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A Study on Difference *Types of Financial Ratio Analysis* Between Stocks And Mutual Funds

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Abstract: *Investments may it be in direct equity stocks or mutual funds requires a lot of time and energy. Each approach has its own advantages and disadvantages. Direct equity investing is considered more dynamic by the investor community and thus, those who can ready to face risk and keep a continuous tab on the equity markets prefer the direct equity route as it gives them much needed zing and excitement. However, the dynamism in the direct equity investment comes with risk.*
But not all investors are same in their intelligence and understanding levels. And even if someone has the ability to understand the direct equity route, he or she lacks the time to devote to such investment activity and thus prefer taking the indirect route to equity investments which is mutual funds. Mutual funds provide the much needed ease while investing in the equity asset class. Mutual funds are actively managed baskets of stocks, designed to beat the market with the assistance of a fund manager.
Purpose: *Purpose of study is for those investors who are not equally skilled and committed in terms of devoting time and energy towards their investments. For such investors, which is the best option to invest.*
Objectives of the Study:
1. *To identify the attributes that attracts the investors towards mutual funds.*
2. *To find the motivational factors of investors to be considered by the Stocks or mutual fund companies.*
3. *To analyse the investor's preference towards investment in mutual funds when other investment avenues are also available in the market.*
4. *To find the main bases of different investment avenues, an investor thinks before investing.*
5. *To find out the overall criterion of investors regarding investment.*

Research Methodology: *The secondary research which include comprehensive literature review done from journals, research papers, articles, reports published various websites like are collected and analysed.*
Managerial Implication: *Investors should think and check their capability before choosing any of the investment products.*
Keywords: *mutual funds, Equity, Stocks, Investors.*

I. Introduction

Mutual funds generally hold a large number or stocks, with each equity only comprising a small percentage of the portfolio. This is both its strength and weakness. For example, a tech mutual fund may claim Apple as one of its top holdings, but a rally in Apple shares may barely move the mutual fund, on account of Apple only comprising 2% of the overall portfolio, and the remaining 98% being comprised of industry laggards such as Cisco. In this same example, however, a crash in Apple shares will also be cushioned by its low portfolio weight and buffered by other less volatile stocks. Although the growth of mutual funds may be limited, the downside is limited as well.When purchasing mutual funds, investors usually don't define the exact number of shares to purchase; rather, they will order a set dollar amount from a brokerage, and the brokerage will calculate the shares to be bought based on the day's closing price. It is also important to remember that the share price of a mutual fund does not fluctuate during the day - it is only reported after the market close based on the closing prices of all of its underlying securities. Investors interested in actively trading mutual funds should invest in ETFs (exchange traded funds), which were designed for that purpose.

Mutual fund investors should allow a longer time frame, in terms of years, to observe slow and steady growth. They should also make regularly scheduled investments, to take advantage of dollar cost averaging. For example, investing $1000 a year in the same mutual fund without regard to the share price will insure moderate growth, by purchasing more shares when the price is low and fewer shares when the price is higher. In addition, investors who do not intend to use the fund's dividends as income should use an automatic dividend reinvestment plan - which automatically uses the dividends to purchase more shares (or fractional shares) of the same fund, as a form of dollar cost averaging. This not only allows investors to sidestep the capital gains tax on cash dividends, but also the brokerage commission charged for purchasing additionalshares. Each mutual fund has its own set of fees and expenses. These can include, but are not limited to - the fund manager's fee, a front-end load upon initial purchase, a back-end load upon sale, as well as early redemption charges. It is important to understand the complex fees of mutual funds in the prospectus before purchasing any shares, as the purchase equals a binding agreement to pay these extra charges. For investors who favor mutual funds but want to avoid the fees, index funds, which are passively managed mutual funds which simply mirror a set marketindex, such as the S&P 500, may be a better lower-cost alternative.

Individual Stocks

For the more adventurous investor who is not satisfied with the lower returns of mutual or index funds, picking individual stocks for a personal portfolio is the favored choice. Purchasing individual stocks can be done directly through any brokerage, with the only fees being the commission paid upon the purchase of shares and the capital gains tax paid upon sale. Investors define exactly the amount of shares to purchase, and the desired price. Dividends from individual stocks can also be reinvested into the company, with the same aforementioned advantages of mutual funds - dollar cost averaging and sidestepping the capital gains tax. Investing in a single company can be a high risk, high reward affair - investing $1000 in a company could either result in a complete loss of the principal or an exponential increase of the investment, something which could not occur in the slow and steady world of mutual funds. To offset this risk, however, most investors will choose a small basket of stocks to counterbalance each other to diversify and minimize risk. As a general rule of thumb, the more stocks in a portfolio, the better it is protected from volatile market movements. Investors in individual stocks should also be well studied in market terminology and be well read in daily financial currents to assess the state of their portfolios, paying careful attention to quarterly earnings, commodity prices, unemployment reports and interest rates, to name a few. Generally, investing in individual stocks is a task best done by investors with more time on their hands. In addition, each share of stock is a piece of the company and counts as a vote during shareholders' meetings. An investor investing a large amount of capital (in the millions) may hold considerable sway over a company's operations.

Individual stocks are also a far more emotional affair than mutual funds. Whereas a drop of 10% in a mutual fund may be depressing, a 30% loss in a single stock is hardly out of the ordinary - and while many investors get tempted to sell at the bottom, patient investors know when to use these dips to increase their holdings of undervalued stocks. Likewise, many investors get pulled in by financial hype and buy stocks at all-time highs only to panic later during a pullback. Stocks have no guarantees - a bankrupt company can liquidate all its shares and leave investors with nothing.

Mutual funds are swiftly turning out to be an excellent and very intelligent source of income for the next generation of entrepreneurs as they are very lucrative, are a lot more safe and sound than stocks, and for the most part a much more logical thing to do for investors than painstakingly investing in the share market. Standing by the investor has an expected means of livelihood and is unable to dedicate his total allegiance to the share bazaar. In utter contradiction to the share market, the mutual funds reroute your hard earned cash through numerous channels and a more than enough blend of sundry ventures, together with stocks, bonds, intercontinental ventures, besides new securities that in cooperation engender an enormously extra defensive fortification than the share bazaar perhaps will for ever warranty. You should be able to know the difference between Mutual Fund and STOCK MARKET

DIFFERENCES: First things first; the most obvious difference between a mutual fund and the stock market is that whereas the mutual fund is a low risk low profit form of investment, the stock market is a high risk high profit one. The returns in the stock market are much higher and quicker, and given the precondition that you are able to dedicate your full unbiased time to the stock market, there is no better option available. But at the same time, the risks are double. So, if you do not have the time, never invest in the stock market. As you know that stock market is full of risks but if you manage to overcome it, you can be successful. Stock market as defined is the market in which shares of publicly held companies are issued and traded either through exchanges or over-the-counter markets. Also known as the equity market, the stock market is one of the most vital components of a free-market economy, as it provides companies with access to capital in exchange for giving investors a slice of ownership in the company. It is considered another option to raising money for funding the company's growth instead of debt

What's the Safest Investment?

There's no simple answer as to which of stocks, or mutual funds are safest. In the hands of an intelligent fund manager, a diversified mutual fund is very secure, while a stocks are traded by investors or brokers, so if the company is performing good your stocks will performed and vice versa.

What's the Best Investment?

Again, the best choice of stocks and mutual funds depends on your overall investment strategy and goals. Stocks can be riskiest but potentially offer the highest gains, while the strength of a mutual fund is wholly dependent on the investment acumen of its manager.
If investors who are ready to take risk they can go for Equity if not than invest in mutual funds.

II. Conclusion

If you are unsure about which investment is right for you, consult a financial advisor -- it is best to fully understand your investment time frame and risk tolerance limits before committing to mutual funds or stocks. They also work for the investor that simply doesn't have the time or energy to consider individual stocks. These findings emphasize the importance for investors to choose the investment vehicle that gives them the lowest transaction costs, tax benefit, low risk and good returns in relation to the size of the investment portfolio.

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