



RECENT TRENDS IN FINANCIAL MARKETS

**Subject : Commerce IV
SYBCOM**

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Mutual Funds

- It is a financial intermediary.
- Pools savings of investors for collective investments in diversified portfolio of securities.
- The mutual fund is managed by Asset Management Company (AMC).
- AMC is a company formed and registered under the Companies Act, 1956 and approved by SEBI.

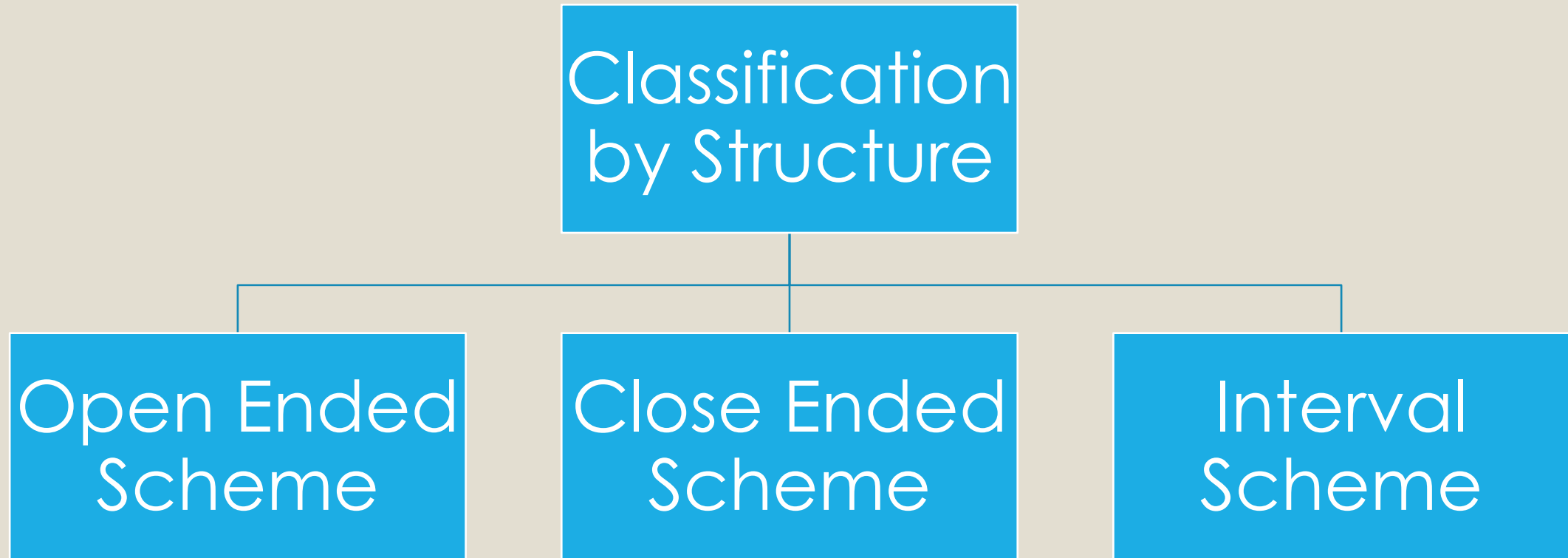
Advantages of MF

- **Professional management**
- **Diversification**
- **Economies of scale**
- **Liquidity**
- **Mobilizes savings**
- **Convenience and flexibility**
- **Tax benefits**
- **Transparency in investment**
- **Stability to stock market**
- **Ancillary services**

Limitations of MF

- Risk factor
- Mutual fund charges
- Lack of professionalism
- Lack of portfolio customization
- Choice overload
- No control over costs
- Problem of strict rules for investment
- Problem of diversified investments

Types of MF



Classification by Nature

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graph TD; A[Classification by Nature] --> B[Equity Fund]; A --> C[Debt Fund];
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Equity Fund

Debt Fund

Classification
by Investment
Objectives

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graph TD; A[Classification by Investment Objectives] --> B[Balanced Scheme]; A --> C[Income Scheme]; A --> D[Growth Scheme]; A --> E[Money Market Scheme];
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Balanced
Scheme

Income
Scheme

Growth
Scheme

Money
Market
Scheme

Geographic Classification

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graph TD; A[Geographic Classification] --> B[Domestic Fund]; A --> C[Foreign Fund]
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Domestic
Fund

Foreign Fund

Other
Schemes

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graph TD; A[Other Schemes] --- B[Tax Saving Scheme]; A --- C[Index Scheme]; A --- D[Sector Specific Scheme];
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Tax Saving
Scheme

Index
Scheme

Sector
Specific
Scheme

Factors Responsible for the growth of MF

- Increase in population
- Movements in global markets
- Mergers and takeovers
- Growth of merchant banking in India
- Role of SEBI
- Growing awareness
- Professional approach of AMC
- Tax Deduction
- Popularity of SIP
- Entry of Private Mutual Funds

Systematic Investment Plan (SIP)

- It is an investment opportunity offered by mutual funds.
- It allows investors to invest small amounts periodically.
- Investment can be made weekly, monthly or quarterly
- A fixed amount of money is debited by the investors in bank accounts periodically and invested in a specified mutual fund.
- The investor is allocated a number of units according to the current net asset value. It encourages disciplined investment.

Advantages of SIP

- Averaging the costs
- Investment in small amounts
- Regularity of investments
- Liquidity
- Flexibility
- Convenience to the investor
- Investment discipline
- Mitigates risk
- Tax free returns
- Compounded returns

Disadvantages of SIP

- Unsuitable for irregular income flow
- Problem of uniform investments
- Insufficient funds

Commodity Market

- It is a market that trades in primary economic sector.
- Buyers and sellers can trade any homogenous commodity in bulk.
- Buyers and sellers can trade a commodity either in Spot Market (Cash Market) or futures market.

Types of Commodity Market

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graph TD; A[Types of Commodity Market] --> B[Hard Commodities Market]; A --> C[Soft Commodities Market]; B --> D[Natural Resources]; C --> E[Agriculture and Livestock]
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Hard
Commodities
Market

Natural
Resources

Soft
Commodities
Market

Agriculture
and Livestock

Start Up

Means an entity incorporated or registered in India

- Not prior to seven years, however for Biotechnology Start Ups not prior to ten years
- With annual turnover not exceeding INR 25 crore in any preceding financial year
- Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Sources of Funding for Start Up Ventures

- Crowd funding
- Venture capital
- Angel investors
- Peer To Peer Lending
- Funding by High Net Worth Individuals
- Funding by foreign firms
- Funding by public sector banks
- Traditional funding from private sources
- Government funding under Start Up Initiative
- Funding by financial Institutions

Micro Finance

- Micro Finance is a term to describe financial services to low income individuals or to those who do not have access to typical banking services.
- This concept was developed by Mr. Muhammad Yunus , The founder of Grameen Bank of Bangladesh and Nobel Prize winner for Economics in 2006.
- In India, the concept of micro finance was introduced in India in 1992 with the launching of SHG – Bank Linkage Programme by NABARD.
- Micro credit is provision of credit to the poor.
- It is one of the elements of micro finance.

Models of Micro Finance

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graph TD; A[Models of Micro Finance] --> B[Self Help Group – Bank Linkage Programme]; A --> C[Micro Finance Institutions];
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Self Help Group
– Bank Linkage
Programme

Micro Finance
Institutions

Role / Importance of Micro Finance

- Women empowerment
- Employment generation
- Economic growth
- Development of skills
- Savings and investment
- Financial inclusion
- Use of local resources
- Social welfare
- Standard of living
- Poverty alleviation

SELF HELP GROUPS (SHG)

- It is a voluntary association of poor, formed for the purpose of social and economic empowerment.
- The SHG may consist of 10 to 20 persons.
- But for minor irrigation projects, there is no limit on number of persons in a group.
- The main objective is generate employment.
- The group members save regularly and transfer their savings into a common fund known as corpus fund.

Role / Functions of SHG

- Formation of the group
- Registration
- Management
- Meetings
- Savings
- Lending
- Record keeping
- Training