

# **India Mutual Funds Market By Scheme Type (Debt-oriented Schemes, Equity-oriented Schemes, Money Market, ETFs and FoFs), By Source of Funds ( Banks, Insurance Companies, Retail Investors, Indian Institutional Investors, FIIs and FPIs, Other), By Region, Competition, Forecast & Opportunities, 2020-2030F**

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## **Abstracts**

India mutual funds market was valued at USD 769.58 Billion in 2024 and is expected to reach USD 1585.29 Billion by 2030 with a CAGR of 12.8% during the forecast period. India's mutual funds market has shown remarkable growth over the past decade and is expected to continue expanding at a steady pace until 2030. Key growth drivers include increasing investor awareness, rising disposable incomes, and government reforms supporting financial inclusion. The market comprises various schemes such as debt-oriented, equity-oriented, money market, exchange-traded funds (ETFs), and fund of funds (FoFs), each catering to different risk appetites and investment goals. Retail investors are playing an increasingly prominent role in driving mutual fund investments, particularly in equity and hybrid funds. Additionally, the rise in digital platforms has enabled easier access to mutual fund products, contributing to an increase in market penetration. The market also benefits from a favorable regulatory environment, with the Securities and Exchange Board of India (SEBI) and other institutions ensuring transparency and safety for investors. The overall growth is bolstered by a rise in financial literacy, which has led to a surge in the number of individual investors, especially in the tier II and tier III cities. With these growth factors, India's mutual fund industry is likely to remain resilient and dynamic, continuing to attract a wide range of investors from different demographics and regions, shaping the future of the financial landscape in the country.

## Key Market Drivers

### Increasing Financial Literacy and Awareness

One of the key drivers behind the growth of India's mutual fund market is the increasing level of financial literacy among the population. Over the past few years, there has been a significant shift toward a more financially informed society. Government initiatives and private-sector efforts to promote financial literacy have made a considerable impact. As of 2023, the Reserve Bank of India's Financial Inclusion Index stands at 60.1, up from 43.4 in 2017, indicating enhanced access to and usage of formal financial services, including banking, insurance, investments, pensions, and postal sectors. Digital channels, including online platforms and apps, have played a crucial role in educating investors about the benefits of mutual funds and offering guidance on how to invest. This enhanced awareness has led to an increased demand for diverse investment products. As more individuals realize the importance of investing in mutual funds to achieve their long-term financial goals, the demand for equity-oriented and hybrid schemes has risen. Moreover, the government's focus on driving financial inclusion further contributes to this driver.

### Shift Toward Long-Term Wealth Creation

The changing mindset of investors has also driven the mutual funds market in India. There is a growing trend of long-term wealth creation, especially among younger investors. Historically, many Indians preferred traditional savings instruments such as fixed deposits, but the returns on these options have not been competitive compared to the returns generated by mutual funds, particularly in the equity market. The younger generation, especially millennials and Gen Z, is more inclined to invest in riskier assets like equity mutual funds, which offer higher potential returns in the long run. Furthermore, the rising disposable incomes and changing lifestyle preferences have pushed investors toward seeking better returns for their savings, contributing to the growth of the mutual fund sector.

### Regulatory Support and Government Reforms

India's mutual fund industry benefits from a favorable regulatory environment. The Securities and Exchange Board of India (SEBI) has played an instrumental role in promoting transparency, safety, and fairness in the market. The introduction of various reforms like the categorization of schemes, the reduction in fund management fees, and

the introduction of direct plans has made mutual funds more attractive to investors. These reforms aim to ensure that investors get a fair deal and a higher return on their investments. Moreover, government schemes such as the Equity Linked Savings Scheme (ELSS) and the National Pension Scheme (NPS) have provided investors with tax-saving opportunities, encouraging more people to invest in mutual funds. These reforms have not only enhanced investor confidence but have also provided the necessary infrastructure for the market to grow at a steady pace.

## Key Market Challenges

### Market Volatility and Risk Aversion

One of the major challenges in the mutual fund market in India is the market volatility, particularly in equity-oriented schemes. The Indian stock market has been known for its inherent volatility, which often discourages conservative investors from venturing into equity mutual funds. Many retail investors are risk-averse and may hesitate to invest in mutual funds due to the fear of market downturns or negative returns in the short term. This uncertainty may lead them to prefer safer investment options like fixed deposits or government bonds. Although mutual funds provide a diversified investment portfolio, their exposure to market fluctuations can still deter many potential investors, particularly those with low risk tolerance.

### Lack of Awareness in Rural Areas

Despite significant advancements in financial literacy, rural areas in India still lag in terms of mutual fund adoption. The lack of awareness and understanding of mutual fund products remains a critical challenge. A survey revealed that only 27% of India's population is financially literate, with just 16.7% of students possessing a basic understanding of finance and money management. In rural regions, where financial literacy is often limited, people tend to stick to traditional savings practices and are reluctant to explore modern investment vehicles like mutual funds. The absence of robust digital infrastructure in some rural region's further limits access to mutual funds. Although several financial inclusion programs have attempted to address this gap, reaching the vast rural population remains an ongoing challenge. To overcome this challenge, the industry will need to focus on enhancing awareness and accessibility in these areas.

### High Distribution Costs and Fee Structures

Another challenge faced by India's mutual fund industry is the high distribution costs and complex fee structures. While the introduction of direct plans has reduced some of these costs, investors are still burdened by high expense ratios in some funds. The distribution costs associated with selling mutual funds through agents or distributors add to the total cost of investment, ultimately reducing investor returns. Additionally, understanding the fee structure can be complicated for first-time investors. There is a lack of transparency in some cases, and investors may not always be aware of the charges associated with their investments. This challenge is especially relevant in a market where most investors are still new to mutual funds and may not be fully informed about the cost implications of their investment choices.

## Key Market Trends

### Digitalization and Online Platforms

The mutual fund industry in India has seen a significant rise in digitalization, with online platforms and mobile apps becoming the primary mode of investment for retail investors. The growing trend of online investing has made mutual funds more accessible to a broader demographic, including younger investors. Online platforms allow investors to research, compare, and invest in a wide range of mutual funds from the comfort of their homes. Robo-advisory services and AI-driven solutions are also gaining popularity, helping investors make informed decisions based on data-driven insights. These digital tools have simplified the investment process and made mutual funds more attractive to a tech-savvy generation of investors.

### Sustainability and ESG Investing

Environmental, Social, and Governance (ESG) investing is gaining traction in India's mutual fund market. ESG funds are designed to invest in companies that demonstrate strong performance in sustainability and corporate governance. This trend is being driven by increasing awareness among investors about the social and environmental impact of their investments. There is a growing interest in funds that not only offer financial returns but also align with ethical and sustainable values. Investors, particularly millennials, are becoming more socially conscious and prefer investing in funds that contribute positively to society and the environment. As a result, ESG-focused mutual funds are expected to grow rapidly in India.

### Hybrid Funds

Hybrid funds, which combine both equity and debt instruments in a single portfolio, are becoming increasingly popular in India. These funds offer a balanced approach to investing, catering to investors who want to achieve a mix of growth and stability. The growing appeal of hybrid funds can be attributed to the market's volatility, where investors seek safer options without sacrificing potential returns. These funds are suitable for investors who want exposure to equity markets but also wish to mitigate risk by including debt instruments. Hybrid funds are expected to see substantial growth as they offer the best of both worlds—capital appreciation and income generation.

### Segmental Insights

In India, the mutual fund market is diverse, with multiple segments offering different opportunities to investors. Among these segments, equity-oriented schemes are currently the leading category in terms of assets under management (AUM). Equity mutual funds have gained significant traction due to the robust returns they offer over the long term, despite the inherent volatility. These funds are especially popular among younger investors who seek high returns and are willing to accept higher risk. The demand for equity funds has been particularly strong in recent years, driven by the rise in financial literacy and increased confidence in the equity market.

### Regional Insights

In the India mutual funds market, the Western region is currently the leading region in terms of market share and assets under management (AUM). The major financial hubs, including Mumbai (the financial capital of India), Ahmedabad, and Pune, are situated in this region. Mumbai is home to many affluent investors, institutional investors, and asset management companies, making it a key player in the mutual fund sector. The region benefits from high financial literacy levels, advanced infrastructure, and a large concentration of high-net-worth individuals (HNWIs) who actively participate in equity-oriented and hybrid mutual funds. Furthermore, the presence of major stock exchanges like the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in Mumbai further bolsters the region's dominance in the mutual fund market. As a result, Western India, with its strong financial ecosystem, remains the leader in the sector.

### Key Market Players

SBI Mutual Fund

HDFC Mutual Fund

ICICI Prudential Mutual Fund

Reliance Mutual Fund

Aditya Birla Sun Life Mutual Fund

DSP BlackRock Mutual Fund

Kotak Mutual Fund

IDFC Mutual Fund

Tata Mutual Fund

Invesco Mutual Fund

#### Report Scope:

In this report, the India mutual funds market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

India Mutual Funds Market, By Scheme Type:

Debt-oriented Schemes

Equity-oriented Schemes

Money Market

ETFs and FoFs

India Mutual Funds Market, By Source of Funds:

Banks

Insurance Companies

Retail Investors

Indian Institutional Investors

FII's and FPI's

Other

India Mutual Funds Market, By Region:

North

South

East

West

Competitive Landscape

Company Profiles: Detailed analysis of the major companies presents in the India mutual funds market.

Available Customizations:

India mutual funds market report with the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

Detailed analysis and profiling of additional market players (up to five).

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