

DEPARTMENT OF COMMERCE AND FINANCIAL STUDIES
BHARATHIDASAN UNIVERSITY
TIRUCHIRAPPALLI – 620024
MBA (Financial Management)

Course Code: COMMNO1/24

Course Name :Mutual Fund

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Scheme of Presentation

UNIT-I

- **Parameters of the Indian Economy**
- **Investment Landscape Overview**
- **Risk Measure and Management Strategies**
- **Different Asset Classes**
- **Behavioral Biases in Investment Decision Making**
- **Classification of Investment Risks**

Parameters of the Indian Economy

Gross Domestic Product (GDP):

GDP is the total monetary value of all goods and services produced within the country's borders in a specific time period.

India is one of the world's largest economies, with a GDP that has been steadily growing over the years, albeit with fluctuations.

Inflation Rate:

Inflation measures the rate at which the general level of prices for goods and services is rising.

The Reserve Bank of India (RBI) sets inflation targets to maintain price stability, typically aiming for a range of 2-6%.

Fiscal Deficit:

A fiscal deficit is the difference between the government's total expenditure and its total revenue, excluding borrowings.

It indicates the extent to which the government needs to borrow to meet its expenses, affecting the country's overall debt and fiscal health.

Current Account Deficit (CAD):

CAD reflects the difference between a country's savings and its investment.

A high CAD can indicate that a country is spending more on imports of goods and services than it is earning through exports, potentially leading to a reliance on external financing.

Foreign Exchange Reserves:

Foreign exchange reserves refer to the foreign currency and other assets held by the central bank of a country.

Parameters of the Indian Economy

Unemployment Rate:

Unemployment rate measures the percentage of the labor force that is unemployed and actively seeking employment.

India faces challenges related to unemployment, including underemployment and a significant proportion of the workforce engaged in the informal sector.

Interest Rates:

Interest rates, set by the Reserve Bank of India (RBI), influence borrowing costs, investment decisions, and overall economic activity.

The RBI uses interest rate policies to manage inflation, stimulate economic growth, and maintain financial stability.

Industrial Production Index:

The Index of Industrial Production (IIP) measures the performance of various industrial sectors in the economy, including manufacturing, mining, and electricity.

It provides insights into the growth and performance of the industrial sector, a key contributor to India's GDP.

Trade Balance:

Trade balance reflects the difference between the value of a country's exports and imports of goods and services.

India has been striving to improve its trade balance by promoting exports and reducing imports, aiming for a more favorable balance of trade.

Ease of Doing Business Index:

The Ease of Doing Business Index ranks countries based on the regulatory environment and ease of doing business within their borders.

India has been undertaking reforms to improve its ranking, aiming to attract more investment and foster entrepreneurship.

Investment Landscape Overview:

The investment landscape refers to the broad spectrum of investment options available to individuals and institutions.

It encompasses various asset classes such as stocks, bonds, real estate, commodities, and alternative investments like hedge funds and private equity.

Factors influencing the investment landscape include economic conditions, geopolitical events, technological advancements, and regulatory changes.

Characteristics of the Investment Landscape:

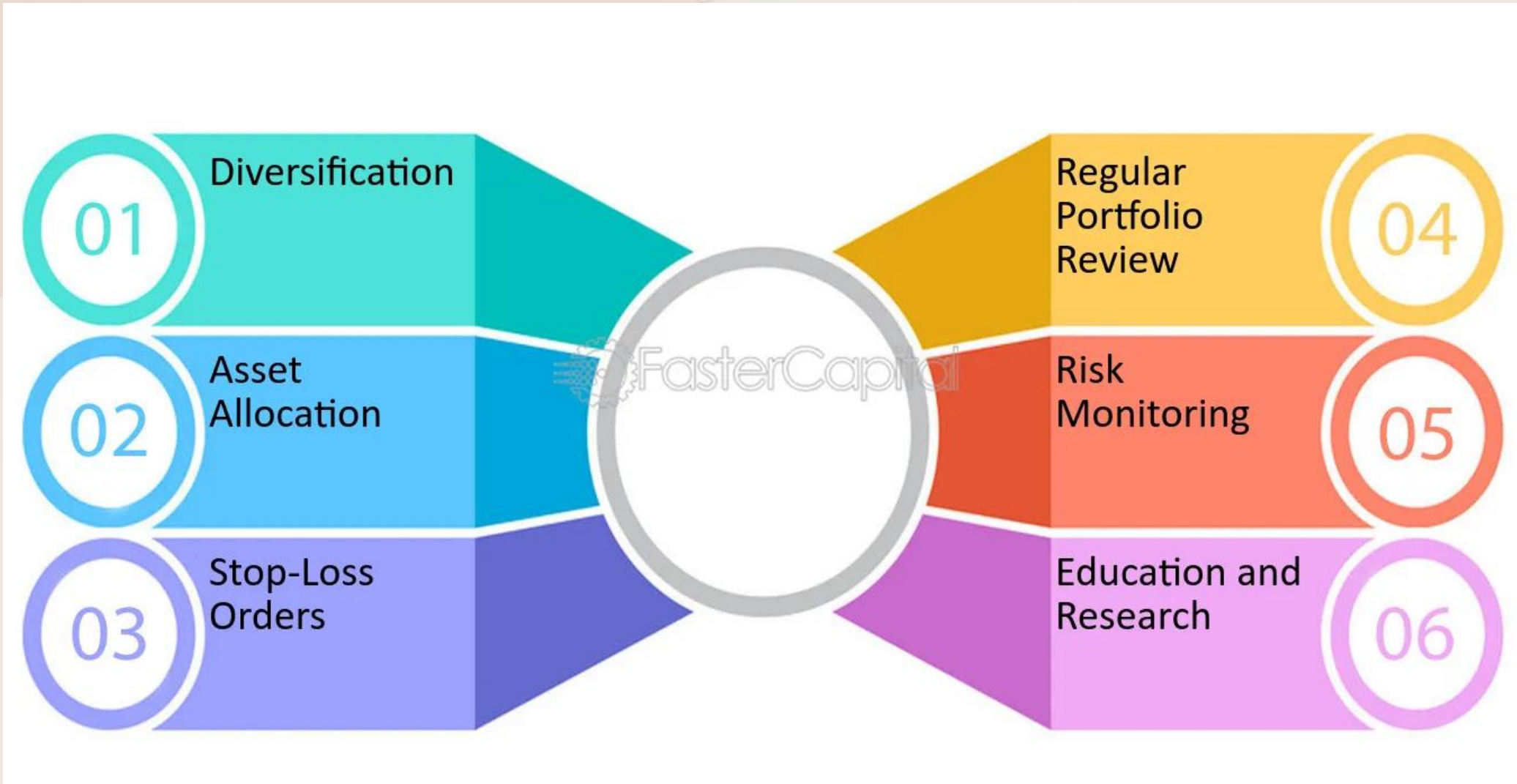
Diversity: Offers a wide range of investment options catering to different risk appetites and investment goals.

Volatility: Markets can experience fluctuations due to various factors, presenting both risks and opportunities for investors.

Globalization: Investments are not confined to domestic markets, with opportunities available in international markets as well.

Accessibility: Advancements in technology have made investing more accessible to a broader range of investors through online platforms and mobile apps.

Risk Measure and Management Strategies:



Different Asset Classes:

Equities (stocks): Ownership shares in a company, offering potential for capital appreciation and dividends.

Fixed Income (bonds): Debt securities issued by governments or corporations, providing regular interest payments and return of principal.

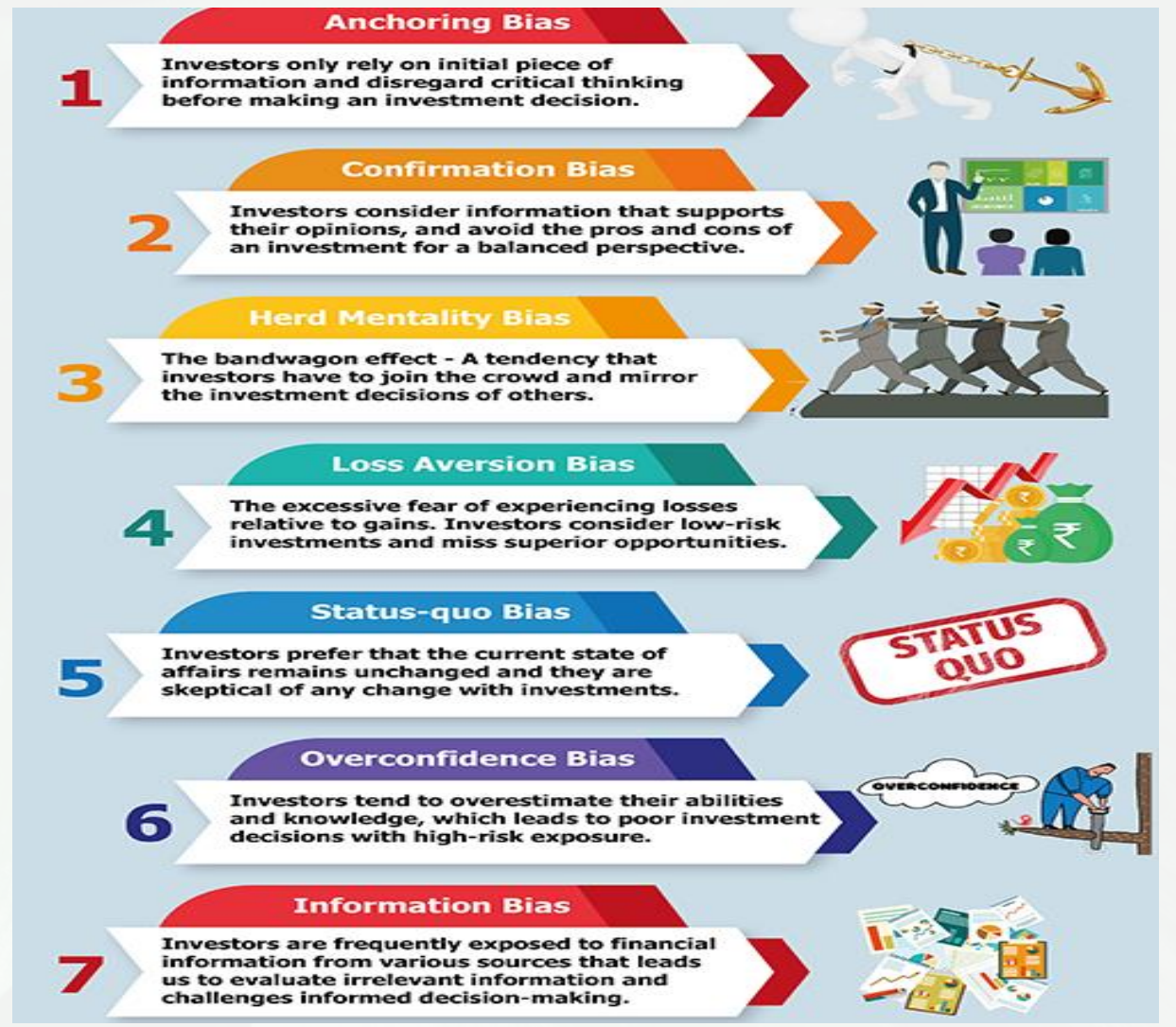
Real Estate: Physical property or land, offering potential for rental income and capital appreciation.

Commodities: Raw materials or primary agricultural products, including precious metals, energy, and agricultural goods.

Alternative Investments: Hedge funds, private equity, venture capital, and derivatives, offering diversification and potentially higher returns but often with increased risk.

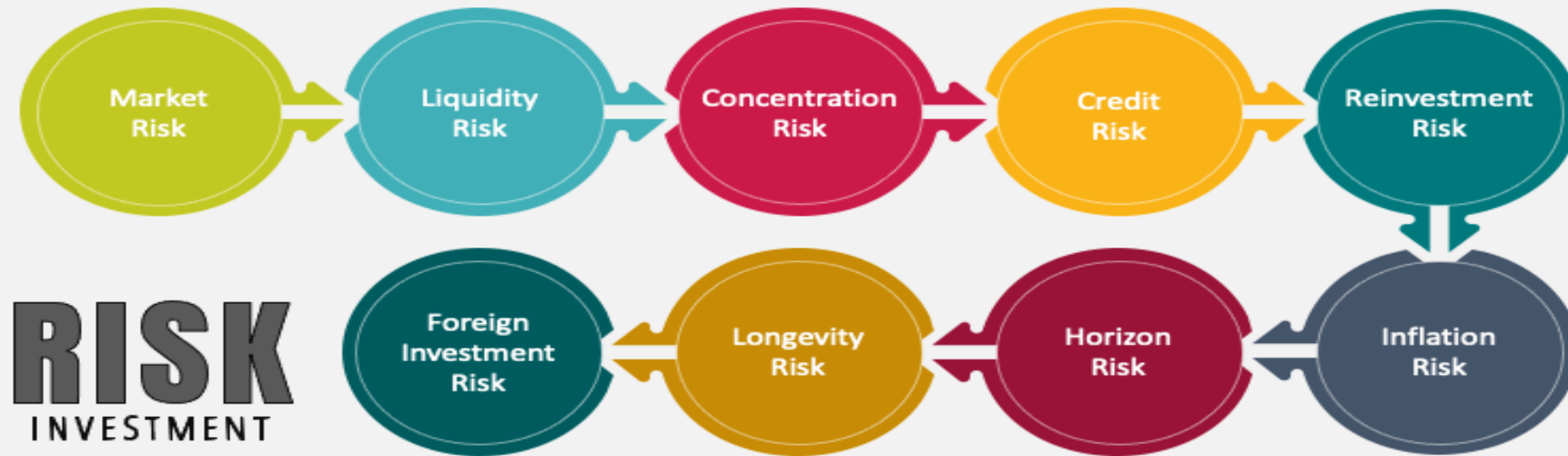


Behavioral Biases in Investment Decision Making



Classification of Investment Risks:

Investment Risk



Comparison between Do-it-yourself and Taking Professional Help:

DIY Investing: Investors manage their own portfolios, conducting research and making investment decisions independently. It offers flexibility and cost savings but requires time, knowledge, and discipline.

Professional Help: Investors delegate investment decisions to financial advisors or portfolio managers, benefiting from their expertise and personalized advice. However, it may involve fees and potential conflicts of interest.

Role of Mutual Funds:

Mutual funds are investment vehicles that pool money from multiple investors to invest in a diversified portfolio of securities, managed by professional fund managers.

They offer diversification, liquidity, and professional management, making them attractive to individual investors who may lack the time or expertise to manage their own portfolios.

Mutual funds come in various types, including equity funds, bond funds, money market funds, and hybrid funds, catering to different investment objectives and risk profiles.

They provide access to a wide range of assets and investment strategies, allowing investors to tailor their portfolios according to their preferences.



Benefits of Mutual Funds:

Diversification: Investors can achieve diversification even with a small investment by participating in a mutual fund that holds a diversified portfolio of securities.

Professional Management: Experienced fund managers make investment decisions on behalf of investors, aiming to achieve the fund's stated objectives.

Accessibility: Mutual funds are widely available through various channels, including brokerage firms, banks, and online platforms, making them accessible to a broad range of investors.

Affordability: Investors can start with relatively small amounts, making mutual funds an affordable option for those with limited capital.

Challenges and Risks:

Fees and Expenses: Mutual funds charge fees and expenses, including management fees and operating expenses, which can reduce overall returns.

Market Risk: Mutual funds are subject to market fluctuations, and the value of investments can rise or fall based on market conditions.

Manager Risk: The performance of a mutual fund heavily relies on the skills and decisions of the fund manager, which introduces manager risk.

Liquidity Risk: While mutual funds offer liquidity, some funds may invest in less liquid assets, which can pose challenges during market downturns or in times of high redemption requests.

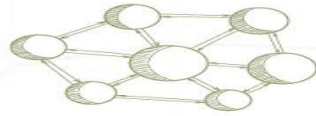
Growth of the Mutual Fund Industry in India



- The Mutual Fund industry in India started in 1963.
- 1st Mutual fund scheme was launched in 1964.
- From a mere AUM of ₹25 Crores it scaled to ₹6,700 Crores in 1988.

01

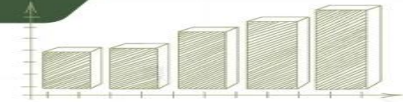
1964-1987



1987-1993

02

- Entry of public sector mutual funds set up by PSU banks, LIC and General Insurance Corporation in 1987.
- Industry's AUM stood at ₹47,004 Crores by end of 1993.



- Entry of private sector mutual funds leading to an increase in mutual fund houses.
- The SEBI (Mutual Funds) Regulations of 1993 were replaced by a comprehensive set of regulations in 1996.
- By the end of Jan'03, the AUM has skyrocketed to ₹ 121,805 Crores with 33 mutual houses managing them.

03

1993-2003

2003-2014

04

- This phase is noted as the phase of "consolidation" due to M&As.
- It was also marred by the global melt-down
- The Industry lost 17% of its AUM due to the 2008-09 global crisis.
- In March 2014, the AUM doubled to ₹824,250 Crores from ₹417,300 Crores in March 2009.

- The Industry's AUM crossed the milestone of ₹10 Lakh Crore on 31st May 2014.
- In less than 4 years, AUM doubled & crossed ₹ 20 lakh crore in August 2017.
- The Industry AUM currently stands at ₹ 24.25 Lakh Crore spread over 8.38 crores folio accounts across 40+ Mutual Fund houses*.

05

2014-Now





Future Trends and Developments:

Technology Integration: Continued integration of technology, including artificial intelligence and machine learning, is expected to enhance investment processes and decision-making within mutual funds.

ESG Investing: Growing emphasis on environmental, social, and governance (ESG) factors is likely to influence the investment strategies of mutual funds, reflecting broader societal and investor preferences.

Regulatory Changes: Ongoing regulatory developments, both domestically and internationally, may impact the operations and offerings of mutual funds, requiring adaptation and compliance by fund managers.

Rise of Passive Investing: The popularity of passive investing through index funds and exchange-traded funds (ETFs) may influence the competitive landscape for actively managed mutual funds, leading to fee pressures and changes in fund structures.

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Thank you

Risk Measure and Management Strategies: - Google Search

<https://mutualfund.adityabirlacapital.com/blog/growth-of-mutual-fund-industry-in-india>

How the mutual fund industry made new records in the financial year 2021-22 (moneycontrol.com)

Indian economy: 2023 wrapped (orfonline.org)

The Top Indicators for India's Economy (investopedia.com)

[PDF] Behavioral Finance Biases in Investment Decision Making | Semantic Scholar

Reference