



A Study on Performance of Indian Mutual Fund Industry

Mayur K Joshi

Asst. Prof., Department of Accountancy, Udhna Citizen Commerce College & SPBCBA & UACCA IT, Surat

Dr. M.P.Desai

Head, Department of Accountancy, Udhna Citizen Commerce College & SPBCBA & UACCA IT, Surat

ABSTRACT

Financial markets are the backbone of every economy. The booming Indian financial market has a lot to do with the booming Indian economy. One of the important functions of the financial market is to turn the savings of the people into investments in corporate. In India the emergence of an array of savings and investment options and the dramatic increase in the secondary market for financial assets in the recent years has opened so many new avenues. The Indian mutual fund industry has marched in step with the country's booming capital market. In recent years mutual funds have emerged as long term saving vehicle for retail investors. This paper attempts to analyse performance of mutual fund Industry. Performance of Indian mutual fund Industry is presented by the parameters: 1. Growth of Asset Under Management 2.Total number of Schemes 3. Resources (Gross) Mobilisation, redemption and Net inflow by Mutual Funds 4.Unit holding pattern of All Mutual Funds

KEYWORDS

Performance, Mutual Fund

1. Introduction

Financial markets are the backbone of every economy. The booming Indian financial market has a lot to do with the booming Indian economy. One of the important functions of the financial market is to turn the savings of the people into investments in corporate. In India the emergence of an array of savings and investment options and the dramatic increase in the secondary market for financial assets in the recent years has opened so many new avenues. The Indian mutual fund industry has marched in step with the country's booming capital market. In recent years mutual funds have emerged as long term saving vehicle for retail investors. Mutual funds are the best option for an individual who does not have time, knowledge, experience in market etc. Mutual funds have come, as a much needed help to these investors.

Mutual funds help small and medium size investors to participate in today's complex and modern financial scenario. They can take part in a mutual fund by buying the units of the fund. The income earned through these investments and the capital appreciations realized by the schemes are shared by the unit holders in proportion to the number of units owned by them. Mutual funds play a vital role in the mobilization of resources and their efficient allocation. These funds play a significant role in financial intermediation, development of capital markets and growth of the financial sector as a whole.

Mutual funds have proved to be an attractive investment for many investors, the world over, since they provide them a mixture of liquidity, return and safety in accordance with their performance. Further, the investor obtains these benefits without directly having a diversified portfolio, which is handled by specialists. The interests of various investors are generally protected through mutual funds. As individual investors, they may not hold much clout in companies whose shares they hold, but by being part of institutional investors like mutual funds, their bargaining power is enhanced.

2. Literature Review

- To analyze "The fall and rise of Mutual Funds in India", Kausal Shah & Associates (2007) attempted by virtue of an article to take the reader through the entire journey of Mutual Fund industry in India, its origin, its fall and rise throughout all these years and tried to predict what the future may hold for the Mutual Fund Investors in the long run. The research-

ers concluded that with the structural liberalization policies, no doubt the Indian economy is likely to return to a high growth path in a few years. Hence mutual fund organizations are needed to upgrade their skills and technology. With regard to the Mutual Fund investor researcher's view, the investor needs to adopt two crucial skills for successful investing i.e. a sense of timing, and investment discipline – both need to be adopted at the same time.

- In "Growth and prospects of Indian mutual fund industry - a review" B. Usha rekha (2012) attempted to review the growth and prospects of Indian Mutual Fund Industry in view of number of schemes in operation, folios existing, Fund houses, Assets under Management and factors contributing and inhibiting its growth and future prospects of Mutual fund Industry. The researcher emphasized only on secondary data sources. The data has been collected from Textbooks, reports, journals, newspapers and internet sources. The period of study was kept limited for 11 years. Researcher suggested that in order to attain sustained profitable growth, the Industry should concentrate on developing distribution networks, increasing retail participation and expanding the reach of mutual funds into rural areas by conducting awareness programs and extending financial literacy.
- In "Growth of Mutual Funds in India" Lohana Poonam M. (2014) attempted to examine the growth of the mutual funds in Indian industry. Objective of this research paper was to overview of growth of Mutual Funds in India during 2009-10 to 2013-14. She found that during last decade there is growth in assets under management more than 500 percent, in India. She also found that the total value of equity fund investments depreciated during this five years period. Debt funds are emerging as the most preferred investments option.

3. Objectives of the study

This paper attempts to analyze the growth of mutual fund industry. Major objectives of this paper are:

- To analyse Growth of Asset Under Management
- To examine the total number of Schemes.
- To study Resources (Gross) Mobilisation, redemption and Net inflow by Mutual Funds
- To study Unit holding pattern of Mutual Funds under study.

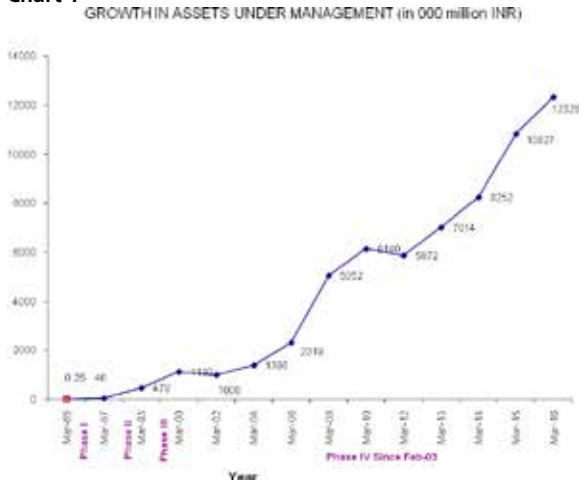
4. Research Methodology

The study is based on the secondary data obtained from books, journals, periodicals and websites.

5. Analysis of Growth of Mutual Fund Industry in India

The graph indicates the growth of assets over the years.

Chart 1

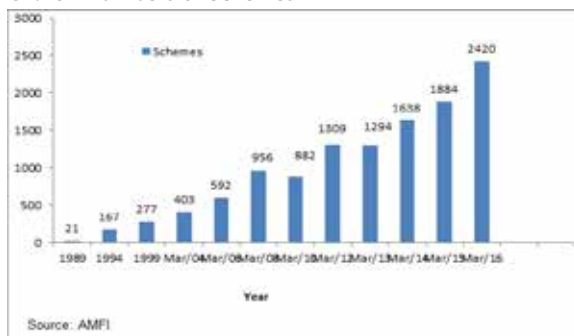


Source: SEBI

Note:Erstwhile UTI was bifurcated into UTI Mutual Fund and the Specified Undertaking of the Unit Trust of India effective from February 2003. The Assets under management of the Specified Undertaking of the Unit Trust of India has therefore been excluded from the total assets of the industry as a whole from February 2003 onwards.

The AUM has shown a tremendous growth since inception from `25 crore in 1965 to `12,32,824 crore at the end of March 2016. The assets under management by all mutual funds increased by 13.86 percent to `12,32,824 crore at the end of March 2016 from `10,82,757 crore at the end of March 2015.

Chart 2 Numbers of Schemes



Source: AMFI

Above Chart shows a number of schemes till March 2016. The total number of schemes increased from 21 to 2420 from 1989 to March 2016. It also shows that total number of schemes increased from 592 to 2420 from March 2006 to March 2016, which indicates 308.78% growth in no of schemes in last ten year.

Table 2 Unit Holding Pattern of All Mutual Funds (As on March 31)

Category	Number of Folios		% to Total Folios		NAV (`Crore)		% to Total Net Assets	
	2015	2010	2015	2010	2015	2010	2015	2010
Individuals	40606623	46327683	97.3	97.07	508032	245390	49.09	39.77
NRIs	731081	943482	1.8	1.98	41363	27429	3.8	4.45
FIs	19798	216	0.0	0.00	17546	6335	1.6	1.03
Corporate/ Institutions/Others	382704	452330	0.9	0.95	515816	337812	47.6	54.75
Total	41740206	47723711	100	100	1082757	616966	100	100

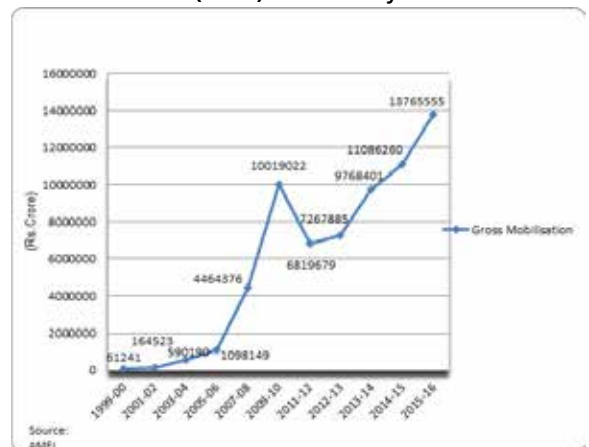
Source: SEBI

Table 1 Mobilisation of Resources by Mutual Funds (Crore)

Period	Gross Mobilisation	Redemption	Net Inflow	Assets at the End of Period
1999-00	61,241	42,271	18,970	1,07,946
2000-01	92,957	83,829	9,128	90,587
2001-02	1,64,523	1,57,348	7,175	1,00,594
2002-03	3,14,706	3,10,510	4,196	1,09,299
2003-04	5,90,190	5,43,381	46,808	1,39,616
2004-05	8,39,708	8,37,508	2,200	1,49,600
2005-06	10,98,149	10,45,370	52,779	2,31,862
2006-07	19,38,493	18,44,508	93,985	3,26,292
2007-08	44,64,376	43,10,575	1,53,802	5,05,152
2008-09	54,26,353	54,54,650	-28,296	4,17,300
2009-10	100,19,022	99,35,942	83080	6,13,978
2010-11	8,859,515	8,908,921	-49,406	5,92,250
2011-12	6,819,679	6,841,702	-22,024	5,87,217
2012-13	7,267,885	7,191,346	76,539	7,01,443
2013-14	9,768,401	97,14,318	54083	8,25,240
2014-15	1,10,86,260	1,09,82,972	103288	10,82,757
2015-16	1,37,65,555	1,36,31,375	134180	12,32,824

Source: SEBI & AMFI.

Chart 3 Resources (Gross) mobilised by the Mutual Funds



Source: AMFI

Mutual funds play an important role in mobilising the household savings for deployment in capital markets. The gross mobilisation of resources by all mutual funds during 2015-16 was at `1,37,65,555 crore compared to `10,98,149 crore during 2005-06 indicating an increase of 1153.52 percent over the 2005-06 (Table 1). Redemption also rose by 1203.97 percent to `1,36,31,375 crore in 2015-16 from `10,45,370 crore in 2005-06. All mutual funds, put together, recorded a net inflow of `134180 crore in 2015-16 as compared to an inflow of `52,779 crore in 2005-06. The assets under management by all mutual funds increased by 431.70 percent to `12,32,824 crore at the end of March 2016 from `2,31,862 crore at the end of March 2006.

Chart 4 Investor-wise Percentage to Total folio of Indian Mutual Fund Industry (As on 31st March 2015)

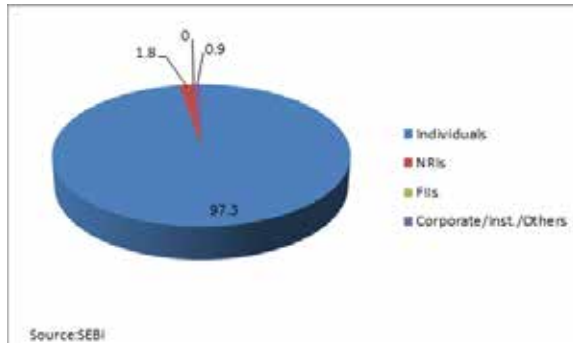
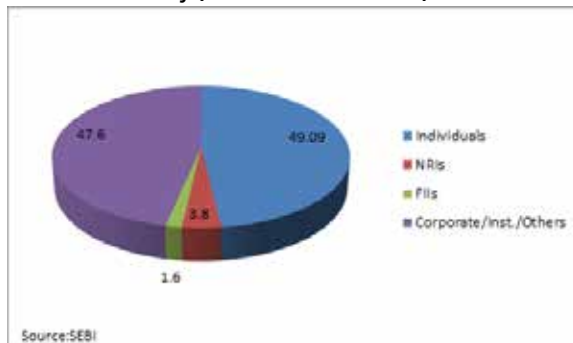


Chart 5 Investor-wise Asset-holding Pattern of Indian Mutual Fund Industry (As on 31st March 2015)



As on March 31, 2015 there are a total number of 4,17,40,206 investors accounts holding units of ` 10,82,757 crore. Out of this total number of investors accounts, 4.06 crore are individual investors accounts, accounting for 97.3% of the total number of investors accounts and contribute `5,08,032 crore which is 49.09% of the total net assets. Corporate and institutions who form only 0.9% of the total number of investors accounts in the mutual funds industry, contribute a sizeable amount of `5,15,816 crore which is 47.6% of the total net assets in the mutual funds industry. The NRIs and FIs constitute a very small percentage of investors accounts (1.8%) and contribute ` 58,909 crore (5.44%) of net assets. In last five years from March 2010 to March 2015 percentage of contribution of Individual in total net assets increased from 39.77% to 49.09%.

6. Findings:

1. The AUM has shown a tremendous growth since inception from `25 crore in 1965 to `12,32,824 crore at the end of March 2016. The assets under management by all mutual funds increased by 431.70 percent to `12,32,824 crore at the end of March 2016 from `2,31,862 crore at the end of March 2006.
2. Number of schemes increased from 592 to 2420 from March 2006 to March 2016, which indicates 308.78% growth in number of schemes in last ten year.
3. The gross mobilisation of resources by all mutual funds during increase of 1153.52 percent in last ten years from March 2006 to March 2016. Redemption also rose by 1203.97 percent during last ten years. A net inflow of `134180 crore in 2015-16 as compared to `52,779 crore in 2005-06.

As on March 31, 2015 Out of total number of investors' accounts, 97.3% of the total number of investors accounts and contribute 49.09% of the total net assets. Corporate and institutions who form only 0.9% of the total number of investors accounts in the mutual funds industry, contribute 47.6% of the total net assets in the mutual funds industry. The NRIs and FIs constitute a very small percentage of investors accounts (1.8%) and contribute 5.44% of net assets. In last five years from March 2010 to March 2015 percentage of contri-

bution of Individual in total net assets increased from 39.77% to 49.09%.

7. Conclusion

In last ten years from March 2006 to March 2016 the assets under management by all mutual funds increased by 431.70 percent, 308.78% growth in number of schemes, the gross mobilisation of resources by all mutual funds during increase of 1153.52 percent, Redemption also rose by 1203.97 percent. A net inflow of `134180 crore in 2015-16 as compared to `52,779 crore in 2005-06. From March 2010 to March 2015 percentage of contribution of Individual in total net assets increased from 39.77% to 49.09%.

It can be concluded that the asset under management, Number of schemes, gross mobilization of resources, redemption, and net inflow has been increased from the year 2005-06 to 2015-16.

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