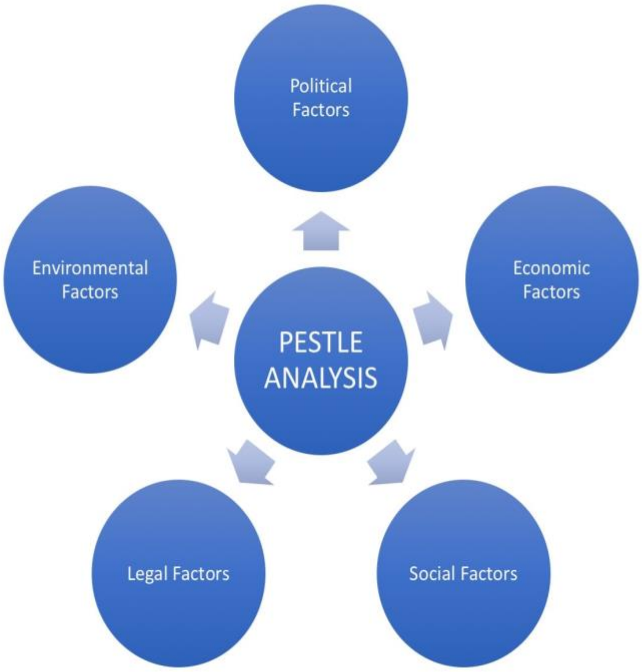
CAGR:

The performance of a mutual fund vis-a-vis the compounded annualised growth rate (CAGR) neither provides investors adequate information about the amount of risk facing a mutual fund nor the process of investment involved. It is therefore, only one of the indicators to gauge the performance of a fund but is far from being comprehensive.

Fund managers:

According to experts, as an investor, you would do well not to be carried away by the so-called 'star fund managers'. Even a highly skilled manager can make a positive difference in the short-term but cannot dramatically change the performance of a fund in the long-term. Also, there is always the likelihood of a star fund manager joining another company. It is, therefore, more prudent to examine the processes which are followed by a fund house rather than the star appeal of just one individual.

CHAPTER 11:- PESTLE SECTOR



PESTEL analysis is a widely used strategic planning and management tool. It is an acronym for political, economic, social, technological, environmental and legal factors that shape the macro business environment. Note on the Mutual Fund Industry in India. operates in a complex and dynamic environment characterized by regulatory changes, growing environmental activism, collective social trends, technological changes and evolving legal system.

Application of PESTEL to Note on the Mutual Fund Industry in India.

The application of PESTEL analysis can help Note on the Mutual Fund Industry in India. identify the major external environmental forces that shape the strategy and competitive landscape and support its strategic decision making process. As Note on the Mutual Fund Industry in India. looks to expand and leverage its competencies and core capabilities, conducting the PESTEL analysis is imperative for developing effective strategies and achieving long-term growth objectives.

Political factors

Importance of political factors in the PESTEL framework

Within PESTEL analysis, political factors exert a strong influence on the long-term sustainability and profitability of Note on the Mutual Fund Industry in India. The presence at international stage increases the company’s sensitivity to changes in political environments of different countries. In a political context, the key to success in a dynamic international business environment is to diversify the systematic risks. The political environment of a country comprises multifaceted factors. Note on the Mutual Fund Industry in India. needs to consider the following political factors during the strategic planning process:

Political factors that influence Note on the Mutual Fund Industry in India.

Political stability

High political stability provides a stable and friendly business environment with predictable market growth trends. However, when there is political chaos, it deters the investors and harms the stakeholders' trust in economic and consequent organizational performance. Currently, Note on the Mutual Fund Industry in India. is present in different countries, each having own political tensions. Growing tensions and instabilities in the global political environment can affect the Gold industry growth and limit the growth opportunities available to Note on the Mutual Fund Industry in India.

Changing policies

Frequent changes in government policies harm business performance by increasing environmental uncertainty. It is important for Note on the Mutual Fund Industry in India. to study the current trends in the country's political scenario as changes in government may alter the government's priorities towards the development of different industries.

Protests/pressure groups and governance system

Note on the Mutual Fund Industry in India. should carefully analyse the protests by pressure groups, social/environment activists and worker unions as such protests play an important role in the policy making process. Close collaboration with such groups may enhance the Note on the Mutual Fund Industry in India's ability to collaborate with community and achieve long-term corporate goals. Moreover, a well-developed governance system with a democratic political environment makes the business environment more comfortable for international business organizations like Note on the Mutual Fund Industry in India.

Bureaucracy and corruption

Bureaucracy and corruption negatively influence the business environment. Operating in countries with high corruption level and weak law enforcement makes the business environment increasingly unpredictable for Note on the Mutual Fund Industry in India. Due to jeopardized public trust on business organizations and overall political and economic structure. The corruption can influence various business operations, ranging from licensing, contracting, fraudulent deals to frequent lawsuits. If Note on the Mutual Fund Industry in India, decides to enter in markets with the corrupt economic, political system, it will threaten the organization's sustainable development by destabilizing the society, harming justice system and endangering the rule of law.

Taxation, trade restrictions and intellectual property protection

Entering in countries with high taxation level will directly influence the profitability of Note on the Mutual Fund Industry in India. High taxation affects international trade and prevents exports. Note on the Mutual Fund Industry in India. can enter in low taxation markets and benefit from high profits that can be invested in research and development activities. The organization may also study the industry specific taxation policies to understand the host government's priorities and interest in developing industries. Similarly, high trade restrictions can make the business environment more complex by affecting the exports and harming relationships with foreign trade partners.

Moreover, if the government of the country under consideration is not serious about protecting the intellectual property rights of business organizations, it will deter the entrepreneurs from investing in organizations due to high risk of ideas being stolen. Hence, Note on the Mutual Fund Industry in India should study how intellectual property rights are protected in the host country and make the business strategies accordingly.

Economic factors

Importance of economic factors in the PESTEL framework

It is important for Note on the Mutual Fund Industry in India. to understand economic factors such as foreign exchange/interest rate, labour market conditions, inflation and saving rates etc. as they determine the overall economic environment of the country. A detailed understanding of the economic environment can help Note on the Mutual Fund Industry in India estimate the growth trajectory of industry and organization. Following economic factors need to be considered by Note on the Mutual Fund Industry in India to make informed decisions:

Economic factors that influence Note on the Mutual Fund Industry in India

Economic/business cycle stage

The economic development of a country directly influences organizational performance. Growing economies offer wide-ranging growth opportunities to the Note on the Mutual Fund Industry in India. Similarly, it is important to understand the industry lifecycle stage. Entering in mature industries can be more challenging due to market saturation than industries at the growth stage. Moreover, the business performance of Note on the Mutual Fund Industry in India. is also influenced by the extent to which the host country government has spent on core infrastructure development. A well-developed infrastructure facilitates the business environment and increases the growth potential of the gold industry in the respective country.

Inflation/employment/interest/exchange rates

The GDP growth rate will determine the Note on the Mutual Fund Industry in India’s ability to pursue its long-term growth strategies. High GDP also signals the consumers’ ability to spend more on offered products. High unemployment signals the availability of surplus labour at comparatively lower wages. Operating in such a market can lower the production cost of

Note on the Mutual Fund Industry in India. The organization should also carefully consider the interest rate and its influence on borrowing ability and attitude towards investment. The high interest rate will encourage the attitude towards investment and increase growth opportunities for Note on the Mutual Fund Industry in India. Finally, the exchange rate fluctuation can also influence the profitability and international trade. The high fluctuation on local currency can be a cause of serious concern for Note on the Mutual Fund Industry in India.

Labor market conditions

The demand and supply of labour determine the wage rates and supply of skilled workforce. Note on the Mutual Fund Industry in India must study and predict the labour market conditions to understand how it can attract talented workers and leverage their skills to improve business performance. When labour markets are flexible, Note on the Mutual Fund Industry in India can take advantage of higher labour productivity. Whereas, operating in rigid labour markets may cause labour wage and other issues raised by powerful labour unions. Note on the Mutual Fund Industry in India should also carefully analyse the availability of skilled human capital as a shortage of skilled labour can affect business efficiency and make talent attraction and retention more challenging.

Financial markets efficiency

The global expansion strategies of the Note on the Mutual Fund Industry in India are influenced by the financial market efficiency as operating in highly efficient financial markets leads towards improved liquidity position and strengthened ability to enter new markets. The health and efficiency of financial markets will determine Note on the Mutual Fund Industry in India's ability to raise the capital at fair prices.

Economic structure

The business practices of the Note on the Mutual Fund Industry in India are influenced by the prevailing economic structure. The economic and regulatory environment in a monopolistic or oligopolistic structure will be different from the monopolistic competition and perfect competition.

Importance of social factors in the PESTEL framework

Organizational culture derives strong influence from the societal norms, values and trends. Understanding the demographic trends, power structures, consumers' spending patterns and shared beliefs can help Note on the Mutual Fund Industry in India design effective marketing messages and fulfil corporate objectives through informed PESTEL analysis. The marketing department of Note on the Mutual Fund Industry in India can use the information retrieved from social, environmental analysis to target the consumer groups and increase the appeal of offered products to potential buyers. Note on the Mutual Fund Industry in India must consider the following social factors to conduct macro-environmental analysis:

Social factors that influence Note on the Mutual Fund Industry in India.

Demographic trends

Changes in demographic patterns like aging population, migration trends and socio-economic variables have paramount importance for international business organizations like Note on the Mutual Fund Industry in India. Studying the demographic characteristics can help Note on the Mutual Fund Industry in India. in choosing the right market segment/segments with high growth potential. The business and marketing strategies are also influenced by migration. It is important for Note on the Mutual Fund Industry in India. to understand the people's general attitude towards migration as it can influence firms' ability to bring international managers to host country.

Equality and power distance

The power distance within any society shows the acceptance of hierarchy and income inequality. Note on the Mutual Fund Industry in India. must adjust its business management practices while entering in markets with high or low power distance. The growing inequality in many countries is altering the power structure, which has serious implications for international business organizations like Note on the Mutual Fund Industry in India.

Gender Roles

Note on the Mutual Fund Industry in India need to study the traditionally assigned gender roles to align its marketing and communication practices accordingly. Marketing and human resource strategies in a traditional, patriarchal society with clearly distinguished gender roles will be different from societies with low gender stereotypes.

Societal norms and class distribution

Culture is considered an important variable by international marketing managers. Each society has distinctive norms and values that play an important role in shaping consumer behaviour. Note on the Mutual Fund Industry in India should develop local teams and develop local partnerships for understanding the societal attitudes and norms to tailor marketing strategies according to unique cultural context. The observation of social class stratification is also important for Note on the Mutual Fund Industry in India. Offering luxury products at premium prices to a market where the high-end market is considerably small in number will require Note on the Mutual Fund Industry in India to adopt the niche marketing strategies. Similarly, market segmentation based on social class may be ineffective where social class stratification is low.

Online shopping

The advent of social media and e-commerce has encouraged online shopping behaviour among customers. Note on the Mutual Fund Industry in India needs to understand the online shopping behaviour by considering the generational differences as younger consumers are more inclined to shop online than older customers. The growing use of mobile phones and social networking sites must be considered when developing marketing and communication strategies.

Spending patterns and behaviour

The consumers' spending patterns are influenced by their purchasing power of money. Studying and forecasting the consumers' purchasing power based on relevant economic indicators is important to analyse the customers’ interests and spending patterns. In some societies, consuming the offered product is considered a status symbol, while, some people use the same products for functional aspects. Note on the Mutual Fund Industry in India should invest time on understanding the consumption motivations and social trends that define the consumption behaviour. Note on the Mutual Fund Industry in India should also attempt to understand the degree of consumer ethnocentrism and consider the country of origin effect to determine local consumers’ evaluation of foreign products. Lastly, Note on the Mutual Fund Industry in India should study the consumers’ leisure interests and should focus more on enhancing the customer experience if customers prefer experiential products over traditional product offerings.

Technological factors

Importance of technological factors in the PESTEL framework

‘Technology' is the fourth factor of PESTEL analysis. The rapid technological advancement and technological diffusion across the globe have increased the importance of understanding technological factors during the strategic decision making process. A detailed analysis of the technological environment can help Note on the Mutual Fund Industry in India. capture the technological trends to achieve certain business advantages, such as- increasing profitability, boosting innovation process and enhancing the operational efficiency. Following technological factors can influence the business performance of Note on the Mutual Fund Industry in India.:

Technological factors that influence Note on the Mutual Fund Industry in India.

Social media marketing

The development of information and communication technologies has led towards the adoption of innovative marketing techniques to enhance collaboration with customers. Use of social media has become common in a modern business environment. Note on the Mutual Fund Industry in India. can leverage the opportunities offered by social media marketing to improve business performance. Technological trends can be used to start the creative social media campaigns for developing online brand communities.

Technological innovations and development level

Note on the Mutual Fund Industry in India should carefully consider the on-going technological innovations to stay ahead of the competition. A close eye should be kept on analysing the 5G and determining its potential to deliver positive business outcomes through enhanced user experience, increased speed and expanded access. Technological innovations like this can bring major transformations in the industry and reset the success rules for market players. Moreover, considering the development and maturity level of technology in the respective market is also important. Entering in markets where technological advancement has not reached the maturity means Note on the Mutual Fund Industry in India. can increase the market share by focusing on emerging technological innovations.

Research and development on technology and impact on cost structure/value chain

Note on the Mutual Fund Industry in India needs to consider the investments made by competitors on a micro and macro level to understand how new technologies influence the firm's value chain and prevailing cost structure. Research and development activities are highly important in an environment characterized by creative disruption. In such an environment, Note on the Mutual Fund Industry in India should invest in disruptive technologies to maximize the profits and re-invest the profits for future disruptive technologies.

Shortened product life cycles

The adoption of new technologies has shortened the lifecycle of new product development. Today, new products are developed quickly, and supply chain partners have also gained more power. It pressurizes the Note on the Mutual Fund Industry in India. to develop new products quickly, increase product range diversity, integrate flexibility into the value chain and develop healthy business relationships with value chain partners.

Environmental factors

Importance of environmental factors in the PESTEL framework

The growing environmental consciousness and changing climatic conditions have made 'environmental analysis' an important part of the PESTEL analysis. The environmental standards, laws and regulations vary across different markets. The international presence of Note on the Mutual Fund Industry in India require the organization to consider these differences to avoid undesired circumstances carefully. Detailed environmental analysis is imperative before deciding to enter a new market or start a new product line. Some examples of environmental factors that Note on the Mutual Fund Industry in India need to consider are given below.

Environmental factors that influence Note on the Mutual Fund Industry in India.

Recycling and waste management

The growing environmental pollution coupled with technological advancement has compelled business organizations to adopt innovative recycling and waste management practices. In some countries, recycling has almost become a business norm. Moreover, adopting efficient waste management practices in organizational units that are located in or near urban areas is highly crucial for Note on the Mutual Fund Industry in India. Many countries have placed strict norms to protect their urban areas through effective waste management.

Renewable technologies

Some countries offer subsidies for encouraging investment in renewable technologies. Note on the Mutual Fund Industry in India can benefit from it and invest in renewable technologies to ensure long-term sustainability. This investment will also increase stakeholder satisfaction and expand the customer base due to enhanced brand image.

Weather and climatic conditions

Changes in weather and climatic conditions can influence business efficiency. For instance, extreme weather conditions can increase the cost of operations and compel the Note on the Mutual Fund Industry in India to make the value chain more flexible. Such changes can also influence the consumers' spending patterns, causing the organization to revise its product and marketing strategies.

Attitude towards eco-friendly products

There is a growing trend towards the use of green/eco-friendly products. Note on the Mutual Fund Industry in India can take it as an opportunity and adopt green business practices to win the trust of stakeholders. Regulatory bodies' emphasis on ensuring compliance with environmental norms is altering the product innovation priorities. It requires Note on the Mutual Fund Industry in India to prioritize and focus on marketing the eco-friendly nature of their products over customary value propositions.

Environmental regulations to avoid resource depletion

Excessive resource depletion by Note on the Mutual Fund Industry in India can draw the negative response from media, environment protection groups, customers and the general public. Note on the Mutual Fund Industry in India must study the specific environmental regulations of the country under consideration to understand which resources (like water, electricity etc.) are considered rare or which species are endangered whose excessive consumption can cause trouble for the organization.

Legal factors

Importance of legal factors in the PESTEL framework

"Legal" is the sixth factor of PESTEL analysis. Note on the Mutual Fund Industry in India. cannot enter a new market without studying in detail the legal environment and regulatory structure of the new consumer market. A careful evaluation of legal aspects is required to avoid getting into some serious trouble. Ignorance in this regard can cause undesired circumstances for Note on the Mutual Fund Industry in India., such as- hurting competitive advantage as a result of intellectual property rights violation and harmed organizational image due to violation of consumer/employee/environment protection standards. Note on the Mutual Fund Industry in India. should consider the following legal factors when exploring a new market.

Legal factors that influence Note on the Mutual Fund Industry in India

Employee protection laws (discrimination and health and safety)

Note on the Mutual Fund Industry in India. must follow the employee/labour health and safety laws as some countries have strict regulations to ensure labour safety. Providing a secure work environment for the workforce is the ethical and moral obligation of Note on the Mutual Fund Industry in India. Similarly, anti-discrimination laws (like equal employment opportunity) also need to be carefully studied when developing human resource practices as discriminatory suits against employer harm the organizational image and affect organizations' ability to attract and retain the talent.

Consumer protection laws

The data protection has become an important issue due to consumers' privacy and security concerns. Note on the Mutual Fund Industry in India need to study data protection regulations to protect the customer data. Moreover, there are laws to set the maximum price, ensure a certain quality standard and protect consumers from fraudulent marketing claims. Note on the Mutual Fund Industry in India must consider these factors to ensure compliance with consumer protection laws.

Intellectual property laws

Intellectual property regulations are designed to protect the companies' patents and valuable ideas. Inability to protect intellectual property rights can result in losing competitive advantage, which may weaken the positioning of Note on the Mutual Fund Industry in India against other market players.

To conclude, the PESTEL model is an important business tool that involves a detailed analysis of macro-environmental factors that shape the business environment. Ranging from political factors to environmental factors, each factor comprises various variables that influence the strategic decision making process of business organizations like Note on the Mutual Fund Industry in India.

CHAPTER 12 :- FUTURE PROSPECTS OF MUTUAL FUNDS

Mutual funds are the important constituent of the capital market in developed countries and now, are also becoming the popular financial instruments in emerging markets like India. In the coming years, the mutual funds in India are also likely to emerge as important players in the capital market for managing the funds of small investors.

The country's economic and financial health, growth, development and regulatory framework of mutual funds industry are expected to play an important role in deciding the future prospects of the industry. In view of that , despite some temporary disturbances, overall country's economic and financial growth scenario foretells the good future of mutual funds in India. This can be observed from the fact that with the continuously rising savings rate, the investment activities in mutual funds have also risen in the country.

The share of mutual funds (net resources) in gross domestic savings (GDS) was 5.78 percent in 1990-91. It increased to 8.08 percent in 2007-08 but declined to 3.56 percent in 2009-10 owing to the global financial crisis. Similarly, the mutual funds share in gross household savings (GHS) increased from 7.17 percent in 1990-91 to 13.26 percent in 2007-08 though, declined to 5.11 percent in 2009-10. The above trends show that in the coming years, mutual funds will tap the larger portion of domestic savings, especially household savings.

The rising per capita income and savings will further increase the investment in mutual funds. On the institutional segment of mutual funds, rising corporate earnings and maturing capital markets will also play a key role in accelerating the growth of the mutual funds industry. Rapid stock market development as indicated by the increasing ratio of market capitalisation (on NSE & BSE) and GDP, and the growth of derivatives market will further foster the growth of mutual funds.

With it, in coming years, the more transparent disclosure standards and trading mechanism will fuel the growth of capital market in general and the mutual funds market in particular. The Indian mutual funds industry has mobilised the savings of millions of investors and supplied a huge amount of capital to different sectors of the economy since its inception in 1964. Starting with an asset base of Rs. 24.67 crore in 1964-65, the total assets of the industry has grown to Rs. 6,871 crore in 1987-88 registering an average annual rise of 27.81 percent (Table 8). The year 1987, is marked by the entry of public sector players in the industry, with which the growth of mutual funds had accelerated. The AUM of industry grew at an average annual rate of 49.9 percent during 1987-88 – 1992-93. During the same period, the number of schemes and players increased from 13 and 3 to 142 and 9 respectively.

Another turnaround in the industry came in 1993, when private sector players (including foreign players) were given permission to start the mutual fund business. Total AUM of the industry increased from Rs. 62,430 crore in 1993-94 to Rs. 90,586 crore in 2000-01 with an average annual growth of 10.6 percent. Over the said period, the number of schemes increased to 393 from 167 and the number of players to 35 from 14. The growth of industry has been quite impressive after 2000-01 (the year of UTI Crisis).

Its AUM grew from Rs. 1,00,594 crore in 2001-02 to Rs. 6,11,402 crore as on December, 2010-11 at an average annual rate of 22.98 percent. During this period, the number of schemes rose to 1,226 from 417 and the number players to 44 from 35. It is significant to note that the total investor base of mutual funds constituted 3.90 percent (4.72 crore) of the total population (121.02 crore) in 2011 which was merely 0.029 percent (1.32 lakh) of the total population (43.91 crore) in 1964. The growth trends of the mutual funds industry indicated that since 1964-65, the industry has grown in several folds in terms of assets, investor base, number of players and the total number of schemes offered. Looking at the ongoing trends and combining it with the past developments, we can say that the industry will maintain the same growth trend in coming years too and will achieve more exciting growth.

Penetration of mutual funds and strengthen the distribution network in our country. The proposal to increase expense ratio up to 30 basis points (0.3 percent) on net assets of the scheme if the mutual funds are able to get 30 percent of the business beyond top 15 cities, will prove quite beneficial for the AMCs and distributors.

It will directly increase their profits. The distributors will have to work hard to get more business because lower business means proportionately lower expense ratios. Under the approach, mutual funds have to disclose all the efforts taken by them to increase the geographical penetration and the details of the opening of new branches especially at locations other than the top 15 cities. This move will increase the reach of mutual funds to smaller towns and places in India and thus augment the growth of the industry in coming years.

Another step that includes, the removal of internal limits on the expense ratio is a big change for the AMCs. Earlier, there was an allocation limit on AMCs regarding fund management and distribution in expense ratios. Now, the allocation limit is removed and the mutual funds are allowed to allocate their expense ratio according to their interest. With this move, the distributors will be able to get more commissions and AMCs to do more advertisements for selling of mutual funds.

Further, investors can now prematurely exit the schemes without any exit load as SEBI has instructed mutual funds to credit back the exit load money to the scheme's account, which will not be treated as AMCs profit. To compensate the AMCs loss, an equal amount of expense ratio is allowed by SEBI for inclusion in the expense ratio. The net effect of this move would be no gain and no loss to both the parties – AMCs and investors. Earlier, service tax was borne by the mutual funds themselves but now, it would be charged from the investors through the AUM of funds.

In this way, the exemption from service tax will increase the profits of the AMCs. SEBI has also introduced the option of direct selling in mutual fund investment. It means that the investment will not be routed through agents or distributors. Such plans will save the investors from unnecessary distribution charges and commissions and thus, increase their returns on schemes. We believe that direct selling of mutual funds will go a long way in benefiting the long-term investors in mutual funds.

Further in order to enhance the reach of mutual funds among small investors, the cash investments to the extent of Rs. 20,000 per investor, per mutual fund and per financial year has been allowed by SEBI. This is for small investors who are not tax payers and do not have PAN/ bank accounts such as farmers, small traders/ businessman/ workers. Further, the announcement of regulations for distributors will lower the incidence of selling in industry and thereby make the industry a safer investment avenue. Thus, the moves taken by SEBI will not only raise the participation of investors from small and medium cities but also, encourage those investors who had not invested in mutual funds because of the burden of unnecessary charges and commissions.

Moreover, the permission to qualified foreign investors (QFIs) for investing in Indian mutual fund schemes will further boost up the growth of the industry. It would enable the Indian mutual funds to have direct access to foreign investors and widened the class of foreign investors in equity market. It would further raise the efficiency of mutual fund market participants. In addition, after global financial crisis in 2008, SEBI has now, assumed the role of a more responsible regulator. Along with the continuous monitoring of the market, it is also making consistent efforts to refine the working of capital market and mutual funds. All these would go a long way in boosting the growth of the industry in coming years.

When an economy experiences higher economic growth, mutual fund plays an important role in its wealth creation. This simplification is the outcome of the US experience where people convert their large amount of savings into mutual funds every day and now holding on the world's largest mutual fund market. In spite of several problems, the same is expected from the mutual funds industry in India. The areas where industry is facing problems are actually the areas of its potential for achieving long-term growth.

Some more factors that also point the good future of mutual funds can be listed as:

1. The low penetration level of domestic AMCs and the continuous process of urbanisation, enhanced financial literacy and a huge young population with an increased risk appetite are also likely to be instrumental in the long-term growth of the retail segment of the mutual funds industry.

2. Public sector banks and post-offices have a good network base. They have significant reach beyond the top 20 cities in semi-urban and rural areas and the potential to build a strong retail investors base. Public sector banks may play a crucial role in strengthening the mutual funds distribution system. However, they are not committed to do so but their role will provide the platform needed for mutual funds distribution.

3. With the entry of global players, competition for the domestic mutual funds is expected to increase. In view of the intense competition and shrinking margins, the industry is likely to witness some consolidation as AMCs will review business strategy and explore exit/ mergers in case of no significant competitive advantage. With this, only efficient players will stay in the industry.

4. Mutual fund managers are required to upgrade their skills as in the coming years they will have to manage the pooled money of investors in a more professional way owing to the intense competition. 5. The newly created Financial Stability and Development Council (FSDC)

by the Ministry of Finance will act as a coordinator across multiple financial sector regulations in India. It will look into the matters relating to financial inclusion, financial development and literacy across the whole financial sector, which also includes mutual funds. The council will certainly boost up the prospects of the mutual funds industry in India by making people financially literate.

Thus, on the basis of our study, we can predict a bright future for the mutual funds industry in India. However, to be more competitive, the industry is suggested to take necessary steps with regard to regulations involving fund governance, penalty, education, distribution, fund names and investment policies disclosure provisions. Also, to boost up the confidence of investors, the problems and queries of investors are needed to be dealt with properly and promptly.

With rising expectations of investors, operational costs also increase. Hence, check on operational costs is needed. After sales services is required to be sound. There is also a need to add variety into products marketed by mutual funds. Different types of ETFs, college savings fund, e-funds, green funds, socially responsible financial instruments, fund of hedge funds, advanced money market funds, renewable and energy/ climate change funds, rural and urban development funds etc. have to be developed to cater to the entire needs of investors and economy. Mutual fund companies are required to upgrade their skills, technology and cost management techniques.

Table 8 Growth of Mutual Funds Industry in India: 1964-2011

Year	Assets Under Management (AUM) (Rs. Crore)	No. of Mutual Fund Schemes	No. of Mutual Fund Players
1964-65	25	1	1
1987-88	6871	13	3
1988-89	13456	21	5
1989-90	19131	47	7
1990-91	23161	83	8
1991-92	37973	116	9
1992-93	47734	142	9
1993-94	62430	167	14
1994-95	72967	178	21
1995-96	70497	168	26
1996-97	72063	196	32
1997-98	75368	235	30
1998-99	68193	277	32
1999-00	107946	337	32
2000-01	90586	393	35
2001-02	100594	417	35
2002-03	109299	382	33
2003-04	139616	403	31
2004-05	149600	451	29
2005-06	231862	592	32
2006-07	326292	756	35
2007-08	505152	956	37
2008-09	417300	1,001	39
2009-10	613979	882	43
2010-11	592250	1,131	42
April11-Dec11	611402	1,226	44
Compound Growth Rate (%) (1964-65 to 2010-11)	**26.27**	**19.77**	**11.91**

CHAPTER 13:-HOW COVID 19 AFFECTED MUTUAL FUNDS

COVID-19 carries unprecedented economic damage over natural disasters or nuclear war or climate change, or localised disasters [4]. It has impacted almost all the economy's spheres, such as production, consumption, and accumulation. The financial markets and its included segments like equity, bond, and commodity markets (oil and gold) are severely affected by the globally declared pandemic's vicious hand. This year, the IMF forecasted a global growth at − 4.9%, which is 1.9 per cent below the World Economic Outlook (WEO) forecast for April 2020 [36]. The same source cited a sharp decline of 4.5% for the Indian economy, a historic low rate, due to the pandemic impact of COVID-19. M. Nicolas Firzli, the Director of World Pension Council and the Member of the Advisory board at World Bank Global Infrastructure Facility, referred pandemic period as 'the greater financial crises' [46]. So far, a limited number of studies have addressed the issue empirically and focused on the angle of stock market performance, crude oil price fluctuation, and bit-coin return.

Mutual funds are the favourite avenue for risk-averse investors, and it was severely affected by recent health crises. The equity-oriented schemes have exhibited a negative return of about 25% [13], and Franklin Templeton has announced a historic decision to wind up six debt fund schemes amidst the COVID-19 pandemic [21]. Even though the industry has witnessed a sharp increase in the number of new investors [33]. It may be due to the common belief that the actively managed funds always beat the recession and generate a superior return to the investors [14, 17]. Pastor and Vorsatz [35] examined the widely accepted market outperform concept during crises. Consistent with the literature, the present study intended to examine the outperformance of actively managed Indian equity Mutual Funds during the COVID-19 crisis period.

COVID-19 is an infectious viral disease diagnosed at Wuhan (a Chinese city) in late December 2019. Soon it began to spread all over the world along with travellers from China. On 11 March 2020, the World Health Organization (WHO) declared it a global pandemic and issued an advisory to take preventive measures. Globally, there were 20,687,815 confirmed cases of COVID-19, including 750,400 deaths (WHO statistics as of 10:42 am CEST, 14 August 2020). During the initial phase of the outbreak, Europe followed China for reported cases of mortality. Later, the virus spread to the USA with a notorious velocity. India, Brazil, Russia, and the Middle East were seriously affected in the later phase of June 2020. It has impacted almost all the sectors of financial markets such as banks, insurance, stock markets, and mutual funds.

In India, the first COVID-19 case was reported on 30th January 2020. Till now, there are 6, 61,595 (26.88%) active cases; 1,751,555 (71.17%) recovery with a 1.95% fatality rate (as on 14-08-2020, MHFA). To curb the disease contagion, the Govt. of India declared a lockdown on 24th March 2020. It has led to the rise of unemployment in the economy, and almost all the sectors were affected by the vicious cycle of COVID-19. However, the history of Indian MF began in 1963 with the Unit Scheme of Unit Trust of India (UTI). Their monopoly was curtailed by giving operational permission to the public sector MF's such as SBI Mutual Funds, Canara Bank Mutual Funds, and so on. Later, the industry was opened to the private sector and the foreign institutional investors. Presently, there are 43 asset management companies (AMC's) in operation with an average Asset under management (AUM) of ₹27.12 Trillion (as of 31 July 2020).

Actively managed funds are commonly believed for their beating capacity during the market downturn [32]. The study here only considered 1271 equity schemes which are actively managed for a management fee. The managers commonly charge them for this widely believed beating capacity on account of their enhanced informativeness than the market. The present study aimed to evaluate the performance of emerging Indian mutual funds' during the crisis period and tested for the superior return using asset pricing models' conditional version. The study's significant contribution comes in two ways: first, applying sys-GMM and LSDV models in measuring the mutual fund's performance. The conditional alphas are estimated using the publicly available instrumental variables after conducting the Relevance and Endogeneity test, and the Hausman statistics support for cross-sectional effects are fixed. Second, the study applied panel data analysis in Indian Mutual Funds' overall performance during the pandemic period. The results revealed that the emerging Indian market lacks the ability of superior return during the crisis period. The results of the study are useful to the investors for deciding the profitable investment opportunities.

How mutual fund space has grown over Covid-19 pandemic - Smaller fund houses outpace major players in 2021:-

The mutual fund space has grown over the pandemic and interestingly so far in 2021, several smaller companies have gained momentum and outpaced the growth of established major players.

In tandem with the rise in the equity market, small players made giant strides during the year. Equity schemes of fund houses like Quant Mutual Fund, ITI Mutual Fund, PPFAS Mutual have been among the best performing schemes so far in the year.

The assets under management of Quant witnessed over five-fold rise during January-July 2021. Its AUM in December 2020 stood at Rs 521 crore and by July-end it reached Rs 2,842 crore, The AUM of ITI Mutual Fund rose over 100 per cent to Rs 1,879 crore and PPFAS Mutual Fund's AUM also nearly doubled to Rs 14,318 crore.

Some of the schemes of relatively new fund houses have given blockbuster returns with several of them coming from Quant Mutual Fund. As per the market estimates, ICICI Prudential Technology Fund, Quant Tax Plan Fund, PGIM India Midcap Opportunities Fund, Quant Infrastructure Fund and Quant Active Fund are the top five equity funds giving best returns ranging from 80 per cent to over 100 per cent.

Kotak Mahindra Mutual Fund, a major player in the segment, has the highest AUM of over Rs 2.58 lakh crore as of July 2021, 13 per cent higher than Rs 22.78 lakh crore, the Prime Database data showed.

According to Pranav Haldea, Managing Director of Prime Database Group, the higher growth rate of AUM of smaller fund houses is due to low base effect along with their identification of specialised offerings.

"One reason is low base effect, and second I think smaller fund houses have done a commendable job in terms of identifying niches where they have specialised," he told IANS.

He further said that performance of these mutual funds along with the incumbent giants will continue to be robust. "The sort of AUM growth which you have seen in the mutual fund industry in the five odd years, the AUM now stands at close to 35-36 lakh crores. So the growth of these smaller fund houses will also extract a fair share of that growth," he said.

Haldea told IANS that the growth will continue because there will be more channellising of retail savings into mutual funds going forward.

More and more retail investors in the last one and half years have come to the capital market as various other kinds of investment markets are not providing the investment returns that they are used to. "So retail investors are increasingly looking at equity and the markets obviously are supportive and the markets are doing really well," he said.

N.S. Venkatesh, Chief Executive, Association of Mutual Funds in India (AMFI) said: "Mutual Funds have emerged as the preferred savings-cum-investment avenue over the last few years, and the pandemic has actually triggered this shift towards Mutual Funds in a more pronounced way." This shift will continue in 2021 and beyond, accentuated by Sebi-driven initiatives towards transparency and disclosures, he said.

"Over the years, mutual fund industry too, has deepened its penetration, beyond top 15 cities, even as number of MF players has risen with new fund houses coming in to mutual fund industry, enabling steady but sure rise in the number of investors who have been embracing mutual funds as the preferred savings tool," Venkatesh said. The number of mutual fund investors in the country has doubled to 2.39 crore as of June 30, 2021 from 1.19 crore at the end of March 2017, thereby indicating that pandemic has actually had no impact on the inflows, he added. The mutual fund industry AUM rose 4.9 per cent in July 2021 to a record Rs 35.3 lakh crore due to inflows into both equity funds and debt funds

An ICICI Direct Research report said that IT funds have been consistent outperformers in the last two to three years as the growth outlook improved for the sector in the post Covid world resulting in valuation re-rating of most stocks.

The sectors or segments like infrastructure, PSUs that behind in the early part of the rally, have started to gain traction indicating the healthy trend of sector rotation, it said.

"Small cap funds have been consistent outperformers in the last one year after they were beaten down during the Covid pandemic induced market fall. Midcaps also followed small cap funds and have outperformed other categories. However, there seemed to be some profit booking recently as it underperformed in the last one month," it said.

CHAPTER 14 :- CONCLUSION

After studying and analysing different mutual fund schemes, the following conclusions can be made:-

- Convenient option for the investors
- Mutual fund offers investors the opportunity to earn income through professional management.
- Proper liquidity of the investor fund
- Risk is diversifies by portfolio diversification

Mutual fund now represent perhaps most appropriate investment opportunity for many investors. As financial market become more sophisticated and complex, investors need a financial intermediary who provide the required knowledge and professional expertise on successful investing.

Mutual Fund Advisor give emphasis on mutual funds than other investment options. Mutual Funds have given a new direction to the flow of personal saving and enable small and medium investors in remote rural and semi urban areas to reap the benefits of the stock market investment. Indian mutual funds are thus playing a very important developmental role in allocation of scares resources in the emerging economy.
As far as this project is concerned, I have analyzed many things during this session. 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 helped grow these investments. This has also instilled greater confidence among fund investors who are investing more into the market through the MF route than ever before.

FINDINGS & KEY POINTS

1) Young investors are more who invest in mutual funds as they are ready to take some sort of risk for high returns whereas people above 60 years are not

ready to take risk.

2) Salaried persons, the professionals, and the businessmen are the people who are dealing with the mutual funds to some extent and obviously there are many reasons for investment and tax is the main reason.

3) Postgraduates and graduates are major portion of investors as they know the concept of mutual funds.

4) Income of investors lie majorly between 1 to 3 lacs, then below 1 lacs and then between 3 lacs to 5 lacs .

5) Mostly people do not rely upon the sources like relatives, friends.

6) Major numbers of investors prefer SIP investment as in SIP there is flexibility of investment.

7) Investors do not prefer long term investment as they want the money immediately when they require.

8) Major numbers of investors agree that mutual funds gives high returns

9) Most of the investors agree that past performance of mutual funds is important criteria for selecting mutual fund.

10) Investors of major portion say that diversified investment increases average rate of return.

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