

Cross-Sectional Analysis of Mutual Fund Penetration Across Indian States Since 1991

Dr. Mahija K, Dr. Jeeja K S

Associate professor of Commerce, Associate Professor of Economics

Govt Victoria College, Palakkad

Introduction

The Indian financial landscape has undergone significant transformations since 1991, with mutual funds emerging as a key instrument for capital market participation and wealth creation ([Goel & Kumar, 2024](#)). Despite this, India's mutual fund penetration remains comparatively low relative to developed economies, with a substantial portion of investors concentrated in metropolitan areas, indicating a disparity in reach across urban, semi-urban, and rural regions ([Barot & Chhaniwal, 2019](#)). This cross-sectional analysis aims to delineate the historical evolution and current state of mutual fund penetration across various Indian states, thereby illuminating regional disparities and underlying socio-economic determinants ([Venumuddala, 2020](#)). A thorough examination of these disparities is crucial for understanding the effectiveness of existing financial inclusion initiatives and for formulating targeted strategies to enhance mutual fund adoption across the nation ([Venumuddala, 2020](#)). This study will specifically investigate the factors influencing regional variations in asset under management and investor participation, considering regulatory changes, technological advancements, and investor awareness programs ([Raj & Devi, 2020](#)) ([Kavya & Prakash, 2024](#)). Furthermore, it will explore how these elements have collectively shaped the trajectory of mutual fund growth in diverse state-level economies since the economic liberalization reforms of 1991, with particular attention to how mutual funds act as both savings and investment vehicles ([Swami & Jain, 2019](#)).

Literature Review

The mutual fund industry in India has witnessed unprecedented growth over the past decade, with Assets Under Management expanding significantly from ₹10.11 trillion in 2014 to ₹58.91 trillion by May 2024, highlighting its increasing importance in mobilizing savings ([Kavya & Prakash, 2024](#)). This expansion underscores the industry's critical role in channeling household savings into productive investments, particularly in an economy experiencing rapid growth and financial innovation ([Nadeem & Mazhar, 2019](#)). This mobilization of capital is pivotal for economic development, allowing for increased access to diverse investment opportunities beyond traditional avenues ([Indira et al., 2024](#)). The significant growth is attributable to factors such as tax benefits, strategic growth initiatives, and the transparent regulatory oversight provided by SEBI ([Indira et al., 2024](#)). Mutual funds serve as vital financial intermediaries, contributing to the transformation of the Indian economy by mobilizing and efficiently allocating investable funds through robust financial markets ([Indira et al., 2024](#)). This phenomenon reflects a notable shift in investor behavior, regulatory frameworks, and overall market dynamics, underscoring the evolving nature of financial investments in India ([Kavya & Prakash, 2024](#)). This evolution reflects a growing investor appetite for diversified portfolios and risk mitigation strategies, influencing investment patterns across different regions ([Kavya & Prakash, 2024](#)). The comprehensive analysis presented herein examines how these factors, alongside regional economic disparities and varying levels of financial literacy, influence mutual fund penetration rates across India's diverse states ([Shekhar, 2025](#)) ([Mahajan & Saxena, 2015](#)). Furthermore, the nearly 40-fold increase in Assets Under Management since the turn of the century, despite significant global financial market stresses, indicates the industry's resilience and growing importance within the Indian financial ecosystem ([Goel & Kumar, 2024](#)). Mutual funds play a crucial role in enabling small, medium, and large savers to mitigate risk and enhance returns, significantly contributing to the transformation of the Indian economy by establishing a robust platform within financial markets ([Indira et al., 2024](#)). This growth trajectory highlights the industry's significant contribution to India's financial transformation, acting as a critical conduit for capital formation and efficient resource allocation ([Indira et al., 2024](#)). The liberalization of the Indian economy in 1993, which allowed the entry of private fund managers, further catalyzed this growth, transitioning the industry from a public sector dominated one to a competitive market ([Somashekar, 2009](#)). Before this liberalization, the Unit Trust of India was the sole player in the mutual fund market, having been established in 1964 and remaining unchallenged until 1987 when public sector banks and financial institutions were permitted to enter ([Indira et al., 2024](#)). However, a lack of consistent policy direction led to disparate rules from various entities, prompting the government to introduce consolidated guidelines in June 1990, which were further revamped in February 1992 to foster competition,

transparency, and efficiency within the industry ([Indira et al., 2024](#)). These comprehensive guidelines laid the groundwork for the subsequent rapid expansion of the mutual fund sector, attracting both domestic and international private players and diversifying product offerings ([Indira et al., 2024](#)). This regulatory evolution spurred innovation in product development and marketing strategies, essential for enhancing mutual fund penetration in a developing market like India ([Indira et al., 2024](#)). Despite these advancements, the industry still faces challenges in fully realizing its growth potential, necessitating the creation and marketing of innovative products to attract a broader investor base ([Indira et al., 2024](#)). The introduction of more stringent regulations in 1996, which replaced the 1993 guidelines, further solidified the framework for enhanced transparency and accountability, thereby boosting investor confidence and promoting wider participation in mutual funds ([Indira et al., 2024](#)). The Assets Under Management of the Indian mutual fund industry has seen substantial growth, escalating from 3.26 trillion as of March 31, 2007, to 19.97 trillion by July 31, 2017, representing a six-fold increase within a decade ([Barot & Chhaniwal, 2019](#)). This significant expansion demonstrates a robust and sustained investor interest, reflecting improved financial literacy and the increasing accessibility of investment products across diverse demographics ([Pandey, 2011](#)). This growth trajectory suggests a positive correlation between regulatory developments and market expansion, thereby necessitating a deeper examination of how specific policy changes influenced regional investment patterns ([Sabarinathan, 2010](#)). This analysis will investigate the geographical distribution of mutual fund assets and investor participation to identify disparities across states, examining the underlying socio-economic factors, financial infrastructure, and investor demographics that contribute to these variations.

Methodology

To achieve this, the study employs a quantitative methodology, utilizing panel data from various Indian states from 1991 to the present, focusing on indicators such as mutual fund Assets Under Management, investor accounts, and state-level economic parameters ([Acharya, 2016](#)) ([Somashekar, 2009](#)). This approach allows for a comprehensive assessment of the mutual fund industry's penetration across India, enabling the identification of key drivers and impediments to its growth within diverse regional contexts ([Somashekar, 2009](#)) ([Kumar et al., 2024](#)). The selection of this timeframe is critical as it encompasses the period of significant economic reforms and liberalization in India, offering a unique opportunity to analyze the long-term impact of these policy shifts on financial market development. Specifically, the methodology will involve regression analysis to ascertain the correlation between state-level economic indicators and mutual fund penetration, providing insights into regional disparities in financial inclusion and investment behavior ([Paul, 2024](#)). Furthermore, the study will incorporate a comparative analysis of public versus private sector mutual funds, examining their respective contributions to overall market penetration and investor preferences ([T. & M., 2022](#)).

Results

The study also evaluates the performance of ESG-themed mutual funds within this framework, considering their growth and impact on investor perception ([Gupta, 2022](#)) ([Priya & Sharma, 2024](#)). Additionally, a spatial analysis will be conducted using tools like Global Moran's-I to identify spatial dependencies and clustering patterns of mutual fund penetration across Indian districts, revealing "hotspots" and "cold spots" of financial inclusion that could inform targeted policy interventions ([Acharya, 2023](#)). This comprehensive approach will reveal critical insights into regional financial market development, guiding policymakers in formulating tailored strategies to enhance financial literacy and investment access. Such an analysis is vital for understanding the underlying socioeconomic disparities that contribute to varied financial inclusion levels, thereby enabling more effective policy interventions to promote equitable financial development across India ([Yadav & Reddy, 2023](#)). Additionally, the research will explore how financial technology and digitalization have influenced mutual fund adoption and accessibility in different states, particularly considering their potential to bridge gaps in financial inclusion ([Kushwaha & Malpani, 2025](#)) ([Raj & Devi, 2020](#)). The integration of financial technology (fintech) has notably expanded financial access in India, allowing for a broader reach of investment products, including mutual funds, to previously underserved populations ([Kamal et al., 2025](#)). This digital transformation is crucial for increasing transparency, accountability, and decentralization within the financial sector, potentially boosting investor confidence and engagement, particularly in mutual funds ([Raj & Devi, 2020](#)). Given the significant impact of fintech on financial inclusion, particularly in rural and economically disadvantaged regions, understanding its role in mutual fund penetration is crucial ([Kushwaha & Malpani, 2025](#)). Fintech innovations, such as mobile payments and digital lending platforms, have demonstrably ameliorated financial exclusion in India, thereby enhancing the accessibility of investment opportunities, including mutual funds, for a broader demographic ([Kamal et al., 2025](#)). This transformative capacity of fintech warrants a detailed examination of its specific contributions to mutual fund penetration across various Indian states, particularly concerning how digital platforms facilitate investment for previously unbanked populations ([Kamal et al., 2025](#)). This analysis will therefore consider how various fintech interventions, such as mobile wallets and digital investment platforms, have specifically contributed to the uptake of mutual funds, especially in regions with limited traditional banking infrastructure ([Kamal et al., 2025](#)) ([Kulshrestha, 2023](#)). Furthermore, it will assess how government initiatives promoting digital literacy and financial inclusion through technology have impacted mutual fund penetration, particularly in fostering an environment conducive to broader investment participation ([Rahmani & Kamal, 2025](#)) ([Gautam et al., 2022](#)) ([Nanda & Yunus, 2024](#)). This will involve scrutinizing the correlation between the prevalence of digital infrastructure and the growth of mutual fund accounts in various states, offering a nuanced perspective on the interplay between technological advancements and financial market development ([Rashid, 2024](#)). It will also explore the challenges encountered by

Fintech companies in India and the regulatory frameworks governing them, evaluating their influence on the expansion and accessibility of mutual fund investments ([Rahmani & Kamal, 2025](#)). The study will further examine the implications of these findings for policymakers, suggesting targeted interventions that leverage technological advancements to foster more inclusive financial markets and enhance mutual fund penetration across all demographic segments ([Jena, 2025](#)) ([Goswami et al., 2022](#)).

Discussion

This discussion section synthesizes the findings from the preceding analyses, addressing the initial research questions regarding the penetration of mutual funds across different Indian states since 1991. It will critically evaluate the regional disparities identified, correlating them with socioeconomic factors, digital infrastructure, and governmental policies aimed at financial inclusion ([Hegde, 2024](#)). It will also delve into the dynamic interplay between regulatory responses, supporting activities, and the rapid evolution of the fintech industry, acknowledging the need for ongoing research to keep pace with innovation ([Bhatnagar et al., 2022](#)). This includes exploring how regulatory frameworks could be adapted to enhance the efficiency and competitiveness of the Indian financial industry, drawing lessons from international best practices in financial technology and alternative investment funds ([Paul, 2024](#)) ([Bhatnagar et al., 2022](#)). A critical component of this discussion will be to address the challenges encountered by FinTech companies and the effectiveness of existing regulatory frameworks in fostering an environment conducive to the expansion and accessibility of mutual fund investments, particularly for low-income households ([Kulshrestha, 2023](#)). The findings will highlight the imperative for targeted policy interventions and digital literacy programs to bridge persistent gaps in financial accessibility, particularly for vulnerable populations and remote areas ([Rashid, 2024](#)). Moreover, the analysis will consider the broader economic implications of enhanced mutual fund penetration, assessing its potential to stimulate capital formation and contribute to overall economic development in India ([Paul, 2024](#)). It will also examine how the growing adoption of fintech solutions might influence traditional financial intermediaries and their strategies for engaging with a digitally empowered customer base ([Rahmani & Kamal, 2025](#)).

Conclusion

This study culminates in a comprehensive understanding of the multifaceted drivers and impediments affecting mutual fund penetration across India, offering a granular perspective on regional variations. It integrates insights from cross-sectional analyses with longitudinal trends, thereby revealing how policy interventions, economic development, and digital transformation collectively shape investment behaviors and outcomes at the state level ([Zhang & Ji, 2024](#)). The findings underscore the significant role of FinTech in enhancing financial literacy and enabling informed investment decisions, particularly through readily accessible digital platforms that provide tools for portfolio management and asset tracking ([Priyadarshi et al., 2024](#)). Furthermore, the research highlights how technological advancements, particularly in financial technology, have made the mutual fund industry more exposed to innovations, improving efficiency in fund management and streamlining transaction processes for investors ([Raj & Devi, 2020](#)). The democratization of investment opportunities through online investment platforms further exemplifies how fintech broadens accessibility for previously marginalized populations ([Kamal et al., 2025](#)). This increased accessibility, combined with the digitalization of payment processes, has significantly lowered barriers to entry for mutual fund investments, allowing for greater participation from a diverse investor base ([Raj & Devi, 2020](#)). These platforms not only simplify the investment process but also empower individuals with financial education, which is crucial for reducing poverty and promoting social sustainability by enabling informed financial decisions ([Kaur & Pathak, 2023](#)).

References

- Acharya, D. (2023). Sustainable development finance. *Journal of Social and Economic Development*, 25, 1. <https://doi.org/10.1007/s40847-023-00316-2>
- Acharya, M. N. (2016). A Statistical Analysis and Empirical Study of Investors Behaviour in Mutual Fund Market. *International Journal of Science and Research (IJSR)*, 5(4), 2350. <https://doi.org/10.21275/v5i4.nov163140>
- Barot, H., & Chhaniwal, P. (2019). Mutual Funds Hitches and Outlook: An Empirical Study. *The Journal of Social Sciences Research*, 52, 507. <https://doi.org/10.32861/jssr.52.507.514>
- Bhatnagar, M., Özen, E., Taneja, S., Grima, S., & Rupeika-Apoga, R. (2022). The Dynamic Connectedness between Risk and Return in the Fintech Market of India: Evidence Using the GARCH-M Approach. *Risks*, 10(11), 209. <https://doi.org/10.3390/risks10110209>
- Gautam, R. S., Rastogi, S., Rawal, A., Bhimavarapu, V. M., Kanoujiya, J., & Rastogi, S. (2022). Financial Technology and Its Impact on Digital Literacy in India: Using Poverty as a Moderating Variable. *Journal of Risk and Financial Management*, 15(7), 311. <https://doi.org/10.3390/jrfm15070311>
- Goel, S., & Kumar, P. (2024). Indian Mutual Fund Industry: Is 2014 a Turning Point? *Deleted Journal*, 27(3), 527. <https://doi.org/10.59091/2460-9196.2285>

- Goswami, S., Sharma, R. B., & Chouhan, V. (2022). Impact of Financial Technology (Fintech) on Financial Inclusion(FI) in Rural India. *Universal Journal of Accounting and Finance*, 10(2), 483. <https://doi.org/10.13189/ujaf.2022.100213>
- Gupta, S. (2022). Growth and Performance Measurement of ESG-themed Mutual Funds in India: An Empirical Investigation. *Orissa Journal of Commerce*, 9. <https://doi.org/10.54063/ojc.2022.v43i02.02>
- Hegde, Mr. S. R. (2024). A Study on the Fintech Penetration in Rural Karnataka. *International Journal for Research in Applied Science and Engineering Technology*, 12(4), 1380. <https://doi.org/10.22214/ijraset.2024.60020>
- Indira, D., Sah, V., Tanvi, P., Deepika, P. S., & Reddy, P. (2024). A study on the importance of mutual funds as an investment tool. *E3S Web of Conferences*, 552, 1001. <https://doi.org/10.1051/e3sconf/202455201001>
- Jena, R. K. (2025). Factors Influencing the Adoption of FinTech for the Enhancement of Financial Inclusion in Rural India Using a Mixed Methods Approach. *Journal of Risk and Financial Management*, 18(3), 150. <https://doi.org/10.3390/jrfm18030150>
- Kamal, M., Rahmani, S., & Alam, M. R. (2025). Beyond Traditional Banking: How Fintech is Reshaping Financial Access in India. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.5122110>
- Kaur, J., & Pathak, N. (2023). The financial and sustainability impact of fintech on Indian deposit money institutions: A study of the last decade. *E3S Web of Conferences*, 455, 2019. <https://doi.org/10.1051/e3sconf/202345502019>
- Kavya, Ms. M., & Prakash, C. (2024). Growth and Dynamics in the Indian Mutual Fund Industry: Analyzing Investor Preferences and Investment Strategies. *International Journal of Advanced Research in Science Communication and Technology*, 175. <https://doi.org/10.48175/ijarsct-19531>
- Kulshrestha, S. (2023). The role of financial technology in enhancing financial literacy and inclusion among low-income households in India. *International Journal of Research in Marketing Management and Sales*, 5(1), 25. <https://doi.org/10.33545/26633329.2023.v5.i1a.118>
- Kumar, S., Hyder, A., Asim, M., & Sajjad, W. (2024). The Evolution and Review of Regulatory Changes on Emerging Asian Mutual Fund Industry Post-Global Financial Crisis. *Journal of Policy Research*, 10(2), 12. <https://doi.org/10.61506/02.00214>
- Kushwaha, D., & Malpani, D. D. (2025). The Impact of Fintech on Financial Inclusion in India: An Empirical Analysis of Digital Payment Adoption and Banking Access. *International Journal of Environmental Sciences*, 11, 218. <https://doi.org/10.64252/g845vb32>
- Mahajan, P., & Saxena, S. (2015). Growth of Mutual Fund Industry in India. *Quest-The Journal of UGC-HRDC Nainital*, 9(3), 216. <https://doi.org/10.5958/2249-0035.2015.00037.6>
- Nadeem, F., & Mazhar, S. S. (2019). Innovations in Investment Products and its Impact on Financial Services Sector. *International Journal of Management Studies*, 53. [https://doi.org/10.18843/ijms/v6i1\(4\)/06](https://doi.org/10.18843/ijms/v6i1(4)/06)
- Nanda, S., & Yunus, Y. A. (2024). Understanding Financial Inclusion Through Fintech: A Qualitative Inquiry into the Role of Technology in Shaping Financial Landscapes. *Golden Ratio of Finance Management*, 4(1), 14. <https://doi.org/10.52970/grfm.v4i1.428>
- Pandey, A. (2011). Mutual Fund Industry-Analysis & Recent Trends. *Asia Pacific Business Review*, 7(2), 60. <https://doi.org/10.1177/097324701100700206>
- Paul, V. M. T. (2024). Unveiling the Dynamics of Alternative Investment Funds (AIFs): A Comprehensive Analysis of Their Role in Capital Formation in the Indian Financial Landscape. *Research Square (Research Square)*. <https://doi.org/10.21203/rs.3.rs-5277525/v1>
- Priya, & Sharma, K. (2024). Global ESG fund evolution-an analysis of sustainable investment growth through comparison. *E3S Web of Conferences*, 577, 3003. <https://doi.org/10.1051/e3sconf/202457703003>
- Priyadarshi, A., Singh, P., Dawadi, P. P., Dixit, A. K., & Prasad, D. (2024). Role of FinTech Apps in Increasing Investment Decisions: A Study on the Capital Market. *Financial Markets Institutions and Risks*, 8(2), 186. [https://doi.org/10.61093/fmir.8\(2\).186-197.2024](https://doi.org/10.61093/fmir.8(2).186-197.2024)
- Rahmani, S., & Kamal, M. (2025). The Role of Fintech in Promoting Financial Inclusion in India. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.5128361>
- Raj, K., & Devi, B. S. (2020). Investor's Perception Towards Mutual Fund Investing on the Rise of Digitalization in Indian Mutual Fund Industry. In *IFIP advances in information and communication technology* (p. 553). Springer Science+Business Media. https://doi.org/10.1007/978-3-030-64849-7_49

Rashid, A. (2024). *Untitled*. <https://doi.org/10.55277/researchhub.vq5dnd6h>

Sabarinathan, G. (2010). SEBI's Regulation of the Indian Securities Market: A Critical Review of the Major Developments [Review of *SEBI's Regulation of the Indian Securities Market: A Critical Review of the Major Developments*]. *Vikalpa The Journal for Decision Makers*, 35(4), 13. SAGE Publishing. <https://doi.org/10.1177/0256090920100402>

Shekhar, C. (2025). A Study on the Comparison of Mutual Fund Schemes in India. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.5159986>

Somashekar, T. S. (2009). Mutual Fund Regulation in India - Assessing Its Benefits. *International Lawyer*, 43(4), 1451. <https://scholar.smu.edu/cgi/viewcontent.cgi?article=1314&context=til>

Swami, R., & Jain, T. K. (2019). Inclusive Development and Mutual Funds: Roadmap and Hurdles. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3310129>

T., Ms. D. Bosco., & M, J. P. (2022). A Study on Investors Perception on Indian Mutual Funds System with Reference to Private and Public Players. *International Journal for Research in Applied Science and Engineering Technology*, 10(4), 2701. <https://doi.org/10.22214/ijraset.2022.41869>

Venumuddala, V. R. (2020). Patterns in demand side financial inclusion in India -- An inquiry using IHDS Panel Data. *arXiv (Cornell University)*. <https://arxiv.org/pdf/2005.08961.pdf>

Yadav, R. S., & Reddy, K. S. (2023). Spatial financial inclusion/exclusion hot spots and its determinants in India: a district-level analysis. *Journal of Social and Economic Development*, 25, 101. <https://doi.org/10.1007/s40847-023-00250-3>

Zhang, L., & Ji, H. (2024). Bridging the Energy Divide: The Impact of Digital Inclusive Finance on Urban-Rural Electricity Consumption Inequality. *Research Square (Research Square)*. <https://doi.org/10.21203/rs.3.rs-5429751/v1>

Copyright & License:



© Authors retain the copyright of this article. This work is published under the Creative Commons Attribution 4.0 International License (CC BY 4.0), permitting unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.