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   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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PROBLEMS OF MUTUAL FUND IN INDIA

NEERAJ RANI ANEJA
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
S. J. K. COLLEGE
KALANAUR

ABSTRACT

The Indian Capital market has been increasing tremendously during the last few years. With the reforms of economy, reforms of industrial policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Indian money market and capital market. In order to help the small investors, mutual fund industry has come up to occupy an important place. Mutual funds are a pool of money collected from many investors and corporate and then invested by fund managers to buy securities such as stocks and bonds. This requires that the investor studies his needs and aspirations, identifies a goal that he wants to achieve, and then makes an investment decision. However, this decision cannot be made on the basis of comparing one fund to another, since every Mutual Fund invests based on a particular focus. There are Blue-Chip funds which invest only in big companies with established track records. Besides this, there are Mid Cap Mutual Funds which invest in medium-sized companies. Similarly, there are sector-based Mutual Funds such as Information Technology, infrastructure etc. The main objective of this paper is to examine the importance and growth of mutual funds and evaluate the mutual fund problems and recommend some measures to make it a successful scheme in India.

KEYWORDS

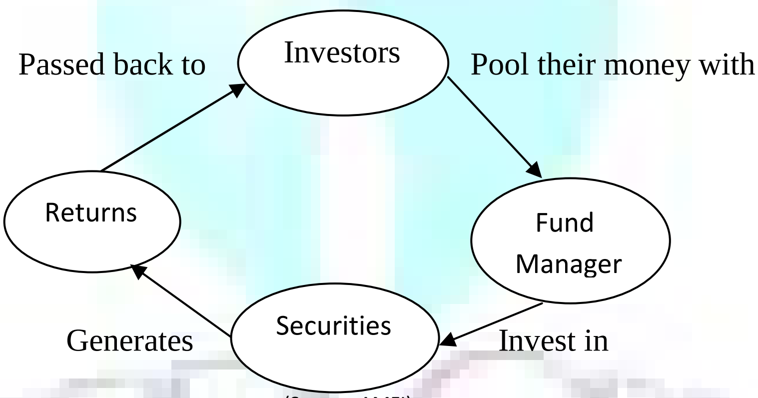
Mutual fund, AMC, Capital market, Investment.

INTRODUCTION

A Mutual Fund is a very important form of Non Banking Financial Institutions (NBFIs) for promoting as well as mobilizing financial savings. Mutual Funds also act as important investment institutions, especially for the corporate sector. The term Mutual Fund is commonly used for such NBFIs in USA and Canada and is now increasingly used in India too, whereas, similar financial institutions are called 'Unit-Trusts' in U.K. It is just a matter of historical accident that when the first mutual fund of this was set up in India in 1964, it was named as Unit Trust of India [1]. An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund is an investment company or trusts that pools the resources of thousands of its shareholders or unit holders and invest on behalf of these diversified securities and a cross-section of companies to attain the objective of investors, which in turn achieve income or growth or both, i.e., steady return or capital appreciation or both along with low risk [2].

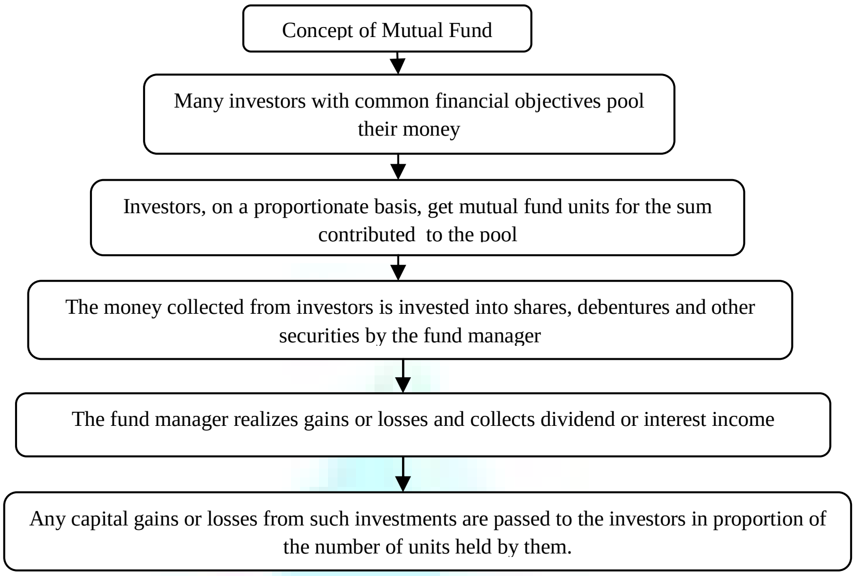
Working of Mutual Fund is given below:

FIG. 1: MUTUAL FUND OPERATION FLOW CHART



(Source: AMFI)

Mutual funds provide the alternatives to the investors who instead of making direct investments in share or bonds through public issues or through secondary market, subscribe to the corpus of mutual funds. Mutual funds mobilize funds by selling their own share also known as units. When an investor owns share in mutual funds, he owns a proportional share of their securities portfolio [10].According to Encyclopedia Britannica "Mutual fund, also called Unit Trust, or Open-end Trust, company that invests the funds of its subscribers in diversified securities and in return issues units representing shares in those holdings. It differs from the investment trust, which issues shares in its own capital. In contrast to closed-end investment companies, which have a fixed capitalization and whose shares are bought and sold by the investor in the market, mutual funds make a continuous offering of new shares at net asset value (plus a sales charge) and redeem their shares on demand at net asset value, determined daily by the market value of the securities they hold" [3].

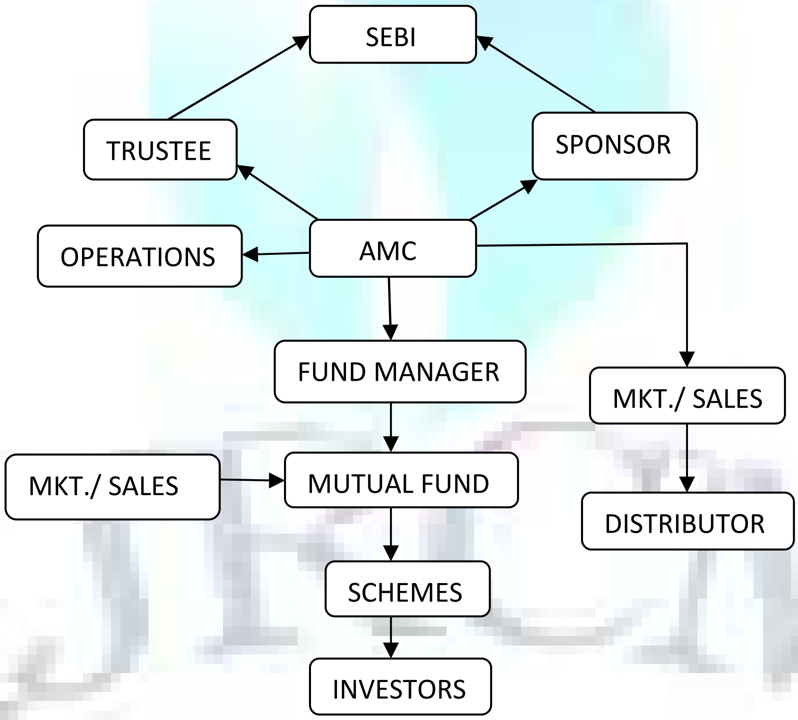


The concept of mutual fund is new to the Indian capital market, but not to the international capital world. The origin of mutual funds can be traced to the U.K. in the 19th century, which spread to United States in the beginning of the 20th century. Subsequently, hundreds of mutual funds have been developed and expended in Latin America, Far East and Europe [7].

STRUCTURE OF MUTUAL FUND

Structure of Mutual Funds Investors dealing with a mutual fund come in contact with so many entities associated with the fund, that they wonder who does what and why. The core function of a mutual fund is to provide the expertise of professional investment managers to small investors. In a mutual fund structure prescribed by SEBI, money is not handed over to anyone else. It is kept in a trust, where you are the beneficiary and whose operations are supervised by the trustees in your interest [4]. The trustees appoint a professional manager, the asset management company (AMC) to manage your money. The AMC never really accesses your money. Then how do they make the investments? The trustees appoint a custodian, usually a large bank, who holds the funds and the securities. The AMC makes the investment decisions, but the custodian implements it. A mutual fund is structured for the protection of your money from misuse [2]. The structure of mutual fund is given below:

FIGURE 2: MUTUAL FUND STRUCTURE



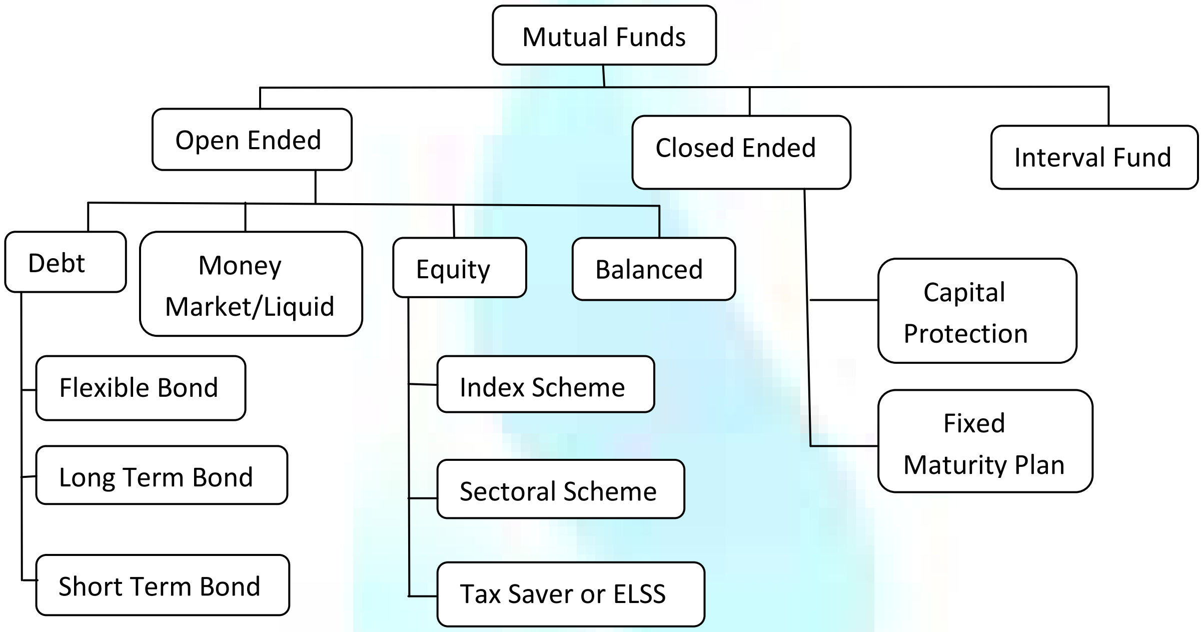
(Source: AMFI)

A mutual fund is structured to minimize the costs of managing money.Regulation ensures that at least two-thirds of the trustees are independent. An independent trustee is one who does not receive any other monetary consideration from the mutual fund, other than the trustee fee. The trustee appoints the AMC to manage the funds, and the AMC is accountable to the trustees. The AMC runs the mutual fund business under the supervision and guidance of the trustees. The trustees are responsible for ensuring that all activities undertaken by the mutual fund are in the interests of the investors who have invested in the fund. Trustees are appointed with the approvalof SEBI and they ensure that operational systems and procedures are in place so that no action ofthe AMC or any other constituent could be detrimental to the investors interest [2]. Mutual funds operate in a competitive environment. Though SEBI Regulations allow an investment manager to charge up to 1.25% as fees, the actual fee charged is much lower, offering the investor the benefits of competitive rates. Similarly, though the overall annual expense that a mutual fund can charge can be up to 2.5%, in reality, mutual funds charge a much lower annual fee [8]. This feature is perhaps unique to mutual funds as compared to other investment options where the annual fee is not only higher, but far from transparent to the investor. Important decisions relating to the fund, such as launching a new product, can be taken only with the approval of the trustees. The custodian, who actually holds the investor's funds in the bank account and the securities that have been bought for the mutual fund portfolio, has to be independent as well [10]. The AMC, who is the investment manager, is created by a sponsor. Such sponsor can also have a bank that offers custodial services. But regulations do not allow the sponsor and the custodian to be owned by the same entity. This ensures that the custody of your money and securities is even safer. The custodian is appointed not by the AMC, but by the trustees themselves. Regulation also requires that investors know what is being done with their money. The investors' money is kept scheme-wise in separate accounts. The entire portfolio of investments of a scheme has to be disclosed to the investors at least every six months. Mutual funds make this disclosure voluntarily on a monthly basis [4]. The scheme accounts are published and publicly available for investors to see the expenses that are being charged to them. The extent of expenses that can be charged, and the heads under which they can be charged are also subject to regulation. Mutual funds are subject to detailed regulations by SEBI, and are inspected periodically for compliance. All constituents of a mutual fund, such as brokers, registrar & transfer (R&T) agents, custodians and intermediaries, have to be registered with SEBI and are monitored by the regulator. Mutual funds provide safety from the multiple levels of supervision and regulation [8]. They combine this with the expertise in management and efficiency in costs. Mutual funds are thus a modern and ideal investment vehicle for investors.

CLASSIFICATION OF MUTUAL FUNDS

Various types of mutual funds categories are designed to allow investors to choose a scheme based on the risk they are willing to take, the investable amount, their goals, the investment term, etc [5]. Let us have a look at some important mutual fund schemes under the following three categories based on maturity period of investment:

FIGURE 3



I. Open-Ended - This scheme allows investors to buy or sell units at any point of time. This does not have a fixed maturity date [10].

1. Debt/ Income - In a debt/income scheme, a major part of the Inver channelized towards debentures, government securities, and other debt instruments. Although capital appreciation is low (compared to the equity mutual funds), this is a relatively low risk-low return investment avenue which is ideal for investors seeing a steady income.

2. Money Market/ Liquid - This is ideal for investors looking to utilize their surplus funds in short term instruments while awaiting better options. These schemes invest in short-term debt instruments and seek to provide reasonable returns for the investors.

3. Equity/ Growth - Equities are a popular mutual fund category amongst retail investors. Although it could be a high-risk investment in the short term, investors can expect capital appreciation in the long run. If you are at your prime earning stage and looking for long-term benefits, growth schemes could be an ideal investment [7].

3. i. Index Scheme - Index schemes is a widely popular concept in the west. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like Nifty, Sensex, etc.

3.ii. Sectoral Scheme - Sectoral funds are invested in a specific sector like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large caps, mid caps, etc. This scheme provides a relatively high risk-high return opportunity within the equity space.

3. iii. Tax Saving - As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities thereby offering long-term growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) has a 3-year lock-in period [9].

4. Balanced - This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.

II. Closed-Ended - In India, this type of scheme has a stipulated maturity period and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period [2].

1. Capital Protection - The primary objective of this scheme is to safeguard the principal amount while trying to deliver reasonable returns. These invest in high quality fixed income securities with marginal exposure to equities and mature along with the maturity period of the scheme.

2. Fixed Maturity Plans (FMPs) - FMPs, as the name suggests, are mutual fund schemes with a defined maturity period. These schemes normally comprise of debt instruments which mature in line with the maturity of the scheme, thereby earning through the interest component (also called coupons) of the securities in the portfolio. FMPs are normally passively managed, i.e. there is no active trading of debt instruments in the portfolio. The expenses which are charged to the scheme are hence, generally lower than actively managed schemes [4].

III. Interval - Operating as a combination of open and closed ended schemes, it allows investors to trade units at pre-defined intervals [2].

Role of Mutual Funds in Capital Market

A mutual fund is a special type of institution, which acts as a investment intermediary and canalizes the saving of large number of people in such a way that investors get steady returns, capital appreciation and a low risk [9]. Mutual funds are becoming very popular in the world because of the following advantages:

- **FINANCIAL PLANNING WITH MUTUAL FUNDS**

How often have we wished that there were 48 hours in a day? With earning money and fulfilling family responsibilities topping our priority list, our investments usually take a backseat. Complex investment options further delay our investment decisions for the lack of time to understand these avenues. Here is where mutual funds play an important role. Why invest in a mutual fund: Various investment options to choose from mutual funds offer a plethora of products to choose from, which makes it easier for investors to align their investment objectives with investment avenues [4]. Consider equity schemes; One can choose from index funds, equity diversified funds, large cap funds, mid cap funds, flexi cap funds, sector funds, and the list goes on. Similarly, in case of debt schemes there are balanced funds, monthly income plans (MIPs), gilt funds, fixed maturity plans (FMPs) and many more. If one's investment horizon is very short, then he/she can invest in liquid funds.

- **PROFESSIONAL INVESTMENT MANAGEMENT**

Another major advantage of investing in a mutual fund scheme is that it is professionally managed. With inputs from research analysts, the fund managers take investment decisions in tune with the objective of the scheme [1]. In short, you can rest assured that your money is in safe hands.

- **AFFORDABLE INVESTMENT**

Mutual funds offer a very affordable investment avenue for investors; investors individually may lack sufficient funds to invest in high grade stocks. On the other hand direct equity or debt investments would require a much higher outlay. Moreover, a very moderate fee is charged for investment in mutual fund [2].

- **CONVENIENCE OF INVESTING**

Options like Systematic Investment Plans (SIP), Systematic Transfer Plan (STP) and Systematic Withdrawal Plans (SWP), enable you to manage your investments & withdrawals in an automatic and efficient manner [4]. On the whole, mutual fund investing is quite simple and easy.

- **EASY LIQUIDITY**

Mutual funds are highly liquid investments. One can redeem units of a mutual fund at NAV based prices and receive the redemption proceeds within a period of 3-5 days.

- **DIVERSIFICATION WITH A SMALL AMOUNT OF INVESTMENT**

With a small investment, not many options are available while investing directly in the capital market. However, mutual funds allow you to spread your investments across a wide range of securities, lowering your risks considerably [1].

- **DISCIPLINED INVESTING**

Facilities like 'Systematic Investment Plan' (SIP) inculcate a habit of regular saving and investing by making you invest a fixed amount periodically for a pre determined period of time in a mutual fund scheme [5].

- **TRANSPARENT AND WELL-REGULATED INDUSTRY**

The mutual fund industry is regulated by Securities and Exchange Board of India (SEBI) and is governed by SEBI Mutual fund regulations. These regulations ensure transparency in the functioning of mutual fund. An investor to achieve his financial goals requires various investment avenues with varied risk-return characteristics [8]. Mutual funds with various investment options of differing risk return profile should from part of financial planning of every individual.

- **PORTFOLIO DIVERSIFICATION**

Mutual Funds invest in a number of companies across a broad cross-section of industries and sectors. This diversification reduces the risk because seldom do all stocks decline at the same time and in the same proportion. You achieve this diversification through a Mutual Fund with far less money than you can do on your own [2].

- **TAX BENEFITS**

Dividends given by equity oriented mutual funds are tax-free in the hands of the investor. In case of Debt funds, the funds pay dividend distribution tax.

- **FLEXIBILITY**

Mutual fund offers features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans; you can systematically invest or withdraw funds according to your needs and convenience.

- **INVESTOR PROTECTION**

Mutual funds are regulated and monitored by the Securities Exchange Board of India (SEBI). The SEBI (Mutual Funds) Regulation, 1996 which have replaced the regulation of 1993, provide better protection to the investors, impart a greater degree of flexibility and facilitate competition [8].

- **SUPPORTING CAPITAL MARKET**

Mutual funds play a vital role in the growth of capital market. Therefore, growth of industrial development and capital formation is possible of the country [2].

GROWTH OF MUTUAL FUND IN INDIA

This part traces the growth of the Indian mutual fund industry from 1964, the year of launching of the first mutual fund - UTI. The industry has since witnessed the entry of public sector and private sector mutual funds, the establishment of a regulatory authority, Securities and Exchange Board of India (SEBI), the promulgation of the Mutual Fund Regulations in 1993 and other regulatory measures for the healthy growth of the industry and Investor protection. The growth of the mutual fund industry in India was very slow till the end of the 1980s, primarily due to government controls and stiff regulation of the financial services industry [7]. State planning and development objective of the economic policy meant that financial institutions assisted the government in developmental activities through mobilization of domestic savings. Severe entry bamers restricted the growth of the mutual fund industry In terms of number of players, mobilization of domestic savings and creation of assets. This was the scenano till 1986-87 when the mutual fund market in India, such as it was, solely controlled by a single institution, namely Unit Trust of India (UT1) which was formed by the Government of India under an Act of Parliament. UTI commenced operations in July 1964, 'with a view to encouraging savings and investment and participation in the income, profits and gains accruing to the corporation from the acquisition, holding management and disposal of securities' [4].

PROBLEMS OF MUTUAL FUND IN INDIA

" The mutual funds have failed to provide safety, liquidity and returns on investments to the small investors, which are facing several problems in our country." The main problems are given below:

- **POOR INVESTOR INTEREST**

Assets managed by mutual funds are falling. For the month ended March 2012, assets under management with all mutual funds plunged 13 per cent to Rs.5,87,000 crore, according to Association of Mutual funds in India (AMFI) data. This is the lowest since June 2009. This means investors have pulled out money. While March usually sees a high outflow of funds as corporate India pulls out money to meet tax and other working capital requirement, the absence of a diverse retail base hurts [6]. The industry needs more common people to own mutual fund units and not just large corporate to park their money.

- **OTHER ATTRACTIVE INVESTMENT AVENUES**

For the common man, the Indian government offers saving schemes with sovereign guarantee. With high interest rates and tax rebates, post office schemes like public provident fund or National Saving certificate offer better returns to investors [8]. Individuals have Rs. 5,19,162 crore invested in the post office or government guarantee schemes, according to Karvy, securities firm. Employee Provident fund and public provident funds manage another Rs. 2,81,000 crore. This is more than the size of the total mutual fund industry in India. High bank deposit rates also reduce the risk appetite. Indian individuals own fixed deposits and government guaranteed bonds worth Rs.22,16,307 crore, according to Karvy. Another Rs. 6,20,000 crore is held in savings bank accounts with public and private sector banks [7].

- **EQUITY ASSETS STAGNANT**

Mutual funds manage Rs. 1,82,000 crore in equity assets, according to the AMFI data. This is barely 3 per cent of the total market capitalization of the Bombay Stock Exchange. Foreign institutional investors control five times that [6]. A successful asset management business is evaluated on the basis of the equity assets it manages. However, with sovereign guarantee schemes dominating most of the household investible surplus, it is a challenge to ask individuals to take risks [4].

- **INDIVIDUALS PREFER DIRECT EQUITY INVESTMENT**

Direct equity holding is estimated at Rs. 22,73,043 crore, more than 11 times equity assets managed by mutual funds and a third of the BSE market cap [8]. This means investors prefer to buy or sell shares on their own and not rely on mutual funds. Mutual funds have failed to educate this segment to allocate resources to them.

- **PROBLEMS RELATED TO THE INVESTORS**

The success of a mutual fund depends upon the confidence of the investors. All the problems related to the investors are, lack of awareness and poor after sales service to the investors. The investors believed, so far, that the mutual funds promoted by UTI, LIC, and nationalized banks are guaranteed by the Central Govt. The majority of the new investors don't understand the concept, operations and advantages of investment in mutual funds before investing. The researcher had undertaken surveys of individual investors and members of Ahmadabad Stock Exchange to analyses the awareness of investors about the mutual fund schemes [9]. It was observed that small businessmen, farmers and persons belonging to rural and semi-urban areas in low income group had no awareness about the mutual funds. The queries received from the investors are promptly attended by all the private sector mutual funds. There are delays in attending queries by the transfer agents in case of UTI due to large number of queries received by them.

- **PROBLEMS RELATED TO WORKING**

The inventible funds of the mutual funds increase when sales are more than the redemptions and decrease when the redemptions are more than sales creating the problems of maintaining liquidity. The investors prefer to invest in equity funds during boom period and shift their investments to debt funds during the recession period. The most profitable and high income & appreciation potential stocks during the boom period or at the time of investing funds in such stocks may become illiquid over a period of time [7].The investors can't take decisions of investment due to unavailability of track records of working. HDFC and Standard Chartered Mutual Funds started their operations in 2000; all other mutual funds except UTI have the track record of 3 to 5 years. Unless the track records of working of mutual funds is available covering the several stock market booms and crashes, the investors can't judge which schemes or mutual funds are better alternatives for investments [9].

- **PROBLEMS RELATED TO PERFORMANCE**

The investor prefers safety of the principal amount, regular returns, long-term growth, income tax benefits, etc. The mutual fund schemes have been designed based on the preferences of the investors, changes in stock/capital market, and returns on various instruments and changing profile of the investors. The schemes are framed and conceptualized by the top management of the mutual funds and marketed by their branches and through the agents. The agents and the sales executives of the mutual funds assure higher returns to the investors and paint a rosy picture about the mutual funds while marketing schemes. The mutual funds in our country have been quite wrongly promoted as an alternative to equity investing and created very high expectations in the minds of the investors. The ignorance of the investors about mutual funds coupled with aggressive selling by promising higher returns to the investors have resulted into loss of investors' confidence due to inability to provide higher returns [4]. All mutual funds set a higher target for mobilization of savings from the investor by launching new schemes and expanding investor base. The agents or distributor of mutual funds are more governed by commissions and incentives they get for selling the schemes and not by the requirements of the investors and quality of the products. They share commissions with the investors and don't explain the risk factors to them [7].

The investors who invest in growth or equity schemes consider it as an alternative to stock market investing and the investors who invest in debt schemes expect higher returns on their investments than returns on nationalized banks' fixed deposits. The investors expect higher returns and get dissatisfied when they don't receive the expected returns. The NAV of the mutual fund scheme gets discounted on debiting the front-ended load of issue expenses after closure, further discounted on listing and continue to decline on trading due to poor demand for such units due to the poor sentiments of the investors [9].

RECOMMENDATIONS TO MAKE MUTUAL FUND SUCCESSFUL IN INDIA

The greater transparency, increased innovations, better services to the investors, liquidity and higher returns will make mutual fund schemes more popular and investors friendly [9]. Some recommendations are to make mutual fund successful in India.

- **INCREASE THE DISTRIBUTION STRENGTH**

Compared to the insurance sales force, the strength of the mutual fund network appears to be dismal. Quoting an industry CEO, "there are over 0.3 million insurance agents in India, while only 16,000 distributors for mutual funds." This data implies that investors are likely to meet insurance agents much more frequently than mutual fund distributors and hence likely to park their surplus funds in insurance policies rather than mutual fund products.

- **NEED TO UPGRADE DISTRIBUTION NETWORKS**

In the current scenario, the industry needs willingness from asset management companies to invest more in the distributor community. The smaller asset management companies due to lack of funds, find it more challenging to invest in the distribution channel. Training and educating the distributors are integral to increasing penetration of mutual fund products [10].

- **CONTINUATION OF INVESTOR AWARENESS INITIATIVES**

National awareness campaigns for mutual funds continue to remain a focus area for fund houses and distributors. Distributors are taking it upon themselves to educate the investor and make them aware of the benefits of investing in mutual funds. The AMCs are trying to think of innovative ways of reaching the investors in smaller towns and cities and mobilize their savings. Investors should be aware of the sectors in which they are investing and should have a clear outlook on the performance of their investments, with all the risks explained [11]. Servicing the customers and guiding them to achieve their financial goals over a period of time will lead the industry towards sustainability and asset retention. The plan should be to 'manage assets' and not just 'gather assets' [9].

- **GROWTH OF SYSTEMATIC INVESTMENT PLANS**

Fund managers need to enhance the growth of their systematic investment plan books. These plans have the capacity to deal with volatility over a long-time horizon and generate steady returns.

- **FOCUS ON SERVICE INITIATIVES**

Fund houses can create a differentiator for themselves by offering a premium service proposition. The initiative to increase distribution needs to be matched with service quality to investors and distributors alike or else increased penetration will not attain its full value [7].

- **MULTIPLE SHARE CLASS STRUCTURE**

Some industry CEOs believes that a multiple share class structure can possibly be a viable model for the domestic mutual fund industry. In this kind of a structure, each share class can have its own expense ratio [9].

- **LONG-TERM PERFORMANCE**

To attract retail investors, a stable long-term performance by funds is most desirable. Asset management companies with a good track record over a period of time will be successful in drawing more funds from investors.

- **UNCERTAIN MARKET ENVIRONMENT**

Going forward sluggish economic growth, high rate of inflation and slowdown of consumer demand is predicted in 2013. This has in turn adversely affected the investors' ability to invest in financial markets. Investors are hesitant to approach capital markets and wary of risk in these challenging times [7].

- **ATTRACTIVENESS OF INCOME FUNDS**

In a scenario where inflation is high and the RBI is lowering interest rates, investors are showing an interest in the fixed income market. Riding on the expectation that rates could be cut further in 2013, the market looks promising for gilt funds, bond funds and income funds [9].

- **POSITIONING MUTUAL FUNDS AS A LONG TERM PRODUCT**

Mutual funds need to be positioned appropriately as a long term product in the investor's mind. Distributors hence need to be incentivized adequately in order to sell the product correctly to investors.

- **NEW CADRE OF DISTRIBUTORS TO TAKE THE INDUSTRY FORWARD**

The new cadre of distributors such as postal agents, retired officials and school teachers, etc will likely take inflows from smaller towns and cities. This cadre of distributors will be crucial in mobilizing the savings of the smaller towns and directing these savings towards mutual fund investments [4].

- **PRODUCT DESIGN**

Mutual fund products need to be simplified if they have be sold to the masses through a public sector bank channel. The product needs to mimic a fixed deposit, and provide a predictable income. Also, these products need to be solution oriented. In the past, some fund houses launched similar schemes with minor differences. The SEBI has directed a move towards a consolidation of schemes to make the process simpler for investors. If the right product or solution is not available to be sold to customers, it will be difficult to create a 'pull' factor.

- **TECHNOLOGY MIX**

To overcome operational challenges, measures need to be taken to improve the existing infrastructure and to bring in more efficiency while increasing the scale of operations. This is not possible without the back-up of a good technology mix. It is also a key facilitator to break down under penetrated markets [9].

CONCLUSION

The outlook of the mutual fund industry is governed to a great extent by the economic situation in the country. The current economic scenario with sticky inflation and rising fuel prices is likely to adversely impact perceptions, resulting in depressed equity inflows into the market. Steps need to be taken to instill confidence in the minds of the investor and to encourage him to invest in mutual funds, even in times of uncertainty. We believe that the mutual fund industry manifests huge opportunity for growth and further penetration, and this can be achieved over time, with support from technology. The key lies in strengthening distribution networks and enhancing levels of investor education to increase presence in rural areas. In terms of opportunity, the infrastructure debt market has become very attractive, during investors to invest in this space. Also, it is critical for the industry at this point to assess and capitalize the value that pension products bring to the growth of the mutual fund industry. Lastly, it may perhaps be useful if the mutual fund industry emulated some best practices from other industries and sectors to transition to the next level of growth. It is rightly said that change is the only constant. The sea of changes in the financial & economic scenario in country has brought with it a fresh wave of opportunities. These opportunities and problems can only lead to the betterment of the investment community at large. The message to the investors is Happy investing!!

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