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The Importance of Mutual Funds for an Entrepreneur

Suzanna Elmassah*

Department of Economics and Political Science, Cairo University, Cairo, Egypt

Abstract

It is impossible to overstate the significance of money in business. With very few exceptions, having money on hand is essential for starting a business. Once the company starts to make money, some of that money can be put back into the company to draw in additional clients and increase earnings. Business funds are not lost on initiatives with a low rate of return thanks to careful planning and financial management. Early on in the planning and fundraising phases of business growth, entrepreneurs could find themselves in a catch-22 situation. They need to persuade potential investors that their business plan is viable and will make enough money to pay them back. According to MarketResearch.com, this persuasion typically calls for statistics regarding the possible consumer base and competition. Even just doing the study costs money. Without an assurance that the results will be positive, business owners may decide to conduct market research using their own money or borrow money from friends and family.

Keywords: Mutual funds • Financial management • Entrepreneurs

Introduction

Most business owners frequently spend their own company's profits back into it in order to expand it and increase returns. They think that other investing spheres, such as stock mutual funds, won't yield the same returns on their profits. This method is effective and perfectly acceptable. There is nothing wrong with prioritising investing in one's own firm. Additionally, it is true that a well-run business will always generate higher returns than other types of investment. A businessperson invests their own blood, sweat, and tears into their own company, and this enthusiasm drives them to desire to see it expand rapidly. Because of this, they continually invest additional money in their company as needed. However, despite their tenacity, these businesspeople overlook the family's financial objectives. It is always preferable to have investments outside of your own firm for these expenses because costs associated with children's future school, marriage, home ownership, and other expenses of this nature will arise at some point. Additionally, taking large sums of money out of your business to cover these personal needs is not a good idea because it will ultimately affect your organisation [1].

Description

Term deposits and debt-linked funds are known to offer lower rates of return than equity funds. When the need arises, you might reinvest these returns in your company. We now know that you invest the vast majority of profits back into the company. However, you can rapidly liquidate your equity funds if, for any given year, your revenues fall short of expectations or you want to introduce a new product line. Your secondary capital base, which will be untouched until you liquidate them, will only increase over time as a result of the profits on these investments. A businessperson invests their own blood, sweat, and tears into their own company, and this enthusiasm drives them to desire to see it expand rapidly. Because of this, they continually invest additional money in their company as needed. However, despite their tenacity, these businesspeople overlook the family's financial objectives. It is always preferable to have investments outside of your own firm for these expenses because costs associated with children's future school, marriage, home ownership, and other expenses of this nature will arise at some point. Additionally, taking large sums of money out of your business to cover these personal needs is not a good idea because it will ultimately affect your organisation [2].

Since different asset classes may respond to macroeconomic events differently, not all asset classes have continuously been winners in the investment world. As a result, asset classes like stocks, bonds, gold, real estate, etc., often perform well during their particular economic cycles. While stocks may perform better when the economy is growing rapidly, debt may perform better when interest rates are falling. Gold is regarded as a safer investment option, so it might perform better when asset types like equity and debt appear turbulent and uncertain. However, many retail investors may find it difficult to time the economic cycles of such asset classes without comprehensive access to information; as a result, individuals may diversify their investment portfolio across several asset classes [3].

Due to the opportunity for broad investment exposure, multi-asset funds may be a wise investment choice for investors. The skilled fund management team may also manage the asset allocation among various asset classes. This is a chance to ride out economic cycles and maximise portfolio gains. Fund managers also have the freedom to retain investments between 10 and 80 percent in each asset class, even though the SEBI standards call for a minimum of 10 percent investment exposure across all three asset classes. The investors can make digital investments through the website (utimf.com) or mobile app (UTI MF), or they can make physical investments by physically presenting their completed application forms to one of our Official Points of Acceptance [4].

Every business operator wants to provide a good product or service and make money doing it. They might possess the greatest talent known to man, which enables them to observe market trends and manage their company properly. They will be successful and leave their imprint on their industry thanks to their knowledge and expertise in that field. However, it is also true that any company's growth is subject to oscillations. Changes

***Address for Correspondence:** Suzanna Elmassah, Department of Economics and Political Science, Cairo University, Cairo, Egypt, E-mail: suzanna.elmassah111@zu.ac.ae*

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in management, shifting consumer tastes, fierce competition, and shifting governmental rules and regulations can all have a negative impact on a company's health. Therefore, it is crucial to have a varied company operation so that, if one is experiencing a slump, the other may be able to fill the void [5].

Conclusion

A wise investor keeps an eye out for sectors of the economy that are performing well. And frequently, when a sector of the economy is thriving, everyone is vying for a piece of the action. For instance, software companies are currently making enormous profits and drawing in everyone. This means that business owners can tell whether a specific company is succeeding and making good earnings. But just because software is succeeding doesn't automatically mean you can enter this new market. The infrastructure sector is yet another illustration. Governments occasionally decide to create new infrastructure, which opens up business prospects for engineering, building, and infrastructure companies.

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