MUTUAL FUNDS AND INVESTMENT SCENARIO-A STUDY AT HDFC BANK, PEHOWA

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INTRODUCTION

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC Bank is headquartered in Mumbai. The Bank at present has network of over 1229 branches spread over 444 town & cities across India. All branches are linked on an online real-time basis. Customers in over 120 locations are also serviced through Telephone Banking. The Bank's expansion plans take into account the need to have a presence in all major industrial and commercial centers where its corporate customers are located as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing/settlement bank to various leading stock exchanges, the Bank has branches in the centers where the NSE/BSE has a strong and active member base.

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Mutual Funds

These days you are hearing more and more about mutual funds as a means of investment. If you are like most people, you probably have most of your money in a bank savings account and your biggest investment may be your home. Apart from that, investing is probably something you simply do not have the time or knowledge to get involved in. You are not the only one. This is why investing through mutual funds has become such a popular way of investing.

TYPES OF MUTUAL FUND SCHEMES

1. **Open-ended schemes**

Open-ended schemes do not have a fixed maturity period. Investors can buy or sell units at NAV-related prices from and to the mutual fund on any business day. These schemes have unlimited capitalization, open-ended schemes do not have a fixed maturity, there is no cap on the amount you can buy from the fund and the unit capital can keep growing. These funds are not generally listed on any exchange.

Open-ended schemes are preferred for their liquidity. Such funds can issue and redeem units any time during the life of a scheme. Hence, unit capital of open ended funds can fluctuate on a daily basis. EG: SBI Bluechip Fund-Growth, Reliance Vision Fund.

2). Close ended schemes

Close-ended schemes have fixed maturity periods (generally ranging from 3 to 15 years). Investors can buy into these funds during the period when these funds are open in the initial issue. These schemes are launched with an initial public offer (IPO) with a stated maturity period after which the units are fully redeemed at NAV linked prices. In the interim, investors can buy or sell units on the stock exchanges where they are listed. Unlike open-ended schemes, the unit capital in closed-ended schemes usually remains unchanged. After an initial closed period, the scheme may offer direct repurchase facility to the investors. The market price of the units could vary from the NAV of the scheme due to demand and supply factors, investors' expectations and other market factors. EG: Franklin India Tax shield 97 & 98, Benchmark Split

Capital Fund Class A.

3). Interval Schemes

These funds combine the features of both open-ended and close-ended schemes where in the scheme is close-ended for the first couple of years and open-ended thereafter. Some schemes allow fresh subscriptions and redemption at fixed times every year (say every six months) in order to reduce the administrative aspects of daily entry or exit, yet providing reasonable liquidity.

Other Schemes

1). Tax Saving Schemes

These schemes offer tax rebates to the investors under specific provisions of the Indian Income Tax laws as the Government offers tax incentives for investment in specified avenues. Investments made in Equity Linked Savings Schemes (ELSS) and Pension Schemes are allowed as deduction u/s 80 C of the Income Tax Act, 1961. In a major break through Section 88 under which the ELSS scheme qualified for rebate, with the maximum amount to be invested in theses schemes was Rs 10000 has been replaced by Section 80 C, which states that investment up to Rs 1 lakh in ELSS Schemes by individuals and HUF's are eligible for deduction under Section 80 C of the Income tax Act, 1961. Investment is subject to a lock-in period of three years from the date of allotment eg :Prudential lCICI Tax Plan, HDFC Tax Saver.

2). Special Schemes

a) Index Scheme

Index schemes attempt to replicate the performance of a particular index such as the SSE Sensex or the NSE 50.

b) Sectoral Specific Scheme

Sector mutual schemes are those mutual funds that restrict their investments to a particular segment or sector of the economy. These funds concentrate on one industry such as infrastructure, heath care, utilities, pharmaceuticals etc. The idea is to allow investors to place bets on specific industries or sectors, which have strong growth potential. The investment of these funds is limited to specific industries like Info Tech, FMCG and Pharmaceuticals etc.

Research Methodology

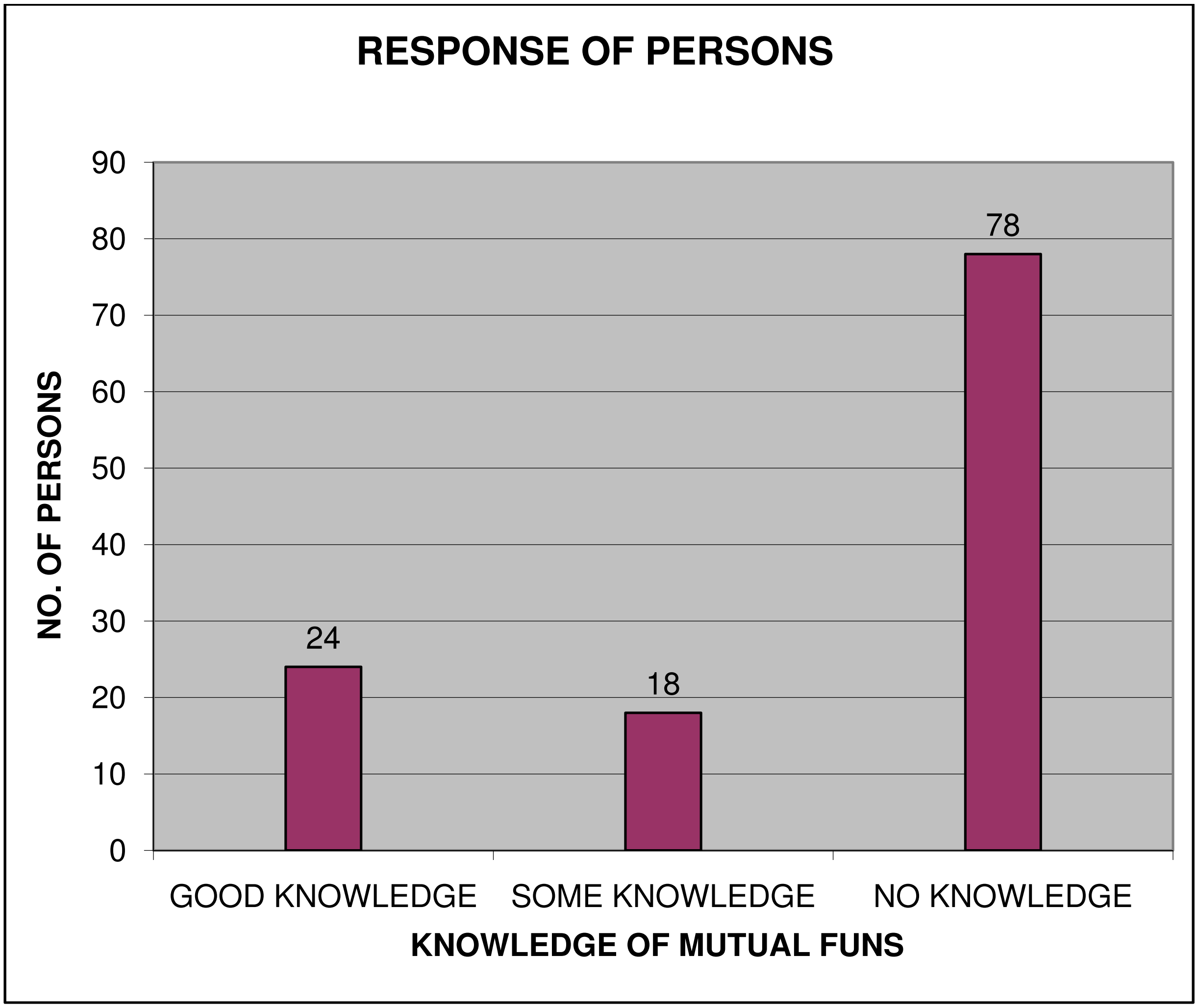
Research Methodology in a way, is a systematic representation of either a research or any other problem. It is a written game plan for conducting the step taken by the researcher in studying the research problem along with a logical background. It is procedure that is followed to solve a particular problem.

It tends to describe the methodology for the solution of the problem that has been taken for the purpose of the study. It focuses on the technique used for the collection, classification and tabulation of the data. It throws light on the research problem, the objective of the study and its limitations. Therefore, in order to solve a problem, it is necessary to design a research methodology for the problem as it may differ from to problem.

Findings of the Study

TOTAL PERSONS CONTACTED = 120

GOOD KNOWLEDGE	24
SOME KNOWLEDGE	18
NO KNOWLEDGE	78



SUGGESTIONS AND RECOMMENDATIONS

- Bank should give all the information to all their potential investor.

- To give following information to the existing investors:-

  a) NAV report of the fund in every month.
  b) Information about portfolio of its funds.
  c) Information about new funds which have been launched by the bank.

- Bank need to give more consideration towards marketing of mutual funds.

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