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A STUDY ON MUTUAL FUNDS INVESTMENT AND RISKS IN INDIA

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ABSTRACT: Investing through mutual funds has gained interest in recent years as it offers optimal risk adjusted returns to investors. The Indian market is no exception and has witnessed a multifold growth in mutual funds over the years. As of 2016, the Indian market is crowded with over two thousand mutual fund schemes, each promising higher returns compared to their peers. This comes as a challenge for an ordinary investor to select the best portfolio to invest making it critical to analyse the performance of these funds. While understanding and analysing the historical performance of mutual funds do not guarantee future performance, however, this may give an idea of how the fund is likely to perform in different market conditions. In this research we address multiple research issues. These include measuring the performance of selected mutual schemes on the basis of risk and return and compare the performance of these selected schemes with benchmark index to see whether the scheme is outperforming or underperforming the benchmark. We also rank funds on the basis of performance and suggest strategies to invest in a mutual fund and therefore, our findings have significant relevance for investing public.

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1. INTRODUCTION

A person should invest their surplus money whenever possible in investments that will either grow their income or the value of their capital, or both. An investor must take into account a wide range of factors while deciding whether or not to invest. Aspects to consider include, but are not restricted to, the investment's risk, reward, liquidity, and marketability. In addition to gold and real estate, investors can invest in a wide range of asset types through mutual funds. If an investor does not want to take an active role in the financial markets, they can buy the same securities through a mutual fund instead of doing so on an individual basis. The opportunity to sell one's shares in a mutual fund is another perk offered to investors.

Investment portfolio diversification can be found in mutual funds. A mutual fund is a collection of individual investors' money that is pooled together for the benefit of the whole. By enlisting the services of a professional fund manager, the money is invested in a wide range of financial assets. Investment units reflect the fraction of the fund that is owned by each individual investor. Investors are entitled to a proportionate share of the investment's value increase as well as additional earnings once all essential expenses (such as taxes) and obligations are taken into consideration. Volatility in mutual funds is restricted since the value of a mutual fund will change depending on the value of its investments. However, even in the face of this, mutual funds are highly volatile. It has been a long time since mutual funds were first introduced in India, and the industry has grown and changed significantly. The Unit Trust of India established India's first mutual fund in 1963 as a result of government and Reserve Bank of India efforts (RBI). In 1987, State Bank of India joined UTI as a mutual fund partner (SBI). As of 1993, mutual funds entered a new age, bringing with it a new set of rules and regulations. After the SEBI Act of 1992 and the SEBI Mutual Fund Regulations came into effect in 1996, this area became well-known for the establishment of privately held businesses.

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Because of joint ventures and acquisitions by global firms, mutual shop organisations in India have grown tremendously since their debut in India.

The Association of Mutual Funds in India (AMFI) was founded in 1995 in response to the expanding demands of the industry. Maintaining high ethical standards in Indian mutual fund marketing is the core objective of this organisation. Everyone involved in the marketing or promotion of mutual fund products must make the AMFI affirmation, according to SEBI. First time ever, the average assets under management (AUM) of Indian mutual funds surpassed INR 14.41 trillion1 for the first time in the history of mutual funds. Investments in gold bullion and long-term debt funds have both recently had negative returns. More than 7% of equities funds made mark-to-market (MTM) profits last year, totaling 4.74 trillion Indian rupees. Short-term and ultra-short-term debt funds held 1.47 trillion Indian rupees in assets at the same time. There was no change in the INR 3.42 trillion in liquid assets or the INR 35.81 billion in income assets held by liquid funds. Finally, Gilt funds' total assets have surpassed 152.07 billion INR.

More than 2,000 mutual fund schemes are currently vying for the Indian market's attention, each claiming to outperform the competition. The average investor faces a difficult decision when picking which investment portfolio to put their money in: they must do an intensive evaluation of the results produced by each of the available funds. The past performance of a mutual fund is not a reliable predictor of the fund's future success, but looking at and analysing the fund's historical performance can provide significant information about how the fund will behave in different market conditions. Due to the fact that diversification doesn't always lead to higher returns, it's important to look at risk-adjusted returns as well. In the light of this, persons who participate in a study on mutual funds should be prepared for possible policy consequences. In this study, a number of research problems are examined in great detail. A mutual fund's risk and return can be compared to that of a benchmark index to see if the fund outperforms or underperforms the latter. To that aim, we want to evaluate mutual funds based on their performance, as well as give investors with investment strategies adapted to their goals, comfort level with risk, and time horizon for investing.

2. LITERATURE REVIEW

Abey (2017) – The many elements that influence mutual fund investment decisions were investigated in this article. The propensity to invest is unaffected by a person's age or ability to instruct, according to research. According to the article, short-term investments are favoured over long-term investments, which have a higher risk of loss. The paper stated that mutual fund investments are a good way to increase financial stability. Investors select retirement plans based on their occupation or wage level. The expert management approach influences mutual fund investments as investment portfolios by delivering appropriate financial data.

From 2013 to 2016, Agarwal and colleagues (2017) investigated 100 mutual funds in papers published between 2013 and 2016. The 100-fund portfolio offers investors a wide range of possibilities, including expanding value plans, charge saving plans, large cap funds, and long-term pay funds. 90% of the plans analysed by this team outperform ELSS and mid- and small-cap funds. They also discovered that 90% plans beat the majority of other investment options. As a result, the VaR of value-based mutual funds is larger than that of obligation funds. Value funds have a greater cost-to-income ratio than obligation funds since they have more management operations. Of course, the fact that low-cost percentage funds will have a low return is irrelevant. Another finding of the study was that fund returns could differ within a particular category. It could alter due to a variety of factors.

Systematic Investing Plan (SIP) was acclaimed by analysts as a cutting-edge and unequalled investment technique for individual investors in a

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recent study by Alamelu and colleagues (2017). The authors of the study suggested that risk-averse investors put their money into a small and medium-sized value fund. Value mutual fund plans are a wonderful option for individuals who can only contribute a small amount. Huge cap value development funds have lower long-term returns than small and mid-cap tax-saving fund programmes. The funds have been cut in order to lessen the risk. After a study, ICICI, Reliance, and UTI value plans were found to provide superior returns than other funds.

The author claims that foundation mutual funds in India are attractively presented. HDFC mutual fund, Reliance mutual fund, ICICI Prudential mutual fund, Birla Sun life mutual fund, UTI mutual fund, and SBI mutual fund have been compared informally. For the creator, the Birla Sun Life mutual fund proved to be a more interesting option. According to their estimations, the Reliance mutual fund is riskier than other mutual funds. The creators of this material must support Reliance's efforts. According to this study, public funds are favoured because they provide a higher level of security and lower risk. Obligation funds, like value-based funds, are in high demand.

This year's Bandi film analyses financial advisors' skills and conduct in regard to Micro SIP investments. Investment design, stock selection, Micro SIP selling revenue, monetary consideration, and mutual fund industry financial improvement are all part of the investment design. According to research, many financial advisors provide many services, but just 10% offer value obligation funds and 5% specialise only on duty savings plans. Experts prefer month-to-month collection over day-to-day, week-to-week, or year-to-year collection. Furthermore, while the vast majority of individuals are enthused with Micro SIP, a minority group of professionals are not. The majority of investors are delighted with Micro SIP. Furthermore, professionals have been shown to deliver Micro SIP for their own benefit as well as financial gain. Stocks, insurance products, and Ponzi schemes are all offered by a smaller number of professionals than mutual funds. There are less expertise in the field of RD and FD in the financial sector. As a result, it's evident that the mutual fund business is well ahead of the banking and insurance industries in terms of progress.

It's Aizenman and company (2016) The purpose of the scientist is to figure out how efficient risk influences the worldwide mutual fund market. The likelihood of an uncontrolled outpouring decreases as the amount of money available for distribution decreases. This impact could be disproportionately large during a financial crisis. Fund managers become less risk-averse as the amount of funds increases, lowering fund-explicit risk. According to the analysis, there is a non-direct relationship between the immediate advancement of funds and precise risk commitment.

It's the Dwivedi (2016) This research will look at the financial crisis of 2008 and its implications on the mutual fund sector. Five independent criteria, including pay, time horizon, risk tolerance, historical returns, and the depth and breadth of available data, were found to impact investors' decisions on whether or not to continue or quit their mutual fund investments. Big-league salary investors choose mutual funds because of the utility theory. According to one point of view, those investors who did not expect any further liquidity issues in the near future continued to invest in mutual funds. Fearing losing their money due to the stock market's high risk, risk-averse investors were obliged to turn to mutual funds. Investors' confidence in mutual funds is influenced by prior performance, therefore investors who are tremendously satisfied with their mutual fund investments continue to invest, whereas investors who are less content with their mutual fund investments soon quit. Investors that have clear information about mutual funds' concept and benefits, types, fund administrators, load structure, and overall financial design will advance to the mutual fund sector.

Dodiya (2015) - The scientist pondered the different factors that influence mutual fund investment selections. The probe took place in

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Ahmedabad, Gujarat's capital. Mutual fund investing and flexibility were determined to be the least necessary, but revisiting was identified as a major difficulty. In the investment sector, directness and reasonableness have also shown to be beneficial. The study indicated that the majority of investors are under 45 years old, and those over 45 invest in fewer mutual funds than those under 45. It shows that risk-taking ability declines with age, while adolescents are more likely to accept risks in the hopes of bigger returns. Low-wage employees are more hesitant to invest in mutual funds due to their lesser financial reserves, which is corroborated by the study's results that pay is a major driver in the mutual fund sector. People, regardless of their educational background, are eager to invest in mutual funds if they are paid adequately and earn a high return on their investment, according to the report.

Because risk and return are positively connected, large-cap value development funds have lower returns than small- and mid-cap funds, charge-saving fund plans, and value fund conspires, according to Godase et al. (2015). As a result, these funds are suitable for investors who are less ready to incur risks. SIP-based value mutual funds are also a good option for investors who can't put down a big sum of money at once. SBI, UTI, ICICI, and Reliance plans, as well as a few others, are good investments. Mutual fund programmes, on the other hand, are available for both risk-takers and risk-averse investors.

Goel et al. offered an overview of the Indian mutual fund business and its new tendencies (2014). There are several mutual funds in India that have never been heard of before. Several purchases and mergers have been confirmed. The Indian mutual fund industry has a 15 percent CAGR. In addition, the size of mutual fund records and exchanges has increased. In any case, AUM's contribution to GDP is just 5 to 6%, which is far lower than that of many other countries. Obligation funds have expanded at a far faster rate than pay, adjusted, ETF, and Overseas funds. Based on this assumption, mutual funds are considered to absorb a massive amount of capital market obligation securities. The article also touches on themes like financial literacy and mindfulness, among other things. Because of their more engaging communications, banks and independent financial advisors (IFAs) are proposed as more effective distribution methods. It is also recommended that a routine administration system be implemented.

Afshan (2013) analysed the mutual fund profit and development plan exhibition from 2009 to 2012. According to the investigation, some of the plans were discovered to be over- or even flawlessly executed. However, according to the BCC (Bobby, Chances, Cooper) and CCR (Charmes, Cooper, and Rhodes) models, as well as the SBM (Slacks-Based Measure) model, a few funds are indistinguishable. CCR and SBM models can be used to estimate a fund's specialised expertise. After a period of time, the research indicates an increased ability to use profit and development plan money.

3. EVOLUTION OF MUTUAL FUNDS IN INDIA

The Unit Trust of India, which was founded in 1963 by the government and Reserve Bank of India on the latter's proposal, controlled India's mutual fund industry until 1987. In India, mutual funds have evolved through four distinct periods. The first three phases might be considered prior to a crisis.

First Phase – 1964-87:

In 1963, the Unit Trust of India (UTI) was created by an Act of Parliament. It was subject to the RBI's regulatory and administrative authority as a Reserve Bank of India-established body. After UTI was separated from the Reserve Bank of India (RBI) in 1978, the Industrial Development Bank of India (IDBI) took over regulatory and administrative oversight. UTI's first initiative was the Unit Scheme of 1964. At the end of 1988, UTI controlled assets worth Rs.6,700 crores. As a result, Phase I began in 1964, with the establishment of UTI and the implementation of the Unit Scheme (US-64). Only UTI offered

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mutual fund products at the time, and the company proceeded to expand significantly. UTI's investible funds increased at market value from Rs.49 crore in 1965 to Rs.219 crore in 1970-71, Rs.1126 crores in 1980-81, and Rs.5,068 crores by June 1987. (including the book value of fixed assets). At the time, the company had about 2 million investors. During this time, US-64 became a popular alternative to bank deposits. In 1986, this equity growth fund was the first in India to establish a specialised vehicle for small investors to gain access to the equity market. In terms of marketing, it was a big success. The India Fund, which was listed on the London Stock Exchange in 1986, was the first Indian off-shore fund for global investors.

Second Phase – 1987-1993 (Entry of Public Sector Funds):

UTI's remarkable performance, particularly that of its first and largest open ended scheme, US 64, has supplied the investing public with substantial knowledge about mutual fund operation since its creation in 1964 and particularly during the 1980s and up to 1997. Though UTI's monopoly on the mutual fund market ended in 1987 when the Indian government amended the Banking Regulation Act and the Insurance Act to allow commercial banks, the LIC, and the GIC to establish mutual funds, UTI's various schemes remained supreme in terms of aggregate investment and earning capacity, as well as fund mobilisation, dividend payment, equity investment, and capital appreciation until 1997. Thus, public sector banks and the Life Insurance Corporation of India (LIC) and the General Insurance Corporation of India (GIC) formed non-UTI public sector mutual funds in 1987. (GIC). It was the first non-UTI mutual fund to be established in June 1987, followed by Canbank Mutual Fund in December 1987, Punjab National Bank Mutual Fund in August 1989, Indian Bank Mutual Fund in November 1989, and Bank of Baroda Mutual Fund on June 30th of that year (Oct 92). By the end of 1989 and 1990, LIC and GIC had each established mutual funds.

By the end of 1993, the mutual fund industry had Rs.47,004 crores in assets under management. Since the creation of mutual funds by nationalised banks and two insurance companies (the Life Insurance Corporation and the General Insurance Corporation of India), Phase II has seen increased competition in the mutual fund industry. Another UTI offshore fund was the India Growth Vehicle, which debuted on the New York Stock Exchange in 1988. The mutual fund business grew in size during this time period, with a market value of Rs.53,462 crores and an increase in investor accounts to over 23 million. Because of the favourable stock-linked savings schemes and tax advantages, investors were more inclined to equity funds when equities markets surged in 1991 and 1992.

Third Phase – 1993-2003 (Entry of Private Sector Funds):

With the introduction of private sector funds in 1993, the Indian mutual fund market began a new era, offering Indian investors a wider range of fund families. The first set of Mutual Fund Regulations come into force in 1993, mandating all mutual funds, excluding UTI, to register and be regulated. Kothari Pioneer registered the first private sector mutual fund in July 1993. (now part of Franklin Templeton). The 1993 SEBI (Mutual Fund) Regulations were replaced in 1996 by a more comprehensive and revised Mutual Fund Regulations. The industry is governed by the SEBI (Mutual Fund) Regulations of 1996. Numerous international mutual funds opened funds in India, and the industry saw a number of mergers and acquisitions. At the end of January 2003, there were 33 mutual funds with a total asset value of Rs. 1,21,805 crores. The Unit Trust of India, with Rs.44,541 crores in assets under management, had a huge advantage over other mutual funds. During Phase III, which saw the Securities and Exchange Board of India prescribe mutual fund legislation in 1993, private sector mutual funds, including those sponsored by foreign corporations, begin to operate in India. Mastergain was a big success for UTI in May

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1992, with a subscription of Rs.4,700 crores from 63 lakhs applicants. The business's market worth of investible money has increased to Rs.78,655 crores, and the number of investor accounts has increased to 50 million.

Fourth Phase: 2003 and onward:

Mutual funds saw remarkable growth during this time period, aided by increased investor confidence, favourable tax treatment, and improved investor care. By June 2000, the market value of investible funds had risen to almost Rs.110,000 crores, with UTI dominating 68 percent of the market. In 1999-2000, sales mobilisation reached a new high of Rs.73,000 crores, compared to Rs.31,420 crores the year before. However, in 2000-2001, this trend was quickly reversed, and the market value of investible funds, as well as their net asset values (NAVs), plummeted.

4. SWOT ANALYSIS OF INDIAN MUTUAL FUND INDUSTRY

Strength of Indian Mutual Fund Industry

The opening of the Indian asset management market to private investors after a little more than two decades has been a bonanza. The company's principal purpose was to expand and enhance the market for asset management products. Traditional investment alternatives that now incorporate asset management solutions include cash-in-hand, corporate and fixed deposits (FDs), savings accounts, stocks, and gold.

A favourable regulatory environment is fueling the mutual fund industry's expansion. Due to the legal framework's ability to keep up with the fast changing market, asset management companies' AuM expanded from 470 billion INR in 1993 to 1396 billion INR in 2004 and 8252 billion INR in 2014. (please refer exhibit 4).

The asset management industry offers a diverse range of mutual fund solutions, both standard and non-traditional (real estate and hedge funds). Insurance companies, pension funds, sovereign wealth funds, and high-net-worth individuals are among its investors. According to global trends in 2012, the global aggregate AuM with asset managers in the United States was 64 trillion USD. There were 27 trillion USD in mutual fund assets and 30.4 trillion USD in mandated AuM (asset allocations from global pension funds, insurance companies, SWFs, and other entities for asset managers' management and advisory services) (6.4 trillion USD). The global AuM is expected to reach more than $100 trillion by 2020. Over the next few years, mandatory AuM and alternative investments are projected to grow dramatically. As a result, India will receive a large portion of the predicted massive increase in AuM.

Weakness of Indian Mutual Fund Industry

The asset management industry has 39.5 million folios at the end of March 2014, down from over 47.6 million at the end of March 2009. In the years since, there has been no discernible change in statistical patterns. As of March 31, 2012, there were around 871.4 billion Indian rupees (USD) in industrial AuM from towns outside of the top 15 cities, and nearly 1126.5 billion Indian rupees (USD) by March 31, 2014. (Reflecting a CAGR of around 13.7%). In the two previous fiscal years, this affected 14.84 and 13.65 percent of industry AuM, respectively.

At least until now, asset management businesses have tapped into more of the investible surpluses in locations outside of the top 15. According to studies, Tier 2 and Tier 3 cities have a lower share of AuM than the top metros.

There is also a scarcity of products in the industry. The industry has expanded to incorporate a wide range of products and services since its inception. However, the 80/20 rule applies. More than 80% of the AuM is concentrated in fewer than 20% of product categories.

The industry has traditionally employed an untied distribution method known as "open architecture." Even though direct investment is now feasible, the business still relies largely on front-end distributors.

Opportunities for Indian Mutual Fund Industry

An 'outside-in' strategy to the Indian mutual fund industry, as opposed to a 'inside-out' approach,

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may open up new opportunities. After acquiring a deep grasp of the demands of possible investors, a product channel alignment should be made.

The ultimate goal of cautious expansion and profitability can be reached by focusing on triggers such as technology, investment in B-15 cities, and investment advisors. Financial awareness can help unleash B-15 cities and debunk the misconception that mutual funds are only for equity investments. In order to assist the business grow holistically, asset management firms may profit from undertaking investor awareness initiatives in smaller communities. By engaging with the correct distributor, investors in smaller locations can gain access to fund houses' products. Financial institutions and independent financial consultants may make it easier to attract investors (IFAs). Distributors must also be well compensated in order for them to promote mutual funds as a long-term investment for reaching financial goals.

Asset management firms should take advantage of technology in the future to reach out to investors at a reduced cost and with greater efficiency. AMCs must invest in technology in order to reach investors and ensure transactions through the channels of their choice.

- The market for equity-based mutual funds in India is expected to grow at an annual rate of 11%.
- In India, the market for debt-based mutual funds is expected to grow at a CAGR of 17%.
- India's liquid/money market-based mutual funds are expected to increase at a CAGR of 16 percent.
- The Indian ELSS equity-based mutual fund market is expected to develop at a 15% compound annual growth rate (CAGR).
- Over the next five years, India's balanced mutual fund market is predicted to grow at a CAGR of 10%.
- In the Indian mutual fund market, gold ETFs, gilts, and other ETFs are expected to rise at a 15% compound annual growth rate (CAGR).

Threats for Indian Mutual Fund Industry

Increasing the minimum net worth criteria for AMCs from INR 10 crore to INR 50 crore, according to the Securities and Exchange Board of India, will have a substantial impact on the mutual fund industry. To achieve this, mutual funds must expand in size and play a key role in achieving financial inclusion while also increasing transparency to help investors make educated decisions.

SEBI's decision to encourage equity fund mergers and consolidations could be another blow for small enterprises. SEBI may exempt a merger or consolidation of equity mutual fund schemes from capital gains taxation, similar to a merger or consolidation of businesses. As a result, the number of new players entering the market will be reduced, reducing the number of options accessible. This technique requires a mutual fund investor to analyse a smaller number of mutual funds before forming a short list of viable investment possibilities.

Furthermore, shareholders of undercapitalized AMCs must be convinced that expanding the capital base is commercially justified, considering the predicted profits. These shareholders may now appeal to local or international partners to boost their capital and bring in a new participant. This may be a tough task because a third stakeholder must be convinced of the AMCs' long-term viability.

Ponzi schemes and other unregulated investment schemes in the parallel market offer a bigger risk, putting the mutual fund industry's growth at risk. Ponzi schemes are fraudulent investments that pay out returns to investors using a person's or organization's own money as well as future investors' money. Although illegal schemes are excluded from these restrictions, the Securities and Exchange Board of India (SEBI) strictly supervises the expenses and claims that money managers (MFs) can make. They are left with the responsibility of selling an MF product to those who want to invest in illegal schemes that promise stratospheric returns, despite the fact that it contains several disclaimers about market dangers.

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Although the Securities and Exchange Board of India (SEBI) has been working on rules for regulated mutual funds, it has been unable to prevent illegal schemes. The development of a parallel economy, which has prevented asset management companies from joining the market, is another big danger to the mutual fund sector. Market penetration is stronger in developed markets when it comes to black money. The MF market in South Korea, for example, is double the size of India's state of Uttar Pradesh.

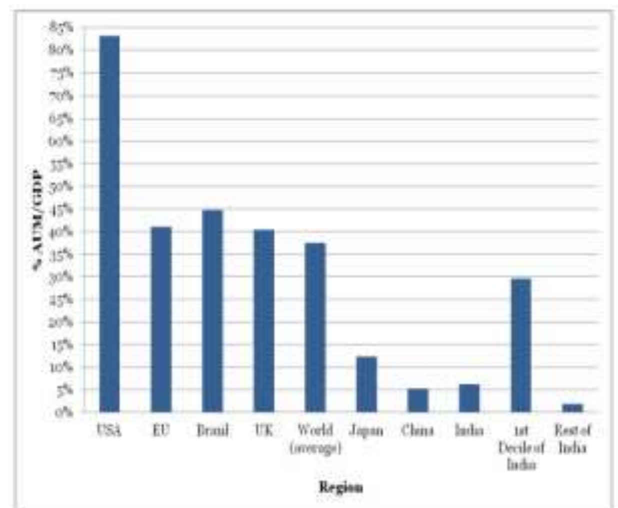
5. OPPORTUNITIES AND CHALLENGES OF MUTUAL FUND INDUSTRY IN INDIA

The Indian mutual fund business found itself in a fast shifting economic situation three years ago. The industry's AUM doubled at a rate of 16.2 percent per year, from Rs. 3.6 trillion in FY2007 to Rs. 6.13 trillion in FY2010, a new high. The Indian economy (along with other emerging economies) is undergoing its worst slowdown since the time when this essay is written. The Indian economy grew by only 4.8 percent in the second quarter of 2013, down from an average of 8-9 percent between 2008 and 2011. The mutual fund industry has been harmed by the uncertain global economy, as the Indian rupee has plummeted dramatically in value. Although the Indian mutual fund industry may be prepared for a recovery if suitable measures are taken, there is reason to believe that it has not yet hit its global peak.

One of the biggest difficulties the mutual fund industry has is a lack of healthy participation from a large portion of the country. We initially gathered AUMs from each district in India to highlight the absence of engagement. After that, we divided India's districts into ten equal halves and ranked them according to their GDP in descending order. The top 60 districts made up the first decile, which was followed by the second and so on. For each decile, the AUM/GDP ratio was determined by averaging the two indicators. One of the most reliable indicators of how much of a district's annual income is invested in mutual funds is the AUM/GDP ratio.

Despite the impressive AUM of Rs. 7.5 trillion, there is a significant investment gap between the first and second deciles of districts. Chart 1 on the following page illustrates this large discrepancy. The country's overall AUM/GDP ratio is roughly 6.99 percent. The ratio in the first decile of districts is 29.52 percent, somewhat less than the global average of 30 percent. The AUM/GDP ratio in the rest of India, meanwhile, remains appalling at 1.82 percent. The AUM's skewed roots in India present India with a distinct challenge and opportunity.

Chart 1: AUM/GDP Ratio



It's not simply a problem with mutual funds in India; it's a problem with the entire Indian financial system. More than half of India's population does not have access to formal banking. Only 35.23 percent of Indian respondents had a bank or other official financial institution account, according to a 2012 World Bank Global Findex (either for themselves or with someone else). In India, both formal and informal institutions continue to have poor savings rates. Even Bangladesh, which has a GDP per capita that is 47% lower than the United States, outperforms the US in terms of financial inclusion. The World Bank's Global Findex report's charts 2 and 3 indicate some of the key areas where India falls short.

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Chart 2: Percentage of people above 15 years of age operating a Saving/Checking account at a formal institution

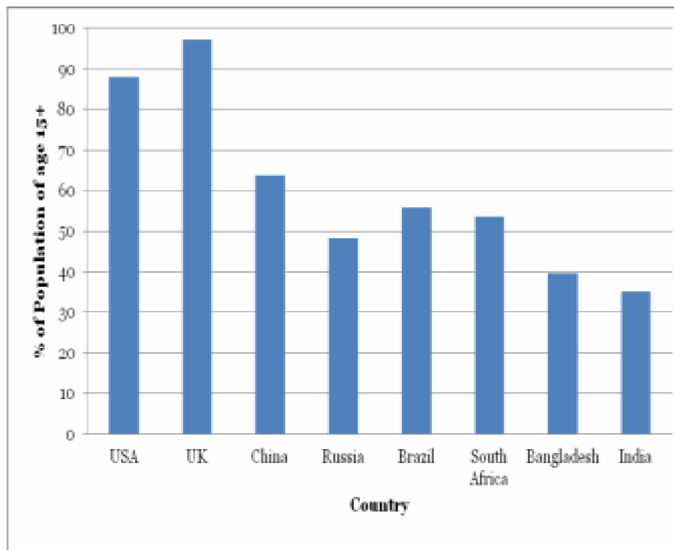
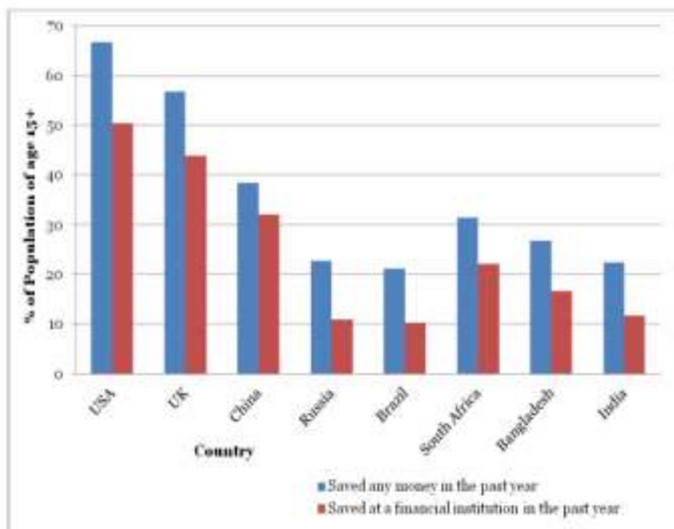


Chart 3: Saving propensity indicators



Financial inclusion has long been a priority for Indian policymakers. Banks in India can now use Business Facilitators and Business Correspondents, courtesy to the Reserve Bank of India. The deployment of Ultra Small Branches (USBs) in outlying areas is one step in this direction.

Direct cash transfers and Aadhaar links may be beneficial to mutual fund providers in the long run as a step toward financial inclusion. When households living below the poverty line eventually start saving, fund houses could use pre-existing bank channels to offer investment options.

Allowing individual investors to actively participate in mutual funds has benefits that go beyond financial inclusiveness. Because of their growth potential, small- and mid-cap stocks have been found to attract institutional investors (in the form of mutual funds) in earlier study, hence increasing the depth and breadth of capital markets (Wermers, 1999). It has been demonstrated that enhancing the price-adjustment process on capital markets helps minimise stock price volatility. The financial markets like all of these possibilities.

6. CONCLUSION

Despite the fact that mutual funds are a highly successful type of investment, they have yet to demonstrate their worth to potential investors so that they can invest in a safe and profitable environment. Service providers can employ awareness campaigns, innovative financial instruments, and marketing to help improve mutual fund awareness and help the country achieve its economic and personal goals.

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