

Small Cities and their rising share in Mutual Fund Investments

The investment panorama across India is undergoing a widespread shift as we now witness Tier 2 and Tier 3 regions reporting increased participation in Mutual Fund plans. AMFI in its latest data said that the MF industry stands at around Rs 40,000 crores and smaller regions account for 17.44% i.e., Rs 6.9 lakh crores (March 2023) for investors in funds under management. Previously, it stood at 11% in 2020. The Sensex leaped 100% and SIP books magnified by Rs 6.28 crores. The earlier rates stood at Rs 3.11 crores. Meanwhile, shares of Tier 1 cities fell from 80% (2020) to 72.3% (2023).

The data highly reflects the penetration of India's investment culture into developing regions and allying them with India's economic progress. Moreover, it also signifies the confidence placed by these investors in the regulators with their tiny savings. The unwavering flow of money by SIP shareholders in smaller areas creates the rock bed for Mutual Fund houses to be in competition amidst a turbulent market. On analyzing the trends of big cap funds, returns worth 14% compounded annually. This has set it apart from regular resources like fixed deposits which have managed to give 6.5% at best.

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AMFI – Association of Mutual Funds in India

SIP – Systematic Investment Plan

Tier 2 and 3 regions are semi-urban and rural areas.

