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Mutual Fund: Role of Women Customers in Indian Economy

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ABSTRACT: Around 1 in 5 women started investing for the first time, amidst the pandemic, says a survey conducted by Scripbox, a digital wealth management company. The survey highlights a growing trend of women taking greater control of their money, accelerated by the economic impact of the pandemic. The survey also points to the instruments these new women investors fancy. According to the survey, mutual funds is the most preferred investment instrument and is the choice of 22% of women surveyed, followed by shares and gold. Around 34% of women prefer to put their money in a mix of traditional investment options like fixed deposits, recurring deposits, PPF and savings accounts. Around 30% of them rely on digital investment platforms for information on financial planning and investing, 20% depend on friends and family and 15% refer to articles on personal finance.

KEYWORDS: women, customers, mutual, fund, Indian, economy, pandemic, shares, gold, finance

I. INTRODUCTION

More women are actively saving than men, and more women have mutual fund investments than men. Not only that, more women are focussed on their retirement investments, too as compared to men, according to a recent Savings Quotient survey by Bankbazaar.

The survey covered 1,675 respondents in the age group of 22-45 years from six metros and more than 18 tier-2 cities. The ratio of men to women was 57:43 in the survey. The majority of the participants (78 per cent) were from the metros and the rest from the non-metros.

Most of those surveyed were salaried professionals with a minimum salary of Rs 30,000 and above. They were also all digitally aware.[1,2]

According to the survey, about 75 per cent had a bank account, 57 per cent were investing through mutual funds or systematic investment plans (SIPs). About 54 per cent had a fixed deposit or a recurring deposit, while 46 per cent had insurance cover.

About 45 per cent of the respondents invested in the stock market, 33 per cent in gold and other commodities and 32 per cent in new-age digital assets, such as cryptocurrency.

About 31 per cent had invested for their future through Employees' Provident Fund or Public Provident Fund, and a much lesser percentage (14 per cent) had invested in government securities, the survey revealed.

About 60 per cent women had mutual fund investments compared to 55 per cent men. For fixed deposits too, the numbers went in favour of women (54 per cent) compared to 53 per cent for men.

In matters of crypto and new-age savings tools such as P2P, women led men – 34 per cent against 30 per cent for crypto and 16 per cent against 7 per cent for the latter.

Only in matters of direct stock, men led the women (48 per cent against 41 per cent). In terms of savings account too, men lead women (79 per cent against 70 per cent).

Post covid, savings pattern has seen a shift with the focus shifting towards emergencies (69 per cent), followed by children's well-being (59 per cent), income and wealth (47 per cent), and retirement (42 per cent), the survey revealed.[3,4]

Zone-wise, the south cared the least about retirement (35 per cent), while west cared the most (59 per cent).



Gender-wise, women were more aggressive when it came to retirement, with 60 per cent women saving towards retirement compared to 52 per cent men, the study said.

Nevertheless, more Indians were now focussed on retirement than before, the survey revealed.

About 60 per cent respondents said they had a retirement corpus. This was also skewed in favour of women. About 68 per cent women said they were working towards a corpus compared to 54 per cent men.

Typically, most gave a serious thought to retirement savings in their late 20s or early 30s. Here too, women in the 22-27 years age group were most grounded about their retirement plans. About 55 per cent women in that age group were looking at a corpus of Rs. 1 crore or more.

That said, the bulk of the respondents (56 per cent) had a target corpus of less than Rs. 1 crore, with 35 per cent in the Rs. 25-75 lakh bracket.

About 48 per cent women had a target corpus of Rs. 1 crore or more compared to 40 per cent men. However, only 15 per cent women had an average target corpus size of Rs. 2 crore or more compared to 18 per cent men.[5,6]

II. DISCUSSION

Women have broken the glass ceiling in all spheres of life, from politics to education. However, Indian working women lag behind their male counterparts regarding investing and financial decision making. Only 7% of women in India invest independently through self-learning, as per Women & Money Power 2022 survey released by LXME, a financial platform for women. In association with Axis My India, the survey was carried out among 4,000 women across different age groups, life stages and occupations across metros, tier II and III cities. The Covid-19 pandemic and the subsequent lockdown forced Indians, especially women, to juggle their family responsibilities and work life. However, despite the economic downturn leading to job losses and pay cuts, one of the positives to emerge was the increasing participation of women in equity investments. ClearTax saw significant growth in the number of female investors on its platform. For instance, around 24% of new investors on the ClearTax platform were females in the calendar year 2019. It increased to nearly 30% in the calendar year 2020 and retained similar figures for the calendar year 2021.[7,8]

After the lockdown, many millennial women invested in equity funds and stocks to support their spouses in challenging economic conditions. Moreover, the widespread availability of financial apps and other technology tools helped women research and pick suitable mutual funds and stocks.

Women function as investors and not traders when it comes to stocks. Hence, many millennial women invested in fundamentally-strong stocks available at a massive discount during the lockdown.

Indian women have made tremendous progress in a male-dominated society. From banking to politics, they have left their footprint in all spheres of life. However, even working women depend on male family members to make investment decisions. It changed post the lockdown in March 2020 when Indian women from Tier 2 and Tier 3 cities commenced equity investments in a big way. For instance, as per recent data, out of 22 million mutual fund investors serviced by CAMS, 5.9 million, or nearly one-fourth, are women. Let's look at investment trends by women in stocks and mutual funds.[9,10]

Investment trends by women in stocks and mutual funds

Investment holding patterns of female investors show a preference for pure equity funds over debt or hybrid funds. According to CAMS, a Registrar and Transfer Agent, 76 per cent of female investors prefer equity funds. Moreover, only 6 per cent of female investors prefer non-equity funds and 18 per cent focus on both categories.

In line with trends on other platforms, ClearTax saw significant growth in 2019, with around 24 per cent of new investors being female. Moreover, it jumped to nearly 30 per cent in the calendar year 2020 and showed similar figures for the calendar year 2021.

Demographic data shows younger women participating in the equity markets. For instance, Gen Z and millennials in the age bracket of 20-35 make up around 30 per cent of total female equity investors. Moreover, Indian women are careful investors and select equity funds and stocks after researching.



Studies show women are likely to invest in equity for child-based financial goals such as children's education and marriage. Equity investments which can offer inflation-beating returns over time are suitable for long-term financial goals. Moreover, as many female equity investors are millennials, they have time on their side to achieve these goals.

Another exciting investment trend observed post the 2020 lockdown was the jump in the number of female equity investors from tier 2 and tier 3 cities. Studies show that women from smaller cities such as Nagpur, Kochi, Rourkela, Guntur and Nashik etc., focused on equity investments to achieve their financial goals.[11,12]

During the lockdown, women from smaller towns and cities learned the ropes of mutual fund investments and stocks. The widespread use of technology spawned several investment apps helping women pick the right stocks and mutual funds after researching. Moreover, many of these new female investors in equity are millennials which will lead to the tremendous growth of the mutual fund industry in India.

Investment Trends by Women: SIP vs Lump Sum

AMFI data shows Indian mutual funds have around 5.28 crore SIP accounts as of March 2022, through which investors invest in mutual fund schemes. Monthly SIP collections hit an all-time high of Rs 12,327.91 crore in March 2022.

However, CAMS data shows gross inflows of Rs 25,000 crore made by female investors through systematic investment plans (SIPs) in 2021 against Rs 1.6 lakh crore in lump sum amounts. Many women investors may prefer lump sum investments in equity funds to reach financial goals sooner. However, it involves timing the stock market, and even market-savvy investors struggle to get it right.

Mutual Funds offer the SIP facility where you invest fixed amounts regularly in mutual fund schemes. One invests at all stock market levels, thereby purchasing more units when the markets are down and lesser units when stock markets rise.

It averages out the purchase price of units called Rupee Cost Averaging without timing the stock market. SIP encourages investors to stay with their equity investments for the long term. Moreover, investors get the Power of Compounding benefit, the return on returns from equity investments.

One must not discontinue SIPs when the stock market crashes. It offers opportunities to purchase units at lower Net Asset Value (NAV) and enhance the Rupee Cost Averaging benefit. Moreover, it eliminates emotional investing and focuses on regular contributions to reach financial goals.[13,14]

Mutual Fund houses serviced by CAMS received gross inflows of Rs 1.82 lakh crore from female investors in 2021. It shows millennial women have realised the importance of equity investments to achieve vital financial goals. In a nutshell, younger women are investing in equity for the long run for its inflation-beating potential over time.

III. RESULTS

Many women let their money sit idle by storing cash in a dabba or they use that to buy gold. But it is high time for women to move away from those entrenched notions and dabble in asset classes that can provide better returns.

According to the World Economic Forum's Global Gender Gap Report 2021 India has slipped 28 places to rank 140th among 156 countries and the gender gap has widened to an appalling 62.5 percent. The report also found that the estimated earned income of women in India is only one-fifth of men's.

Given the disadvantageous situation that most women of the country find themselves in, it is of paramount importance for them to invest their money smartly. However, women have a long way to go in terms of financial literacy and inclusion also. Yes, positive changes are underway with the younger generation of women taking on the mantle of investing their hard-money judiciously without having to relegate the responsibility to male members. However, such women are a minority and majority of the Indian households consider testosterone a prerequisite for efficient management of finances. The situation is worse for older women, most of whom have known being granted a monthly allowance by their husband as the only legitimate link with the family's finances.[15,16]

Consequently, many women either feel they do not need to invest because it is the job of the husbands. The ones who do understand the importance of investments feel unsure as to how they can go about it. Lack of knowledge of the



workings of financial products deters them from saving and investing confidently and many end up channelizing money in unsuitable asset classes.

Thankfully, times are changing. The advent of technology has fostered the creation of a host of user-friendly personal finance apps. Investing in a variety of instruments through these apps has become a smooth experience and most importantly, it has reduced the need for retail investors to reach out to brokers. This has benefitted female investors significantly.

Asha Khurana is a 45-year-old homemaker who joined the investment bandwagon two years ago. After hearing a few success stories in her friends circle, Khurana felt confident enough to take baby steps in investing her money. “I started my investment journey by investing in mutual funds. Two of my closest friends had been doing it and they gave me a sort of a demo on the process of investing in mutual funds through monthly SIPs (systematic investment plans). I found it extremely convenient, easy to understand and most importantly I could invest with small sums and not have to wait till I could accumulate a larger amount. For housewives like me, it can take forever to build a body of savings,” she narrates.

Urmila Singh, a financial planner at S9 financial planners says, “Even today women let their money sit idle by storing cash in a dabba or they use that to buy gold. But it is high time for women to move away from those entrenched notions and dabble in asset classes that can provide better returns. Those who are yet to start investing, should begin with figuring out their risk appetite and risk tolerance. Risk appetite indicates the level of risk an investor is willing to take, whereas risk tolerance refers to the risk an investor’s finances can actually handle.”

Aditya Birla Sun Life Mutual Fund has started a special initiative called For Her that focuses on financial inclusion of women and intends to provide them avenues for financial security.

While it may seem daunting for many women to decode the level of risks they should take and the corresponding investment classes, the age of the internet has made it easier to understand these concepts and even seek expert advice. Khurana says, “There is ample information available on the internet and mutual fund houses have also made efforts to make quality information accessible for investors. Yes, I also sought expert advice but a lot of self-learning about the world of investments has been possible because of the internet. Also, as I have been investing in mutual funds which offer simplicity, diversification and flexibility, I feel more confident and less stressed about my investment strategies which was not the case previously when I tried investing in other instruments.”[17,18]

Singh advises, “After you have gained a clear picture of your risk appetites and risk tolerance, the next step is the fund selection. This can be divided on the basis of short, medium or long term goals. For the short term debt funds are the best bet as they are highly liquid and you can park your money for one day or even one year. Hybrid funds are best suited for medium term goals as it provides a balanced exposure to equity and debt. If the time horizon is more than 7-10 years, then equity mutual funds are the way to go – they are a great fit for goals like retirement or children’s education. Start small in each asset class and once you feel confident and understand the process, attach your goals to your investments.”

If the path to being investment savvy can require a lot of learning for women investors, it can also help in unlearning perceptions about money that hold little value in this age. Khurana says, “More than anything else, my experiences in the arena of investing has made me realise that women can deftly manage finances without men and it is high time that the stereotype about matters of the wallet being a man’s responsibility gets shattered.”

Key takeaways

- Do not hesitate to seek help from professionals if you are an amateur investor. Money spent on availing guidance can save you from making erroneous investment decisions which have the potential to trigger colossal losses.
- If you are a woman who wants to start investing but find yourself lacking the confidence to do so, get your female friends and family members to also join you in learning the ropes of financial management. It would lend an element of fun to the whole process and staying motivated will be easier.
- Investing in mutual funds which offer simplicity, diversification and flexibility
- After you have gained a clear picture of your risk appetites and risk tolerance, the next step is the fund selection. This can be divided on the basis of short, medium or long-term goals.[19,20]

IV. CONCLUSIONS

Women entrepreneurs and their increasing presence in India have significantly influenced the social and economic demographics of the country. The participation of women in the labour force has helped millions of families to pull out of poverty and has led to job creation. Women are well known for their leadership skills and hence dominate in new-age industries such as electronic manufacturing, where more than 50% of the employees are women because of their



high-precision work and better productivity levels. This attitude towards work and commendable business skills have also emphasised the importance of women in the modern workforce.

In India 20.37% of women are MSME owners which account for 23.3% of the labour force. They are considered to be the backbone of the economy. According to McKinsey Global, India can potentially add US\$ 700 billion to global GDP by increasing women's participation in the labour force. The percentage of women working in the manufacturing and agriculture sectors is higher than that of men. These sectors are usually credited with helping families come out of poverty and contributing to higher household income. Moreover, literacy rates among women grew at 8.8% in FY21, which further highlights the bright prospects of the country.[21]

Women-led businesses provide a great impetus to the economy. India has 432 million working-age women and 13.5 – 15.7 million women-owned businesses that provide direct employment to 22–27 million people. In addition, a number of businesses are being controlled by women. Indian women are independent and have a strong motivation to start their own business. According to Boston Consulting Group, start-ups founded or co-founded by women generate 10% more cumulative revenue over a five-year period. These start-ups have a more inclusive work culture and employ 3x more women than men. Moreover, women-led businesses are estimated to grow 90% in the next five years.

Women entrepreneurs are empowering 50% of India's start-up ecosystem, driven by:

- Recognition: Recognition in the form of admiration, regard, esteem and renown motivates women entrepreneurs. According to a survey by Bain & Company, more than 45% of Indian women in rural areas were driven to start a business for gaining recognition.
- Results: Women-led start-ups provide 35% higher ROI compared to those led by men. This ability to generate more returns encourages women to start their own businesses.
- Fulfilling unmet needs: The inherent need in women to provide for the family is a key factor. As they make 85% of purchase decisions, the need to provide a better lifestyle motivates women.
- Education: India ranks among the top worldwide for producing female graduates in the science, technology, engineering and mathematics (STEM) industry, with as many as 40% of women graduating from this field. Indian women are game changers in the fields of science and technology.

Businesses that have women at the helm are considered to run very efficiently, and some of the compelling reasons to invest in a such a business are:

- Higher return potential: Businesses led by women require less investment but generate higher net revenue. For every dollar invested, women-led start-ups provide 78 cents return compared to 31 cents by men-led start-ups.
- Multi-tasking: Women are great multi-taskers as majority of them juggle multiple things at once. These women could prove highly valuable in generating various income streams and helping to nurture start-ups. As per a survey conducted by psychologists at the University of Hertfordshire, When women and men were given two tasks at the same time, women slowed by 61%, whereas men slowed by 77%.
- High risk appetite: Women entrepreneurs are known to take more risks, as per a survey taken by KPMG 43% of women are willing to take more risks. Moreover, women are found to be better than men at envisioning opportunities.
- Adaptability and higher EQ: Women have a dynamic ability to adapt. A survey conducted by Bain & Company, Google and AWE Foundation of 350 women solopreneurs and small company owners in urban India found that companies run by women founders were resilient and fast to adapt. The results also showed that women also had a higher emotional quotient (EQ).[22]

The Indian government has increased the budget for Women and Child Development by 14% in 2021. It has set aside over Rs. 30,000 crores (US\$ 3.97 billion) in FY21. This budgetary allocation also includes various development schemes as listed below.

- Bharatiya Mahila Bank Business Loan



This type of business loan was set up in 2017 to help women access cheap loans and dream big despite their lack of resources. The scheme provides loans of over Rs. 20 crores (US\$ 2.46 million) for women entrepreneurs. A collateral-free loan can also be availed of for loans worth less than Rs. 1 crore (US\$ 0.13 million).

- Dena Shakti Scheme

This scheme was launched for women entrepreneurs looking to start their business in certain sectors such as agriculture, retail and manufacturing. The scheme provides loans at an interest rate that is 0.25% below the base rate. The maximum loan application is Rs. 20 lakhs (US\$ 26,468).

- Udyogini Scheme

This scheme is for women with an annual income of Rs. 1.5 lakh (US\$ 1,985). It provides loans of up to Rs. 3 lakh (US\$ 3,890) for women wanting to start a business but have no capital.

- Women Entrepreneurship Platform

This is a flagship platform started by NITI Aayog to promote women entrepreneurship. The platform hosts various workshops and educational events to motivate women to start their own business.

India was a country where a woman even owning a bank account was considered a major benchmark. However, it currently has over 15.7 million women-owned enterprises, with women leading the start-up ecosystem. This drastic transformation clearly underlines the potential of Indian women and their determination. In the coming decades, India is set to witness a major shift, with women dominating the workforce as well as shaping and enhancing the future of the country. It is estimated that over 30 million more women-owned businesses are expected to provide 150–170 million jobs by 2030. This could be a game changer and help the economic outlook look brighter than ever.[23]

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