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A study on opportunities in Indian market of Mutual funds investment

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Abstract
A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. Anybody with an investible surplus of as little as a few hundred rupees can invest in Mutual Funds. These investors buy units of a particular Mutual Fund scheme that has a defined investment objective and strategy. The money thus collected is then invested by the fund manager in different types of securities. These could range from shares to debentures to money market instruments, depending upon the scheme’s stated objectives. The income earned through these investments and the capital appreciation realized by the scheme is shared by its unit in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low-cost.

Keywords: Mutual fund, Investment portfolio, investment marketing etc.

Introduction

The basic of a mutual fund is the “pooling” concept that pool money from a cross-section of investors by issuing units, constructs a diversified portfolio of stocks, bonds and other investment instruments, and invests the same in the capital markets. But before they can mobilize resources and invest them in the capital market, they have to be registered with the regulating authority of the country4. One of the signs of the health of discipline is its willingness to reexamine its focus, techniques, and goals as the surrounding environment changes and new problems require attention. Marketing has shown this aptitude in the past. It was originally founded as a branch of applied economics devoted to the study of distribution channels. Later marketing became a management discipline devoted to engineering increase in sales. More recently, it has taken on the character of an applied behavioral science that is concerned with understanding buyer and seller systems involved in the marketing of goods and services. Today marketing is. Facing a new challenge concerning whether its concepts apply in the non-business as well as the business area. A concept is the overall idea or structure of something and marketing is how a product is moved through a channel to reach its target consumer. A marketing concept embraces the philosophy that good marketing strategy always has the needs and wants of the target market in mind. Marketing concepts are formed as creative approaches to the problem of how to get a product needed and desired by a group of consumers to be selected and purchased by this group. The crux of good marketing is being able to communicate the benefits of the products to consumers so that they will choose the product over competitors' offerings. Mutual fund being an industry of funds (i.e. products) and to have a long time existence in the market its foundation should be based on its marketing (i.e. services) not the products or goods marketing. We strongly believe that it requires different strategies and tactics to have such foundation. And with the increasingly risky environment it has emerged as one of the important profession to focus over marketing practices. The attraction, retention and building of strong customer relationships through the quality service (and services) are the core part of marketing practices. As services are heterogeneous across time, organizations and people, ensuring consistent service quality is challenging. Quality actually depends on many factors that cannot be fully controlled by the service supplier such as the ability of the consumer to articulate his or her needs, the ability and willingness of personnel to satisfy those needs, the presence (or absence) of other customers, and the level of demand for the service. Mutual Funds Investment has become a subject of great importance in the present context, especially when all the investors are keen to diversify their investment to maintain a balance between Investment Return and Investment Risk. Mutual Funds Investment not only provides the customers with their much desired diversified investment portfolio, but also offers the benefit of high liquidity. Investors are free to sell their mutual fund shares any time to get back the amount that was invested in the mutual funds. It is another issue that any time selling of mutual fund shares may result in poor rate of return. For gaining the Diversified Investment Solution and the liquidity advantage, any person needs to invest in Mutual Funds. But, before investing their hard earned money one needs to carry out sincere research on the performance of those mutual funds, he is considering to invest in. Mutual fund is a trust that pools money from a group of investors (sharing common financial goals) and invest the money thus collected into asset classes that match the stated investment objectives of the scheme. Since the stated investment objective of a mutual fund scheme generally forms the basis for an investor's decision to contribute money to the pool, a mutual fund can not deviate from its stated objectives at any point of time.

Working of the mutual funds

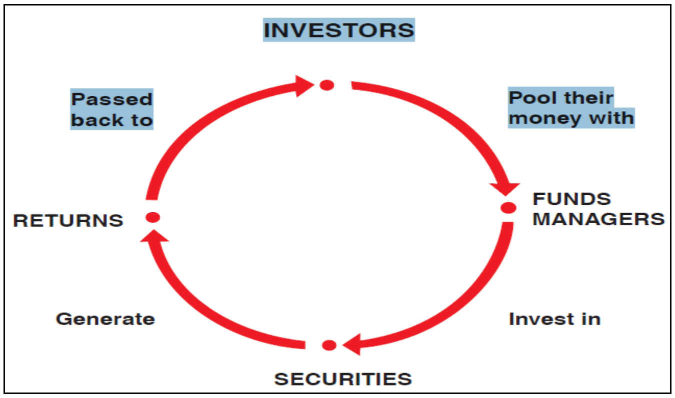


Fig 1

Concepts of mutual fund

Mutual fund is a trust that pools money from a group of investors (sharing common financial goals) and invest the money thus collected into asset classes that match the stated investment objectives of the scheme. Since the stated investment objectives of a mutual fund scheme generally forms the basis for an investor's decision to contribute money to the pool, a mutual fund can not deviate from its stated objectives at any point of time. Every Mutual Fund is managed by a fund manager, who using his investment management skills and necessary research works ensures much better return than what an investor can manage on his own. The capital appreciation and other incomes earned from these investments are passed on to the investors (also known as unit holders) in proportion of the number of units they own.

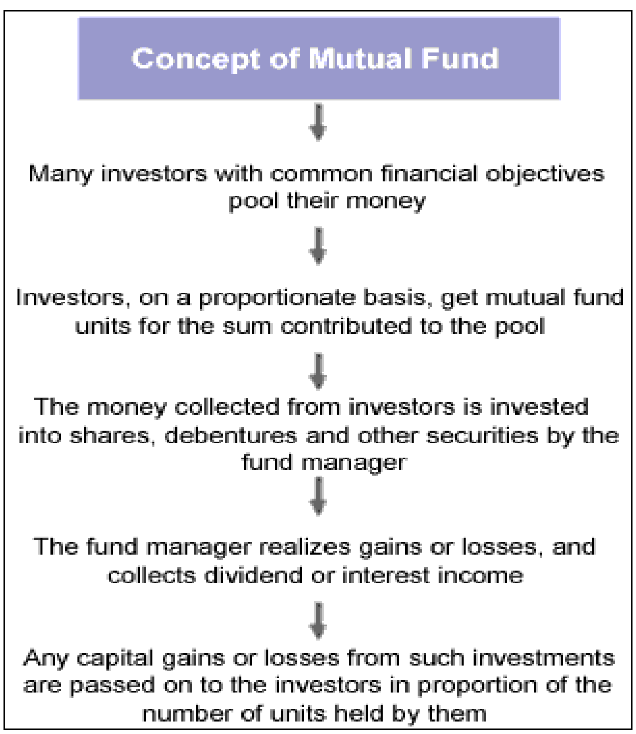


Fig 2

Review of literature

Triynor and Mazuy (1966) conducted a study whether Mutual Fund Managers can outguess the market, i.e. can they anticipate successfully the major turns in the stock market or not implying thereby that they adjust the composition of their portfolios according to the expected rise or fall in the stock market. Being one of the market practices which undertake the market condition to be in consideration. The results suggested that an investor in Mutual Funds is solely dependent on general market fluctuations. It would not be better to say that a fund manager can provide the investor with a better rate of return that is higher in both the bad times and good times. Study concluded with the fact that ability to identify under priced industries and to outguess the movements in the market is a major component to consider.

Riepe, James S., (1989) studied a comparison being done between the consumer goods and mutual funds (a product) with their marketing procedure. In this, some of the techniques used to market mutual funds are not so different from those used in distributing consumer goods, have been explained. Stating that an important difference between a mutual fund and a typical consumer product is that the benefits accruing to the buyer are variable. The survey also compared characteristics of customers who buy funds sold directly to investors with those who buy from a salesperson. Concluded that, virtually all providers of goods and services want to deliver good quality. Mutual fund managers are no different. In contrast, mutual fund managers cannot make any promises about the future, performance of the investment. But an predict about the future on the basis of past performances.

Admati. Anat R. and Peleiderer Paul, (1990) in this article they compare two methods for a monopolist to sell information. This paper explores different strategies for selling information to traders in a financial market. One method involves the sale of information directly, and another selling method - which we call indirect. In this study they try to find the optimal strategy for selling information indirectly, and compare direct and indirect sale of information.

Ansari (1993) in his article singled out the various innovative schemes of mutual funds which are responsible for mobilizing huge funds from the small savers and argued for a separate legislation for mutual funds as in the case of UTI. In his opinion the operating mutual funds have successfully launched various innovative schemes tailored to the diversified saving and investment motives and have managed to mobilize massive funds from the savers, particularly the smaller over. However, he alleged that in-spite of the valuable services being rendered by mutual funds; their working is not free from certain short comings. Therefore, he suggest that to overcome them there, should also be a separate regulatory body as the SEBI is already overburdened with many other functions, as such it may not effectively supervise the working of each mutual fund.

Capon Noel, Fitzsimons, Gavan J. and Weingarten Rick, (1994) in this study the characteristics which differentiate affluent investors from typical investors used as the basis for strategic action. Profiling research has repeatedly found that an affluent consumer differs from typical consumers on managerially interesting dimensions. Through a co-operative arrangement with several financial advisory firms, survey was administered to 298 affluent investors (with Liquid assets of over $ 1 million). Findings conclude, although past performance and level of risk (safety) were rated the two most important factors in aggregate.

Gupta, (1994) made a household investor survey with the objective to provide data on the investor preferences on Mutual Funds and other financial assets. The findings of the study were more appropriate at that time to the policy makers and mutual funds to design the financial products for the future.

Gorchels, Linda M., (1995) this article explores some of the trends in service marketing as they relate to strategic vision, operational and organizational changes and marketing tactics. Results reveal that quality of service interaction is an important subset of marketing strategy. Also a service guarantee is another tool for assessing service quality. The existence of a guarantee makes it easier for a customer to let you know when a service did not meet expectations and why. With more information on mistakes, a company has more opportunities to learn and more opportunities to improve its service

Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of Mutual funds among investors to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that income schemes and open ended schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent Market conditions investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get to know about Mutual Funds/Schemes and Investor Service is a major differentiating factor in the selection of Mutual Fund schemes.

Objectives of the research

To know about the opportunities in Indian market.

To give a brief idea about the benefits available from Mutual Fund investment.

To give an idea of the types of schemes available.

To discuss about the market trends of Mutual Fund investment.

To give an idea about the regulations of mutual funds.

Research methodology

Research Design

A method and system a statical analysis based on past history to facilitate the investment process. Respective fund using a principal factor such as cumulative growth and stability. For tracking investment, upper and lower control limits are defined according to standard deviation of average total return over predetermine period of time to improve chances of the investors achieving a profit as well as a near optimum performance.

This research methodology helps us to give information about the opportunities of mutual funds investment. It will help to study the market of mutual funds better.

Sample Design

All mutual fund companies and there return on investment.

Tools of data collection

There are many methods of data collection which can be used according to nature and type of research. I will use following data for the research purpose.

My research only the basis of secondary data.

Secondary data

- Articles
- Factsheet
- Management generals
- Annual report
- Research papers
- Internet
- Companies product voucher
- News papers

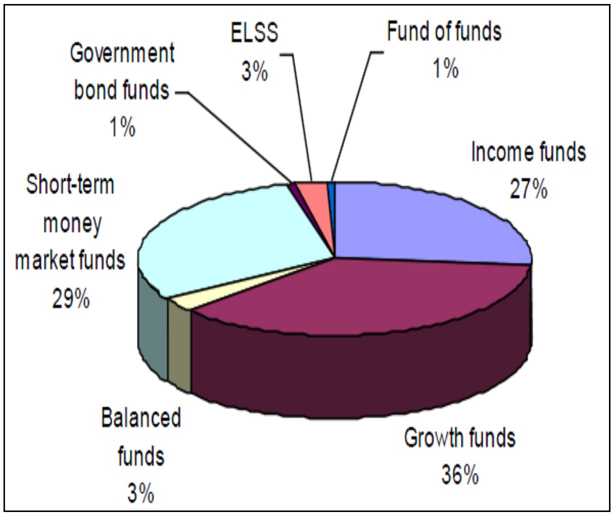
Tools for data Analysis

1. Return on investment
2. Graph
3. Chart

Results and discussion

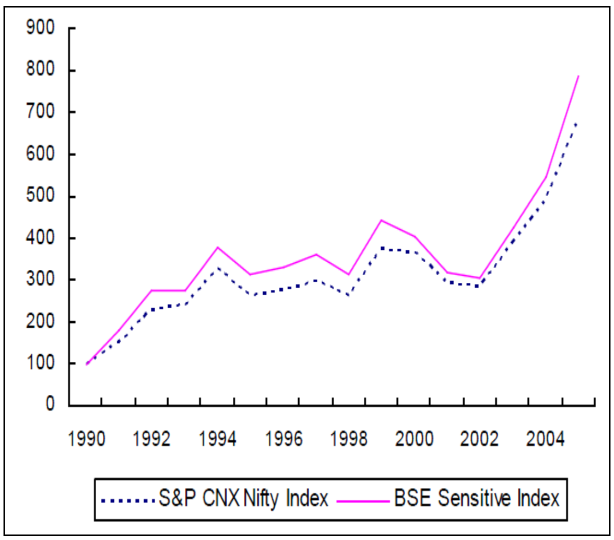
After evaluvating the result there are lots of opportunities in investment in Indian market**.** The net asset value of the Fund is the cumulative market value of the assets Fund net of its liabilities. In other words, if the Fund is dissolved or liquidated, by selling off all the assets in the Fund, this is the amount that the shareholders would collectively own. This gives rise to the concept of net asset value per unit, which is the value, represented by the ownership of one unit in the Fund. It is calculated simply by dividing the net asset value of the Fund by the number of units. However, most people refer loosely to the NAV per unit as NAV, ignoring the “per unit”. We also abide by the same convention. Calculation of NAV The net asset value is the actual value of a unit on any business day. NAV is the barometer of the performance of the scheme. The net asset value is the market value of the assets of the scheme minus its liabilities and expenses. The per unit NAV is the net asset value of the scheme divided by the number of the units outstanding on the valuation date.

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



Source: Association of Mutual Funds in India

Fig 3: Breakdown by asset class



***Source*:** Nomura Institute of capital markets Research, based on materials from the Securities and Exchange Board of India

Fig 4: Majors stock indices in India

Limitations

- The time constraint was one of the major problems.
- The study is limited to the different schemes available under the mutual funds selected.
- The study is limited to selected mutual fund schemes.
- The lack of information sources for the analysis part.

Conclusion

Needs are the basic items required for human survival. Human needs are an essential concept underlying the marketing process because needs are translated into consumer wants. Human needs are often described as a state of real or perceived deprivation. Basic Human needs take one of three forms: physical, social and individual. Physical needs are basic to survival and include food, clothing, warmth and safety. Social needs revolve around the desire for belonging and affection. Individual needs include longings for knowledge and self-expression, through items such as clothing choices. Wants are needs that are shaped by both cultured influences and individual preferences. Wants are often described as goods, ideas and services that fulfill the needs of an individual consumer. The wants of individuals change as both society and technology change. For example, when a computer is released, a consumer may want it simply because it is a new and improved technology. Therefore the purpose of marketing is to convert these generic needs into wants for specific goods, ideas or services. Demand is created when wants are supported by an individual consumer's ability to purchase the goods, ideas or services in question.

Marketing means selling to a salesman, advertising to an advertising manager and so on. But marketing consists of three components namely people, their desire to buy and their capacity to buy. Various marketing minds have defined 'Marketing' in beautiful words. Some of them are:

- Malcolm McNair developed this definition, as "It is the creation and delivery of a standard of living."1

- Philip Kotler defined "Marketing is the set of human activities directed at facilitating and communicating executives."2
- British Institute of Marketing defined: "Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements possibility."

Peter Drunker defined, "It is in marketing that we satisfy individual and social values, needs and wants be it through producing goods, supplying services, posturing innovation's or creating satisfaction.

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