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Penetration of Mutual Funds in India:

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ABSTRACT

Mutual Fund in India is growing day by day. It is important to show interest in the social uplift of all section of society by the people of the country. Mutual fund provides such an opportunity to have inclusive growth in the country. The present study outlines the possible ways of application of Mutual Fund investment for social implications. This paper is to identify the contribution of Mutual Fund industry towards economic development and also the social implication of the Mutual Funds.

This paper is written with aim to meet of the Capital industries and Particularly Mutual Fund Industry to include the larger society on its fold by working out certain strategy to encourage the low income group for investment opportunity.

This paper widens the future scope for further studies in the future in this arena to tab the new avenue for Mutual Fund investment and assist the company to tap low income group and mobilize all the segments of Market.

There is also a huge discussion and debate on the social responsibilities of corporate business houses. Many criticize that the corporate world in India is not showing social responsibilities particularly in the field of investment by the poorest of the poor of this country.

Key words: Mutual Funds, Market, Investments, Penetration, strategy

INTRODUCTION

Quite simply, a mutual fund is a mediator that brings together a group of people and invests their money in stocks, bonds and other securities.

Each investor owns shares, which represent a portion of the holdings of the fund. Thus, a mutual fund is one of the most viable investment options for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

These days you are hearing more and more about mutual funds as a means of investment. If you are like most people, you probably have most of your money in a bank savings account and your biggest investment may be your home. Apart from that, investing is probably something you simply do not have the time or knowledge to get involved in. You are not the only one. This is why investing through mutual funds has become such a popular way of investing.

A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want. Each fund's investments are chosen and monitored by qualified professionals who use this money to create a portfolio. That portfolio could consist of stocks, bonds, money market instruments or a combination of those. As an investor, you own shares of the mutual fund, not the individual securities. Mutual funds permit you to invest small amounts of money, however much you would like, but even so, you can benefit from being involved in a large pool of cash invested by other people. All shareholders share in the fund's gains and losses on an equal basis, proportionately to the amount they've invested.

One of the main advantages of mutual funds is that they give small investors access to professionally managed, diversified portfolios of equities, bonds and other securities, which would be quite difficult (if not impossible) to create with a small amount of capital. Each shareholder participates proportionally in the gain or loss of the fund. Mutual fund units, or shares, are issued and can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per share, which is sometimes expressed as NAVPS.

OBJECTIVES OF THE STUDY

- Contribution of mutual fund industry towards the economic development and also seeks the social implication.
- To know the knowledge of investors about mutual fund investment.
- To know the income that is invested in Mutual fund investment.
- To show investor awareness of the fact that Mutual fund offer lesser risk as compare to other direct investment options.
- To show investor perception of benefit of Mutual fund investment.
- To Show investor awareness of Mutual fund scheme.

HYPOTHESIS OF THE STUDY

- To investigate the investor awareness about mutual fund scheme.
- To investigate the minimum amount that can invest in Mutual fund investment.
- To investigate how an investor consider the Mutual fund as the best investment.
- To show that Mutual fund has lesser risk option then other direct investment.

LITERATURE REVIEW

Sanjay Kant Khare (2007) opined that investors could purchase stocks or bonds with much lower trading costs through mutual funds and enjoy the advantages of diversification and lower risk. The researcher identified that, with a higher savings rate of 23 percent, channeling savings into mutual funds sector has been growing rapidly as retail investors were gradually keeping out of the primary and secondary market. Mutual funds have to penetrate into rural areas with diversified products, better corporate governance and through introduction of financial planners.

Satish D (2004) opined that investors from seven major cities in India had a preference for mutual funds compared to banking and insurance products. Investors expected moderate return and accepted moderate risk. 60 percent of investors preferred growth schemes. The image of AMC acted as a major factor in the choice of schemes. Investors had the same level of confidence towards shares and mutual funds.

Tripathy, Nalini Prava (1996) identified that the Indian capital market expanded tremendously as a result of economic reforms, globalization and privatization. Household sector accounted for about 80 percent of country's savings and only about one-third of such savings were available for the corporate sector. The study suggested that, mutual funds should build investors confidence through schemes meeting the diversified needs of investors, speedy disposal of information, improved transparency in operation, better customer service and assured benefits of professionalism.

COLLECTION OF DATA

The method for collections of data includes both primary and secondary data for. For the primary data collection a structured questionnaire will be used to receive the required information for analysis of hypothesis.

As regarding secondary data, these will be gathered through published information in various journals of professional institutes, newspaper and the articles and books written by several eminent authors can be used frequently. The data structure for the study also based on official publications.

PENETRATION OF MUTUAL FUND INVESTMENT.

Social participation in the capital market important for the overall growth of the nation. Otherwise, there would be a huge gap between the haves and have-nots, as it has happened in the nations all the time. It is the responsibility of a nation to include people from all spheres of society in inclusive growth and for which mutual funds will be a media through which it can be achieved. For the said purpose, mutual fund by the nature of some advantage.

One need not be an expert in the capital market to invest money into mutual funds. N in depth knowledge is not required along with the other investment strategies for participation in the mutual fund industry. In addition, one may not need huge sums of money to be an investor in the fund, as one can enter the mutual fund industry with a little savings. Hence the mutual fund investment can be utilized effectively for the social implication.

There is also a huge discussion and debate on the social responsibility of corporate business houses. Many criticize that the corporate world in India not showing social responsibility particularly in the field of investment by the poor of this country. Socially responsible investment decisions by some of the fund managers are being taken in India too, however, we are stressing the need of the industry to include people of all spheres in its fold and encourage all types of people to invest and make some profits.

BENEFITS OF INVESTING IN A MUTUAL FUND

- **Small investments:** With mutual fund investments, your money can be spread in small bits across varied companies. This way you reap the benefits of a diversified portfolio with small investments.
- **Professionally managed:** The pool of money collected by a mutual fund is managed by professionals who possess considerable expertise, resources and experience. Through analysis of markets and economy, they help pick favorable investment opportunities.
- **Spreading risk:** A mutual fund usually spreads the money in companies across a wide spectrum of industries. This not only diversifies the risk, but also helps take advantage of the position it holds.
- **Transparency and interactivity:** Mutual funds clearly present their investment strategy to their investors and regularly provide them with information on the value of their investments. Also, a complete portfolio disclosure of the investments made by various schemes along with the proportion invested in each asset type is provided.
- **Liquidity:** Closed ended funds can be bought and sold at their market value as they have their units listed at the stock exchange. In addition to this, units can be directly redeemed to the mutual fund as and when they announce the repurchase.
- **Choice:** A wide variety of schemes allow investors to pick up those which suit their risk / return profile.
- **Regulations:** All the mutual funds are registered with SEBI. They function within the provisions of strict regulation created to protect the interests of the investor.

AWARENESS, PERCEPTION AND RISK MANAGEMENT OF MUTUAL FUND INVESTMENT.

Investor Awareness of Redemption Period of Mutual Fund Scheme.

Investor's Awareness	Investors (%)	No. of Respondents
Aware	90	45
Not Aware	10	5

Most of the investors (90%) are aware of the fact that Mutual Fund can be redeemed very easily within a couple of day after the request. Very few of them, who were investing in the mutual fund for the first time were not aware of the above fact.

Investor Awareness of the fact that mutual fund offer lesser Risk as compared to other direct investment options.

Investor's Awareness	Investors (%)	No. of Respondents
Aware	60	30
Not Aware	14	7
Can't Say	26	13

It is clear from the above table that about half of the investors are aware that mutual fund offers lesser Risk as compare to other direct investments. Rest of the investor is either not aware or doubtful.

Investor's perception of benefit of mutual fund investment.

Benefits	Total Score
Professional Management	180
Diversification	340
Liquidity	340
Market Related Returns	450
Tax benefits	190

Above table clearly shows that investors have given maximum score to market related returns for being the best benefits of Mutual Fund investment. Diversification and liquidity are the two second largest Mutual Fund benefits for the investors.

Penetration of mutual funds in India goes up to 17% of the GDP

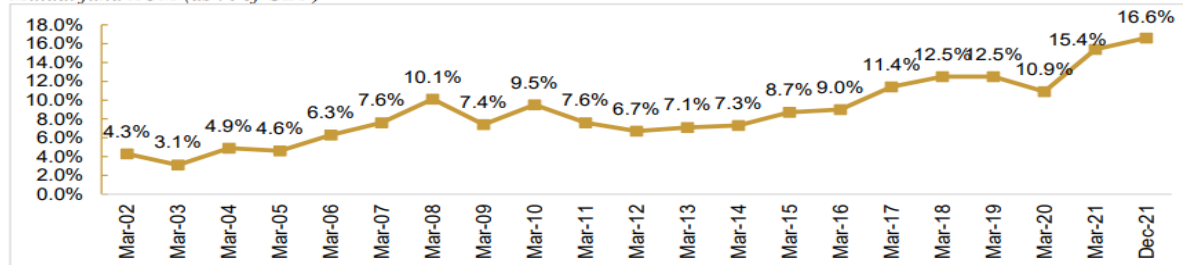
Mutual fund AUM to GDP ratio has increased from 10.9% in March 2020 to 16.6% in December 2021.

Penetration of Indian mutual fund industry has reached an all-time high in December 2021.

The mutual fund AUM to GDP ratio, which indicates its penetration has touched a new high of 16.6% in December 2021 due to record high inflows, post covid rally in equity markets and a hit on India's GDP due to the pandemic, reveals KFin Technology's draft IPO prospectus.

The AUM to GDP ratio has risen significantly in the last couple of years. In March 2020, the ratio stood at 10.9% and it rose to 15.4% by March 2021 and finally to 16.6% in December 2021.

Mutual fund AUM (as % of GDP)



Note: Based on end of Fiscal AUM and GDP at current prices; Source: AMFI, IMF, RBI, CRISIL Research

"Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base. This is due to increasing penetration across geographies, strong growth in capital markets, technological progress and regulatory efforts aimed at making mutual fund products more transparent and investor friendly," the document stated.

However, the penetration of mutual funds in India is still very low compared to other nations. In the US, the mutual fund AUM to GDP ratio stands at 140% and the world average is 75%.

KFin Technology said that the under penetration in India provides huge growth opportunity for mutual fund players. "Under penetration of mutual funds in India and an opportunity to earn annuity income once the fund builds up a good book of assets are the main attractions for many players to foray into the mutual fund business. This has caused 10 houses to apply for mutual fund license," the RTA said in the prospectus.

Debt has a bigger share in the overall mutual fund AUM in India. The report shows that the debt AUM is 7% of the India's GDP and the equity AUM is 6% (based on AUM data of the fourth quarter of calendar year 2020).

CONCLUSION

Society plays a vital role in the growth of an economy and its capital market. To have proper balance in the economic classes' upliftment of the lower income groups is very important which can be achieved by motivating and providing diversified investment alternatives with professional management. It is the responsibility of a nation to include people from all spheres of society in inclusive growth and for which mutual fund a media trough which it can be achieved. Looking at the advantages of mutual funds discussed in this paper, one needs not be an expert in the capital market to invests money into mutual funds. And in depth knowledge is not required along with the other investment strategies for participation in the mutual fund industry. And the same time one may need not huge sums of money to be an investor in the fund; still he can enter the mutual fund industry with a little saving. Hence, the mutual fund investment can be utilized effectively for its social implications.

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