

Mutual fund – perspectives and practices

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This paper would attempt to provide overview of mutual funds perspectives & practices. The Indian economy has witnessed attractive rates of growth in the last few years. Many companies and industries have contributed to this growth and also benefited from it. The pattern of investment has gone into a lot of changes in recent times and the concept of Mutual Fund has made a considerable amount of contribution in raising/mobilizing the fund from common man to corporate sector. Mutual funds help in reducing the level of risk and diversifying the risk.

The mutual fund industry in India made its debut with the settling up of the largest public sector mutual fund in the world, namely the Unit Trust of India (UTI). It was set up in the year 1964 by a special Act of Parliament. The first unit scheme offered was the "US-64". The basic objective behind the setting up of the Trust was to mobilize small savings and to allow channeling of those savings into productive sectors of the economy, so as to accelerate the industrial and economic development of the country.

Mutual funds strive to achieve the three objectives – safety, liquidity and returns – by investing the funds mobilized by the schemes generally in low-or-medium risk by high yielding instruments. Fund managers have to exercise utmost caution while choosing an investment portfolio. He is to select a strategy in between two extremes – defensive and aggressive strategies, in order to provide 'three-in-one' benefit to the investors. In fact, the fund manager can prove their dexterity and skills in fund management by selecting such a portfolio of assets which guarantees for the benefit of safety, liquidity and profitability.

Such an expansion will act as an impediment to the small investors. This industry though set to grow exponentially in the coming years is also beset with many challenges. Challenges are from both sides, their functioning techniques as well as regulatory constraints. These all are to be sorted out on urgent basis to have real feel of efficient mutual fund culture in India. Some of the challenges being faced by this industry are listed below, where improvement is still desired.

- Strengthening Investor Services, Tax Advantage and Mutual Funds, Corporate Investors in Mutual Funds, Mutual Funds as Institutional Investors, Companies Act at Variance with SEBI Regulations, Minimum Assured Returns, Approval of Every Scheme, Listing Requirements,
- Investment Schedule, Investment Mix, Investment Strategy, Short Selling, Borrowings

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