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ORIGINAL ARTICLE

THE ASSET MANAGEMENT INDUSTRYS IN INDIA

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Abstract

The Asset Management Industry in India consists of a vibrant and rapidly growing mutual funds sector, an insurance sector that is dominated by unit-linked insurance plans, and Venture Capital Funds, both domestic and foreign (Rajesh Chakrabarti-2009). Asset management refers to the professional management of investments such as stocks and bonds, along with real estate. Also Foreign Institutional Investors form a category that pool foreign retail or institutional funds and invest in Indian debt and equity. Private Equity funds – constitute a booming segment as well. In the last decade or so, this industry has witnessed a wide range of regulatory changes that have brought about increased competition and a very impressive growth rate (R.Chakrabarti-2009). The best way to get a large return on assets is to diversify them. For this reason, assets are rarely pooled in one location alone, such as stocks, bonds, real estate, or mutual funds. Mutual Funds and Insurance companies have been opened up to private players only few years ago respectively. Venture capital Funds have been allowed recently. The Indian equity market with its remarkable bull run throughout most of this decade right up to the crisis has boosted major growth in the asset management industry (R.Chakrabarti-2009). That combined with domestic factors such as interest rate environment, caution in policy notification and revaluation of regulatory framework have led to a patient 'wait and watch' attitude amongst all classes of investors including private equity investors Even now, India stands poised at the threshold of major regulatory changes that can open up new segments like Real Estates and Pension Funds to retail investors and private and foreign fund managers. long term investing advice based on market projections, and may assist the investor with purchasing real estate and general wealth management. Income from the assets is typically deposited into an account at the same bank, so that the investor's financial business is concentrated in one financial institution, rather than scattered, making it easy to see the whole picture.

KEYWORDS:

India, Mutual Funds, Insurance, Venture capital Funds, Real Estate, Pension, Private Equity

INTRODUCTION

The asset management industry, also known as the investment management industry, is one of the largest global industries. This industry handles transactions worth trillions of dollars annually. Because of this, participants are constantly developing the market. The asset management industry is an important part of the financial sector throughout the world. This industry manages huge amounts of investments and helps

clients reach a financial goal within a specific period of time.

The asset management industry refers to professional fund management industry. Whenever individual/retail investors pool together their resources and allow a professional fund manager to invest it, the exercise can be considered to be part of this industry (R.Chakrabarti-2009). Asset management industry offers a wide range of investment options. However, with the growing complexity in financial markets, investors are demanding more options. The asset management industry is constantly looking to develop new options. In general there are a few broad types of pooled investment structures. The most common and the most visible are the mutual funds. These are typically open-ended funds from whom individual investors can buy shares (or redeem them) and their investment is then aggregated and channeled into the equity or debt markets or a combination thereof depending upon the mandate of the fund in question(R.Chakrabarti-2009).

According to present trends, the asset management industry is trying to develop profitability by reducing expenditures. Because of trends, a reformation activity is taking place in the global asset management industry.

The asset management industry of every country has problems, but there are several factors that are global. Worldwide factors are related to the development of the industry in various ways. Important factors are fund governance, regulation of the industry, developing alternative investment options, product rationalization, introduction of new technology, identifying talented professionals, and making efficient investment decisions.

While mutual funds may be the most commonly observed element of the asset management industry, in many countries their total values are swamped by the size of assets managed by pension funds which handle retirement funds of employees, investing them during the period of employment of the individuals so as to yield returns after they retire (R.Chakrabarti-2009). For development of the asset management industry throughout the world, it is necessary to have a proper corporate governing structure. The regulators of the industry are constantly working to make developments in this field. As a result, the standard of corporate governance is rising rapidly. At the same time, the regulations are becoming stricter because of incidents of misconduct throughout the industry. Real estate, hedge funds, and other options are emerging as an alternative investment option. These investments can yield substantial returns, so the investors are turning towards these products.

Finally hedge funds make up a third category of investment vehicles in many countries. In essence, these are funds that manage only high value investments, either from wealthy individuals or from other institutions, and as such, avoid some of the investment and disclosure norms created for the protection of the ordinary investors (R.Chakrabarti-2009). In India, the asset management industry is largely made up of a vibrant mutual funds sector and a budding pension funds sector. Though started way back in the 1960s, the Indian mutual funds industry has soared in both the size of assets under management and the number of funds after the entry of the private players in the 90s(R.Chakrabarti-2009).

The asset management industry professionals understand the changing trends and so they are also offering these products. Regulatory bodies are trying to make these products secure for the investors. In addition, the asset management companies realize the product rationalization factor. They know that the funds need to be shaped, because large funds are problematic and small funds generate small amounts of profit.

As for the pension funds, pension reforms has been an ongoing exercise in India for the last decade, fraught with political conflicts with an important pensions bill tabled in Parliament years ago that is about to expire and needs to be reintroduced. Meanwhile the regulatory structure for the pension funds industry is being put in place and with the latest federal elections having reduced the influence of the Left parties that have led the resistance to the liberalization of this sector, this sector is likely to emerge much bigger in the near future(R.Chakrabarti-2009).

The best way to get a large return on assets is to diversify them. For this reason, assets are rarely pooled in one location alone, such as stocks, bonds, real estate, or mutual funds. The asset management team decides how to distribute assets, and may move money from one location to another to take advantage of a strong market. The team also provides long term investing advice based on market projections, and may assist the investor with purchasing real estate and general wealth management. Income from the assets is typically deposited into an account at the same bank, so that the investor's financial business is concentrated in one financial institution, rather than scattered, making it easy to see the whole picture.

Another important factor is the technology that is used by the asset management industry. With the growing investor base and demands, the industry is trying to introduce new technologies to make the transactions easy. The asset management industry is also bringing talented professionals to the industry so that the industry can develop rapidly.

we will take a close look at the mutual funds industry in India and the next will focus on Insurance

companies, Venture capital Funds, FIIs, in that order. And the last will discuss the affairs in the real estate and pension funds sectors.

1.Mutual Funds in India-

Mutual funds in India have been around for about 45 years now and the industry has recorded massive growth during this period as reflected in the rise of assets under management. The latest year is, of course, exceptional in that total assets under management declined presumably completely due to the global financial crisis and the resulting panic across financial markets. Other than this, except for a decline due to a financial crisis at the public sector monopoly fund UTI, the industry has been growing consistently and extremely rapidly over the years with the "take-off" having occurred in the last decade or so.

The notification of the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1993, the asset management business under the private sector took its root. At present, there are 28 mutual funds in India offering different schemes tailored to meet investors' growth, safety and income requirements.

Mutual fund regulation

SEBI – Mutual Fund Regulations 1996

Regulatory aspects	Norms for funds
? Registration of mutual fund ? Constitution and management of mutual fund and operation of trustees ? Constitution and management of AMCs and custodian ? Schemes of mutual fund ? Investment objectives and valuation policies ? Real estate mutual fund schemes ? General obligations ? Inspection and audit	? Offer document for schemes ? Conversion and consolidation of schemes and launch of additional plan ? New products ? Risk management system ? Disclosures and reporting norms ? Governance norms ? Secondary market issues ? Net asset value ? Valuation ? Loads, fees and expenses ? Dividend distribution procedure ? Investment by schemes ? Advertisements ? Investor rights and obligations ? Certification and registration of intermediaries ? Transaction of mutual fund units

DISTRIBUTION

►Abolition of entry load from August 1, 2009
►Move from commission to a fee structure
►114,000 AMFI certified distributors as on June 30,2010
►92,500 as on March 31,2009 of which 73% are individuals
►Emergence of multi-product distributors
►77% of distributors in top 10 cities, need for expansion beyond to tier II,III towns

DISTRIBUTION CHANNELS

►Banks
►Independent financial advisors (IFAs)
►National distributors

QUALIFICATION OF DISTRIBUTORS

►AMFI certification

Typical incentive structure for distributor

►0.5%-1.0% fee at entry stage from clients
►Up to 0.5% trail commission from AMCs

Over the years, the total assets under management have multiplied with much of that growth in the last two years. These constitute approximately 6% of India's gross domestic product (GDP). The total assets under management as at August 2004 amount to Rupees 1,558 billion. The industry looks poised for more growth as increasingly market-savvy investors seek better returns in a low interest rate economy.

Foreign capital is flowing into the country at an enormous pace. Participation of foreign institutional investors (FIIs) in the Indian economy saw significant fluctuations during the period April 2004 to August 2004. The boom in the primary market gave impetus to FII investment in India, though there was a significant downfall during April 2004 and May 2004 on account of political uncertainties and unexpected change in power at the Centre.

In its draft report to the Ministry of Finance, Cadogan Financial, a UK-based company which is a specialist in development of collective funds worldwide, has commented that the Indian asset management industry has grown at a rate slightly faster than the UK but slower than the US. India has scored over the UK in areas such as information systems, transfer agency and performance analysis.
The report has also highlighted some imperfections that plague the investment management industry in India. Some of these are as follows:

Investments in mutual funds are for a very short term and are mostly by corporate houses;
Preference of retail investors towards high-return low-risk products like National Savings Schemes and government guaranteed schemes; and
Lack of incentives to distributors to target the retail market.
Some of the recommendations given in the report to enhance the growth of the investment management industry in India are as follows:
Development of a better regulatory framework for mutual funds;
Removing limits for investments in overseas securities by mutual funds;
Improving timeliness and cost efficiency of money transfer in rural areas; and
Developing a specialist fraud unit in order to tackle financial crime.

The investment management industry in India is expected to grow at an even faster pace if problems identified by the Ministry of Finance report are appropriately addressed.

Tax Reforms

In his interim budget for the fiscal year 2004-2005, the newly elected Finance Minister of India, P. Chidambaram articulated his vision of making India an attractive destination for investment. He has acknowledged the positive role played by FIIs by announcing measures to simplify their entry process and allowing them a larger access to the debt market. The changes and reforms proposed by him are to:

Raise the investment ceiling for FIIs in debt funds from US$1 billion to US$1.75 billion;
Allow banks with strong risk management systems greater latitude in their exposure to the capital markets; and
Examine and implement the recommendations pertaining to the liberalisation of FII limits in certain specified sectors so that genuine FIIs which are professional bodies of asset managers and financial analysts can enhance the flow of equity capital and lend depth to the capital markets.
An endeavour has been made to simplify the tax regime on financial market transactions. Securities Transaction Tax (STT) has been introduced and long-term capital gains tax has been done away with. Tax rate on short-term capital gains has been reduced to 10%.Apart from the above, the following changes have been proposed which directly affect the investment management industry in India:
Dividend distribution tax on income distributed by debt-oriented mutual funds to individuals and Hindu Undivided Families (HUFs) is to be charged at the rate of 12.5% and at the rate of 20% for other investors. Earlier, the rate was 12.5% for all investors;
Income distributions made by equity-oriented mutual funds continue to be exempt from tax. Income earned by a mutual fund is exempt under Section 10(23D) of the Income Tax Act, 1961 of India.
There's a lot of terminology associated with mutual funds that you'll need to know before you can start investing in them. These concepts are an important part of mutual fund investing. You should make sure that

you understand them in full before you start to invest in mutual funds.

Open-end Funds

All mutual funds fall into one of two broad categories: open-end funds and closed-end funds. Most mutual funds are open-end. The reason why these funds are called "open-end" is because there is no limit to the number of new shares that they can issue. New and existing shareholders may add as much money to the fund as they want and the fund will simply issue new shares to them. Open-end funds also redeem, or buy back, shares from shareholders. In order to determine the value of a share in an open-end fund at any time, a number called the Net Asset Value (described below) is used. You purchase shares in open-end mutual funds from the mutual fund itself or one of its agents; they are not traded on exchanges.

Closed-end Funds

Closed-end funds behave more like stock than open-end funds; that is to say, closed-end funds issue a fixed number of shares to the public in an initial public offering, after which time shares in the fund are bought and sold on a stock exchange. Unlike open-end funds, closed-end funds are not obligated to issue new shares or redeem outstanding shares. The price of a share in a closed-end fund is determined entirely by market demand, so shares can either trade below their net asset value ("at a discount") or above it ("at a premium"). Since you must take into consideration not only the fund's net asset value but also the discount or premium at which the fund is trading, closed-end funds are considered to be more suitable for experienced investors. You can purchase shares in a closed-end fund through a broker, just as you would purchase a share of stock.

Net Asset Value (NAV)

Open-end mutual funds price their shares in terms of a Net Asset Value (NAV) (note that you can calculate NAV for a closed-end fund too, but it will not necessarily be the price at which you buy or sell closed-end shares). NAV is calculated by adding up the market value of all the fund's underlying securities, subtracting all of the fund's liabilities, and then dividing by the number of outstanding shares in the fund. The resulting NAV per share is the price at which shares in the fund are bought and sold (plus or minus any sales fees). Mutual funds only calculate their NAVs once per trading day, at the close of the trading session.

Public Offering Price (POP)

The public offering price (POP) is the price at which shares are sold to the public. For funds that don't charge a sales commission (or "load"), the POP is simply equal to the Net Asset Value (NAV). For a load fund, the POP is equal to the NAV plus the sales charge. As with the NAV, the POP will typically change on a day today basis.

Dividends and Capital Gains Distributions

Mutual funds earn money on their investments through one of two ways: dividend income and capital appreciation. In other words, a mutual fund makes money on one of the fund's assets when that asset pays the mutual fund dividends or interest, or when the mutual fund sells the asset for more than what it initially paid (if it sells the asset for less than what it initially paid, then that is called a capital loss). The federal government mandates that all mutual funds distribute these dividends and capital gains to the fund's shareholders at least once per year. Most mutual funds choose to distribute their investment income on a quarterly, semi-annual or annual basis.

In order to determine which shareholders qualify for distribution payments, mutual funds specify a day during each distribution period that is known as the record day. If you own shares in a fund on or before the record day you qualify for a distribution. The day after the record day is known as the ex-dividend date.

Share.

You should be aware that if you receive distributions from a mutual fund then you must pay taxes on them, regardless of how long you have owned shares in the fund and regardless of whether or not you received the distributions in the form of cash or in the form of new shares. In January of every year, mutual funds issue Form 1099-DIV to all of their shareholders as well as to the IRS in order to report income on

distributions.

Mutual Fund Family

A mutual fund family is a group of mutual funds that is managed by the same company. It is usually easy to switch money between mutual funds that are part of the same family. Additionally, most fund families make monitoring multiple investments easier, and make tax time easier, by aggregating the information from the various funds for you.

Dual-Purpose Fund

As with some stocks, certain closed-end funds distinguish between common shareholders and preferred shareholders -- these funds are called dual-purpose funds. As the name suggests, common shareholders receive all distributions from capital gains, while preferred shareholders receive all dividend and interest income. These funds have a set expiration date, at which time all preferred shares in the fund are redeemed, giving the common shareholders sole ownership of the fund. Those shareholders then decide whether to liquidate the fund and divide up the proceeds or to convert the fund into an open-end mutual fund.

2. Insurance Companies-

The insurance business in its present form arrived in India from England in 1818. After independence, the sector was nationalized and by the year 2000-2001, there were only two players in the industry, both state-owned – the Life Insurance Corporation (LIC) for the life insurance sector and the General Insurance Company (GIC) (together with its five subsidiaries) for the non-life part of the sector(R.Chakrabarti-2009). Simply put, insurance companies help consumers manage their risk. In exchange for a constant stream of premiums, insurance companies offer to pay consumers a sum of money upon the occurrence of a predetermined event, such as a natural catastrophe, a car crash, or a doctor's visit

More broadly put, insurance companies create value by pooling and redistributing various types of risk. It does this by collecting liabilities (i.e. premiums) from everyone that it insures and then paying them out to the few that actually need them. The insurance company can then effectively redistribute those liabilities to entities faced with some sort of event-driven crisis, where they will ostensibly need more cash than they currently have on hand. As not everyone within the pool will actually suffer an event requiring the total use of all of their premiums, this pooling and redistribution function lowers the total cost of risk management for everyone in the pool.

Insurance companies theoretically make money in two ways:

- By charging enough premiums to cover the expected payouts that they will have to cover over the life of the policy.
- By earning investment returns ("the float") using the collected premiums

In actual practice, most insurance companies pay out almost all of their premiums in order to attract larger customer volumes and liabilities. Chief earnings focus is thus placed on investment returns. Insurance is extremely important. You will need Commercial Liability coverage to protect yourself in case of damage done to a client's property. It would be a good idea to have any equipment/tools insured as well. I'm assuming you will be carrying Worker's Comp. You may want to inquire about Stop Gap coverage to be added to your commercial policy. It will pay any difference that Worker's Comp does not pay. You'll need to add your vehicles that will be driven for business on a commercial auto policy. If you have payroll, you will also need to pay into your State's Unemployment Fund.

The rise of ULIPs

While insurance is typically viewed as serving the need for protection, the investment motive appears to have been dominating. Consequently Unit Linked Insurance Products (ULIPs) that are, from an investor's point of view, very similar to Mutual Fund offerings, with added tax protection has been extremely popular in India. ULIPs essentially combine mutual funds with insurance and various insurance companies have been offering several ULIP plans to suit different appetites for risk. Broadly, ULIPs are

classified into four types – equity funds; income, fixed interest and bond funds; cash funds and balanced funds – based on the asset classes they invest in and the extent of risk they entail for the retail investor The importance of ULIPs in the life segment of the insurance industry can be gauged from The private insurance players have concentrated on selling. ULIPs that have accounted for 80-90% of their business in recent years. LIC has been somewhat slow to respond to this shift, but over time it too went the ULIP route in a major way pushing the industry weight of ULIPs to over 70%.(R.Chakrabarti-2009).

3. Venture Capital Funds-

Theoretically, venture capital funds give individual investors the ability to get in early at a company's startup stage or in special situations in which there is opportunity for explosive growth. In the past, venture capital investments were only accessible to professional venture capitalists. While a fund structure diversifies risk, these funds are inherently risky. (TIMES OF INDIA).

Venture capital is a type of private equity capital typically provided by outside investors to new businesses. Generally made as cash in exchange for shares in the investee company, venture capital investments are usually high risk, but offer the potential for above-average returns. A venture capitalist is a person who makes such investments. A venture capital fund is a pooled investment scheme that primarily invests the financial capital of third-party investors in enterprises that are too risky for the standard capital markets or bank loans. Venture capital can also include managerial and technical expertise. Most venture capital comes from a group of wealthy investors, investment banks and other financial institutions that pool such investments or partnerships. This form of raising capital is popular among new companies, or ventures, with limited operating history, who cannot raise funds through a debt issue. The drawback of this form of entrepreneurship is that the investors get a say in the management of the company apart from the equity holding. Laws relating to venture capital funds in India

4. Foreign Institutional Investors (FIIs)-

FIIs constitute a very distinct category of asset management firms in India in that their investors are, almost by definition, non-Indians while their investments are in the Indian markets – both equity and debt. There were 1669 registered FIIs in India (R.Chakrabarti-2009). Despite a gloomy global financial scenario, foreign institutional investors (FIIs) are betting big on Indian capital markets, wherein they pumped in about US$ 25 billion in 2012. As a result, the Sensex got a boost of 26 per cent while Nifty soared 27 per cent (showing better performance not only than the emerging markets, but also better than the developed countries). Over the past 15 years, the Indian markets have received almost a fifth of all FII equity flows to emerging markets.

Market experts believe that the recent reform initiatives undertaken by the Government, lack of investment options in other countries and overall a positive investor sentiment are certain factors that have made India attract the highest amount of foreign inflows as against its Asian peers. Also, India is considered to be the third most favoured destination for investment after China and the US for major global companies, according to UNCTAD's World Investment Report 2012. The report anticipates that foreign investments in India could increase by over 20 per cent in 2012-13.

Government Initiatives-:In order to attract long-term investments into the debt market, the finance ministry has raised the FII limit in government securities and corporate bonds by US$ 5 billion each. The additional US$ 10 billion would raise the total FII investment limit allowed in a year in domestic debt to US$ 75 billion. Furthermore, in a bid to attract higher foreign inflows, the Government of India has opened up an opportunity for FIIs of all jurisdictions to earn tax-free interest by investing in debt instruments of a state-owned enterprise. Owing to this landmark move, FIIs and non-resident Indian (NRIs) have been allowed to invest in the public issue of tax-free bonds by Housing and Urban Development Corporation (Hudco) that opened up on January 9, 2013.

Road Ahead-:Market experts believe that India has faired really well over the past few years and the similar macroeconomic trends would continue in 2013. Steady FII equity flows that boost valuations for stocks, a strong investment cycle, and steady consumption growth (especially at low-income levels) would be the factors that would propel the Indian markets. Moreover, portfolio fund flows are anticipated to be higher in 2013 than those in 2012, on the back of Government reforms like passing bills that would spur foreign investment limits in insurance, having a uniform goods and services tax, and reconciling subsidies. Meanwhile, FII inflows are expected to be higher in the second half of FY13 at US$ 11.2 billion as India is looked upon as a viable long-term investment destination on the global canvas, according to the Centre for Monitoring Indian Economy (CMIE). Major FIIs like JP Morgan, Morgan Stanley and Deutsche Bank are

anticipated to drive the positive wave of foreign investments.

5. Private equity in india-

India needs private equity more than ever to push forward the structural agenda. But to be most effective, the right partnerships are critical – to seize market opportunities, open up new markets, share market knowledge and learning. private equity sector in india has witnessed explosive growth in recent years as well with foreign PE investors joining the relatively fledgling domestic PE players in a major way. Like the FIIS, here too, capital is primarily raised abroad for investment in Indian firms, the different being that the investment happens outside the market, either in private companies or, in the case of private investment in public equity(PIPE) deals, in purchase of blocks of shares outside the exchange. India could become the second-largest economy in the world by 2050. The key growth drivers are investments in infrastructure, domestic consumption, and a hub for global outsourcing. This is further supported by growth oriented policies by the government. The favorable environment has led to the growth of the private equity market. Such factors combined with global macroeconomic cues powered India's GDP growth rate to over 9% in 2005. Thereafter the last decade also saw a complete reversal in optimistic sentiments around the world due to the 2008 subprime crisis in the US. Events including European sovereign debt crisis at the start of the second decade has made investors across the globe more wary of investing.

As global economic growth slowed, India was not immune to the downturn. That combined with domestic factors such as interest rate environment, caution in policy notification and revaluation of regulatory framework have led to a patient 'wait and watch' attitude amongst all classes of investors including private equity investors. As we progress into this decade, we need to reflect on lessons learnt and understand investor sentiments in order to leverage on opportunities that lie ahead. Despite the global conditions, domestic political instability or unfavorable policy decisions, the Indian domestic consumption market coupled with a growing entrepreneurial cadre, still holds an allure for PE investors. It is therefore up to the Indian policy makers / Government to give the right message to investors for enhancing funds flow into our economy. For India to spur its growth rate back above 9%, PE investment is important.

Private equity can not only help companies grow, hire more workers, raise productivity but at the same time, it can also be a powerful driver of change: raising standards; fostering growth; promoting new opportunities for businesses and individuals; helping to overcome poverty and bringing hope. Private equity represents a modest share of the $1 trillion to be spent on infrastructure in 2012-2017, about half of which would come from private sector funds, compared with a target of one-third in the previous five years.

6. Real Estate –

Currently Collective Investment Scheme (CIS) are the only way of inviting in diversified real estate. Very similar to the MFs in terms of pooling savings and issuing units, a CIS differs in terms of investment avenues. While MFs invest only in securities, CIS restrict themselves to plantations and real estate (R.Chakrabarti-2009). The concept is expected to take off shortly once the Association of Mutual Funds of India (AMFI) gets the go-ahead from SEBI, and announces the norms. India's foray into REITs is very late as compared to America, where these have been in existence since 1960. However, when viewed from the Asian perspective, the region witnessed the emergence of REITs just a couple of years ago. India, the fourth largest economy in the world, has been maintaining a GDP growth rate of around 5.5% for more than a decade with a potential to almost double her present rate of growth with labour and capital productivity improvements. Real estate and infrastructure play an essential supportive role in improving labour and capital productivity. Real estate investment is also a leading indicator of economic growth in all market economies. Two major steps have been taken by the Indian government to act as a catalyst to the real estate sector — firstly, allowing following direct investment and secondly, setting up of REITs.

7. Pension Reforms and Pension Funds-

Pension funds constitute one of the largest segments of the asset management industry in many developed countries. In India the pension sector has been undergoing major changes in the last several years. In India only the formal sector, which employs less than 15% of the workforce has pension benefits. For this sector there are two kinds of pension plans: the Employee provident Fund Organization (EPFO) manages contributions for all private firms over 20 employees offering a blend of defined contribution plan

called the Employee Provident Fund (EPF) and defined benefit plan called the Employee Pension Scheme (EPS) and a civil servants pension system which is an unfunded defined benefit scheme. Significant changes have taken place since 1998 with the introduction of a defined contribution pension scheme, the New Pension Scheme (NPS) and the constitution of the Pension Fund Regulatory and Development Authority (PFRDA) as the management of the fund resulting from the contributions was to be opened up to professional pension fund managers (R.Chakrabarti-2009). Management of pension funds is expected to offer new opportunities of business expansion for asset management companies in India. Globally, mutual funds are managing money for pension funds to help them improve yields by allowing access to a wider range of investment avenues. In the Indian context also, mutual funds can similarly help provident and pension funds. Major fund houses are awaiting final guidelines for entry into the lucrative pension business that is expected to grow to approximately Rupees 500 billion by the year 2010.

In the near future, these alternative and diverse investment pools are expected to be a source of additional liquidity to the Indian markets.

CONCLUSION-

The asset management in India has gone through a change in the last decade and technology that is used by the asset management industry or so and has very impressive growth rates. However, even now, it is poised for many far changes, mostly regulatory, that can further period of very high growth in the near future as well. With the growing investor base and demands, the industry is trying to introduce new technologies to make the transactions easy. The asset management industry is also bringing talented professionals to the industry so that the industry can develop rapidly.

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