'The size of the industry can be expected to grow significantly'

Indian mutual fund industry in 2042

The mutual fund industry will see a significant transition over the next couple of decades, as more and more household savings will be channelised into the equity market. The industry, which now is around 20 per cent of the bank-deposit base, can be expected to be of the size similar to that of the banking industry. Currently, the bank-deposit size is nearly $1.6 trillion. Also, in the years to come, India will become a developed market and therefore, the size of the mutual fund industry can be expected to grow significantly.

Evolution of investors' views about mutual funds

The experience of mutual fund investors has been superior as compared to other investment avenues like real estate, gold, etc. The happiness quotient of an investor has been driven by the power of compounding that comes with mutual fund investing, easy-to-deal-with and anytime withdrawal, along with being less complicated. On the other hand, the unhappy quotient is more related to high expectations as against the actual achievement. That remains true for all markets. Therefore, unhappiness can be addressed by the way of bringing in the right discipline and product to the investor. This will also be the need of the hour, given the growing size of the mutual fund industry.

Shift in AMCs' strategy towards passives

Mutual funds have always been investor-centric. The presence of active or passive offerings will always remain a key focus area. At the same time, the costs of mutual funds have been declining due to the regulatory framework. I believe passive and active funds will co-exist, given the widening of the market along the depth. Many new companies will go public in the times to come, some mid-cap companies will become large and some small-cap companies will become mid caps.

Rapid-fire questions

- **One AMC (other than your own) that you admire the most:** HDFC Mutual Fund
- **Key advice to your younger self:** Start investing early.
- **One investing mantra that you never ditch:** Discipline/focus.
- **Your personal asset allocation:** 90 per cent equity, 10 per cent debt and insignificant gold ☑