

## **Mutual funds face trust deficit: Chidambaram**

The mutual funds industry, though promising higher returns to investors faces a trust deficit from the masses, Finance Minister P Chidambaram has said.

"People still place enormous trust in the public sector banks, but the same level of trust is missing when it comes to mutual funds," Chidambaram said here late Sunday night while speaking at the Golden Jubilee of UTI Mutual Fund.

He said that market regulator SEBI was in the process of introducing new measures to make mutual funds also attractive, incentivizing plans to popularize MFs beyond the top 15 cities in the country, and creating awareness to increase the investor base.

Urging the need for 'political consensus' in economic management to ensure stability and promoting growth, Chidambaram illustrated the example of UTI restructuring taken up in 2003.

The initial steps were taken by (then finance minister) Yashwant Sinha, later, it was carried forward by (then finance minister) Jaswant Singh and now he (current finance minister) completed the process.

Similarly, the next government should follow similar approach towards key economic decisions including the one on putting in place the Indian Financial Code as recommended by the Financial Sector Legislative Reforms Commission (FSLRC), the finance minister pointed out.

Stressing the need to to adopt micro-prudential regulation, Chidambaram said that when a financial institution gets into distress, the first port of call should be the Resolution Corporation, as recommended by FSLRC.

"When a systemic crisis affects an organisation, all regulators should come together and function like a virtual war room, aided by a sound information flow," he said, lauding the role of UTI in pioneering and shaping the financial sector of India, though it had witnessed a crisis in the early 21st century.

To mark the UTI Golden Jubilee, Chidambaram inaugurated 101 financial centres across the country.

SEBI Chairman U K Sinha, who is former CMD of UTI Mutual Fund, described the UTI restructuring as "one of the most successful turnaround operations that went off seamlessly", but called for revisiting the multiple owner shareholding pattern in the company.

UTI MF manages assets worth Rs 71,357 crore, including nearly half in equity, much higher than the industry average of 22 percent, and with over a quarter of its assets coming from smaller cities and town.

*(Business Standard)*