PREFACE

Mutual funds have emerged as a strong financial intermediary and are the fastest growing segment of the financial services sector in India. Mutual funds play a very significant role in channelising the savings of millions of individuals. A mutual fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. There are wide varieties of mutual fund schemes that cater to investor needs. Whether as the foundation of one’s investment programme or as a supplement, mutual fund schemes can help the investors to meet their financial goals.

The industry has made significant strides in terms of its variety, sophistication and regulation. Due to the economic boom, entry of foreign asset management companies, favourable stock markets and aggressive marketing by mutual funds, the asset management industry in India is witnessing dramatic growth in terms of new fund openings, the number of mutual fund families, and in the total assets under management in recent years. A host of factors has contributed to this explosive growth of the industry. First, industry players have focused on product innovation due to stiff competition. This has helped the industry players to tap the needs of the investors and to expand markets as more and more investors, including retail investors, have begun to look at mutual funds as a suitable investment avenue. Second, the industry players have devised innovative channels of delivery to gain and
strengthen their market share. Third, mutual funds have gained popularity with the investors because of tax incentives offered by the government. Finally, a slew of regulatory measures taken by SEBI has played a crucial role in instilling confidence among investors, especially retail investors.

Despite various attractions offered, the total net assets of mutual funds are very less as compared to other developed countries. In the product offering too, the Indian fund industry is not close to the developed countries. India’s 32 member fund industry has to scale new heights to narrow the gap with the other developed countries. To achieve this, the Indian mutual fund industry needs to widen its range of products with affordable and competitive schemes that combine various elements of liquidity, return and security in making mutual fund products the best possible alternative for the small investors in the Indian market. Besides, mutual funds can survive only if they perform well and satisfy the expectations of the investors.

In this context a sincere attempt has been made by the researcher to examine the steady growth of the industry, the innovations and the development that has taken place in India. The researcher has also attempted to evaluate the performance of ICICI Prudential Mutual Fund, Franklin Templeton Mutual Fund and HDFC Mutual Fund for the period 2002-2007. The study aims at presenting suggestions not only for the functional improvement of the fund industry but also to reshape the fault lines in the industry.