Report on Summer Training

A STUDY

ON

"COUSTMER PERCEPTION TOWARDS

MUTUAL FUNDS"

At

Gtm& sons advisory Pvt ltd.

In partial fulfilment of the requirements for the award of

Degree of Master Of Business Administration

Submitted by;

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BIITM Biju Patnaik Institute of Information Technology & Management Studies

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INTERNAL GUIDE CERTIFICATE

This is to certify that the report entitled **A study on "Customer Perception Towards Mutual Funds" at Gtm & Sons advisory Pvt. Ltd.** It has been prepared by Mr. Shakti Prasad Patra under supervision and guidance Dr. Chinmaya Kumar Rout in Prof. in Finance, Biitm for the fulfillment or virtual summer internship programme of Master of Business Administration, His field work is satisfactory.

(Signature Guide)

Dr. Chinmaya Kumar Rout

Asst. Prof. in Finance (BIITM)

DECLARATION

Shakti Prasad patra student of M.B.A program at Biju Pattnaik of Information Technology & Management Studies (BIITM) I hereby declare that all the information, facts and figure produce in this report are based on my own experience and study on “Customer perception towards mutual fund” at Gtm & sons advisory pvt.ltd

The matter embodied in this project report has not been submitted to any other University or Institution for the award of degree.

Date: (SHAKTI PRASAD PATRA)

ACKNOWLEDGEMENT

It is with deep sense of gratitude that I would like to that to thanks Gtm & sons (Hyderabad) for providing me with an opportunity to take up a project in Gtm & sons on “Customer perception towards mutual funds” Mr.Subreen Zubair (Branch head) for being able to give me some of his valuable time and able to guidance. Without his guidance, support and encouragement it would not have been possible to complete this project successfully.

I would also like to express my sincere work of gratitude and heartiest thanks to my faculty guide Dr. Chinmaya Kumar Rout who helped me in some manner or other and this have been a constant source of inspiration throughout the project.

(SHAKTI PRASAD PATRA)

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OVERVIEW

GTM&SONS is a premier integrated financial services provider, and ranked among the top five in the country in all its business segments, services over 16 million individual investors in various capacities, and provides investor services to over 300 corporate, comprising the who is who of Corporate India.Gtm&sons covers the entire spectrum of financial services such as Stock broking, Depository Participants, Distribution of financial products - mutual funds, bonds. fixed deposit, equities, Insurance Broking, Commodities Braking, Personal Finance Advisory Services, Merchant Banking *8z.* Corporate Finance, placement of equity, IF'O's, among others.Gtm &sons has a professional management team and ranks among the best in technology, operations and research of various industrial segments.

Gtm&Sons-EARLY DAYS

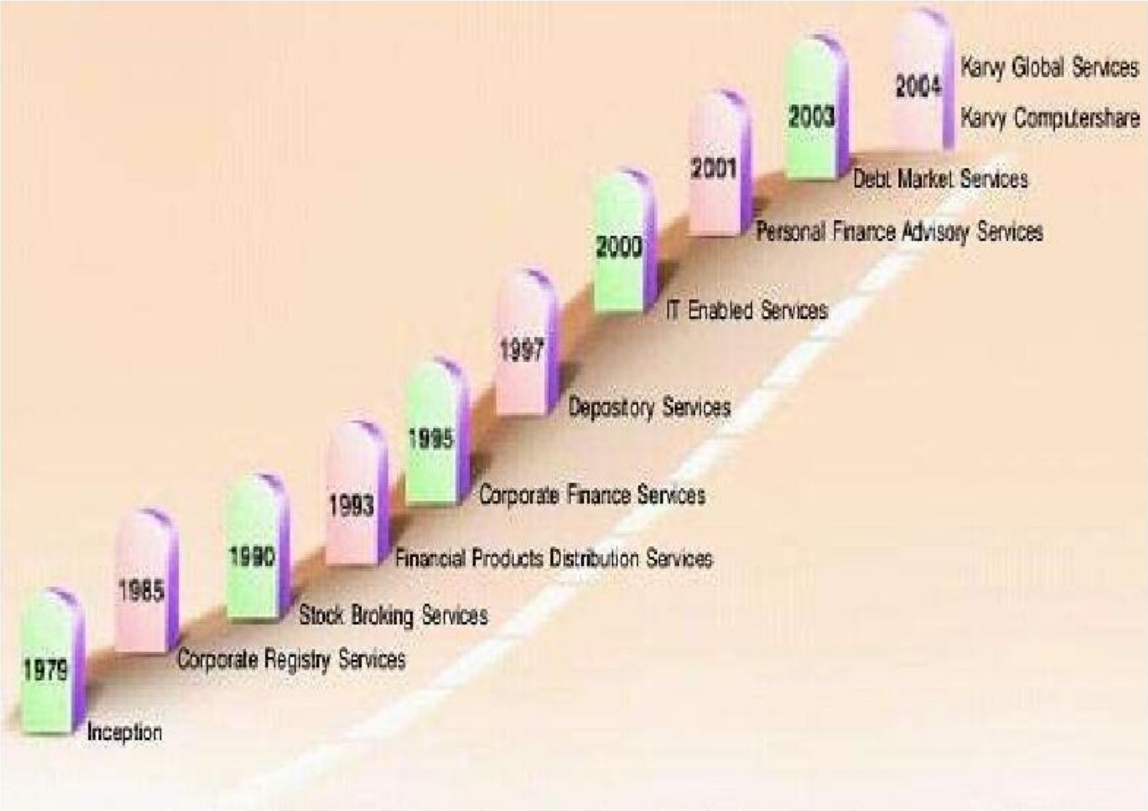
The birth of Gtm & sons was 0 D a modest scale in 1981. It began with the vision and enterprise of a small group of practicing Chartered Accountants who founded the flagship company .Gtm & sons Consultants Limited. We started with consulting and financial accounting automation, and carved inroads into the field of registry and share accounting by 1985. Thus over the last 20 years has traveled the success route, towards building a reputation as an integrated financial services provider, offering a wide spectrum of services. And we have made this journey by taking the route of quality service, path breaking innovations in service, versatility in service and finally...totality. in service.

With the experience of years of holistic financial servicing behind us and years of complete expertise in the industry to look forward to, we have now emerged as a premier integrated financial services provider.

SERVICES

- Commodities trading (NCDEX & MCI)
- Personal finance advisory services
- Corporate finance & merchant banking
- Depository participant services (I DL & CDSL)
- Financial products distribution (investments/loan products)
- Mutual fund services
- Stock broking (NSE & BSE, F&O)
- E-Tds, tan/pan cardimapin
- Insurance (life & general)
- Registrar & transfer agents

MILESTONE OF Gtm&Sons CONSULTANTS LTD



As the flagship company of the Gtm & sons Group, Gtm & sons Consultants Limited has always remained at the helm of organizational affairs, pioneering business policies, work ethic and channels of progress.

We have now transferred this business into a joint venture with Computer share Limited of Australia, the world's largest registrar. With the advent of depositories in the Indian capital market and the relationships that we have created in the registry business, we believe that we were best positioned to venture into this activity as a Depository Participant today, we service over 6 lakhs customer accounts in this business spread across over 250 cities/towns in India and are ranked amongst the largest Depository Participants in the country. With a growing secondary market presence, we have transferred this business to Gtm & sons Stock Broking Limited our associate and a member of NSE, ESE and HSE.

IT enabled services

Our Technology Services division forms the ideal platform to unleash our technology initiatives and make our presence felt on the Internet. Our past achievements include many quality websites designed, developed and deployed by us, We also possess our own web hosting facilities with dedicated bandwidth and a state-of-the-art server farm (data center) with services functioning on a variety of operating platforms such as Windows, Solaris, Linux and UNIX.

The corporate website of tIic company www.gtmandsons.comgives access to in-depth information on financial matters including Mutual Funds, IPOs, Fixed Income Schemes, Insurance, Stock Market and much more.

Stock Broking Services I Distribution of Financial Products I Depository Participants I Advisory Services I Research I Private Client Group

Member - National Stock Exchange (NSE), the Bombay Stock Exchange (B SE), and The Hyderabad Stock Exchange (HSE).

Gtm & sons Stock Broking Limited, one of the cornerstones of the Gtm & sons edifice, flows freely towards attaining diverse goals of the customer through varied services. Creating a plethora of opportunities for the customer by opening up investment vistas backed by research-based advisory services. Here, growth knows no limits and success recognizes no boundaries. Helping the customer create waves in his portfolio and empowering the investor completely is the ultimate goal.

Stock Broking Services

It is an undisputed fact that the stock market is unpredictable and yet enjoys a high success rate as a wealth management and wealth accumulation option. The difference between unpredictability and a safety anchor in the market is provided by in-depth knowledge of market functioning and changing trends, planning with foresight and choosing one Se rescue's options with care. This is what we provide in our Stock Broking service.

Gtm & sons offer services that are beyond just a medium for buying and selling stocks and shares. Instead we provide services that are multi dimensional and multi-focused in their scope. It offer trading on a vast platform; National Stock Exchange, Bombay Stock Exchange and Hyderabad Stock Exchange. It make trading safe to the maximum possible extent, by accounting
for several risk factors and planning accordingly. It is assisted in this task by our in-depth research, constant feedback and sound advisory facilities.

It have skilled research team, comprising of technical analysts as well as fundamental specialists, secure result-oriented information on market trends, market analysis and reviewed.

Gtm & sons publish a monthly magazine & ldquo; Gtm & sons; The Finapolis & rdquo;, which analyzes the latest stock market trends and takes a close look at the various investment options, and products available in the market, while a weekly report, called & ldquo. It also offer special portfolio analysis packages that provide daily technical advice on scrips for successful portfolio management and provide customized advisory services to help you make the right financial moves that are specifically suited to your portfolio. Our Stock Broking services are widely networked across India, with the number of our trading terminals providing retail stock broking facilities. Our services have increasingly offered customer oriented convenience, which we provide to a spectrum of investors, high-net worth or otherwise, with equal dedication and competence.

To empower the investor further we have made serious efforts to ensure that our research calls are disseminated systematically to all our stock braking clients through various delivery channels like email, chat, SMS, phone calls etc.

In the future, our focus will be on the emerging businesses and to meet this objective, we have enhanced our manpower and revitalized our knowledge base with enhances focus on Futures and Options as well as the commodities business.

DEPOSITORY PARTICIPANTS

The onset of the technology revolution in financial services Industry saw the emergence of Gtm & sons as an electronic custodian registered with National Securities Depository Ltd (NSDL) and Central Securities Depository Ltd (CSDL) in 1998. Gtm & sons set standards enabling further comfort to the investor by promoting paperless trading across the country and emerged as the top 3 Depository Participants in the country in terms of customer serviced. Offering a wide trading plat forming with a dual membership at both NSDL and

IBS L, we are a powerful medium for trading and settlement of dematerialized shares.

DISTRIBUTION OF FINANCIAL PRODUCTS

The paradigm shift from pure wiling to knowledge based selling drives the business today. With our wide portfolio offerings, we occupy alt segments in the retail financial services industry.

A 1600 team of highly qualified and dedicated professionals drawn from the best of academic and professional backgrounds are committed to maintaining high levels of client service delivery. This has propelled us to a position among the top distributors for equity and debt issues with an estimated market share of 15% in terms of applications mobilized, besides being established as the leading procurer in all public issues.

To further tap the immense growth potential in the capital markets we enhanced the scope of our retail brand, Gtm & sons — the Finapolis, thereby providing planning and advisory services to the mass affluent. Here we understand the customer needs and lifestyle in the context of present earnings and provide adequate advisory services that will necessarily help in creating wealth. Judicious planning that is customized to meet the future needs of the customer deliver a service that is exemplary. The market-savvy and the ignorant investors, both find this service very satisfactory. The edge that we have over competition is our portfolio of offerings and our professional expertise. The investment planning for each customer is done with an unbiased attitude so that the service is truly customized.

Our monthly magazine. Finapolis, provides up-dated market information on market trends, investment options, opinions etc. Thus empowering the investor to base every financial move on rational thought and prudent analysis and embark on the path to wealth creation.

ADVISORY SERVICES

Under our retail brand – Gtm & sons — the Finapolisr, we deliver advisory services to a cross-section of customers. The service is backed by a team of dedicated and expert professionals with varied experience and background in handling investment portfolios. They are continually engaged in designing the right investment portfolio for each customer according to individual needs and budget considerations with a comprehensive support system that focuses on trading customers' portfolios and providing valuable inputs, monitoring and managing the portfolio through varied technological initiatives. This is made possible by the expertise we have gained in the business over the years. Another venture towards being investor-friendly is the circulation of a monthly magazine called Gtm & sons - the Fintipolis1. Covering the latest of market news, trends, investment schemes and research-based opinions from experts in various financial fields.

PRIVATE CLIENT GROUP

This specialized division was set up to cater to the high net worth individuals and institutional clients keeping in mind that they require a different kind of financial planning and management that will augment not just existing finances but their life-style as well. Here we follow a hard-nosed business approach with the soft touch of dedicated customer care and personalized attention.

For this purpose we offer a comprehensive and personalized service that encompasses planning and protection of finances, planning of business needs and retirement needs and a host of other services, all provided on a one-to-one basis.

Our research reports have been widely appreciated by this segment. The delivery and support modules have been fine-tuned by giving our clients access to online portfolio information, constant updates on their portfolios as well as value-added advise on portfolio churning, sector switches etc. The investment recommendations given by our research team in the cash market have enjoyed a high success rate.

MERCHANT BANKING

Recognized as a leading merchant banker in the country, we are registered with SEBI as a Category I merchant banker. This reputation was built by capitalizing on opportunities in corporate consolidations, mergers and acquisitions and corporate restructuring, which have earned us the reputation of a merchant banker. Raising resources for corporate or Government Undertaking successfully over the past two decades have given us the confidence to renew our focus in this sector. Our quality professional team and our work-oriented dedication have propelled us to offer value-added corporate financial services and act as a professional navigator for long term growth of our clients, who include leading corporate, State Governments, foreign institutional investors, public and private sector companies and banks, in Indian and global markets. We have also emerged as a trailblazer in the arena of relationships, both at the customer and trade levels because of our unshakable integrity, seamless service and innovative solutions that are tuned to meet varied needs. Our team of committed industry specialists, having extensive experience in capital markets, further nurtures this relationship. Our financial advice and assistance in restructuring, divestitures, acquisitions, de-mergers, spin-offs, joint ventures, privatization and takeover defense mechanisms have elevated our relationship with the client to one based on unshakable trust and confidence.

MUTUAL FUND SERVICES I ISSUE REGISTRY I CORPORATE SHAREHOLDERS SERVICES

We have traversed wide spaces to tie up with the world's largest transfer agent, the leading Australian company. Computer share Limited. The company that services more than 75 million. shareholders across 7000 corporate clients and makes its presence felt in over 12 countries across 5 continents has entered into a 50-50 joint venture with us.

With our management team completely transferred to this new entity, we will aim to enrich the financial services industry than before. The future holds new arenas of client servicing and contemporary and relevant technologies as we are geared to deliver better value and foster bigger investments in the business. The worldwide network of Computershare will hold us in good stead as we expect to adopt international standards in addition to leveraging the best of technologies from around the world.

Excellence has to be the order of the day when two companies with such similar ideologies of growth, vision and competence, get together. www.gtmandsons.com

MUTUAL FUND SERVICES

We have attained a position of immense strength as a provider of across-the-board transfer agency services to AMCs, Distributors and Investors.

Nearly 40% of the top-notch AMCs including prestigious clients like Deutsche AMC and UT1 swear by the quality and range of services that we offer. Besides providing the entire back office processing, we provide the link between various Mutual Funds and the investor, including services to the distributor, the prime channel in this operation. We have been with the AMCs every step of the way, helping them serve their investors better by offering them a diverse and customized range of services. The first to market' approach that is our anthem has earned us the reputation of an innovative servicc provider with a visionary bent of mind.

Our service enhancements such as – Gtm & sons Conver ZP, a full-fledged call center, a top-line website (www.gtmandsons.corn), the 'rn-investor" and many more, creating a galaxy of customer advantages.

ISSUE REGISTRY

In our voyage towards becoming the largest transaction-processing house in the Indian Corporate segment, we have mobilized funds for numerous corporate , Gtm & sons has emerged as the largest transaction-processing house for the Indian Corporate sector. With an experience of handling over 700 issues, Gtm & sons today, has the ability to execute voluminous transactions and hard-core expertise in technology applications have gained us the No.1 slot in the business. Gtm & sons is the first Registry Company to receive IS 0 9002 certification in India that stands testimony to its stature.

Gtm & sons has the benefit of a good synergy between depositories and registry that enables faster resolution to related customer queries. Apart from its unique investor servicing presence in all the phases of a public issue. it is actively coordinating with both the main depositories to develop special models to enable the customer to access depository (NSDL, CDSL) services during an IPO. Our trust-worthy reputation, competent manpower and high-end technology and infrastructure are the solid foundations on which our success is built.

CORPORATE SHAREHOLDER SERVICES

Gtm & sons has been a customer centric company since its inception. Gtm & sons offers a single platform servicing multiple financial instruments in its bid to offer complete financial solutions to the varying needs of both corporate and retail investors where an extensive range of services are provided with great volume-management capability.

Today, Gtm & sons is recognized as a company that can exceed customer expectations which is the reason for the loyalty of customers towards Gtm & sons for all his financial needs. An opinion poll commissioned by "The Merchant Banker Update" and conducted by the reputed market research agency, MARG revealed that Gtm & sons was considered the "Most Admired" in the registrar category among financial services companies.

We have grown from being a pure transaction processing business, to one of complete shareholder solutions.

The specialist Business Process Outsourcing unit of the Gtm & sons Group. The legacy of expertise and experience in financial services of the Gtm & sons Group serves us well as we enter the global arena with the confidence of being able to deliver and deliver well.

Here we offer several delivery models on the understanding that business needs are unique and therefore only a customized service could possibly fit the bill. Our service matrix has permutations and combinations that create several options to choose from.

Be it in re-engineering and managing processes or delivering new efficiencies, our service meets up to the most stringent of international standards. Our outsourcing models are designed for the global customer and are backed by sound corporate and operations philosophies, and domain expertise. Providing productivity improvements, operational cost control, cost savings, improved accountability and a whole gamut of other advantages.

We operate in the core. market segments that have emerging requirements for specialized services. Our 1,Avide vertical market coverage.

includes Banking, Financial and In Services (BFI S), Retail and Merchandising, Leisure and Entertainment, Energy and Utility and Healthcare.

Our horizontal offerings do justice to our stance as a comprehensive BP() unit and include a variety of services in Finance and Accounting Outsourcing Operations, Human Resource Outsourcing Operations, Research and Anal ties Outsourcing Operations and Insurance Back Office Outsourcing Operations.

At Gtm & sons Commodities, we are focused on taking commodities trading to new dimensions of reliability and profitability. We have made commodities trading, an essentially age-old practice, into a sophisticated and scientific investment option.

Here we enable trade in all goods and products of agricultural and mineral origin that include lucrative commodities like gold and silver and popular items like oil, pulses and cotton through a well-systematized trading platform.

Our technological and infrastructural strengths and especially our street-small skills make us an ideal broker. Our service matrix is holistic with a gamut of advantages, the first and foremost being our legacy of human resources, technology and infrastructure that comes from being part of the Gtm & sons Group.

Our wide national network, spanning the length and breadth of India, further supports these advantages. Regular trading workshops and seminars are conducted to hone trading strategies to perfection. Every move made is a calculated one, based on reliable research that is converted into valuable information through daily, weekly and monthly newsletters, calls and intraday alerts. Further, personalized service is provided here by a dedicated team committed to giving hassle-free service while the brokerage rates offered are extremely.

At Gtm & sons Broking Pvt. Ltd., we provide both life and non-life insurance products to retail in high net-worth clients and corporates. With the opening up of the insurance sector and with a large number of private players in the business, we are in a position to provide tailor made policies for different segments of customers.

In our journey to emerge as a personal finance advisor, we will be better positioned to leverage our relationships with the product providers and place the requirements of our customers appropriately with the product providers. With Indian markets seeing a sea change, both in terms of investment pattern and attitude of investors, insurance is no more seen as only a tax saving product but also as an investment product. By setting up a separate entity, we would be positioned to provide the best of the products available in this business to our customers.

Our wide national network, spanning the length and breadth of India, further supports these advantages. Further, personalized service is provided here by a dedicated team committed in giving hassle-free service to the clients.

Achievements

- Among the top 5 stock brokers in India (4% of NSE volumes)
- India’s No. 1 Registrar & Securities Transfer Agents
- Among the top 3 depository Participants
- Largest Network of Branches & Business Associates
- ISO 9002 certified operations by DNV
- Among top 10 Investment bankers
- Largest distributor of Financial Products
- Adjudged as one of the top 50 IT uses in India by MIS Asia
- Full Fledged IT driven operations

QUALITY POLICY

To achieve and retain leadership ,Gtm & sons shall aim for complete customer satisfaction, by combining its human and technological resources, to provide superior quality financial services. In the process, Gtm & sons will strive to exceed Customer's expectations.

QL JALITY OBJECTIVES

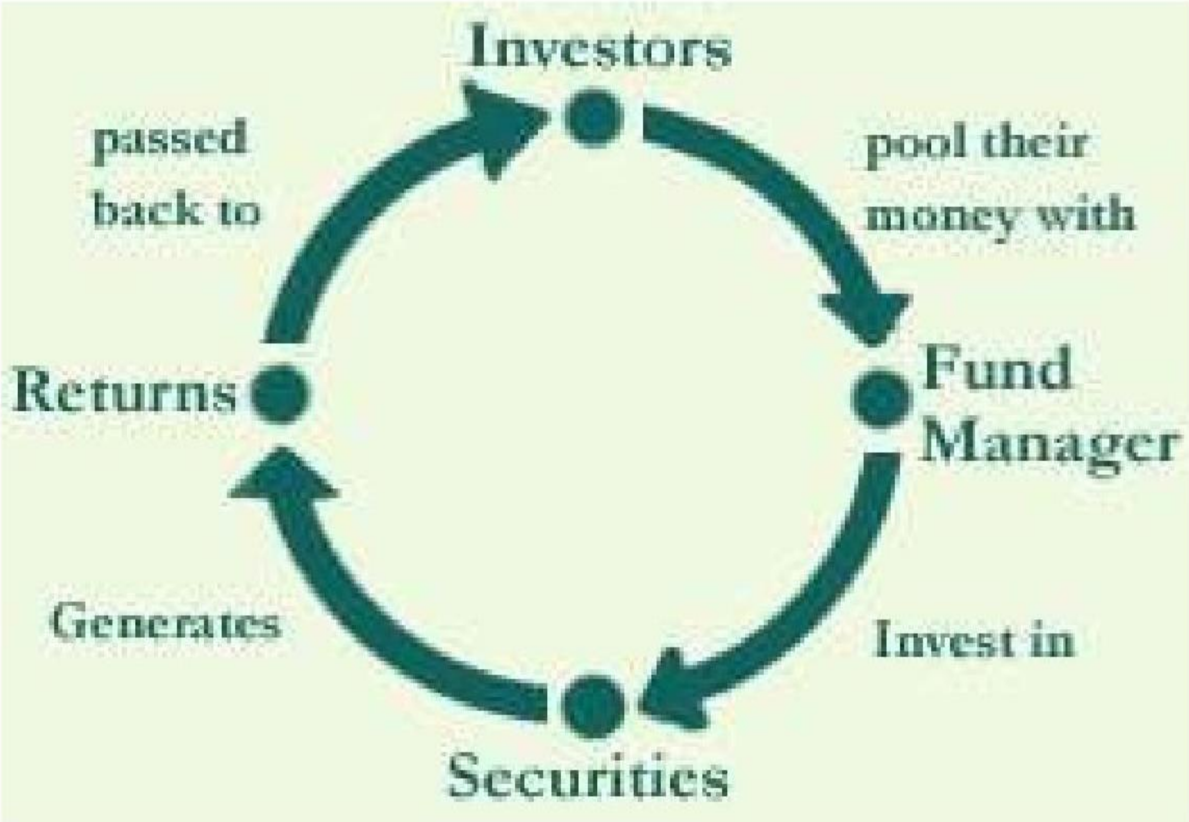
As per the Quality Policy, Gtm & sons will: Build in processes that will ensure transparent and harmonious relationships with its clients and investors to provide high quality of services. Establish a partner relationship with its investor service agents and vendors that will help in keeping up its commitments to the customers. Provide high quality of work life for all its employees and equip them with adequate knowledge & skills so as to respond to customer's needs. Continue to uphold the values of honesty & integrity and strive to establish unparalleled standards in business ethics. Use state-of-the art information technology in developing new and innovative financial products and services to meet the changing needs of investors and clients. Strive to be a reliable source of value-added financial products and services and constantly guide the individuals and institutions in making a judicious choice of same. 'P Strive to keep all stake-holders (shareholders, clients, investors, employees. suppliers and regulatory authorities) proud and satisfied.

Introduction

Mutual funds are financial intermediaries, which collect the savings of investors and invest them in a large and well-diversified portfolio of securities such as money market instruments, corporate and government bonds and equity shares of joint stock companies. A mutual fund is a pool of common funds invested by different investors, who have no contact with each other. Mutual funds are conceived as institutions for providing small investors with avenues of investments in the capital market. Since small investors generally do not have adequate time. knowledge, experience and resources for directly accessing the capital market, they have to rely on an intermediary, which undertakes informed investment decisions and provides consequential benefits of professional expertise. The raison deter of mutual funds is their ability to bring down the transaction costs. The advantages for the investors are reduction in risk. Expert professional management, diversified portfolios, and liquidity of investment and tax benefits. By pooling their assists through mutual funds, investors achieve economies of scale. The interests of the investors are protected by the SEBI, which acts as a watchdog. Mutual funds are governed by the SEBI (Mutual Funds) Regulations, 1993.

MUTUAL FUND OPERATIONS FLOW CHART

The flow chart below describes broadly the working of a Mutual Fund:

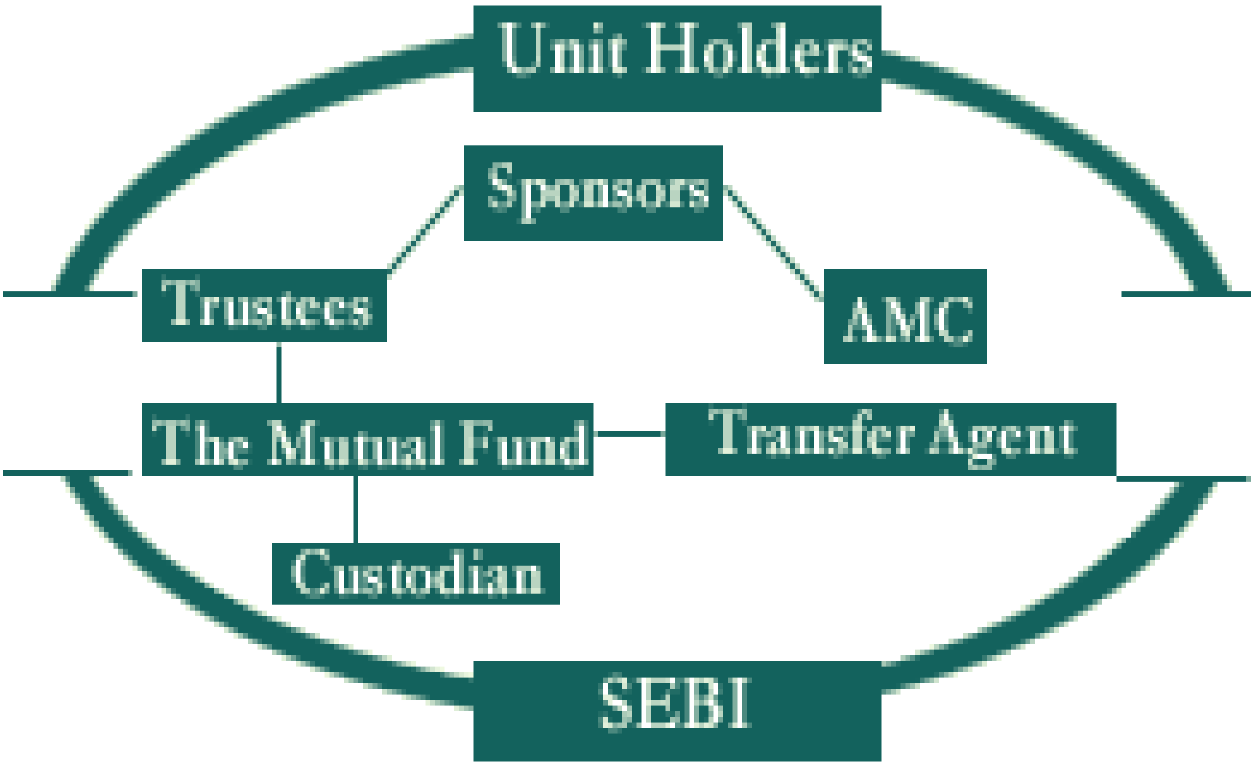


THE GOAL OF MUTUAL FUND

The fund itself will still increase in value, and in that way you may also make money therefore the value of shares you hold in mutual fund will increase in value when the holdings increases in value capital gains and income or dividend payments are best reinvested for younger investors Retires often seek the income from dividend distribution to augment their income with reinvestment of dividends and capital distribution your money increase at an even greater rate. When you redeem your shares what you receive is the value of the share.

Organization of a mutual fund

There are many entities involved and the diagram below illustrates the organizational set up of a mutual fund :



BACKGROUND

HISTORY AND STRUCTURE OF INDIAN MUTUAL. FUND INDUSTRY

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. The history of mutual funds in India can be broadly divided into four distinct phases:

First Phase — 1964-87

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (1DBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crimes of assets under management.

Second Phase — 1987-1993 Ent ev of Public Sector Funds

1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (L1 and General Insurance Corporation of India (G1C). SB1 Mutual Fund was the first non- UT1 Mutual Fund established in June 1987 followed by Can bank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund

(Nov 89), Bank of India (Jun 90), Bank of Bkupda Mutual Fund (Oct 92). L1C established its mutual fund in June 1989 while CI C had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs .47, 004 crores.

Third Phase — 1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a now era started in the Indian mutual fund industry, giving the Indian investors a wider choice. of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993.

SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEB1 (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1, 21,805 crores. The Unit Trust of India with Rs.44, 541 crores of assets under management was way ahead of other mutual funds.

Fourth Phase — since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29, 835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund Ltd, sponsored by SB1, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76, 000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. As at the end of September, 2004, there were 29 funds, which manage assets of Rs.153108 crores under 421 schemes.

Objectives of Study

1. Evaluate perception towards risk involved in mutual funds in comparison to other financial avenues.
2. To enhance our knowledge about the subject.
3. To have a vivid picture of major players in Mutual Fund Industry in India
4. How effectively they are reaching their customers.
5. To study the marketing of mutual Fund products in India.
6. To study the consumer awareness regarding Mutual Funds
7. To study the preferences of the distributors for mutual funds
8. To study the pattern of consumer behavior within the available investment options and to test awareness among the consumer about the various mutual fund houses.

CLASSIFICATION OF MUTUAL FUND SCHEMES:

Any mutual fund has an objective of earning income for the investors and/ or getting increased value of their investments. To achieve these objectives mutual funds adopt different strategies and accordingly offer different schemes of investments. On this basis the simplest way to categorize schemes would be to group these into two broad classifications:

OPERATIONAL CLASSIFICATION AND PORTFOLIO CLASSIFICATION.

Operational classification highlights the two main types of schemes, i.e., open-ended and close-ended which are offered by the mutual funds.

Portfolio classification projects the combination of investment instruments and investment avenues available to mutual funds to manage their to Any portfolio scheme can be either open ended or close ended.

Operational Classification:

(A) Open Ended Scher-nes: As the name implies the size of the scheme (Fund) is open — i.e., not specified or pre-determined. Entry to the fund is always open to the investor who can subscribe at any time. Such fund stands ready to buy or sell its securities at any time. It implies that the capitalization of the fund is constantly changing as investors sell or buy their shares. Further, the shares or units are normally not traded on the stock exchange. but are repurchased by the fund at announced rates. Open-ended schemes have comparatively better liquidity despite the fact that these are not listed. The reason is that investors can any time approach mutual fund for sale of such units. No intermediaries are required. Moreover, the realizable. amount is certain since repurchase is at a price based on declared net asset value (N AV). No minute to minute fluctuations in rates haunt the investors. The portfolio mix of such schemes has to be investments, which are actively traded in the market. Otherwise, it will not be possible to calculate NAV. This is the reason that generally open-ended schemes are equity based. Moreover, desiring frequently traded securities, open-ended schemes hardly have in their portfolio shares of comparatively new and smaller companies since. these. are not generally traded. In such funds, option to reinvest its dividend is also available. Since there is always a possibility of withdrawals, the management of such funds becomes more tedious as managers have to work from crisis to crisis. Crisis may be on two fronts, one is, that unexpected withdrawals require funds to maintain a high level of cash available every time implying thereby idle cash. Fund managers have to face questions like 'what to sell'. He could very well have to sell his most liquid assets. Second, by virtue of this situation such funds may fail to grab favourable opportunities. Further, to match quick cash payments, funds cannot have matching realization from their portfolio due to intricacies of the stock market. Thus, success of the open-ended schemes to a great extent depends on the efficiency of the capital market and the selection and quality of the portfolio.

(B) Close Ended Schemes: Such schemes have a definite period after which their shares/ units are redeemed. Unlike open-ended funds, these funds have fixed capitalization, i.e., their corpus normally does not change throughout its life period. Close ended fund units trade among the investors in the secondary market since these are to be quoted on the stock exchanges. Their price is determined on the basis of demand and supply in the market. Their liquidity depends on the efficiency and understanding of the engaged broker. Their price is free to deviate from NAV, Le., there is every possibility that the market price may be above or below its NAV. If one takes into account the issue expenses, conceptually close ended fund units cannot be traded at a premium or over NAV because the price of a package of investments, i.e., cannot exceed the sum of the prices of the investments constituting the package. Whatever premium exists that may exist only on account of speculative activities. In India as per SEBI ICI F) Regulations every mutual fund is free to launch any or both types of schemes.

Portfolio Classification of Funds:

Following are the portfolio classification of funds, which may be offered. This classification may be on the basis of (A) Return, (WI Investment Pattern, (C) Specialised sector of investment, (D) Leverage and (B) Others.

(A) Return based classification:

To meet the diversified needs of the investors, the mutual fund schemes are made to enjoy a good return. Returns expected are in form of regular dividends or capital appreciation or a combination of these two.

1. Income Funds: For investors who are more curious for returns, income funds are floated, Their objective is to maximize current income. Such funds distribute periodically the income earned by them. These funds can further be splitted up into categories: those that stress constant income at relatively low risk and those that attempt to achieve maximum income possible, even with the use of leverage. Obviously, the higher the expected returns, the higher the potential risk of the investment.

2. Growth Funds: Such funds aim to achieve increase in the value of the underlying investments through capital appreciation. Such funds invest in growth oriented securities which can appreciate through the expansion production facilities in long run. An investor who selects such funds should be able to assume a higher than normal degree of risk.

3. Consei Tative Funds: The fund with a philosophy of all things to all" issue offer document announcing objectives as: (i) To provide a reasonable rate of return, (ii) To protect the value of investment and, (iii) To achieve capital appreciation consistent with the fulfillment of the first two objectives. Such funds which offer a blend of immediate average return and reasonable capital appreciation arc known as "middle of the road" funds. Such funds divide their portfolio in common stocks and bonds in a way to achieve the desired objectives. Such funds have been most popular and appeal to the investors who want both growth and income_

(B) Investment Based Classification:

Mutual funds may also be classified on the basis of securities in which they invest. Basically, it is renaming the subcategories of return based classification.

1. Equity Fund: Such funds, as the name implies, invest most of their investible shares in equity shares of companies and undertake the risk associated with the investment in equity shares. Such funds are clearly expected to outdo other funds in rising market, because these have almost all their capital in equity_ Equity funds again can be of different categories varying from those that invest exclusively in high quality 'blue chip companies to those that invest solely in the new, unestablished companies. The strength of these funds is the expected capital appreciation. Naturally, they have a higher degree. of risk.

Bond Funds: such funds have their portfolio consisted of bonds, debentures, etc. this type of fund is expected to be very secure with a steady income and little or no chance of capital appreciation. Obviously risk is low in such funds. In this category we may come across the funds called 'Liquid Funds' which specialize in investing short-term money market instruments. The emphasis is on liquidity and is associated with lower risks and low returns.

3. Balanced Fund: The funds, which have in their portfolio a reasonable mix of equity and bonds, arc known as balanced funds. Such funds will put more

emphasis on equity share investments when the outlook is bright and will tend to switch to debentures when the future is expected to be poor for shares.

(C) Sector Based Funds:

There are number of funds that invest in a specified sector of economy. While such funds do have the disadvantage of low diversification by putting all their all eggs in one basket, the policy of specializing has the advantage of developing in the fund managers an intensive knowledge of the specific sector in which they are investing. Sector based funds are aggressive growth funds which make investments on the basis of assessed bright future for a particular sector. These funds are characterized by high viability, hence more risky.

MUTUAL FUNDS FOR WHOM?

These funds can survive and thrive only if they can live up to the hopes and trusts of their individual members. These hopes and trusts echo the peculiarities which support the emergence and growth of such insecurity of such investors who come to the rescue of such investors who face following constraints while making direct investments:

(a) Limited resources in the hands of investors quite often take them away from stock market transactions.

(b) Lack of funds forbids investors to have a balanced and diversified portfolio.

c) Lack of professional knowledge associated with investment business unable investors to operate gainfully in the market. Small investors can hardly afford to have ex-pensive investment consultations.

(d) To buy shares, investors have to engage share brokers who are the members of stock exchange and have to pay their brokerage.

(e) They hardly have access to price sensitive information in time.

(I) It is difficult for them to know the development taking place in share market and corporate sector.

(g) Firm allotments are not possible for small investors on when there is a trend of over subscription to public issues.

WHY MUTUAL FUNDS?

Mutual Funds are becoming a very popular form of investment characterized by many advantages that they share with other forms of investments and what they possess uniquely themselves. The priniary objectives of an investment proposal would fit into one or combination of the two broad categories, i.e., Income and Capital gains. How mutual fund is expected to be over and above an individual in achieving the two said objectives, is what attracts investors to opt for mutual funds. Mutual fund route offers several important advantages..

Diversification: A proven principle of sound investment is that of diversification, which is the idea of not putting all your eggs in one basket. By investing in many companies the mutual funds can protect themselves from unexpected drop in values of some shares. The small investors can achieve wide diversification on his own because of many reasons, mainly funds at his disposal. Mutual funds on the other hand, pool funds of lakhs of investors and thus can participate in a large basket of shares of many different companies. Majority of people consider diversification as the major strength of mutual funds.

Expertise Supervision: Making investments is not a full time assignment of investors. So they hardly have a professional attitude tow ands their investment. When investors buy mutual fund scheme, an essential benefit one acquires is expert management of the money he puts in the fund. The professional fund managers -who supervise fund's portfolio take desirable decisions viz., what scrip's are to be bought, what investments are to be sold and more appropriate decision as to timings of such buy and sell. They have extensive research facilities at their disposal, can spend full time to investigate and can give the fund a constant supervision. The performance of mutual fund schemes, of course., depends on the quality of fund managers employed.

A. Liquidity of investment: A distinct advantage of a mutual fund over other investments is that there is always a market for its unit/ shares. Moreover, Securities and Exchange Board of India (SEB1) requires the mutual funds in India have to ensure liquidity. Mutual funds units can either be sold in the share market as SEBI has made it obligatory for closed-ended schemes to list themselves on stock exchanges. For open-ended schemes investors can always approach the fund for repurchase at net asset value (N AV) of the scheme_ Such repurchase price and NAV is advertised in newspaper for the convenience of investors.

B. Reduced risks: Risk in investment is as to recovery of the principal amount and as to return on it. Mutual fund investments on both fronts provide a comfortable situation for investors. The expert supervision, diversification and liquidity of units ensured in mutual funds reduces the risks. Investors are no longer expected to come to grief by falling prey to misleading and motivating 'headline' leads and tips, if they invest in mutual funds,

C. Safety of Investment: Besides depending on the expert supervision of fund managers, the legislation in a country (like SEBI in India) also provides for the safety of investments. Mutual funds have to broadly follow the laid down provisions for their regulations, SEBI acts as a watchdog and attempts whole heatedly to safeguard investor's interests,

D. Tax Shelter: Depending on the scheme of mutual funds, tax shelter is also available. As per the Union Budget-2003, income earned through dividends from mutual funds is 100% tax-free at the hands of the investors.

E. Minimize Operating Costs: Mutual funds having large invisible funds at their disposal avail economies of scale. The brokerage fee or trading commission may be reduced substantially_ The reduced operating costs obviously increase the income available for investors.

Investing in securities through mutual funds has many advantages like — option to reinvest dividends, strong possibility of capital appreciation, regular returns, etc. Mutual funds are also relevant in national interest. The test of their economic efficiency as financial intermediary lies in the extent to which they are able. to mobilize additional savings and channeling to more productive sectors of the economy.

Types of Retail Investors

The ET survey on retail equity investors in the secondary market has identified different categories of investors based on their characteristics. Many questions are raised about the behaviour of the small investor under different circumstances. The answer to many of these questions and similar others is not difficult to interpret once we identify the different types of retail investors in the stock markets_

The survey shows that there are five different kinds of retail investors: 'intellectuals', 'cavaliers', reactivists',, 'opportunists', and 'gamblers'. This classification is based on the attitudes of investors towards secondary market investments. Let's explain each type of investor and understand their investment psyche and behavioral patterns.

INTELLECTUALS:

This retail investor group forms around 17% of the total retail investment class. They are the intelligent investors who follow an intelligent, individualist approach to investment planning and a well-defined and deliberate strategy for stock investment. These investors are self reliant good stock pickers and try to monetize market knowledge_

Giving proof of their intelligence, they consider low-risk; low—gain guaranteed return avenues as passé. Also, they believe in and work towards a well-planned. Asset allocation and seek the right mix of stability and reliability of returns.

The 'intellectuals' are unaffected by short—term fluctuations and prefer long—term investments. Moreover, they are disciplined enough to observe profit targets which they have set for the And as they invest for the long term, they are not concerned with short term losses. They manager their money themselves and understand the industry/sector before investing.

CAVA LIE RS:

As high as 49% of the small retail equity investors are 'cavaliers'. They are those who have lost money in 'fly-by —night 'schemes. Therefore, much of their investments are driven by the desire to recover past losses and make profits in the future. As such, they invest aggressively into equities, mostly in volatile sectors in order to make big gains. However, they will also invest in I'Ds and insurance as a precautionary measure. They get tempted to speculate in the secondary market and once in a while. they actually speculate but with smaller amounts. The cavaliers try to gather all available information and compare it with opinions from experts in the media, but will trust their own judgment before making decisions.

REACTIVISTS:

About 5% of the retail equity investors fall under this category. These investors basically short-term investors, are impulsive info addicts who are vulnerable to external influences and as such, they have no specific investment patterns, They believe that dynamic and ad hoc investments will result in better profits and are prompted to act on popular opinion rather than systematic planning. As they lack in confidence, experience and expertise, they constantly rely on advice from in the know people such as brokers and analysts. They are extremely anxious about price fluctuations or short-term declines. They are very sceptical and believe that small declines can lead to larger losses if not reacted upon immediately. Therefore, the reactivists constantly seek new information about stocks in which they are currently invested in, to ensure a feeling of security. Moreover, their investments apart from equities are solely for tax-saving purposes.

OPPORTUNISTS:

This class of investors account for 10% of the retail equity investor universe. This category is defensively pessimistic and prefers to take only familiar risks. As they have a low risk tolerance, they are wary of volatility in the equity market. They invest into equities by imitating larger trends rather than with their individual analysis and consider equity investment as a gamble. They want to be in the black all the time and as such, prefer popular stocks with immediate profit potential. Opportunists need positive price movements to encourage their investments into equities and they will not hunt for bargains of invest on price declines. But before investing into equities. They prefer to build a critical mass of fixed income instruments as they find fixed income options a reassuring way of safe bets. The opportunists` choice of investments as they find fixed income options a reassuring way of safe bets. The opportunist's choice of investment is biased towards well known and previously owned securities, including equities. This investor class is wary of investing into equities when the market has moved up too high too soon. So, if you have not invested in the current market, you are probably an 'opportunist'.

GAMBLERS:

19% the retail investor population is made up of not actual investors. But gamblers.' They are the typical thrill seeking traders who link profitability to personal achievement. They experiment a lot, mostly driven by instinct and self confidence; as such their stock selection is more a random exercise that lacks rationale. This class perceives all securities as tradable commodities to be bought and sold in the short term. However, they know completely about the risk factors and therefore, have a tendency to invest only as much as they are willing to lose. As a part, of the game and this does not act as a hindrance for future investments. They do not trust brokers, but will secretly verify their suggestions for fear of missing an opportunity. They ascertain fair value of stocks on gut feeling rather than any financial analysis and use sudden downward fluctuations as buying opportunities.

MARKETING STRATEGIES ADOPTED BY THE MUTUAL FUNDS

The present rmu-keting strategies of mutual funds can be divided into two main headings:

- Direct marketing
- Selling through intermediaries.
- Joint Calls Direct Marketing:

This constitutes 20 percent of the total sales of mutual funds. Some of the important tools used in this type of selling are:

Personal Selling: In this case the customer support officer or Relationship Manager of the fund at a particular branch takes appointment from the potential prospect. Once the appointment is fixed, the branch officer also called Business Development Associate (BDA) in sonic funds then meets the prospect and gives him all details about the various schemes being offered by his fund. The conversion rate in this mode of selling is in between 30% - 40%.

Telemarketing: In this case the emphasis is to inform the people about the fund. The names and phone numbers of the people are picked at random from to directory. Some fund houses have their database of investors and they cross sell their other products. Sometimes people belonging to a particular profession are also contacted through phone and are then informed about the fund. Generally the conversion rate in this form of marketing is 15% - 20%.

MARKETING OF FUNDS: CHALLENGES AND OPPORTUNITIES

'When we consider marketing, we have to see the issues in totality, because we cannot judge an elephant b its trunk or by its tail but we have to see it in its totality. When we say marketing of mutual funds, it means, includes and encompasses the following aspects:

- Assessing of investors needs and market research;
- Responding to investors needs;
- Product designing;
- Studying the macro environment;
- Timing of the launch of the product;
- Choosing the distribution network;
- Finalizing strategies for publicity and advertisement;
- Preparing offer documents and other literature;
- Getting feedback about sales;
- Studying performance indicators about fund performance like NAV;
- Fr Sending certificates in time and other after sales activities;
- Honoring the commitments made for redemptions and repurchase ;);
- Paying dividends and other entitlements;

- Creating positive image about the fund and changing the nature of the market itself.

The above are the aspects of marketing of mutual funds, in totality. Even if there is a single weak-link among the factors which are mentioned above, no mutual fund can successfully market its funds.

Widening, Broadening and Deepening the Markets

There are certain issues that are directly linked \with the marketing of mutual funds, the first of which is widening, broadening and deepening of the market for the mutual fund products. Consider the geographical spread of the investors in the mutual fund industry. Almost SO% of the funds are mobilized from less than 10 centers in the country. In fact there are only around 35 centers in the country which account for almost 95% of the funds mobilized. Considering the vast nature of this country, the first priority is that the geographic spread has to be widened and the market has to be deepened. Secondly, the mutual funds must try to spread their wings not only within the country, but also outside the country.

A. Markets in Rural and Semi-Urban Areas

There. exists a large investor base in rural and semi-urban areas, having a population of about one lakhs, which normally has access to only post office savings and bank deposits. This is the single largest untapped market for mutual funds in India. Rural marketing, unlike the marketing of mutual funds in the metros and urban areas, would require a completely different strategy, and different means of communication to the target customer. Typically, investors in the rural and semi-urban areas are not well educated and are inadequately exposed to the capital market mechanisms. Therefore, more emphasis has to be given to the electronic media and other forms of publicity such as wall paintings, hoardings, and educational films. It is also important to utilize the services of local intermediaries like. Gram Sevaks, Postmasters, School teachers, Agricultural Co-operative Societies and Rural Banks. It would therefore be more expensive to market mutual funds in such markets than marketing in the cities_

The mutual fund industry can collectively undertake. this job of creating awareness among the rural population about the mutual funds as a new form of savings; translate that awareness into increased fund mobilization. Collective Advertisements can be released .ANIFI can coordinate this task on behalf of the various Mutual Fund houses. The retail distribution network, comprising of the district representatives and the collection centers can be best utilized to create such awareness and expand the market. Simplification of literature in regional languages, group meetings in these semi-urban and rural areas, visits by mobile vans with some audio visual aids and the like, should help develop these markets. In other words, the untapped markets in the country should ideally be the first thing that the mutual funds in India should Endeavour to tap, not entirely relying upon the investors in the 35 odd cities of the country. By concentrating on these areas, the investor base will get more broad based. Once the semi urban population gets acquainted with the concept of mutual funds, it will naturally give the much needed stability to the market.

B. Overseas Markets

The second aspect with respect to the widening and deepening the market is expanding the overseas investor base. A target group with large potential, which can be tapped is non-resident Indians. If offered after sales services of international standard, reasonable return and easy access to information, NRI's are willing to invest in Indian mutual funds. The expansion of the distribution network and quick dissemination of information, coupled 1..vith prompt and timely service, efficient collection and remittance mechanism, will play an important role in mobilizing and retaining these funds. Ill's will also require a continuous presence in their market, because that generates trust and confidence, which translates into sustained mobilization of funds.

PRODUCT INNOVATION AND VARIETY

A. In Preferences

The challenge for the mutual funds is in the tailoring the right products that will help mobilizing savings by targeting investors' needs. It is necessary that the common investor understands very clearly and loudly the salient features of funds, and distinguishes one fund from another. The funds that are being launched today are more or less look-alikes, or plain vanilla funds, and not necessarily designed to take into account the investors' varying needs. The Indian investor is essentially risk averse and is more passive than active. He is not interested in frequently changing his portfolio, but is satisfied with safety and reasonable returns_ Importantly, he understands more by emotions and sentiments rather than a quantitative comparison of funds' performance with respect to an index. Mere growth prospects, in an uncertain market, are not attractive to him. He prefers one bird in the hand to two in bush, and is happy if assured a rate of reasonable return that he will get on his investment. The expectations of a typical investor, in order of preference are the safety of funds, reasonable return and liquidity.

The investor is ready to invest his money over a long period, provided there is a purpose attached to it which is linked to his social needs and therefore appeals to his sentiments and emotions. That purpose may be his child's education and career development, medical expenses, health care after retirement, or the need for steady and sure income after retirement. In a country where social security and social insurance are conspicuous more by their absence, mutual funds can pool their resources together and try to mobilize funds to meet some of the social needs of the society.

B. Product Innovations

With the debt market now getting developed, mutual funds are tapping the investors who require steady income with safety, by floating funds that are designed to primarily have debt instruments in their portfolio. The other area where mutual funds are concentrating is the money market mutual funds, sectoral funds, index funds, gilt funds besides equity funds.

The industry can also design separate funds to attract semi-urban and rural investors, keeping their seasonal requirements in mind for harvest seasons, festival seasons, sowing seasons, etc.

DISTRIBUTION NETWORK

Among the competitors to the mutual fund industry, Life Insurance Corporation with its dedicated sales force is offering insurance products; banks with their friendly neighbourhood presence offer the advantage of extensive network; finance companies with their hefty upfront incentives offer higher returns; shares — provided the market is moving favourably — also attract direct investments from retail investors. It is against this background that the merits and demerits of the alternative methods of distribution have to be studied.

Retail through agents

The alternative distribution channels that are available are selling, or using lead managers and brokers along with sub-brokers, for selling units. The experience of UT1 has been that, if necessary motivation and incentive is provided to the retailer agents, they are likely to be more successful than the lead managers. This is because, there is a sense of loyalty amongst agents, in anticipation of getting continuous business throughout the year, and the trust and credibility that has been generated or will be generated by being loyal to one institution. Statistics reveal that the wastage ratio of application forms in the lead manager concept, is much higher than in the retail agency system. Savings in advertisement and publicity expenses is also affected, as the target of communication is restricted to a few group of individuals, since the agent will function as a facilitator, informer and educator. The reduced cost benefit will ultimately accrue to the investor in the form of higher returns.

In such a system, one achieves brand loyalty through continuous interaction between agents and investors. Building a team of agents and other distribution network such as distribution and collecting agents and franchise offices, will provide the investor the opportunity of having continuous interaction and contact with the mutual fund. Therefore, retail distribution through the agents is a preferred alternative for distributing mutual fund products.

ADVERTISING AND SALES PROMOTION

By their very nature, mutual funds require higher advertisement and sales promotion expenses than any consumer product offering measurable performance. Different kinds of advertising and sales promotion exercises are required to serve the needs of different classes of investors. For instance, an aggressive 'push' marketing strategy is required for retail markets, where investors are not adequately aware of the product and do not have specialized skill in financial market, in contrast with 'pull' marketing strategies for the wholesale market.

There are certain issues with reference to advertisement, publicity literature and offer documents, which deserve attention. Most of the mutual fund advertisements look similar, focusing on scheme features, returns and incentives. An investor exposed to the increasing number of mutual fund products finds that all the available brands are rather identical, and cannot appreciate any distinction.

The present form of application, brochures and other literature is generally lengthy, cumbersome and at times complicated leading to higher emphasis on advertisement. One of the limiting factors is the regulatory framework governing advertisements of mutual fund products. For instance, in the offer documents, mutual funds are required to mention the fund objectives in clear terms. Immediately thereafter, the first risk factor that has to be mentioned is that there is no certainty whether the objectives of the fund will be achieved or not. Some more relaxation's in these may facilitate bringing more novelty in advertisements, within a broad framework, without luring investors through false promises, and will certainly improve the situation. Another hurdle is the statutory disclaimer required to be carried along with every advertisement. Mutual funds have to provide risk factors. Under the present mutual fund regulations, a prior approval by SEBI is a must before a mutual fund can launch its fund. In the regulation itself, a period of one month has been provided. But in a month's time, perhaps the situation may so change, that the timing of launch gets affected. The requirement for getting approval, which normally takes about 2 months' time, defeats the purpose for which the fund was designed also.

QUALITY OF SERVICE This industry primarily sells quality of services, given that the performance cannot be promised. It is with this attribute along with procedural simplicity, that the fund gradually builds its brand and its class of loyal investors. The quality of services is broadly categorized as:

- Timely services after the sale of the units; and
- Continuous reporting of investment performance.

Mutual fund managers must give due attention and evaluate their performance on each front. They may also consider an option of conducting a service audit for controlling and improving the quality of service.

MARKET RESEARCH

Investment in mutual fund is not a one-time activity. It is a continuous activity. The same investor, if satisfied, will come to the fund again and again. When the investor sends his application, it is not only an application, but it also contains vital information. Most of this information if tabulated and analyzed would provide important insights into investor needs, preferences and behavior and enables us to target customers need more accurately, to achieve better penetration, deeper loyalty and reduced costs. It is in this context that direct marketing will assume increased importance. Knowing the customer thoroughly is of utmost importance. Unlike the consumer goods industry, it is not possible for mutual fund industry to test market and have pilot projects before launch. At the same time, focusing and concentrating on a particular geographic area where the fund has a strong presence and proven marketing network, can help reduce network, can help reduce issue expenses and ultimately translate into higher returns for the investor. Very little research on investor preference is available, but the industry can collectively have a data bank, and share the information for appropriate use.

Market Segmentation Different segments of the market have different risk-return criteria, on the basis of which they take investment decisions. Not only that, in a particular segment also there could be different sub-segments asking for yet different risk-return attributes, and differential preference for various investments attributes of financial product. Different investment attributes an investor expects in a financial product are:

- Liquidity,
- Capital appreciation,
- Safety of principal,
- Tax treatment,
- Dividend or interest income,

- Regulatory restrictions,
- Time period for investment, etc.

On the basis of these attributes the mutual fund market may be broadly segmented into five main segments as under.

1) Retail Segment

This segment characterizes large number of participants but low individual volumes. It consists of individuals, Hindu Undivided Families, and firms. It may be further sub-divided into:

- Salaried class people;
- Retired people;
- Businessmen and firms having occasional surpluses:
- HUF's for long term investment purpose.

These may be further classified on the basis of their income levels. It has been observed that prospects in different classes of income levels have different patterns of preferences of investment. Similarly, the investment preferences for urban and rural prospects would differ and therefore the strategies for tapping this segment would differ on the basis of differential life style, value and ethics, social environment, media habits, and nature of work. Broadly, this class requires security of the principal, liquidity, and regular income more than capital appreciation. It lacks specialized investment skills in financial markets and highly susceptible to mob behavior. The marketing strategy involving indirect selling through agency network and creating awareness through appropriate media would be more effective in this segment.

Institutional Segment

This segment characterizes less number of participants, and large individual volumes. It consists of banks, public sector units, financial institutions, foreign institutional investors, insurance corporations, provident and pension funds. This class normally looks for more specialized professional investment skills of the fund managers and expects a structured product than a ready-made product. The tax features and regulatory restrictions are the vital considerations in their investment decisions. Each class of participants, such as banks, provides a niche to the fund managers in this segment. It requires more of a personalized and direct marketing to sustain and increase volumes.

RESEARCH METHODOLOGY

Research Design	:	Description Research
Research Instrument	:	structured, un-disguised
Sample Method	:	Non- Probability Sampling
Sample Size	:	50
Sampling Design	:	Convenience Sampling

Sources of Data

- Primary Data : Structured Non- Disguised Questionnaire
- Secondary Data : Reference from distributors & banks

The whole study is based upon primary and secondary data. Therefore, information has been collected from interacting with different investors and from various magazines, journals, websites, and bulletins.

LIST OF INFORMATION REQUIRED

Primary Data: Primary data are generated when a particular problem and hand is investigated by the researcher employing mail questionnaire, telephone survey, personal interviews, observations, and experiments.

METHOD USED IN COLLECTION OF DATA

1. Personal Interview: In personal interview, the investigator questions the respondents in a face-to-face meeting. Personal interviews may be conducted on a door-to-door basis or in public places such as shopping centers. The usual

approach for the interviewer is to identify himself to a potential respondent and attempt to secure the respondent's cooperation in answering a list of predetermined questions. These answers may be tape-recorded or written down by the interviewer.

Advantages

a. It requires relatively shorter period of time to complete.

b. Researcher can procure many different types of information.

c. The amount of information procured on each aspects is larger.

d. The results can be projected to the relevant universe with a greater degree of accuracy.

Disadvantages

a. The cost per completed interview is relatively higher as compared to other methods.

b. The investigator may have to face relatively more difficulties in administering the interview schedule.

c. The investigators themselves may involve in cheating which is very difficult to detect.

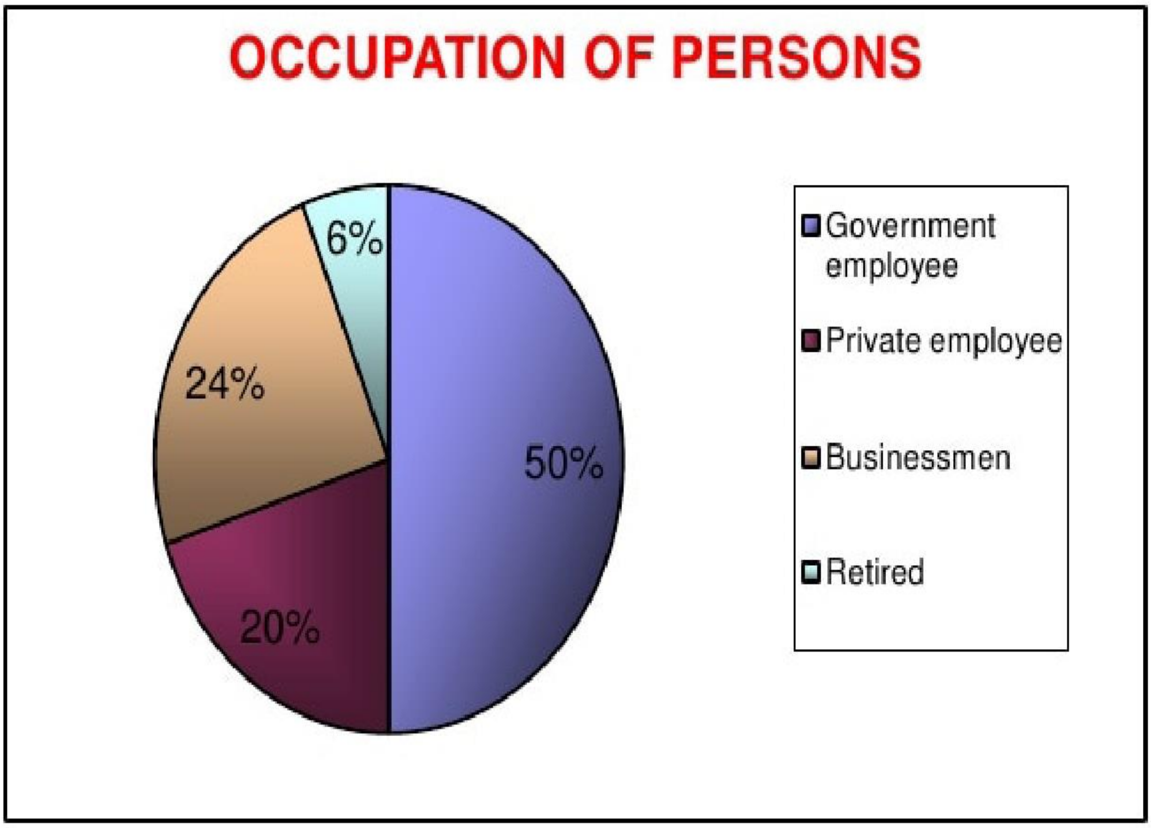
2. 'Telephone Survey: In telephone survey, prospective respondents are telephoned, usually at homes, and asked to answer a series of questions over the telephone. This form of the survey technique has become more popular in recent years in advanced countries more people are having telephones at their houses.

TYPE OF SAMPLING USED

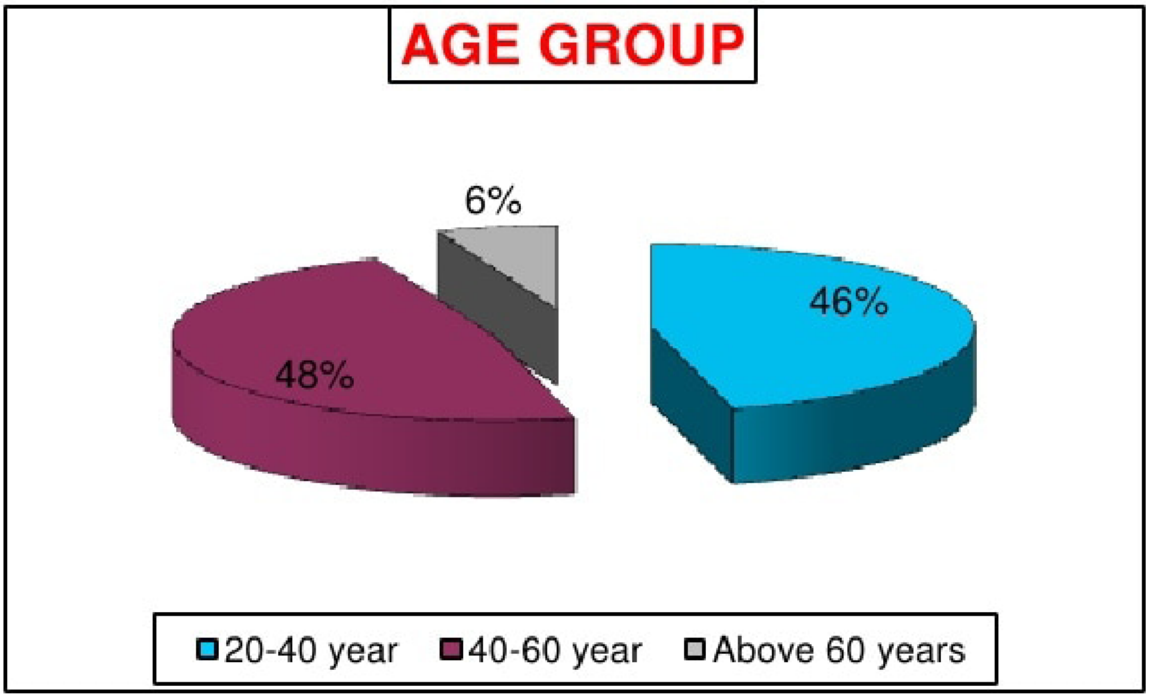
We used non-probability type of sampling.

In non-probability sampling, the chance of any particular unit in the population being selected is unknown. Since randomness is not involved in the selection process, an estimate of the sampling error cannot be made. But this does not mean that the findings obtained from non-probability sampling are of questionable value. If properly conducted their findings can be as accurate as those obtained from probability sampling.

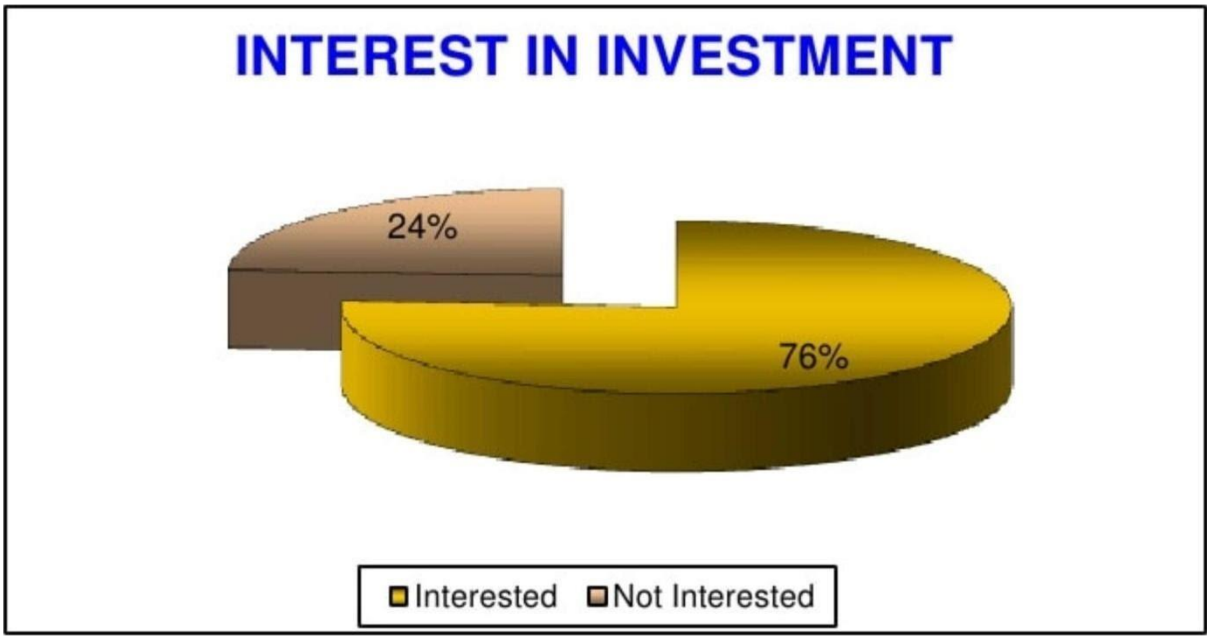
FINDINGS



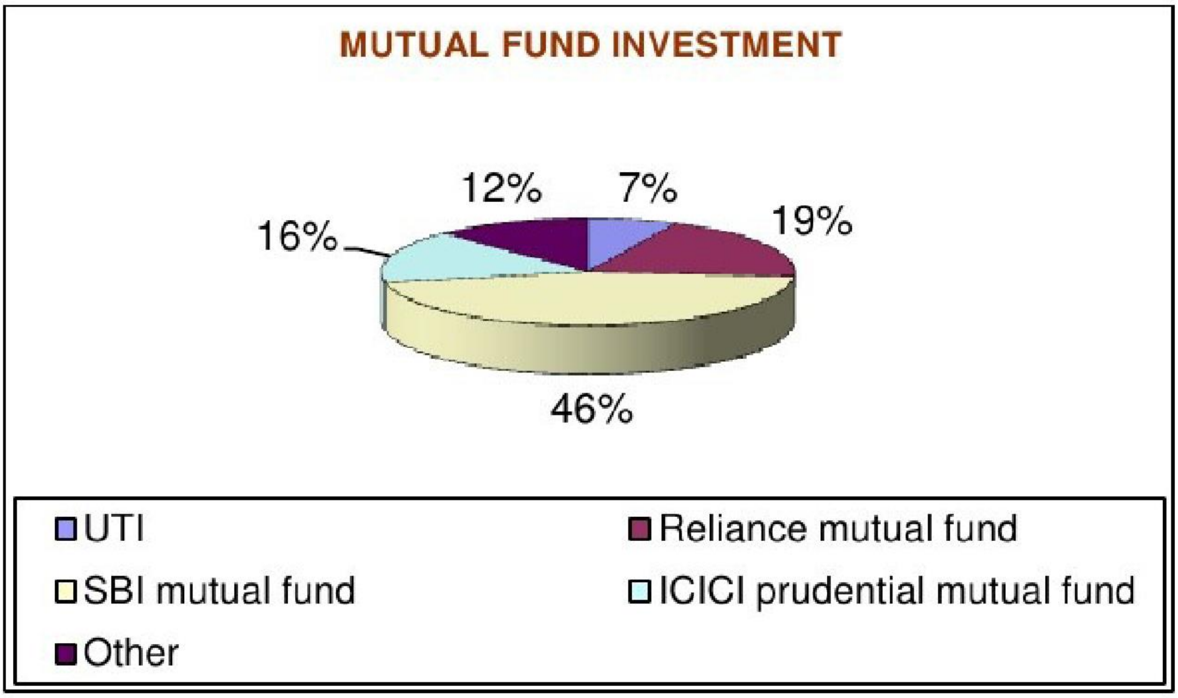
FINDINGS: - There are 76% people who are investing & in this 76% there are 50% people in government service, 20% in private job & 24% people are businessmen & 6% are retired.



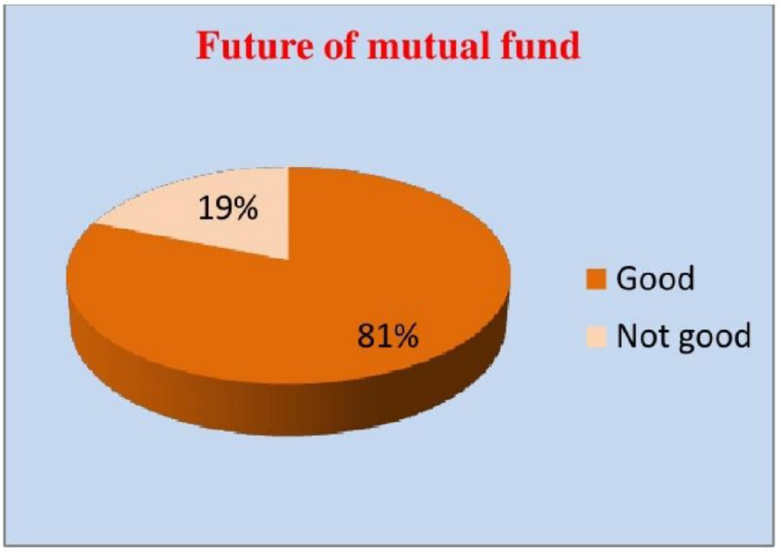
FINDINGS: - There are 48% people in age group 40-60 years and 46% of people in 20-40 years and rest 6% are Above 60 years.



FINDINGS: - In survey 92% of people are satisfied with investment and 8% are not satisfied with our investment



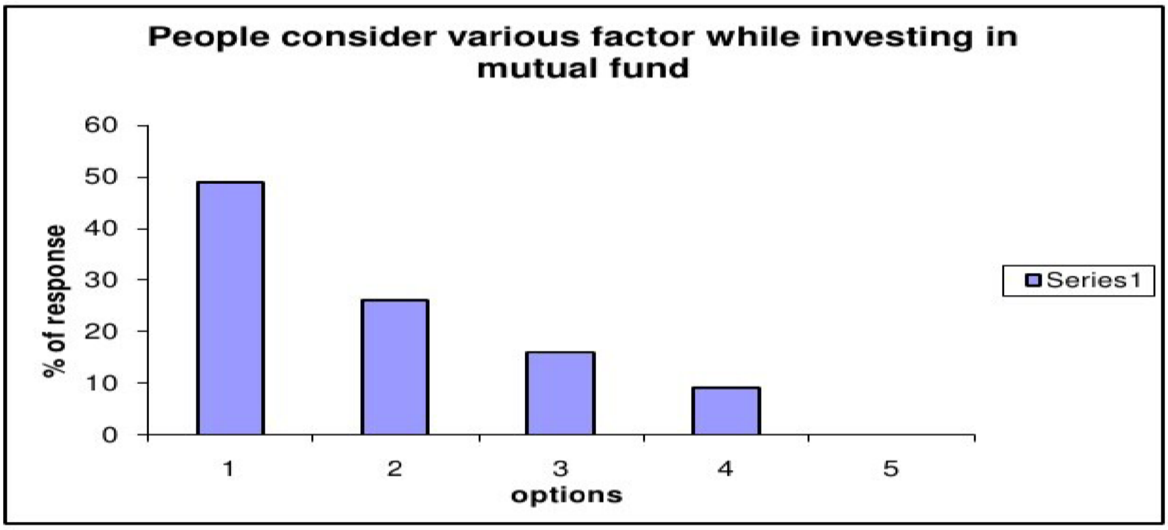
FINDINGS:- In Survey 89% investors think that mutual fund can give higher return and 11% think that mutual fund cannot give higher return it can give only normally 15- 20% return.



Analysis
&
Interpretation

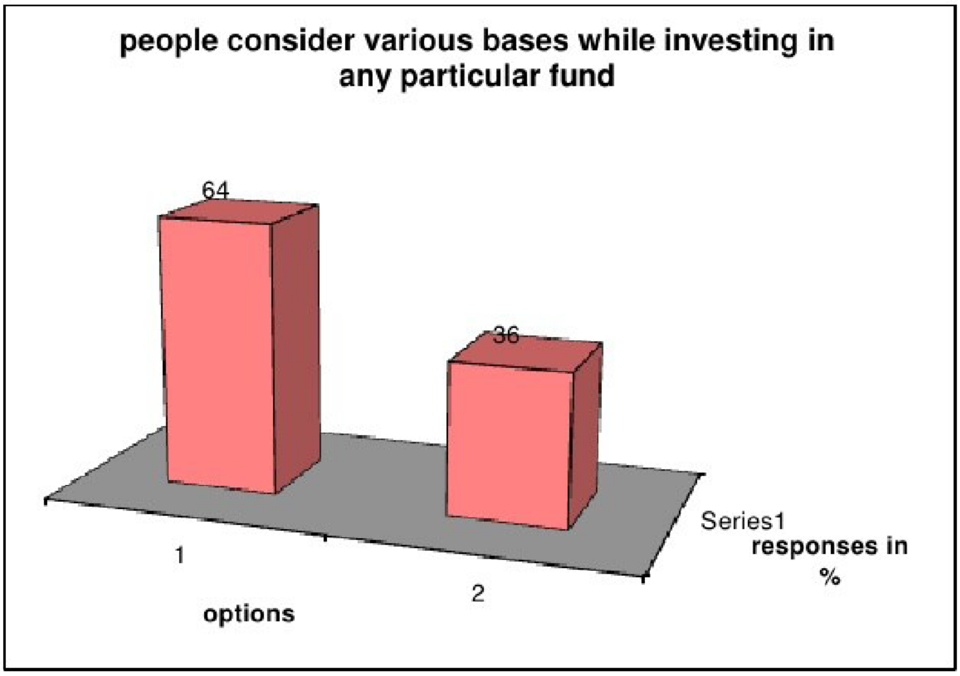
PEOPLE CONSIDERS VARIOUS FACTORS WHILE INVESTING IN MUTUAL FUND

Options	Responses	Percentages (%)
Returns	49	49
Tax saving	26	26
Liquidity	16	16
Risk free	9	9



<u>PEOPLE CONSIDER VARIOUS BASES FOR INVESTING IN ANY PARTICULAR FUND</u>

	RESPONSES	*RESPONSES IN %*
Past performance of fund	*64*	*64*
Portfolio of fund	*36*	*36*



CONCLUSION

The end of millennium marks 44 years of existence of mutual funds in this country. The rid, through these 44 years is not been smooth .Investors opinion is still divided .while some are for the mutual funds others are against it.

Mutual Funds (MF) have become one of the most attractive ways for the average person to invest his money. It is said that Bank investment is the first priority of people to invest their savings and the second place is for investment in Mutual Funds and other avenues. A Mutual Fund pools resources from thousands of investors and then diversifies its investment into many different holdings such as stocks, bonds, or Government securities in order to provide high relative safety and returns. . Also generate leads of the prospective investors in Mutual Funds for the Asset Management Company (AMC)

There are many improvements pending in the field and it has to happen as soon as possible so as to call the MF industry as an Organized and well-developed sector.

RECOMMENDATIONS

1. Tapping the upcoming market - Semi Urban Market as there is a lot of opportunity. Most of the Mutual Funds are operating in the metros and big cities as per their present branch office locations. If they have to increase their market size they have to open more distribution centers at the various urban and semi-urban markets.
2. To create the awareness about the different products of Mutual Fund and not about the generic product. Various respondents were not aware of the mutual fund products and the type of mutual fund schemes and the risk associated with mutual fund products.
3. To provide some kind of curriculum at the school/college level to create awareness regarding Mutual Fund.