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A Study Future Scope of Mutual Fund Business

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Abstract: *In few years Mutual Fund has emerged as a tool for ensuring one's financialwell being. Mutual Funds have not only contributed to the India growth story but have also helped families tap into the success of Indian Industry. As information and awareness is rising more and more people are enjoying the benefits of investing in mutual funds. The main reason the number of retail mutual fund investors remains small is that nine in ten people with incomes in India do not know that mutual funds exist. But once people are aware of mutual fund investment opportunities, the number who decide to invest in mutual funds increases to as many as one in five people. The trick for converting a person with no knowledge of mutual fund to a new Mutual Fund customer is to understand which of the potential investors are more likely to buy mutual funds and to use the right arguments in the sales process that customers will accept as important and relevant to their decision. This Project gave me a great learning experience and at the same time it gave me enough scope to implement my analytical ability. The analysis and advice presented in this Project Report is based on market research on the saving and investment practices of the investors and preferences of the investors. Preferences in Mutual Fund means are they prefer any particular Asset Management Company (AMC), Which type of Product they prefer, Which Option.*

Keywords: NAV – Net Asset Value, SIP – Systematic Investment Plan, STP – Systematic Transfer Plan, SWP – Systematic Withdrawal Plan.

I. INTRODUCTION

A mutual fund is a collective investment vehicle that collects & pools money from a number of investors and invests the same in equities, bonds, government securities, money market instruments.

The money collected in mutual fund scheme is invested by professional fund managers in stocks and bonds etc. in line with a scheme's investment objective. The income / gains generated from this collective investment scheme are distributed proportionately amongst the investors, after deducting applicable expenses and levies, by calculating a scheme's "Net Asset Value" or NAV. In return, mutual fund charges a small fee.

In short, mutual fund is a collective pool of money contributed by several investors and managed by a professional Fund Manager.

Mutual Funds in India are established in the form of a Trust under Indian Trust Act, 1882, in accordance with SEBI (Mutual Funds) Regulations, 1996.

The fees and expenses charged by the mutual funds to manage a scheme are regulated and are subject to the limits specified by SEBI.

1.1 Problem Statement

Mutual funds industry in India has passed more than four decades of its presence. In this short period, the decline in mutual funds industry had been attributed to the factors such as Prolonged bearish trends and scams in Indian stock market that killed the investors' Unattractive returns on mutual fund schemes. Although, good performance of debt funds helped the industry for some time, the continuous reduction in interest rates in the Economy has adversely affected the growth momentous of mutual funds industry again d) Sluggish trends and sickness in corporate sector after 1980s e) Inefficiency and Corruptibility in mutual funds management

II. LITERATURE REVIEW

Dr. Sandeep Bansal, Deepak Garg and Sanjeev K Saini (2012),

Have studied Impact of Sharpe Ratio & Treynor's Ratio on Selected Mutual Fund Schemes. This paper examines the performance of selected mutual fund schemes, that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe ratio and Treynor's ratio.

Dr. K. Veeraiah and Dr. A. Kishore Kumar (Jan 2014),

Conducted a research on Comparative Performance Analysis of Select Indian Mutual Fund Schemes. This study analyzes the performance of Indian owned mutual funds and compares their performance. The performance of these funds was analyzed using a five year NAVs and portfolio allocation. Findings of the study reveals that, mutual funds out perform naïve investment. Mutual funds as a medium-to-long term investment option are preferred as a suitable investment option by investors.

Dr. Yogesh Kumar Mehta (Feb 2012),

Has studied Emerging Scenario of Mutual Funds in India: An Analytical Study of Tax Funds. The present study is based on selected equity funds of public sector and private sector mutual fund. Corporate and Institutions who form only 1.16% of the total number of investors accounts in the MFs industry, contribute a sizeable amount of Rs. 2,87,108.01 crore which is 56.55% of the total net assets in the MF industry. It is also found that MFs did not prefer debt segment. Dr Surender Kumar Gupta and

Dr. Sandeep Bansal (Jul 2012),

Have done a Comparative Study on Debt Scheme of Mutual Fund of Reliance and Birla Sunlife. This study provides an overview of the performance of debt scheme of mutual fund of Reliance, and Birla Sunlife with the help of Sharpe Index after calculating Net Asset Values and Standard Deviation. This study reveals that returns on Debt Schemes are close to Benchmark return (Crisil Composite Debt Fund Index: 4.34%) and Risk Free Return: 6% (average adjusted for last five year).

Prof. V. Vanaja and Dr. R. Karrupasamy (2013),

Have done a Study on the Performance of select Private Sector Balanced Category Mutual Fund Schemes in India. This study of performance evaluation would help the investors to choose the best schemes available and will also help the AUM's in better portfolio construction and can rectify the problems of underperforming schemes. The objective of the study is to evaluate the performance of select Private sector balanced schemes on the basis of returns and comparison with their bench marks and also to appraise the performance of different category of funds using risk adjusted measures as suggested by Sharpe, Treynor and Jensen.

E. Priyadarshini and Dr. A. Chandra Babu (2011),

Have done Prediction of The Net Asset Values of Indian Mutual Funds Using Auto- Regressive Integrated Moving Average (Arima). In this paper, some of the mutual funds in India had been modeled using Box-Jenkins autoregressive integrated moving average (ARIMA) methodology. Validity of the models was tested using standard statistical techniques and the future NAV values of the mutual funds have been forecasted.

2.1 OBJECTIVES OF PAPER

- To study investors view towards Imperial Money mutual fund investment
- To study investment awareness about various mutual fund available
- To the impact of agent in selecting the right mutual fund

2.2 SIGNIFICANCE OF RESEARCH

- Mutual funds offer professional investment management and potential diversification. They also offer three ways to earn money: Dividend Payments.
- A fund may earn income from dividends on stock or interest on bonds.

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- A mutual fund is an investment vehicle that pools money from investors and invests the amount in securities, such as stocks, shares, government bonds, and other money-market instruments. The primary objective of a mutual fund scheme is to offer optimal returns to the investors.

2.3 HYPOTHESIS

H1. Investors prefer agent over direct purchase due to lack of knowledge and documentation.
H2. Investors not prefer agent over direct purchase due to lack of knowledge and documentation

III. RESEARCH METHODS

Primary data collection sources:
Direct collection of data from the source of information, technology including personal interviewing, survey etc. Brochures, Annual publications, Books, Fact sheets of mutual funds, Newspaper & Magazines etc.
Secondary data collection sources:
Value Research online, Morning Star (India), Morning Star (China), Morning Star (USA), USNews.com, Money Control and Investment Company Institute. Sampling Technique:- Simple Random Sampling Method Instrument of Data Collection:- Direct collection of data from the source of information, technology including personal interviewing, survey etc. Brochures, Annual publications, Books, Fact sheets of mutual funds, Newspaper & Magazines etc. Value Research online, Morning Star (India), Morning Star (China), Morning Star (USA), USNews.com, Money Control and Investment Company Institute.
Statistical Technique:- one sample t- test used to compare the dependency in the hypothesis.

IV. ANALYSIS AND INTERPRETATION

Findings and Interpretation of the results.

- 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.
- 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.
- Postgraduates and graduates are major portion ofinvestors as they know the concept ofmutual funds.
- Income ofinvestors lie majorly between 1 to 3 lacs, then below 1 lacs and then between 3 lacs to 5 lacs .
- Mostly people do not rely upon the sources like relatives, friends.
- Major numbers ofinvestors prefer SIP investment as in SIP there is flexibility ofinvestment.
- Investors do not prefer long term investment as they want the money immediately when they require.
- Major numbers ofinvestors agree that mutual funds gives high returns.
- Most of the investors agree that past performance of mutual funds is important criteria for selecting mutual fund.
- Investors of major portion say that diversified investment increases average rate of return.

V. CONCLUSION

For achieving heights in the financial sector, the mutual fund companies should formulate the strategies in such a way that helps in fulfilling the investors' expectations. Today the main task before mutual fund industry is to convert the potential investors into the reality investors. New and more innovative schemes should be launched from time to time so that investor's confidence should be maintained. All this will lead to the overall growth and development ofthe mutual fund industry.
There are an incredibly large number of mutual funds. While some mutual funds aim to produce short term, high yield profits, others look for the long term profit. But, large segment of people are scared to invest in the capital market. Some personal and family factors are pulling them in deciding different type of investments. Age, Gender and marital status are some of the socio demographic factors that share the investors' decision and preference in making investments. Many studies have shown that age interact with financial information and issues differently.

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VI. FINDINGS AND CONCLUTION

- Postgraduates and graduates are major portion of investors as they know the concept of mutual funds.
- Income of investors lie majorly between 1 to 3 lacs, then below 1 lacs and then between 3 lacs to 5 lacs .
- Mostly people do not rely upon the sources like relatives, friends.
- Major numbers of investors prefer SIP investment as in SIP there is flexibility of investment.
- Investors do not prefer long term investment as they want the money immediately when they require.
- Major numbers of investors agree that mutual funds gives high returns.
- Most of the investors agree that past performance of mutual funds is important criteria for selecting mutual fund.
- Investors of major portion say that diversified investment increases average rate of return.

VII. RECOMMENDATION & SUGGESTION

- The trend is changing now, people are getting more aware and the knowledge regarding the mutual fund investment is also increasing among the people day by day.
- Govt, of Maharashtra must do some awareness programmes with the mutual fund companies in order to make the people more knowledgably and aware.
- The mutual funds which are already running in the Sangli and Miraj City must upgrade, enhance their programmes, their transparency and must educate the people ofthe city to some extent.
- There is a great field and opportunities for this industry in the Sangli and Miraj City, so it should be flourished and run in a better way in the city.
- Media or other source of advertisement can also play their role in the publicity of these investment alternatives. Still it a beginning of mutual fund in the Sangli and Miraj city,it means that there is a lot of scope for this particular business and I suggest other companies to enter into the cities and get the benefit of the business.

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