

Comparative Analysis of Banks and Mutual Funds in Channeling Household Savings into Financial Markets in India (2015–2025)

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Abstract

Household savings form the foundation of domestic investments and economic growth particularly in the emerging economies such as India. The share of household sector in national savings is traditionally in India the largest - about 60 percent over the past years - and thus the mobilization of these savings is especially important. Banks and mutual funds are two different channels of directing the household savings into the financial system. The most common channel has been the banks: households put money with banks in savings accounts and fixed deposits and then the banks lend the money to businesses and consumers, thus, indirectly investing. Safety and liquidity is also guaranteed to the savers because they can get assured returns and the freedom to access deposits at the time they require them, given the presence of the banks. Mutual funds, in their turn, combine household investments and buy stocks, bonds and other securities and directly relate household savings to capital markets.

Introduction and Background

Household savings form the foundation of domestic investments and economic growth particularly in the emerging economies such as India. The share of household sector in national savings is traditionally in India the largest - about 60 percent over the past years - and thus the mobilization of these savings is especially important. Banks and mutual funds are two different channels of directing the household savings into the financial system. The most common channel has been the banks: households put money with banks in savings accounts and fixed deposits and then the banks lend the money to businesses and consumers, thus, indirectly investing. Safety and liquidity is also guaranteed to the savers because they can get assured returns and the freedom to access deposits at the time they require them, given the presence of the banks. Mutual funds, in their turn, combine household investments and buy stocks, bonds and other securities and directly relate household savings to capital markets. Home ownership as an investment through mutual funds makes households holders of equity and bond markets, which are diversified and may yield higher returns with increased risk exposure. India has been experiencing a significant change in the financial situation over the last ten years: although bank deposits continue to hold the majority of households portfolios, market based saving products like mutual funds are gaining popularity. This pattern indicates a generalizing financialization of household savings in India, as families are to a greater extent abandoning traditional bank deposits and type of physical assets (such as gold and real estate) in favor of financial market instrumentation.

The circumstances before this change were predetermined by a number of reasons. The macroeconomic environment has been good; the long term low interest rates charged on bank deposits particularly after 2015 made it less attractive to hold savings in banks. Concurrently, the capital markets of India have provided good returns; as is the case, equity mutual funds in India have in the past years been performing

comparatively better than fixed bank deposits in regard to average returns per annum. This is because such return differentials help to motivate households to pursue investment activities which have higher yield. Changes in institutions and policies were also a contributory factor. Both market and banking investments have become accessible with the help of regulatory campaigns and technology. Since 2014, the Jan Dhan Yojana has placed millions of Indians who lacked access to banks in the mainstream banking systems, expanding the pool of prospective bank account holders. At the same time, capital market regulators (SEBI) and industry organisations (AMFI) initiated investor awareness programs (e.g., "Mutual Funds Sahi Hai") and made mutual funds easier to access through online platforms and low cost systematic investment plans. This is a combination of improved financial access, awareness and convenience of digital that has reduced barriers to households investing in mutual funds. These trends are being supported by the demographic changes: an older, more financially literate generation of earners is more eager to invest in equities and mutual funds than the previous generations were accustomed to bank deposits and government saving plans. This has led to an increase in the household ownership of risky financial assets. The portion of equities and mutual funds has increased tremendously now in the past decade in the household financial assets of India which was earlier negligible.

It is in this context that a comparative analysis of the two options of banks and mutual funds as mediums of providing household savings is not only timely but also policy-relevant. Banks and mutual funds play a similar and yet different role in the financial system. Banks are good at saving capital and availing liquidity and therefore they are considered to be a reliable place to accumulate emergency cash and saving in the short run. The savings are directly invested by mutual funds in the capital market that can stimulate capital formation in both the corporate and the government sector through the provision of both equity and debt financing. A change in the saving behavior of households resulting in banks to mutual funds may therefore have far reaching effects: it may affect the supply of credit in the banking system, the richness and fragility of the capital market and the financial stability of households. The Introduction and Background section has established the context and significance of this topic and how the household saving behavior of India is changing and why the comparative role of banks with that of mutual funds needs to be investigated. The rest of this proposal will survey the existing relevant literature, and outline the gaps and questions raised, and outline the objectives, hypotheses and methodology of conducting the research on how effectively the banks and mutual funds utilize household savings in the financial markets in India over the past decade..

Review of Literature

Economic literature on financial intermediation forms a basis of the unique roles of the banks and market-based organizations in marshalling savings. The classic theory of intermediation assumes that the existence of banks is to resolve the information asymmetry and to supply the bank with liquidity and security to the savers (Allen and Santomero, 2001). In financial systems based on banks, the household savings (deposits) are gathered by intermediaries such as banks and then loaned out to borrowers but in the process they provide risk transformation (through diversification and capital buffers) as well as maturity transformation (short-term deposits financing long-term loans). The model has been prevalent in those countries where households have a history of not engaging in direct stock market exposure. In comparison, with a market-based system, households are exposed to more market risk directly as institutions like mutual funds and pension funds allow households to invest directly in securities. Allen and Santomero (2001) reported a late-20th-century history of a decline in bank deposits in the United

States and the United Kingdom in favour of mutual funds and other market instruments as households demanded higher returns, causing banks to change their business models accordingly. This global testimony confirms that with the growth and maturity of economies and financial markets, the pattern of household savings may change dramatically, with the traditional banking products being replaced by capital market investments, which casts doubt on risk, stability, and financial innovation.

Nearer to the Indian context, an extensive literature has been reviewed on the household saving behavior and the portfolio choices. The macroeconomic studies that were made on the trends of saving in India were basically about the aggregate saving rates and rates of determinants. Indicatively, Athukorala and Sen (2004) used data up to early 2000s and discovered that an increase in income level, financial development (measured by the increase in bank branches) and real interest rates positively affected the rate of private saving in India. They and others have observed that household saving was the largest component of national savings in India - sometimes more than 80 percent of the total saving in the hands of the private sector - on which it based its major investment investment role. However, such studies did not distinguish the location of household savings, since in those decades there were rather few formal choices (bank deposits, provident funds, postal savings, and insurance). With time, scientists have observed a slow diversification. By the 2010s, the household portfolio analysis revealed a gradual change toward a physical-financial shift in India. Bhowmick et al. (2022) also note that despite the fact that still in Indian households, physical assets, specifically the gold and real estate are the main savings assets, the share of financial assets is on the rise, and the composition of financial assets is changing: the share of savings in bank deposits, on the one hand, is constantly decreasing, and on the other hand, the share of savings in instruments such as insurance and mutual funds is growing. This means that there is increased interest in the alternative to bank deposits as the population gets more conscious of investments, and demands higher returns.

Several empirical research works have specifically examined Indian preferences of households when it comes to investment and the development of mutual funds. Kale and Panchapagesan (2012) offered a premature overview of the Indian mutual fund industry in general and pointed to the historically low rate of mutual fund penetration in household portfolio. They explained the poor performance of mutual funds uptake with attributes such as low financial literacy, no confidence in market instruments, and poor equity culture in the country. Less than a decade ago, at that time, the mutual funds formed a minute portion of household savings, giving way to bank deposits and other government small-savings programs (such as Public Provident Fund). The authors have noted that enhancing information education in investors and enhancing regulatory support would be essential in enhancing the adoption of mutual funds. In line with this, the other micro-level studies have discovered that the greater the financial literacy and investor awareness, the higher the willingness to hold equity and mutual fund investments (Sahal and Verma, 2018; Guiso et al., 2008). Belief in financial institutions and faith in markets also are essential: Guiso, Sapienza, and Zingales (2008) have shown that distrust can keep stock markets out of play even when the economic background is promising. These lessons can be greatly applicable to India where distrust against historical scam cases and unstable markets historically prohibited the penetration of retail investors into the equities. More current literature reflects the changing pace of portfolio shift in households over the past ten years. Interestingly, Kumaraswamy and Kailasam (2025) study the 2015-2025 period and present shocking statistics of the change of bank deposits to market instruments in India. Their analysis of official data showed that by 2025 the proportion of household financial assets in bank deposits had dropped to only 25% of the household financial resources (as compared to an approximate of 48% in 2015), but the

proportion of household financial resources invested in capital market instruments (invested in mutual funds, stocks, and bonds) had increased to 63% (as compared to approximately 40% in 2015). Millions of homes reevaluating their savings are represented by this dramatic change. The authors further observe that this change was also distributional in nature - urban, more affluent, and financially literate households played a disproportionate role in the increase of mutual fund and equity participation. Rampal and Biswas (2022) in yet another study on low-income Indian households did discover evidence of diversified portfolios in accordance with particular goals (e.g., saving through mutual funds towards the education of children), though such households have sufficient financial literacy and trust in institutions. They established that the factors that significantly predict the households going beyond bank deposits into investments such as mutual funds include affordability and education level (Rampal and Biswas, 2022). Adding to these micro-level observations, industry and policy reports (such as the Economic Survey 2025-26 of India) have found that the proportions of household financial savings in mutual funds have grown several-fold over the last few years, and the proportions of traditional fixed deposits have decreased by nearly the same amount. In general, the literature argues that the change in the household savings behavior in India has been driven by a confluence of reasons - increased returns in capital markets, enhanced financial access, and the specific efforts at the household level to create awareness of saving. Though, some risks and inequalities are also highlighted in this literature: the mutual funds participation is biased in favor of more wealthy and educated populations, and the fall of bank deposits development may become a problem in the capacity of banks to lend and financial health.

To sum up, the literature on the topic offers an important part of the puzzle: we have known that household savings play a vital role in the economy, we have been aware of certain factors that affect saving rates and portfolio decisions, and we have also seen that in India there is a recent trend of a growing mutual fund participation. The area that has not been thoroughly investigated and where the proposed study will make a contribution is that of direct comparative analysis of the two major channels - the banks vs. mutual funds - in the mobilization of household savings. Not many studies have directly compared the effectiveness and influence of such channels. In addition, since the increase in household investments in mutual funds (and this is particularly recent after 2016), academic research is yet to keep pace with the latter. The following section of this proposal will establish the gap and the reason behind a comparative study of the Indian context within the past ten years..

Research Gap and Rationale

Although increasing literature on household finance in India has been researched, there is a research gap in understanding the two entities, banks and mutual funds, in a comprehensive understanding as a conduit of household savings. A majority of the previous researches examine aggregate saving patterns or individual investment decision-making in isolation, and not explicitly compare the way the banking system and mutual fund industry transfer savings into the overall financial market. The conventional thinking about the financial system in India has been bank-based - households save in banks, and the banks use the savings in the form of loans to stimulate the economy. In the meantime, the investments in mutual funds were comparatively small and therefore received less academic attention than industry news. Nonetheless, with the onset of the past decade, household involvement in mutual funds and equity markets has increased as never before as indicated in the literature review. Such revision of the structure demands a comparative analysis. The gap in the research is the consequences of this change: How do banks and mutual funds vary in terms of mobilizing household savings? Do mutual funds have the effect of simply

taking savings that would otherwise be deposited in a bank or do they actually encourage people to save more since the returns are higher? And what is the implication in the alternating ratio between the bank deposits and mutual fund investments to the development and stability of financial markets in India? These are the questions that current studies have not managed to address satisfactorily.

The reason behind the proposed study can thus be made on academic grounds and practical urgency. Comparatively, the discussion of the banks and mutual funds as financial intermediaries will help in the academic field to expand knowledge on the changing financial architecture in India. It adds to the greater theoretical discussion on whether to have a bank-based or a market-based system of finance by a developing economy going through rapid transition. Comparing the two channels, we can assess, e.g., whether the emergence of mutual funds can be seen as a kind of financial disintermediation (i.e. households circumventing banks to invest in markets directly) or as a complementary process that complements banks. This may illuminate the financial intermediation and portfolio choice theories with the limitations of emerging markets (Allen and Santomero, 2001; Badarinza et al., 2016). In the policy and practical sense, the study comes at the right time as the regulators in India are much interested in the way that household savings are invested. Reserve Bank of India (RBI) and Securities and Exchange board of India (SEBI) policymakers must know whether the increased popularity of mutual funds has any effect on the availability of credit in the economy - e.g., a slow increase in bank deposits may limit the lending capacity of banks to other areas of the economy such as small enterprises. Even recent experience indicates that a reduction in the rate of household deposits has been accompanied by a lower growth rate in some forms of bank credit. On the other hand, more infusion of savings into mutual funds may enrich capital markets, enhance liquidity and can even make capital cheaper to businesses and the government, which is a good aspect with relation to economic growth. Evidence-based thinking is the only way to find a balance between these effects.

Also, the time frame (2015-2025) includes major events and tendencies - the demonetization of 2016, that temporarily transferred the money in cash to banks and potentially financial assets; the utilization of tax incentives and regulatory modifications in the mutual funds; the years of the COVID-19 pandemic that influenced the saving and investing behavior; the general booming equity market that started in 2014. These aspects offer a natural experiment environment alone, where the allocation can be tracked at the household level. The point is that when studying ten years of data surrounding these events, it is possible to distinguish the structural change between the cyclical or one-off changes. Last but not the least is the social justification: a people-friendly financiers can inform the household savers about how various channels of finance can support their household and financial welfare. Unless, by chance, mutual funds are discovered to be more effective in disposing the savings in productive investments that yield higher returns to the households, the policy of promoting wider access to the mutual funds (controlling risks) may be justified. On the other hand, when it is discovered that banks are too essential in some of their segments (e.g. rural or low-income household who take advantage of the safety nets of banks), then it becomes essential that the banking channels are sound. Simply put, the gap in the research - the absence of a dedicated comparative assessment - and the reason - the high stakes of receiving household savings allocation right to ensure the growth and stability of India is the compelling argument in favor of the given research. This proposal is then followed by the given objectives and hypotheses that will fill this gap.

Objectives of the Study

The main objective of the study is to strictly compare the functions of banks and the mutual funds to fru-

strate household savings into the financial markets in India over the last decade (2015-2025). This general objective can be stated in terms of a number of specific objectives. To begin with, the study attempts to measure and compare the amount of household savings transferred through the banks with the amount of savings transferred to mutual funds. This is done by gauging changes in such indices like the amount of household bank deposits and the amount of household investments in mutual funds (i.e. assets under management with a retail investor) over the ten years. The study will give a definite image of the shifting situation of household financial asset allocation by developing how the amounts have altered in comparison to one another and in association with overall household savings. Secondly, the research will attempt to assess the variables affecting the distribution of savings of households between banks and mutual funds. This goal acknowledges that the trends observed can be due to specific determinants - macroeconomic determinants (such as interest rate differences between deposit rates and market returns or inflation), policy interventions (such as tax advantages on the investment in some of the mutual funds or banking regulations) or behavioral determinants (such as risk appetite, financial literacy of households). The study will focus on examining the relationship between these factors and the changes in saving towards either of the two channels or as predictors of these changes. It will, e.g., discuss the question whether time spells at low bank deposit interest rates are associated with increased mutual fund inflows, or whether an increased stock market performance (or volatility) can be discernibly shifted in household behavior. Thirdly, the research will observe the consequences the savings allocation will have on the larger financial market and economy. This involves measuring the results like the rate of credit growth in the banking sector and liquidity/depth in capital markets. Comparing these implications we solve the question regarding the more effective channel of transforming savings into productive investment. As an example, one sub-objective is to examine whether the increase in mutual fund investments has had any impact on the lending of banks to the real economy (possibly by weakening the price of their deposit base) or whether the flows in mutual funds have been due to new or unutilized savings. The other sub-objective is to determine whether households have benefited in terms of returns: how do returns on mutual fund will compare in terms of bank deposit interest over the decade, holding risk constant?

To summarize, the research questions are: (1) Descriptive Comparison - to capture the comparative magnitude and the growth of household savings channeled by banks in contrast to the mutual funds in the period 2015-2025; (2) Determinants Analysis - to identify and analyze the key determinants (economic and behavioral) of households using these two channel options; and (3) Impact Evaluation - to comprehend the effects of the two channels in the financial market, including household benefits. By completing these goals, the existing knowledge gap will be satisfied as a comprehensive evaluation of both banks and mutual funds will be provided as opposed to their evaluation as single entities. All these aims will be achieved by purposeful analyses outlined in the Methodology that will help create a future picture of the relative effectiveness and contribution of the banks and mutual funds in organizing the savings of the Indian households..

Hypotheses

According to the background and literature, the research makes a number of testable hypotheses on behaviour and effects of household savings that flows through banks and mutual funds in India over the past 10 years. H1 (Channel Share Hypothesis): The composition of household financial savings has undergone a significant change towards mutual funds as compared to bank deposits between 2015-2025. That is, it is assumed that the relative household savings into mutual funds will have grown significantly,

such that mutual funds become a more quantitatively significant channel in 2025 than it was ten years ago, whereas the mutual funds through banks (deposits) will have seen their corresponding decrease. To test this hypothesis, time-series data on household assets in mutual funds and bank deposits will be investigated to determine whether the trends are statistically significant and not only by mere chance variations. H2 (Return Differential Hypothesis): The return difference between households allocating to mutual funds and bank deposits has a strong impact on the allocation between these two sources. In particular, it is theorized that when real interest rates on deposit by banks are lower (or when spreads between bank deposits and equity market returns are less) and when returns of equity markets are higher, the household invests more in mutual funds. This means that there is negative correlation between the deposit rates of banks and the inflows of mutual funds and a positive correlation between the stock market performance (or returns of mutual funds) and the inflows of the mutual funds. The justification is that the households re-balance their portfolios according to the incentives: when the returns in the bank are not attractive and the performance of the stock markets is good, more savings would be diverted to the mutual funds. H3 (Household Traits Hypothesis): There is some demographic/socio-economic traits (e.g., income level, urbanization, and financial literacy) that can explain higher propensity to invest in mutual funds compared to savings deposits in banks. Though this is more difficult to test at the aggregate level, the hypothesis can be tested by proxy, such as by regressing the increase in financial literacy of states or time periods that have increased the amount of assets mutual funds invest to the increase in the size of mutual funds, or simply by any available survey data about household investors. As per possibility, this hypothesis will be supplemented by secondary survey data (i.e. All India Debt and Investment Survey or SEBI investor surveys) to determine whether, e.g. Income groups moving more into mutual funds than others did do so. H4 (Economic Impact Hypothesis): The movement of household savings in the mutual funds have not had a negative impact on funds that the banks can lend and may have positive impacts on the development of the capital market. This hypothesis can be divided into two: (a) that the decline in bank deposit growth through household preference to mutual funds is offset by other sources of funds or is so small that it does not significantly limit the credit expansion of a bank (i.e., the banks have funded its credit expansion through other means, or stock market liquidity has been increased by the inflow of mutual funds), and (b) that an increment in mutual fund flows has contributed to better stock market liquidity and facilitated the flow of more funds into corporate investment (e.g. by providing greater capital raising via equities issues). To test this hypothesis, it will be necessary to analyse trends in bank credit/GDP v.s. deposit trends, and trends in capital market indicators such as new capital issuance or market turnover with respect to mutual fund AUM growth.

The hypotheses will be tested empirically during the study. They have been designed to directly focus on the objectives: H1 is associated with the descriptive comparison of channels H2 and H3 are associated with knowing determinants of household choice and H4 is associated with the general implications. It can be analyzed in a subtle manner due to the utilization of various hypotheses: validation of H1 would determine the observed trend on a quantitative level; validation of H2 and H3 would provide insight into causative factors concerning the observed trend; validation of H4 would elaborate on the impacts of the trend. The combination of the acceptance or rejection of these hypotheses will together provide evidence that will answer the main question, which is how banks vs. mutual funds are different in the direction of channeling and utilizing the household savings.

Materials and Methods

To fulfill the set objectives, the research design that will be utilized in the study will be a quantitative research design that makes use of secondary sources of data, and subsequently be supplemented with econometric research. The study will be based on publicly available and official data to build the indicators of household savings that are deposited at banks and mutual funds. The information about significant variables on household savings in bank deposits will be acquired using the Reserve Bank of India (RBI) databases and publications. The annual reports of the RBI and the Handbook of Statistics on the Indian Economy contain time series information on aggregate bank deposits (aggregating deposits of the household sector) and other corresponding variables such as the bank deposit interest rates. In the same way, the information about household investment in mutual funds will be received on the reports of the Association of mutual funds in India (AMFI) and Securities and exchange board of India (SEBI). The statistics of Assets Under Management (AUM) of the mutual fund business are published by AMFI and in most instances disaggregate the composition of the investors (e.g., retail versus institutional, and by geography or income brackets in some surveys). Where feasible we shall pull out the mutual fund AUM that can be said to belong to household (retail) investors. Other secondary data will consist of the Ministry of Statistics and Programme Implementation (to obtain data about household savings to the National Accounts), and sources like the IMF or the World Bank (to get data on the same comparative data). All data will be in the approximate past decade (2014-15 -2024-25) with an annual frequency as a baseline. Higher frequency data (quarterly (deposits) or monthly net inflows into mutual funds of AMFI) will be utilized to add additional data to the analysis in case available and relevant and will enable more observations to be statistically tested.

Regarding the methodological approach, the analysis will be done in a number of steps relative to the objectives. To begin with, there will be a descriptive analysis of trends. We shall build the time series of the main variables, total household bank deposits (and the proportion of total household financial resources), total household investments/AUM in mutual funds (and share), and other variables, e.g., household holdings in other financial instruments (to put it into perspective). The trend break or acceleration of the mutual fund uptake will be pictured by the use of graphs and time-series plots in comparison with the bank deposits. To be able to statistically prove that there was a significant increase in the mutual fund share, we will formally test H1 by performing a structural break analysis or difference-in-trend test around the mid-2010s. The research will also estimate growth rates (CAGR) of the household sector bank deposits and mutual fund AUM growth rates over a period of 10 years in order to measure the difference. Second, as the determinants need to be analyzed to address H2 and partially H3, the regression analysis will be used. The relationship between the share of savings in mutual funds (dependent variable, perhaps measured as mutual fund AUM/sum of AUM and bank deposits as a proxy of mutual fund equity performance) and explanatory variables of the real interest rate on bank deposits, equity market returns (annual Nifty or Sensex returns as a proxy of mutual fund equity performance), and macroeconomic controls (inflation, income growth) will be estimated using a time-series regression or ARDL (Auto-Regressive Distributed Lag) model. We can also add in dummy variables of big policy interventions (e.g. a dummy of post-demonetisation period, introduction of long-term capital gains tax changes in 2018 etc) to adjust to structural changes. Since the data are annual (only 10 observations), we are likely to employ a larger dataset (possibly quarterly data at least on some variables, and this would result in a statistical power of approximately 40 observations), to raise the statistical power. To be able to make valid inferences, econometric diagnostics (stationarity tests in the presence of time series, cointegration tests)

will be conducted. The regression coefficients will indicate the validity of the postulated relations (H2) - e.g., the coefficient on the interest rate of bank deposits is significantly negative in the determination of share in mutual funds would underpin the hypothesis that, the low bank returns drives households to mutual funds. In case of H3 about household features, a study will be based on secondary micro-data in case it is available. One such method is to rely on the periodic Consumer Pyramids Survey (by CMIE) or the Decadal All-India Survey of debt and investment to look at cross-sectional trends: e.g. correlation between state level literacy/income and mutual fund penetration. In the case that this data is available, cross-sectional regression or correlation analysis will be performed, otherwise H3 will be discussed qualitatively by synthesizing the results of the literature (e.g., Rampal and Biswas, 2022, investigated low-income households) as a part of our analysis.

Third, to resolve the influence on financial markets (H4), the methodology will be based on the data analysis with inferential tests. We shall look at results of the banking sector such as credit expansion to the private sector or sectoral credit allocation against deposit expansion changes. To determine whether there is an apparent substitution effect, an econometric test may be a Granger causality test on whether the growth of mutual fund investment Granger-causes a change in the growth in bank deposits or the other way round. We will also examine capital market indicators: e.g. regression or correlation of mutual fund net inflows with equity market liquidity measures (turnover ratio, volatility) or IPOs and new debt issues (because increasing mutual fund AUM may also enable increased primary market issues, in particular, corporate issue or equity issue). In the event that data is available, a vector autoregression (VAR) model might be used to provide dynamic effects amongst household mutual fund flows, bank deposits, bank credit and market indices. Nevertheless, a more straightforward method can be considered based on the scope of the proposed proposal: paralleling the periods of significant mutual fund inflows with the alterations in the growth of bank credit, and t-tests to determine whether the mean of credit growth differs significantly between the periods (i.e., the mean credit growth before and after 2015). In these analyses, typical statistical programs (like R or Stata) will be applied. The information will be verified on the basis of reliability and consistency; when various sources provide similar indicators (e.g., household financial savings in national accounts and sum of components in RBI), we will balance the definitions to retain the accuracy. Any models will be defined using robustness in mind, and alternative measures (e.g. mutual fund folio counts as an alternative to participation, real deposit growth instead of nominal) may be tried. Although the study will be quantitative in its essence, the investigation will hold a qualitative approach in the interpretation of findings. This may include referring to secondary qualitative data, e.g., Financial Stability Reports provided by RBI or qualitative surveys of investors to add to the figures. In case it is possible within the resources of the project, some expert interviews might be carried out (such as with bank officials or mutual fund managers) in order to obtain information about the recent behavior of households as investors; but these qualitative inputs would not be used as primary data, but rather as information to contextualize and supplement the quantitative data. The focus is the objective analysis of the secondary data to make evidence-based conclusions. The decision to use the mixed-methods lens (quantitative analysis of data and qualitative interpretation of its trends) will be used to ensure the results have a sense to them and are based on the real-world nuances. By the completion of the Materials and Methods stage, the project will have created a dataset and an analytical framework that will be able to test the hypotheses mentioned above rigorously. It gives the assurance that the research is possible: the necessary data can be obtained through reliable sources, and the methods of analysis (trend analysis,

regressions, and so on) are not new in the sphere of financial economics, which means that the research will be completed in line with the suggested deadlines.

Work Plan and Timeline

It is intended that this research project should be implemented within a time frame of about 12 to 18 months, which is an adequate time in a detailed academic research of this magnitude. To have systematic progress, the work plan is divided into consecutive stages with certain tasks and milestones. The first month (Months 1-3): the first month will be devoted to groundwork and data acquisition. This will involve undertaking extensive literature review (on top of what is presented here but we will do so that will ensure that all the current studies are covered in the study) and polishing the conceptual framework of the study. At the same time, the researcher will locate, obtain and gather the required secondary data. This implies downloading and data structuring of historical data of RBI databases (the monthly bulletins of the deposits amount, or the RBI Data Warehouse), obtaining the mutual fund statistics of the official releases of AMFI and the SEBI publications, and acquiring the macroeconomic time series data (interest rates, stock market index, GDP, and so on) of such sources as the RBI or the World Bank. At the end of month 3, the target is to have a clean and merged dataset to analyse, and a completed set of variables and definitions (e.g. how the variable of household mutual fund investment actually gets measured).

The heavy heavy lifting, identified in the methodology, will be the analysis phase (Months 4-9). Months 4-5 Preliminary analysis, descriptive statistics will be created. The researcher will come up with trend charts and summary tables to be visualized in terms of trends of household savings in banks and mutual funds. This will also include calculation of any derived metrics (i.e. share of household savings via each channel). Month 6: The regression models of testing hypothesis H2 and H4 will be defined and estimated. It is presumed that a process of model refinement will be iterative - i.e. in case preliminary results reveal autocorrelation or other problems, the model will be modified (e.g. by introducing lags or altering functional forms). Months 7-8: further analysis (VAR or some other tests (structural break tests, Granger causality tests, etc.) will be performed to supplement the results. In case any micro-data or cross-sectional analysis (associated with H3) is to be performed, they will be done during this window, which is likely to involve more data wrangling and statistical testing (perhaps probit/logit models should individual household-level data in surveys be used). During this stage, the researcher will also be verifying results by triangulating other sources of data or informing peers in the academic community - such as whether a decline in the share of deposits is an artifact of a change in definition by RBI, or whether mutual fund data is properly reflecting a change in valuation as opposed to net inflows. At the expense of Month 9, it is hoped to have a few core outcomes that are in response to the hypotheses.

The month of 10-12 (writing and synthesis phase) will entail the interpretation of the findings and their compilation into the format of the research outputs. During Month 10 the researcher will combine the findings with the literature, and determine which findings confirm, contradict, or provide insight to the already known information. Surprising or ambiguous results will be given special consideration and the possible causes could be looked at (e.g. in the case where the data depict an anomaly in a given year, that will be researched within the context of any unusual occurrences in that year). This will be the time when the structure of the final report or thesis will be drafted according to the necessary sections (introduction, literature review, methodology, results, discussion, conclusions). The eleventh and twelfth months will be allocated to the full-fledged writing of the research report and the development of the necessary figures and tables to be used during its presentation. The hypotheses and objectives provided will be used to

structure the results section in a logical manner. This time is also devoted to feedback and revisions: e.g., one can submit a draft to a supervisor or have a peer review and add comments. In case the study will be submitted to a funding agency or as a dissertation topic, a domestic presentation or seminar can be planned during Month 12 where provisional research findings will be presented to the colleagues, and this will usually give new insights and ideas prior to the finalization.

Additional buffer time (Months 13-15) can be taken up depending on whether the project is more of 12 months analysis time or 18 months analysis time, in case of any analysis time extension or data issues that were not expected. As an illustration, when there are new data about FY2026 available at the time when the project is made, the researcher may opt to extend the analysis to cover the new data and a year later. Any qualitative follow-up would also necessitate the use of buffer time provided there is need to do such qualitative follow-up (such as brief interviews as mentioned, to place findings in context). Lastly, the final deliverables will be ready by Month 15 or 18 (depending on the term of the funds) either the complete research proposal (in case it is a preparatory step) or the entire research dissertation/paper. In both instances, the final stage will be to carefully proofread to, among other things, ensure that the reference list is finished and formatted correctly (as we intend to do with APA 7th style in this proposal) and that all analysis code and information are stored as required by norms of reproducibility. The product will consist of a complete research report and a potential policy brief to extend the main findings to the wider stakeholders such as financial regulators or the involved institutions. The timeline is made realistic and in a way to prove feasibility - each task will be given ample time, and critical dependencies (such as having data ready before analysis, or analysis done before writing) are considered. Since the project is secondary-data based, there is no expected delay regarding primary data collection and the schedule will mostly be assigned to the effective management of data and analysis task by the researcher.

Expected Outcomes

The research objectives will be in line with the expected results of the research which will be expected to add value in the financial behavior of the Indian households. A quantitative record of the change in the household savings behavior is one of the anticipated results: the research is likely to validate that mutual funds have become not only a small factor but also a large source of household savings during the 2015-2025 years, whereas the share of bank deposits has decreased. As an example, the initial trends already indicate that the share in household financial assets of mutual funds has increased several times over the past ten years, and our analysis will quantify this trend in exact numbers and will challenge its relevance. This will be a useful outcome in itself as an empirical usefulness to policy makers and researchers of the extent to which, and how fast, the process of financialization of household savings has gone in India.

The other expected result is the recognition of drivers of this shift. We also anticipate supporting the hypothesis that the low interest rates on bank deposits and an increase in capital market returns led households to mutual funds. Specifically, the regression analysis can indicate, say, that the one percentage point fall in real deposit interest rates can be related to a significant rise in mutual fund investment as a fraction of savings, other factors being equal. Our expected corroboration of the role of financial awareness, too, is that it cannot be directly measured in the aggregate data, but that, again based on the interpretation of auxiliary survey data or literature, increasing financial literacy and intensive marketing of the mutual funds (including the widespread adoption of SIP - systematic investment plan -) will be identified as a qualitative determinant of the trend. Regarding demographical factors, we will make assumptions in the study that the urban middle-class group has been at the vanguard of the shift (or at least

that we can infer this to be true). Assuming that micro-level data is examined, the result can clearly indicate that the more educated or high-income groups of households placed more decisions in mutual fund holdings comparatively than otherwise, which proves the influence of socio-economic factors in the allocation decision.

There are certain subtle expectations as far as testing the impact-related hypotheses are concerned. We anticipate that the net impact on the banking sector, although noticeable, is not disabling that is, despite the fact that the rate at which households contribute to bank deposits may have increased, the banks have hitherto been able to keep the credit growth steady by infusing it with other sources or due to the transition in the structure of credit demand by the economy. Nevertheless, we also expect some indications of strain or adaptation: e.g. banks might have been forced to depend more on wholesale deposits or market borrowings to finance loans as retail deposit growth declined, or smaller banks might be more affected by the loss of household deposits. On mutual fund side, it is expected that there will be evidence that the mutual fund inflows have introduced a new dimension to capital markets. Our positive relationship may be between investment in mutual funds and variables such as market capitalization or trading volume which implies that foreign investors have been partly offset by domestic household money because of their volatility. In addition, analyzing the data around volatility episodes we may discover that the inflows in mutual funds domestically were a stabilizing force in the equity market (which has been proposed anecdotally over the last years and our analysis can support this empirically).

On the household side, one of the most important expected results is an evaluation of returns and risks: we expect that households who transferred savings to mutual funds would have experienced more returns on their dollars over the ten years in mutual funds than they would have experienced in bank deposits due to the high performance of equity markets in the decade. This will probably be measured in the study by comparing the performance of the average annual returns as an index - e.g. equity mutual funds returned X% per annum and the rate on bank deposits of Y% - showing the amount that can be earned by savers. Nevertheless, it will also cover volatility and risk taken; one of the results is whether more people in the market have been subjected to greater short-term risk (as with the market crash in March 2020 as a result of COVID-19, mutual fund investors would have been affected, but bank depositors would not), or not. We will put this into perspective by observing whether or not households did not reduce spending during recessions (signifying increased risk-taking or positive communication about long-term gains).

Lastly, as far as the scholarly output is concerned, a conclusion and recommendations based on the findings would be expected. It is not surprising that the research will end up with a conclusion as to the more efficient of the banks or mutual funds in terms of channelling savings into investments (or some combination of both). The result may be that mutual funds are more closely associated with productive investment (because they fund corporate expansion through equity/debt markets), and banks are necessary in some sectors (such as SMEs or infrastructure lending that is not easily available in the markets). The result of this may be a suggestion that India should move on to develop both of these channels in a complementary manner - e.g. promote mutual fund penetration as a way of wealth creation, and reinforce banking as a way of providing credit. In case the research results show signs of any adverse side-effects, such as banks failing to draw deposits in, there may be a change in policy recommendation such as the provision of flexible savings products by banks or enhanced deposit rates to be competitive or vice-versa, an asset management through banks to be developed by banks. In the case, however, that the results reveal a healthy synergy (with households using both channels well to meet various needs), the result of that should point to that as a model of balanced financial development.

Essentially, the anticipated results include empirical findings (data driven understanding of trends and relationship) and interpretative findings (what the trends imply about theory and policy). We expect the findings to confirm the primary hypothesis that mutual funds have emerged as an important channel of household savings in India, and does not entirely supplant the conventional banking channel. This moderate perception will help the players involved to value the changing role of every channel. The results will be very closely traced to the hypotheses: the hypothesis will be proved or disproved by the evidence, and the conclusion will be presented in the final report. The acquired knowledge will not only occupy the gap in the literature indicated, but also act as a guideline on the policies of the financial sector, which is why this research is especially valuable.

Significance of the Study

The importance of this study can be considered in a variety of ways: theoretical, policy, and practical contribution to the financial stakeholders. Academically, the study will be valuable addition to the body of research on financial intermediation and household finance as it will undergo a fine-tuning comparative analysis on two important household savings mobilization mechanisms. Although the financial economics has richly studied the banking industry and on a different note, the emergence of capital markets, almost no current studies exist that compares the two as faced by a rapidly developing economy. The target of the study, which will involve concentrating on India over a decade of change, will test and sheer the hypotheses on how financial systems change - e.g., whether more household participation in the financial system is a transition to a more market-based system, or merely an enlargement of the financial opportunity set in the bank-dominated system. This may be used to inform both theoretical models of household portfolio choice under constraints (such as limited trust or information) and models of intermediation, which use both bank and market channels. Moreover, the study will add to the body of empirical evidence concerning household finance around the world, where global comparative studies (including Badarlnza, Campbell and Ramadorai, 2016, who focused on international household finance variations) are currently complemented by in-depth Indian data. It will also give more recent data after 2015 and this is important since most of the previous research on Indian household saving (such as that of Athukorala and Sen or even that as recent as 2010) did not reflect the astonishing changes. Therefore, the research makes sure that scholarly knowledge is maintained in tune with the contemporary reality.

It is very important as policy. Direct implications of the findings to the strategies of central bank and securities regulators will be obtained. In the case of the RBI, monetary policy and banking regulation requires the knowledge of how the households use their savings. Should, say, the study establish that a significant segment of incremental household savings is going past the banks to mutual funds, the RBI may need to reconsider the way the banks are competing to deposit funds (this may involve relaxation of interest rate controls or imposing new types of savings) to guarantee they do not have sufficient stable reserves. It also has an influence on the perception of the transmission of monetary policy by the RBI: in the traditional understanding of transmission, bank deposits and lending would be viewed as the main channel, whereas in the case where more savings are invested in to mutual funds, the channel of transmission through the asset prices and market channels would play a more central role. To SEBI and policymakers working on capital markets, the findings will also draw the areas that will enhance investor protection and education. The marked increase in first time type investor in mutual funds (as our study will capture) is a cause of serious regulation of mutual fund, disclosure, and maybe incentives to ensure that retail investors are investing in appropriate products (because these are risky). The analysis may also

indicate policy wins, such as whether the data indicate that some of the reforms or campaigns were accompanied by better household investment behavior, which makes such efforts worthwhile. In addition, the comparative lens may enlighten balanced growth: the policymakers would not wish either channel to fall behind miserably. In case the research concludes that the growth of the mutual funds has been heavily concentrated in cities, this may lead to the action of intensifying the outreach in semi-urban and rural regions (perhaps through India Post or banking correspondents cooperating with mutual funds). On the other hand, when it is the banks losing ground, there can be policies that encourage banks to become innovative (perhaps by itself coming up with products tied to the market, or using their distribution system to market mutual fund products, in effect transforming the possible competition to cooperation).

The study is also practical to the financial industry and households. The insights would enable the banks and asset management companies to learn about their customer base and what drives customer preferences. An example would be where the research determines interest rates levels or triggering positions at which the savers will transfer money to mutual funds, the banks will apply such information in product planning (to lower deposit rates or create hybrid products accordingly). It is more accurately the demographic changes that mutual fund companies can understand - as we discover that younger households are being far more represented in the mutual funds boom, then companies can target them with relevant products (such as higher equity exposure by the young investor, or SIPs that reflect monthly income trends). To households and financial advisors, the outcomes of the study might be instructive: the information about the advantages and disadvantages that have been seen over the last decade of investment would help inform future financial planning. The evidence on returns may prompt more households to think about investing with diversification in the long term using the mutual funds, and the evidence on any volatility or liquidity issues may alert them that they should hold a part of their savings in safer bank deposits. In essence, the research highlights the need to have a balanced saving strategy - an aspect that would be included in financial literacy programs.

Finally, the research can be called important due to the size of the Indian economy and population. Having more than a billion population and a high rate of saving as part of their culture, how this savings are directed can either affect the well being of the individual or the economy at large. The study answers one of the key questions of sustainable economic growth: are we channeling resources in the most productive manner by illuminating the relative efficiency of banks and mutual funds in bringing these huge pools of savings together? Providing that savings are invested in corporate investment to create jobs and incomes Tyco is likely to improve economic growth; providing that banks invest savings in infrastructure and priority sectors is a guarantee of an inclusive development - the best case scenario is to have both sufficient savings to invest in both. Our results might therefore be useful in providing strategies that are likely to reap the greatest benefits of household savings. Also, since the Indian experience could be used as a model in other developing economies (many of which are bank-centered and are currently attempting to increase the involvement of the capital market), the research is not only relevant to one country. It is able to provide lessons and warning stories to policy makers in related economies of what to anticipate when the household starts to change their saving behavior.

To sum up, the suggested study has a relevance in a variety of ways. It will enhance the body of academic knowledge as it will fill a gap in the body of comparative financial intermediation research, provide policymakers with timely information so that reforms of the financial sector are appropriately calibrated, and help the industry and households to make informed decisions. The novelty and need of the research can be observed due to the fast-evolving situation in the sphere of household finance in India. In the

analysis of the data, which will be done rigorously, the research will make sure that the conclusions made are credible and actionable by basing its work on the existing literature. This is important because it will assist in making sure that Indian household savings, which are the fruits of their labor and the seed of their future, are directed in a manner safe, efficient, and conducive both to the individual financial health and to the national prosperity.

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