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GLOBALISATION AND PRIVATE SECTOR (FOREIGN) MUTUAL FINDS IN INDIA

Introduction

The financial infrastructure has a strong bearing on the process of globalisation of Indian economy. The financial infrastructure signifies financial assets (primary as well as secondary securities), financial markets (Money and capital market) and financial intermediaries (banks & non-bank financial institutions). Thus the financial assets, financial markets and financial intermediaries are three ingredients of the financial system of a country. The financial intermediareis create a link between savers (householders or investiors) and firms (needy). The financial intermediareies including mutual fund institutions provide institutional arrangements to facilitate transfer of resources.

Merchant bankers and mutal funds institutions including Indian Public & Private and Foreign institutions are important players in the capital market. SEBI as granted statutory status in 1992 to protect the interest of investors and promote the development and regulation of securities market. As mutual fund controlled serveral crores worth of investment, the SEBI introduced SEBI (Mutual Funds) Regulations of 1993 to ensure that fair competition exists in the mutual fund indsutry and that competition brings about tangible benefits to the investors by way of improvement in product quality, customer service, investment performance etc.

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Indian Corporate and Mutual fund

Corporate sector of India raises funds through internal and external sources. A growing number of companies in India are accessing the securities market rather than depending on loand and advances from financial institutions and banks. Indian corpotate sectors directly prefer equity & debt under direct financing while they get loans from banks indirectly. The internal sources include retained earnings and depreciation while external sources consist of capital makret, banks/institutional borrowings and current liabilities and provisions. Further in the external sources the share of capital market where mutual finds are invested has been significant; as a result several public sector banks/financial institutions/private sectors have set up mutual fund wing.

The concept of mutual fund is relatively new to Indian capital market. The public sector mutual funds were only confined to the urban areas. Now with competition, they also opened up more and more schemes for rural semi-urban areas also. With an increase in competition, services to customers, nature of schemes offered and marketing strategies are bound to increase. The main function of mutual fund industry is to mobilize the savings from general public and invest them in stock market securities. Mutual funds initially attracted strong investors support and showed significant progress. In this order the Unit Trust of India, the first mutual fund institution in India established in Feb 1964 under ITI Act 1963, has strong investors support. Mutual Fund institutions provide attractive investment opportunites throguh issue of units and shares under various schemes. The fund so mobilized by mutual fund institutions are invested largely in corporate securities with a view to earning maximum return to primary investors.

Mutual Fund Schemes

They are broadly classifed into three categories Open-end, Close-end and Interval scheme. Closs-end Scheme: Under this, the corpus of the fund and its duration are prefixed. After the expiry of the fiexed period the entire corpus is disinvested and the proceeds are distributed to the unit holders in proportion to thier holding.

Open-end Scheme: it is just opposite of close-end-schme. The size of the fund and the period of fund are not predetermined. Investors are free to buy and sell any number of units at any point of time. Interval Scheme: In an interval scheme units are sold and repurchased for a fixed period at specified intervals.

Sub Classifications of schemes according to the investment objectives are : Growth schemes, Income schemes, Tax-saving schemes, balanced schemes and money market fund.

Table-I reveals the number of mutual fund schemes introduced by different mutual fund institutions during the peirod from 1996 to 2001. There are six types of mutual fund institutions 1) UTI, 2) Bank-Sponsored Fund, 3) Financial Institutions-Sponsored funds, 4) Joint Ventrue Private sector funds (Predominantly foreign), 5) Joint Venture private sector fund (Predominantly India) and 6)Indian private sector funds. It is understood that the UTI alone accounted for around 34% of schems available during the study peirod. It is clear that the foreign sponsored institutions also intrdouced a variety of schemes to attracat all classes of ivnestors. The numebr of schemes introduced a variety of schemes to attract all classes of investors. The number of schemes introduced by foreign sponsored institutin in 1999 was only 2, which was increased to 61 in 2001. All amounts moblized so were invested in different securities of Indian corporate sector.

Net Asset Value of Mutual Fund

The most important financial indicator in case of mutual funds is the Net Asset Value (NAV). A mutual fund has assets consisting of various securities. The investors always want to konw the performance of their investment through mutual funds. NAV indicates the return of mutual fund scheme. Net assets is the sum total of the market value of all investments plus accrued income

minus the liabilities and expenses for a given scheme. The number of out standing units under a scheme should divide the aggregate of this amount.

Net asset value of mutual fund schemes during 1996-2001 is given in Table-II. It is understood from the Table that foreign sponsored mutual fund institutions in India have been responsible for NAV ranging from `1.06% in 1996 to 13.51% in 2000. This indicates that the performacne of foreign-Sponsored mutual fund outnumbered all, other than UTI. However, this trend has changed as there was a sudden fall (5.80%) in 2001.

Conclusion

The schemes introduced and NAV held by foreign sponsored mutual fund institution grow at a faster rate over the years thant hat of other institutons. It is a good sign to investors as foreign sponsored mutual fund institutions create wider opportunities for investment. Mutual fund is invested in the securities, which help the corporate sectors to fulfill its funds requirement. It is clear from the above analyses that foreign sponsored mutual fund performs well in the mutual fund service to the Indian corporate sector. This clearly evidences that mutual fund is a good mean for the use of global fund by Indian corporate sectors.

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