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Mutual FUNDS VS FD

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Abstract
The Unit Trust of India was founded in 1964, which marked the beginning of the Indian mutual fund industry's journey. Recently, there has been quiet growth in this sector. Both the AUM and the variety of marketed goods have been growing. As of December 2015, there were over 1,000 mutual fund plans available to Indian investors, spanning over 44 fund houses, with an estimated total AUM of '13.46 lakh crores. The introduction of various innovative products to meet the evolving needs of Indian investors has been encouraged by the entry of new companies. It was found that institutional investors dominate the Indian mutual fund market.
The middle class or medium-income group makes up more than 75% of the Indian population. After paying all of their liabilities, those who belong to this group have very little money left over for savings or investments. Due to a lack of disposable money, the nation favours safe investments like fixed deposits.Prior to May 1985, banks were free to choose the interest rates for fixed deposit terms between 15 days and a year. The banks are unable to exceed the upper limit, which was established at 8% annually. This ceiling was taken down in 1985. In India, the fixed deposits were deregulated in 1992. After that, the maturity was not used to determine the FD interest rates. All FDs having a term of 46 days or more are now qualified to receive an interest rate cap of 13%.The RBI entirely deregulated FD interest rates in October 1997. After that, the FD interest rates were independent of bank rates. Commercial banks were permitted to establish the interest rates on FDs and the fines associated with early FD withdrawals at their discretion. Currently, banks are completely free to set the interest rates on their FDs and to provide investors with guaranteed returns.

Keywords
India, Investor, Mutual Fund.

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I. Introduction:

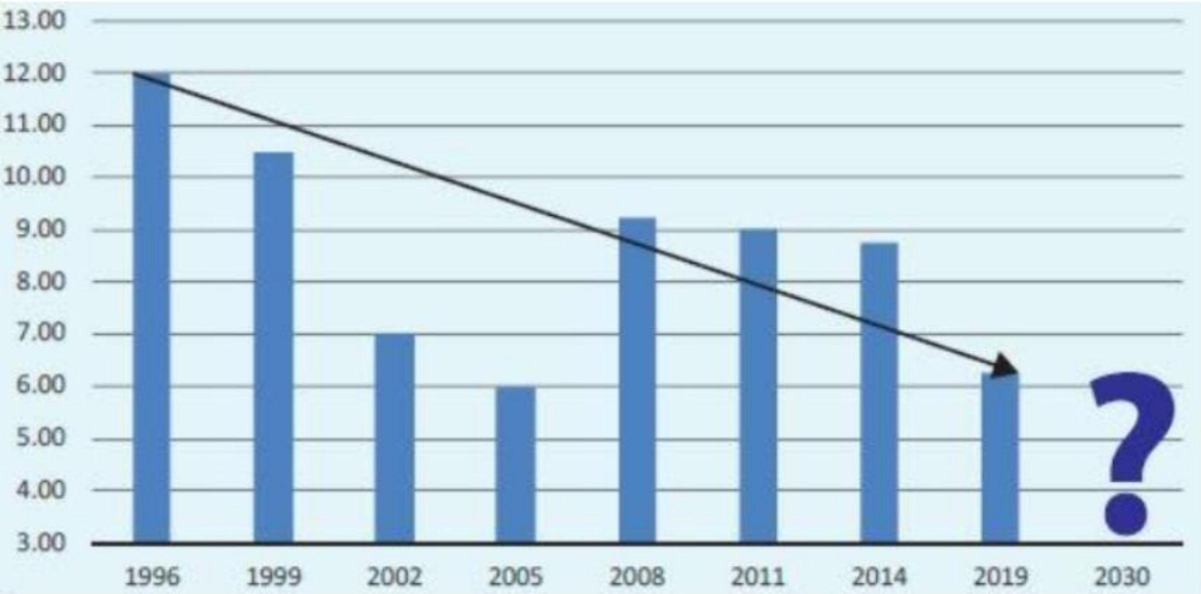
Amutual fund is a professionally managed investment vehicle. Practically one does not invest in mutual fund, but invests through mutual funds. However, we hear of "investing in mutual funds" or "investing in mutual fund schemes." While that is fine for the purpose of discussions, technically it is not correct. As a mutual fund distributor, it is critical to understand the difference between the two concepts.

Mutual fund is a vehicle (in the form of a "trust") to mobilize money from investors, to invest in different markets and securities, in line with stated investment objectives. In other words, through investment in a mutual fund, an investor can get access to equities, bonds, money market instruments and/or other securities, that may otherwise be unavailable to them and avail of the professional fund management services offered by an asset management company.

Mutual Fund	**3 year return**	**5 year return**	**10 year return**
Equity	5%	6-7%	11-13%
Debt	8-9%	8-9%	8-9%

FDs provide investors fixed interest rates for predetermined lengths of time. FD terms can last anywhere from seven days to ten years. Bank FD interest is compounded, so that you receive interest on interest already paid. For illustration, suppose a bank offers 6% interest on 3-year fixed-rate deposits (compounding annually). If you deposit 100 rupees, your account will have 106 rupees after a year. You will receive 6% interest on the principal plus interest in year 2, which equates to 6% on Rs. 106 or Rs. 6.4. Compounding is the cause of the extra forty paisa.

The dropping interest rates are particularly concerning for seniors who invest their money exclusively in FDs. In the past 25 years, there has been a secular fall in the FD interest rate (see the chart below). In response to the COVID-19 outbreak, the RBI rapidly decreased interest rates, and banks have followed suit. Post-tax, FD interest rates are currently just just able to keep up with inflation. According to the depositors' income tax bracket, FD interest is taxed. If you compare FDs to mutual funds, there is no indexation benefit in taxation because the FD interest rate is fixed during the course of the FD. As a result, there is no protection against inflation, particularly not now since FD interest rates are so low.



BANKS	INTERST RATE
State Bank of India	2.90% - 5.50%
Punjab National Bank	2.90% - 5.25%
HDFC Bank	2.50% - 5.60%
Axis Bank	2.50% - 5.75%
IDFC Bank	2.50% - 6.00%
Bank of India	2.85% - 5.05%
Canara Bank	2.90% - 5.75%
RBL Bank	3.25% - 6.30%
Bank of Baroda	2.80% - 5.10%

Let us take a look at the details of the FD interest rate offered by various NBFCs in India.

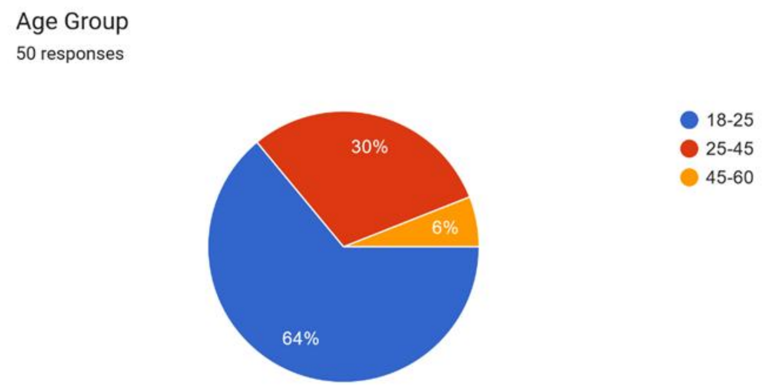
NBFCs	Interest Rate
Bajaj Finance	6.03% - 7.50%
Sundaram Finance	5.50% - 5.80%
LIC Housing Finance	5.15% - 6.00%
Muthoot Finance	6.25 - 7.25%

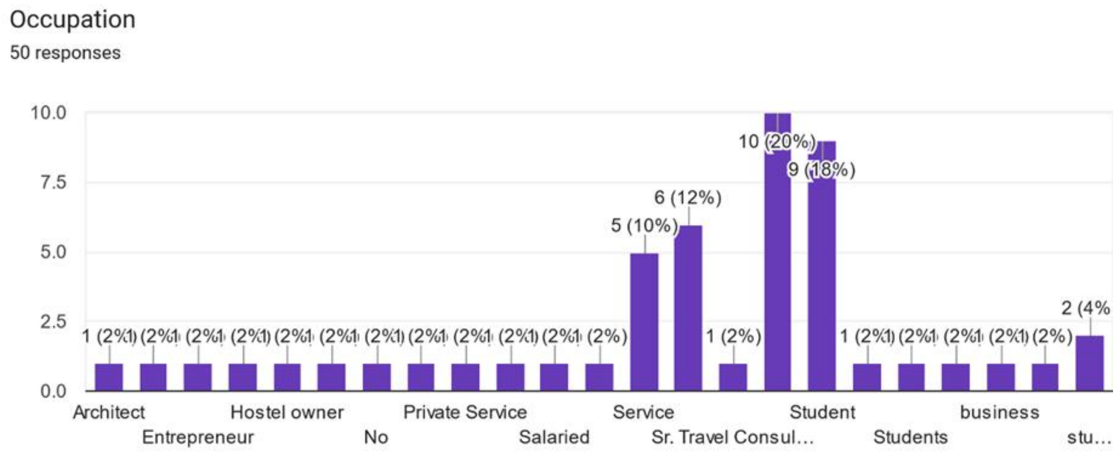
Key Difference between Mutual Fund&FD

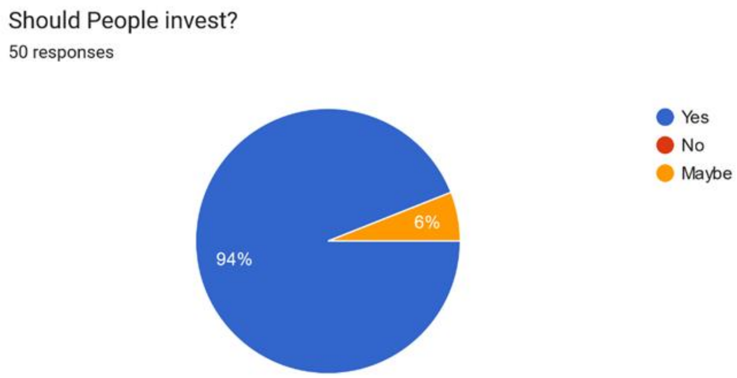
Parameters	Mutual Funds	FD
Safety	Market risks might affect mutual funds. Schemes of various types have various risk profiles. Invest in line with your risk tolerance.	Very Safe.
Liquidity	Open ended funds have a lot of liquidity. Exit load may be applicable for withdrawals made within a specific time frame following the date	High to medium liquid. Premature withdrawals may be

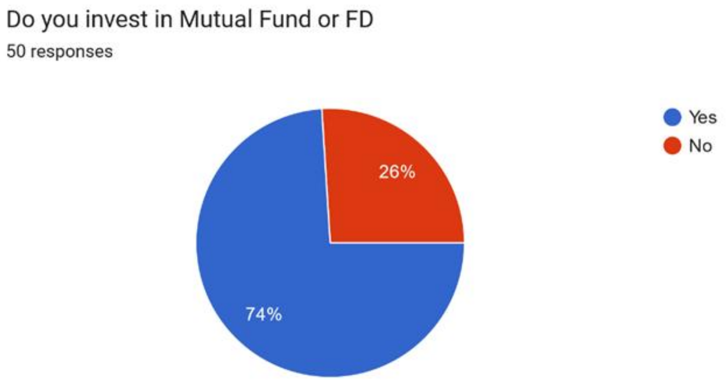
	of investment.	subject to penalties.
Returns	Market ties Top-performing funds have a great track record of historical returns across all categories.	Assured Returns.
Taxation	Advantage of long-term capital gains taxation. Indexation benefits in debt funds make them more tax-friendly for investors in higher income tax slabs when you compare them to fixed deposits.	Depending on an investor's income tax rate.
Investor interest protection	Regulated by SEBI	Regulated by RBI

Data analysis:









II. Findings: -

1. According to the survey it has been observed that 64% of the people are between the age of 18 and 25. 30% of the people are between 25 – 40 and only 6% of the people who filled the form are between 40 – 60.

2. The occupation of the people who filled the form:

2 % of the people are Architect,Entrepreneur, Hostel owner, Private service and senior travel consultancy, business

10% of the people are salaried

12% of the people are from service

44% of the people are students

3. 94 % of people have said that you should invest in mutual funds 6 % of people have said that maybe you should invest in mutual funds And none have said you shouldn't invest in mutual funds

4. 74% of people have said that they invest in mutual funds and 26% of people have said that they don't invest in mutual funds

III. Conclusion: -

Thisresearch is done to let people know the benefits of mutual funds and create more awareness about the same.Mutual Fund schemes are often classified in terms of the investment objectives, and often in terms of investment universe, i.e., where they invest. Mutual Fund Sahi Hai is an initiative to provide information on mutual funds basics and what to look for mutual fund's investment. A mutual fund scheme with an objective of providing liquidity would invest in money market instruments or in debt papers of very short-term maturity. At the same time, a mutual fund scheme that aims to generate capital appreciation over long periods, would invest in equity shares. This would reflect in the scheme's asset allocation, which would be disclosed in the Scheme Information Document (SID). However, even within the same asset category, the fund manager may adopt different styles, e.g., growth style or value style, or different levels of portfolio concentration, e.g., focused fund or diversified fund.

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