



STUDY OF MUTUAL FUND INDUSTRY IN INDIA

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Abstract- Study of mutual funds would be one of the main instruments of property creation. The wealth saving in mutual funds giving positive results. The mutual fund industry in India has a more successful rate in the last many years. As compare other developed nations, the growth in the mutual fund industry in India is still lacking far behind. The lack of awareness, trust on companies, and policy developers for mutual funds is the main reasons for poor growth of mutual fund industry in India.

Keywords- Mutual Fund Industry, assets under management.

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Introduction

The Indian mutual fund industry came into existence following the establishment of the Unit Trust of India (UTI) which is the initiative of the Government of India and the Reserve Bank of India. The Unit Trust of India enjoyed the monopoly with no other player permitted to enter the industry. This scenario has changed drastically following the opening of the industry to private and foreign institutions in the year 1993. The fund mobilization by mutual funds in India has been on the increase since their inception in 1964. Initialization of the policy of liberalization and reforms in the financial areas has brought about a sea change in income, consumption, savings and investment pattern of average household in India [1-3]. Mutual funds in India are a great way to develop wealth but not all of them are the same. Financial industry become wealth sponsors when they create and operate mutual funds. Such as this a type of investment company that pools money from the investing public. In which collectively invests this money in stocks, bonds and money market instruments. A mutual fund provides individual investors with a convenient form of investing, professional property management, major diversification and liquidity.

The Mutual Fund Industry recorded assets under management (AUM) of 13,460 INR billion as of December 2015 having a year growth of over 21%. Traditional primary contributor to assets under management have been corporates, in 2015 retail segment emerged as the fastest growing segment in terms of contribution to AUM growth [4-6].

While a large population of India is moving towards economic wellbeing, promises for a strong customer base for financial services. They also pose a challenge to service providers in tapping resources. Mutual funds face a double challenge as an increasing their share of the pie in the urban markets which have seen crowding of products and vendors. Another challenge is capturing the attention of new investors in rural, sub-urban markets which have been largely averse to complex financial instruments. These are often unreachable through traditional distribution channels. Mutual funds will have to leverage technology to drive innovation in products, and also adopt alternate distribution channels to be successful in the Indian market.

The mobilization of savings is very important for the development of any country and for mobilization of savings sound financial system is necessary for any

economy. Resource mobilization by mutual funds is an important activity in the capital markets. India mutual fund and stock market have witnessed incremental growth over the last many years. According to a research, mutual funds would be one of the major instruments of wealth creation and wealth saving in the years to come in India which will give positive results.

Mutual funds can be described as a collective investment policy where customers pool in their monetary fund resources towards a common financial objective. The money which is collected is then invested by the mutual fund managers in different types of securities depending upon the objective of the scheme or policy. These could spread among various capital market instruments like debt, equities, derivatives and other government securities scheme. The income secured in the course of these investments schemes and the capital appreciation realized is shared among unit holder peoples in proportion to the number of units held by them. A mutual fund therefore helps the common man to realize their investment needs by offering an opportunity to invest in a professionally managed, diversified area, which will relatively lower risk [7-10].

The role of financial companies as well as the role of mutual funds industry in India as an important segment of financial market for resource mobilization in capital market is very significant. Mutual fund act as a major role between the retail or small investors and the capital market by mobilizing the funds from innumerable investors across the country. Thereafter investing the funds in capital market in most scientific way so as to maximize the return on investment.

Conclusion

The Indian mutual fund industry possesses a tremendous scope for development which is evident as compare to international comparison. The main reasons for less growth of mutual fund industry in India are the lack of information for mutual funds. Thus, it is suggested that strong regulation, strong framework, more transparency, increased research and innovations, fast and reliable services to the investors, liquidity and higher returns could make mutual fund schemes more popular and investor friendly in India.

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Abbreviations:

UTI - Unit Trust of India

AUM- Assets Under Management

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