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Mutual Fund in India: A Study

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ABSTRACT

In India, mutual funds are gaining popularity however they account for less than 5% of the GDP in India. Unit Trust of India is a financial organization in India, which was created by the UTI Act passed by the Parliament in 1964. For more than two decades it remained the sole vehicle for investment in the capital market by the Indian citizens. In mid- 1980s public sector banks were allowed to open mutual funds. The real vibrancy and competition in the MF industry came with the setting up of the Regulator SEBI and its laying down the MF Regulations in 1993.It would be useful for fund investors to evaluate managers based on a known characteristic that would affect the fund return.

PROSPECTIVES AND DISCUSSIONS

The involved corporations receive dividends on the shares that they hold and realize capital gains or losses on their securities traded. Investors purchase shares in the mutual fund as if it was an individual security. After paying operating costs, the earnings (dividends, capital gains or losses) of the mutual fund are distributed to the investors, in proportion to the amount of money invested. Investors hope that a loss on one holding will be made up by a gain on another.

Mutual fund-Schemes in India and Economic Reform:

As we know mutual fund of India occupies a very important place in Indian Economy and this mutual Iliad Industry is growing rapidly since last 10 years. Our saving crate is our 23%. In the light of above we discuss the advantages of mutual fund, types of mutual fund schemes and frequently used terms in this chapter.

UTI Mutual Fund Players in India:

A mature system supports higher levels of investment and promotes growth in the economy with its depth and coverage. The financial system in India comprises of financial institutions, financial markets, financial instruments and services. The Indian financial system is characterized by its two major segments - an organised sector and a traditional sector that is also known as informal credit market. Financial intermediation in the organised sector is conducted by a large number of financial institutions which business organisations are providing financial services to the community. Financial institutions whose activities may be either specialized or may overlap are further classified as banking and non-banking entities.

Government Regulation of Mutual funds: An Appraisal-

The international standards-setting bodies have moved in a significant way in making available the respective standards and codes for financial markets and identifying principles for sound and stable policies. While the International Monetary Fund has prescribed the standards and codes for monetary and financial policies and fiscal transparency and the Bank for International Settlements has prescribed the Basle Core Principles for strengthening bank supervision, the IOSCO has outlined the standards and codes for securities markets.

Impact of Economic Reform on UTI Mutual Fund:

The need for a policy shift had become evident much earlier, as many countries in East Asia achieved high growth and poverty reduction through policies which emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 1991 that the government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government. India's economic performance in the post-reforms period has many positive features. The average growth rate in the ten year period from 1992-93 to 2001-02 was around 6.0 percent, as shown in Table 1, which puts India among the fastest growing developing countries in the 1990s.

FINDINGS AND SUGGESTIONS

Financial sector reforms have long been regarded as an important part of the agenda for policy reform in developing countries. Traditionally, this was because they were expected to increase the efficiency of resource mobilization and allocation in the real economy which in turn was expected to generate higher rates of growth. More recently, they are also seen to be critical for macroeconomic stability. This is especially so in the aftermath of the East Asian crisis, since weaknesses in the financial sector are widely regarded as one of the principal causes of collapse in that region. Following East Asia, soundness of the financial system has been elevated to a position similar to that of fiscal deficit as one of the 'fundamentals' for judging the health of an economy.

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