



# ASSESSING THE TRAJECTORY OF THE INDIAN MUTUAL FUND INDUSTRY IN THE DIGITAL AGE

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**Abstract:** Mutual funds have emerged as a prominent investment avenue by pooling capital from multiple investors and allocating it across equity instruments, debt securities, or a combination of both in line with predefined objectives. This paper examines the performance trends of the Indian mutual fund sector, investor preferences, and the challenges confronting the industry. The analysis relies exclusively on secondary sources such as published studies, financial websites, and industry magazines. The findings indicate that the sector's growth has been supported by rising investor education, increased use of digital platforms, regulatory initiatives undertaken by SEBI, and the advantages of expert fund management and portfolio diversification.

**Key words:** Mutual Funds, Asset Management Company, Portfolio Management.

## I. INTRODUCTION

The Indian capital market primarily consists of the securities market and various financial intermediaries that facilitate the flow of funds. Although elements of a formal capital market existed in India as early as the nineteenth century, significant expansion occurred only after the mid-1980s. This growth was influenced by the Central Government's foreign collaboration policies, which encouraged industrial development. The momentum was further strengthened by liberalization and privatization initiatives introduced under the New Economic Policy. Along with the strong performance of the private sector, these reforms contributed to a more dynamic capital market. Mutual funds have emerged as a popular investment avenue by pooling resources from numerous investors and allocating them across equity instruments, debt securities, or a combination of both in line with specified objectives. Professional asset management teams oversee these investments with the aim of optimizing returns while managing risk.

Asset Management Companies (AMCs) operate as SEBI-approved entities responsible for managing pooled investments on behalf of investors. These organizations deploy funds across a range of financial assets, including equities, debt instruments, and other securities, with the objective of delivering returns while managing risk. In India, AMCs are promoted by government institutions, private sector entities, as well as foreign sponsors. The Unit Trust of India (UTI), established in 1963 through an Act of Parliament with an initial capital of ₹5 crores, marked the beginning of the mutual fund movement in the country. Over time, the industry has expanded significantly, with the total Assets Under Management of Indian mutual funds reaching ₹79,87,940 crores as of October 31, 2025. As on the same date, 49 AMCs were registered with the Association of Mutual Funds in India (AMFI). Indian mutual fund schemes are organized based on multiple criteria, including the nature of assets invested, the structural framework of the scheme, and the underlying investment purpose. Accordingly, schemes may focus on equity, debt, hybrid combinations, or money market instruments, while operating as open-ended, closed-ended, or interval funds. Further differentiation is made based on investment goals, resulting in schemes designed for growth, income generation, liquidity, indexing, tax benefits, or long-term solutions, thereby addressing the varying risk preferences and financial objectives of investors.

## II. RESEARCH OBJECTIVES

This study aims to achieve the following objectives: (1) to analyse the growth trajectory of the mutual fund industry in India; (2) to identify the top ten asset management companies (AMCs) and the top ten mutual fund schemes based on key performance metrics; (3) to investigate the primary drivers facilitating this growth; and (4) to examine the key challenges and obstacles impeding further expansion of the sector.

## III. REVIEW OF LITERATURE

Pradeep Panda(2016), study extends of the existing literature and classifies all the problems of mutual fund industry into problems related to structure, investors, working and performance. After the issue is over, it becomes the mandate and the mutual funds have no choice to invest the funds in other securities, which can provide higher returns. Vikram Bajaj(2022), studying mutual funds has become crucial in today's financial landscape, as it offers valuable insights necessary for making informed investment decisions. With the increasing popularity of mutual fund investments, it is also essential to analyse the associated risks and the significant returns they offer. This paper aims to enhance understanding of the Indian mutual funds industry. Amitabha Maheshwari, Pramod Kumar Jha and AK Mandil(2022), understand the investors priority to invest in mutual funds in India and analysed it from the impact of investors' attitude and perception perspective. Hence, the research analysis consists of tools and techniques used by various researchers to understand the investor's attitude and perception analysis to understand the impact on mutual fund investment decisions. Parmod Kumar and Pushp Deep Dagar(2023), have analysed a large number of sampled schemes and suggested about the profitability of these schemes. This study also tried to find out the factors affecting investment in mutual funds and to know the decision making process of investment in mutual fund. Prasad H K(2024), study the trends, performance, and investors in Indian industry an analysis of mutual funds in India based on secondary data. This comparative study aims at understanding the various types of mutual funds, returns, risk-adjusted return performance, and investor choice. Together, the results are intended to provide a comprehensive perspective on the mutual fund industry, its market dynamics, challenges, and opportunities.

## IV. GROWTH OF MUTUAL FUNDS IN INDIA

A well-developed financial market with widespread investor participation is a key component of economic growth. In India, the mutual fund industry began in 1963 with the establishment of the Unit Trust of India (UTI), initiated by the Government of India in collaboration with the Reserve Bank of India. The primary objective of UTI was to promote savings and channel household funds into productive investments, thereby enabling investors to share in the returns generated from professionally managed securities.

Phases	Periods	Milestones in Indian Mutual Fund Industry
I	1964-1987	<ol style="list-style-type: none"> <li>1. UTI was started in 1963 by an Act of Parliament</li> <li>2. Unit Scheme 1964 (US '64) was the first scheme launched by UTI.</li> <li>3. At the end of 1988, UTI had ₹ 6,700 crores of Assets Under Management (AUM).</li> </ol>
II	1987-1992	<ol style="list-style-type: none"> <li>1. Entry of Public Sector Mutual Funds</li> <li>2. SBI Mutual Fund was the first 'non-UTI' mutual fund established in June 1987</li> <li>3. Canbank Mutual Fund, Punjab National Bank Mutual Fund, Indian Bank Mutual Fund, Bank of India, Bank of Baroda Mutual Fund, LIC and GIC have started mutual funds in this period.</li> <li>4. At the end of 1993, the MF industry had assets under management of ₹47,004 crores.</li> </ol>
III	1992-2003	<ol style="list-style-type: none"> <li>1. In 1993, the first set of SEBI Mutual Fund Regulations came into being for all mutual funds</li> <li>2. Kothari Pioneer (now merged with Franklin Templeton MF) was the first private sector MF registered in July 1993</li> <li>3. SEBI MF Regulations were revised and replaced in 1996</li> <li>4. In Jan 2003, this industry had 33 MFs with total AUM of ₹1,21,805 crores</li> </ol>
IV	2003-2014	<ol style="list-style-type: none"> <li>1. UTI was bifurcated into two separate entities, viz., the Specified Undertaking of the Unit Trust of India (SUUTI) and UTI Mutual Fund</li> <li>2. Indian capital market has shaken because of global recession in the year of 2009</li> <li>3. Abolition of Entry Load by SEBI has boosted Indian mutual fund industry.</li> </ol>
V	Since 2014	<ol style="list-style-type: none"> <li>1. The Industry's AUM crossed the milestone of ₹10 Trillion (₹10 Lakh crores) for the first time as on 31st May 2014, ₹ 20 trillion (₹20 Lakh crores) in Aug 2017 and The AUM size crossed ₹ 30 trillion (₹30 Lakh crores) in Nov 2020.</li> <li>2. The overall size of the Indian MF Industry has grown from ₹ 13.24 trillion as on 31st Oct 2015 to ₹79.88 trillion as on Oct 31, 2025</li> <li>3. The no. of investor folios has gone up from 9.37 crores folios as on 31st Oct 2020 to 25.60 crores folios as on 31st Oct 2025</li> </ol>

(Source: AMFI)

## V. REASONS FOR THE GROWTH OF MUTUAL FUNDS IN INDIA

- The mutual fund industry in India has developed under the strong regulatory oversight of SEBI, which has enhanced transparency, accountability, and investor protection.
- The entry of public sector, private sector, and foreign asset management companies (AMCs) has increased competition and contributed to the overall growth and professionalism of the Indian mutual fund industry.
- A significant expansion in the retail distribution network, particularly in smaller towns and semi-urban areas, has widened investor access to mutual fund products.
- Consistent and competitive returns offered by mutual funds over time have strengthened investor trust and encouraged greater participation.
- Economic reforms introduced through the Liberalization, Privatization, and Globalization (LPG) policy have played an important role in accelerating the growth of the mutual fund sector in India.
- During the Covid-19 pandemic, retail investor participation increased notably, as reflected by the opening of approximately 3.4 million new demat accounts in September 2020.
- The growing adoption of digital investment platforms has simplified mutual fund transactions and enabled investors to compare and invest in schemes more conveniently.
- On-going investor awareness campaigns and promotional initiatives by SEBI and AMFI have significantly contributed to the expansion of the mutual fund industry.
- The availability of a wide range of mutual fund schemes and folios offered by AMCs has provided investors with greater flexibility to choose products based on their financial goals.
- The presence of professionally qualified and experienced fund managers has enhanced investor confidence in mutual fund investments.
- The introduction and widespread adoption of Systematic Investment Plans (SIPs) have supported steady investment inflows and promoted mutual fund penetration in Tier-2 and Tier-3 cities.

## VI. TOP 10 ASSET MANAGEMENT COMPANIES IN INDIA (AS OF DECEMBER 2024)

S.No.	Asset Management Companies (AMC)	Assets Under Management
1	SBI Funds Management Ltd.	₹11,13,952.42 crores
2	ICICI Prudential Asset Management Company Ltd.	₹8,73,957.51 crores
3	HDFC Asset Management Company Ltd.	₹7,87,433.59 crores
4	Kotak Mahindra Asset Management Company Ltd.	₹4,88,744.93 crores
5	Nippon Life India Asset Management Ltd	₹5,69,953.53 crores
6	Aditya Birla Sun Life Asset Management Company Ltd.	₹3,83,911.11 crores
7	UTI Asset Management Company Ltd.	₹3,52,411.63 crores
8	Axis Asset Management Company Ltd.	₹3,26,097.53 crores
9	Mirae Asset Investment Managers (India) Pvt. Ltd.	₹1,94,276.07 crores
10	DSP Investment Managers Pvt. Ltd.	₹1,92,744.19 crores

(Source: <https://groww.in/blog/top-amc-asset-management-company-india-biggest>)

**INFERENCE**

From the data presented in the table, it can be observed that SBI Funds Management Ltd. ranks first among the top ten asset management companies in India with assets under management of ₹11,13,952.42 crores. This is followed by ICICI Prudential Asset Management Company Ltd., which holds the second position with ₹8,73,957.51 crores, while HDFC Asset Management Company Ltd. occupies the third position with assets amounting to ₹7,87,433.59 crores.

**VII. LIST OF 10 BEST MUTUAL FUNDS IN INDIA BASED ON LAST 5 YEARS RETURNS (2021-2025)**

Sr.No	Asset Management Companies (AMC)	Avg. Returns (p.a)
1	SBI PSU Fund	28.07%
2	Invesco India PSU Equity Fund	26.59%
3	ICICI Prudential Infrastructure Fund	26.36%
4	MotilalOswal Midcap Fund	25.94%
5	Franklin Build India Fund	24.63%
6	Nippon India Power & Infra Fund	24.16%
7	CanaraRobeco Infrastructure Fund	23.74%
8	DSP India T.I.G.E.R. Fund	23.53%
9	HDFC Flexi Cap Fund	23.10%
10	Bandhan Infrastructure Fund	22.04%

(Source: <https://www.etmoney.com/mutual-funds/featured/best-mutual-funds/29>)

**INFERENCE**

Based on the data presented in the table, SBI PSU Fund ranked first among the top ten mutual funds in India with an average annual return of 28.07% over the last five years (2021–2025). Invesco India PSU Equity Fund secured the second position with an average annual return of 26.59%, while ICICI Prudential Infrastructure Fund placed third, recording an average annual return of 26.36% during the same period.

**VIII. ADVANTAGES OF MUTUAL FUNDS IN INDIA**

- **Systematic Investment Plans (SIPs):** The expansion of Systematic Investment Plans (SIPs) has emerged as a significant contributor to the growth of mutual fund investments, as they enable retail investors to invest smaller amounts at regular intervals while benefiting from cost averaging and long-term compounding. Furthermore, sustained growth in monthly SIP inflows reflects the increasing adoption of disciplined investment practices among Indian households.
- **Increased Financial Literacy and Awareness:** Enhanced financial literacy, driven by investor education initiatives such as AMFI's *Mutual Funds Sahi Hai* campaign, has played an important role in reducing information asymmetry and risk aversion.
- **Technological Advancements and Digital Platforms:** In addition, advancements in digital infrastructure and the emergence of online investment platforms have simplified access to mutual fund products, extending participation beyond metropolitan areas to Tier 2 and Tier 3 cities.
- **Supportive Regulatory Framework:** Regulatory interventions by the Securities and Exchange Board of India (SEBI), including enhanced disclosure norms, expense ratio caps, and standardized fund classifications, have improved transparency and investor protection.
- **Shift in Household Savings:** A supportive regulatory environment has played a crucial role in strengthening investor confidence in mutual funds. Additionally, Indian households are increasingly reallocating savings from physical assets such as gold and real estate to financial instruments, influenced by declining returns on traditional savings avenues and the comparatively higher growth potential of equity markets.
- **Professional Management:** Professionally managed mutual funds provide investors with access to diversification and expert portfolio management, particularly benefiting individuals with limited time or investment expertise.

- **Favourable Demographics and Economic Growth:** Favourable demographic trends and sustained economic growth have created a conducive environment for the expansion of the mutual fund industry in India. A predominantly young workforce, coupled with increasing disposable incomes and longer investment horizons, enhances participation in market-linked investment products.
- **Product Diversification:** Additionally, the extensive range of mutual fund schemes including equity, debt, hybrid, and tax-saving instruments addresses varying risk preferences and financial objectives, thereby broadening the investor base.

#### IX. DISADVANTAGES OF MUTUAL FUNDS IN INDIA

- **Low Financial Literacy:** Despite significant growth, the mutual fund industry in India faces several structural challenges. Low levels of financial literacy, particularly in semi-urban and rural regions, limit investor understanding of fundamental investment principles such as diversification and compounding.
- **Preference for Traditional Assets:** A strong preference for traditional investment avenues, including gold, real estate, and fixed deposits, continues to dominate household savings behaviour.
- **Risk Perception:** Perceptions of mutual funds as high-risk instruments further discourage participation among risk-averse investors.
- **Limited Penetration beyond Top Cities:** Moreover, limited distribution infrastructure beyond major urban centres restricts market penetration, as extending advisory and technological access to less-developed regions remains a substantial operational challenge.
- **Lack of Robust Distribution Network:** The mutual fund industry also encounters operational and regulatory challenges. Establishing a robust distribution network requires collaboration with local institutions and continuous training of advisors, both of which demand substantial resources.
- **Complex Tax Rules:** Additionally, the complexity and frequent revisions of tax regulations governing various mutual fund categories create confusion among investors and complicate long-term financial planning.
- **Mis-selling and Trust Deficit:** Despite regulatory improvements, instances of mis-selling persist, where product recommendations may prioritize commissions over investor suitability, thereby weakening trust in the industry.
- **Compliance Burden:** Furthermore, market participants, particularly distributors face a growing compliance burden due to frequent regulatory updates issued by the Securities and Exchange Board of India (SEBI).
- **Market Volatility:** Market volatility remains a significant concern, particularly for new or risk-averse investors, as short-term market fluctuations often prompt premature withdrawal from investments, thereby reducing long-term wealth creation.
- **Product Complexity and Lack of Innovation:** In addition, the proliferation of similar mutual fund schemes has increased product complexity, making informed decision-making more challenging for investors and highlighting a perceived gap in innovative, customer-focused offerings.
- **High Fees and Expenses:** Furthermore, relatively high expense ratios, including management fees and exit loads, can adversely affect investor returns, while elevated operational costs may constrain the growth and technological advancement of smaller asset management companies.

#### X. CONCLUSION

Individuals typically allocate a portion of their income toward savings to meet future financial requirements. In India, these savings are traditionally invested through avenues such as bank deposits, post office schemes, insurance products, equity markets, and mutual funds. The findings of the study indicate that the Indian mutual fund industry has experienced substantial growth over time. Assets Under Management (AUM) increased from ₹5 crores at the time of the industry's inception in 1963 to ₹79,87,940 crores as of October 31, 2025. Among asset management companies, SBI Funds Management Ltd. ranked first with AUM of ₹11,13,952.42 crores as of December 2024, while the SBI PSU Fund achieved the highest average annual return of 28.07% among the top-performing mutual funds over the five-year period from 2021 to 2025. Despite the industry's advantages—such as continuous investor education initiatives, simplified regulatory frameworks, and the growing use of technology to enhance accessibility and transparency—the growth of mutual funds in India continues to face challenges. These challenges primarily include low levels of financial awareness, persistent risk aversion among investors, and operational constraints within the industry. Nevertheless, based on current growth trends, the Indian mutual fund industry is expected to approach the ₹100 lakh crores AUM milestone in the near future.

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