

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:593
ANSWERED ON:27.04.2001
MUTUAL FUNDS
DR. KIRIT SOMAIYA;SULTAN SALAHUDDIN OWAIISI

Will the Minister of FINANCE be pleased to state:

- (a) whether a study report prepared by Accountant General, Kerala and Deputy Accountant General Mumbai has suggested that SEBI and RBI needs close monitoring of the functioning of mutual funds for assuring the investors protection in the wake of cut in the interest rates on bank deposits and small savings;
- (b) if so, whether there is any agreement between RBI and SEBI in this regard;
- (c) if so, the details thereof;
- (d) the total fund mobilized by Mutual Funds in 1999-2000 and 2000-2001 on account of Government tax policy exempting the unit holder from paying dividend tax;
- (e) whether out of 37 mutual funds during the previous year, 28 were in private sector and some of them did not register themselves with SEBI; and
- (f) if so, the steps being taken by the Government in the light of the study to save small investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a) to (f) A statement is laid on the Table of the House

Statement referred to in the reply to Lok Sabha Starred Question No. 593 regarding Mutual Funds by Shri Kirit Somaiya & Shri Sultan Salahuddin Owaisi for answer on 27.4.2001

(a) The Report referred to in the question was an academic paper presented by Dr. A.K. Banerjee, Accountant General, Kerala and Ms. Sangita Choure, Senior Deputy Accountant General, Maharashtra, in their personal capacity, at a seminar held in New Delhi. They have suggested, inter alia, that the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) should closely monitor the functioning of mutual funds and non-banking finance companies (NBFCs) in the wake of cuts in interest rates on bank deposits and small savings, which in their view would lead to greater investments in mutual funds & NBFCs.

(b) & (c) There is already a mechanism in place for coordination among the regulatory bodies viz. RBI, SEBI, the Insurance Regulatory and Development Authority (IRDA) and the Government, in the form of a High Level Coordination Committee on Financial and Capital Markets, headed by Governor RBI.

(d) Details regarding resources mobilised by mutual funds are provided below:

Year Mobilisation of Funds (Rs. crores)

Gross Net Inflow+

1999-2000	61241.23	18969.88
2000-2001	92957.39	9128.07

+ After adjusting for repurchases and redemptions.

Apart from tax concessions, mobilisation of funds by mutual funds depends on several factors, including trends in stock markets, interest rate structure etc.

(e) SEBI has intimated that as at the end of the financial year 1999 - 2000, there were 37 mutual funds of which 28 were in the private sector. They were all registered with SEBI.

(f) Does not arise.