



A STUDY ON GROWTH AND PERFORMANCE OF MUTUAL FUNDS IN INDIA

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ABSTRACT

Mutual funds in India have become one of the most attractive ways for the average person to invest their surplus money. A mutual fund pools resources from thousands of investors and then diversifies its investment into many different holdings such as stocks, bonds, or government securities in order to provide high relative safety and returns. This paper explores the growth and performance of mutual funds with its different schemes and evaluation of mutual fund investments with the help of analyzing the data such as Assets Under Management, Net Resources Mobilized by Mutual Funds, Bank and FI Sponsored. The tools used for this study were CAGR, ANOVA, T-test and Regression. This study will help to the investors in many ways like, selection process to determine long and short term investment needs by the growth and performance of Indian Mutual Funds.

KEYWORDS : Mutual funds, Bank sponsored, FI sponsored, Compound Annual Growth Rate, ANOVA, T-test and Regression.

Introduction

A mutual fund is a pool of money, collected from investors, and is invested according to certain investment objectives. A mutual fund is created when investors put their money together. It is therefore a pool of the investor's funds. The most important characteristic of a mutual fund is that the contributors and the beneficiaries of the fund are the same class of people. The term mutual means that investors contribute to the pool, and also benefit from the pool. There are no other claimants to the funds. The pool of funds held mutually by investors is the mutual fund. A mutual fund business is to invest the funds thus collected, according to the wishes of the investors who created the pool. In many markets these wishes are articulated as "investment mandates". Usually, the investors appoint professional investment managers, to manage their funds. The same objective is achieved when professional investment managers create a "product", and offer it for investment to the investor. This product represents a share in the pool, and pre-states investment objectives.

Review of Literature

Palanisamy, Sengottaiyan, and Palaniappan, (2012)¹ studied Investment Pattern in Debt Scheme of Mutual Funds. Data collected through interview schedule and statistical tools used such as percentage analysis, weighted ranking analysis and Chi-square analysis. The study concludes that debt scheme are suitable for genuine investors as there exists a variety of investors needs depending on purpose, expectations and risk taking abilities.

Sarish (2012)² studied mutual funds and the benefits of investing in mutual fund, its drawbacks and have done detailed study on various aspects of mutual fund. This paper aims at exploring the potential of mutual funds in India with all problems, complexities and variables, and suggesting the means and ways of meeting the challenges for developing the mutual funds in tandem with its potential of economic growth. This study relied on secondary data in order to identify and analyze the challenges and opportunities for mutual funds.

P.Balamani (2014)³ in her study she explained the various types of mutual funds with its various features, pros and cons of different schemes and evaluation of mutual fund investments. This helped the investors in many ways like, selection process to determine long and short term investment tools. This study was mainly based on the secondary data, various statistical tools such as mean, standard deviation, co-efficient of variation, compound annual growth rate, regression and f test had been used for the analysis. Hence, the study concluded that the investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions.

S.Prasanna Kumar and S.Raj Kumar (2014)⁴ in their study they discussed about the mutual fund knowledge and awareness among the investors with a special reference to Chennai city. With this

background a survey was conducted among 250 mutual fund investors to study the factors influencing the fund/ scheme selection by the investors. The impact of knowledge and awareness of mutual fund analyzed through one way ANOVA. Hence, this study concluded that mutual funds are concerning the maximum attention of the investors in today's scenario to be it individual (or) corporate investors. Mutual funds give quick and more returns as compared to the other avenues. This was the most prominent factor for the acceptance and growth of mutual funds amongst the populace of India in recent times.

Objectives of the Study

- To evaluate the debt and equity FIP investments.
- To examine the net resources mobilized by Bank-sponsored and FI-sponsored mutual funds in India.
- To find out the relationship between the UTI and other Mutual fund institutions.
- To analyze the Assets under Management in mutual funds in India.

Hypotheses of the Study

H_0 : There is no significant relationship between UTI and other Mutual fund institutions.

H_1 : There is no significant difference between Bank sponsored mutual funds and FI sponsored mutual funds.

Sources of Data

The study is mainly based on secondary data. The data analyzed and interpreted in this study related to all companies are collected from the websites of SEBI, AMFI, BSE, etc.,

Tools Used

The collected data were analyzed by using Descriptive Statistics, Compound Annual Growth Rate, One Sample T- test, ANOVA and Regression.

Analysis and Interpretation

ASSETS UNDER MANAGEMENT OF MUTUAL FUNDS IN INDIA

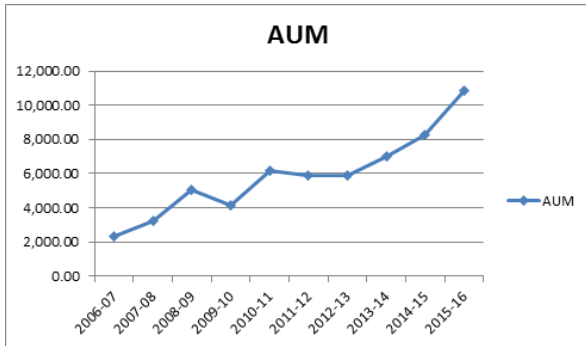
Table 1 (Rupees in Billion)

Year	AUM
2006-07	2,318.62
2007-08	3,262.92
2008-09	5,051.52
2009-10	4,173.02
2010-11	6,139.79
2011-12	5,922.50
2012-13	5,872.17
2013-14	7,014.43
2014-15	8,252.40
2015-16	10,827.57

Mean	5,883.49
S.D	2,462.96
CAGR	3.67

Source: Securities and Exchange Board of India.

Chart - 1



The above table 1 summarizes the AUM of Mutual funds for the year 2006-07 to 2015-16. The value of AUM was highest in the year 2015-16 as Rs.10, 82.57, the mean value as 5,883.49, SD values shows 2,462.96 and the growth rate shows the 3.67.

FIP Investments

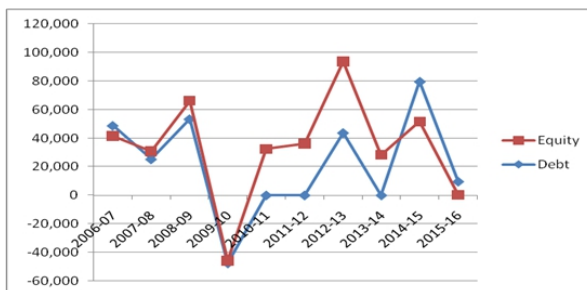
Table 2 (Rs. in crores)

Year	Debt	Equity	Total
2006-07	48,801	-7,334	41,467
2007-08	25,236	5,605	30,840
2008-09	53,404	12,775	66,179
2009-10	-47,706	1,895	-45,811
2010-11	1,10,221	32,438	1,42,658
2011-12	1,10,121	36,317	1,46,438
2012-13	43,738	49,988	93,726
2013-14	1,40,033	28,334	1,68,367
2014-15	79,709	-28,060	51,649
2015-16	9,602	-9,185	417
Mean	30,398	12,277	-
S D	40,899.94	24,242.22	-
CAGR	-0.80	0.25	-

Source: AMFI data

The above table 1 shows that the FIP Investments of the financial year from 2006-07 to 2015-16. The debt investments was high in the year in the year 2013-14 as Rs.1,40,033 crores, then it declines to Rs.9,602 crores in the year 2015-16. The equity investments was high in the year 2012-13 as Rs.49,988 crores, then it declines to -9,185 crores in the year 2015-16. The mean value for the debt and equity was 30,398 and 12,277 respectively. The SD value for the debt and equity was 40,899.94 and 24,242.22 respectively. The growth rate for the debt and equity was -0.80 and 0.25 respectively.

Chart - 2



NET RESOURCES MOBILISED BY MUTUAL FUNDS IN INDIA

Table 3(Rupees in Billion)

Year	UTI	Bank-sponsored	FI-sponsored	Private sector	Total
2006-07	34.24	53.65	21.12	415.81	524.82
2007-08	73.26	30.33	42.26	794.77	940.62
2008-09	106.78	75.97	21.78	1,382.24	1,586.77
2009-10	-41.12	44.89	59.54	-305.38	-242.08
2010-11	156.53	98.55	48.71	479.68	783.47
2011-12	-166.36	13.04	-169.88	-162.81	-486.00
2012-13	-31.79	3.89	-30.98	-395.25	-454.13
2013-14	46.29	67.08	22.41	652.84	788.62
2014-15	4.01	48.45	25.72	467.61	545.79
2015-16	-12.78	-7.00	-10.35	1,123.9	1,093.77
Mean	16.91	42.89	3.03	445.34	508.17
S D	89.62	33.31	66.35	591.23	693.36
CAGR	-1.37	-1.13	-1.49	1.70	1.08

Source: UTI and Respective Mutual Funds.

The above table depicts the net resources mobilized by mutual funds from the year 2006-07 to 2015-16. The UTI was high in the year 2010-11 as Rs.156.53 billion, the Bank sponsored value was high in the year 2010-11 as Rs.98.55 billion, the FI sponsored value was high of Rs. 59.54 billion in the year 2009-10, the private sector value was high in the year 2008-09 as Rs.1,382.24 billion. Among all the four sectors, private sector's mean value, S.D value and growth rate showed the highest values as 445.34, 591.23 and 1.70 respectively.

Ho: There is no significant relationship between the UTI and the other Mutual funds.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.917 ^a	.841	.762	43.71515	2.831

a. Predictors: (Constant), Private_sector, Bank_sponsored, FI_sponsored
 b. Dependent Variable: UTI

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	60818.080	3	20272.693	10.608	.008 ^b
	Residual	11466.087	6	1911.015		
	Total	72284.167	9			

a. Dependent Variable: UTI
 b. Predictors: (Constant), Private_sector, Bank_sponsored, FI_sponsored

ANOVA table shows that the significant value is less than 0.01, which means dependent variable that is UTI is significantly predicted by independent variables namely Bank Sponsored, FI Sponsored and Private Sector at 99 % of confidence level.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error			
1	(Constant)	-54.072	27.350		-1.977	.095
	Bank_sponsored	1.062	.523	.395	2.030	.089
	FI_sponsored	.596	.268	.441	2.223	.068
	Private_sector	.053	.026	.350	2.011	.091

a. Dependent Variable: UTI

The above regression table shows that the R square value is .841 and the level of significant value is greater than 0.05 in Bank Sponsored and FI Sponsored and Private Sector. Hence, the null hypothesis is accepted, it is concluded that there is no significant relationship between the Net Resources mobilized by UTI and the other Mutual funds.

NET RESOURCES MOBILISED BY BANK-SPONSORED AND

FI-SPONSORED MUTUAL FUNDS IN INDIA**Table 4(Rupees in Billion)**

	Bank-sponsored			FI-sponsored		Total
	SBI MF	Canara Robeco MF	Baroda Pioneer MF	LIC MF	IDBI MF	
2006-07	52.80	0.56	0.29	21.12	-	74.77
2007-08	32.08	0.96	0.79	42.26	-	72.59
2008-09	73.39	2.95	0.38	21.78	-	97.74
2009-10	26.17	13.17	5.56	59.54	-	104.44
2010-11	54.37	31.30	12.88	48.71	-	147.26
2011-12	42.42	24.17	5.20	169.88	-	156.83
2012-13	4.22	3.64	3.31	30.98	-	27.09
2013-14	44.99	0.46	13.77	13.12	7.84	79.26
2014-15	63.49	20.13	3.01	22.72	12.01	57.08
2015-16	1.53	5.70	15.65	10.45	0.51	21.42
Mean	39.55	10.30	6.08	44.06	6.79	83.85
S D	23.76	11.24	5.86	46.94	5.82	44.76
CAGR	-0.97	9.18	52.97	-0.51	-0.93	-0.71

Source: AMFI data

The above table reveals that the net resources mobilized by bank-sponsored and FI-sponsored mutual funds for the year 2006-07 to 2015-16. In SBI MF the highest value of Rs.73.39 billion in the year 2008-09, in Canara Robeco MF the highest value of Rs.31.30 billion in the year 2010-11, in Baroda Pioneer MF the highest value of Rs.15.65 billion in the year 2015-16. The mean value and SD value of Bank-sponsored was highest in the SBI MF as 39.55 and 23.76 respectively. In LIC MF the highest value of Rs.169.88 billion in the year 2011-12 and in IDBI MF the highest value of Rs.12.01 billion in the year 2014-15. The mean value and SD value of FI-sponsored was highest in the LIC MF as 44.06 and 46.94 respectively. The growth rate was highest in the Baroda Pioneer MF as 9.18 among the Bank and FI sponsored mutual funds.

H₀. There is no significant difference between the Bank sponsored mutual funds and FI sponsored mutual funds.

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Bank Sponosred	10	55.93	28.215	8.922
FI Sponsored	10	46.09	45.903	14.516

One-Sample Test						
	Test Value = 10					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Bank Sponsored	5.148	9	.001	45.934	25.75	66.12
FI Sponsored	2.486	9	.035	36.092	3.25	68.93

Here the one sample test value is considered as 10, the mean value obtained through one sample statistics for Bank Sponsored is 55.93, FI Sponsored is 46.09 and the difference between the means for Bank Sponsored is 45.93 and FI Sponsored is 36.09. Based on the result generated by SPSS, the significant value is 0.00 and it is less than 0.05. Hence, null hypothesis is rejected there is significant difference between the Net Resources Mobilized by Bank sponsored mutual funds and FI sponsored mutual funds.

Findings

- The UTI was high in the year 2010-11 as Rs.156.53 billion, the Bank sponsored value was high in the year 2010-11 as Rs.98.55 billion, the FI sponsored value was high of Rs. 59.54 billion in the year 2009-10, the private sector value was high in the year 2008-09 as Rs.1,382.24 billion.
- In SBI MF the highest value of Rs.73.39 billion in the year 2008-09, in Canara Robeco MF the highest value of Rs.31.30 billion in the year 2010-11, in Baroda Pioneer MF the highest value of Rs.15.65 billion in the year 2015-16. The mean value and SD value of Bank-sponsored was highest in the SBI MF as 39.55 and 23.76 respectively.

- In LIC MF the highest value of Rs.169.88 billion in the year 2011-12 and in IDBI MF the highest value of Rs.12.01 billion in the year 2014-15. The mean value and SD value of FI-sponsored was highest in the LIC MF as 44.06 and 46.94 respectively.
- The regression table shows that the R square value is .841 and the level of significant value is greater than 0.05 in Bank Sponsored and FI Sponsored and Private Sector. Hence, the null hypothesis is accepted there is no significant relationship between the UTI and the other Mutual fund institutions.
- The mean value obtained through one sample statistics for Bank Sponsored is 55.93, FI Sponsored is 46.09 and the difference between the means for Bank Sponsored is 45.93 and FI Sponsored is 36.09, the significant value is 0.00 and it is less than 0.05. Hence, the null hypothesis is rejected there is significant difference between the Net Resources mobilized by Bank sponsored mutual funds and FI sponsored mutual funds.

Conclusion

The number of investors and the amount invested in mutual funds is quite low. Investors consider mutual funds as low return and high risk Investment Avenue. Its liquidity is perceived as high but tax benefits and procedural understanding are low for these. Also, investors judge mutual fund schemes for investment on the basis of their structure, size, performance, status and professional expertise from the Mutual fund companies. Hence, it is concluded that the performance in the Mutual Funds of Assets Under Management attaining positive growth and total resources mobilized by Bank Sponsored and FI Sponsored having such impact in the growth of Indian Mutual Fund Industry.

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