Chapter — VI

Summary Of Findings, Conclusions and Suggestions
FINDINGS OF THE RESEARCH:

1. Out of 300 respondents 26.67% of the respondents annual income was between 1 lakh – 2 lakh, 25.33% of the respondents annual income was between 2 lakh – 3 lakh, 22% of the respondents annual income was between 3 lakh – 4 lakh, 14.33% of the respondents annual income was between 4 lakh – 5 lakh and 11.67% of the respondents annual income was above 5 lakh. So we can see that most of the respondents are within the annual income range of 1 lakh – 2 lakh. This shows that most of the Hubli-Dharwad citizens belong to middle class category.

2. The investors have many options to invest which include conventional instruments like Fixed Deposits in Nationalized and Cooperative Banks, Postal Savings, Real Estate, Gold and Silver etc. and modern instruments like Mutual Funds, Insurance, Shares, Debentures, Bonds etc. So an investor can invest in one or more instruments based on his income and savings. All the 300 respondents have prioritized their investment preferences. It is found 10.33% of the respondents invested in SB Acct, 27% in Fixed Deposit Acct., 7.33% in Shares, 10% in Gold and Silver, 16.33.33% in Postal Savings Acct., 6.66% in Real Estate, and 11% in Mutual Funds and 11.33% in insurance. By these figures we can say that investors of Hubli-Dharwad prefer more to invest in conventional instruments like Fixed Deposit and Postal Savings. Thus tendency of investors towards modern investment instruments like Mutual Funds, Insurance, Shares, etc. is very less and the respondent investors are also more risk averse.

3. The percentage of savings with respect to the annual income of the respondents is very good. Out of 300 respondents, 155 respondents (51.67%) save up to 75% of their annual income and 145 respondents (48.33%) save up to 50% of their annual income. From the above information relating to the respondents, we can say that the investors in Hubli-Dharwad have a very good income - savings ratio. This will help us to decide the percentage of surplus money (savings) available with the investors to invest in different financial
instruments. As discussed earlier, Hubli-Dharwad is a middle tire city and the cost of living or life style is not so expensive. So people tend to save a major portion of their income.

4. It is found that Thus 43.33% of the respondents give **First** priority for high returns on their investments, 21.66% of the respondents give **Second** priority for safety of the funds invested, 12.66% of the respondents give **Third** priority for high risk-high return investment instruments, 11.66% of the respondents give **Fourth** priority for liquidity of the investment instruments, and 10.66% of the respondents give **Fifth** priority for marketability of securities.

   From the above findings it is clear that the investors look for high returns on their investments but are not ready to bear risk and also they prefer for the safety of the funds.

5. It is found that 78.33% of the respondents prefer to invest in Low Risk - High Return instruments, 21.67% of the respondents like to invest in High Risk – High Return instruments and none of the respondents is interested to invest in Low Risk - Low Return instruments. So it is very clear that most of the investors don’t want to take risk but expect high return from their investments.

6. Out of 300 respondents, 70.67% of the respondents said that they know about Mutual Funds and 29.33% of the respondents said that they don’t have any knowledge about Mutual Funds. From the above information we can say that majority of the investors are having knowledge about the investment instrument called Mutual Funds.

7. It is found that out of 212 respondents who have knowledge about Mutual Funds, only 123 respondents are investing in Mutual Funds and 89 respondents are not investing in Mutual Funds. In other words only 58% of the respondents are investing in Mutual Funds and rest 41.98% of the respondents are not investing in Mutual Funds even though they have the knowledge of mutual funds. All together out of 300 respondents only 41% of the respondents are investing in Mutual Funds and rest are not investing.

8. Out of 123 respondent investors of Mutual Funds, 96.75% of the respondents are making monthly investment in different schemes and rest are investing in other schemes like
quarterly, half yearly, etc… . It is very clear that majority of the respondent investors are interested to invest in short term plans i.e, monthly SIP.

9. Out of 123 respondent investors of Mutual Funds, 91.6% of the respondents are investing in Equity Funds, 7.32% of the respondents are investing in Debt Funds and 1.63% of the respondents are investing in Hybrid Funds (mixture of both equity and debt).

10. The findings of the survey show that 52.61% of the respondents are investing in Diversified Equity Funds, 36.60% of the respondents are investing in Sector Specific Funds and only 10.71% of the respondents are investing in Tax Saving Funds. None of the respondents are investing in Mid-Cap funds. So, most of the respondent investors are interested in diversifying their risk in order to reduce the risk of their investments and get high returns.

11. The findings of the survey results show that 88.89% of the respondents invest in Income Funds, 11.11% of the respondents invest in MIPs and none of the respondents invest in Liquid Funds or Gilt Funds or short Term Plans. So, most of the debt fund investors look for regular income accompanied by safety of their funds invested.

12. We can see that 82.11% of the respondents who are investing in Mutual Funds have the knowledge of share market and its functioning and the rest don’t have the knowledge about the same. The knowledge about the functioning of the share market will help the investors to monitor their NAV (Net Asset Value) related details on a regular basis and know the value of their investments. It also helps to understand how the fund managers/portfolio managers/investment managers etc., invest the investors money in different types of shares of different companies and what could be their return potential.

13. All the respondent investors (100%) who are investing in Mutual Funds are aware that their funds are being invested by mutual fund companies in the stocks of different companies
in a very systematic portfolio where in maximum returns are expected and risk is being reduced by diversification of investment in different portfolios.

14. The research results that the 71.54% of the respondents monitor and analyze the performance of a particular scheme based on its NAV i.e, past performance, 15.45% of the respondents rely on expert advise and monitor the performance of the scheme, 12.20% of the respondents rely on the Asset Management Company’s report to monitor the performance of the schemes and only 0.81% of the respondents rely on the ratings given by the Credit Rating agencies to monitor and analyze the performance of their Mutual Fund Scheme.

15. It is found that 65.85% of the respondents are sourcing the information related to the performance of the Mutual Fund Schemes from the internet by visiting the web site of the particular Mutual Fund company, 10.57% of the respondents are sourcing the information through financial magazines / daily news papers, 8.94% of the respondents source the information through financial consultants / advisors and 7.32% of the respondents source the information from both financial institutions or brokers.

16. It is observed that 9.76% of the respondents are investing in Mutual Funds since past 1 year, 69.92% of the respondents are investing since past 2 years, 17.89% of the respondents are investing since past 3 years and 2.44% of the respondents are investing since past 4 years. Thus we can say that majority of the investors are investing in Mutual Funds since past two years.

17. It is found that 22.76% of the respondents give first priority to invest in Mutual Funds because of the reason that they give high return with low risk, 21.95% of the respondents give second priority because it is very simple to invest and monitor fund performance, 19.5% of the respondents give third priority because its better to invest in Mutual Funds rather than investing directly in to Shares, 18.69% of the respondents give fourth priority for Mutual Funds because it is professionally managed by fund managers or portfolio managers,
7.31% of the respondents give fifth priority for the reason that Mutual Funds provide cheap access to expensive stocks, 6.50% of the respondents give sixth priority for investing in Mutual Funds because they involve very less analysis & calculation as compared to shares, 2.43% of the respondents give seventh priority because of the reason that Mutual Funds provide assured and consistent returns and 0.81% of the investors give last priority (Eighth) for the reason that Mutual Funds are good investment instruments.

18. From the survey results we can see that 28.46% of the respondent investors say that the investments in Mutual Funds are very risky and 71.54% of the respondent investors say that investment in Mutual Funds are not risky because of the reason that the investments are done in the share market by professionals like portfolio managers or fund managers who are experts in this field and also because the Mutual Fund companies are well regulated & controlled by the Central Government through its regulatory body i.e., AMFI (Association of Mutual Funds of India). Thus they say that the funds of the investors are safe in the hands of the Mutual Fund companies.

19. The survey results show that 98.37% of the investors are of the opinion that the Mutual Fund companies as well as the AMFI should create awareness among the public about Mutual Funds, its features and its benefits. Only 1.63% of the respondents say that there is no necessity of creating awareness among the public about Mutual Funds.

20. It is found that 81.3% of the respondents say that there are very less Mutual Fund Investors Education and Service Centres in Hubli-Dharwad and there is a need to establish more such centres to create awareness as well as provide investment advise & service to the potential investors of Hubli-Dharwad cities and only 18.7% of the respondents say that there are sufficient Mutual Fund Investors Education and Service Centres in Hubli-Dharwad.

21. It is surprising to see that 100% of the respondent investors agree that the investment in Mutual funds will lead to the economic development of the country.
22. From the survey results we can see that 72.36% of the respondents have redeemed their investments in some mutual fund schemes because of the reason that they are not performing or the funds are not giving expected returns. 21.14% of the respondents have redeemed because of the reason that the Mutual Fund companies are not giving good service to their investors. 4.07 % of the respondents have redeemed because of the reason that they are not getting good investment support and service in Hubli-Dharwad city. 1.63% of the respondents have redeemed because of the reason that they are finding it difficult to monitor the fund performance and 0.81% of the respondents have redeemed because of the reason that they are not getting any information about the fund performance.

23. The results of the survey show that 23.22% of the respondents have not invested in Mutual Fund because of the reason that they don’t provide satisfactory returns, 20.66% of the respondents have not invested because they don’t have any knowledge about how to invest and where to invest, 16.33% of the respondents have not invested because they think that it is not a lucrative instrument to invest and there are other better investment options which give better return that what Mutual Funds give, 16.66% of the respondents have not invested because it is related to share market and the returns are not guaranteed and consistent, 12.66% of the respondents have not invested because they don’t have the information about the Mutual Fund investment centre, 6.00% of the respondents have not invested because Mutual Fund is a risky investment instrument and 2.00 % of the respondents have not invested because there are no Mutual Fund Education and Service centre.

Many more interesting findings have been obtained through the open ended question with respect to the reasons any for not investing in mutual funds. It is found that 23% of the respondents have not invested because there are too many schemes which are confusing them while investing, 20% of the respondents are not investing because of the reason that different mutual fund schemes carry very complicated features which are hard to understand, 17% of the investors are not investing because there are other attractive avenues to invest which give better return than the mutual funds, 17% of the respondents are not investing because the mutual fund companies demand many KYC (Know your customers) documents which may not be available will the investors, 10% of the respondents are not investing in mutual funds because of the reason that the mutual fund investment application forms are very complicated
to fill, 7% of the respondents are not investing because of the reason that the mutual funds carry high risk as they are associated with the share market, 3% of the investors are not investing in mutual funds because of the reason that there are insufficient funds especially with respect to schemes of top performing companies and 3% of the respondents are not investing in the mutual funds because their financial advisors have not suggested them to invest.

24. According to survey results we can see that the respondents prioritize the investment instruments based on the risk & returns and also the liquidity offered by them. The First priority is given by the respondents to the Real Estate as the best investment instrument, Second priority is been given to investment in Gold and Silver, Third priority is given for investment in shares, Fourth priority is given for investment in Postal Savings, Fifth priority is given for investment in Fix Deposits / Term Deposits, Sixth priority is given to investment in Insurance and last priority is being given for investment in Savings bank accounts.

25. The results obtained from the survey with respect to the most popular and best performing Mutual Fund according to the respondents are, 43% of the respondents are investing in different schemes of Reliance Mutual Fund, 22% of the respondents are investing in the different schemes of Sundaram Mutual Fund, 18% of the respondents are investing in the different schemes of ICICI Mutual Fund, 10% of the respondents are investing in the different schemes of HDFC Mutual Fund and rest others i.e, 7% of the respondents are investing in the different schemes other than the companies mentioned above.
CONCLUSIONS OF THE RESEARCH:

1. Majority of the population in Hubli-Dharwad belong to the annual income range of 1 lakh-2 lakh. Therefore we can say that the people belong to middle class category.

2. The percentage of savings with respect to the annual income of the respondents in Hubli-Dharwad is very good. On an average most of the respondents of Hubli-Dharwad are saving 75% of their annual income. This is because, Hubli-Dharwad is a tier 3 city and the cost of living or life style is not so expensive. So people tend to save a major portion of their income. Thus we can say that the investors in Hubli-Dharwad have a very good income - savings ratio. This shows that good amount of surplus money (savings) available with the investors to invest in different financial instruments.

3. Most of the respondent investors are expecting high returns on their investments without taking much risk. They also expect liquidity and marketability of their securities. Very few investors prefer to invest in High Risk-High Return instruments. Thus we conclude that the investors look for high returns on their investments but are not ready to bear risk and also they prefer for the safety of the funds.

4. Most of the investors of Hubli-Dharwad are investing in Fixed deposits, Savings Bank Acct., Postal Savings and only some investors also prefer in Gold/Silver, Real Estate, Mutual Funds and insurance. By this we conclude that investors of Hubli-Dharwad are investing in conventional instruments. Thus tendency of investors towards modern investment instruments like Mutual Funds, Insurance, Shares, etc. is very less and the investors are also more risk averse.

5. Majority of the respondents have knowledge about Mutual Funds and only few investors said that they don’t have any knowledge about Mutual Funds. Thus we can say that majority of the investors are having awareness about the investment instrument called Mutual Funds.
6. Out of 300 respondent investors only 212 respondents have awareness about Mutual Funds, and only 123 respondents out of 212 are investing in Mutual Funds. In other words only 58% of the respondents are investing in Mutual Funds and rest 41.98% of the respondents are not investing in Mutual Funds even though they have the awareness of mutual funds. All together out of 300 respondents only 41% of the respondents are investing in Mutual Funds and rest are not investing.

7. Most of the respondent mutual fund investors are investing in a monthly basis and very few are investing on quarterly, half yearly and yearly basis. Thus we can say that majority of the respondent investors are interested to invest in short term plans i.e, monthly SIP of mutual funds schemes.

8. Majority of the respondent mutual fund investors are investing in Equity related mutual fund schemes and few investors are investing in debt related mutual fund schemes. Only marginal investors are investing in Hybrid Funds (mixture of both equity and debt).

8.1. Many of the mutual fund investors are investing in equity related schemes because of the reason that they provide high return and the risk involved in them is also reduced by diversification of portfolio. The funds of the investors are invested by the fund managers in equity shares of different companies in a very systematic portfolio so as to get maximum returns accompanied by maximum diversification of risk.

8.2. Only few investors invest in debt related mutual funds because they are very safe, give assured returns on a timely basis and there is less risk. But the returns which are received are very less as compared to equity related mutual funds. Here the fund managers invest the funds in preference shares of different companies and also in gilt edged (Govt.) securities which are highly safe and the returns are guaranteed.
Most of the investors prefer to invest in Equity related Mutual Funds because they give high returns provided the investor is ready to take risk. The risk can be avoided by investing in different types of schemes.

9.1. Most of the equity fund investors prefer to invest in Diversified Equity Fund scheme because in this type of scheme the portfolio managers invest the funds in different types of equity shares having different risk levels and try to diversify the risk so that the funds of the investors give good returns.

9.2. Some of the equity fund investors also prefer to invest in sector specific fund scheme because the portfolio managers invest the shares of different sectors like infrastructure, automobile, software, etc., where in the risk is again diversified and along with that the best advantage of the return potential of different sectors can be made available to the investors.

9.3. Few equity fund investors prefer to invest in tax saving fund schemes because they aim at reducing their income tax. Here the portfolio managers invest the funds in such shares where the returns do not come under the purview of tax.

10. Some of the investors invest in debt fund schemes because there is safety of the funds invested and the returns will also be less but they will be guaranteed. Here the portfolio managers invest in the guilt edged securities (Govt. shares, debentures & bonds) and old economy shares of some standard companies which are giving consistent returns form many years.

10.1. Many of the debt fund investors prefer to invest in Income Fund schemes because they give regular income to the investors in the form of monthly returns or bi-monthly returns. Here the portfolio managers invest the funds in the guilt edged securities of short term maturity so that the returns are quick and regular and also the investors get regular income.
10.2. Very few investors prefer to invest in MIPs (Monthly Income Plans) because the returns are guaranteed every month but they are not high.

11. Most of the respondent investors who are investing in Mutual Funds have the knowledge of share market and its functioning and the rest don’t have the knowledge about the same. The knowledge about the functioning of the share market will help the investors to monitor their NAV (Net Asset Value) related details on a regular basis and know the value of their investments.

12. All the respondent investors (100%) who are investing in Mutual Funds are aware that their fund are being invested by mutual fund companies in the stocks of different companies in a very systematic portfolio where in maximum returns are expected and risk is being reduced by diversification of investment in different portfolios.

13. The investors monitor and analyse the performance of their funds on a regular basis by going through the present and past NAV of the schemes and by getting information from their investment advisors, reports from the Asset Management Companies and Credit Rating Agencies.

13.1. Most of the investors monitor the performance of their schemes by going through the NAV details because the latest NAV of different schemes of different Mutual Fund companies are readily available on the internet any time and Mutual Fund magazines (Value Research). So it becomes very easy to get the details of their investments and their market value.

13.2. Very few investors rely on the expert advice and the reports of asset management companies of different mutual funds to monitor the performance of their schemes because the experts advise is not readily available as and when they want and the AMC reports come once in a quarter of once in six months.
13.3. Very marginal number of investors rely on the ratings given by the Credit Rating Agencies to monitor the fund performance because the investors are not aware about the Credit Rating Agencies, their importance, their functions, etc. The ratings given by the rating agencies are not understood by the investors because of lack of knowledge.

14. There are various ways of sourcing the performance details of Mutual Fund schemes. Some of them are Internet, Magazine, financial advisors, financial institutions, etc. Most popular among them is Internet because it gives the latest NAV results of the different schemes at any moment. Only few investors are sourcing the information through magazines, financial advisors and financial institutions.

15. Most of the investors are investing in Mutual funds since past two years. This is because of the low awareness levels among the investors about Mutual Funds and the other reasons being lack of investor service centres in Hubli-Dharwad area as well as lack of professional advisors of Mutual Funds.

16. The investors are giving highest priority for three reasons for investing in Mutual Funds. They are that, the Mutual funds provide High Return with low risk, it is very simple to monitor and analyse the performance of mutual funds and it is always better to invest in mutual funds rather that investing directly in to shares.

16.1. Investors like to invest in Mutual Funds for the reason that they provide High return with Low risk. This is because the investment is done by the portfolio managers of the mutual fund companies who are expert in the field of investments. They study the market fluctuations and do intelligent investment so as to diversify the risk by doing investments in different portfolios to get good returns. The other reason being that, it is very simple to invest in Mutual Funds and it is also easier to monitor and analyse their performance when compared to analysing the performance of shares. It is very difficult for a common investor to analyse the performance of share market because it is very fluctuating and lot of experience as well as in-depth study is
required before investing in shares. That is why mutual funds are the best way to invest indirectly in share market, where in our funds will be invested in shares by expert portfolio managers of mutual fund companies.

16.2. Investors also invest in mutual funds because of other reasons like, they give consistent return, they provide cheap access to expensive stocks, they are professionally managed & regulated and they also reduce the risk by diversification.

17. Most of the investors are of the opinion that the investment in Mutual Funds are safe and not risky because the funds are being professionally managed by the portfolio managers and also the mutual fund companies are well regulated by AMFI.

18. Most of the respondent investors are of the opinion that the level of awareness among the public regarding the mutual funds is very low and there is a need of creating mass awareness among the public. They say that the mutual fund companies and AMFI should take part actively to highlight the advantages of investing in mutual funds.

19. Most of the respondent investors of Hubli-Dharwad are of the opinion that there are very few mutual fund investor service and education centres. Even if they are there also, nobody is aware about their existence. When the existing investors or potential investors are in need of any service or information, they don’t find any service centres. So they are stressing on the need to establish Mutual Fund investors education and service centres in Hubli-Dharwad.

20. It is a very interesting to find that all the respondent investors agree with the point that the investment in mutual funds will lead to the economic development of the country. This is because there will be capital formation when the public invest their surplus money in financial instruments like mutual funds and thus it leads to huge capital generation in a capital deficit country like India.
21. Many of the respondent investor have redeemed (disinvested) their mutual fund schemes because of many reasons. The reasons are non-performance of funds, mutual fund companies are not giving good service, investors are finding it difficult to monitor the performance of their schemes … etc.

21.1. Most of the respondent investors have redeemed their investment in mutual funds because of the reason that they are not getting satisfactory returns from their investments. This happens because the funds are invested by the fund managers in different portfolios of shares and if the share market is facing economic recession then the shares will not be performing well. The other reason being that the fund managers are not investing the funds in the proper portfolios of shares, which in turn will lead to non-performance of funds. The recent economic recessions have brought in lot of fluctuations in the share market and in turn it has affected the NAV of the mutual funds severely. So the mutual fund investors have not got satisfactory returns. This has discouraged the investors and has made them to redeem their investments.

21.2. Some of the investor have redeemed the investment in mutual funds because they are not getting good service from the mutual fund companies. There are different types of schemes in which the investors put their money. The investors will be eager to know the NAV and other details regarding the performance of their schemes on time to time and the mutual fund companies don’t provide these details. According to AMFI rules and regulations the mutual fund companies have to maintain full transparency regarding the different schemes. They have to inform the investors periodically regarding the portfolios in which the investors funds are put, the performance of the portfolio, NAV details, any appreciation or depreciation in the value of the funds, etc. because they are finding it difficult to monitor the performance of their funds. This is because the investors are not having the knowledge of monitoring the fund performance. The fund performances are monitored on the basis of NAV per unit. The details of NAV of different schemes can be accessed from the mutual fund company’s website or through mutual fund magazines like “Value Research” or through financial news papers like The
Economic Times, The Business Line, etc. When the investors lack in the knowledge of monitoring the fund performance they will not be able to find out whether their investments are performing well or not.

22. The respondent investors have not invested in mutual funds because of many reasons like the mutual funds don’t provide satisfactory returns, lack of knowledge about how to invest in mutual funds, no mutual fund investor service centres in Hubli-Dharwad, risky investment instrument, related to share market, etc…

22.1. Most of the investors have not invested in mutual funds because of the reason that the mutual funds don’t provide satisfactory returns. The investors compare the investment in mutual funds with the investments in other instruments like real estate, gold, silver etc.. where returns are much higher and risk is also very less. When they invest in mutual funds, they have to wait for a long term for the appreciation in the value of the funds invested and there is no guarantee that there will be appreciation because it is related to share market and any ups and downs in the share market will have a direct impact on the mutual funds. The investment in real estate, gold and silver are facing very high appreciation in the value within a vary short period and this is why investors are not so interested to invest in mutual funds.

22.2. Some of the investors have not invested in mutual funds because there are no dedicated mutual fund service centres in Hubli-Dharwad where they can go and collect the information about different schemes and understand the investment procedure in detail. Also there are very few professional mutual fund advisors in Hubli-Dharwad because the candidates who want to become mutual fund advisors have to pass the exam conducted by AMFI to become a certified mutual fund advisor. Passing the examination is mandatory and to clear the examination the candidates need to have thorough knowledge about the different aspects of mutual funds. In Hubli-Dharwad there are very few advisors who are certified by AMFI as authorised mutual fund advisors. This leads to shortage of mutual fund advisors who can advise
the investors on the benefits and investment procedure involved and also guide them in their post-investment activities.

22.3. Some of the investors have not invested in mutual funds because the investors think that they are not lucrative instruments and they are very risky because they are connected to share market which is very volatile and returns are not guaranteed. It is a general mentality of the investors that they expect high return with less risk. So they look towards investing in such instruments which are providing high returns with less risk within a very less period, just like real estate, gold and silver, etc. Even these instruments have very high liquidity and have become very popular among the investors.

22.4. Some of the respondents have not invested in mutual funds because of the reason that there are too many schemes offered by different mutual fund companies which are having their own advantages and features which are too complicated and lead to confusion while choosing and investing in them.

22.3. Some of the respondents have not invested in mutual funds because of the reason that the mutual fund companies demand many KYC (Know your customer) documents while investing and it irritates the investors because some of the KYC documents may no be available with all the investors and also the investment application forms are complicated to fill up by a common investor.

23. The general opinion of the investors was asked regarding the best investment instrument and the investors have prioritised some of the investment instruments as the best. They are investment in Real Estate, Gold/Silver etc. The instruments of least priority are postal savings, insurance, fixed deposits etc…

23.1. The highest priority has been given by the investors to the investment in Real Estate and Gold/Silver. This is because they are the instruments which give high return with less risk. High liquidity is also offered by them. The investors will get
very high appreciation in their value of these assets within a very short period of time. Therefore investors prefer to invest in these instruments.

23.2. The investors have given least priority to investment in insurance, postal savings, fixed deposits, etc. This is because these instruments are not at all risky but the main point is that the returns are not high. The risk aversive investors like to invest in these kinds of instruments. The returns are guaranteed but they are very less and the returns are not quick also. The investor has to wait for a long term to get good returns. These are the main reasons why investors have given least priority to these instruments.

24. The first best performing mutual fund according to the respondents is Reliance Mutual Funs, second best performing Mutual Fund is Sundaram Mutual Fund, third best performing Mutual Fund is ICICI Mutual Fund and fourth best performing Mutual Fund is HDFC Mutual Fund.
SUGGESTIONS:

I am of the view that opportunities exist for surpassing the growth potential of Indian Mutual Fund Industry and making the industry more profitable through a collaborative efforts across all the key stake holders to reach out the customer, Viz, AMCs, distribution channel partners, service providers, custodians and fund accountants, CII, AMFI, the regulator SEBI and the media, among others. Here are the key initiatives that are required to be undertaken for the Mutual Fund industry to grow and effectively compete in a dynamic environment.

**Figure No.6.1.**  
**Source:** Mutual Fund Insight  
**Key Stake Holders of the Mutual Fund Industry.**

In the event of a quick economic revival and positive reinforcement of growth drivers identified, the Indian mutual fund industry can grow at the rate of 22-25 percent in the period from 2010 to 2015, resulting in AUM of INR 16,000 to 18,000 billion in 2015. Key growth drivers for this should be:
1. There should be increase in retail investor participation with a preference for mutual funds over other asset classes perceived to be more risky. This could result in the fulfilment of growing financial aspirations, enabled by good amount of disposable incomes and increased financial savings.

2. There should be innovations in distribution channels of Mutual Funds driven by increase in the number of certified personal financial advisors and banks selling mutual funds focusing in Tier 2 and Tier 3 towns.

3. The institutional investment in mutual funds should increase triggered by rising corporate revenues with increased economic activity.

4. There should be increase in the efforts to draw risk averse customers of traditional products under the fold of mutual funds.

5. The mutual fund companies should attempt to set up their branch presence in smaller towns for tapping the potential.

6. There should be decline in investment management fees by the asset management companies and also flexibility in product pricing by AMCs based on the type of services offered.

7. There should be introduction of mandatory rating for mutual fund products through Rating agencies to increase investor confidence.

8. Efforts should be put to increase the investor awareness and financial literacy, resulting in an increase in the contribution of the retail investors to the mutual fund industry.

9. The public sector network of nationalised banks, private banks and post offices should be used as distribution channels of mutual funds.

10. Cooperative sector, though beset with internal administrative issues, can be used as another channel to distribute Mutual Funds.

11. The large network of NGOs, recognised by local authorities should be used to interact and reach out to the lower middle class and poorer segments of population to increase mutual fund penetration.

12. Mutual fund companies have to explore the possibility of innovations such as a common online platform and the usage of debit and credit cards for transactions to facilitate investors for easy payment.
13. The number of AMFI Certified financial advisors should increase so as to focus on initiatives to develop and support the above mentioned channels (for example, recruitment and training support). They can also individually give growth at a faster pace than banks.

14. Mutual fund companies should invest in channel innovation such as Mobile and Internet services. Mobile telephony can enable mobile transactions for the purchase and sale of mutual funds and SMS-based services can revolutionise the industry.

The above growth plans can be implemented in the following ways:

1. **Financing a Sustainable Nationwide Customer Awareness Program**
   
   1.1. Creation of the ‘Mutual Fund Education Fund’ – a common corpus of funds from mutual fund companies and distributors through mandatory levy on the investment management fee and commissions earned from mutual fund sales
   
   1.2. This Fund should be suitably managed/administered by the AMFI purely for the purpose of Mutual Fund Education.

2. **Conducting a Nationwide Customer Awareness Program**
   
   2.1. The Mutual Fund companies should design a comprehensive content for promoting customer awareness programs on mutual funds.
   
   2.2. The Mutual Fund companies with support from AMFI and other regulatory agencies like SEBI, IRDA, etc. should rollout customer awareness campaigns and provide infrastructure, content and speakers for running the campaigns on a all-India basis over a sustained period.
   
   2.3. The marketing firms and media companies should be involved to design effective and meaningful mass media campaigns in multiple languages using television, hoardings, flyers, street plays and other mechanisms to reach the masses.

3. **Promoting Financial Planning Awareness in Educational Institutions**
   
   The universities in India should encompass modules on mutual funds, and other financial products along with concepts like risk management, asset allocation and portfolio
diversification in the syllabus of commerce courses. across all colleges, as a mandatory course from graduation level, followed by an examination. This will lead to mass education on mutual fund concept among the new generation.

4. Introduction of Customer-Friendly Products and Product Features to attract and retain risk averse and first time investors to start investing in mutual funds.

4.1. The Mutual Fund companies in association with AMFI should conduct a nationwide survey of customer needs across liquidity, risk, frequency and quantum of contribution to determine product variants and features that meet customer needs

4.2. The Mutual Fund companies should allow the investible surplus of investors to be invested at any time in ongoing schemes with a flexible SIP option.

4.3. The Mutual Fund companies should introduce simple products that have features of capital protection with returns that are higher than traditional products and limit market risk.

4.4. The Mutual Fund companies should focus on the designing of products around women and children related needs, given the growing dominance of women in influencing investment decisions in households across the country.

4.5. Further commodity related, crop related and agriculture oriented fund products should be conceptualised and developed by cater to segment specific needs.

4.6. The Mutual Fund companies should focus on product appeal for the low income group by keeping ease of investment and minimum thresholds within affordable limits.

4.7. The Mutual Fund companies should encourage the introduction of customised Electronic Transfer of funds for retail and institutional customers to facilitate them for easy investment.

5. Price flexibility should be introduced.

The Mutual Fund companies should do price innovations to focus on distributor compensation and administration so as to encourage them to perform better.
6. Training of the Public Sector Employee Base

Initiatives should be taken by AMFI in Association with RBI to Train employees in the public sector network including India Post, Nationalised Banks, Regional Rural Banks and Cooperative Banks, on sale of mutual funds and basic financial planning.

7. Opening Up of the Public Sector Branch Network in Tier 3 and Tier 4 Towns

7.1. The Mutual Fund companies should commence sale of mutual funds through the branch network of India Post, Nationalised Banks, Regional Rural Banks and Cooperative Banks by focusing on Tier 2 and Tier 3 towns.

7.2. The Mutual Fund companies should boost the presence of Investor Service Centres (ISCs) in Tier 2 and Tier 3 towns and utilise their presence to promote customer awareness of mutual funds.

8. Focus on Increasing Customer Engagement Pre and Post Completion of the Investment

8.1. The Mutual Fund companies should focus on growing the financial advisors channel and encourage them to reach out to and engage with customers on their mutual fund needs on an ongoing basis pre and post completion of their investment.

8.2. The Mutual Fund companies should focus on enhancing the marketing and advisory capabilities of all distributors so that they win the trust and confidence of customers.

9. Strengthening of AMFI

9.1. AMFI Should play an active role in bringing all the stakeholders together and evolving a strong vision for the mutual fund industry across all dimensions – aspirational AUM growth and profitability, retail penetration, products and pricing, distribution channels, operations and customer service, enabled by a supporting regulatory framework.

9.2. Augment the employee base of AMFI so as to conduct nation-wide customer awareness campaigns.
10. Development of a Common Online Platform

AMFI should coordinate the roll out of a common online platform for all the Mutual Fund companies which will result in increasing reach, reducing distribution costs and making transactions free from operational issues.

11. Acceptance and Rollout of the Unique Identification Card

Implementation of the Unique Identification Card as a valid document for KYC is very much needed. The Government has announced that a Unique Identification Card would be issues to all Citizens (President's speech at the Joint Session of Parliament on 4th June 2009). This should be implemented and the card should be a valid document for KYC. This will entail undertaking public awareness campaign to make holding of the Unique Identification Card mandatory for all Indian citizens and build the supporting institutional infrastructure to issue these cards at a nominal rate through the public sector network. The Government of India could facilitate issuance of the Unique Identification Card free of cost to all Indian citizens below a specified income threshold which could be in line with the minimum taxation slab limit. This will reduce most of the KYC related problems in Mutual Fund investment process.
SUMMARY

There is a perceived need to review risk and performance analysis capabilities and governance structures, to meet fiduciary responsibilities and the increasing demand for transparency. The Mutual Fund companies should therefore need to re-orient their business towards fulfilling customer needs. As customers seek trusted advisors, the manufacturer-distributor-customer relationship is expected to be centred not on the sale of products, but for collectively promoting the financial success of customers across all facets of their professional and personal lives. This requires creating a collaborative network of experts in funds management and financial advice, innovative product offerings, efficient service delivery and supporting technology. The mutual fund industry today needs to develop products to fulfil customer needs and help customers understand how its products cater to their needs.

Given that the industry needs to collectively work towards riding over the dynamic and relatively less favourable economic environment at present, the next phase for the industry is likely to be characterised by a stronger focus on customer centricity. Other areas of focus are likely to be cost management and enabling strong governance and regulatory framework – all aimed at helping the industry achieve sustained, profitable growth, going forward.