A Study on Mutual Fund Schemes in India

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Abstract— In the past years, the mutual fund investment has been identified as profitable. This study aims to throw light on the concept of mutual funds. This study aims to provide the basic idea upon various types of mutual funds and factors influencing the investment decisions in mutual funds. Apart from the factors influencing the investment decisions, this study detects the merits and demerits of mutual funds. To analyze the performance of mutual schemes and identify investment options in the mutual fund and to suggest the strategies to invest in mutual fund.
Key words: Mutual Fund, Investment

I. Introduction

Mutual fund is a fund in the form of a trust by a sponsor, to raise money by the trustees through the sale of units to the public, under one or more schemes, for investing in securities in getting long term return. Mutual Fund is a collecting the investment from small retail investor. The investment managed by the asset professionals in mutual fund.

II. Literature review

In India, capital market provide various investment avenues to the investors. The findings of this research study will be help full to investors for their future investment decisions. The mutual fund guarantees the minimum risks and maximum return to the investor .This study mainly focused on the performance of selected equity large cap mutual fund schemes in terms of risk- return relationship the various statistical tools used for calculated the performance of the selected open ended equity mutual fund schemes. (Dr.R.Narayanasamy, 2013)

This paper analysis the performance of open-ended, growth-oriented. The different mutual fund schemes analysis their performance through daily NAV of schemes. BSE-Sensex has been used for market portfolio. Results will be useful for investors for taking better investment decisions. (Mrs. B. Kishori, 2016)

Mutual fund invested in a well-diversified portfolio of different companies. .The findings of the study reveal that only three schemes have performed better than benchmark. To study the performance evaluation of selected open ended schemes in terms of risk and return relationship. (DR. G.S.BATRA, 2012)

The importance of risk and return for any investment, this paper analyses risk adjusted returns of mutual funds and also absolute returns. They have attempted to find out if the fund managers have outperformed the benchmark for a given risk class. This reveals that the selection of performance measure is very important in assessing the performance of the mutual fund. (Prof B.Shivaraj, 2014).

Investment decision making towards mutual funds by using Statistical tools and ratio analysis of mutual fund schemes. The objective of this research work is to exploits the use of statistical tools and ratio analysis in terms of financial performance. The research findings are useful to the Mutual Fund Companies in terms of understand their performance among the mutual fund companies in the market. (Dr. R. Perumal, 2016)

All these fund houses have several mutual fund schemes in each segment like equity, debt, gilt and liquid funds. Availability of wide range of equity MF schemes in each AMC, it would be difficult for the investor to choose the best scheme. It is overlook to consider risk and return of each fund to earnings better returns before taking investment decision. (BURLAKANTI & CHIRUVOORI, 2013)

III. Mutual fund

A mutual fund is one of the safest investment regarding the investor perspective by the means the investment diversified in to many securities in capital market for reduce the risk handling by professional and guaranteed dividend pay to the investor. A mutual fund is a professionally managed investment scheme, usually run by an asset management company that brings together a group of people and invest their money in stocks, bonds and other securities.

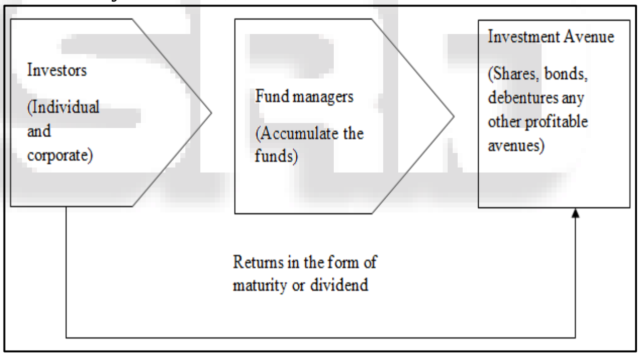

Fig. 1:

A. Based on portfolio management

A portfolio is a group of investment handling by the investor or asset management professional, portfolio is the different investment such as stocks, bonds, debenture, and cash equivalent.

The portfolio is diversified the investment for maximizing the return and minimizing the risk and assured the dividend or interest on investment.

B. Equity mutual fund

An equity fund is a mutual fund that invest principally in stocks. It can be actively or passively (index fund) managed. Equity funds are also known as stock funds. Stock mutual fund are principally categorized according to company size, the investment style of the holdings in the portfolio and geography.

C. Debt funds

Debt funds are mutual fund that invest in fixed income securities like bonds and treasury bills. Gilt fund, monthly income plans, short term plans, liquid funds, and fixed maturity plans are some of the investment options in debt funds include various funds investing in short term, medium term and long term bonds.

D. Balanced funds

A balanced fund combines a stock components, a bond and sometimes a money market component in a single portfolio. Generally, these hybrid funds stick to a relatively fixed mix of stocks and bonds that reflects on either a moderate, or higher equity, component, or conservative, or higher fixed income, component orientation.

E. Open Ended Scheme

An open ended scheme is one that is available for subscription and re-purchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at net asset value related prices which are declared on a daily basis. The key feature of open ended schemes is liquidity.

F. Close Ended Scheme

A close ended scheme has a stipulated maturity period e.g. five and seven years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the timer of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. SEBI regulations stipulate that at least one of the two exit routes is provided to the investors i.e. either repurchase facility or through listing stock exchanges. These mutual funds schemes disclose NAV generally on weekly basis.

G. Interval Scheme

In interval scheme, a non-traditional type of closed end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Shareholders are not required to sell their shares back to the fund. Interval fund shares typically do not trade on the secondary market although many interval funds do offer shares for sale at current net asset value on a continuous basis.

H. Income Oriented Scheme

The income schemes is aim of secure the future income. This schemes provides the stable income. It's less risky compared to equity schemes. These funds are not affected because of fluctuations in equity market. However opportunities of capital appreciation are also limited in such funds. The NAVs of such fund are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.

I. Growth Oriented Scheme

A growth fund is a diversified portfolio stocks that has capital appreciation as its primary goal, with little or no dividend payouts. The portfolio mainly consists of companies with above average growth that reinvest their earnings into expansion, acquisitions and research and development. Most growth funds offer higher potential capital appreciation but usually at above average risk.

J. Dividend Scheme

The dividend scheme is the investor invested in the equity oriented fund the annually the investor gets the dividend which is growth from the initial price of the fund. The investor is diversified their investment in various equity mutual fund and every year dividend pays to the investor.

K. Tax Saving Scheme

The Tax saving schemes is provides the tax benefits to the investor and the income tax act 1961 is facilitate the investor for investment in mutual fund and up to 1.5 ilk tax deduction in annual income. The tax saving mutual fund schemes is gives the better tax planning and reduces the tax burden for investor.

L. Factors Influencing Mutual Fund Schemes

- Investment awareness to investors
- Past performance of other schemes
- Dynamism of fund manager
- Performance of research team
- Total corpus of the scheme
- Objective of the scheme
- Reputation of the company
- Service provided
- Transparency of investment
- Number of scheme available
- Minimum investment requirement
- Collaboration with foreign players
- Redemption required

M. Merits of Mutual Fund

- The merits of mutual funds are follows:
- Build in diversification
- Liquidity
- Professional management
- Ease of comparison

N. Demerits of Mutual Fund

- The demerits of mutual funds are follows:
- Cost
- Index does better
- Fees
- Unpredictable

IV. Conclusion

Mutual fund investment can hold a great amount of market risk. The investors must have good knowledge about the investment. They should possess good knowledge about the risks and return.

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