

Chapter 1
Introduction

Backdrop

1.1 Purpose of this research

There is a limited research material on the composite empirical study of both Financial Advisors and Investors, keeping the Sebi Regulations 2009 and the revised Advisor Guidelines as a backdrop in the Indian Mutual Fund space and this study attempts to be one of the foremost. This study involves an empirical study of Indian investors' understanding of these regulations, along with a study of the current evolving distribution setup in India. It assesses the regulatory impact on Mutual Fund investors and distributors and also undertakes a critical study of the Financial Advisor Guidelines in India along with select economies.

1.2 Objective of this research

Keeping the key regulations of Entry Load Removal in mind, this research comprises of the following:

- A study of India Mutual Fund (MF) Regulation, recent policy changes, progression and critical commentary.
- A comparison with Financial Advisor Guidelines in select economies and recommendation on the way ahead for an impactful regulation in India.
- Investors' understanding of this regulatory change, on what attributes does investors base his selection of Financial Intermediary? Understand the impact of this regulation on investor and chart out a road map to drive investor awareness and drive participation.
- Examine the evolving distributors', specifically Independent Financial Advisor and Banks, business models post the regulations.
- Identify the business models that are evolving across intermediaries.
- Understand the scope of intermediary future business plans and give guidance for sustenance of the intermediary channel specifically IFAs.

1.3 Scope of Research

In this research, the researcher investigated the understanding of investors towards Mutual Fund regulations and the Intermediary business models evolving in the city of Pune. Considering, the low levels of penetration of Mutual Funds in India, for mutual fund investor's data collection a concentrated and focused effort had to be undertaken. The researcher participated in and also undertook investor meets across the city of Pune. In case of intermediary responses, in spite of access to IFA and Banks in Pune, immense difficulty in data collection was encountered, especially as most Banks were extremely reluctant to share their

practice details and complete the questionnaire and this was one of the major limitations of my study. For intermediary interactions, the researcher specifically requested and attained permission to attend a leading Registrar Meet in which active intermediaries were invited. This helped to collate data from the sources.

The National Distribution Channel and the Asset Management Companies have been kept outside this proposal overview.

1.4 Chapter Scheme:

Chapter 1: Introduction

In this chapter the researcher dealt with the scope and background of the research, the purpose of this study, importance of this research, chapter scheme.

Chapter 2: Background of the Mutual Fund (MF) Industry – Theoretical Framework

This chapter contains two sections. Part I covers the journey of Indian Mutual industry, and part II compares and contrasts the progression of ELR and Financial Advisor regulation.

Part I includes:

- I. Overview of Mutual Fund Industry in India
- II. Trends in Asset Holding pattern
- III. Mutual Funds as an Asset Class
- IV. Distribution channels of Mutual Funds
- V. Progression of Regulation in India
- VI. Comparative study of regulations across select economies
- VII. Lessons for India

Chapter 3: Literature Review and Gaps

In this chapter the researcher has surveyed and abstracted academic journals, conferences proceedings, technical reports and books. This study comprises of 4 sections namely studies related to 1) Financial Advisor Regulation 2) Investor Behavior Studies 3) Distribution Studies 4) Regulatory Impact Assessment. The review of literature on Financial Advisor Regulation leads us to the Research Question and from the Investor and Distribution studies the Hypotheses 1 to 8 are derived.

Chapter 4: Research Methodology, Data Collection and Part A - Investor Data Analysis

This chapter explains in detail the research and data collection methodology adopted. Under Part A of data analysis, this chapter covers Investor data analysis and testing of Hypotheses 1-5.

Chapter 5: Part B - Intermediary Data Analysis –As Part B of data analysis, this chapter covers Intermediary data analysis and testing of Hypotheses 6-8.

Chapter 6: Key Findings of the study and guidance from findings

In this chapter the key findings of this research study along with policy guidance is discussed.