GROWTH OF MUTUAL FUND INDUSTRY IN INDIA

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Abstract:
The not so systematic banking industry in case of investment has been a major cause of promoting savings and investments through financial markets in India. After the opening up of markets in the year 1991, there has been progressive growth in the capital market in India. The new economic and liberalization policies gave way to a subsequent push for the financial services in India. Small and medium scale investors have been encouraged to bring in their investments into financial markets through the introduction of mutual funds. This is an exploratory study on the mutual fund industry in India and its growth since a decade. This study is conducted based on secondary data analysis only.

Keywords:
Mutual funds, mutual fund industry, growth, Asset management, Investment, savings

Introduction:
Indian financial system is pillared in the financial set up of financial institutions, markets and instruments. Each one of these pillars plays a vital role in building up the industry as a genre. These helps in the smooth functioning of the system along with the regulatory authorities like RBI, SEBI, IRDA and AMFI. Indian Financial system ought to provide convenient, smooth and efficient financial services to the stakeholders. In the recent past Mutual Fund investment has had a progressive growth in Indian financial set up. This has made investors more comfortable with the capital market systems in India. The service of a fund manager helps the investor in a comfortable investment even though the investor need not be aware about the complex capital market structure. Mutual Funds are pooling of money from desired investors having common financial goals. These funds collected are invested by the fund managers in the stocks diversified according to the nature of return expected. The fund manager analyses the stocks and selects the debt and equity instruments to invest the corpus thus collected.

On an adverse note, mutual funds affect the economies of scale of research and investment. Each scheme has its own identified features and diversification depending upon the need of the investors. There are various categories of funds in mutual funds and each of it possesses unique characteristics. Broadly mutual funds are classified as equity funds, debt fund, balanced funds and hybrid funds. Each method of investments including Mutual funds bears risks and uncertainty. Uncertainty or risk here means the financial loss an investor will bear due to market fluctuation. Risk and potential returns are connected. More the risk, there is a higher chance of earning higher returns. At the same time more the risk higher is the chance of making a loss. Hence the factor of risk is a key player in making a higher return on the investments through mutual funds.

Objectives of the study:
India is a developing nation and gross investments and savings plays a vital role in the continuous development of the economy. Capital and money markets have been in trend since years, However there has been a tremendous growth in mutual fund investments in India within the time frame often years. This has not only increased the GDP but also brought in considerable increase in the per capita income. In this study...
we look forward to learn the mutual funds and its industry in India with special reference to its growth in the past decade. Hence the objectives of the study are as follows:
1. To learn the Mutual fund industry in India in a nutshell.
2. To understand the growth of Mutual Fund industry in India.

Hypothesis:
The following hypothesis has been set for the study
1. Mutual Funds are growing as an investment instrument in India
2. There is a considerable and steady growth in the Mutual fund industry during the past decade.

Review of Literature:
Umarani (2012) explained and evaluated the development of assets and recommended certain means that should be taken by every one of the stakeholders of the business in a thorough way to make an environment that will take the Indian Mutual Fund industry to its next dimension of development.
Kale and Panchpagansan (2012) studied on the framework of Indian Mutual Fund Industry and the purposes behind its poor entrance, which is because of the absence of target explore. It was discovered that the business keeps the whole worldwide industry as its benchmarks.
Panigrahi (1996) lays her study on the development of Mutual Fund Industry in India. She inspected that why shared assets have flourished over the most recent couple of years, what is the degree of development and whether the administrative structure for their tasks mirrors the adjustment in condition.

Scope of the Study:
There has been growing need and scope for Mutual Funds in India over the years. Choices were very few when the Asset Management Companies started to offer mutual fund investment strategies. However, later during the recent past, diversified and object oriented mutual funds were introduced which confidently pulled a lot of investors to mutual funds which helped the Mutual Fund industry the modern world become so wide. Hence, this study provides a platform which throws light into the Mutual Fund industry and the growth of Mutual Funds in India.

Limitations:
Few limitations of the present study are:
1. Only secondary data is considered for the study. Primary data hasn’t been incorporated.
2. The study pertains mainly into the recent past of the Mutual Fund Industry in India.

Discussion
1. Mutual Fund Industry in India
The historical backdrop of Mutual Fund Industry in India can be followed back to 1963, with the dispatch of the Unit Trust of India by the Government of India under an Act of Parliament. In 1978, the administrative and authoritative control of UTI was exchanged from the Reserve Bank of India to IDBI (Industrial Development Bank of India). The principal common store conspire that was presented in India by UTI was in the Unit Scheme (1964). UTI had Assets under Management worth Rs. 6,700 Crores, before the years over 1988.
In 1987, public sector companies like, State Bank of India, Punjab National Bank, etc. and other non-UTI enterprises like General Insurance Corporation of India (GIC) and Life Insurance Corporation of India (LIC) entered the market and built up open market mutual funds. From the year 1993, private division reserves were built up in the shared store industry. Around the same time, Mutual Fund Regulations were presented in India under which every shared store aside from UTI must be enrolled. In 2003, the Unit Trust of India Act 1963 was revoked and was isolated into 2 separate substances – the
UTI Mutual Fund, which is supported by Punjab National Bank, State Bank of India, Life Insurance Corporation of India and Bank of Baroda and the second element is the Specified Undertaking of the Unit Trust of India.

The Indian Mutual Fund Industry has recorded Rs. 13, 460 billion Assets Under Management (AUM) by December 2015 and is announcing a consistent development till date. At first, corporate had been the principle supporter of AUM however soon, the retail portion ended up being the section that contributed the most to AUM development in India.

Structure of mutual funds in India
In India, the mutual fund industry is controlled and regulated with an overview of operational and transactional transparency and investor’s protection. The organizational structure of Mutual funds is decided by Securities Exchange Board of India. These regulations compel the funds to be registered under the Indian Trust Act, 1882 as a trust to function in the financial markets. With the association of the RBI and SEBI, the mutual fund industry has developed allowing speculators a chance to benefit as much as possible from this venture road. In India a mutual fund operates through four pillars of structure they are a sponsor, Board of Trustees, an asset management company and a custodian.

![Structure of Mutual Fund](source: AMFI)

**Sponsor:** A sponsor is a body corporate who sets up a fund. It might be one individual acting alone or together with another corporate body. Be that as it may, if any individual holds 40% or a greater amount of the total assets of an AMC, he will be considered to be a sponsor and will be required to satisfy the qualification criteria indicated in the mutual fund regulation.

**Custodian:** The Mutual Fund is required by law to ensure their portfolio securities by setting them with a custodian. About every fund utilize qualified bank custodians. Just an enlisted custodian under the SEBI control can go about as a caretaker to a mutual fund.

**Board of Trustees:** A mutual fund must have a Board of Trustees, independent trustees of the organization holds the property of the fund in trust to serve the unit-holders. They are in charge of securing the unit-holder's advantage.

**Asset Management Company:** The job of an AMC is very noteworthy in the shared store activity. They are the fund managers and hence care for the regulatory elements of a mutual fund for which they charge the executives expense.

2. **Growth of Mutual Fund industry in India**
Since 1970 the mutual fund industry in India had reached out to a maximum of 361 funds with a combined asset corpus of 47.6 billion dollars and 10.7 million stakeholders. Rising interest rates, market vulnerability and policies affected the growth of mutual fund industry in India adversely. The importance of new hybrid and innovations in the new models of mutual funds were initiated. These resulted in booming the industry in early 1990s along with the financial reforms of Liberalization,
Privatization and Globalization. The new concept of ‘No Load’ funds reformed and triggered a change in Mutual Fund Industry. It started attracting small and individual investors to the concept of mutual funds.

- **Technological Advancements:**
  AMCs have actualized different innovative measures so as to improve client commitment from different parts of the general public. Two projects that have been presented by AMCs are the Investor Awareness Program (IAP) and District Adoption Program (DAP). Different innovations that are being utilized by AMCs are web applications, portable applications and web based life. These organizations have enhanced their online interface for straightforward entry and use. Web based life stages have been perceived as a compelling channel to use innovation that would aid venture and portable applications to connect more clients from various sections.

- **Rise in Savings**
  The nation's mutual fund industry has a colossal development potential as Indian families' investment funds add up to Rs 20-30 lakh crore. AMCs in a report analyses that there is a gradual shift in the savings of Indian households from traditional savings such as gold, bank deposits, etc to financial savings such as Systematic Investment Plans and Mutual funds. The Industry's AUM had crossed of ₹10 Trillion in the May 2014 and in a short span of about three years, the mutual fund AUM doubled to an amount of ₹ 20 trillion and ₹22.86 Trillion for the in the month of August 2017 and December, 2018 respectively.

Indian Mutual Fund industry’s Average Assets Under Management (AAUM) stood at ₹ 24.09 Lakh Crore (INR 24.09 Trillion). Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of December 2018 stood at ₹ 24,08,538 crore. Assets Under Management (AUM) as on December 31, 2018 stood at ₹22,85,912 crore. The AUM of the Indian MF Industry has grown from ₹ 4.13 trillion as on 31st December 2008 to ₹22.86 trillion as on 31st December, 2018, about 5 ½ fold increase in a span of 10 years!! The MF Industry’s AUM has grown from ₹8.26 trillion as on 31st December, 2013 to ₹22.86 trillion as on 31st December, 2018, more than 2 ½ fold increase in a span of 5years

As per a report by the Association of Mutual Funds of India and worldwide examination firm Crisil, over the recent 10 years, India's Mutual Fund industry has become 12.5% every year by and large, beating the development timed by the world and created areas by more than double. The total financial savings and Mutual Fund corpus in the nation, has expanded over the most recent three years to 14% in March 2018 from 10% in 2016. In the debt market, banks and insurance agencies still proceed to command and contribute a major piece of their cash in government securities..

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1 https://www.amfindia.com/indian-mutual
The absolute number of records (or folios according to common store speech) as on December 31, 2018 has crossed a milestone of 8 crore and remained at 8.03 crore (80.3 million), while the quantity of folios under Equity, ELSS and Balanced plans, wherein the most extreme speculation is from retail fragment remained at 6.76 crore (67.6 million). This is 55th continuous month seeing ascent in the number of folios. The absolute number of folios with 42 fund houses in the nation ascended by 11.45 lakh in October and hit a record-breaking high of 7.90 crore, as indicated by information given by the Association of Mutual Funds in India.

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of folio as on October 2018</th>
<th>No. of folio as September 2018</th>
<th>Absolute Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>48995450</td>
<td>48117778</td>
<td>877672</td>
<td>2%</td>
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<tr>
<td>ELSS</td>
<td>11137153</td>
<td>11012590</td>
<td>124563</td>
<td>1%</td>
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<tr>
<td>Balanced</td>
<td>6336101</td>
<td>6278352</td>
<td>57749</td>
<td>1%</td>
</tr>
<tr>
<td>ETFs other</td>
<td>814875</td>
<td>777110</td>
<td>37765</td>
<td>5%</td>
</tr>
<tr>
<td>ETFs gold</td>
<td>317700</td>
<td>320328</td>
<td>-2628</td>
<td>-1%</td>
</tr>
<tr>
<td>Income funds</td>
<td>9778815</td>
<td>9800968</td>
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<tr>
<td>Gilt</td>
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<td>63,867</td>
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</tr>
<tr>
<td>Liquid</td>
<td>1468406</td>
<td>1401496</td>
<td>66910</td>
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<tr>
<td>Fund of funds</td>
<td>119268</td>
<td>114010</td>
<td>5258</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>79031499</td>
<td>77886499</td>
<td>1145000</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: SEBI

Folios are numbers assigned to singular financial specialist accounts; however a speculator can have various records. The ascent in the quantity of folios mirrors a developing inclination for mutual funds among financial specialists. In the course of the most recent couple of years, the quantities of financial specialist accounts have expanded fundamentally due to vigorous commitment from retail speculators, particularly from smaller towns.

Equity funds, Income funds and Gilt funds witnessed outflows for few consecutive months. Investors are redeeming income funds as their returns are disappointing. The yields are expected to rise due to fear of rising prices. Balanced funds saw rise in net inflows to Rs2, 630cr amid August 2018 contrasted with Rs287cr in earlier month. Arbitrage funds witnessed net outflow of Rs2, 452cr in August 2018 compared to net inflows of Rs1, 133cr in July 2018. The indicators of macroeconomics identifies the pressure due to rise in the prices of crude oil, rupee dollar rate fluctuation, federal rate at US, inflation, trade wars, etc has set the market downfall.

Findings:

From the study few findings that were noted are as follows:
1. Mutual Fund Industry is well controlled and monitored by the regulators and has provided utmost importance to investor protection.
2. In the recent decade, Mutual Fund Industry in India has been growing considerably and has become one of the huge attractions for a huge investors group.
3. Economy and per capita savings has gone up higher compared to previous decades and savings has been substantial which has contributed to the growth and development of Indian economy and GDP.
4. Along with investment the investors has been fetching higher rates of returns on mutual funds which is comparatively higher than bank deposits and or other investments in debt instruments.
Conclusion:
Mutual funds are most favored investment instruments. Average earners would prefer investing in mutual funds as it caters them to earn returns much better and higher than the other investment avenues available with them. It is much safer as the mutual funds are sheltered and certain funds have close to zero risk. It is imperative to increase great, be that as it may comprehension of shared reserve speculations, as clients can without much of a stretch be misinformed by the advertisements and offers advanced by money related organizations. The mutual fund is controlled by AMCs who is in charge of offer and buy of interests in understanding of reserve's targets. In India there is parcel of extension for development of mutual funds organizations gave support fulfills everyone's needs and enhancements in administration principles and divulgence. The vast majority of the speculators are not completely mindful about different elements of mutual funds.

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