Customer buying behaviour towards business magazines flashcard

From one player in 1985 the number increased to 8 in 1993. The opening up of the asset mgmt. business to private sector in 1993 saw global players like Morgan Stanley, Jardine Fleming, Allianz Capital along with host of domestic players joined the fray. For equity funds, 1994-96 was the worst in history of MFs. 1999-2000-Year of MF 1999-00 saw immense growth/ developments in the MF sector. It marked the resurgence of MF and regaining of investor confidence.

One of the most significant factors that gave lift to the revival of the funds was the Union Budget brought about a large number of changes in one stroke.

Budget exempted MF income distributed by equity-oriented schemes from tax, both at the hands of the investor as well as the mutual fund end. It provided centre stage to the MF, made them more attractive and provided acceptability. So new schemes were inevitable. The quest to attract investors extended beyond just new schemes.

The funds started to regulate themselves and went all out on winning the trust and confidence of the investors under the aegis of the Association of Mutual Funds of India (AMFI). The Budget placed the MFs at advantage over the banks in attracting retail deposits.

The shift towards MF has become obvious. The traditional saving avenues are losing out. Many investors realize investments in savings a/c are as good as locking up funds at below inflation rate. Fund mobilization trend by MF in the 99-00 indicated that money was going to MF in a big way.

US boasts of a MF asset base that is much higher than its bank deposits. In India, MF assets are 12% of the bank deposits, but this trend is changing. This is forcing banks to adopt concept of ‘ narrow banking’ where deposits are kept in gilts, which improve liquidity and reduce risk.

Though the basic intermediation role of banks cannot be ignored, it is just that MFs have changed the ways banks do business. Banks vs.

Mutual Funds BanksMutual Funds Returns Low Better Admin exp. High Low Risk Low Moderate OptionsLess More Network High Low/ improving Liquidity At a cost Better Asset quality Not transparentTransparent Interest Min bal (10-30) Every day Guarantee None None The asset base is likely to grow at an annual rate of about 30 to 35% over the next few years as investors shift their assets from banks and other traditional avenues.

Some of the older public and pvt sector players will either close shop or be taken over. In the pvt sector this trend has already started with.

But this does not mean there is no room for others. The market will witness a flurry of new players entering the arena. Structure of MF A MF scheme is initiated by a sponsor, which organizes and markets the fund. It pre-specifies the investment objective of the fund, the risk associated, the cost involved in the process and the broad rules for entry into and exit from the fund.

In India most of the sponsors need approval from SEBI. SEBI looks at track record of the sponsor and its financial strength.

The sponsor then promotes the AMC; in which it hold a majority stake. In many cases a sponsor can hold a 100% stake. e. g. Birla Global Finance is the sponsor of the Birla Sun Life Asset Mgmt Company Ltd, which has floated different MF schemes and also acts as the asset manager for the funds collected under the schemes. AMC invests the funds as per the investment objective.

AMC also hires another entity to be the custodian of assets of the fund.

Custodian is also responsible for the receipt of all kinds of cash and non – cash benefits such as bonus, dividends, and rights. The custodian is usually a bank or any other financially sound institution. Many AMCs also hire a registrar and transfer agent which takes care of purchase and sale of the units of the fund, issues certificates / account statements to investors, issues redemption cheques, maintains the register of members, makes dividend payments and handles investor related services like change of address and replacement of lost unit certificates.

The AMC reports to the trustees who have to safeguard the interests of investors in the mutual fund and also ensure compliance with the operations of the fund with SEBI guidelines. They not only monitor performance of the AMC but also oversee operations of the custodian and transfer. Trustees of Mutual Funds The MF is a trust registered under the Indian Trust Act. The trust is administered by a trustee company, which is promoted by the sponsor.

The AMC reports to the trustees who have to safeguard the interests of investors in the MF and also ensure compliance of its operations in line with SEBI guidelines.

The trustees monitor performance of the AMC and oversee the operations of the custodian / transfer agent. Role of Trustees Ensure that AMC has not given any unfair advantage to any associate or dealt with any of their associates in any manner detrimental to interest of the unit-holders. Ensure that AMC has been managing schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or other activities of AMC.

Be accountable for, and custodian of the funds and property of respective schemes.

Review periodically service contracts such as custody and transfer of the securities. Ensure that there is no conflict of interest between manner of deployment of its funds by AMC and the interest of the unitholders. Ensure that the investor complaints are duly redressed by the AMC.

Sebi mandated duties of AMC To maintain proper books of a/c records- Every AMC shall keep and maintain proper books of accounts, records and documents, for each scheme, to explain its transactions and to disclose at any point of time the financial position of each scheme.

It shall follow the accounting policies and standards so as to provide to the unit-holder in a fair and true manner. Limitations on fees and expenses All expenses be identified and apportioned in individual schemes. For scheme launched on a no load basis, AMC shall be entitled to collect additional mgmt fee not exceeding 1% of weekly average net assets o/s in each FY.

It can also charge the MF for expenses- initial launching, marketing/selling expense, agent commission, brokerage, audit fee, trans cost, custodian fees, insurance cost, etc