Financial markets perform a crucial function in the financial systems as facilitating organizations. The two key financial markets are the money market and the capital market. The money market is created by a financial relationship between suppliers and demanders of short-term funds which have maturities of one year or less. The capital market is a financial relationship created by a number of institutions and arrangements that allow suppliers and demanders of long-term funds (i.e. funds with maturities exceeding one year) to make transactions. It is a market for long-term funds. The backbone of the capital market is formed by the various securities exchanges that provide a forum for equity (Equity market) and debt (Debt market) transactions.

Financial instruments include both primary instrument, such as receivables, payables and equity securities, and derivative instruments, such as financial options, futures and forwards, interest rate swaps and currency swaps.

The Indian economy is under transition on account of the ongoing structural adjustment programme and liberalization. Mutual funds as an efficient allocator of resources play a crucial role in this transitional period. The social, psychological and economic fundamentals which have a strong bearing on the success of mutual funds are often missing in the marketing strategies and investment techniques of the funds. Mutual fund is a trust that pools the savings, which are then invested in capital market instruments such as shares, debentures and other securities. It works in a different manner as compared to other savings organizations. As most, if not all, capital market instruments have an element of risk, it is very essential that the investors have a clear understanding of how a mutual fund operates and what are its advantages as well as limitations.
The present research was undertaken to look into the marketing problems of mutual funds as a financial instrument primarily from the point of view of small investors, who generally lack expertise to invest on their own in the securities market and prefer some kind of collective investment vehicle, which can pool their marginal resources, invest in securities and distribute the returns there from among them on co-operative principles.

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