OVERVIEW OF MUTUAL FUND INDUSTRY

2.1. Factors Considered by Mutual Fund Investors

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2.3. Modes of Mutual Fund Investment

2.4. Considerations while Investing in Mutual Fund

2.5. Global Scenario of Mutual Fund Industry

2.6. Indian Scenario of Mutual Fund Industry

2.7. About KDMC (Kalyan Dombivli Municipal Corporation)
2.1. Factors Considered By Mutual Fund Investors:
The main objective of investing is to earn good returns on investment to guard against the inflation. But at the same time the investors also has to consider the safety, liquidity of the funds. All these factors are generally in reverse direction. That is if rate of return is to be high the investor has to take the risk of lesser safety. Even the liquidity is also not possible as the investment has to be for longer term period. Hence the investors have to balance all these factors and decide his priorities while investing. Mutual Fund investment is also not an exception to this rule. Therefore, while investing in Mutual Funds the investors do consider all these factors which are given below:

1) Safety:
Everyone is aware of that there is no such thing as completely safe and secure investment. Government securities in stable economic system give maximum safety. But the returns are low compared to other investment and though the return in money market and it involves maximum risk. In mutual fund industry various types of mutual fund schemes are available to the investors having different level of risk. Hence the investor has to decide about his risk appetite and its safety requirement while investing in mutual funds.

2) Liquidity:
Liquidity is another factor considered by the investors while investing in mutual fund. Liquidity means availability of cash from sale of investment as and when required. The variety of funds gives different range of liquidity. Close ended fund and ELSS funds are normally having lock in period, but it is not so for the other funds. Thus the investor can purchase the mutual funds as per the liquidity requirement.

3) Yield/Returns:
The basic purpose of any investment is yielding good returns and increasing the value of investment. Thus the mutual fund investors are also expecting the same when they invest in mutual fund. The safest investment gives lowest rate of return and vice-versa. But in the mutual fund industry there is an array of varied Mutual Fund schemes which suits to the expectation of investors. Still one cannot assure the returns from them. It totally depends on the market trends.
4) Diversification:
Diversification means minimizing the risk associated with the different types of investments, by allocating the funds among various financial instruments, industries and categories. It also helps to maximize the returns by investing in different avenues. Thus it helps to manage the risk and reduce the volatility of assets price movement. Mutual fund investors are having ample of diversification options in mutual fund industry itself.

5) Tax Benefits:
Tax efficiency of investment helps in maximizing the returns. The investors always try to adjust the complexities of investing and tax laws to minimize their tax burden. Generally tax efficiency of the investment gets reduced if the investor relies on investment income. In mutual fund schemes different companies tries to give the benefit of tax efficiency and high returns through ELSS schemes, but because of locking period, liquidity and diversification get hampered. Hence, the investor has to choose between these options while selecting the schemes to be invested in.

2.2. Types of Mutual Fund Schemes

There are a wide variety of Mutual Fund Schemes which cater to investors’ needs, irrespective of their age, financial position, risk tolerance and return expectations. Mutual Funds can be of 3 basic types, depending on how they are offered for purchase and redemption. They are
1. Open-ended Funds
2. Closed-ended Funds
3. Interval Funds

1. Open-ended Funds:
An open ended fund does not have a fixed maturity date. It is open to accept purchases and redemption at any time. An open ended fund offers units to investors for the first time during the new fund offer (NFO). Investors can buy and sale units of an open ended fund at the mutual fund offices or their Investor Service Centers (ISCs) on a continuous basis.
2. Closed-ended Funds:
Closed-ended Funds operate for a specific period. On the specified maturity date, all units are redeemed and the scheme comes to a close. Closed-end funds are offered in an NFO but are closed for further purchases after the NFO.

3. Interval Funds:
Interval funds are a variant of closed ended funds. They are primarily closed end but become open ended at specific interval. Usually 'transaction period' during which the scheme is open for purchase and redemption is specified. Investor may use the 'specified transaction period' in order to transact in the fund.

The simplest way to categories mutual fund products is to look at the investment objective and the portfolio of the fund. A fund may seek to invest the money it mobilizes from investors in debt instruments, equity instruments, in commodities such as gold, in International Funds, and securities in other funds, in derivatives or some combination of these investment options.

The three broad categories are:

A. **Debt funds** investing in short and long-term debt instruments

B. **Equity funds** investing in equity securities

C. **Hybrid funds** investing in a combination of equity and debt

The return that a fund may offer and the risk it carries depend on the investment portfolio.

A. DEBT FUNDS:
Debt funds invest predominantly in Debt securities. Debt securities have a fixed maturity date and pay a specific rate of interest. The return from a debt fund is made up of interest income and any capital appreciation (depreciation) in value due to changes in market prices. There are several types of debt funds that invest in various segments of the Debt market.
a) **Money Market/ Liquid Funds:**
Money Market / Liquid Funds are short term funds having a maturity of less than 1 year. These funds primary invest in money market investments like Certificate of Deposit, Treasury Bills, Commercial Papers and Term Deposits. Though, it has less risk and less returns it possesses high liquidity and it has no entry load and exit load.

b) **Floating Rate Funds:**
These funds invest with an objective of investing in short term floating instruments, such as bank loans, bonds and other debt securities. There are two types of floating rate fund long term and short term. Return on these funds changes in line with the changing interest rates scenario in the debt markets. These funds are suitable when interest rates are increasing.

c) **Cash / Treasury Management Funds:**
Cash / Treasury Management funds are a type of money market funds which gives the benefit of instant liquidity. This fund tries to provide current income with high liquidity. Fund invests in mix of short term debt and money market instruments.

d) **Gilt Fund:**
These funds invest in securities issued by State and / or Central Government having medium or long term maturity. Change in interest rate and other economic factors decide the NAV of the scheme. It has high degree of interest rate risk but at the same time it is highly secure.

e) **High Yield Debt Fund:**
High-yield debt funds give higher returns but at the same time involve higher risk. This type of mutual fund has not entered the Indian mutual fund industry yet.

f) **Fixed Maturity Plan:**
These are close ended debt funds with a specific date of maturity which is less than or equal to maturity date of the scheme. Units purchased under the scheme cannot be redeemed during the tenure of such fund. But those can be traded on stock exchanges.
g) Short Term Plan:
These are the funds which invest in the debt instruments with shorter duration. These funds are useful for investing the surplus money which is not required immediately but a bit later on.

B. EQUITY FUNDS:
Equity Funds invest in equity shares issued by companies. The risk of such funds is higher than that of debt funds, since equity offers a lower income (dividend) and can be subject to volatile changes in value. However, equity funds offer long-term capital appreciation and are bought more for growth than for income. The risk level of equity funds can differ depending upon the investment strategies adopted by the fund manager.

a) Diversified Equity Funds:
This fund is basically aiming at capital appreciation. It is a well diversified fund i.e. investment is made across different sectors and industries and hence, sector specific or industry specific risk get reduced. A small portion of investment is made in money market. It is suitable for the investors having long term investment goals.

b) Sector / Thematic Funds:
Sector funds are invested in a specific sector like infrastructure, IT, Pharmaceuticals etc. or in different market segments like large cap, mid cap etc. This type of funds involves high risk high return opportunity.

c) Equity Index Funds:
Equity Index Mutual Funds are for the conservative investor. As the name indicates, they invest in the entire capitalization of the Index. The main characteristics of index funds are broad market exposure, low operating expenses and low portfolio turnover.

d) Tax Saving Funds:
Equity Linked Savings Schemes (ELSS) are the example of tax saving fund. These schemes have three years lock in period. These funds are invested in equities and hence offer long term growth opportunities at the same time also offer tax benefits.
C. HYBRID FUNDS:

Pure equity funds associate high risk and debt fund cannot rip the returns fully though less risky. The solution for this is Hybrid fund which invest part of funds in equity and part in debt. Thus, the returns are averaged with the lesser risk. Funds that have a combination of asset classes such as debt and equity in their portfolio are called hybrid funds. They may serve the needs of investors who look for a combination of income oriented and growth oriented investments.

a) Multiple Yield Funds:

These are the hybrid debt oriented fund which invest major portion of the funds in debt instruments and balance in dividend yielding equity. The debt instruments assist in generating return with lesser risk and equity helps in appreciation in value.

b) Monthly Income Plans:

These are also debt oriented hybrid plans which generates regular return through investment in primary debt and money market instruments. The balance fund is invested in equity to have better capital appreciation. However an important point to be noted is that the Fund do not assure the monthly income. It depends on the distributable surplus available with the fund.

c) Asset Allocation Funds:

Asset Allocation Fund is basically a feeder fund which invests the fund amount in the underlying pure equity and debt funds from the same fund house. Different parameters are used by different funds to take the decision about when and how much to re-balance the portfolio. These are also called as Fund of Funds (FoF).

d) Capital Protection Oriented Funds:

Under this fund the fund allocation to debt securities is done in such a way that at the end of the term of the product the value of debt investment is equal to original pool of the fund. And equity portion aims to give the returns on the maturity date. The main objective of this type of funds is capital protection. It does not guarantee the returns. At least one rating agency must rate the fund in order to call it as Capital Protection Oriented Fund.
2.3. Modes of Mutual Fund Investment:

Mutual Funds give convenience to the investors while investing, as it offers different modes for investment in funds. It is not necessary that one should have big amount to invest in mutual fund, one can start investing with small amount and keep on investing steadily till it grows big. Following are the key modes of investments offered by mutual funds:

1) Lump Sum / One Time Investment:
Under this mode an investor can invest all his savings in mutual funds through a single transaction. The investors put the savings at one time and relax for the remaining period. This option is beneficial to the investors those who are having lump sum cash in their hands and ready to wait for longer period.

2) Systematic Investment Plan (SIP):
SIP helps to develop a disciplined investment strategy. Under this mode an investor can invest money in mutual fund over a certain time on installment basis. SIP helps to build a corpus over time. It creates wealth for you in long run.

Through SIP fixed amount is invested every month. As the investment happens every month market volatility gives an opportunity to invest at various market levels.

The advanced version of SIP is now slowly becoming popular which is called STP (Systematic Transfer Plan). STP helps to invest gradually in selected asset class. Under this plan investor gets an opportunity to transfer a certain amount from the scheme to another scheme.

2.4. Considerations while Investing in Mutual Fund:
The Mutual Fund Investors are supposed to study certain factors about the Mutual Fund scheme in which they are in thinking to invest. These considerations are important from the point of view of safety, liquidity and return on their investment. Very few investors do this analysis themselves. Many of the investors rely on the brokers who do this analysis and guide the investors about better option. The
following are the major considerations which are to be looked after before investing in any of the mutual fund scheme.

1) **Past Performance of Mutual Fund:**
When an investor research on the past performance of the mutual fund, he comes to know about the returns given by the fund, its volatility, turnover of the fund etc. This information is important because it will give the investors insight into trends of the fund in terms of turnover and return.

2) **Current NAV:**
NAV is a mathematical calculated price of the scheme based on the price of underlying securities. NAV (Net Asset Value) is actual value of one unit of a given scheme on any business day. It keeps on changing due to performance of the fund. Generally it is assumed that if investment is made in low NAV Mutual Fund Scheme, then it will rip good returns. But actually as long as the performance of different mutual fund schemes is same, it doesn't make any difference whether NAV is low or high.

3) **Rating by Research Agency/Magazine:**
It is very difficult for a common man to understand the complete reports of the mutual funds and do the performance analysis. Hence the investor can take help of the reports and rating done by research agencies and magazines. Even SEBI makes it mandatory while deciding the benchmark for the various mutual fund scheme, the Mutual Funds has to use the benchmarks developed by research and rating agencies recommended by AMFI.

4) **Reputation of Mutual Fund Company:**
Reputation of Mutual Fund Company is also very important consideration while taking the investment decision and an investor has to analyze as to what kind of reputation does a company have in which he is going to invest his hard earn money. He has to check total corpus, how other schemes are performing, what rank the company have, etc. He has to check that whether the company is investor centric or only profit centric.
5) Mutual Fund Manager:
Fund managers constantly monitor market and economic trends and analyze securities in order to make informed investment decisions. They play a vital role in achieving the objective of the fund. Many investors believe that fund manager is the only person who can give them better returns. But it is not so every time, it depends on the philosophy of the fund house which gives the freedom to the fund manager.

6) Portfolio of Scheme:
Portfolio of the scheme means asset allocation of the scheme. If portfolio of scheme is diversified, it reduces the risk. But at the same time it should not be over diversified as it would increase the cost of churning the portfolio which will reduce the returns.

7) Fees and Charges:
There are primarily two types of charges that an investor should keep eye up on before investing. First is exit load which means the fees charged by the fund, when the investor redeems his units. This fee reduces the net returns earned by the investor. The other charge is annual fee which is charged by the fund towards management and administrative cost. An investor has to consider these expense ratios while selecting the scheme in which he wishes to invest.

8) Turnover of the Scheme:
Turnover ratio is a measure of changes in fund’s portfolio in a year. Turnover ratio is one of the important factor which helps in giving insight into a fund’s performance. The turnover involves cost and hence if it is high, it will reduce the return. But if it is kept in control, it is possible that certain opportunities may get lost.

9) Asset Size:
Asset size means the Assets Under Management (AUM) of the scheme. The fund manager plays a big role in managing AUM which ultimately decides the returns of the fund. The Assets Under Management should not be very less or very high as less AUM will lose the opportunities and high AUM and may not be properly utilized. In short the Asset size should be of an average size.

10) Indian Fund or Foreign Fund:
While considering the Mutual Fund Scheme, an investor may have confusion whether
to choose Indian fund or foreign fund. But a fund may be Indian or foreign the investor is always interested in safety and returns from the fund. When a question arises about Indian or foreign, a comparative analysis is very important about the tax implications, diversification, impact of changes in foreign currency rates etc.

2.5. Global Scenario of Mutual Fund Industry
During the last decade, the net assets of mutual fund industry have witnessed the tremendous growth all over the world. However, in spite of this healthy growth a significant difference exists in the size and structure of mutual fund industry across the nations. The United States alone captures about half of the world mutual fund industry, suggesting disparity in the growth of world MF industry. Mutual fund industry has grown larger in those countries which are developed and have a strong institutional base whereas the growth of mutual fund industry has been smaller in those countries which have high entry barriers. Other factors that have influenced the size and structure of mutual fund industry are percentage of educated population, level of the maturity of industry, presence of multinational financial institution in the country, performance of equity and bond market, tax incentive and regulatory framework, attractiveness of complimentary and substitute financial products and operational efficiency of mutual fund industry.

Graph No. 2.1: Worldwide Total Assets of Mutual Funds
(Trillions of US Dollars: Years end; 1993-2013)

Source: ICI Research Global Perspective Report/ March, 2014
From the above graph we can observe that the global Mutual Fund Industry has boomed over the last two decades. The Assets in Mutual Funds have increased more than sevenfold since 1993. It was $4.0 trillion in 1993 which rose to $28.9 trillion in 2013.

Table No. 2.1: World Wide Distribution of Net Assets of Mutual Funds at the End of Quarter 2 of 2016

<table>
<thead>
<tr>
<th>Continents</th>
<th>Net Assets of MF (Millions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>America</td>
<td>22,910,648</td>
</tr>
<tr>
<td>Europe</td>
<td>14,315,210</td>
</tr>
<tr>
<td>Asia</td>
<td>3,326,710</td>
</tr>
<tr>
<td>Africa</td>
<td>157,222</td>
</tr>
<tr>
<td>Australia</td>
<td>1,597,258</td>
</tr>
<tr>
<td>World</td>
<td>42,307,048</td>
</tr>
</tbody>
</table>

Source: Data extracted from ICI’s Worldwide Report on Mutual Funds

Graph No. 2.2

From table no. 2.1 and graph no. 2.2 above it is observed that America is at first place in holding the net assets of mutual fund. It is having approx. 54% of the total world’s mutual fund net assets. Europe is at second place holding approx. 34% of the world’s mutual fund net assets. Asia and Africa and Australia are holding very negligible portion of world’s mutual fund net assets. One can say that the mutual funds have
become popular only in America and Europe. It is at crawling stage in the remaining world.

The following tables and charts further analyze the countries in different continents where the mutual funds have become popular or still in developing stage.

Table No. 2.2: Distribution of Net Assets of Mutual Fund in America

<table>
<thead>
<tr>
<th>Countries in Continent America</th>
<th>Net Assets of MF (Millions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>16,512</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,505,170</td>
</tr>
<tr>
<td>Canada</td>
<td>1,301,847</td>
</tr>
<tr>
<td>Chile</td>
<td>42,480</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2,516</td>
</tr>
<tr>
<td>Mexico</td>
<td>112,125</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>6,814</td>
</tr>
<tr>
<td>United States</td>
<td>19,923,184</td>
</tr>
<tr>
<td>Americas</td>
<td>22,910,648</td>
</tr>
</tbody>
</table>

Source: Data extracted from ICI’s Worldwide Report on Mutual Fund

Graph No. 2.3:

DISTRIBUTION OF MF NET ASSETS IN AMERICA
From table no. 2.2 and graph no. 2.3 it is observed that the America’s total net assets in mutual funds of 22,910,648 million US dollars are mainly contributed by 6 countries. But the major contribution is of United States. Brazil and Canada are contributing very few and remaining countries like Argentina, Chile, Costa Rica, Mexico and Trinidad & Tabago at negligible level. So we can say that United States is holding 87% of America’s mutual fund net assets which is 47.09% of the world’s net assets of mutual funds.

Table No. 2.3: Distribution of Net Assets of Mutual Fund in Asia

<table>
<thead>
<tr>
<th>Countries in Continent Asia</th>
<th>Net Assets of MF (Millions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,154,330</td>
</tr>
<tr>
<td>India</td>
<td>178,483</td>
</tr>
<tr>
<td>Japan</td>
<td>1,475,209</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>393,589</td>
</tr>
<tr>
<td>New Zealand</td>
<td>46,360</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4,502</td>
</tr>
<tr>
<td>Philippines</td>
<td>5,357</td>
</tr>
<tr>
<td>Taiwan</td>
<td>68,880</td>
</tr>
<tr>
<td>Asia</td>
<td>3,326,710</td>
</tr>
</tbody>
</table>

Source: Data extracted from ICI’s Worldwide Report on Mutual Fund

Graph No. 2.4:
From the above table and graph it is clear that only 8 countries in Asia contribute to the net assets of mutual funds. In Asia Japan is at first place by contributing 1,475,209 million US dollars, China is at second place by contributing 1,154,330 million US dollars and Korea is at third place with 393,589 million US dollars. India’s contribution is very little and New Zealand, Pakistan, Philippines and Taiwan are contributing at negligible level. Thus it is noticeable that the Indian Mutual fund industry is at infant level. Japan and China are the major contributors in Asian Continent.

Table No. 2.4: Distribution of Net Assets of Mutual Fund in Europe

<table>
<thead>
<tr>
<th>Countries in Continent</th>
<th>Net Assets of MF (Millions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>187,060</td>
</tr>
<tr>
<td>Belgium</td>
<td>133,989</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>485</td>
</tr>
<tr>
<td>Croatia</td>
<td>2,262</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>9,265</td>
</tr>
<tr>
<td>Denmark</td>
<td>118,971</td>
</tr>
<tr>
<td>Finland</td>
<td>107,891</td>
</tr>
<tr>
<td>France</td>
<td>1,866,100</td>
</tr>
<tr>
<td>Germany</td>
<td>2,003,612</td>
</tr>
<tr>
<td>Greece</td>
<td>4,611</td>
</tr>
<tr>
<td>Hungary</td>
<td>17,637</td>
</tr>
<tr>
<td>Ireland</td>
<td>2,128,143</td>
</tr>
<tr>
<td>Italy</td>
<td>257,934</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>45,598</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>3,843,406</td>
</tr>
<tr>
<td>Malta</td>
<td>3,485</td>
</tr>
<tr>
<td>Netherlands</td>
<td>781,512</td>
</tr>
<tr>
<td>Norway</td>
<td>109,576</td>
</tr>
<tr>
<td>Poland</td>
<td>32,397</td>
</tr>
<tr>
<td>Portugal</td>
<td>23,998</td>
</tr>
</tbody>
</table>
Table No. 2.4 and graph no. 2.5 describes that the mutual funds are more popular in Europe. 28 countries in Europe are having mutual funds in their capital markets. But Luxembourg, Germany, France, Ireland and United Kingdom these 5 countries are having major share in European Mutual Fund Industry.

2.6. Indian Scenario of Mutual Fund Industry:

In 1954, Shroff Committee was constituted for private sector in India. The committee recommended that to increase the availability of capital for industries through Indian capital market Unit Trusts should be established. The Committee observed that Unit Trusts were suitable for mobilizing the small savings of the investors both in public
and private sectors. These recommendations came into reality after certain amendments in 1963 when the Parliament enacted the Unit Trust of India Act.

### 2.6.1. Overview of Mutual Fund Industry in India:

The Unit Trust of India Act, laid down the foundation of Mutual Funds Industry. UTI was set up in 1963 as a statutory body. It launched US-64 as its first open-ended scheme in 1964. Mutual funds are considered as one of the best available investments as compared to others; they are very cost-efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns.

The options available are to invest the money in stock market. But a common investor is not well informed and competent enough to understand the complexities involved in the price movement of securities in the financial market. This is where mutual funds come to rescue them. The following table indicates the growth of net assets of Mutual Funds over the years in India.

**Table No. 2.5: Asset Under Management in Indian Mutual Fund Industry**

<table>
<thead>
<tr>
<th>Year Ended 31st March</th>
<th>Asset Under Management (Rs. In Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>25</td>
</tr>
<tr>
<td>1987</td>
<td>4,564</td>
</tr>
<tr>
<td>1993</td>
<td>47,733</td>
</tr>
<tr>
<td>2003</td>
<td>79,464</td>
</tr>
<tr>
<td>2004</td>
<td>139,616</td>
</tr>
<tr>
<td>2005</td>
<td>149,554</td>
</tr>
<tr>
<td>2006</td>
<td>231,862</td>
</tr>
<tr>
<td>2007</td>
<td>326,388</td>
</tr>
<tr>
<td>2008</td>
<td>505,152</td>
</tr>
<tr>
<td>2009</td>
<td>417,300</td>
</tr>
<tr>
<td>2010</td>
<td>613,979</td>
</tr>
<tr>
<td>2011</td>
<td>59,250</td>
</tr>
<tr>
<td>2012</td>
<td>587,212</td>
</tr>
<tr>
<td>2013</td>
<td>701,443</td>
</tr>
<tr>
<td>2014</td>
<td>825,240</td>
</tr>
<tr>
<td>2015</td>
<td>1,082,757</td>
</tr>
</tbody>
</table>

Source: - www.Amtiindia.com
Indian MF industry witnessed an impressive growth till the year 2007-08 and gave an impression of becoming a mature industry. However, after several year of relentless growth the industry witnessed a fall in the net assets in the year 2008-09 and subsequently in the year 2010-11, suggesting it’s vulnerability to local financial market and global economic crisis. During 2014-15 it has recorded a tremendous growth of 31.20%. And it is expected that this growth will continue in coming years, which will help the Indian economy to grow further.

Indian economy is one of the fastest growing economies of the world. The saving of the country is now around 29 %. Because of high growth potential, foreign investors are investing in Indian market. India is next emerging economy after the US and China. And hence sound financial market is of utmost importance. It is the financial market which channelizes savings of the people into the investment. Several international Funds are operating independently in India and some are expected to come in future. Foreign investors, local institutions and mutual funds are now playing a bigger role.
The tremendous growth of Indian mutual funds industry is an indicator of the efficient financial market. Indian mutual fund industry started with traditional products like equity fund, debt fund and balanced fund and later significantly increased it’s product base. Today, the industry has introduced a wide range of products such as money market funds, sector specific funds, index funds, gilt funds, insurance linked funds, exchange traded funds, and marching towards reality funds. The different types of schemes offered by the Indian mutual fund industry provides several options of investment to common man. What is noteworthy is that bulk of the mobilization has been by the private sector mutual funds rather than bank sponsored mutual funds.

The mutual fund industry in India is quite sophisticated and successful because of participatio of good and reputed Indian and international institutions. Further development of capital market is possible with the improvements in mutual fund industry which will mobilise the saving on a wider scale.

The following diagram shows the leading Mutual Fund Groups in India. The Ranking is done on the basis of (Asset Under Management) of the respective fund houses.

**Graph No. 2.7: Leading Mutual Fund Groups in India:**

![Graph showing the leading Mutual Fund Groups in India](source: Indian Mutual Fund Industry, KPMG Report)

Growth and developments of various mutual funds products in the Indian capital market has proved to be one of the most catalytic instruments in generating momentous investment growth in the capital market. In this context, close monitoring
and evaluation of mutual funds has become essential. With emphasis on increase in domestic savings and improvement in deployment of investment through markets, the need and scope for mutual fund operation has increased tremendously. Thus the involvement of mutual funds in the transformation of Indian economy has made it urgent too.

Apart from the global economic environment, the future health of the MF industry in India is also likely to depend on several factors. Some of them are as follows: first, overall economic development of the country measured through growth in the GDP; second, change in the demographics of individuals; third, structure of current and future social security system; fourth, technological innovations; fifth, enabling support from the regulator and government agencies; sixth, bridging rural urban divide; seventh, comprehensive investor awareness program; and eight, understanding the behaviour of MF investors particularly retail investors.

2.6.2. Features of Mutual Fund Industry in India:

- Investors from middle income and higher income group are more interested in Mutual funds.

- Investors are largely based in the urban centers, particularly the metropolitan cities.

- Penetration of mutual funds in the rural areas remains small.

- UTI and other state owned Asset Management Companies have lost market share, while private sector funds have grown rapidly.

- Asset Management Companies are divided into those that are predominantly owned by the state (UTI, bank sponsored and institutions) and those that are in the private sector.

- Mutual fund industry has to compete with attractive assured returns from different investment avenues and this is possibly the single most important impediment to the growth of the industry.
Thus if mutual funds have to grow fast, especially in rural areas appropriate schemes are to be devised to attract the saving of low income groups. This will surely help in long term development of the industry.

Mutual Funds are not among the top investment choices of Indian households, which still favour bank deposits as a means of investing. This gives an opportunity to mutual funds to achieve better geographical spread and penetration into the saving habits of retail investors.

2.6.3. Problem Faced by Mutual Fund Industry in India:

a) Saving & Investment Habits:

India has a high household savings ratio. Indians, like most people, anywhere are conservative in their habits and it would take many years to change this behavior. Particularly when it comes to the use of their savings as in most countries investment in physical assets accounts for the most important percentage of household assets. Owning a home is usually a first priority once a family has any disposable income at all.

b) Competition With Government Schemes:

Mutual Funds compete against a host of high yielding government-backed saving schemes such as Public Provident Fund (PPF), National Savings Scheme (NSS), RBI bonds and so on, as well as against Life Insurance products and in the future against the new pension schemes for the unorganised sector. The political and social reasons for keeping yields higher than the market for small savers, particularly retired savers is understandable. The market is distorted by such a policy. Government should have the strategic aim of discontinuing overtime or at least reducing the availability of the unrealistically high yielding avenues for small savings. The objective of widening and deepening ownership of mutual funds is unlikely to be met until this happens.

Fixed income and balanced mutual funds have offered a reasonably competitive rate of return but they are not guaranteed, a key attraction to Indian investors. The net result is that Mutual Funds fail to attract much money from retail investors who prefer to invest in a no-risk, high return product that is government saving schemes for provident funds or keep their money safely in the bank.
c) Competition From Insurance:
The Take up life assurance is growing rapidly and may be pre-empting some of the market that Mutual Funds could aim at. Life Insurance is an easier product to sale since in the mind of the investor the payment of premium is often linked to specific outcomes, a lump sum payment on death or a guaranteed minimum sum on maturity. It also pays higher commissions to sales agents. Thus, sales agent will usually prefer to sale a life policy since it will reward him better.

d) Volatility Of Mutual Fund Performance:
There is a perception that Mutual Funds has somehow let down there investors and given them poor returns. In July 2001 when UTI slashed down the dividend rates for the year 2000-2001 and suspended sales and purchases of US-64 for a period of 6 months, from July, 2001 to December, 2001, it created a crisis of confidence among the investors with long term effects.

e) Tax Saving Encourages Short Term Objectives:
Mutual Funds are regarded in most countries as a diversified, professionally managed and well regulated vehicle for mobilizing household savings and are often accorded tax privileges specifically in pursuit of a government policy goal to encourage long term savings notably for retirement. It is unusual for such tax privileges to Impel Mutual Funds towards short term goals, which is what seems to be the case in India. Indian Unit trust are diversified, professionally managed and well regulated, but they are certainly not serving long term objectives.

f) Future Of Mutual Funds Business:
Mutual Funds business in India is still in nascent stage although it has come into existence in 1963. The future of mutual funds in our country is very bright. The reasons for this are twofold. One it develops an equity culture in millions of Indian spread over even in small towns and villages which were normally untapped in capital formation process.

Secondly since more and more institutions are coming to the area of mutual funds, it has elicited competition among them and thereby enjoys more efficient use of the fund and better return to investors.
Moreover Mutual Funds are considered as stabilizing factors which could introduce correlations in the stock market by purchasing or selling script at appropriate time to prevent violent fluctuations in share prices.

2.6.4. Challenges Faced by Mutual Fund Industry In India:

If the industry has to make the fast development it has to overcome the challenges efficiently and effectively. The major challenges faced by Mutual Fund Industry in India are:

a) Under Penetration:
Under penetration of mutual fund is because of low demand in towns and cities other than T-15 cities. This low demand is because of financial literacy and habits of savings and investments. The second reason is low supply of mutual funds in these areas because of low demand as well as lack of available manpower.

b) Inaccessibility In Smaller Towns And Cities:
Investment in mutual funds in India is mainly through distributors. Direct selling is not much developed yet and distribution channels plays important role in development of mutual fund industry. But as these distribution channels are not much developed, it becomes a cause for slow development of industry.

c) Institutional Sale:
High levels of institutional ownership in mutual funds are unsustainable and may pose disadvantages to the individual investors. Reducing the share of institutional investors and increasing the retail investor base is a big challenge for the industry.

d) Financial Literacy Level:
Low levels of penetration of mutual fund in India are mainly because of low levels of financial literacy and low customer awareness. Increasing financial literacy and diverting the investors from traditional investment avenues to the mutual fund industry is again a big challenge.
e) Cost Pressures:
Because of inefficiencies in systems and process of mutual funds, managing the cost become difficult for the mutual fund houses. Reduction in cost will increase the returns to the investors and will definitely attract the new investors towards the industry.

2.6.5. Potential For Mutual Fund In India:
AMCs are continuously trying to overcome the challenges and to engage with customers from different social economic levels to increase the penetration in locations when Nil or minimum level of awareness is there. AMC organize the District Adoption Program (DAP) and the Investor Awareness Program (IAP). between May 2010 to October 2015 the AMCs have conducted 60,000 IAP across 500 cities. They are also taping the internet sources to contact the potential customers in urban and semi urban areas.

For attracting HNI (High Net worth Investors) the AMCs are undertaking tailored programs. There are more than 400 million internet users and more than 1 billion mobile phone users in India. Utilization of e-commerce will definitely help to increase the sale of mutual fund. This will facilitate the industry to increase its retail investor base in a cost effective manner.

Some experts have opined that, the share of the US in world GDP is expected to fall (from 21 per cent to 18 per cent) and that of India to rise (from 6 per cent to 11 per cent in 2025), and hence India will emerge as the third pole in the global economy after the US and China. All these favourable things could have not been possible without the sound financial market. It is the financial market which finances economic development. It is the financial market which channelizes the saving of the people into the investment. Indian financial markets are getting more and more institutionalized. Foreign investors, local institutions and mutual funds are now playing a bigger role. This is the case in developed markets. Mutual Fund is an instrument of investing money. Nowadays, bank rates have fallen down below the inflation rate. Therefore, keeping large amounts of money in bank is not a wise option, as in real terms the value of money decreases over a period of time. One of the
options available is to invest the money in stock market. But a common investor is not well informed and competent enough to understand the complexities involved in the price movement of shares in the stock market. This is where mutual funds come to rescue them. The role of mutual funds will increase in the Indian markets also.

In the US, 35 to 40 per cent of the investments currently come through mutual funds while in India it is very negligible. US retail investors and the country’s investment framework have helped the US mutual fund industry to emerge as the global leader. With the stock markets reaching to newer heights mutual funds could not be far behind and hence expected to move towards its goal of Rs 20 trillion profitable AUM by 2020.

2.7. ABOUT KDMC (Kalyan Dombivli Municipal Corporation) Region:

2.7.1. History:

Kalyan is a part of the Thane District of Maharashtra state in Western India. It is also known for being the Mumbai region's exit station to North India and South India.

Kalyan is within the administrative division (tahsil) at a taluka level of the Thane District. Kalyan and its neighbouring township of Dombivli jointly form the Kalyan Dombivli Municipal Corporation, abbreviated as KDMC. It is considered a part of the Mumbai Metropolitan Region. It is a municipal corporation in Thane district of Maharashtra state, India. A municipal corporation formed in 1983 to administer the twin townships of Kalyan and Dombivli. The municipal corporation has a population 1,193,266 (2001 census). Due to its highly educated population it is often called the second cultural capital of Maharashtra after Pune. Kalyan was famous as a port since ancient times. Records of its existence as a premier port in the region have been found in ancient Greek manuscripts.

The growth of KD is also linked to its transport connectivity. Kalyan Dombivli provides the preferred route to connect the northern part of India to the southern regions. The city contains one of the important railway stations on the Mumbai to Pune (South–east bound trains) and Mumbai to Nasik (North–east bound route) rail
routes. Finally, it is the center of many industrial activities. Dombivli has an industrial area with 302 industrial units, producing a variety of products (Baid, 2008).

KD was put together from the two towns of Kalyan and Dombivli in 1983, which have different historical backgrounds. Kalyan was an active port, with economic activities such as ship building, sand dredging, agriculture, smuggling and fish processing industries. Its population consisted of Agris and Kolis and included a sizeable minority of Muslims (van Dijk, 2011).

In contrast, Dombivli is of more recent origin. The Agris make up a minority of the population, but are the original population and owned the land. They have been able to benefit from land sales to developers and also dominate local politics in the area (cf. van Dijk, 2011).

KDMC is surrounded by rapidly developing municipal corporations of Thane, Bhiwandi, Ulhasnagar, and Navi Mumbai. The rail connectivity of Kalyan-Dombivli to Thane and Greater Mumbai has enabled heavy influx of population to Kalyan-Dombivli, who depend on Mumbai and its surrounding areas for their livelihood. During the last few decades, a steep growth in the population of Kalyan-Dombivli has been observed, apparently due to the availability of ample job opportunities in Mumbai and its surrounding industrial areas like Thane and Navi Mumbai. KDMC was established on 1st October 1983 and spans an area of 69 sq km.

Figure No. 2.1: Map of Kalyan-Dombivli Municipal Corporation Region

Source: Baid (2008)
2.7.2. Population of KDMC:

Table No. 2.6: Population Trends in KDMC Region (1961-2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Decadal Growth</th>
<th>CAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>149,894</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1971</td>
<td>2,38,499</td>
<td>88,605</td>
<td>4.7%</td>
</tr>
<tr>
<td>1981</td>
<td>442,242</td>
<td>203,743</td>
<td>6.37%</td>
</tr>
<tr>
<td>1991</td>
<td>820,562</td>
<td>378,320</td>
<td>6.38%</td>
</tr>
<tr>
<td>2001</td>
<td>10,47,297</td>
<td>3,72,704</td>
<td>2.47%</td>
</tr>
<tr>
<td>2011</td>
<td>12,46,000</td>
<td>1,98,703</td>
<td>1.75%</td>
</tr>
</tbody>
</table>

Source: Revised City Development Plan, November 2012, Kalyan Dombivli

In 2002, the KDMC area was limited to 67.65 sq km, due to the omission of MIDC and 27 villages of Ward E. Today, KDMC includes Kalyan, Dombivli, and 25 villages. KDMC has seven wards: A, B, C, D, F, G, and H (Ward E is excluded.).

The population of the said removed area worked out to be 146,215 according to the census document. Hence, the population base for KDMC can be considered as 1,047,297 (1,193,512-146,215) in 2001.

Table No. 2.7: Ward Wise Population Of Kalyan-Dombivli As Per 2001 Census

<table>
<thead>
<tr>
<th>Ward</th>
<th>Population</th>
<th>Population in Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>90,627</td>
<td>8.65</td>
</tr>
<tr>
<td>B</td>
<td>1,35,340</td>
<td>12.92</td>
</tr>
<tr>
<td>C</td>
<td>1,29,128</td>
<td>12.32</td>
</tr>
<tr>
<td>D</td>
<td>2,46,449</td>
<td>23.54</td>
</tr>
<tr>
<td>F</td>
<td>1,27,774</td>
<td>12.20</td>
</tr>
<tr>
<td>G</td>
<td>1,17,114</td>
<td>11.18</td>
</tr>
<tr>
<td>H</td>
<td>2,00,865</td>
<td>19.19</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,47,297</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Kalyan Dombivli Municipal Corporation Records
According to the first City Development Plan prepared by the Municipal Corporation of Kalyan-Dombivli in 2007, about 32.44 percent of the total population is engaged in non-agricultural activities, 0.78 percent of the population is working in household industries and 0.6 percent in agricultural activities. Overall, one-third of the city’s population is working class population working in railways, banks, schools, colleges, companies etc.

Out of total population, 469,306 were engaged in work or business activity. Of this 361,910 were males while 107,396 were females. In census survey, worker is defined as person who does business, job, service, and cultivator and labour activity. Of total 469306 working population, 93.97 % were engaged in Main Work while 6.03 % of total workers were engaged in Marginal Work.

Kalyan-Dombivli is a Municipal Corporation city in district of Thane, Maharashtra. The Kalyan-Dombivli city is divided into 107 wards for which elections are held every 5 years. The Kalyan-Dombivli Municipal Corporation has population of 1,247,327 of which 649,626 are males while 597,701 are females as per report released by Census India 2011.

Population of Children with age of 0-6 is 121122 which is 9.71 % of total population of Kalyan-Dombivli (M Corp). In Kalyan-Dombivli Municipal Corporation, Female Sex Ratio is of 920 against state average of 929. Moreover Child Sex Ratio in Kalyan-Dombivli is around 902 compared to Maharashtra state average of 894. Literacy rate of Kalyan-Dombivli city is 91.37 % higher than state average of 82.34 %. In Kalyan-Dombivli, Male literacy is around 93.73 % while female literacy rate is 88.81 %. Total no. of Slums in Kalyan and Dombivli city numbers 21,725 in which population of 98,157 resides. This is around 7.87% of total population of Kalyan and Dombivli city.

Kalyan is also developing rapidly in terms of middle-class residential areas and business and consumption locations, as a result of changes in the building codes. Both large and small-scale real estate developments are emerging rapidly.
The main conclusion of this city report July, 2014 is that Kalyan Dombivli is experiencing rapid urban development as fringe city in the metropolitan region, and is becoming a stronger urban center in its own right in the process.

2.7.4. Proposed Development:
The Thane district is proposed to be sub-divided and a new Kalyan district be carved out from it. The proposed Kalyan District will comprise Kalyan-Dombivli, Ulhasnagar, Ambernath, Kulgaon-Badlapur, Shahapur, and Murbad as well as the rural areas from the talukas of Bhivandi and Vasai which would be outside of any other municipal corporations. These held a combined population at the 2001 Census of 2,560,417. Also parts of Raigad District, namely the Talukas of Karjat, Panvel and Khalapur which are on the contiguous Kalyan - Karjat, Diva - Panvel and the Karjat - Panvel lines, may also merge with this district.

- MMRDA has drawn up plans for a monorail link between Thane-Kalyan-Navi Mumbai over a three-year duration at the cost of Rs. 3000 Crores. The project is in the planning stage.
- Developments on revamping Kalyan Junction as another Railway Terminus are planned to ease rail transport in Mumbai.
- MMRDA has plans for a multi-modal Bus Rapid Transport System (BRTS) and Mass Rapid Transport System (MRTS) which will cover Kalyan as well.
- A four-lane expressway will enable people to travel between Virar-Vasai-Diva-Bhiwandi-Kalyan-Panvel to Alibag in a matter of few hours. The four-lane expressway will have wide footpaths, subways, foot-over bridges and service roads linking the major towns on the route.

2.7.5. Scope of Study in KDMC Region:
For retail investor who does not have the time and expertise to analyze and invest in stocks and bonds, mutual funds offer a viable investment alternative. This is because mutual funds provide the benefit of cheap access to expensive stocks. At the same time evaluation of mutual funds has been a matter of concern in India for the researchers, academicians, fund managers and financial analysts. However, reviews on investors’ awareness about investing in Mutual Funds, their preferences are scantly available.
Mutual funds in the recent years have become very popular among investors. They have started securing a prominent place in the investment pattern. This study aims to identify the awareness about investment in mutual funds among residents of Kalyan-Dombivli, fast growing metropolitan city. So that it will help the Mutual Fund Companies to explore the new market among the residents of Kalyan-Dombivli Municipal Corporation Region & to know their preferences and requirements. This can turn the potential investors of KDMC region to turn into investors and channelize the flow of saving towards the mutual fund investment.

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