



Growth trends of mutual funds in Indian

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Abstract

A mutual fund is a collection of investor money that is invested in accordance with predetermined investment goals. It is a collection of the investor's money. By mutual, we imply that investors both contribute to and get benefits from the pool. The money is not subject to any other claims. The mutual fund is a collection of money that investors hold jointly. The funds thusly gathered will be invested by a mutual fund company in accordance with the preferences of the investors who established the pool. The Unit Trust of India was founded in 1964, which marked the beginning of the Indian mutual fund industry's journey. Recently, there has been quiet growth in this sector. Both the AUM and the variety of marketed goods have been growing. Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of October 2022 stood at ₹ 39,53,209 crore. Assets Under Management (AUM) of Indian Mutual Fund Industry as on October 31, 2022 stood at ₹ 39,50,323 crore. The introduction of various innovative products to meet the evolving needs of Indian investors has been encouraged by the entry of new companies. There are 44 fully established businesses that are operating in this industry as of now. It was found that institutional investors dominate the Indian mutual fund market. Overall, the mutual fund industry has 1.26 lakh distributors including corporate of the total distributors 87% of 1.09 lakh distributors are individual and 8850 are senior citizens and 7700 are Corporates. It is observed in the various cases from mobilization of savings to the net inflow that private sectors have done better than the public sectors at large. The industry should focus on public sector to increase its operational efficiency in order to maintain the parity. But Penetration in the market is not complete yet. Only fraction of Indian population has the knowledge of mutual funds. In India, more than 50% of the population lacks access to formal banking services. Only 35.23 percent of respondents in India, according to the 2012 World Bank Global Findex, have an account (either individually or jointly with another person) at a bank or another formal financial institution. India continues to lag behind in both formal and informal institutions' savings indicators. This states that awareness should be increased so that there is more mobilisation of saving leading to higher capital formation in the market at the same time.

Keywords: Investor money, Mutual fund investors, investment category, investment managers

Introduction

Since mutual funds are very cost-effective, simple, and don't require an investor to choose which securities to put into, they should be the finest way of investment in the capital market. A mutual fund could simply be described as a financial tool used by a group of participants to grow their money through a predetermined investment. The fund manager of that mutual fund is responsible for investing the combined funds in specific channels. In this way, investing in a mutual fund implies that the investor has bought the fund's shares and has joined its investor base. Therefore, if one investment isn't performing well, another one can be really taking off, changing the risk to benefit ratio and substantially covering the overall investment. The Indian capital market is one of the markets that is rapidly expanding. In 1964, mutual funds were introduced to the Indian capital market in order to provide individual investors with the benefits of less risk, assured returns, and skilled management. Since then, they have grown significantly in terms of quantity, scope, investor base, and expertise. The Government of India's policies of progress, privatization, and globalization paved the way for the entry of private sector and foreign actors into this sector. This study throws light upon the growth of the mutual fund industry in India.

Review of Literature

Shohom Pal (2021) ^[19] analysed the Growth of Mutual Fund industry in India and found that from mobilization of resources to the net inflows that private players have done better than the public sector at large. More retail investors are required to join the market as it is observed in the study that most of the corporates hold the Asset under management in the Indian market. So the conclusion of the study was that private sector is blooming in the industry and retail investors should enter the market.

Banerjee *et al* (2017) consider the various factors impacting people's investing choices in their research report. It has been determined that investors in the current investment roadways have a solid educational and professional background. Only 10% to 25% of total investment money are placed in mutual funds, and they also expect a 15% to 20% return on their investment. People in their 30s to 50s are interested in specialized investment design. Young investors are adventurous. Plans with open finishes are preferred over those with close finishes. Along with the fund, organization reputation and the track record of the fund manager also play a key role in determining investment decisions. Market-based investments with typical compensation also have an effect on investments.

Bandi (2017) ^[7] the research article looks at the opinions and behavior of experts and advisors on investments in mutual funds' Micro SIP. It includes financial consideration,

stock selection, selling revenue for Micro SIPs, investment design, and financial development of the mutual fund business. It has been found that the majority of professionals provide a wide range of administration; nevertheless, 10% of professionals only provide value obligation funds, and 5% of professionals only specialize in duty saving plans. Professionals prefer the monthly assortment premise over the daily, weekly, or annual basis. The majority of people are interested in the Micro SIP offer, however there are certain professionals who are hesitant to accept it.

Ramanujan and Bhuvaneshwari (2015) made an analysis on the growth of mutual funds in India between the period of March 2004 to March 2014. It showed an increase in the assets under management of all the sectors, redemption and scheme wise resource mobilization and mutual fund sales. The total amount of assets under management of mutual fund industry was 11.11 lakh crore in December 2014 against the previous year was balance of Rs 8.25 lakh crore resulting in growth of 35%. The increase in investors preference towards financial assets was clearly evident in the result.

S.Prasanna Kumar and S.Raj Kumar (2014) in their research study, they spoke specifically about Chennai city while discussing investor understanding and awareness of mutual funds. With this context, a survey of 250 mutual fund investors was carried out to determine the variables affecting the investors' choice of fund or scheme. One-way ANOVA was used to assess the effect of mutual fund knowledge and awareness. Therefore, this study came to the conclusion that mutual funds are receiving the most attention from investors in the current environment, whether they are corporate or individual investors. In comparison to other investment options, mutual funds offer quicker and higher returns. This has been the main driver of mutual funds' recent acceptance and expansion among India's population.

P.Balamani (2014) in her research paper, she discussed numerous mutual fund kinds and their features, as well as the benefits and drawbacks of various investment strategies. This aided investors in a variety of ways, including the choice of long- and short-term investing tools. The majority of the data utilized in this study were secondary data, and different statistical tools like mean, standard deviation, covariance, and compound annual growth rate, regression, and f test were used to analyze the data. The study came to the conclusion that while making investment decisions, investors should examine the risks and expected yields after adjusting for tax on various instruments.

Sarish (2012) In their research work, they examined mutual funds, the advantages of investing in them, their disadvantages, and they conducted in-depth research on a number of mutual fund-related topics. The goal of this paper is to examine the potential of mutual funds in India, with all of its issues, complications, and variables, and to offer solutions on how to build mutual funds in line with the country's potential for economic growth. In order to identify and analyze the obstacles and opportunities for mutual funds, this study relied on secondary data.

Palaniswamy, Sengottaiyan, and Palaniappan, (2012) they examined the investment patterns in mutual funds' debt schemes in their study article. Information gathered using a set of scheduled interviews and statistical techniques like percentage analysis, weighted ranking analysis, and Chi-square analysis. The study comes to the conclusion that debt

schemes are appropriate for sincere investors since different investors have different demands based on their goals, expectations, and risk-taking propensities.

Research Objectives

1. To study the current Scenario of Mutual Funds in India.
2. To analyze the Growth in the Mutual Fund industry in India.
3. To understand the challenges which the mutual fund industry is facing.

Current Scenario of Mutual fund industry in India

Both qualitatively and quantitatively, the mutual fund business in India has dramatically improved during the last ten years. Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of October 2022 stood at ₹ 39,53,209 crore. Assets Under Management (AUM) of Indian Mutual Fund Industry as on October 31, 2022 stood at ₹ 39,50,323 crore.

The AUM of the Indian MF Industry has grown from ₹ 7.68 trillion as on October 31, 2012 to ₹39.50 trillion as on October 31, 2022 more than 5-fold increase in a span of 10 years. The MF Industry's AUM has grown from ₹ 21.41 trillion as on October 31, 2017 to ₹39.50 trillion as on October 31, 2022, around 2-fold increase in a span of 5 years. The Industry's AUM had crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time in May 2014 and in a short span of about three years, the AUM size had increased more than two folds and crossed ₹ 20 trillion (₹20 Lakh Crore) for the first time in August 2017. The AUM size crossed ₹ 30 trillion (₹30 Lakh Crore) for the first time in November 2020. The Industry AUM stood at ₹39.50 Trillion (₹ 39.50 Lakh Crore) as on October 31, 2022. The mutual fund industry has crossed a milestone of 10 crore folios during the month of May 2021.

The total number of accounts (or folios as per mutual fund parlance) as on October 31, 2022 stood at 13.91 crore (139.1 million), while the number of folios under Equity, Hybrid and Solution Oriented Schemes, wherein the maximum investment is from retail segment stood at about 11.12 crore (111.2 million).

The market in Indian economy for Mutual Funds is fragmented. There are 44 fully established businesses that are operating in this industry as of now. The top five firms are SBI Mutual Fund ICICI Prudential mutual fund, HDFC mutual fund, DSP BlackRock mutual fund and Aditya Birla Sun Life Mutual Fund .These companies comprise of 60% of market share and the rest of the 39 companies that are present comprise 40% of the market share combined.

Overall, the mutual fund industry has 1.26 lakh distributors including corporate of the total distributors 87% of 1.09 lakh distributors are individual and 8850 are senior citizens and 7700 are Corporates.

Research Methodology

The paper focuses on qualitative and descriptive analysis on the growth of Mutual fund in the Indian markets. Secondary research has been conducted from the annual reports of SEBI, AMFI and RBI. Various journals and books have been taken into account for the study. Descriptive tools like charts and tables have been provided in the study for better understanding of the concepts and clear view of the growing trends in the market at large.

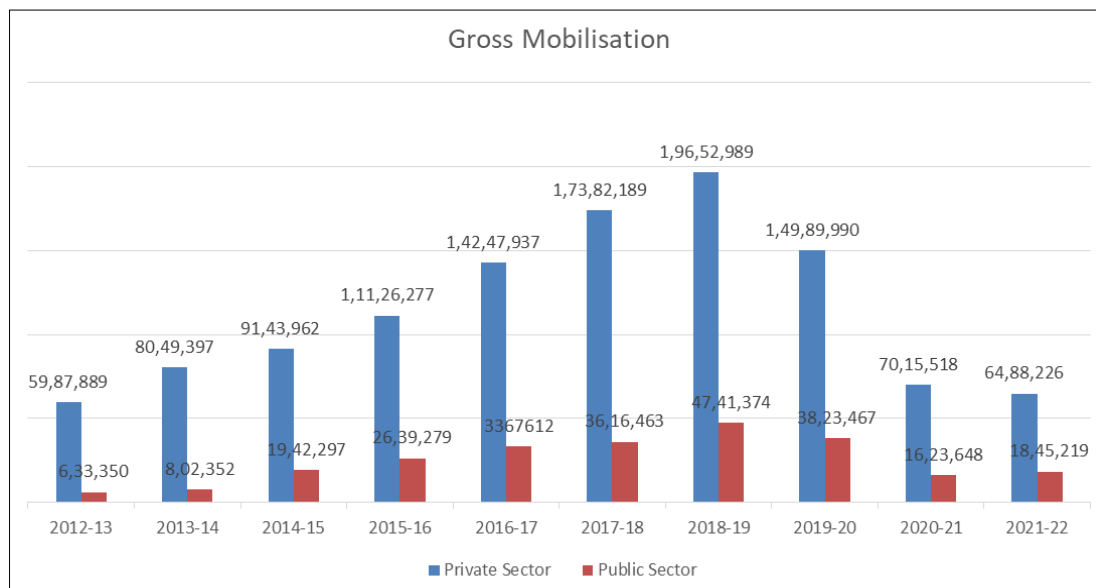
Data and Findings

Table 1: Category-wise Resource Mobilization by Mutual Funds (Public and Private) (in Crores)

Year	Gross Mobilisation		Redemption		Net Inflow	
	Private sector	Public Sector	Private sector	Public Sector	Private sector	Public Sector
2012-13	59,87,889	6,33,350	59,19,979	6,28,720	67,911	4,629
2013-14	80,49,397	8,02,352	80,00,559	8,01,951	48,838	401
2014-15	91,43,962	19,42,297	90,40,262	19,42,710	1,03,700	-412
2015-16	1,11,26,277	26,39,279	1,10,34,883	25,96,492	91,394	42,787
2016-17	1,42,47,937	33,67,612	1,39,68,549	33,03,951	2,79,388	63,661
2017-18	1,73,82,189	36,16,463	1,71,53,718	35,73,137	2,28,471	43,326
2018-19	1,96,52,989	47,41,374	1,95,91,483	46,93,178	61,505	48,196
2019-20	1,49,89,990	38,23,467	1,49,65,931	37,60,225	24,059	63,241
2020-21	70,15,518	16,23,648	68,73,140	15,51,283	1,42,377	72,365
2021-22	64,88,226	18,45,219	62,71,006	17,45,826	2,17,220	99,392

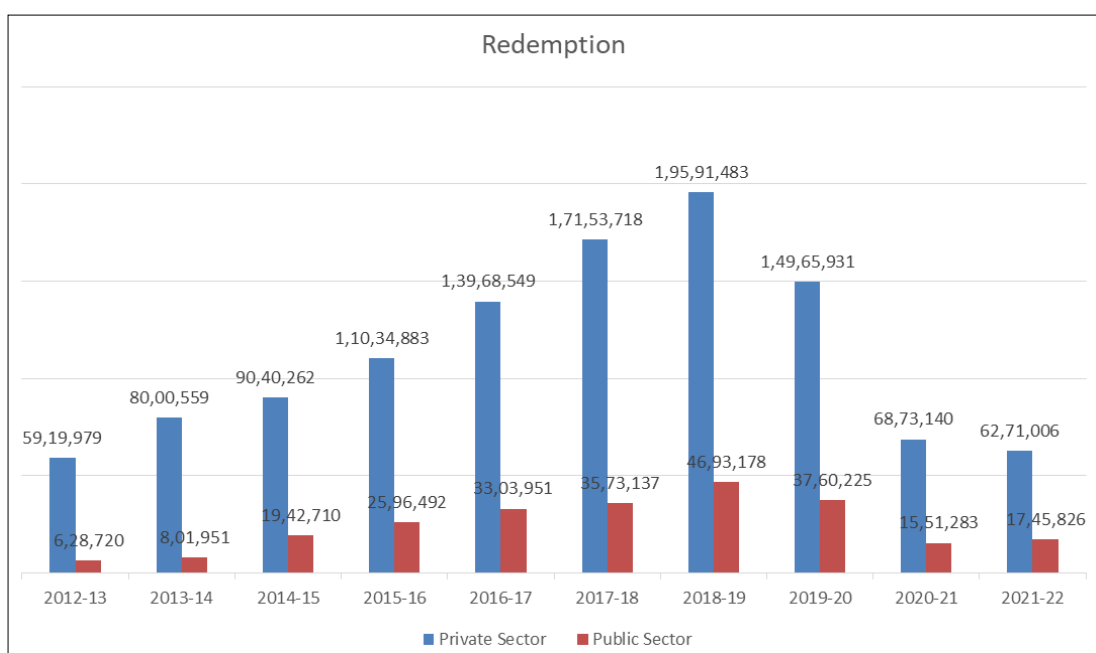
Source: AMFI

Gross Mobilization by Mutual Fund



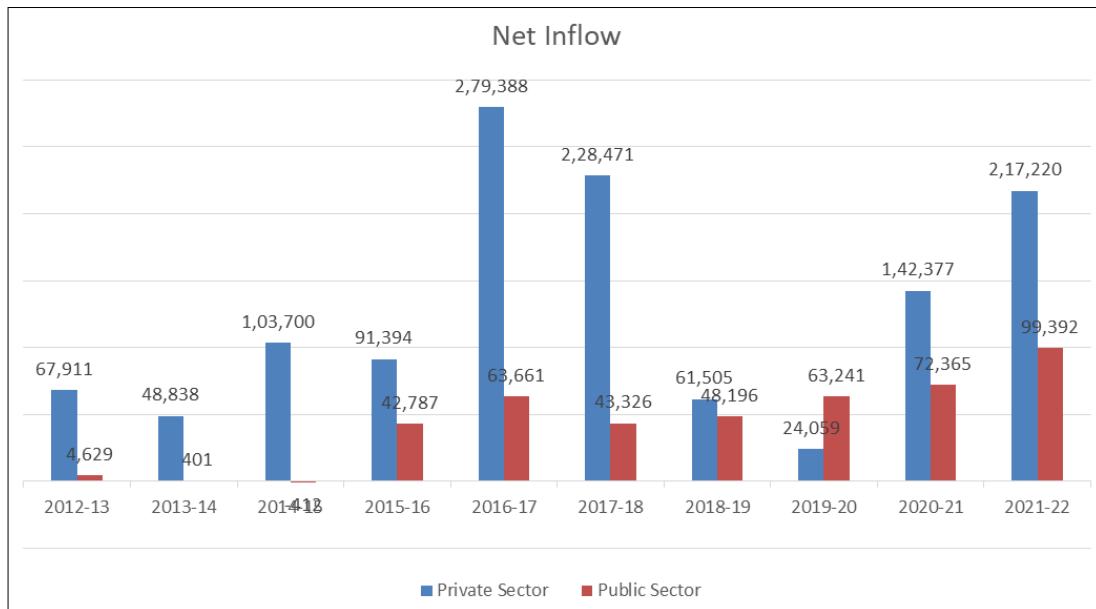
Source: Author's Compilation

Redemption of Mutual Funds



Source: Author's Compilation

Net Inflow of Mutual Funds



Source: Author’s Compilation

Table 2: Asset under Management of Mutual Fund industry

Year	Rupees in Crore
2012-13	7,01,443
2013-14	8,25,240
2014-15	10,82,757
2015-16	12,32,824
2016-17	17,54,619
2017-18	21,36,036
2018-19	23,79,584
2019-20	22,26,203
2020-21	31,42,764
2021-22	37,56,683

Source: Author’s Compilation

Findings

The different aspects of mutual fund industry over the years have been made in the study in the above section. It has been observed that there has been significant growth in the gross mobilization in both private and public sector. The growth of Gross Mobilization in private sector of mutual fund industry has increased from 59,87,889 crores in 2012-13 to 64,88,226 crores in 2021-22. In the Public sector it has been observed that the growth was not as high as the private sector it grew from 6,33,350 crores in 2012-13 to 18,45,219 in 2021-22.

In case of redemption, it is observed that redemption has also increased from 59,19,979 in 2012-13 to 62,71,006 in 2021-22 in the private sector. In case of public sector it has increased from 6,28,720 in the year 2012-2013 to 17,45,826 in the year 2021-22 in the public sector. In this scenario it has been seen that private industry has outperformed the public sector at large.

In case of net inflows, it is observed that the net inflow has also increased from 67,911 in 2012-13 to 2,17,220 in 2021-22 in the private sector. In case of public sector, it has increased from 4,629 in the year 2012-2013 to 99,392 in the year 2021-22 in the public sector. In this scenario it has been seen that private industry has outperformed the public sector at large.

In case of asset under management, it is observed that the total asset under management has also increased from 7,01,443 in 2012-13 to 37,56,683 in 2021-22. There was a

decline in the total asset under management in the year 2019-20 due to the effect of covid-19 pandemic from 23,79,584 crore to 2,26,203 crore. But in the year 2020-21 the industry again picked up the growth.

The Mutual Fund Industry in India: Challenges

The mutual fund industry in India operates in an economic environment that has rapidly changed over the last three years. When the industry doubled its AUM from Rs. 5.6 trillion in FY2017 to Rs. 11.13 trillion in FY2020, clocking an impressive growth rate of 16.2% per year, it set a new high water mark. Since then, there has been a slowdown in the Indian economy (along with the other emerging economies); the worst effects are currently being felt as this report is being written. The Indian economy grew at a mediocre rate of 4.8% in Q2 2013, down from an average GDP growth rate of 8–9% during the years 2008–2011. The mutual fund industry is currently operating in a volatile global economic environment as a result of the sharp decline in the value of the Indian rupee. However, there is good evidence to suggest that the Indian mutual fund industry has not yet reached its global peak and that, with the right steps, it could resume its previous growth trajectory. Mutual funds are just one example of the Indian financial sector’s deeper structural issue with under-penetration of financial inclusion. In India, more than 50% of the population lacks access to formal banking services. Only 35.23 percent of respondents in India, according to the 2012 World Bank Global Findex, have an account (either individually or jointly with another person) at a bank or another formal financial institution. India continues to lag behind in both formal and informal institutions’ savings indicators. Even Bangladesh performs better in financial inclusion metrics despite having a per-capita GDP that is 47% lower based on purchasing power parity.

Conclusion

The Indian mutual fund business is emerging as a tangible source of financial support that is substantially boosting the country’s financial market. Despite the fact that UTI established it in India in 1963, improvements have only been apparent in the last few years, roughly speaking. The

majority of people make an attempt to recognize and accept any new idea. In terms of innovation and society, agricultural countries like India are much more rigid than created ones. People had grown accustomed to the traditional ways of investing. However, people are now accepting and leaning toward mutual fund investing thanks to the emergence of modern financial advisors, the establishment of administrative specialists, government support, and monetary establishment's drives. This study has thrown light upon the different factors and the extent to which the Indian mutual fund industry has grown. It is observed in the various cases from mobilization of savings to the net inflow that private sectors have done better than the public sectors at large. It has made the market more competitive thereby giving the citizens better services. If it is observed that private sector is growing in the industry the focus should be made on public sector to increase its operational efficiency in order to maintain the parity. Emphasize on private sector can bring in problems such as bureaucratic powers and corruption in the same. The balance between the two sectors is equally important. The Asset Management companies have significantly developed over the years and the growth aspects are tremendously high in number. The number of AMC's and mutual fund operators have significantly risen in the Indian economy making the distribution channels robust and the efficient. But Penetration in the market is not complete yet. Only fraction of Indian population has the knowledge of mutual funds. This states that awareness should be increased so that there is more mobilisation of saving leading to higher capital formation in the market at the same time.

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