2) Debt Funds: Primarily invest in fixed-income securities like bonds, providing income with lower risk.

3) Hybrid Funds: Combine both equity and debt instruments for a balanced approach.

4) Index Funds: Track a specific market index to replicate its performance.

5) Sectoral/Thematic Funds: Concentrate on specific industries or themes- IT, agriculture, pharma

6) Tax-Saving Funds (ELSS): Equity funds with a lock-in period, offering tax benefits under Section 80C of the Income Tax act.

Major players like HDFC Mutual Fund, ICICI Prudential Mutual Fund, and SBI Mutual Fund dominate the market. Systematic Investment Plans (SIPs) have gained popularity, allowing investors to contribute small amounts regularly.

Investors should be aware of the fact that mutual funds are subjected to market risk. There is no way to predict what will happen in the future or whether a given asset will increase or decrease in value. Investor should be cautious while investing in Mutual Funds.

Role of Mutual Funds

1) Diversification

Mutual funds pool money from various investors to create a diversified portfolio of stocks, bonds, and other securities. Diversification helps spread the risk associated with individual securities. By investing in a variety of assets, mutual funds aim to minimize the impact of poor performance in any single investment on the overall portfolio.

2) Professional Management

One of the primary advantages of mutual funds is the access they provide to professional fund managers. These experienced individuals or teams analyze market trends, economic indicators, and company performance to make informed investment decisions. The expertise of fund managers can potentially lead to better returns for investors.

3) Liquidity

Mutual funds offer high liquidity, allowing investors to easily buy or sell units at the fund's net asset value (NAV) on any business day. This brings flexibility. Liquidity is crucial for investors who may need to access their funds quickly. With this feature investors to manage their investments according to their needs.

4) Risk Management

Mutual funds employ various risk management strategies to protect investors. Fund managers assess and mitigate risks associated with market fluctuations, interest rate changes, and credit risks. Additionally, the diversification inherent in mutual fund portfolios helps reduce the impact of poor performance in any single asset. Risk management practices contribute to creating a more stable investment environment.

5) Dividend Reinvestment

Many mutual funds offer dividend reinvestment programs, allowing investors to automatically reinvest their earnings back into the fund. This helps in compounding returns over time.

Non-banking financial companies

Non-Banking Financial Companies (NBFCs) are financial institutions that provide a wide range of financial services, including loans, credit facilities, and investment products, but operate without a banking license.

They are operating under the purview of The Companies Act, 1956 and are subjected to RBI regulations.

It covers a wide spectrum of financial services, including providing loans and advances, acquiring shares, stocks, bonds, debentures and securities, engaging in leasing, higher purchase, insurance, and chit business.

They are broadly categorised into two groups:

1. NBFCs accepting public deposits and

2. not accepting public deposits.

3. Residuary non-banking companies focus primarily on accepting deposits and investing in approved securities. However, apart from them, no NBFCs are permitted to offer interest rates on deposits higher than those approved by RBI. Additionally, they cannot accept deposits for less than 12 months or exceeding 60 months.

Types:

- Asset finance companies
- Investment companies
- Loan companies
- Infrastructure finance companies etc.

Merchant banking

Merchant banking is a unique blend of banking and consultancy services. It provides comprehensive financial advice to corporate entities, covering finance, marketing, management, mergers, takeovers, project counselling and legal matters. One of its core functions is assisting clients in raising funds, both domestically and internationally, through methods like issuing shares, debentures and bank loans. Merchant bankers adhere to SEBI guidelines.

Well known global players in the field include Goldman Sachs, Morgan Stanley and Citigroup. While many commercial banks in India also offer merchant banking services. Indian institutions like State Bank of India, ICICI, Bank of India, Bank of Baroda and Canara Bank has established merchant banking divisions.

Services of Merchant Banking:

1) Corporate Advisory: Merchant banks offer strategic advice to corporations on various financial matters, including mergers and acquisitions, capital restructuring, and financial reengineering.

2) Underwriting of Securities: Merchant banks often underwrite securities during the issuance of new stocks or bonds. They assume the risk of purchasing these securities from the issuing company and then sell them to investors.

3) Project Counselling: Merchant banks assess the feasibility, funding requirements, and potential risks, assisting businesses in making informed decisions about project implementation.