MUTUAL FUND INDUSTRY OF INDIA IN PRESENT SCENERIO

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ABSTRACT

The Fluctuations and uncertainty in the stock markets is a global phenomenon. The ever changing stock markets across the globe have always fuelled jitters among the investors, particularly among the small and medium investors. As a result of this, Mutual fund has emerged as a potential investment option for various categories of investors. Past studies and reports of the fund houses have clearly shown the upward movement in the growth trend of Indian mutual fund industry. A large number of schemes have been launched by the fund houses to cater the need of investors. The Present study focus on the rising investments Trends in Mutual Fund industry in India. Study reveals that a no. of companies are working in Mutual Fund industry in India in present time and Assets under Management (investments) of these Mutual Funds industry is rapidly increasing. The research depicts investments flows in various categories like Equity, Debt.ETF etc. Helped by growing interest from retail investors and aggressive buying of stocks, the mutual fund industry grew at a rapid pace in 2016 with the addition of almost Rs 4 lakh crores, or 28%, to its asset base and is looking to cross Rs 20 lakh crore-mark in the beginning of 2017 Mutual fund industry had already attained a record asset under management (AUM) of Rs 16.5 lakh crores in November 2016.

The data used for this study is secondary data and collected from various sources like various Research papers, journals, Newspaper articles and database of AMFI, SEBI. In the end of study, we concludes with that Mutual fund sectors are one of the fastest growing sectors in Indian economy that have potential for sustained future growth. The innovative marketing strategies of mutual fund companies in India are influencing the retail investors to invest their surplus funds in different types of schemes.

KEYWORDS: - *Mutual Fund, Investors, Investment, Stock Market, Demonetization,*

1.INTRODUCTION

With progressive liberalization of economic policies since 1991, there has been a rapid growth of Indian financial market which comprises of capital market, money market and financial services Consistent with this evolution of the financial sector, Indian financial market presents a plethora of avenues to the investors. In this way, the mutual fund industry has also come to occupy an important place. The Mutual Fund Industry is a fastest growing sector of the Indian Financial Markets. They have become major vehicle for mobilization of savings, especially from the small and household savers for investment in the capital market. MF industries have already entered into a world of exciting innovative products. These products are now tailor made to suit specific needs of investors. Intensified competition and involvement of private players in the race of MFs have forced professional managers to bring innovation in mutual funds. Thus, mutual funds industry has moved from offering a handful of schemes like equity, debt or balanced funds to liquid, money market, sector specific funds, index funds and gilt edged funds.

1.1 CONCEPTUAL FRAMEWORK

A mutual fund is a trust that pools together the savings of the investors who share a common financial goal and invest in capital market instruments like shares, debentures, and other securities. It is a type of investment, takes money from investors and makes investments based on a pre-determined investment objective. In mutual funds, investors can invest their savings directly or also through a professional financial advisor. The income earned through these investments and the capital appreciations realized are shared by its unit's holder in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed.

1.2 GROWTH OF MUTUAL FUND INDUSTRY

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The year 1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and LIC and GIC. SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund ,Punjab National Bank Mutual Fund Indian Bank Mutual Fund , Bank of Baroda Mutual Fund . LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

2. OBJECTIVES OF STUDY

- To analyses the Growth of Asset Under Management in Mutual Fund Industry .
- To analyses the growth of AUM across various parameters such as Product Category.
- To make study about Leading Mutual Fund Houses in India and their rank-wise comparison between the year 2015-2016.

2.1 REVIEW OF LITERATURE

Agarwal (1) analyzed the Indian Mutual Fund Industry and point out that there has been incredible growth in the mutual fund industry in India, attracting large investments from domestic and foreign investors. Tremendous increase in number of AMCs providing ample of opportunity to the investors in the form of safety, hedging, arbitrage, limited risk with better returns than any other long-term securities has resulted in attracting more investors towards mutual fund investments.

Gupta (2) in his study examined the growth and development of the mutual fund industry in India during the period 1987 to September 1999. The study revealed that mutual fund industry witnessed major growth in terms of investible funds, number of mutual fund schemes, investor base and range of products offered to the investors.

Ramamurthy and Reddy (3) conducted a study to analyze recent trends in Indian mutual fund industry. They concluded that major benefits delivered to small investors by mutual funds are professional management, diversification of investment; return potential, expedient administration, liquidity, transparency, affordability, flexibility, wide choice and appropriate regulation.

Viramgami (4) in his study of resources mobilization by Indian mutual fund industry concluded that Income schemes, Liquid/MM schemes, Growth schemes showed growth between March 2000 to March 2007. In terms of resources mobilization, liquid/money market, Growth, ELSS and Income funds emerged as the most popular schemes among investors and these three accounted for more than 70 per cent of the resources. Among various sectors operating in mutual fund industry, private sector mutual funds were the most prominent players in the industry.

2.2 RESEARCH METHODOLOGY

- Secondary data is used for this study, which is gathered from various sources like Research papers, journals, News articles, websites of AMFI, websites of SEBI, Publications of various Mutual Fund organisations.
- Tables are used in the study to analyses and interpret the data in such a way that it may help to achieve the objectives of the study.

3. DATA ANALYSIS

Growth of Asset Under Management of Indian Mutual fund Industry

YEAR	AUM (in lakhs)
2001	9058706
2002	1005941
2003	7946400
2004	13961603
2005	23186207
2006	32638850
2007	50515200
2008	41730068
2009	61397987
2010	70125840
2011	66479202
2012	67093099
2013	82319526
2014	91079508
2015	119477358

2016	135344347

Source: www.amfiindia.com **Table- 1**

Analysis of table

Above TABLE 1 indicates, in year 2001 assets mobilized through mutual funds was 90,58706 lakhs and in the year 2012 assets mobilized was increased to 67093099 lakhs. The Indian mutual fund industry is undergoing a metamorphosis, which inadvertently marks a point of inflection for the market participants. AUM grows during this time period almost of 8 times. Although in the year 2008, there is heavy decline in AUM due to financial crises.

But, In the year 2014, due to change in government and rise in expectations of people leads to sudden growth in capital market. A parallel growth was also observed in the Indian mutual fund industry. Over the last 3 year, the AUM of Indian mutual fund industry grew from 91079508 lakhs to 135344347 lakhs showing a impressive growth throughout the period .

3.1 AUM Composition by Product Category (₹ in Lakh)

Product Category	2011	2012	2013	2014	2015	2016
Liquid/Money market	74699.86	80048.58	93173.09	133279.9	162562.4	27745591.13
Gilt	3507.28	3659.59	8074.19	6114.68	14614.43	353447.43
Debt Oriented	294217.4	291067.08	396787.8	460974.7	516951.1	60904956.17
Equity Oriented	197562.8	182403	172651.8	191683.9	345138.9	42633469.30
Balanced	17552.4	16455.98	16629.28	16792.62	26367.83	657468.25
ETFs	4400.2	9886.06	11647.82	8676.32	6654.87	342528.22

Source: Calculated data from www.amfiindia.com **Table-2**

Analysis of table

Indian stock markets have experienced inconsistent returns in the recent past. Higher inflation and inconsistent economic growth had worried the retail investor about assured returns (Paul & Garodia,2012). In such a scenario, the investor diverted their funds from the equity market to liquid/money market and debt. AUMs in debt and liquid money market funds have seen tremendous increase in FY14-FY16 due to the anticipation of RBI rate cuts and desire for investors to seek a fixed return. Equity oriented products have gained most traction in terms of absolute net new money, with an absolute increase indicating a clear shift in investor interest inequity in recent times.

Assets managed by the Indian mutual fund industry have grown from Rs. 13.49 trillion in December 2015 to Rs. 17.06 trillion in December 2016. That represents a 26% growth in assets over December 2015. The proportionate share of equity-oriented schemes is now 30.9% of the industry's assets in December 2016, down from 32.5% in December 2015.

The proportionate share of debt-oriented schemes is 46.7% of industry assets in December 2016, up from 43.3% in December 2015.

3.2 Market Share of Leading Mutual Fund

Fund House	AUM (2015) in lakhs	AUM (2016) in lakhs	Rank (2015)	Rank (2016)	Percentage (%) of total AUM
HDFC Mutual Fund	16163414.98	17577900.60	1	2	12.549
ICICI Prudential Mutual Fund	14855895.06	17588086.00	2	1	13.595
Reliance Mutual Fund	13712383.95	15840844.46	3	3	11.537
Birla Sun Life Mutual Fund	11975165.76	13650341.34	4	4	10.02
UTI Mutual Fund	9275061.17	10630900.37	5	6	7.801
SBI Mutual Fund	7494200.46	10678077.00	6	5	6.506
Others	45392910.8	49378260	7	7	39.03
Total	118869032	135344408			100

Source: www.amfiindia.com **Table-3**

Analysis of table

Though, there are 44 AMCs currently operating in the sector, the AUM of the industry is concentrated with six leading fund houses. Approximately 62% per cent of the total AUM is shared by HDFC, ICICI, Reliance, Birla Sun Life,UTI Mutual fund and SBI Mutual Fund. In 2016 ICICI Prudential AMC, which has been fast chasing HDFC

MF, managed to topple the latter from the top slot by a small margin of about Rs 100,00 lakhs , as its asset size grew to Rs 1,75,88086 lakhs. HDFC MF, on the other hand, had assets worth Rs 1,75,77,900 lakhs. Reliance MF managed to hold the third position in terms of asset size. Its AUM grew 15.52 per cent in FY16 to Rs 1,58,40,844 lakhs becoming the third fund house to cross the Rs 1.5-lakh crore mark. It was followed by Birla Sun Life Mutual Fund, with asset size of Rs 1,36,50,341.34 lakhs. Meanwhile, SBI Mutual Fund replaced UTI AMC in the list of top five largest fund houses as fifth largest fund houses in terms of assets size. In comparison with year 2015 , HDFC Mutual Fund slipped to 2nd rank and UTI Mutual Fund also slipped down by 1 rank.

3.3 Emerging Trends in Indian Mutual Fund Industry

- **SEBI to drive fund houses to rationalize product offerings --** India has more than 2,100 mutual fund schemes in the two primary asset classes: debt and equity. Such a large number of products lead to confusion and misinterpretation. Hence, there is a need for fund houses to consolidate mutual fund schemes with similar objectives to facilitate better investor understanding. SEBI is pushing for fund houses to rationalize their product portfolios. This is reflected in the decline in the issuance of new fund offers (NFOs).
- **Fund houses are focusing on new types of product offerings --** Recently, fund houses have started approaching SEBI with proposals for new fund offers in line with increased retail investor demand. As of June 2016, mutual fund houses had filed draft applications with SEBI for 50 new fund offers, including hybrid, equity, debt, retirement, fixed maturity plans (FMPs), tax-free bonds and speciality funds. Many fund houses are also moving away from the traditional English names for plans and launching plans with vernacular names in order to facilitate better understanding of mutual funds in rural areas.
- **Technological advances are transforming India's mutual fund industry--** Technologies such as mobile, social media, big data and analytics, cloud and artificial intelligence are transforming the mutual fund industry and continue to be a key growth enabler by facilitating seamless customer acquisition and real-time efficient processes..

  Fund houses offer a range of mobile and online apps for tracking and transacting portfolios, as well as for effective distribution and customer service. AMCs are using social media to reach out to customers, especially new-age customers.
- **Paperless experience** -- The entire transaction chain from receiving money to investment to redemption can be easily completed on digital platforms without any physical or on-paper requirements. Moreover, the introduction of e-KYC using Aadhaar is expected to play a game-changing role in online investing. With e-KYC, the account enablement process can be completed in a few minutes vis-à-vis the usual requirement of two to four weeks. This could prove highly beneficial for the financial services sector as it enables instant verification and substantial cost reduction by eliminating paper-based movement and storage. According to a survey by MicroSave, using Aadhaar enabled e-KYC process for customer acquisition by banks (for account opening) and by telecom operators (for pre-paid mobility) could result in approximately

INR100 billion of savings over the next five years. SEBI currently permits investments of INR50,000 each financial year per mutual fund for Aadhaar-based e-KYC using OTP verification.

4. CONCLUSION

An improvement in the economic environment over the last 3-4 years has helped all categories of mutual fund investors to increase their investment in mutual funds. Increase in personal income fuelled by growth in GDP has led to an improvement in the surplus available for household saving. Indian households saving pattern has for the first time in 15 years shown a decline in savings in physical assets, and the same has been channelized to financial assets. Helped by growing interest from retail investors and aggressive buying of stocks, the mutual fund industry grew at a rapid pace in 2016 with the addition of almost Rs 4 lakh crore, or 28%, to its asset base and is looking to cross Rs 20 lakh crore-mark very soon. In order to bring transparency into the system, the market regulator SEBI put in place 'commission disclosure rule' from October, which is indeed a positive move. So it can be concluded that Indian mutual fund industry is in its Growth stage and possesses a wonderful scope for it. The Indian mutual fund industry is growing at a good pace. But large segment of investor are still outside the umbrella of the industry. The reach of the fund houses to different segments of investors is still a key challenge. One possible solution could be increasing financial knowledge and awareness to stimulate investors in mutual fund investment. This will attract investors towards mutual fund investment

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