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GROWTH ORIENTED EQUITY DIVERSIFIED MUTUAL FUND SCHEMES IN INDIA

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Abstract- In the year 1963, with the formation of Unit Trust of India the mutual fund industry in India was started. This led to growth of mutual fund industry in India and as growth of companies from 1 to 42 companies in number. These mutual fund companies gave wide investment choice for the new investors with the wide variety of schemes. Also this wide variety of funds equity diversified fund is considered as substitute for direct stock market investment. Finally, careful evaluation using appropriate performance measures will lead the new investor in selecting the best funds.

Keywords- Equity diversified mutual fund.

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Introduction

Mutual Fund schemes are the best tools for long term wealth creation. The main challenge is to identify good and top performing mutual fund schemes, which can help you in achieving your financial goals. Various companies are having hundreds of mutual fund schemes, which are available in the market. Also, there are a plethora of new fund schemes which keep hitting the market. Identifying best mutual fund for long term investment is not an easy task. Investment advice to common man can sometimes sound repetitive. If you want to save, tax or get regular income in retirement, mutual fund schemes are by far the best investment vehicles to reach these goals. These schemes, offer everything, which an investor seeks: low charges, ease and flexibility of investment and withdrawals, diversification, lower taxes, transparency of investments and tight regulation [1-3].

Classification by maturity period

A mutual fund schemes can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

Open-ended scheme or fund

An open-ended fund or scheme is one, which is available for subscription and repurchase on a continuous basis. Open-ended scheme or fund does not have a fixed maturity period. Investors can conveniently buy and sell units with related prices, which are declared on a daily basis. The main feature of open-end schemes is liquidity.

Close-ended scheme or fund

A close-ended scheme or fund has a stipulated maturity period e.g., 5-7 years. Close-ended scheme or fund is open for subscription only during a specified period at the time of the launch of the scheme. Investors can invest in the close-ended scheme or fund at the time of the initial public issue; and thereafter they can buy or sell the units of the scheme on the stock exchanges. In order to provide an exit route to the investors, many close-ended scheme or fund give an option of selling back the units to the mutual fund through periodic related prices. These close-ended scheme or funds schemes disclose generally on a weekly basis.

Classification of schemes by investment objective

According to the investment objective, schemes can also be classified as income scheme, growth scheme, or balanced scheme. These schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

Growth oriented or Equity oriented schemes

The aim of growth oriented or equity oriented schemes are to provide capital appreciation over the medium to long- term. These schemes normally invest a major part of their corpus in equities. These funds have comparatively high risks. Such schemes provide different options to the investors like capital appreciation, dividend option. The investors may choose an option, depending on their own preferences. The investors must indicate the option in the application form. The growth oriented or equity oriented schemes also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

Income oriented or Debt oriented scheme

The aim of income oriented or debt oriented scheme is to provide regular and steady income to investors. These schemes generally invest in fixed income securities such as corporate debentures, Government securities, bonds, and money market instruments. These funds are less risky compared to equity schemes. Such funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. However, in income oriented or debt oriented scheme long term investors may not bother about these fluctuations [4-7].

Conclusion

The tremendous growth in mutual fund schemes in India has led to a challenge before the investors in selecting the best performing schemes. Thus, it can be concluded that careful choice of mutual fund schemes in India after evaluating their associated return and risk using suitable measure will surely provide the investor with attractive return.

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