CHAPTER I

THE RESEARCH DESIGN
STATEMENT OF THE PROBLEM

In recent years there has been a phenomenal change and development in the Capital Market. The year 1992 witnessed the outbreak of mega multi-crore securities scam and the emergence of mutual funds. With regard to mutual funds, the private sector mutual funds and money market mutual funds have overhauled and constituted new dimensions to mutual funds' structure. As such, the mutual funds play an important role in mobilising savings of the public for industrial development.

Mutual funds are specialised investment financial institutions, and their need for industrial development in the country has been receiving the attention of the planners. Mutual funds are considered as the most suitable dimension in the capital market to mobilize public savings. This dimension of capital market combines the merits of both central financial institutions and Portfolio Managers and also acts as a balancing factor in the capital market. Mutual funds are not species within the institutional capital structure, but they are independent group of organizations having common pool of funds for mutual and common benefit.

PROBLEM TO BE INVESTIGATED

The problem to be investigated would depend upon the objectives to be achieved. The principal objective of the study is to examine the working of mutual funds, its structure and operations. The operational activities to be examined are many-sided and can be identified only when a deliberate attempt like this is made at micro-level. The aspects examined in the study are: various schemes of mutual funds, their face values, net asset values, investment portfolio, profit on investment, reissue price, trading price, price-
earning ratio etc. This study particularly examines the market value of investments in equity shares, debentures, bonds and other investments.

Thus all these factors have prompted to take up this issue "Mutual Funds in India - A Case Study of Canbank Mutual Fund".

REVIEW OF LITERATURE

The scope for a detailed study on the working of mutual funds is limited. The overview of literature on the subject of mutual funds summarises the working system and status of mutual funds and to some extent it gives scope for research on the subject. The review of pertinent literature on the subject reveals the following observations:

Bhole, L.M. (1993)\(^1\) studied the financial institutions and markets. He emphasised on the structure, growth and the innovations in the market. His study also deals with mutual funds, call money market, discount market etc.


Gupta, U.L. (1972)\(^3\) studied on the working of stock exchanges in India. He is of the view that a well organized and efficiently run stock exchange is expected to cover a free and fair market for shares and securities and facilitate the provision of new capital for industrial and other borrowers.

Sharma, K.S. (1969)\(^4\) studied the institutional structure of capital market in India. He observed in his study that the subject has been found to be highly sensitive and dynamic. He examined the role of capital market in underdeveloped countries.
Srivastava, R.M. (1984) prepared a treatise on the latest tools and techniques relating to different dimensions of financial institutions and operational practices of financial institutions in India.

Mehta, M.S. (1992) made a detailed study on OTCEI and its features, listing, constituents, buying, selling, transfer of shares etc.

Naresh Kumar (1992) investigated on 'Insider Trading Regulations'. He examined the changes in capital market, legislations in other countries and in India. He observed that Insider Trading is widely prevalent in the stock exchanges of India and with the entry of mutual funds, the practice has received fresh impetus.

Venugopalan, S. (1992) studied on mutual funds and identified the advantages of mutual funds to the investors, portfolio classification, and procedure for floating of mutual funds and operation of mutual funds.

Narayanaswamy, T.V. (1992) examined the legal and administrative aspect of Capital Issue Control. He observed that there is a real necessity, if the Government is serious in protecting, for some authority to assess the proposed issue.

The editorial of a Chartered Accountant (1992) commented on guidelines for Foreign Institutional Investment. It remarks that foreign investment in India's already volatile capital market will make the market deeper and wider.

Sircar A.K. (1992) in his article on 'OTCEI - towards a floorless exchange' studied its importance on the ground that traditional stock exchanges have become ineffective as small investors and small scrips cannot have the effective liquidity in the market.
Sharma, N.A.K. (1993)\textsuperscript{12} studied and made a deep analysis on 'stockinvest' scheme. He pointed out that in its nascent stage the new scheme is not without some irritants.

Sahu, R.K. (1992)\textsuperscript{13} made a critical review of mutual fund regulations. He examined SEBI and Mutual Fund regulations, norms of Money Market Mutual Funds, lacunae in present provisions and the limitations of mutual funds.

Hemendra Seth (1994)\textsuperscript{14} opines that the declining interest rates, reduced depreciation rates and reduction in corporate tax combined with recovery of economy are going to make funds pour into the capital market.

Mark Bullough (1992)\textsuperscript{15} comments "India, becoming the world's largest capital market".

Sinha, S.L.N. (1994)\textsuperscript{16} felt the need to strengthen SEBI to bring about proper development of the capital market and to ensure fair practices and reinforce investor confidence.

Ramgopal M. Dujodwala (1992)\textsuperscript{17} said that the economic reforms have increased the morale of the investing public and even the smallest investor wants to invest in stock market.

Mythili Bhusnurmath and Prakash Somayaji (1993)\textsuperscript{18} are of the opinion that the entry of more mutual funds will result in more sophistication in the Indian capital market.

Nadkarni, S.S.(1994)\textsuperscript{19} said that he wanted to create a paradigm shift in the systems operating in the capital market.
Sahu, M. and Jena R.K. (1992)\textsuperscript{20} studied investors' perception to different mutual fund schemes and they found in their study that yield and safety are the predominant concerns of the Indian investors.

Lal, C. and Sharma, S. (1991)\textsuperscript{21} studied the performance of mutual funds and suggested that a comprehensive legislation is essential to check the creeping distortions and to ensure their healthy growth.

Sharma, N.L. and Sarkar, A.K. (1992)\textsuperscript{22} are of the view that the guidelines for foreign financial institutions, opening the door of Indian capital market to foreign investors is a major effort towards the globalisation of Indian capital market.

Kulshrestha, C.M. (1993)\textsuperscript{23} said that the disclosure norms of mutual funds were inadequate but he opined that SEBI regulations would change all that.

Rangarajan C. (1994)\textsuperscript{24} stressed the need for a transparent trading system and timely dissemination of share prices for a healthy growth of the capital market.

**OBJECTIVES OF THE STUDY**

The present study has the following objectives:

1. To examine the recent trends in capital market.
2. To study the growth and development of mutual funds in India.
4. To analyse scheme-wise revenue operations and financial and asset structures.
5. To identify problems and suggest suitable measures.
HYPOTHESES

While making this study the following hypotheses are arrived at:

1. There is a lot of difference between the face value and the net asset value.

2. Market value of investments is higher in respect of various schemes.

METHODOLOGY

The methodology to be adopted for a particular research work would depend upon the objectives of the study and the problem to be investigated. To draw meaningful conclusions from the study and to offer suitable suggestions, a reliable data is essential. To this end, by virtue of the nature of the problem only published data are used. The basic data relating to financial operations from different angles and their performance data are collected primarily from the Canbank Mutual Funds's annual reports, financial statements, Reports on the Currency and Finance, Reserve Bank of India monthly bulletins and from various journals of capital market.

SCOPE OF THE STUDY

In the light of the objectives to be achieved a specific coverage of the problem to be investigated is necessary. The problem is "Mutual funds in India - A Case Study of Canbank Mutual Fund". The study covers to investigate the working of Canbank Mutual Fund. The areas covered include scheme-wise market value of investment, net asset values, investment portfolio and the revenue operations.
TECHNIQUES FOR ANALYSIS

The objectively collected data are classified and arranged in suitable tables. Appropriate statistical techniques are employed for analysis of data to draw meaningful conclusions in a scientific way. For this purpose the following simple statistical tools for analysis of data are applied:

1. **Mean**: It is calculated by dividing the sum total of variables by number of observations. Symbolically it is expressed as follows:

   \[
   \bar{X} = \frac{\Sigma X}{N}
   \]

2. **Diagrammatic presentation**: Diagrams and graphs are used at suitable places for pictorial presentation of data.

3. **Growthrate**: To know the variation annual growth rate is calculated as follows:

   \[
   \text{Growth rate} = \frac{P_1 - P_0}{P_0} \times 100
   \]

   \(P_1\) --- Current Year

   \(P_0\) --- Base year or previous year.

4. **Percentages**

PLAN OF THE STUDY

The thesis has been divided conveniently into six chapters:

- **Chapter 1** formulates the research design.
- **Chapter 2** examines the recent trends in Capital Market.
- **Chapter 3** covers the growth and structure of Mutual Funds in India.
- **Chapter 4** studies Canbank Mutual Fund's per unit performance and results.
- **Chapter 5** studies Canbank Mutual Fund's revenue operations and financial and asset structures.
- **Chapter 6** concludes with findings and conclusions.
IMPORTANCE OF THE STUDY

The significance of the study of Mutual Funds in the present day context of Capital Market cannot be overemphasised. The significance of the study lies in the fact that Capital Market has profound influence on the industrial development in the country. It also brings to light the mechanism of operation of mutual funds, the regulations controlling the Mutual Funds and protection to the small investors. The study also helps in a way to know the efforts of the SEBI to tackle the problem of Capital Market and at the same time to extend protection to the investors. The study of the problem of this nature constitute the most important findings of the role of mutual funds in mobilising the savings of the public. The present investors, prospective investors, financial institutions, planners, academicians and the general public are interested to know the emerging dimension of Mutual funds in the Capital Market. Its value lies in its being not so much a theoretical presentation but a model focusing the attention to the problem with empirical evidence. A summary of findings and conclusions alongwith identified problems gives scope for future course of action in the realm of mutual funds.
REFERENCES


23. Kulshrestha, C.M. *Structural Changes for Mutual Funds At last*, Economic Times, November 7, 1993.