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A STUDY OF PROMOTIONAL STRATEGIES OF MUTUAL FUNDS IN INDIA

Shubham Andhare, Jamila Mani, Ankita Kumari, Raja Kumar
Department Of Marketing, MITSOM College, Kothrud, Pune, India

Abstract:
The study mainly focuses on the need for promotional strategies for mutual funds in India. The competitive landscape at the mutual fund has undergoes a tremendous advancement in recent years. Mutual funds houses compete with one another either by satisfying different economic functions or by introducing a low cost or a differentiated product..

Marketing of financial services is a concept which is required in current scenario to identify the need and development of banks and its allies so as to offer and understand exactly the mind-set of the customers and reach the customers in the best possible time. Financial Institutions (Banks) being the trusted body in the world have to be extra cautious before giving any false and misrepresentation of the financial services being offered by banks. The list of financial services being exhaustive, therefore specific focus on Mutual Fund has been given as a preference to identify the marketing strategies been applied by the banks to target the segmented customers. During the last few years banks have realized the importance of marketing strategies in particularly the promotional mix also referred to as Integrated marketing communication as a tool to reach the customers in the best possible manner. Banks have taken a lead to connect and attract as much as possible with the customers, but customers with many awareness programs have been focused on the area of investments. The traditional products of banks have been a normal hit, but with more and more competition in banking industry, the financial product innovation has been the key for the banking growth and future prospects. The marketing strategies have been used by banks in a niche way, but now banks have turned themselves into a major arm of aggressive marketing strategies to cover the market depth and valuation. In traditional era, marketing was never a tool of business importance, but now after the understanding the imperativeness the banks have used it to the core strength so as to relate the business in the best possible manner and cover the business and reach to more target customers. While the banking sector major business is on the word of mouth as a communication to tool to satisfy and connect to customers there are other major innovative tools that have been used by banks to reach the correct audiences for the benefit of the customers. The Indian financial system is a complex and competitive technique for the business to be dealt with, so to reach the customers, investors, individuals, institutions, etc. the banks were designed to justify the gap there by offering the financial services to the customers. Due to financial illiteracy, lack of knowledge and understanding it would be difficult for the customers to have the best of the products being reaching the customers, so to overcome the scenario banks have been using one of the crucial arm for the success of banks identity in the market and that is called as Marketing. Marketing of financial services is designed with the help of various tools and techniques comprising of a sequential process starting with Segmentation, Targeting, Positioning and Seven P's which comprises of tools such as Product, Price, Place, Promotion, People, Process and Physical Evidence. However it isn't easy to identify for the banks that which marketing tool will help them for promotion of financial services and guide to reach maximum number of customers and neither there have been many studies been done on the comparison whether the commercial banks are more powerfully marketing their financial products or industrial banks have been aggressively promoting the products to the customers and so for that reason the research was taken up. Also limited research gives guidance on whether and what extent there has been an impact on the marketing of financial services of banks to the bottom lines of the banks. This is the basic reason based upon which the research has been carried out. The research focuses on the leading banks in their own sector namely, for Commercial Banks (SBI) and Industrial Banks (IDBI). One of the aspects of the research was done to identify the mechanisms how financial services, in particularly the investors have not only just the literacy or illiteracy of the financial services products in particularly

mutual fund knowledge but also which promotion tools connects the banks and customers for mutual benefit.

Keywords: Mutual Funds, Promotional Strategies, Seven Ps, Marketing strategies, Market research, Marketing Mix.

Introduction:

The financial institutions are important for the better management of the social and economic system of any society. The social and economic security can be enhanced by right investment to generate the wealth and money to the economy. Mutual funds have evolved over the years keeping in view the changes in the economic and financial systems, as well as the legal environment of the country. The Mutual Fund Industry in India started in 1963 with the formation of Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India. New products are launched according to the requirements and changes in the investors' perceptions and expectations. The key to the interest of Mutual fund market are marketing experts which understands the investor's expectations and meeting those expectations. The studies in the past revealed that mutual fund in India is growing but the industry is still struggling to win the investors' confidence. The industry need to identify the expectation of the investors and meet their expectations in a different and better way by overcoming the challenges the Mutual fund Industry is facing. Mutual funds make saving and investing simple, accessible, and affordable to the customer or users. The advantages of mutual funds include professional management, diversification, variety, liquidity, affordability, convenience, and ease of record keeping. Moreover, the investments are more secure because of strict government regulation and full disclosure. Mutual funds are among the most preferred investment instruments due to risk management through diversification of funds in various sectors. Mutual funds are ideal for investors who want to invest in various kinds of schemes with different investment objectives but do not have sufficient time and expertise to pick winning stocks from the market. The promptness with which the concept of corporate finance, bank finance and investment finance have changed in recent years have given birth to new financial products known as mutual funds. . Mutual funds are increasing nowadays and attracts as they require less of investors, because they offer diversification, low cost, experts talk and bond selection, preferential tax treatment and planning.

SEBI, the regulator of financial market tries to safeguard the interest of the investors by taking various steps. The ban on entry load was a major step in this direction. SEBI through its policies and announcements tries to build investors' confidence and thus contributes to the growth of mutual fund industry. SEBI has initiated various steps to promote the benefits of investment in mutual funds and other financial instruments through investor's education and awareness programme.

Comparison of Mutual Funds with other Investment options:

Investment Options	Positive	Negative	Remarks
Mutual funds	Available the services of fund. managers/professionals Through diversification risk is minimized. Returns are comparatively higher.	Returns are subjected to market risks. Accessibility is not easy. In ELSS funds are locked for 3 years.	Good for Long Term Investors.
Company FD	Option to maximize returns within a fixed income portfolio. It	Investors should consciously and judiciously select the	Only for investors who can take high risk.

	offers high return to investors.	companies they invest in as quite a few small investors have lost their life's saving by investing in FDs issued by companies that have run into financial problems.	
Bank Time Deposit	They are 100% risk free. Easy liquidity.	Post tax yields is low	Good for conservative investors.
Post Office Saving Scheme (POSS)	Relatively higher returns than bank deposits. The monthly income plan could suit a retired individual or the ones having regular income needs. Besides the low (government) risk, the other salient feature of POSS is that there is no tax deducted at source (TDS)	Low rate of interest. Post tax yield is very low.	Good for Senior Citizens.
Equity Shares	One would be in a position to make handsome gains when the market is in boom return from shares after 1 year is fully exempted from tax.	Investing in equity shares is also perceived to carry a high level of risk. There is also a likelihood of the investors losing money when they fail to correctly forecast company market trend.	Good for skilled and informed investors.
Public Provident Fund(PPF)	Good for Tax payers. Eligible for EEE benefits.	Money is locked for a minimum of 6 years Rate of interest is low.	Tax payer must have PPF account

OBJECTIVES OF THE STUDY

To describe an in detailed study on the overall concepts of the mutual funds.

To determine the Elements of Mutual Fund Marketing Mix specifically focusing on promotional strategies.

To analyse how the mutual funds achieved success.

To study methods adopted by mutual funds for the promotion and advertisement, To study the challenges faced by the mutual fund industry related to Marketing strategy.

Literature Review: 1. RESEARCH PAPER ON MARKETING MIX AND PROMOTUIONAL STRATEGIES OF MUTUAL FUNDS BY DR.SUNITABISHNOI

Mutual funds marketing is different from marketing of other products or services. This research paper makes us understand about the marketing strategies adopted by the mutual funds association. Mutual funds are not absolutely free to operate or choose their material for advertisement or promotion, as SEBI guidelines has issued some mandatory guidelines for the fund houses and in order to keep the common man's interest very intact. Mutual fund houses are more dependent on the intermediaries and presently the fund houses are using all the available option for advertisement purposes and promotion. Marketing of funds and challenges are thoroughly explained. Important tools used for the mutual funds sales are taken into consideration like direct marketing, selling through intermediaries, and joint calls. Different methods have been adopted by the AMCs for promotion and campaigning of mutual fund through different distributional channels.

2. AN EMPIRICAL STUDY OF MUTUAL FUND AWARENESS AMONG THE PEOPLE OF AHEMDABAD BY SHIVAM TRIPATHI : A GLOBAL JOURNAL OF INTERDISCIPLINARY STUDIES

This research was an attempt made by the researcher to study awareness about mutual funds in Ahmedabad. The study is conducted on data received from 100 respondents from Ahmedabad. Opinion from these respondents was collected with the help of a well-structured questionnaire made by the researcher. With the help of Data analysis and interpretation, findings were drawn by researcher. With the help of findings following conclusion was drawn by researcher. People are aware of a mutual fund but still, very few peoples are investing in mutual funds. Respondents are preferring equity, hybrid & debt respectively. 75% of respondents prefer Systematic Investment Plan (SIP). Respondents are also aware of share market functioning. Respondents know that the Asset Management Company (AMC) invest their money in Share Market after studying it thoroughly. Investors are investing in mutual funds because of these advantage, professional management, diversification, liquidity, return potential, low cost, tax benefits, and others. Investors prefer mutual fund schemes as risky investment still they want to invest in it.

3) PERFORMANCE EVALUATION OF SELECTED EQUITY MUTUAL FUNDS IN INDIA

From the foregoing performance analysis of the selected fifteen equity funds, it's clear that ten funds have performed well and five funds had not performed well during the study period. The fall in the NIFTY during the year 2019 has impacted the performance of all the selected funds in the market. In the ultimate analysis, it may be concluded that all the funds have performed well in the high volatile market movement expect SBI Blue-chip Fund, Nippon India Large cap Fund, Nippon India Growth Fund, Nippon India Small cap Fund and DSP Small cap Fund. Therefore, investors need to consider statistical parameters like Jenson's alpha, beta, standard deviation, Sharpe Ratios while investing in mutual funds apart from considering NAV and Total Return to ensure consistent performance of mutual funds.

4. OPPORTUNITIES IN INDIAN MARKET OF MUTUAL FUNDS INVESTMENT BY RAVENDRAKUSHWAHA

Mutual Fund is managed by a fund manager, who using his investment management expertise and necessary research works ensures better return than what an investor can manage on his own. The capital appreciation and other incomes earned from these investments are passed onto the investors (also known as unit holders) in proportion of the number of units they own. After looking at the benefits and disadvantages of mutual funds and by seeing the potential growth of it in the trending market, he concluded that the future of mutual funds in India has lot of positive things to offer to its investors and has a greats success ratio.

5. MAY 2009 A PROJECT REPORT ON MUTUAL FUNDS BY SHAILENDRA KASWAN The topic of project was mutual funds and after the research works Mr shailendra concluded that mutual fund industry is enlarging its size in India and the investors are willing to pour their money in mutual funds. Despite some temporary registrants, other economic issues are in favourable mode. Thus we need proper management of advisory services and more schemes financial advisor and institution to cater the market.

Industry need to revise its business strategy. Investors perception is not highlighted yet instead of finishing target, advisors working under institutions should consider the wants of the investors. We need to change the pattern of selling mutual funds.

6. DECEMBER 2008...PROJECT REPORT BY MR VIMAL JOSHI

The topic was “A comparative study between mutual fund offered by various companies in Indian market.” After analysis Mr vimaljoshi concluded that kotak opportunity fund is diversified aggressive fund and it is an open ended equity scheme and he said that in this time of fund the risk is high as the market fluctuates more. And in franklineflaxicab fund are also near about same as kotak opportunity fund but in this fund the returns of more than three AMC’s (HDFC, RELIANCE, AND HSBC). In reliance equity opening the return is moderate compare to other AMC’s but in Hsbc core and satellite fund the return is less compare to other AMC’s.

7. APRIL 2008 PROJECT REPORT BY MR VIKASH KUMAR

The topic was a study of preferences of investors for investment in mutual funds for the SBI mutual funds. Mr Vikashkumar concluded that most of the investors don’t invest in Sbi mutual fund due to non-awareness, and he enhances that most of the investors of Patna had invested in reliance or UTI mutual funds and ICICI mutual funds also has good company or brand position amongst them. The Sbi mutual fund places after ICICI mutual fund according to respondents. The most portfolios are equity second most is balance and least prefer portfolio was debts portfolio. Most of the investors don’t want to invest in sectored fund as its very risky. And he observed that many people have the fear of mutual fund. They need facts; brand place and important role and SBI mf UTI mf ICICI mutual fund etc. are well non brand so they are doing thriving.

8. SEPTEMBER 2014….. PROJECT BY RITU

The topic was on “mutual funds: issues, challenges and opportunities in India.” Mutual funds are most preferred investment instruments. For middle income individuals, investing in mutual funds return higher interest and comes with good basic amount. Another fact is that mutual funds are safe, with no close to zero risk. It is significant to gain good understanding of mutual fund investments, as customers can easily be ill-advised by the advertisements and offers endorsed by financial institutions.In India there is lot of opportunity for growth of mutual fund companiesprovided fund satiates everybody's needs and enhancements in service standards and disclosure.

PROMOTIONAL STRATEGIES FOR MUTUAL FUND'S SALE:

Advertising content has changed since inception of mutual funds. Now they are concept selling ads which used to be selling specific schemes which defined goals. Thus an advertising campaign must have the following elements present:
• Creating awareness of the product,
• Comparative advantage of the product,
• Future potential of the product,
• Past performance of similar products, and superiority of the fund in reference to others within the area of asset management and performance servicing.
However, one among the limiting factor that forestalls open-end fund advertising is that the regulatory framework .For instance, the MF are required to say the fund objective in very clear terms within the offer document, and risk factor also to be mentioned. SEBI also prohibits any content that mislead the investors. All the open-end fund need to first understand the meaning and implications of the SEBI Guidelines concerning mutual fund marketing before designing a Marketing strategy.

Distribution Channels

There are number of distribution channels that exist and the channels are still expanding. The channels can be divided into the following heads:
• Direct Marketing
• Personal selling
• Telemarketing
• Direct Mail
• Selling through intermediaries like brokers, agents, banks, etc.
• Joint calls

Methods adopted by AMCs for Promotion and Campaigning of Mutual Fund

1. Advertisement:
Each AMC spends a lot of money in order to advertise their Mutual Fund schemes. The amount spent is high in case of New Fund Offers. Various mediums of advertisement are used by the AMCs which are given below:
• Television
. Radio
• Print Media
• Hoardings
According to the sources, the subsequent are the sorts of advertising adopted by Mutual Funds.
A) Tombstone Advertisement
B) Product Launch Advertisement

C) Advertisements through Hoardings/Posters
D) Advertisements through Audio-Visual Media

2. Online Blogs:
Various AMC's promote their product through online blogs. They advertise their product on various online sites.

3. Telephonic Calls:
Almost all the distributors promote the open-end fund with the assistance of telephone. They keep the phone numbers of existing clients and potential clients for future use. A trained person makes a call to the clients and promotes the open-end fund.

4. By Providing More Commission to Distributors:
The distributor gets a variable commission from the AMC once they sell their Mutual Fund. The commission varies from 0.5% to 5%. Thus by providing more commission to the distributor, the AMCs influence the distributor to market their products only.

5. By Putting Canopies:
This method is adopted by both distributor and AMCs so as to campaign for the product. They put canopy at an area where they might interact with maximum number of probable clients.

6. Credit Rating Agencies report:
Rating agencies give ratings to the mutual fund according to their performance. Money control rates the mutual fund that also acts as a promotional tool for the fund and the investment is facilitated.

Direct Marketing:
This constitutes 20percent of the entire sales of mutual funds. Some of the important tools used in this type of selling are:
• Personal Selling
• Telemarketing
• Direct mail
• Advertisements in newspapers and magazines
• Hoardings and Banners

1. Selling through intermediaries: Intermediaries contribute towards 80-85% of the total sales of mutual funds. These distributors are in direct touch with the investors. They perform a crucial role in attracting new customers. Most of these intermediaries also are involved in selling shares and other investment instruments. They are doing a commendable job in convincing investors to take a position in mutual funds. After sale services offered by the intermediary to the customer is very important as that impacts much more and creates boost to relations. Customers like better to work with those intermediaries who give them right information about the fund and keep them abreast with the newest changes happening within the market especially if they need any pertaining to the fund in which they have invested. Most of the funds conduct monthly/bi-monthly meetings with their distributors. The objective is to hear their complaints regarding service aspects from funds side and other queries associated with the market situation. Sometimes, special training programs also are conducted for the new agents/ distributors. Training involves giving details about the products related to the fund, their present performance within the market by what the competitors do and what they will do to extend the sales of the fund.

2. Joint Calls: this is often generally done when the prospect seems to be a high net worth investor. The BDA and therefore the agent (who is found on the brink of the HNIs residence) together visit the prospect and brief him about the fund. The conversion rate is extremely high during this situation, generally, around 60%.
Both the fund and therefore the agent provide even after sale services during this particular case.
Meetings with HNIs may be a special feature of all the funds. Whenever a top official visits a specific branch office, he devotes a minimum of one to 2 hours in meeting with the HNIs of that particular area. This generally develops a faith among the HNIs towards the fund.

Methods Adopted Asset Management Companies

1. Get in touch with Customers
Various AMC directly contact the purchasers through various database. Then the AMC convince the client to take a position in their mutual fund. Many of the times due to promotion the customers also contact AMC for investment. Most of the Mutual fund houses are following this route.

2. Online Investment
Some open-end fund internet sites allow customers to take a position online. However, the customer should have an account with the banks AMC have partnered with. For example, Prudential
ICICI open-end fund allows customers to shop for funds online if he has a banking account with any of the following banks: Centurion Bank, HDFC Bank, ICICI Bank, IDBI Bank and UTI Bank.

3. Distributors:
Through Distributors Each AMC sell its products through various distribution channels. The distributor in turn gets a variable commission from the AM companies .The distributor have a client base of their own in that they promote the mutual fund. Some of the major distributors in India are India info line Limited, Karvy, Sharekhan, Religare, Blue Chip India Limited.

4. Banks
Some of the AMCs are serious concern of the bank example especially Prudential ICICI Mutual Fund is a serious concern of ICICI BANK. These AMCs aggressively promote their mutual fund to their client and develop an interest in them to take a position in Mutual fund so as to get higher returns.
Some of the AMCs which sell their product through online trading accounts are: HDFC Securities, ICICI Direct, and Kotak Street.

Marketing of Mutual Funds and its Challenges

When we consider marketing, we've to ascertain the problems in totality, because we cannot judge an elephant by its trunk or by its tail but we've to ascertain it in its totality. When we say marketing of mutual funds, it means, it comprises the subsequent aspects:
• Evaluating of investors needs and market research
• Responding to investor’s needs;
• Product designing;
• Studying the macro environment;
• Timing of the launch of the product
• Choosing the best distribution network and the also the shorter one which least cost;
• Preparing offer documents and other literature

• Getting feedback about marketing strategies;
• Studying performance indicates about fund performance like NAV
• Paying dividends and other privileges
Creating positive image about the fund and changing the character of the market itself. The above are the aspects of selling of mutual funds, in totality. Even if there is a single weak-link among the factors, which are mentioned above, no open-end fund can successfully market its funds.

Problems with investor
The problem faced by the investor is the fact that the awareness among them was quite insignificant. They also believed that the funds belonging to LIC, UTI, etc were governed by the central government. The funds available in the investor segments were not allotted. It was tough to align investor interests in this.

Literacy about mutual funds
Nowadays there may be increase in awareness of mutual funds within people but still the trust factor of many is missing. Low awareness of financial literacy can be one of the biggest challenges of the mutual fund industry. Even if people can invest their savings, they would rather go for other types of savings rather than putting their money in mutual funds for the next few years as they feel insecure about it as it is related to market risks. Most of the people have the mind-set that investing in mutual funds means putting money in high risk. These types of customer knowledge create an impact of lower financial literacy.

Performance
The challenge which is faced by the entire mutual fund industry is the performance aspect. Most of the investors are concerned about the safety of the principal sum that they have invested in the market. Mutual funds have to be very careful about how they market their performance, as this is heavily regulated. Mutual funds must market their short, medium and long-term average returns to give the prospective investor a good idea of the actual performance. However, if the bearish market that followed is included in it, performance looks much more average. Funds may also have had different managers with different performance records working on the same funds, makes it hard to judge them.

DOES PROMOTONAL STRATEGIES REALLY MATTER OR DOES IT REALLY INCREASE THE SALES OF MUTUAL FUNDS??
Well here is the answer with one advertisement that led to 32lakh of new investors over the last one year mainly because of a spirited promotion campaign by the industry after merging for one cause: to promote Mutual funds.

MUTUAL FUNDS SAHI HAI!
Association of Mutual Funds in India (AMFI), the trade association of Asset Management Companies (AMCs) of all Mutual Funds in India launched a widespread media and communication campaign, as a part of the mutual fund industry's investor awareness outreach platform, which is aimed to make Mutual Funds as a preferred investment option for potential investors.

In order to create better awareness about mutual funds as a distinct asset class, SEBI has mandated mutual funds to set apart a small portion of their net assets i.e., 2 bps for investor education, out of which half the amount is now being pooled with AMFI for better utilisation of the funds at the industry level. With these funds, AMFI has launched a new media campaign with an aim to increase the number of mutual fund investor's multi-fold.

The AMFI led an ad-campaign -“Mutual Funds SahiHai” - through different media such as TV, Digital, radio, print, cinema and outdoor hoardings with simple, but very clear messaging through interesting advertisements in different languages. With everyday situations as the backdrop, the campaign impresses on the mind of the prospective investors that mutual funds are the right option for them - Mutual Funds SahiHai- as the tag line of the campaign states.

In mutual fund campaign all the industry participants came together to promote the category, as the campaign made easy for the people to understand about mutual funds concept. It was launched by Mr. G. Mahalingam who is the whole time member of SEBI.

On the occasion of the launch, AMFI chairman A Balasubramian said, “There is a need to encourage households to shift from physical savings to financial avenues, especially mutual funds. With this objective in mind, under SEBI’s guidance, AMFI has launched this investor awareness outreach program. I am sure the public will find these simple but powerful messages very thought provoking and will be encouraged to start investing in mutual funds.”

Digital content

The website hosted many videos addressing the various reasons as to why people don’t invest in mutual funds. And each video then redirected the user to further reading material or snack able content for additional information. Digital making people aware was a crucial part of this campaign.
The challenge with digital marketing in this category is tracking success. How do you know when someone visits your site whether they go on to invest in the fund? Additionally, success can happen from anywhere. All you need are a high-speed internet connection and a laptop or a tablet or a smartphone. Sometimes, you use both. An investor might research on a desktop, then pick up his/her phone, tap an app and make a purchase through their brokerage application.. Lack of qualified distributors with adequate knowledge of the product was an obstruction. The problem was found by the lack of investor’s knowledge, as well. Now everything is available inone touch and at any given moment.

One need to be well aware of how the social media marketing, search engine optimization, google ads, pay per click etc of such digitally valuable marketing strategies works. It’s often a do-it-yourself process.

CHALLENGES OF MUTUAL FUND INDUSTRY IN INDIA

Mutual fund investment provides various opportunities to investors but they have to face some challenges as it is not possible that fund managers always make profits.
The challenge was that even though those convinced about mutual funds were increasing their investments every year but the number of new people investing in mutual funds was not growing as expected. The problem with mutual funds has always been that it is innately not an easy concept to understand. Due to this, promotions of mutual fund started for creating awareness and educating the investors to invest in mutual funds.

NO ASSURANCE: Portfolio management provides diversification benefits but no investment is risk free. If the entire stock market declines in value, the value of mutual fund shares also go down and it is possible that investors may lose their entire investment.

RISK MANAGEMENT: Mutual funds are managed through fund's manager, it means investors depend on fund's manager to make the right decision regarding fund's portfolio. But if manager does not perform well, there is risk of investment made.

COMMISSION AND FEES: All funds charge fee for day to day expenses. Investors have to pay fees as a percentage of value of his investments, irrespective of performance of the fund. Some funds also charge sales commissions to compensate brokers, financial consultants and planners.

DIVERSIFICATION: Although diversification reduces the amount of risk involved ininvesting in mutual funds, it can be also a disadvantage due to dilution. Forexample: if a single security doubles in value then mutual fund itself would not double in value as that security is only a part of fund's holding.

EDUCATE INVESTORS: The efforts taken by the industry are showing the results. The media is also making a fair share of contribution. Today we havenews channels running shows for mutual funds, wherein fundamentals of investing in mutual funds are explained. Still there is need of professional help.

TECHNOLOGY AREA: Funds have introduced technological innovations such as transactions through the internet. The internet revolution in our country is yet to penetrate to the grass root levels. Usage of internet in our country is low compared to developed countries.

TRADING LIMITATIONS: Although mutual funds are highly liquid in nature,most of mutual funds cannot be bought or sold in the middle of the trading day.

Most of mutual funds cannot be bought or sold in the middle of the trading ofcurrent value of their holdings.LOSS OF CONTROL: The managers of mutual funds make all of the decisionsabout which securities are to buy and sell and what to do so. This makes itdifficult for the investor who tries to manage their portfolio. They loss theircontrol as they are dependent on fund managers when invest in a mutual fund.

FUTURE SUGGESTIONS FOR MUTAL FUND INDUSTRY

To overcome the challenges some of future recommendations are:

INCREASE THE DISTRIBUTION STRENGTH: Compared to the sales force,the strength of mutual fund network appears to be dismal. The investors are likely to meet insurance agents much frequently than mutual fund distributors hence park their surplus funds in insurance policies rather than mutual funds. Thus there is need to increase the strength of distribution for mutual fund industry.

ALTERNATIVE DISTRIBUTION MODEL: The mutual fund industry need toexplore alternative model of distribution for the expansion and growth. Fundhouses can look at the possibility of investing in an active sales force. The online channel of distribution also exists, although its full potential has not beenexploited as yet.

REQUIREMENT OF DISTRIBUTION NETWORK UPGRADATION: Industry need willingnessfrom AMCs to invest more in distributor community. The smallest assetmanagement companies due to lack of funds, find it more difficult to invest in the distribution channel. Training and educating the distributors are integral toincreasing penetration of mutual fund products.

TECHNOLOGY ASPECT: To overcome operational challenges, there is a need toimprove infrastructure and to bring in more efficiency while increasing the scale of operations.

INVESTORS AWARENESS INITIATIVES: National awareness campaigns formutual funds continue to remain a focus area for fund houses and distributors.The AMCs are trying to think of innovative ways of reaching the investors insmaller towns and cities and mobilize savings. Investors should be aware of the sectors in which they are investing and outlook of their investments, with the risk explained. Servicing the customers and guiding them to achieve financial goals over a period of time will lead the industry towards sustainability and asset retention.

GROWTH OF INVESTMENT PLANS: Fund managers need to enhance the growth of their systematic investment plan books. These plans have the capacity to deal with volatility over a long time period and generate steady returns.

FOCUS ON SERVICE INITIATIVES: Fund houses should focus on serviceinitiatives to increase distribution needs to be matched with service quality to investors and distributors.

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