

Mutual Funds Hitches and Outlook: An Empirical Study

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Abstract

A lot of structural changes and innovations have occurred both at international and national financial system. Simultaneously, household savings and investment attitude and preference have increased. Emergence of new financial institutions and instruments came into existence to cater the needs of public. Mutual Funds are one of the ideal avenues available to investors. The growth of Mutual Funds industry is comparatively higher than other industries in India. But compared to global outlook, the share of Mutual Funds industry does not touch even 5 percent (Anonymous). Indian investors prefer to invest more in traditional avenues as compared to Mutual Funds. All this, in aggregate, heightens researcher concern that why Mutual Funds could not succeed in India? With this background, an attempt is made in this research to study the perceived problems and perspectives of retail investors for investment in Mutual Funds.

Keywords: Mutual funds; Retail investors; Perspectives; Problems.



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1. Introduction

In the kingdom of households, one of the biggest trends that have arisen in the past 20-25 years is disintermediation sometimes called disaggregation of financial services. Householders are being called upon to make complex and important financial decisions that they did not have to make in the past. There are a large number of investment instruments available in present days. Different investment avenues have different characteristics. Some may provide safety but low return while some may provide high return but are very risky. The fluctuations in the price in these assets are a resultant of events which occur at far flung places. A distinctive investor may not have the expertise, skills, disposition and required time to keep track of events, grasp the finer insinuations and act speedily. A Mutual Fund is an answer to all this questions. It is an investment vehicle for today's complex and modern financial scenario. The investment vehicle provides the leeway to recruit qualified and knowledgeable staff who manages each of these functions on a full time basis.

2. Motivation of Study

The mutual fund sector of our country boasts of being one of the fastest and most competitive sectors of the economic sector. The Assets Under Management (AUM) of the Indian MF Industry has grown from 3.26 trillion as on 31st March 2007 to 19.97 trillion as on 31st July, 2017, which boasts of more than six-fold increase in a span of about 10 years. The total number of accounts as on July 31, 2017 stood at 59.4 million (Anonymous). Indian families categorised with average home savings nearing 28 percentage of the total GDP (World Bank, 2012), stands tall as being one of the highest in the world.

The AUM/GDP ratio in India stands at approximately 7percent while it stood at 84 percent in USA and nearby 50 percent in case of European Union, Australia, Brazil and United Kingdom (Brian, 2013). A current finding by PWC (2013) indicated that the distribution of Assets Under Management (AUM) through cities is highly tilted in favour of the premier 15 cities of India. The top fifteen cities constituted to nearly eighty seven percent of the complete AUM in the country. Among the top 15, the top 05 cities (Mumbai, Delhi, Chennai, Kolkata and Bangalore) comprised 85 percentage of the whole AUM (PWC, 2013).

Indians have been traditionally savers, if we look at approximately 19.97 trillion that Indian Mutual Funds are managing, and then it is no means an achievement. This motivates the researcher to study in depth the reasons behind the not so bright performance of Mutual Funds in India. The researcher also stands inquisitive to identify the perspectives and problems faced by retail investors while investing in Mutual Funds.

3. Research Gap

As for mentioned analysis reveals as compared to developed countries; the growth of Mutual Funds industries in India is very poor though it has existence since 1964. India's total share in worldwide Mutual Funds assets is very low. India has low saving ratio in equity and Mutual Funds compared to other investment instruments. Retail investors do not prefer to invest in Mutual Funds. Among total investors, greater part is concentrated to metro cities only, subsequently reflecting a low level of penetration in urban, semi urban and rural areas. These issues throw

lights on poor presentation of Mutual Funds industries in India. In line with that the proposed research work is undertaken with an objective identify the gap and to study “Problems and Perspective of Investment in Mutual Funds.”

4. Mutual Funds - Concept

Mutual funds is a professionally looked after type of shared investment options that collects money for array of depositors and invests it in stocks, bonds, immediate money market, financial vehicle and other securities. These financial instruments are managed by fund manager who takes the onus of stocking the money on behalf of the depositors by purchasing or selling stocks, bonds etc. Broadly Mutual Funds can be classified into Open Ended & Closed Ended, Load & No Load and Tax Exempt & Non Tax Exempt Funds.

5. Literature Review

A rich view of research supports this sophisticated understanding of how financial markets are also affected by the ‘financial behaviour’ of investors. Proposed research work will cover only measurement of problems and perspectives for investment in Mutual Funds.

[Sahadevan and Thiripalraju \(1997\)](#), mentioned that, these instruments could be prospects for the average middle class and the below to acquire shares. It is seen that the savings from routine household class comprised of an appreciable amount of more than 75 percent of the GDP. This was also in conjunction with stark transition in fondness from physical assets to tangible assets. It was also visible that the savings behaviour of the citizens underwent a change from that of bank deposits to shares, debentures, and Mutual Funds.

[Gangadhar \(1992\)](#), mentioned these financial instruments as the prime driver of effective rotation and utilization of the savings of the average middle class since it provided the unique advantages of consistent return, money augmentation and minimal risk. He also mentioned that the category of open end funds were quite prevalent in our country because of the size, economies of processes and the aspect of liquidity. People zeroed on these instruments with an objective of augmented return for given level of risk, higher accessibility and liquidity. [Krishnamurthi \(1997\)](#), opined as these as perfect investment vehicle for small and average investors with a certain limitation on resources to tap on the monetary advantages by investing in the shares of the blue chip companies.

[Khare \(2007\)](#), mentioned that by investing in the mutual funds the investors had the twin advantages of minimal trading expenditure, coupled with diversification and low risk. The researcher mentioned that, with advanced investments rate of 23 percent of channelling savings, this sector has seen a rapid growth trajectory as retail investors were progressively keeping out of the primary and secondary market.

“These instruments gave the added advantage of diversification to the investors provide the funds were managed professionally run setups likes those of Reliance Asset Management”, mentions, Dilipsingh Chauhan, Manager, Reliance Asset Management Company. Funds associated with lower search costs receive larger flows as investors seem to favour funds that they are familiar with, which is also in line with behavioural literature ([Engström and Westerberg, 2004](#)). Mutual Funds flows can be directly related to fund visibility as funds belong to larger companies ([Sirri and Peter, 1998](#)).

[Shiller \(1993\)](#), found that majority of the depositors lacked formal professional know how pertaining to data analysis and interpretation. The primary reason for the same being, since information from the market was in favour of the merits of index investing, inactive depositors were more in possibly to make their investment decisions on information got from unbiased or methodical bases. [Hirshleifer \(2001\)](#), differentiated the various kinds of intellectual mistakes that depositors make i.e. self-deception. This kind of error of takes place because depositors possess a tendency of thinking that are superior in intellectual analysis than they really are. The said term for the same is labelled as heuristic simplification, which takes place since people have inadequate attention, memory and processing competencies.

[Ansari \(1993\)](#), also emphasized the urgent requirement of innovation and novel options from the mutual funds which could cater to the diverse needs of the small investors. This could provide the much needed fillip to Mutual Funds to position themselves as prominent financial service instrument in the country.

[Ippolito \(1992\)](#), found that investors are sensitive to the form in which funds expenses are charged though investors are less likely to buy funds with high transaction fees (e.g. broker commission or front-end load fees). [Barber et al. \(2000\)](#), found that investors react differently to various fund expenses. They have added that investors are less likely to buy funds that incur salient fees, such as a brokerage commissions or front-end loads.

[Irissappane \(2000\)](#), analysed the venture scheme and performance of thirty four close-ended schemes spanning from the years 1988 to 1998. He presented the opinions of investors & managers pertaining to regions Chennai, Mumbai, Pune and Delhi. The study presented that the depositors were desirable of a return equivalent to equity market. [Bettman \(1979\)](#), recognizes that individuals have limited capabilities for processing information and this limitation affects their decision-making activities.

Extant research shows that Mutual Funds investors respond to past performance, which is typically measured as raw returns, market-adjusted returns or alphas defined by individual models ([Chevalier and Glenn, 1997](#); [Sirri and Peter, 1998](#)). However, the process of objectively assessing fund characteristics is too complex and investors do not feel like allocating their time to this ([Martenson, 2005](#)). Investors who still, consciously or unconsciously, use heuristics to make complex financial decisions are thus often described as naive and in a poor position on the financial market ([Capon et al., 1996](#); [Sandler, 2002](#)).

Investors are clearly not only affected by past performance in selecting Mutual Funds but other variables often taken into consideration. Investors prefer to pay lower fees, but are more sensitive to visible fees as front-end-load fees and commissions compared to less visible fees such as operating expenses (Barber *et al.*, 2000).

Chordia (1996), attempt to explain the relationship among loads (sales charge), investor redemption behavior and corresponding fund investment strategy. He found that loads dissuade redemptions and load funds hold less cash than no-load counterparts.

The reviews presented the role, significance and the prominence of Mutual Funds in the Indian financial sector; it also emphasized the necessity of suitable and adequate means of stockholder protection and the presence of a single and universal regulatory authority. The reviews presented the insights of higher return for a given level of risk in line with the needs and expectations of depositors, greater accessibility and liquidity. This was also complemented with an additional expectation that Mutual Funds must vehicle itself as a catalytic driver of financial development subsequently leading to augmented investors' interest.

Further from the above review it can be inferred that Mutual Funds are an investment vehicle is capturing the attention of various segments of the society for varied reasons and deserves an in-depth study. So, the proposed research work has been carried out to understand the perspectives and problems faced by retails investors in Indian Mutual Funds industry.

5.1. Purposes of the Research Work

1. To study the fundamental dimensions of problems and perspectives for retail investors in Mutual Funds in India.
2. To put-forward suggestions with a view to identify perspectives available and to solve problem for investment in Mutual Funds.

5.2. The Sample

The data reported in this paper is to analyse perspectives and problems of investment in Mutual Funds. For the following study the researcher undertook survey for the purpose of collecting primary data. For the purpose of determining the sample size the appropriate percentage of confidence level and the tolerance error were 95 and 5. Keeping this as the base the needed sample size turned out to be 384. The responses were collected from 463 respondents which were well above the said limit. A planned non-disguised survey was prepared to collect the information needed for the study. Pilot testing was undertaken to find out the scale consistency followed by small changes.

The survey form was executed to approximately 463 individuals within age bracket of 18 years and above. The individuals were looped in by asking a question about having invested in Mutual Funds or not. Convenience non-probability sampling technique was adopted to secure responses from the participants. The current work was undertaken utilizing exploratory-descriptive investigation method. With an aim to secure the objectives of the research work, factor analysis and ANOVA was undertaken.

6. Data Analysis & Findings

6.1. Descriptive Analysis

Table-1. Descriptive Analysis for Demographic Variables

Variable	Range	Frequency	%
Gender	Male	348	75.2
	Female	115	24.8
Age	21-30	195	42.1
	31-40	132	28.5
	41-50	88	19.0
	51-60	41	8.9
	More than 60	7	1.5
Marital Status	Single	164	35.5
	Married	296	64.1
	Others	03	0.4
Education	School	40	8.6
	Graduate	156	33.7
	Post graduate	195	42.1
	Professional	61	13.2
	Doctorate	8	1.7
	Others	3	0.6
Family Size	1 person	8	1.7
	2 to 3 persons	137	29.6
	4 to 5 persons	245	52.9
	Greater than 5 persons	73	15.8
Employment Status	Salaried	262	56.6
	Businessman/Self	127	27.4
	Employed	12	2.6
	Housewife	36	7.8
	Student	17	3.7
	Retired	9	1.9
	Unemployed		
Monthly Income	Less than 10000	81	17.5
	10001 to 15000	69	14.9

Monthly Investment in Mutual Funds	15001 to 20000	99	21.4
	20001 to 25000	85	18.4
	More than 25000	129	27.9
	Less than 5000	257	55.5
	5001 to 10000	118	25.5
	10001 to 15000	62	13.4
	15001 to 20000	11	2.4
	More than 20000	15	3.2

Majority of the survey respondents comprised of male. To count on 80 percent belong to middle and upper middle age group; between 21-50, possessed advanced levels of education (graduate and postgraduate), with moderate family size, with 64 percent being married (n=297) and 36 percent unmarried (n=164). Majority of the respondent 56.6 percent (n=262) were salaried employee followed by businessman/self-employed 27.4 percent (n=127). Of the total respondents almost 30 percent respondents monthly income was more than 25000 while majority respondent; almost 80 percent (n=375) were investing less than Rs. 10000 per month in Mutual Funds.

6.2. Reliability Analysis

A questionnaire consist 41 different statements on a 5-point scale. The content validity of the survey was assessed in a pre-test with 30 respondents not included in the sampling frame. Pre-test participants were asked to evaluate all aspects of the questionnaire, including the wording of individual items, the general flow and structure of the instrument and its comprehensiveness. Participants' suggestions were then incorporated into the survey prior to its final use.

Table-2. Reliability Statistics

Variable	N of items	Cronbach's Alpha
Perspectives	20	0.938
Problems	21	0.799

Before examining the underlying factors, the strength of the scale was found out by finding its reliability. For the purpose of consistency analysis, the alpha (α) coefficient was found out to know the inner reliability of the items on the scale. It was estimated to be 0.938 and 0.799 which reveals the fitness of the scale to carry out further research.

6.3. Factor Analysis

This method refers to a set of arithmetic techniques with an objective of data minimization and summarization (Crawford and Lomas, 1980). In concise its basic aim is the reduction of a huge number of seen variables to considerable smaller number of underlying variables.

Table-3. KMO, Bartlett's test of Sphericity and significant level

Particulars	Problems	Perspectives
KMO Means of Specimen Capability	0.730	0.763
Bartlett's Test of Sphericity		
Approximate Chi-square	678.391	5242
Degrees of freedom	15	15
Significance.	0.000	0.000

The assembled data was put to test for factor analysis, by utilizing the Principal Component Analysis technique. The KMO Degree of Specimen Suitability was 0.730 and 0.763 respectively which reflected meritocracy of the analysis results (Kaiser, 1970). Bartlett's test of sphericity was noteworthy at levels exhibiting a good degree of association amongst the variables (Hair et al., 2009). Factors were found utilizing the technique of Principal Component Analysis and Rotation technique of Varimax, with cut off Eigen values of more than 1. It lead to extraction of two factors for perspectives and two factors for problems respectively. This favoured the consistency of the items constituting each construct. Going by the loadings of variables on these two factors, they can be described as follows:

Table-4. Structure of individual factor recognized in factor analysis for Perspectives

Statements	Factor 1	Factor
O10	.745	
O9	.711	
O12	.704	
O11	.703	
O1		.866
O2		.823

First factor refers to four items. The groups of variables are concerned with long term expected benefits, so this factor has been given a name of “Future Perspective.” The extracted factor explains 35.27 percent of variance. While second factor consisted of two variables. This group of variables are concerned with yield on investment with security of investment. Hence, this factor has been given a name “Return & Protection.” The extracted factor explains 25.35 percent of variance. Factor analysis identified two factors out of twenty variables which have been considered as perspectives to invest in Mutual Funds.

In order to test relative importance given to different factors by different categories of respondents, researcher has applied ANOVA test. Further, if the value of ANOVA (F test) turnout to be significant for extracted factor, a Post Hoc analysis (Tukey’s test) was performed to check pair wise differences in mean value.

Table-5. ANOVA Analysis for Perspectives

Variable	Gender	Age	Education Level	Employment Status
Future Perspective	.687	.488	.097	.035
Return & Protection	.893 (Welch ANOVA)	.909 (Welch ANOVA)	.141	.019
Post Hoc Analysis				Salaried – Businessman .398, .057, Businessman- Salaried .804, .059.

It was found that, out of four variables; only employment status (0.035 & 0.019) was found to be significant at 5 percent level. It can be said that perceived opportunities are significantly different across employment status of the respondents. Further, Tukey’s test identified that the cut off value in case of “salaried employee & students (0.057)” and “businessman & housewife (0.059)” was found to be significant. Further from mean differences it is indicative that, for pair wise comparison of “salaried employee & businessman”; the mean difference value is found to be +0.398 and +0.804 respectively. So, it can be said that salaried employee put more emphasis on future perspective factor compare to businessman and businessman put more emphasis on return and protection compare to salaried employee while investing in Mutual Funds. However, no significant difference was found as far as gender, age and education level is concern.

Table-6. Structure of individual factor recognized in factor analysis for Problems

Statement	Factor 1	Factor 2
P20	.862	
P21	.796	
P19	.708	
P1		.836
P2		.744
P3		.743

First factor refers to three items. The groups of variables are concerned with seeking clarity and advice for investment in Mutual Funds, so this factor has been given a name of “Expert Recommendations.” The extracted factor explains 32.94 percent of variance. Second factor also consists of three variables. The groups of variables are concerned with facing difficulty in selecting ideal Mutual Funds. Hence, this factor has been given a name “Selection Complexity. The extracted factor explains 31.31 percent of variance. Based on factor analysis, researcher has extracted important factors, which are perceived as problems for investing in Mutual Funds.

Table-7. ANOVA Analysis for Problems

Variable	Gender	Age	Education Level	Employment Status
Expert Recommendation	.959	.681	.584	.334
Selection Complexity	.465	.645	.481 (Welch ANOVA)	.580

For ANOVA analysis, the significant value for expert recommendation and selection complexity for all demographic variables is found to be more than 0.05 at 95 percent confidence level. So, it can be said that, no significant different was found between different demographic variables of the respondent and factors extracted through factor analysis. It means that the perceived problems to invest in Mutual Funds are not significantly different across the different category of the respondents.

7. Findings

Assembled data was subjected to analyse with the usage of SPSS software package. Factor study was first conducted to perspectives and problems construct to find out uni-dimensionality (Conway and Huffcutt, 2003). Post

that ANOVA analysis was conducted to study the significant differences in mean score in demographic variables and factors extracted through factor analysis.

The researcher subjected the data to this statistical test in the study with an intention to help Mutual Funds companies to gain useful understanding pertaining to the relative contribution of each of the definite factor to the success of Mutual Funds. It is evident here that investors are more concerned about the future benefits and security of their investment with smart amount of return. Hence, it is recommended that companies should design products in such a way that priorities key important variables such as long term investment opportunities, tax benefits, reduce risk of loss, provide good return with safety of investment considering employment status of the respondents.

Present research identifies key variables that help to understand what perceived to be the opportunity to invest in Mutual Funds by retail investors. Research reveals that future benefits and return with safety have been given prime importance by respondents. Present finding are also supported by [Gangadhar \(1992\)](#). He positioned and labelled Mutual Funds as the key tool for capital mobilization of domestic investors as it provides benefits of steady return, capital augmentation, greater convenience, liquidity & low risk. The output of the study would help companies to access key variables while designing a product for target customers considering socio economic variables, which ultimately would help companies to penetrate Mutual Funds market successfully.

The study found that majority of the depositors does not possess formal data analysis and interpretation skills. [Bettman \(1979\)](#), recognizes that individuals have limited capabilities for processing information and this limitation affects their decision making activities. The study identified that investors face problem of lack of expert advice and selection complexity from bundles of schemes available. It also throws lights on perceived problems of investors while investing in Mutual Funds. The output reveals that the rapid growth in numbers of Mutual Funds offered and Mutual Funds schemes during last few years creates difficulty for selecting right kind of fund matching investor's objectives. Investors also face difficulty for getting proper advice from different source of information. One of the possible explanation is that, Mutual Funds industry has been served by only 60000 independent advisors while insurance sector served by more than 10 lakh (1 million) advisors ([Anonymous](#)). This requires a well-designed set-up of financial intermediaries to play a shaping role for the development of Mutual Funds industry in a country like India.

8. Discussion

Our results concerning the problems of investment in Mutual Funds propose that Mutual Funds industry is facing quantum of problems. These problems are related to lack of knowledge, inefficiency in mutual funds management, no distinction between stock and mutual funds, speculators activities, poor services to investors, lack of transparency, shortage of investment professionals and heavy commission to agents etc.

It is well established that it is the level of investor know how which acts as key determining variable for the success of the mutual fund sector. Unfortunately in our country the poor level of depositor's awareness and financial education turn out to be the prominent impediment for appropriate channelization of domestic savings into mutual funds. As per the published sources of, The Invest India Market Solutions Report (2007) "Just one out of seven people with savings in 2007 were aware of mutual fund opportunities". The lack of professional education about this financial instrument prompted depositors in India to choose bank deposits over mutual funds. The Karvy Private Wealth Report (2017) showcases that "more than 33 percent of Indian household savings find their way into bank deposits. Only 4.26 percent of their savings go to mutual funds".

The lack of professional knowhow about the operationalization of mutual funds was more prominent in semi-urban and village regions. The study showcased that the depositors in these regions, due to the lack of practical know how were unable to distinguish Mutual Funds & straight stock market investments. A subsequent amount of depositors had no conceptual understanding of risk returns, asset assortment and portfolio diversification. This subsequently led to unawareness on the part of depositor about the intentions and asset allocation exercise undertaken by the mutual fund manager with their corpus. It would not wrong to mention that neither there has been any organized effort undertaken by the mutual fund companies to address this issue.

Though the Mutual Funds industry is facing several problems which create hitches to the growth of mutual funds, there remains scope for futuristic growth by leveraging its potential.

C. K. Prahalad, Management Guru in 2006 spoke about the concept of Bottom of the Pyramid, to point towards the billions of people disadvantaged at the socio-economic strata, where a huge opportunity for growth and development lies. With the government and a large number of companies targeting to bridge this socioeconomic gap, mutual funds also see handsome opportunities for investors.

The performance and forecasts of the Mutual Funds sector in our country is closely associated with the futuristic performance of country's economy. India is leading with approximately 17.4 percentage of the total world population but ironically contribute only 2.4 percent of world GDP that reveals huge potential to reach high growth in future. GDP of India is expected to grow at 9.2 percentage from 2011-2020, on the account of increase in infrastructure expenditure, considerable progress in venture activity, augmented savings, robust development in services sector, the predominance and presence of a huge young working population coupled with an strong consumption demand ([Dun and Bradstreet, 2012](#)). ([Edelweiss Capital Ltd., 2011](#)), "India 2020 report" forecasts that "India's GDP is all set to quadruple from 2009 level to 205 trillion (USD 4.5 trillion at the exchange rate of 46) by 2020 with nominal growth of 13 percentage per annum".

In spite of certain transitory disturbances, the country's economy and the monetary growth presents a positive and optimistic scenario of mutual funds in our country. This could be visibly reflected from the statistics that with the continuous rise in savings, the investments in mutual funds have also followed subsequent increment. According

to World Bank (2012), Gross Domestic Savings (GDS) as a percentage of Gross Domestic Product in India is highest in the world. The GDS as a percentage of GDP was 33.7 percentage in 2010-11, which was just 16.9 percent in 1975-76. It saw a stable growth in GDS as a percentage of GDP (World Bank, 2012).

The other fact that highest contribution to GDS in the country has remained from House Hold Sector right from the start. The HHS accounted for 69.7 percent of the total GDS which had peaked to 93 percent in 2010-12. What emerges from the above is that the GDS as a percentage of GDP has recorded steady growth and most of the savings come from the HHS in the country (World Bank, 2012).

The Indian mutual funds sector boasts of capital mobilization of millions of depositors. This was coupled with supply of gigantic sum of money to variety of sectors of the economy since its origin of in 1964. Initiating with an asset base of 3.7 million in 1964-65 to 353.24 trillion in 2018-19 indicates that the sector has augmented in numerous folds in view of assets and investor base (Mutual Fund Year Book, 2010–2017). Looking at the on-going leanings and collating it with the past actions, it would not be wrong to mention that the sector will continue with similar growth momentum in future as well.

The country's mutual fund industry has a huge growth potential as Indian households' savings amount to Rs 20-30 lakh crores (450 billion) every year, which indicates immense scope for channelizing this saving to Mutual Funds Industry. "Our Country is witnessing a gradual shift in household savings as dominance of physical savings to financial savings," mentions Milind Barve, Manager HDFC AMC. In India, asset base of mutual funds as a percentage of GDP is just 11 per cent, while the world average is 62 per cent. "When it comes to the share of Mutual Funds in the market capitalization, it is less than 5 per cent in India, which only proves the huge market potential," he said.

The present analysis depicts promising scope for the erstwhile mutual funds sector in our country. However, to throng and be successful, the sector could take suitable measures particularly in the areas linked to education, penalties, governing mechanism. The sector is required to take needed measures with special reference to compliance pertaining to fund governance, penalty, education, allocation, fund names, investment rules and disclosure measures. An additional supplement to pump up the assurance level of the depositors would be to prompt and appropriate resolution of their problems.

In line with above, SEBI had been proactive with a slew of regulatory measures with an objective of energizing the Indian mutual fund sector. Certain of these major actions include allowance of higher expense ratio, elimination of core ceilings in expense ratio, crediting back of exit load to schemes, service expenses on depositors, choice of straight selling, cash deal in mutual funds and the bylaws of distributors. These measures would definitely be assertive enough to enhance and improvise the reach of the said financial instrument and reinforce the delivery system in our country.

The suggestion to augment the expense ratio up to 30 basis points on net assets of the scheme with a condition whether the mutual funds are able to get thirty percent of the trade well beyond top 15 cities, will turn out to be quite advantageous for the AMCs and distributors. The Mutual Funds with an objective to enhance their penetration, need to be proactive enough to disclose all the efforts undertaken by them and particularly more pertinent to the ones in new branches. This initiative would help and strengthen the reach and hold of mutual funds. This would also provide the much need fillip to the growth of mutual funds.

Over and above, the depositors now have the flexibility to exit from the schemes without any additional exit charges as per the recent mandates from SEBI. This would not be counted on as AMC profit. As far as the compensation of AMC losses are concerned, an equivalent quantity of expense ratio is permitted by SEBI for inclusion in the expense ratio. The end result of the said move would be no gain and no loss to both the stakeholders – AMCs and depositors. Recently SEBI has also come out with possibility of straight selling in mutual fund investment. The direct implications of the same indicate that investment will not be routed through agents. Initiatives like these would be handy to save the depositors from the clutches of needless distribution expenses and commissions augmenting their returns on schemes eventually.

Additionally with an intention of strengthening the spread of mutual funds amongst small depositors, the ceiling for the cash investments for an individual investor per financial year has enhanced up to 20,000. The said benefit would be enjoyed by small depositors who do not have any tax liability and also do not possess PAN/ bank accounts such as agriculturalists, small traders, businessman, workers etc.

Above all, the authorization to competent overseas depositors (QFIs) for investing in Indian mutual fund schemes will definitely accentuate or provide the needed mileage to the development of the sector. It would allow the Indian mutual funds to have straight access to overseas depositors and broadened the class of foreign depositors in equity market. It would also increase the efficiency of mutual fund market participants.

The subsequent coming years seem to be promising and assures of encouraging results. With higher economic growth, the Indian mutual industry does possess the needed potential to outperform in the market, eventually leading to wealth creation. This is definitely an end result of US experience where their citizens now are the proud owners if the world's largest fund market as a result of the citizens efforts of mobilizing their savings through mutual funds. Irrespective of existing problems, similar is expected from the mutual funds industry in our country.

9. Conclusion

The present paper attempts to study the perceived problems and perspectives of retail investors for investment in Mutual Funds. It can be understood from above analyses, that though Indian Mutual Funds industry faces substantial problems such as lack of knowledge, fund management inefficiency, speculations, lack of transparency etc, still there seems to be the massive prospects available for investing in Mutual Funds. Study reveals that the Indian

Mutual Funds industry has a huge growth potential for channelizing Indian house hold savings to mutual funds industry. Analysis also make known that since two decades, the process of shifting from orthodox physical investment economy to current dynamic economy has already been started. Indian government has also pump-in several monitoring machinery to counter problems, to create awareness and to secure investors interest. Researcher is confident enough that these measures would definitely play vigorous role to heighten and expand the reach of Mutual Funds and strengthen the investment pattern in India.

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