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 Structure

- Open Ended Scheme
- Close Ended Scheme
- Interval Scheme
Classification by Nature

- Equity Fund
- Debt Fund
Classification by Investment Objectives

- Balanced Scheme
- Income Scheme
- Growth Scheme
- Money Market Scheme
Geographic Classification

- Domestic Fund
- Foreign Fund
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

- 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

- 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