Abstract- Financial system is a system through which savings of public were channelized in the productive sectors of the economy. Mutual fund is a trust to pool the savings of public in different investment avenues like bonds, stock, money-market instruments and other assets. The study is basically concerned with conceptual meaning and historical background of mutual funds. The study also helps to know about the benefits of mutual fund to investors. The research methodology used for this study is descriptive study in nature. This paper is conceptual in nature. The data was collected from secondary data sources like internet, annual reports & research articles. There are four phases of evolution of mutual funds, the first mutual fund was set up in 1964. In 1987, a number of public sector mutual funds were set up and further the number of private sector mutual funds were also set up in 1993. There were many advantages of investing in mutual fund industry.

I. OBJECTIVES OF THE STUDY
To study about concept and meaning of mutual funds in India. To study about history of mutual funds in India. To study about benefits of mutual funds in India.

II. RESEARCH METHODOLOGY:
The researcher paper is based on secondary data. The data was collected from secondary sources like online websites, journals, books, thesis, annual reports, RBI reports, SEBI reports and research articles.

III. INTRODUCTION:
3.1 Concept and definition:-
Financial System:- Financial system plays an important role in an economy. As it mobilizes the savings of public and channelize them into productive sectors of the economy. It is a system that allows the exchange of funds between savers and borrowers. The financial system includes financial institutions, financial instruments, financial markets and financial services. It helps in economic development of a country. The rapid and sustained growth of the economy depends upon a vibrant, efficient and innovative financial system.

MUTUAL FUND is a part of financial institutions. Mutual fund is a trust to pool the savings of investors and invest the same in different investment avenues. The different investment avenues may be in the form of shares, debentures, money market instruments, fixed deposits, government securities, etc. The mutual fund is a vehicle which enables small as well as large investors to invest in varied type of securities to diversify the risk associated with the return on investment. Diversification is done by investing in different securities spread over the wide variety of industries and companies. It reduces the risk because all securities may not move in the same direction and in the same proportion at the same time.

It is becoming important area of investment because of higher return with lower risk and cost. The income earned and capital appreciation earned through these investments is shared by its unit holders in proportion to the number of units owned by them.

Mutual fund offers a different type of schemes according to different investment objectives of investors. It is required to registered with SEBI (Security Exchange Board of India). Before it collect funds from public. Every Mutual fund Company has to fulfill all the regulations and conditions as prescribed by SEBI. In addition to this, Income Tax Act, 1961 provides for 100% exemption for all type of mutual fund dividends. It also provides for 15% tax rate applicable for short-term capital gain on equity fund. It provides various benefits such as diversification, professional management, investment avenue, better liquidity, reduced risk, investment protection, switching facility, low transaction cost, economic development, etc.

A mutual fund is a single large professionally managed investment organization that combines the money of many individual small investors having similar investment objectives. It invests this money in a wide variety of securities and investors share its income and expenses, its profits and losses, its capital appreciation and growth in proportion to their shareholdings. In other words, a mutual fund is a type of Investment institutions, which mobilizes savings of individuals and institutions and channelizing them in corporate securities to provide investors a steady returns and capital appreciation” The mutual fund industry is like the film star of the finance business. Although it is smallest
segment of the industry, it is also the most glamorous – in that it is a young industry where there are changes in the rules of the game every day, and there are constant shifts and upheavals.

The main principle of sound investment in mutual fund is not to put all eggs in one basket. Investment in mutual fund is beneficial as it invests the funds in diversified companies. Mutual fund managers help the investors in taking investment decisions on behalf of investors for better utilization of resources. They acquire various skills and expertise over a period of time. The investment decision depends upon the objectives of various different funds. Investment in mutual funds provides liquidity as the investors can sell the units in the open market. The main activity of a mutual fund is management of the funds.

3.2 According to AMFI (Association of Mutual Funds in India)
A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation gained is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund.

IV. HISTORY AND GROWTH OF MUTUAL FUND INDUSTRY IN INDIA
The history of mutual fund has started with the first investment trust namely foreign and colonial investment trust which was set up in 1868 by Robert Fleming in Britain. Subsequently, number of investment trusts were set up in Britain and U.S.A. which were today known as close-ended mutual funds. The first mutual fund was set up in 1924 in U.S.A.

The outbreak of second world war and great depression in 1929 has weakened the growth of mutual fund industry. With the increase in no. of schemes, assets and shareholders of mutual funds, the mutual fund industry has witnessed a substantial growth in eighties and nineties.

The Indian mutual fund industry has evolved over different stages. The history of mutual fund industry was categorized into four phases:

4.1 First phase (1964-1987):-
The Mutual fund industry in India made its debut with the setting up of first mutual fund namely, UNIT TRUST OF INDIA. It was set up in 1963 by an act of Parliament. It is functioning under the regulation and control of Reserve Bank of India. It has started its functioning in 1964 with the main aim of mobilizing the savings of public and investing in securities of different companies for maximizing return and capital appreciation. The first most popular open-ended scheme launched by UTI is US-64 (unit scheme 64). After that number of schemes had been subsequently introduced by UTI. In 1978, UTI was de-linked from Reserve bank of India and took over by IDBI. UTI has maintained its monopoly and consistent growth till 1987. In this phase, the investor base has grown to about 2 million investors.

4.2 Second Phase - 1987-1993 (Entry of Public Sector Funds)
The second phase of mutual fund has started with the entry of mutual fund companies owned by public sector companies and insurance companies. SBI mutual fund and Canbank mutual fund were set up as trusts in 1987 under the Indian Trust Act, 1882. The two largest insurance companies and nationalized banks has started its operations of wholly-owned subsidiaries of mutual funds in 1990. In 1989, RBI issued first regulatory guidelines which were applicable only to mutual funds sponsored by banks. Further, Govt. of India issued more comprehensive guidelines in 1990 which were applicable to all kind of mutual funds. These guidelines require compulsory registration with SEBI. There was a tremendous growth in mutual fund industry with the entry of nationalized funds. The number of investors has grown to over 23 million. Equity funds are becoming more attractive for investment in 1991-92 because of tax-benefits available under equity-linked saving schemes.

4.3 Third Phase - 1993-2003 (Entry of Private Sector Funds)
In 1993, a new era started in the Indian mutual fund industry with the entry of private sector mutual funds in India, giving the Indian investors a wider choice of fund families. SEBI issued guidelines for mutual fund in January 1993, under which all mutual funds except UTI has to be registered and governed by it. In July 1993, the first private sector mutual fund registered was Kothari Pioneer now merged with Franklin Templeton. Kothari introduced the first
open-ended fund in 1993 named Prima. Many other private sector mutual funds were set up during this phase. There was a decline in the value of investment of unit holders in 1995 and 1996 due to decrease in the NAV of equity funds. The 1996 SEBI (Mutual Fund) Regulations were more comprehensive and revised Mutual Fund Regulations after regulations in 1993. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

With the entry of foreign mutual funds setting up funds in India and including various mergers and acquisitions, the number of mutual funds in India has increased. Due to failure of foreign funds and lack of performance of public sector funds, the confidence of investor in mutual fund has declined. Due to this, it was found extremely difficult to raise money through mutual funds.

4.4 Fourth Phase - since February 2003
The UTI was bifurcated into two separate entities in February 1993 followed by the repeal of Unit Trust of India Act, 1964. One is the Specified Undertaking of the Unit Trust of India, representing the assets of US 64 scheme with assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functions under the rules and regulations framed by government. It is registered with SEBI and functions under the Mutual Fund Regulations. During this phase, the flow of funds into mutual funds has increased sharply. There is significant growth in mutual fund due to various tax-benefits, improvement in quality of investor service and positive sentiment in the capital market. The Indian mutual fund industry has stagnated around Rs.100,000 crore assets till 2000-01. The mutual fund industry has entered its current phase of consolidation and growth. There has been increase in AUM by 11% during the year 2002. On the other hand, UTI lose more then 11% in AUM. The private sector mutual funds have benefited the most from the sudden ending of US-64 scheme of UTI. The AUM has grown around 60% for the year ending march 2002. The graph indicates the growth of assets over the years.

(source: www.mfindia.com)

V. ADVANTAGES OF MUTUAL FUNDS IN INDIA
[1] Professional management:- Mutual funds helps the investor to decide about what type of securities to buy and sell and the timing of buying and selling a particular security. The benefit of expert and experienced mutual fund managers is available to investors. They are professionals regarding the management of mutual funds. They help the investor to maximize his return and minimize his risk with the limited funds. They continuously review the portfolios of investors to adjust it according to changing market conditions or due to change in investor’s perception. They add value to the investment of investors.
[2] Diversification:- Every investor want to diversify his investment into various securities of different companies and industries to minimise the risk. Mutual funds help the investors to diversify their portfolios according to their return and risk characteristics. There is no need of large amount of fund availability for this purpose. Mutual fund managers can help the investor to set off the risk of one security against another type of security. For example: by choosing to buy shares of two companies of different industry sectors, this will help the investor to offset the impact of performance of one security on the other security in the portfolio.
[3] Liquidity:- Mutual funds help the investor to provide liquidity to the funds invested by them. They can easily buy and sell their units of mutual funds at any time during the life of a security in case of open-ended schemes.
They can also sell their units on the stock exchange in case of close-ended schemes as they are listed and traded on the stock exchange.

[4] Transaction costs: Mutual fund managers help the investor to reduce transaction cost of investing in a security. The investor can invest in different type of securities in a mutual fund. They do not need to incur transaction cost like commission charges many times if they invest in different securities through mutual funds. But if they invest in different securities individually, then they have to incur heavy transaction costs.

[5] Flexibility: Mutual funds offers a different type of schemes according to the needs and requirements of investors and their investment objectives. The professional fund managers help the investors in altering their portfolio of securities according to their changing needs. Investors can easily transfer their fund holdings from one scheme to another scheme. This helps in providing flexibility to investors.

[6] Tax-benefits: Mutual fund investors tax benefit for investing in securities of mutual fund. Investor can invest their funds for a provide of 12 months or more, which qualifies for capital gains. Dividend received from debt schemes are mutual fund tax exempt to the overall limit of the Rs. 9000 allowed under income tax act.

[7] Transparency: Mutual funds declare the portfolio of investor every month. Thus investor can easily know where his or her money is being deployed. The performance of portfolio of mutual fund is reviewed by various rating agencies and publications and thus making it easier for comparison.

[8] Economies of scale: Investor are able to take advantage of their buying and selling in bulk size and there by helps in reducing the transaction cost. For exp. different securities without any help of mutual fund managers then investor will have to increase more cost.

[9] Affordability: it is not easy for a small investors to buy share of large corporations. Mutual fund help there investors to invest in large volume of securities of large corporations which help them to get benefit of low easily invest in mutual funds because of minimum investment requirements. They can invest with minimum of Rs. 500 in SIP (systematic investment plan).

[10] Regulations: All mutual funds are required to register with SEBI. They have to follow all rules and regulations imposed by SEBI. All operations are regularly monitored by SEBI.

VI. CONCLUSIONS:
Mutual fund is a trust to pool the savings into productive channels of the economy. The investors invest in different schemes of mutual funds to minimize risk and earn greater return. The concept of mutual fund was started from 1963 when first mutual fund UTI was set up in India. Then number of public sector mutual funds entered the mutual fund industry in 1987 and with passage of time private sector mutual funds were also established from 1993 onwards. Now, at present there were many mutual funds which pool the savings of different investors with different objectives. The lower transaction cost, liquidity, transparency, affordability and economies of scale are various benefits of investing in mutual funds.

VII. REFERENCES
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SITES
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