MUTUAL FUNDS: DEFINITION, MEANING, HISTORY, ADVANTAGES, AND FEATURES

DEFINITION OF MUTUAL FUNDS

- A mutual fund is an investment vehicle that pools money from various investors to purchase securities. It is managed by professional fund managers and aims to generate returns for investors through diversified investments.

MEANING OF MUTUAL FUNDS

- Mutual funds allow individuals to invest in a wide range of assets without directly buying securities. Investors buy units or shares in the mutual fund, and their money is collectively used to purchase assets such as stocks, bonds, and other instruments.

HISTORY OF MUTUAL FUNDS IN INDIA

- • 1963: Introduction of mutual funds in India by the Government of India and RBI.
- • 1987: Public sector mutual funds launched by public sector banks.
- • 1993: Entry of private sector mutual funds, bringing competition.
- • 1996: SEBI introduced Mutual Fund Regulations, increasing transparency and investor protection.
- • Present: Mutual funds are a popular investment avenue with various fund options and wide investor participation.

ADVANTAGES AND DISADVANTAGES OF MUTUAL FUNDS

- Advantages:
- • Diversification – Reduces risk by investing in various assets.
- • Professional Management – Managed by experts.
- • Liquidity – Easy to buy and sell.
- • Accessibility – Small initial investment.

- Disadvantages:
- • Market Risk – Returns are not guaranteed.
- • Costs – Management fees and expense ratios apply.
- • No Control – Investors rely on fund managers' decisions.

FEATURES AND OBJECTIVES OF MUTUAL FUNDS

- Features:
- • Pooled Investment – Collective investment of funds.
- • Professional Management – Fund managers handle investments.
- • Transparency – Regular disclosures and NAV updates.
- • Flexible – Various types to suit different investor needs.

- Objectives:
- • Wealth Creation – Grow investments over time.
- • Income Generation – Provide steady returns through dividends or interest.
- • Capital Preservation – Minimize risk while maintaining steady returns.