

INVESTORS PREFERENCE ON MUTUAL FUNDS WITH REFERENCE TO IIFL

¹YADANA VENA AISHWARYA, ²Dr. D. SATHISH KUMAR

¹MBA STUDENT, ²ASSISTANT PROFESSOR

DEPARTMENT OF MBA

Sree Chaitanya College of Engineering, KARIMNAGAR

ABSTRACT

New ideas and innovation have always been the hallmark of progress made by mankind. At every stage of development, there have been two core factors that drive man to ideas and innovation. These are increasing return and reducing risks in all facets of life. The securities market is no different. The endeavor has always been to maximize returns and to minimize risk. A lot of innovation goes into developing financial products centered on these two factors. The different securities market product such as Equity, Derivatives, and IPO's and Bonds are compared to know the investors preference towards these products whether it satisfies their objectives of high return and low risk. The project title "Investors Preference related to Securities Market" is the attempt to find out which product in securities market is mostly preferred by the investors and the reason for selecting that product, and what advantages it has over other products. The main objective of this study is to find out how profitable it would be for an investor if he invests in Securities market. The research work is descriptive in nature. The primary data is collected from the investors by using questionnaire, and trading details from the Research Company and secondary data is collected from books such as NCFM module on Equity and Derivatives and other security analysis books and magazines. The major findings of the study were Equity is the most preferred product by the investors followed by Derivatives, Bonds and Ipo. Each investor tries to maximize his welfare by choosing the optimum combination. That's the reason the most preference is given to Equity. But in the case of derivatives is most of the investors are unaware about the derivative products. . Recently that happened in case of IPO is 75 companies were about to come but due to economic situations only 25 companies has

come out in issuing it. Bonds are debt instrument, is highly risky that's the reason investors hesitate to invest in Bonds. Few suggestions are, measures must be taken to increase their awareness towards other products. The investors are suggested to invest their money in different avenues under various industries or sectors. More companies should enter into the derivative segment. Investors should see to the market fluctuations before investing in IPO. The SMC Company can also educate the investors about the importance of the other products such as derivatives, IPO and bonds. It is thus seen that investor education involves imparting information on a wide range of topics, which at present a single agency is providing. The investors have to get the best advice from these sub-brokers before investing.

I. INTRODUCTION

This technique is used to determine a product's place in the marketplace alongside the competition. Plots are made of different aspects of the product (E.g. the speed of a car against cost) together with the corresponding aspects of competing products. This technique will show relationships between different aspects which are sometimes not immediately obvious or known. In order to be effective, a large number of different plots must be done. Most of these will show no obvious relationships, however a few will reveal strong relationships between different aspects. For instance, if a plot reveals that a product's cost is higher than the competitions when plotted against the speed of the car, this suggests that the targeted cost for the product is too high. This information helps to produce a product design specification for the new product.

This technique has the added advantage that it is relatively inexpensive, because plots are made using readily available published data about competing products. A typical plot is shown. The plot marked anomaly would suggest that this product needs further investigation to reveal why its parameters depart so markedly from competing products.

Mutual Fund Industry which is a relatively of a post-economic reforms phenomena in India, has been expanding during this Period in branch and bound Many commercial banks, insurance companies entered into mutual fund industry apart from foreign players. In the early years of evolution of mutual fund industry in the Indian financial market it was a monopoly and continued to be the same till very recent time. Then many players both foreign and Indian entered in the Mutual Fund Industry.

This increased the competition between the various firms working in the mutual fund Industry The need for developing various new

schemes arises so as to attract investors towards the firm and equally encouraging them to invest. This growth in the Mutual Fund Industry and scope of increasing markets has further increased the competition between the firms in the industry.

The competitions had given raise to demand for specialized products and skills of various individuals who can contribute towards the containment and growth of individual firms in the mutual firm industry. This gave rise to various related organizations and individuals working as specialized teams in the various areas of mutual funds. One such organization is , **India Infoline Ltd** it comes into pictures where the investors apply for the units in a Mutual Fund schemes and verify the validity and eligibility of the investor and allots the units

The mutual fund companies now receive millions of applications if a new scheme is launched.

This is due to the wide spread awareness created among the urban and rural Population of India. It therefore becomes a Herculean task to Manage the flooding applications However it should be noted that this is a Onetime activity similar to that of a short run project It is needless to State that a given mutual fund firm will not be possessing The technological, human and knowledge resources to take up such a gigantic task, it is in fact not needed by a mutual fund firm to create such a vast organizational structure when it is seen from the point of view scale of economies. Further to this problem, the mutual fund industry does not know where it stands in the current volatile and turbulent environment. This may be the reason they prefer to hire the services of professionals firm with specialized knowledge and Expertise.

These developments have led to an outcome that today, launching of mutual fund scheme has become a well organized activity which is accomplished through the coordinated endeavors of task groups.

The asset management companies have designed various schemes in accordance with the requirements of the various sections on investors on basis of equity linked, debt instruments linked, commodities linked and specific industry linked instruments. The investor today is given a wide range of options to invest in various types of funds according to his interests and capabilities.

Mutual funds enable even a small investor to investor to invest, as most of the mutual funds just start from a minimum amount of investment of RS. 5000 hence even a small investor can invest into a mutual fund and reap returns in the same proportions as the other big time investors. This shows that mutual fund industry is one which aims at every section of the society. To deal with this large population of investors and the competition, the asset management company has been forced to develop and design new schemes and hire the services of professionals. mutual fund industry involves various operations from the stage of identification of the target group or defining a market segment, designing a

scheme which comes up to the expectations and aspirations of the target group or market segment, reaching the selected market through launching the scheme which is thereby called NFO, till the stage of investing the amount raised in accordance with the norms stipulated with offer document and distributing the returns to the investor by way of dividend, after making adequate provision for taxation and other operating costs. All this process is well organized and performed in a specific order. There are various related organizations which specialize in the activities at various stages of the functioning of the mutual funds.

It is therefore felt expedient to examine the various intricacies involved in the new fund offer (NFO). Specifically the various documents that are being processed, the parameters evolve either customarily or by legal mandate to scrutinize the applications. Various stages involved in the scrutiny, the rejection criteria, the creation of human organization to monitor the activities, the communication channel and the structure of the organized activities and the legal environment of NFO to some extent. Such a dissertation would help to come out with a comprehensive report which may serve as a guide for the prospective entrants into mutual fund investment and to the existing mutual fund investors to some extent.

NEED AND IMPORTENCE OF THE STUDY

1. Mutual funds are dynamic financial intuitions which play crucial role in an economy by mobilizing savings and investing them in the capital market.
2. The activities of mutual funds have both short and long term impact on the savings in the capital market and the national economy.
3. Mutual funds, trust, assist the process of financial deepening & intermediation.
4. To banking at the same time they also compete with banks and other financial intuitions.

5. India is one of the few countries to day maintain a study growth rate is domestic savings.

SCOPE OF THE STUDY:

The study is limited to the analysis made on major types of schemes offered. Each scheme is calculated in term of their risk and return using different performance measurement theories. The reasons for such performance in immediately analyzed in the commentary. Column charts are used to reflect the portfolio of customer analysis.

Objectives of the study:

- **Study of Mutual funds in , India Infoline Ltd (AMC)**
- To study the technical, procedural, legal dimensions of the NFO
- To examine briefly the organizational structure, communication network, resource requirements to launch a new fund
- To study a sample of application drawn from Reliance Mutual Fund.

II. METHODOLOGY OF STUDY:

To fulfill the objective of the study both primary and secondary data has been collected. Primary data is the data collected specifically for the study. Data is collected directly from people and organizations via questionnaires or surveys before being analyzed to reach conclusions concerning the issues covered in the questionnaire or survey.

In this study primary data was collected through interaction with staff of , **India Infoline Ltd** . and the applications of Reliance equity fund.

Secondary data is the data collected previously by someone else for some other purpose which can be analyzed and interpreted according to requirements. For example, sources of secondary data are government publications, newspapers, worldwide web etc.

In this study the Secondary data is mainly taken from

* The company's training material.

* Reconciliation statements.

* Other documents generated within the organization which have to Access

* www. iifl.com, www.amfiindia.com, www.sebi.com.

Limitations of study:

- Analysis of the applications is carried out by taking the applications from Reliance equity Fund. The data available is therefore restricted by the design of the application.
- The inspection of applications is done on the basis of a sample of 100 applications. Though the sample is drawn randomly, the possibility of sampling fluctuations affecting the findings cannot be ruled out.
- Numerical data like number of applications received, total subscription amount received, statement of accounts, investor details, etc are not available and therefore a description of these aspects is given.
- NFO process may not be same for all mutual funds that are released. It may differ from one fund to other depending upon the size like the no. of applications received, subscription amount received, etc.

III. MUTUAL FUND

Mutual fund is a mechanism for pooling the resources by issuing to the investors and investing funds in securities in accordance with objectives as disclosed in offer document.

Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced, Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money

invested by them. Investors of mutual funds are known as unit holders.

The profits or losses are shared by the investors in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (**SEBI**) which regulates securities markets before it can collect funds from the public.

Mutual fund is a collection of stocks and / bonds. A mutual fund as a company brings together a group of people and invests their money in stocks, bonds and other securities. Each investor owns shares, which represent a portion of the holdings of the fund.

New fund offer (NFO):

When a mutual fund asset management company announces Public issue of units of a new fund/scheme it is called a New Fund Offer (**NFO**).

When a mutual fund company plans for a new fund offer it first informs to the registrar or the back office functions provider like HDFC through email. This is called as "NFO Launching Information Mail" send by the fund manager of the asset management company to the NFO coordinator of the HDFC. In this Mail the fund manager will ask the NFO coordinator to get ready for the new fund with the required man power and software.

Types of Funds:

Mutual funds also come in various sizes and shapes. There are about dozen fund classes but all of them are derivatives of three basic classes are as follows.

- Growth
- Income
- Liquidity

Growth: Long term growth, since these funds invest in equities, they are also called as equity funds. Their risk level is high so is the return.

Income: This type of fund provides regular income by investing in debt instruments like bonds, debentures etc., Because of their nature of investment, they are also called debt schemes. Their risk and return levels are medium.

Liquidity: These are primarily invested in money market instruments and thus most volatile, safer and give lower returns. These funds are also known as cash or money market funds.

NFO process:

When a mutual fund Assets Management Company (AMC) announces a public issue of units of & new fund/scheme, it is called a new fund offer (NFO).

The new fund is planned and sources from where it should be collected and where the amount should be invested is planned by the AMC.

According to the SEBI rules any new fund launched should be approved by SEBI. Once the AMC get the approval of SEBI for the fund it does the marketing of the fund by it self or through brokers. The investors who are willing to invest in a particular fund deposit the amount they plan to invest in the bank as directed by the AMC.

These banks collect the application and amount and direct it towards the registrar specified by the AMC. From this point India info line came into the picture as the registrar.

The role, responsibilities, activities, forms and reports involved in this process of NFO is general, are AMC, fund manager, SIP I/c, Switches I/c., NFO Coordinator. Internal auditor, Systems(S/W) dept. IPO Centre coordinator, IPO-RTI, IPO-EDP, Scanning and Printing & Dispatching.

Description of NFO process:

Bank wise segregation:

The India info line branches collect the applications of the investors across India and abroad for all the branches of the bank that is involved in this NFO. These applications are sent to India info line processing center, Hyderabad. After receiving, these applications are segregated bank wise and branch wise.

IH Numbering:

IH numbering is also called as In house Numbering. India info line gives this IH numbering to those applications. This is done for their convenience in doing back office functions easily. All the data on the application is entered into systems through software developed by India info line technology team called K-Bolt. Later on, we can get any information of a particular application or investor that we require by entering this IH number.

Binding:

All the applications that are received are given for binding. Binding of application is done by segregating them according to the bank and branch from which they are received. India info line does this Binding because to keep all these applications safe, out of any damage and miss-place.

First Entry:

After finishing binding of applications they are sent to Date Entry team. Here the first time entry is done. All the information or date of an investor that is available on the application like name of the applicant, age, Address, PAN, Bank details, broker code, sub broker code, email addresses, guardian name, amount invested, name of the scheme or plan invested in, etc., are entered into the systems of India info line.

Second Entry:

After first entry the data is again sent for the second entry. Here in second entry, the data that is entered in first entry is checked and the information what ever is missing is entered.

Online Matching:

After entering the data like applicant, age, Address, PAN, Bank details, broker code, sub broker code, email addresses, guardian name, amount invested, name of the scheme or plan invested in, etc., in the first entry and once again in the second entry it is sent to the online matching. Here in online matching the physical form of application are kept side by side by a checking of data that was entered in the first entry and second entry is done.

First time verification:

Data from online matching is sent to the verification team. This team verifies mistakes that are left in online matching. Mistakes like blank address, PAN blank for amount greater than or equal to 50000 RS. Name blank, bank details blank, invalid or blank broker code etc., are rectified in the first time verification.

First time CCL:

First time check clearing list is in short is called as first time CCL. First Time CCL is prepared based on the data that is provided after first time verification.

External Audit:

First time check-clearing list is sent to an external audit team. India info line appoints this team before the NFO processes. They are nowhere related to the organization. This external audit team will mainly check name of the investor, amount invested, bank details PAN number, name of the scheme/plan and mode of holding (MOH). But in total they will check more than 30 characters

Second time verification:

If the external auditing is not satisfied and if they find any mistakes or missing information they will send the first time CCL for second time verification. Here they verify the check list once again and mistakes like invalid mode of holding (MOH), invalid email address, status minor without guardian name, invalid date of birth for minor, invalid existing account number, blank/null application number, NRI with blank

account type, saving or current, investor signature missing are rectified.

Second time CCL:

Second check the verification team prepares clearing after verifying the mistakes that are pointed out by the external audit team. After preparing second time CCL it is again sent to external audit team.

Integrity Check (NFO team):

Check clearing list will be given by the external audit team to the NFO team in India info line This NFO team in India info line will once again check further mistakes like spelling mistakes in the name of the applicant etc., and rectify them.

Integrity Check (by Audit):

After integrity check by the NFO team it is once checked by the internal audit team of India info line.

Scanning Default Values, Verification of Mismatch cases:

Entire data is filtered at each and every step and finally it is given to the scanning team for scanning here scanning team will detect and rectify any further default values and mismatch cases.

IV. CONCLUSIONS

- From the study analysis conducted it is clear that in EQUITY FUNDS- **Axis banking Debt fund-Growth**
- is performing very well.
- Investing in the **Axis banking Debt fund-Growth** MUTUAL FUND (GROWTH) will leads to profits.
- By seeing the overall performance **Axis banking Debt fund-Growth** is performing very well.
- The prospective investors are needed to be made aware of the investment in mutual funds.

- The Industry should keep consistency and transparency in its management and investors objectives.
- There is 100% growth of mutual fund as foreign AMCS are in queue to enter the Indian markets.
- Mutual funds can also pertrate in to rural areas.

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