

Abstract of Doctoral Dissertation

Growth and Performance of Mutual Fund Industry in India with special reference to Punjab¹

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I. Introduction

INDIA IS UNDENIABLY budding as the next big investment destination, riding on a high savings and investment rate, as compared to other Asian economies. The average real GDP growth in India is likely to be in the range of 5.8 percent between 2007-50, with per capita income rising to US\$ 20,000 from the current US\$ 2,932. More than half of the population is less than 25 years of age, with the proportion of working population likely to increase significantly over the next decade. Not only the personal income of young population has seen a rising trend, but also the high net worth (HNI) segment, which have substantial amount to invest. The household segment therefore extends enormous scope for attracting investments. India has a strong middle class of 250-300 million, which is expected to double over the next two decades. Unfortunately, these encouraging statistics have not been able to reflect when it comes to investments in mutual fund through individual investors. Majority of Indian population continues to follow the conservative approach of putting their savings in bank deposits, land or property and even gold. The Indian mutual fund industry has not performed up to the mark in gaining investor confidence. The assets have been garnered based on the performance rather than confidence of investor. Indeed, mutual fund penetration as a percentage of household savings is a meager 3 per cent in India, as compared to 16 per cent in the West (Nayak, 2007). To muster new household savings, asset management companies require reaching Tier II and Tier III cities (PWC Report, 2010). Finding it hard to solve the problem of low penetration of retail investments in mutual funds, business practitioners are often guided by the academicians to adopt different approaches to handle the markets. However, such repeated advocacy is not backed up by much significant empirical work. It was found that the two major aspects namely growth, performance

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