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Performance and Persistence of Indian Mutual Fund Industry

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Abstract--- ***The Indian mutual fund industry history started in 1963. The development of the mutual funds industry in India from all the parameters like number of asset management companies, number of schemes, number of investors, and amount of fund invested in mutual funds, mutual funds played major role in the development of the country's industrial and economic growth etc. Household sector is the key fund supplier to mutual fund industry. Household sectors saving growth rate has been raising year by year. This study address the question, has mutual fund industry succeeded in India? Indian mutual funds have not utilized complete potentiality of prospective investors. Mutual funds have succeeded and played major role in the development of industry, economy etc. in developed countries like USA and Japan. Mutual fund industry facing numbers of problems in our country like lack of investor's awareness due to less financial literacy, investors are interested to invest in non-financial assets, available, mutual fund schemes are not catering the needs and expectations of investors, dominance of unorganized investment avenues, availability of insufficient investment advisors, etc. Based on the study and analysis suggests and recommends to overcome the challenges which are being faced by mutual funds industry in India.***

Keywords— Mutual fund, Assets Under Management(AUM), Investors, Retail investors, Highly Networth Investors (HNI), Debt-equity.

I. INTRODUCTION

In India year by year earnings and domestic savings have been growing. The need for substitute investment avenues is increased to cater the requirements of different types and perception of investors. Mutual fund is an investment vehicle for investors who pool their savings for investing in a diversified portfolio of securities with aim of attractive return and appreciation in their value, which provides financial intermediates to invest in the capital market.

Mutual funds become alternative fund provider vehicle between supplier and user become popular in India and abroad. Mutual funds became popular as it provides higher returns relatively lower risk and cost. Mutual funds are playing an vital role in mobilizing funds from different segment investors and allocating of investable funds in India and abroad through financial markets.

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In fact Mutual fund has lot of potentiality in mobilizing surplus in India but need innovative products to cater the requirements of different types and perception investors and need distinct promotional strategies. The perceptions of investors have to be changed to invest in mutual funds by creating awareness among investors. The establishment of mutual funds started to Belgium where Society Generate Belgique, was recognized in 1822 as an investment company to supply funds in domestic industries with risks associated. In 1868 the foreign and Overseas Government Trust was started in England to diversify risks of investors over a huge no.of of securities. In 20th century in the United States America mutual fund concept was started. In U.S.A. the first mutual fund was started namely "Massachusetts Investors" trust in 1924. In India the concept mutual fund is new, it is a feather in the cap of Indian Capital Market. Mutual funds started in India in 1963. In India the Mutual Funds is at the adolescent stage in comparison to the degree of growth and development of mutual funds in the advanced countries like JAPAN, U.S.A, U.K, etc. In India mutual fund history has been segregated into four phases.

II. LITERATURE REVIEW

Phase-I (1963-87) In India the mutual fund concept was introduced in 1963, by the foresight dream of Sri T.T.Krishnamachari, than the finance minister. The Government of India and RBI started Unit trust of India in 1964 with recommendation of Central banking enquiry committee and Shroff committee. The first scheme started by UTI was Unit Scheme 1964. UTI Unit Scheme 64 and Mastershare Scheme in 1986 got huge response and popularity. Then, the mutual funds has recognized them as an alternative investment vehicle and are now it has become a vital role in the Indian financial system. In 1986 UTI started its primary equity growth fund, it was a grand success.

In same year UTI started its Indian offshore fund 'India fund' –which was listed in the London Stock Exchange (LSE). UTI played a monopoly in the Indian financial market and had witnessed a steady growth during this period till 1987. UTI was having AUM (assets under management) Rs 6,700 crores by the ending of 1988.

Phase-II (1987-93) The phase II was 1987 to 1993 during this period eight mutual funds were established by public sector bank and LIC and GIC. SBI mutual fund remained the initial non UTI mutual fund started in June 1987, then Canbank Mutual Fund in established in Dec 1987, Punjab national bank mutual fund started in August 1989,

In November 1989 Indian bank started mutual fund, In June 1989 Bank of India mutual fund started , Bank of Baroda mutual fund started in October 1992, Life Insurance Corporation mutual funds started in June 1989,In Dec 1990 General Insurance Corporation started mutual fund.

By the end of March 1993 mutual fund industry managed the total assets were up to Rs.47, 004 crores . Phase III (1993-96): Beginning of Private Funds: With entry private sector funds a new era had been started in the mutual fund industry in 1993.Due to the entry of private sector funds the investors had a broader choice of 'fund families the public sector funds were facing competition..

Foreign AMC (asset management companies) were allowed to functioning mutual funds, most of them entering in India through joint ventures with Indian sponsors. Two major developments took place in the mutual fund Industry in India. The first one is that the Indian mutual funds were taken under the control of SEBI, it introduced Mutual Fund regulations in 1993, and it brought all the Indian mutual funds except UTI.

Another major progress was the domestic private and foreign mutual funds were permitted to setup mutual funds. Accordingly Kothari group of companies, in joint venture with Pioneer, a US fund company, started in 1993the first private mutual fund under the title 'Kothari Pioneer' Mutual Fund. A number of private sector mutual funds were started during this period. With the initial of Indian mutual fund industry to private sector including Foreign players,the industry's investible funds at market value increased to INR 78,655 crore and the number of investors increased to 50 million. The private mutual funds started new financial product to attract the investors, started so many investment techniques and investor servicing centers to solve the investors queries.

Phase IV (1996-99): During this period the liberalization and globalization had brought competition. This helped to the lot to the growth of Indian industry and mutual fund industry as well. SEBI introduced a set of guidelines and regulation to all the mutual fund companies in India wit SEBI (Mutual Fund) Regulations. The Indian mutual fund industry scaled up new hight.

With the SEBI Regulation the uniform standards were set for all the mutual funds in India. UTI voluntarily implemented SEBI guidelines for its newly lunched schemes. In 1999 the Cental government budget took major step due to this all mutual fund dividends are exempted from income tax for investors. During this period AMFI (Association of Mutual Funds of India and SEBI started Investor education and awareness program to create awareness among investors about mutual funds investment.

Phase V (1999-2004): Emergence of Uniform Industry: This phase is very crucial, in February 2003, the UTI Act was repealed. A special legal status was given by an act of Parliament has been replaced. Instead it has implemented the same structure as any other fund in India. In this period Mutual fund industry grown in terms of amount mobilized from investors and assets under management.

The development of an uniform industry the operations and regulations were made easier for investors and distributors to transact with any mutual fund house. During 1999 and 2005 the size of the mutual industry had doubled in terms of Assets Under Management which had gone from above Rs 68,000 crores to over Rs 1,50,000 crores.

Phase VI(2004-2013) Due to the global financial recession and crises in 2009, security markets all over the world had declined rapidly and so was the case in India. Most of the investors, who had entered into the securities market during the market peak, had lost their money and faith in mutual fund products was upset greatly. SEBI has eliminated the entry load, on who had invested after the effect of the global financial crisis, Indian mutual funds Industry struggled to recover itself for over two years, in an attempt to maintain its economic stability and growth which is evident from the lethargic growth in Indian mutual funds Industry the assets under management (AUM) between 2010 to 2013 raised to 7.49 lakhs crores and to the march ending 2013 was Rs 8,16,657 Phase VII 2013 onwards Taking consciousness of the lack of growth of mutual funds, especially in tier II and tier III cities, and the need for increase greater interest of various stakeholders. In September 2012, SEBI had taken umber of progressive measures to "re-energize" the Indian Mutual Fund industry.

The efforts and measure succeed boosting the growth after the global breakdown. After a new Government came into rule in Centre, Indian industry and financial market improved significantly. Since 2014 May industry had recovered with steady inflow and increased, investor accounts and AUM (Assets Under Management).

The India mutual fund industry assets under management (AUM) had reached the milestone of 10 Trillion (10 Lakh Crore), on 31st May 2014. In July 2016 within a short period of two years the AUM size had grown to 15.63 trillion (15 lakh crore) The no. of investor accounts had gone up from 3.95 crore accounts by the end of March 2014 to 4.98 crore by the end of August 2016. Mutual funds industry's assets under management by the end of march 2018 was Rs 23,05,212 crores. Number of investors have gone up by 31-3- 2018. Investors folios have gone up to 7.78 crores by 30-9- 2018.

OBJECTIVES OF THE STUDY To study the historical evaluation of mutual fund industry in India To study the growth in AUM, Investor Accounts, Investor wise (Retail & HNI) growth rate, Scheme-wise growth rate in investor accounts To Compare the performance of equity mutual fund with benchmark index. To Compare the performance of Indian mutual fund industry with world mutual fund industry.

OBJECTIVES OF THE STUDY

1. To study the historical evaluation of mutual fund industry in India
2. To study the growth in AUM, Investor Accounts, Investor wise (Retail & HNI) growth rate, Scheme-wise growth rate in investor accounts

3. To Compare the performance of equity mutual fund with benchmark index.
4. To Compare the performance of Indian mutual fund industry with world mutual fund industry.

IMITATIONS OF THE STUDY

To analyse the mutual fund industry growth, the study has been conducted from 2009 to 2018. The mutual fund industry growth and performance has been studied based on few parameters i.e

1. Assets Under Management (AUM)
2. Growth in Investors Accounts
3. Scheme-wise growth rate in investor accounts.
4. Investor-wise growth rate in Investor Accounts
5. Equity funds a long-term investment opportunity
6. Growth of Indian mutual fund industry versus the world and major regions

III. RESEARCH METHODOLOGY & RESULTS

Secondary data has been used for this research. Tha main sources of data has been extracted from the following websites.

AMFI, RBI, CRISIL Research, BSE, NSE

DATA ANALYSIS AND INTERPRETATION

AUM REPORT AS ON 31 MARCH 2012-18 ASSET CLASS WISE DISCLOSURE OF AUM

Category	2012	2013			2014			2015			2016			2017			2018		
		Actual	diffe	%	Actuals	diffe	%	Actual	diffe	%	Actual	diffe	%	Actual	diffe	%	Actual	diffe	%
Income	290,844	395,985	105,141	36	460,671	169,827	58	515,773	224,929	77	565459	274,615.00	94	743,783	452,939	156	785,553	494,709	170
Equity (other than ELSS)	158,432	149,777	-8,655	-5	165,560	7,128	4	305,669	147,237	93	344707.00	186,275.00	118	482,138	323,706	204	669,207	510,775	322
Balanced	16,261	16,307	46	0	16,793	532	3	26,368	10,107	62	39146.00	22,885.00	141	84763	68,502	421	172,151	155,890	959
Liquid/ Money Market	80,354	93,392	13,038	16	133,280	52,926	66	162,562	82,208	102	199404.00	119,050.00	148	314,086	233,732	291	335,525	255,171	318
Gilt	3,659	8,074	4,415	121	6,115	2,456	67	14,614	10,955	299	16306.00	12,647.00	346	14875	11,216	307	11,404	7,745	212
Equity - ELSS	23,644	22,731	-913	-4	25,547	1,903	8	39,470	15,826	67	41696.00	18,052.00	76	61403	37,759	160	80,583	56,939	241
GOLD ETF	9,886	11,648	1,762	18	8,676	-1,210	-12	6,655	-3,231	-33	6346.00	-3,540.00	-36	5480	-4,406	-45	4,806	-5,080	-51
Other ETF	1,607	1,476	-131	-8	4,528	2,921	182	8,060	6,453	402	16063.00	14,456.00	900	44436	42,829	2,665	72,888	71,281	4,436
Fund of Fund investing overseas	2,530	2,053	-477	-19	3,191	661	26	2,408	-122	-5	1967.00	-563.00	-22	1747	-783	-31	1,451	-1,079	-43
Total	**587,217**	**701,443**	**114,226**	**19**	**825240**	238,023	41	**1082757**	495,540	84	**1232824.00**	645,607.00	110	**1,754,619**	1,167,402	199	**2,136,036**	1,548,819	264

Source: Figures compiled from AMFI Reports

Income Fund's Asset Under Management (AUM) has increased to 36% from 2012 to 2013, 58%in 2014, 77% in 2015, 94% in 2016, 156% in 2017, 170% in 2018. It has shown continuous growth.

Equity Fund (other than ELSS)'s AUM has decreased by-5% from 2012 to 2013, 4% in 2014, 93% in 2015, 118% in 2016, 204% in 2017, and 322% in 2018. It has negative growth rate in 2013, from 2014 it has shown positive growth rate. In 2014 and 2015 it has shown highest growth rate.

Balanced Fund's AUM has increased in 0% in from 2012 to 2013, increased to 3% in 2014, 62% in 2015, 141%in 2016, 421% in 2017, 959% in 2018. It has shown highest growth rate in every year.

Liquid/Money Market Fund has increased 16% from 2012 to 2013, increased to 66% in 2014, 102% in 2015, 148% in 2016, 291% in 2017, 318% in 2018. It has shown continuous growth.

GILT Fund has increased 121% from 2012 to 2013, decreased by 67% in 2014, 299% in 2015, 346% in 2016, 307% in 2017, 212% in 2018. It has not shown continuous growth.

Equity-ELSS Fund has decreased -4% from 2012 to 2013, increased to 8% in 2014, 67% in 2015, 76% in 2016, 160% in 2017, 241% in 2018. It has decreased in 2013 and shown continuous growth.

GOLD ETF FUND has increased 18% from 2012 to 2013, decreased to -12% in 2014, -33% in 2015, -36% in 2016, -45% in 2017, -51% in 2018. It has shown continuous negative growth.

Other ETF FUND has decreased -8% from 2012 to 2013, increased to 182% in 2014, 402% in 2015, 900% in 2016, 2665% in 2017, 4436% in 2018. It has decreased in 2013 and has continuous growth.

Fund of Fund investing overseas fund has decreased 19% from 2012 to 2013, increased to 26% in 2014, decreased-5% in 2015, -22% in 2016, -31% in 2017, -43% in 2018. It has shown not continuous growth.

GROWTH IN INVESTOR ACCOUNTS

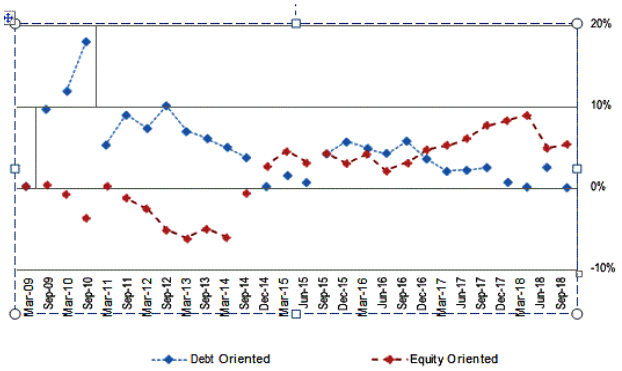
YEAR	INVESTOR ACCOUNTS Rs In Crores
March 2009	4.76
September 2009	4.80
March 2010	4.80
September 2010	4.704
March 2011	4.724
September 2011	4.72
March 2012	4.65
September 2012	4.48
March 2013	4.28
September 2013	4.13
March 2014	3.95
September 2014	3.95
March 2015	4.17
September 2015	4.28

March 2016	4.77
September 2016	5.06
March 2017	5.28
September 2017	5.54
March 2018	7.13
September 2018	7.79

Source: Figures compiled from AMFI Reports

Investor accounts have increased from March 2009 to September 2009. Investor accounts have decreased continuously till March 2016. From September 2016 investor accounts increased rapidly till September 2017. There was a sharp rise in March 2018.

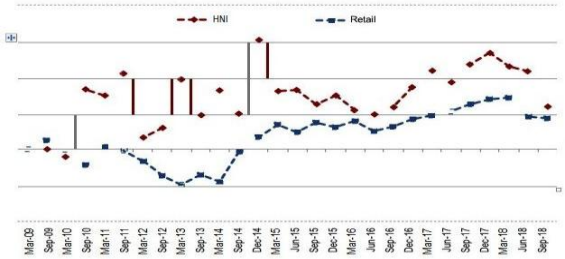
IV. SCHEME-WISE RATE OF GROWTH IN INVESTOR ACCOUNTS



Source: Figures compiled from AMFI Reports

From March 2009 investment in equity funds has been decrease but investment in debt increased that mean investors shifted equity to debt. In March 2011 investment in equity increased but debt decreased, investors shifted from debt to equity. Investment in equity has decreased till March 2013 but investment in debt increased till September 2012 and debt also decreased till December 2014.Equity has risen from 2014 to March 2015, and debt also rises. Equity and debt have decreased from March 2015 to June 2015. Equity and debt increased till sept 2015. Till 2015 December Equity decrease debt increased i.e investors shifted from equity to debt, and till March 2016 equity increased and debt decrease, i.e, investors shifted from debt to equity. Till 2016 June both are decreased. From June 2016 equity has raised continuously till March 2018 but debt decreased till March 2018 that means investors are shifted from debt to equity. In June 20118 debt increased and equity decreased. Till sept 2018 debt decrease and equity increased. With the above diagram we can conclude that there is a negative correlation between investment in equity and debt.

Investor-wise Rate of Growth in Investor Accounts

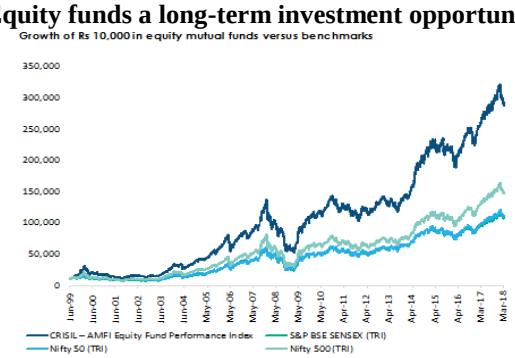


Source: Figures compiled from AMFI Reports

Retail investors accounts have shown negative growth rate till September 2010 and positive growth rate till March 2011. From march 2010 it shown negative growth rate till march 2013. From march 2014 it has risen sharply till march 2015 from there it has raised continuously till march 2018. From 2018 it decreased to sept 2018.

HNI (Highly Networth Individuals). Shown negative growth till march 2010, sharply raised in sept 2010, till sept 2011, decreased sharply in march 2012. It has increased sharply in march 2013, from there it shown volatility till sept 2014, and has raised sharply in December 2014. From there it decreased greatly till march 2015, from there it is shown volatility till September 2016. From there it risen sharply till December 2017. From 2017 it has negative growth rate till sept 2018.

Equity funds a long-term investment opportunity

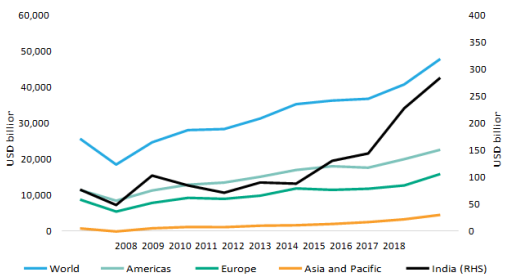


Source: CRISIL Research, BSE, NSE

Indian Equity mutual funds is giving attractive returns over a long period than benchmarks indexes.

Suppose an investment of Rs 10,000 invested equity mutual funds (represented by CRISIL equity fund performance index) would have grown 29.2 time compared with benchmarks like 10.8% by S&P BSE SENSEX (Total returns index or TRI), 11% by Nifty 50 (TRI) and 14.9% Nifty 500 (TRI), respectively.

Growth of Indian mutual fund assets versus the world and major regions



Source: IIFA

Since past 10 year Indian Mutual Fund Industry has raised at 12.5% p.a. It is more than double growth rate than the world and developed countries (America and Europe), Asia-Pacific. Where the world growth rate is at just 8% over this period.

FINDINGS

1. Income Fund AUM has been continuously raising, there was sharp raise in 2017
2. Equity (other than ELLS) Fund had negative growth rate in 2013, from 2015 there was sharp raise till 2018
3. Balanced Fund had zero growth rate in 2013, there was a raising from 2015.
4. Liquid/Money Market Fund, has been increasing continuously.
5. GILT Fund had a good growth rate except in 2014
6. Equity ELLS Fund had negative slow rate till 2016 after that there was a sharp growth.
7. GOLD ETF Fun had a negative growth from 2012 to 2018.
8. Other ETF had a negative growth rate in 2012, after that there was a sharp growth
9. Fund of Fund investing overseas had a negative growth.
10. There was continuous growth in investors account since 2009, there was a rapid growth in 2018.
11. There was volatility in debt and equity fund, There was a negative correlation growth rate in between debt and equity fund.
12. There was a continuous volatility in Retail investors and HNI investors, from march 2014 there was growth.
13. CRISIL and AMFI Equity fund performance index was showing high growth rate S&P BSE SENSEX (TRI), NIFTY 50 (TRI), NIFTY 500 (TRI).
14. The growth of indian mutual fund asset was higher growth rate than Europe and Asian Pacific regions, but it is equal with America and has higher growth rate from 2017.

V. CONCLUSION

Overly Indian mutual fund industry has been growing in terms of AUM of all fund expect GOLD ETF and Other ETF and Fund of Fund. Growth in investors accounts are raising year by year. The scheme-wise growth also increasing but there was a negative correlation growth between debt fund and equity fund. The retail investor and HNI investors accounts are growing continuously, but the growth of HNI is more than retail investors. Investment in equity fund was growing more than equity index (compared CRISIL and AMFI Equity fund performance and index of S&P BSE SENSEX (TRI), NIFTY 50 (TRI), NIFTY 500 (TRI).) Indian mutual fund industry growth rate is higher than Europe and Asian Pacific regions, but it is equal with America and has higher growth rate from 2017.

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