

# To Study Feasibility, Acceptance and Possible Penetration of Mutual Fund Investments through Mobile Applications and its Comparison with Traditional Distribution Mediums

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**Abstract**—With the passage of time, Indian capital markets experienced tremendous growth which was due to infrastructural development, supported by high domestic savings and increased foreign participation. During the period, increased income and awareness boosted risk taking ability of common investors, and mutual funds became the most preferred and safest investment option among all asset classes. (A mutual fund is an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.)

Meanwhile, India undergoing a telecom revolution became the second largest Smart Phone market in terms of active unique Smart Phone users, crossing 220 million users, thereby, surpassing the US market, according to a report by Counterpoint research.

With such a huge customer base available to be tapped, almost all major Mutual Fund houses have come up with their mobile applications to facilitate investors. Added to them, independent players such as National Distributors have come up with their own Mobile Applications for investments in Mutual Funds.

In this paper we will try to understand the feasibility, implications and possible penetration of Mutual fund Investments through Mobile Applications and its comparison with traditional distribution mediums.

**Keywords:** Mutual Funds, Smart Phones, Mobile Applications.

## 1. INTRODUCTION

With the advent of liberalization in India, Indian capital market from 90s till today has grown to a humongous size of 11770687.28 Cr. Among plethora of investment products available, investor can invest in asset classes such as Fixed Deposits, shares, mutual funds, debentures, NCDs, KVPs, gold and real estate. Desirous for getting better returns an investor opts mostly to invest in stock market. Few among them with a lower risk appetite opt for investments in mutual fund.

A mutual fund is a professionally-managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in

stocks, bonds and other securities. Apart from direct sales from their offices, Mutual Funds are being sold through different channels such as Banks, National Distributors, and Individual Financial Advisors. With the advent of technology, online buying of mutual funds has also become one of the prominent feature. Seeing the opportunity in online space and phenomenal increase in Smart Phone users, Asset management Companies, National Distributors and few Individual Financial Advisors have launched their Mobile Application for Mutual Fund Transactions. In this paper we have studied the feasibility, acceptance and probable penetration of such mobile applications.

## 2. LITERATURE REVIEW

A mutual fund is an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual fund units, or shares, can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per share. A fund's NAV is derived by dividing the total value of the securities in the portfolio by the total amount of shares outstanding.

One of the main advantages of mutual funds is they give small investors access to professionally managed, diversified portfolios of equities, bonds and other securities. Each shareholder, therefore, participates proportionally in the gain or loss of the fund. Mutual funds invest in a wide amount of securities, and performance is usually tracked as the change in the total market cap of the fund, derived by aggregating performance of the underlying investments. The expense ratio or the cost of managing the funds in case of mutual funds is one of the lowest in the industry.

Mutual Fund's Assets under management (AUM) is a financial term denoting the market value of all the funds being managed by a financial institution (a mutual fund, hedge fund, private equity firm, venture capital firm, or brokerage house) on behalf of its clients, investors, partners, depositors, etc.

The Total Asset Under management Of Mutual Fund Industry touched 16.93 lakh crore at the end of the quarter October-December 2016, up from Rs 16.10 lakh crore at the end of previous quarter July-September 2016.

There are 43 Asset Management Companies in India .Major Asset Management Companies are

1. ICICI Prudential Asset Management Company
2. HDFC Asset Management Company
3. Reliance Asset Management Company
4. DSP Blackrock Investments
5. Birla Sun Life Asset Management Company
6. Motilal Oswal Asset Management Company

There are about 675 Debt Funds, 524 Equity Funds, 23 Gold Funds, 41 International Funds and 18 Arbitrage funds apart from 1000 or so fixed maturity plans that exist at the moment.

### 3. DISTRIBUTION OF MUTUAL FUNDS

**Direct Selling:** Almost all major AMC's have their offices situated at major locations. Normally, only very big ticket items are done through this. Alternatively, it derives its inflows mainly from online sales and walk-in-customers. MFs are gearing up by opening their own offices at more places.

**Organized distributors:** Organized distributors are the backbone of MF distribution. They have infrastructure and flexibility to adapt to the need of the hour. They too have realized the importance of going to smaller centers and are establishing offices in urban and semi-urban locations.

**Banks as distributors:** Mutual fund distribution by banks is emerging a key element. Banks have huge potential to build and improve the retail segment, which needs to become as strong as its institutional counterpart. Even among banks there are two major types of distributors. There are those that handle wealth management of their clients and, on their behalf, manage portfolios wherein investment in mutual funds is one asset class. Such banks have sophisticated wealth management practices with qualified staff and well-heeled clients. MNC banks, private banks and a few niche players (like HSBC, Citi, ICICI, HDFC, Kotak etc) are examples. Then there are banks that use their networks to sell MFs as just another financial service. Most of the PSBs and other commercial banks including large cooperative banks fall under this category.

**Independent Financial Advisors:** Presently the IFA is the friendly neighborhood guy – one who is very effective in

selling the product. AMCs by offering attractive commission are trying hard to improve the numbers of IFA and thus help in garnering more business.

One Thing is common among all these distributors. They all want to grow. Apart from opening offices and doing expansions in tier 2 and tier 3 cities a new phenomenon has recently entered the Mutual Fund Market of India. That is Investments through Mobile Applications.

Technology has come to the forefront, with asset management companies (AMCs) and the registrar & transfer agents (RTAs) launching applications/technology platforms to make investing more seamless for investors. Applications like ZipSIP, MFutility(MFU),ScripBox etc allows investors to place orders with multiple AMCs and transfer funds seamlessly, all through a single window. Apart from these Multi AMC servicing Applications many AMCs have come up with their own Mobile Applications like SimplySave(Reliance MF), InvestTap (SBI MF), IPRUTouch (ICICI MF) to name a few.

### 4. WHY A MOBILE APPLICATION?

India has become the second biggest Smart Phone market in terms of active unique Smart Phone users, crossing 220 million users, surpassing the US market, according to a report by Counterpoint research. With such a huge customer base available to be tapped almost all major Mutual Fund houses have come up with their mobile applications. Added to them independent players as in National Distributors have come up with their own Mobile Applications.

In this paper we will try to understand the feasibility, acceptance and possible penetration of Mutual fund Investments through Mobile Applications and its comparison with traditional distribution mediums.

**Research Objective:** To study feasibility, acceptance and possible penetration of Mutual fund Investments through Mobile Applications and its comparison with traditional distribution mediums.

### 5. SAMPLE DESIGN:

- a) Population: Mutual Fund Investors who use Smart Phones.
- b) Sampling frame: Mutual Fund investors in Lucknow city who use Smart Phones.
- c) Sampling Unit: Individual
- d) Sample size: 200
- e) Instrument: Sample survey
- f) Sampling Technique- Probability sampling technique: Convenience Sampling
- g) Data Collection Tool: Questionnaire
- h) Duration : 2 weeks ( 5<sup>th</sup> Feb to 18<sup>th</sup>Feb

**6. DATA COLLECTION DESIGN:**

To get an insight of the subject matter, various data collection methods will be adopted which will include primary as well as secondary data collection methods. The data collection will be primarily done through observation and communication- Personal interaction and response to questionnaire.

Name  
 .....  
 .....(Not mandatory)

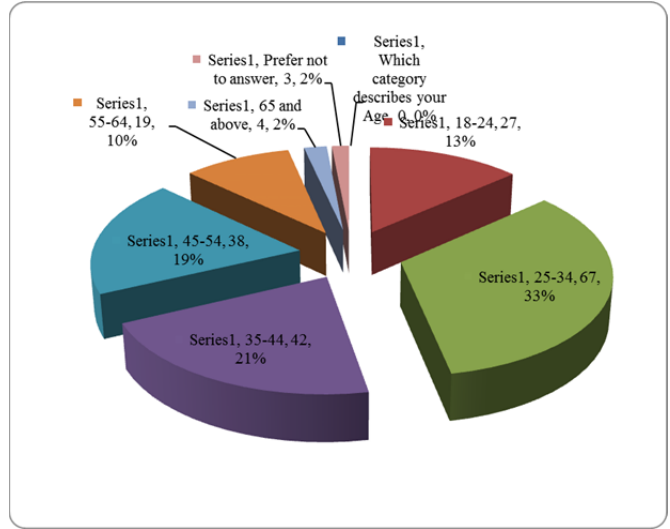
Employment status  
 .....  
 .....(Not mandatory)

Annual Income  
 .....  
 .....(Not Mandatory)

Contact No.....  
 .....(Not Mandatory)

Which category describes your age?

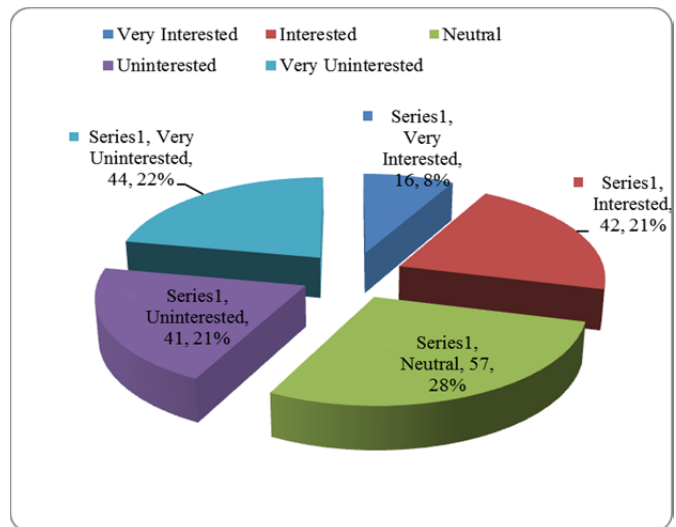
- 18 - 24
- 25 - 34
- 35 - 44
- 45 - 54
- 55 - 64
- 65 or older
- Prefer not to answer



Inference: Since the age group under 25-34 bracket was considered to be more android friendly as far as the smart phones are considered, the people carrying these smart phones were in abundance and hence a large percentage falls under this category.

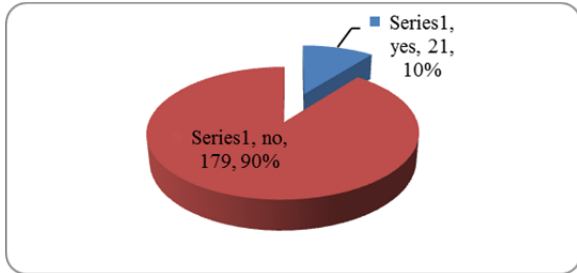
How interested would you be in using Mobile Applications for purchasing Mutual Fund Schemes?

- Very interested
- Interested
- Neutral
- Uninterested
- Very uninterested



Inference: Since a mobile application transacting in mutual funds was an uncharted territory for quite a few number of people hence the people under neutral category are maximum.

Are you aware of any such Mobile Applications? Yes/ No



Can you recall its name? Yes/ No (Only 4 respondents were able to recall the names)

If yes please name.....  
 .....

What features are you looking for in a mobile application to do your Mutual Fund Investments (attributes)?

Rank

Least Important

Somewhat

Important

Neutral

Important

Most Important

Ease of Transaction






Security of Transaction






Easy Interface






Correct Recommendations of Schemes



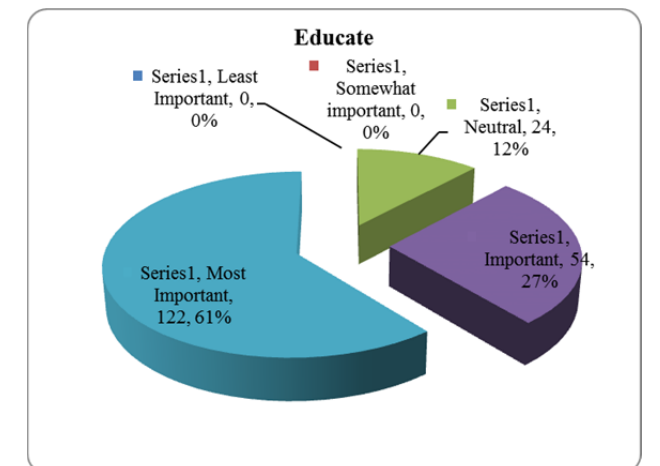
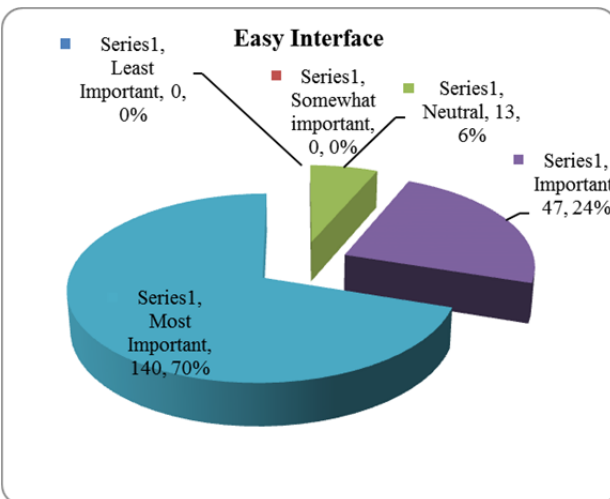
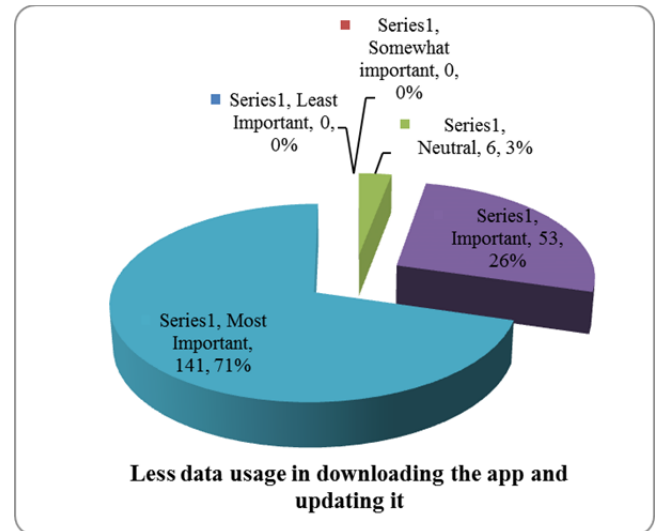
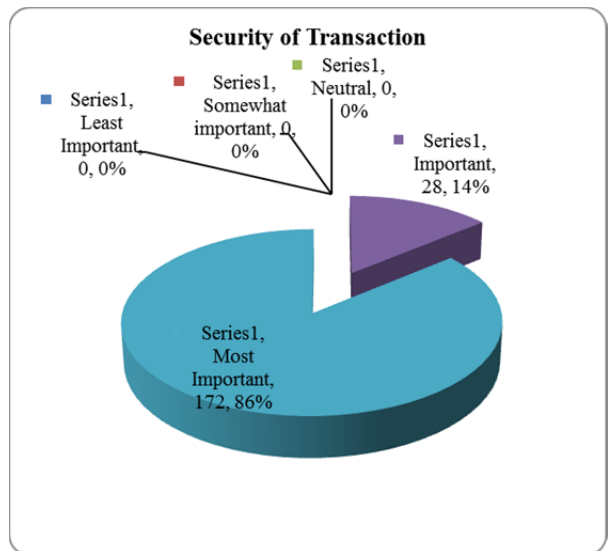
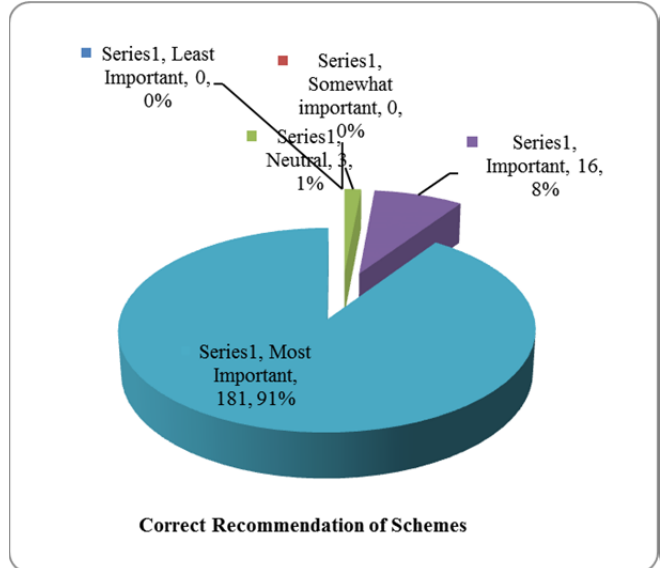
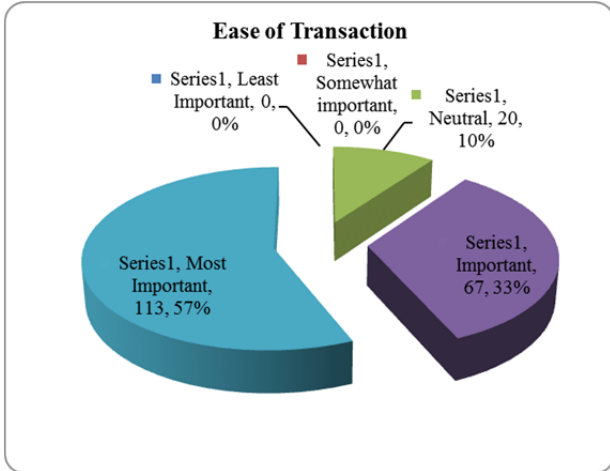



Less Data Usage in downloading the app and updating it.






Educate



Inference: On being asked each attribute separately, whether which of the above-mentioned aspect occupies prime importance, the individuals selected correct recommendation as the most important facet followed by security of transaction.

**Kindly rank the attributes according to your needs. (From rank 1 to rank 6, 1- lowest, 6-highest)**

Ease of Transaction

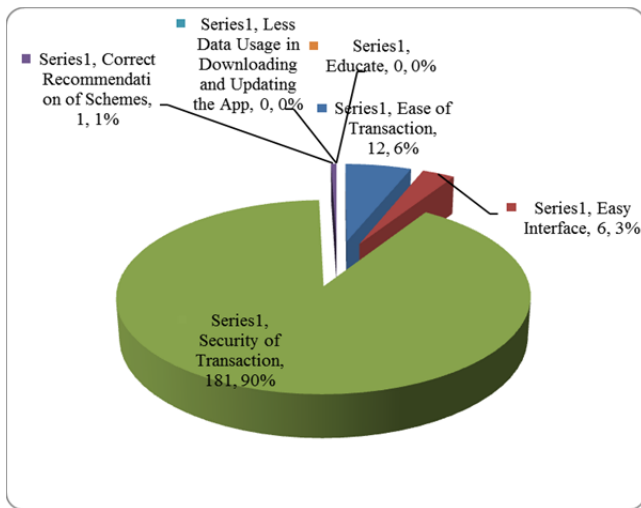
Easy Interface

Security of Transaction

Correct Recommendations of Schemes

Less Data Usage in downloading the app and updating it

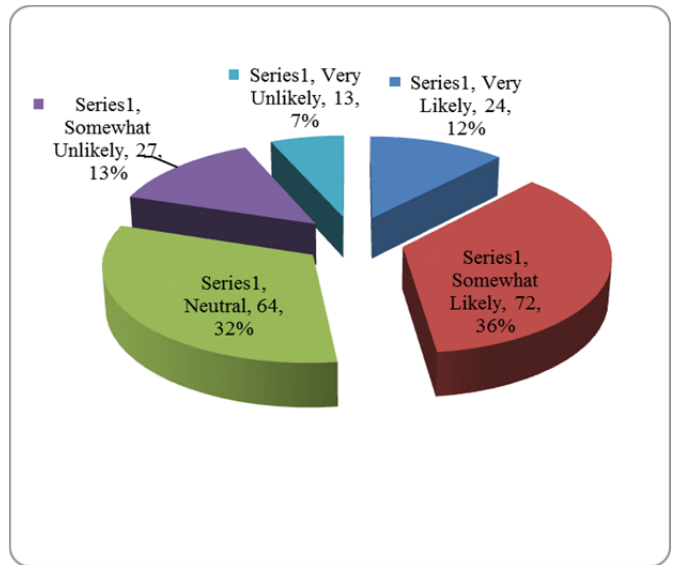
Educate.



Inference: Considering the increasing frequency of online and digital frauds these days, the Security of Transactions has occupied the largest chunk of pie.

How likely are you to download and use a Mobile Application for Buying Mutual Funds, if it has all the attributes described above?

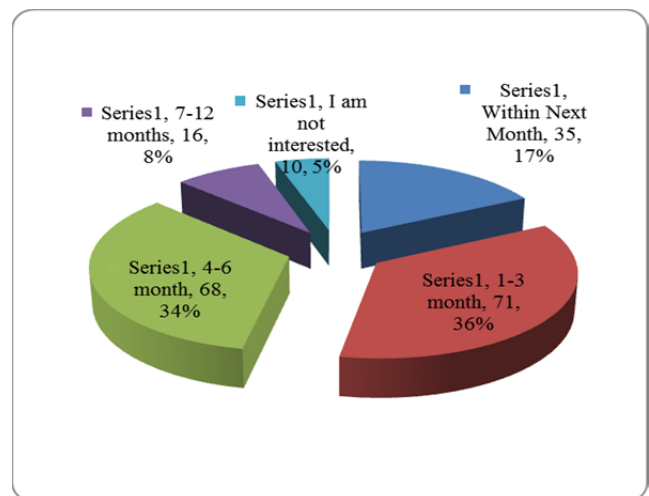
- Very likely
- Somewhat likely
- Neutral
- Somewhat unlikely
- Very unlikely



Inference: A hefty percentage of people falling under Neutral category and Somewhat Likely category prove that people are positively biased towards downloading the mobile app if all the above-mentioned attributes are present.

If interested, when would you be most likely to download and use it?

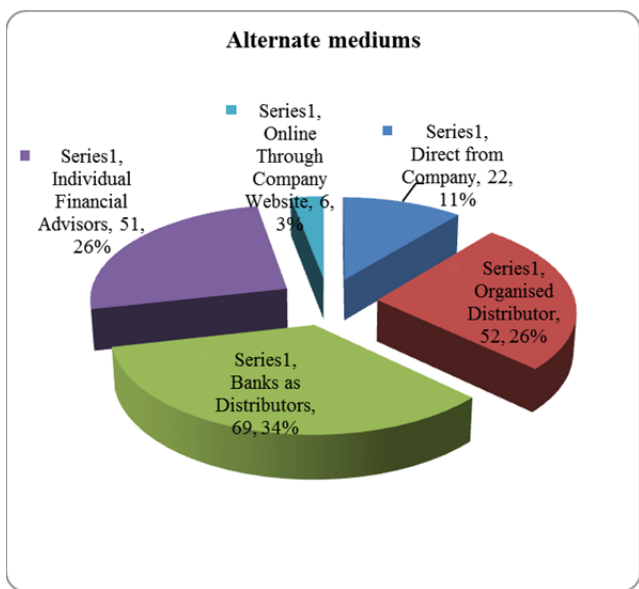
- Within the next month
- Between 1 and 3 months from now
- Between 4 and 6 months from now
- Between 7 months and a year from now
- I am not interested



Inference: As can be inferred from the above chart more than half of the population interviewed is willing to download the mobile application within first 3 months of such launch.

What do you currently use as an alternative to Mobile Application for Investing in Mutual Funds?

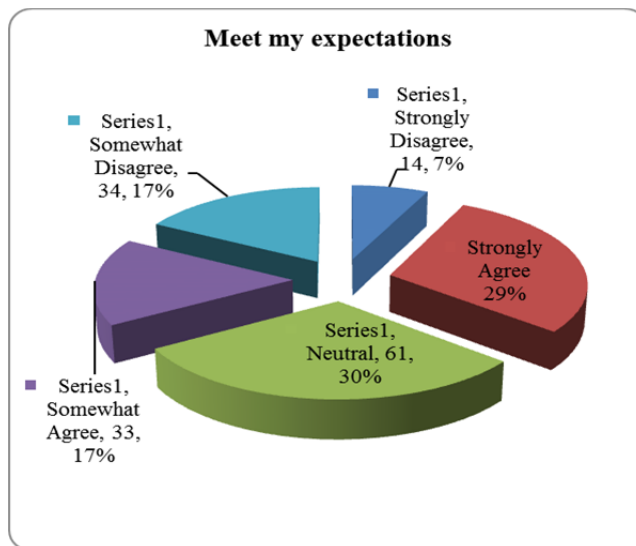
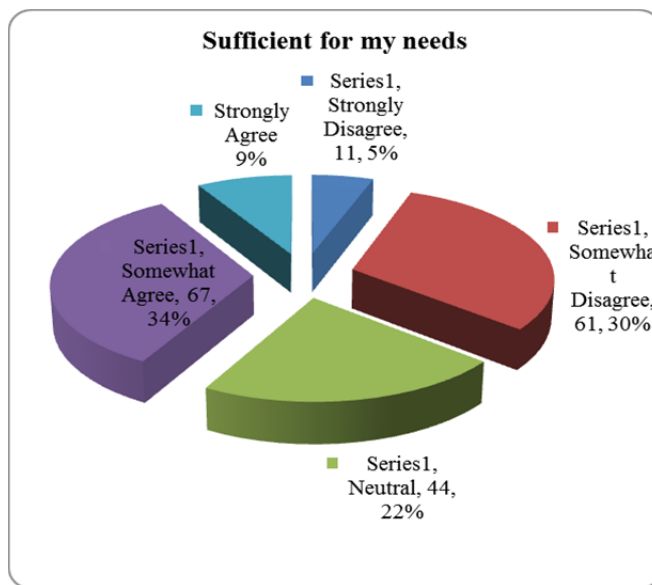
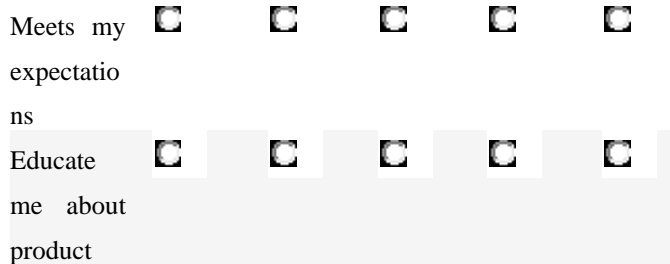
- Direct From Company
- Organized Distributors
- Banks
- Individual Financial Advisors (IFA)
- Online through company website.

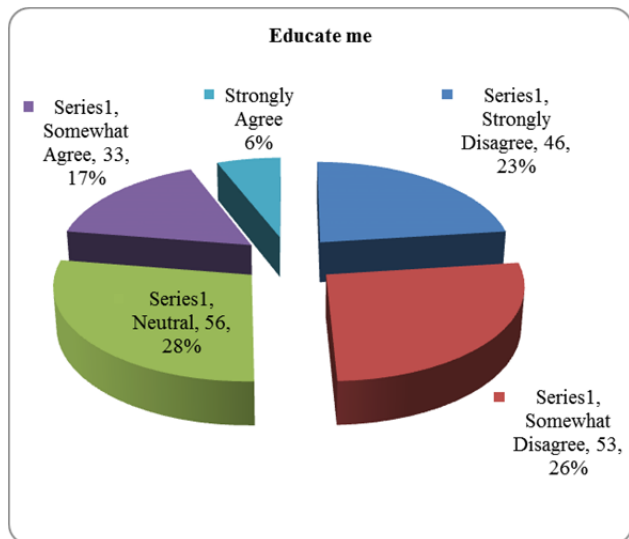


Inference: Banks are considered to be the most reliable source of investing into a mutual fund scheme.

Please indicate the degree to which you agree/disagree with the following statements about the Distribution Channel you currently use (Organized Distributors, Banks as distributors, Direct from the Company, IFA and Online through company website).

Strongly Disagree    Somewhat Disagree    Neutral    Somewhat Agree    Strongly Agree





*Inference:* The above charts represent that although a large chunk of individuals' needs are getting satisfied but the expectations are not getting met and they are not getting fairly educated about the product which is being offered to them.

## 7. CONCLUSION

After the study we found that most of the respondents were unaware of any mobile application for transactions in mutual funds. Since a mobile application transacting in mutual funds was an uncharted territory for quite a few numbers of people hence, the users were unsure about downloading such an application initially, but after discussion and learning about different attributes a large chunk was ready to download the mobile application within three months. Considering the increasing occurrence of online and digital frauds, the security of transactions is considered the most important attribute by investors. So, a mobile application having high security features and ease of transaction with easy interface can be a

good option for distribution of mutual funds apart from the existing distribution channels. We in our study find that along with present smart phone users with increase in number of Smart Phone users in near future in India feasibility of a mobile application for Mutual Fund transactions is present in the market along with its probable acceptance and later penetration.

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