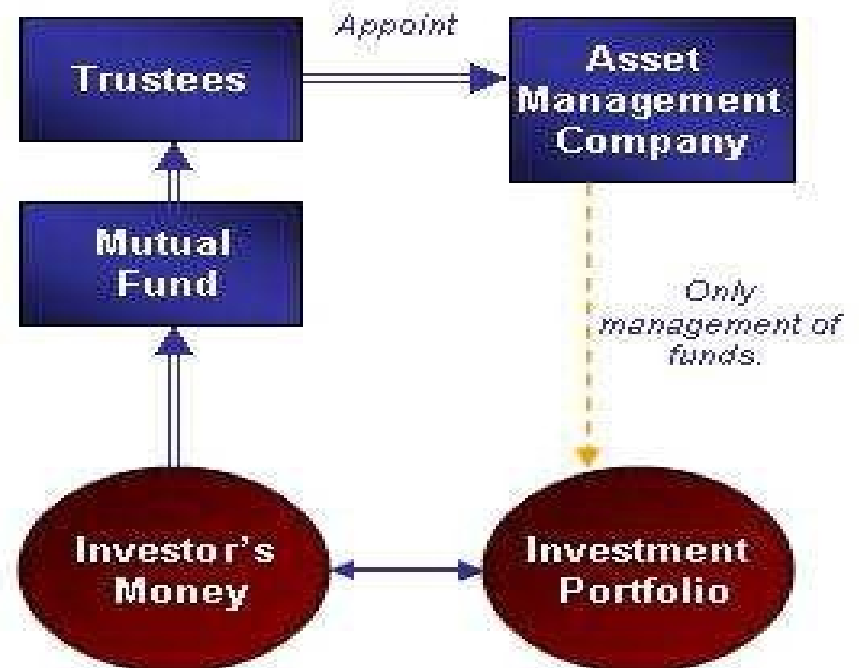
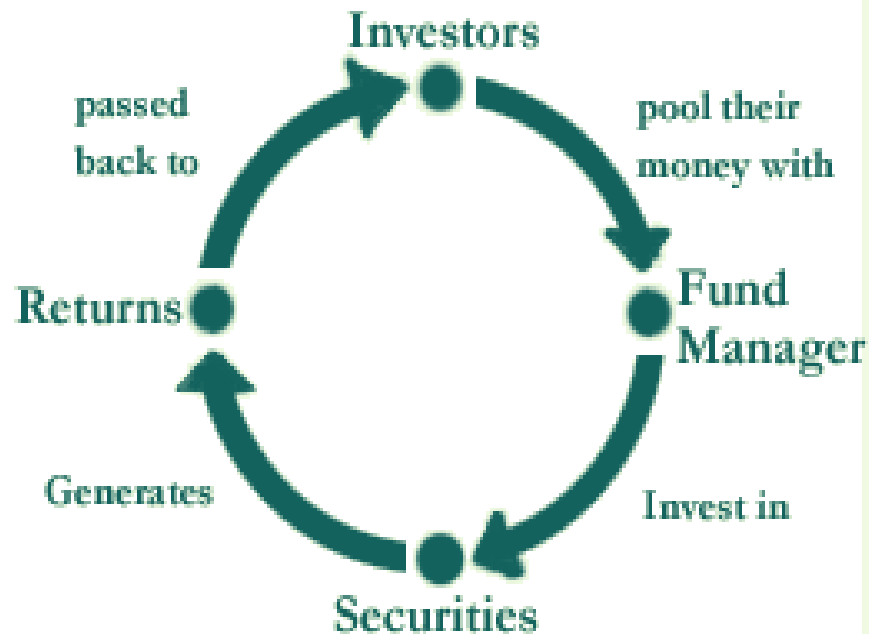


Mutual Fund  
By  
Trilochan Sharma

# CONCEPT OF MUTUAL FUND

- A Mutual Fund is a trust.
- It pools the savings of a number of investors having common financial goal.
- The money collected is then invested in capital market instruments such as shares, debentures and other securities.
- The income earned through these investments and the capital appreciation realized are shared by its unit holders in proportion to the number of units owned by them.

# MUTUAL FUND OPERATION



# TYPES OF MUTUAL FUND

## BY STRUCTURE

Open-Ended funds

Close-Ended funds

## BY INVESTMENT OBJECTIVE

Growth funds

Income funds

Balanced Fund

## OTHER FUNDS

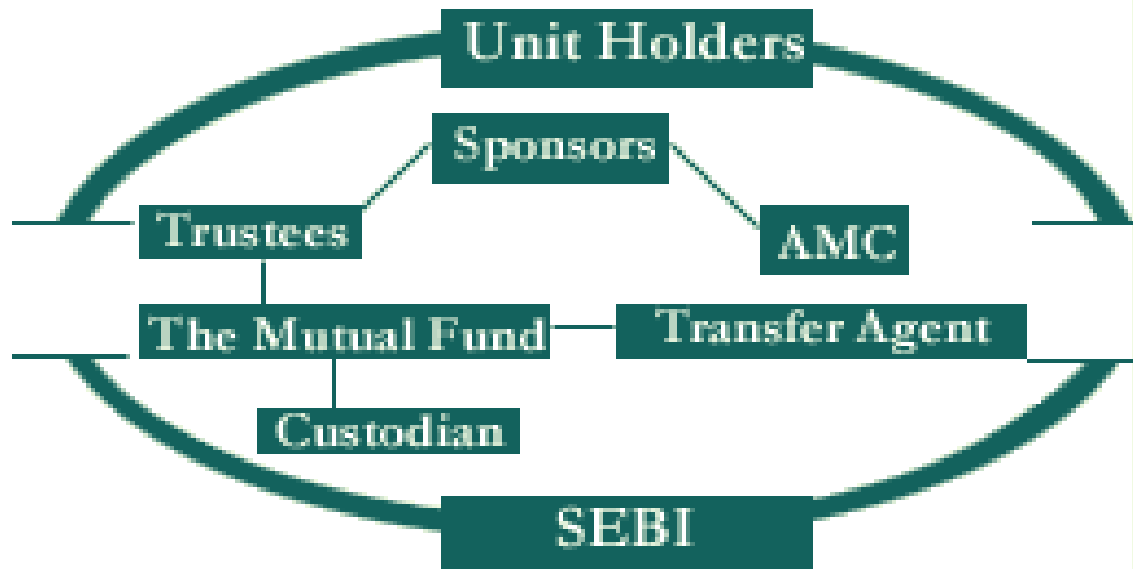
Tax saving funds

Gold funds

Index funds

Sector specific funds.

# ORGANIZATION OF MF



# ADVANTAGE OF MF

- Professional Management
- Diversification
- Convenient Administration
- Return Potential
- Low Costs
- Liquidity
- Transparency
- Flexibility
- Choice of schemes
- Tax benefits
- Well regulated

# MF INDUSTRY IN INDIA

## EVOLUTION

The formation of Unit Trust of India marked the evolution of the Indian mutual fund industry in the year 1963.

The primary objective at that time was to attract the small investors and it was made possible through the collective efforts of the Government of India and the Reserve Bank of India.

# Phase 1. Establishment and Growth of Unit Trust of India - 1964-87

- ❖ UTI was set up by the Reserve Bank of India and it continued to operate under the regulatory control of the RBI up to 1978.
- ❖ in 1978 and the entire control was transferred in the hands of Industrial Development Bank of India (IDBI).
- ❖ Unit Trust of India enjoyed complete monopoly.
- ❖ UTI launched its first scheme in 1964, named as Unit Scheme 1964 (US-64).
- ❖ It launched ULIP in 1971, Mastershare (India's first equity diversified scheme) in 1987 and Monthly Income Schemes (offering assured returns) during 1990s.
- ❖ By the end of 1987, UTI's assets under management grew ten times to Rs 6700 crores.



# Phase II. Entry of Public Sector Funds - 1987-1993

- ❖ In November 1987, SBI Mutual Fund from the State Bank of India became the first non-UTI mutual fund in India.
- ❖ Canbank Mutual Fund, LIC Mutual Fund,
- ❖ Indian Bank Mutual Fund, Bank of India Mutual Fund,
- ❖ GIC Mutual Fund and PNB Mutual Fund.
- ❖ By 1993, the assets under management of the industry increased seven times to Rs. 47,004 crores.
- ❖ UTI remained to be the leader with about 80% market share.

1992-93	Amount Mobilized	Assets Under Management	Mobilization as % of gross Domestic Savings
<b>UTI</b>	11,057	38,247	5.2%
<b>Public Sector</b>	1,964	8,757	0.9%
<b>Total</b>	13,021	47,004	6.1%

# Phase III. Emergence of Private Sector Funds - 1993-96

- ❖ The permission given to private sector funds including foreign fund management companies in 1993.
- ❖ Foreign companies were entering through joint ventures with Indian promoters.
- ❖ By 1994-95, about 11 private sector funds had launched their schemes.

# Phase IV. Growth and SEBI Regulation - 1996-2004

- ❖ The mutual fund industry witnessed robust growth and stricter regulation from the SEBI after the year 1996.
- ❖ SEBI (Mutual Funds) Regulations, 1996 was introduced by SEBI that set uniform standards for all mutual funds in India.
- ❖ The Union Budget in 1999 exempted all dividend incomes in the hands of investors from income tax.
- ❖ In February 2003, the UTI Act was repealed in order to bring all mutual fund players on the same level.

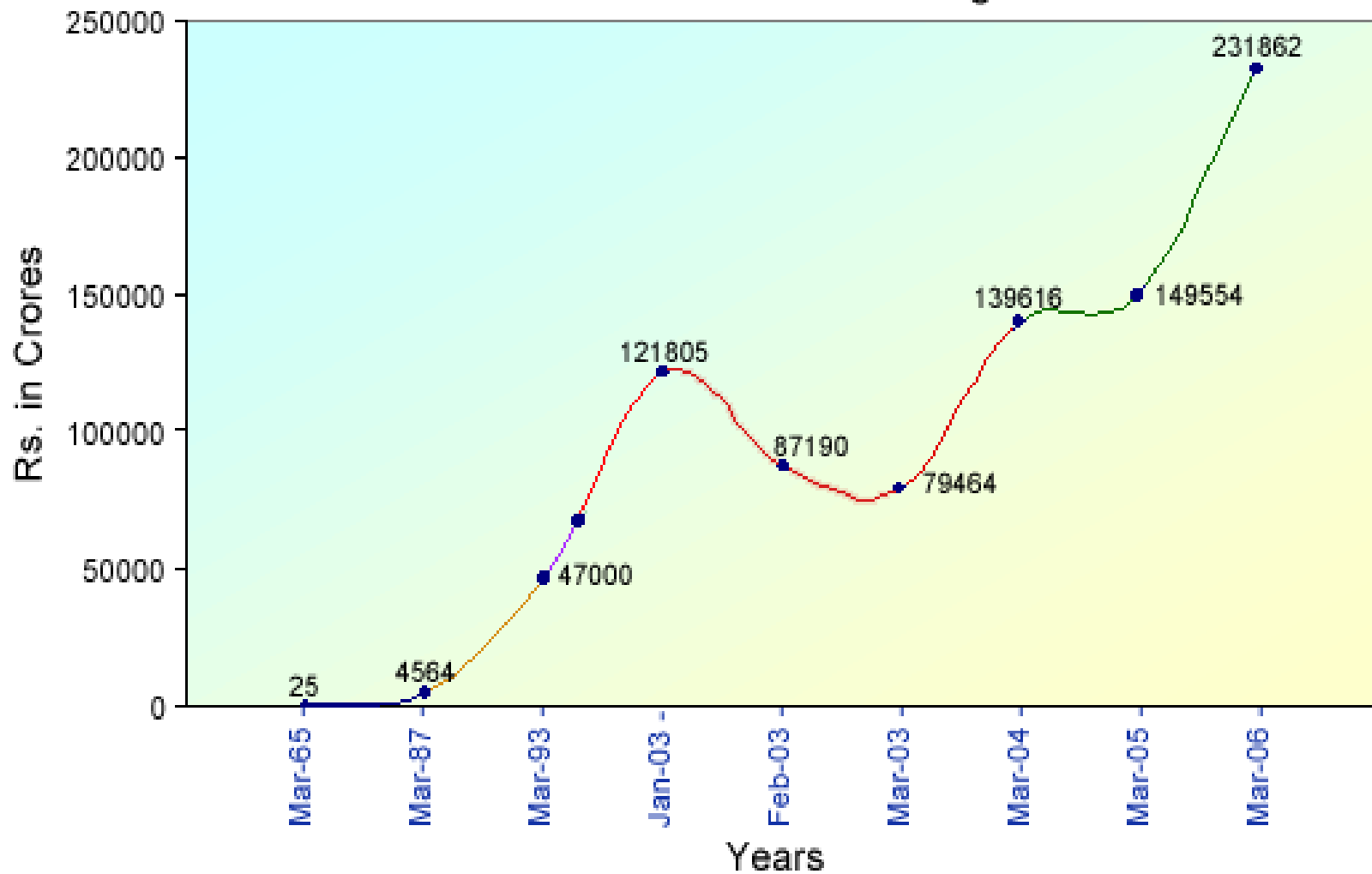
## ASSETS UNDER MANAGEMENT (RS. CRORES)

AS ON	UTI	PUBLIC SECTOR	PRIVATE SECTOR	TOTAL
31-March-99	53,320	8,292	6,860	68,472

# Phase V. Growth and Consolidation - 2004 Onwards

- ❖ The industry witnessed several mergers and acquisitions .  
e.g. Alliance Mutual Fund by Birla Sun Life,  
Sun F&C Mutual Fund and PNB Mutual Fund by Principal Mutual Fund.
- ❖ International mutual fund players have entered India like Fidelity, Franklin Templeton Mutual Fund etc.
- ❖ There were 29 funds as at the end of March 2006.

# Growth in Assets Under Management



# Regulation of Mutual Funds

- ❖ Mutual funds in India are regulated by SEBI (Mutual Funds) Regulations, 1996.
- ❖ Mutual funds have to obtain SEBI approval before they set up their business.
- ❖ AMCs have to be registered with SEBI before they get into the business of investment management.
- ❖ Mutual fund products' offer documents have to be created in a standard format and filed with SEBI for approval before being offered to investors.
- ❖ Mutual funds also have an industry association called the Association of Mutual Funds in India (AMFI).

**THANKYOU**