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## **INDIAN MUTUAL FUNDS: PRESENT STATE AND FUTURE OUTLOOK**

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### **Abstract**

India has been amongst the fastest growing markets for mutual funds since 2004, witnessing a CAGR of 29% percent in the five-year period from 2004 to 2008 as against the global average of 4 percent. As of August 2012, 44 asset management companies (AMCs) were operating in India with assets under management (AUM) of INR 6.4 trillion. Low customer awareness levels and financial literacy pose the biggest challenge to channelising household savings into mutual funds. Further, fund houses have shown limited focus on increasing retail penetration and building retail AUM. Most AMCs and distributors have a limited focus beyond the top 20 cities that is manifested in limited distribution channels and investor servicing. The Indian mutual fund industry has largely been product-led and not sufficiently customer focused with limited focus being accorded by players to innovation and development. There is limited flexibility in fees and pricing structures. Distributors and the mutual fund houses have exhibited limited interest in continuously engaging with customers post closure of sale as the commissions and incentives have been largely in the form of upfront fees from product sales. Limited focus of the public sector network including public sector banks, India Post and other similar organisations on distribution of mutual funds has also impeded the growth of the industry. Further multiple regulatory frameworks govern different verticals within the financial services sector, such as differential policies pertaining to the PAN card requirement, mode of payment, funds management by insurance companies and commission structures, among others. The present work reviews the current state of the Indian mutual fund industry and explores the outlook for the future.

**Key Words:** Mutual Funds, India, Current State, Future Outlook