

A Study on Various types of Mutual Fund as an Option of Investment in Market

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Abstract:

Investment is consider as money left aside for difficult phase of life, Thinking about investment is easy but employing your hard earned money in any of the options available in the market is tedious job. This is because there are ample of investment options available in the market which attracts individual with various rates of return policies. The question is not about investing in equity shares, debentures, bonds, fixed deposit, recurring deposits, post office saving, insurance policy etc all that matters is which options fetches you real appreciation on capital invested. All that is important here is if individual is firm and choose the option of investing in mutual fund he/she has to analysis the various options that are under mutual fund. Taking this concept research work was carried out to know various types of mutual fund investment options available in the market. The paper also tries to evaluate the real benefits that could be drawn out by investing in various mutual fund schemes.

Keywords: Mutual Fund, Benefit, Risk, Schemes etc

Introduction:

Investment is basically considered as monetary assets which are purchased in present with the objective of selling it in future at high price and earn profit with the differences. Investment is a tool of creating wealth for investor. But creating wealth is not easy because in order to gain capital appreciation the investor has to go through various schemes or options that are available in the market. While going through these options of investment investor may face various dilemma regarding which option to select, how to select, whether it will fetch returns or not etc. Moreover if investor any how manages to identify and select few option of investment then he faces difficult of maintaining stability to keep a keen and continuous eye on track record of investment. So, here comes the role mutual funds, these

are one of those investment where investors money is pooled up and invested in various option or scheme available in the market consisting of low to high risk appetite. Mutual fund consist of various options of investment as per the risk bearing capacity of the investor, not only risk bearing capacity but it also avails options as per the amount of money is to be invested. The best part of mutual fund is that investment made here is professionally managed by the financial planners. These financial planner expertise and knowledge about market and investment makes mutual fund popular form of investment as they lessen the burden of individual of keeping continuous track on investment. Thus mutual fund is acclaimed as bunch of investment option which has to be evaluated and selected wisely will yield good returns along with capital appreciation.

Schemes/Options of Investment Offered under Mutual Fund:

Mutual fund is gaining fame as one of the effective, easy and flexible option of investment available for investor. Mutual fund schemes encompass of very large varieties of investment options, but we are mainly focusing on basic and easy option of investment that could be catered to the investors of India. Below is the diagrammatic representation of various categories in which mutual fund schemes are diversified:

Seggregation of Mutual Fund Investment Option



I On the Bases of Structure:

- 1) Open Ended Fund: this is that type of investment option where investment can be made at any point of time along with redemption at any point of time. In sort it is such investment where entry and exit of investment depends upon the will of the investor.
- 2) Close Ended Fund: these are that type of fund where investment could be made only during a stipulated period when offer for investment is open. Apart from that here if ones investment is made then money could be withdrawn only after its maturity period. But to facilities connivance and in urgent need of money investor can trade it and sell it in stock market before maturity period.

II On bases of Cass of Assets:

- 1) Equity Based Fund: As the name suggests these are that type of funds where investor money is invested in equity share of companies. This option of investment involves high risk with high rate of return.
- 2) Debt Based Fund: This is hat investment option which pools the investor money in secured form of investment like debentures, bond or fixed earning assets. This is one of the safest and secured forms of investment with fixed rate of return.
- 3) Hybrid Based Fund: This fund is the combination of equity and debt. Here investment is made in proportion to balance out risk and return.

III On Bases of Risk Bearing Capacity:

- 1) High Risk Based Fund: These are for that investor who has strong appetite to bear high risk aiming to get high returns. This type of funds generally facilities yielding 15% to 20% return on investment. But the investment made is highly volatile.
- 2) Medium Risk Based Fund: This category of fund is the safest of all as it contains the mixture of high yielding returns fund and low yielding return funds. In short it is a portfolio of investment in fixed and unfixed mutual fund (i.e. debt and equity). Majority of investor frames up with medium risk based fund.

- 3) Low risk Based Fund: these are the funds for those investors who are not sure about their investment decisions and they likely are unaware about tactics of working of mutual fund in the market. Basically at the initial stage investor invests his/her money in low risk based fund, ones he/she gains confident investment expands with increasing risk bearing capacity.

IV On Bases of Motive of Investment

1. Earning Income: Investor aiming at receiving continues income on the money invested opt for such kind of fund. Basically the capital is invested in fixed earning securities like debentures, bonds etc. Here investor plays safe as he/she don't want any capital loss.
2. Capital Appreciation: Here investor invests its money in equity based fund to achieve continual appreciation on capital invested. This type of motive is basically done keeping in mind the growth in the capital invested. These funds are high risk bearing fund as investment fetches return only if invested with long term motive.
3. Tax Benefits: there are ample of option available in the market that provides tax benefits ti the investors, mutual fund are one of them. Investor with the motive of availing tax exemption may choose to invest in mutual fund. When the motive is availing tax benefits then investment is made in equity fund as they are under exemption of Income Tax Act. This investment is risky but may fetch good returns if funds do well in the market.
4. High Liquidity: investor who has aim of less timeline of investment and may believe that he/she can make investment only for short term they go for such investment option of mutual fund. The capital here are invested in very short term earning funds like T-bills, Commercial Paper etc that ensure high liquidity with minimal rate of return in short tenure.
5. Retirement: here the investment is made with very long term motive. The investors are sure that he will avail the benefits of return ones he/she is on verge of retirement. The combination of equity and debt fund is employed in order to get stable returns. Such investments are very feasible and high in demand in India.

Availing Benefits from Mutual Fund Investment:

Mutual Fund is gaining popularity in India. Within short span of period the market for mutual fund has expanded inconsiderably. There are ample of benefits that can be traced out ones investment is made in mutual fund. There are ample of benefits of investing in mutual fund few of them are talked below:

1. Returns: Mutual Fund are such type of investment option that come in with various return options i.e. high return, stable return and low return. As discussed above investing in equity based fund with long term motive will fetch high returns, investment in debt based fund will fetch low returns and by investing in balanced fund it will fetch stable return.
2. Variation in options: Mutual fund is a complete basket of vivid investment options. As talked earlier it has various options available in the market keeping in view the type of investor and investment.
3. Feasible and Flexible: investing in mutual fund us very simple there are various financial advisors available in the market who can guide investor in same. It could be either professional or bank that offers various mutual fund options. Moreover investor if having knowledge can invest in mutual fund directly without any intermediaries. Not only investment but withdrawal of investment encompasses simple process.
4. Clear & Transparent: Mutual Funds are easy to understand even by layman. it does not involve any complex formula or statistical calculation that cannot be understood by the investor. Moreover dealing with mutual fund and investing in it is quiet transparent it do not involve any hidden cost or depreciation on investment.
5. Low Cost & Low Budget Investment Option: Mutual fund has proved to be best investment option ranging from small to huge investor. Investment in mutual fund can be started from minimum of 500 Rs up to Corers. Mutual fund is best defined as low cost and low budget investment option because it consists of various options suiting to preference and risk taking nature of investor.

Conclusion:

Investment decisions are not simple to made, its rightly said that all investment approaches cannot fix ones investment decision. It's important for the investor to evaluate his/her need of investment, tenure of investment and risk bearing capacity on investment made. Mutual fund is wide pool of investment

option that tries to encompass all the need of investment of investors. Mutual fund offers various category of investment may it depends on risk bearing capacity, motive of investment, class of assets or structure of investment all of them are easy and feasible options of investment. Thus mutual fund is definitely one of the best forms of investment option. So we can conclude that Mutual fund caters and satisfy the real urge of investment from which ample of investment benefits are traced.

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