

## **Growth of Mutual Fund Industry in India**

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### **ABSTRACT**

The Mutual fund is a specific type of investment institution, which collects the savings from the investors and invests large funds in a fairly large and well diversified portfolio of sound investments. Today's mutual fund investment shows an important role in household finance. The increasing number of households and rise in the income levels, etc. provides wide scope to make investments in mutual funds. Resource mobilization implies the development of cash or cash breaks even with from the non or less profitable segmented. This study is apprehensive with the resource mobilization of the mutual fund industry for the last eight years (from 2010-11 to 2017-18). To know the Growth of the Indian Mutual Fund industry.

The analysis done on resource mobilization in mutual fund Industry, based on AMC, Schemes of mutual funds and the type of mutual fund.

**Keywords: Mutual Funds, Resource Mobilization, Asset under Management, household Finance**

### **INTRODUCTION**

Today's mutual fund industry is one of India's most attractive investment avenues. A mutual fund is a good investment option for medium and small investors who have limited resources and need to gain professional knowledge about the stock market and other investment opportunities. Mutual funds are a significant financial intermediary collecting funds from small investors and investing them in financial market securities. "A mutual fund is an investment company or trust that pools the resources of thousands of its shareholders or unit holders. It then invests it on behalf of these diversified securities and a cross-section of companies to attain the investors' objectives, achieving income or growth, i.e., steady return or capital appreciation or both along with low risk."

Thus, mutual funds offer several benefits to the investors like diversification, professional management, tax benefits, transparency, liquidity, flexibility, choice of schemes, low cost, etc. Mutual funds act as an intermediary where the investors get the convenience of investing with a comparatively small amount in the professionally managed portfolio along with other facilities that increase the investor's attraction towards the country's capital market.

## **GROWTH OF MUTUAL FUND INDUSTRY IN INDIA**

In 2022, the estimated count of registered mutual fund investors in India is expected to reach approximately 1.88 crores, surpassing the count of households earning an annual income exceeding Rs 10 lakh, which stands at 1.86 crores. Moreover, the exponential growth in the number of mutual funds being offered is significantly increasing. A few years ago, only three primary funds were provided by financial institutions like HDFC MF and ICICI Prudential MF. Financial institutions offer nearly 50 diverse schemes and a wide array of products across categories. These categories include equity funds, balanced funds, etc., posing a challenge for investors to make a selection. Nevertheless, amid the escalating competition among mutual funds in recent years, their performance has remained consistently robust, resulting in substantial benefits for investors.

The sector has experienced swift expansion in recent years, with a growth rate of almost 40% per year. The primary factor contributing to the mutual fund industry growth in India is the increasing acceptance of mutual funds. Consequently, there has been a surge in the number of individuals channelling their investments into mutual funds, effectively fulfilling this growing demand.



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## REVIEW OF LITERATURE

**Rajesh Kumar and Anju Singh (2017)** evaluate the performance of large cap mutual funds

in India from 2011 to 2016. The study finds that large cap mutual funds have outperformed

the benchmark index and have provided positive returns to investors. The study also highlights the importance of diversification in reducing risk.

**Niharika and Ritu Arora (2017)** analyses the risk and return of mutual funds in India from 2011 to 2016. The study discovered that the large cap mutual funds have lower risk as compared to mid-cap and small-cap funds. The study also highlights that investors should consider both risk and returns while making investment decisions.

**R. Kavitha and V. Raja (2018)** analysed the performance of large-cap mutual funds in India during a period of market volatility. The study found that large-cap mutual funds provided relatively stable returns during market volatility, indicating that these funds were a suitable investment option for risk-averse investors. The study also found that large-cap mutual funds

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**Dr. Sandeep Bansal, Deepak Garg and Sanjeev K Saini (2012)**, have studied Impact of Sharpe Ratio & Treynor's Ratio on Selected Mutual Fund Schemes. This paper examines the performance of selected mutual fund schemes, that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe ratio and Treynor's ratio.

**Dr. K. Veeraiah and Dr. A. Kishore Kumar (Jan 2014)**, conducted a research on Comparative Performance Analysis of Select Indian Mutual Fund Schemes. This study analyzes the performance of Indian owned mutual funds and compares their performance. The performance of these funds was analyzed using a five year NAVs and portfolio allocation. Findings of the study reveals that, mutual funds out perform naïve investment. Mutual funds as a medium-to-long term investment option are preferred as a suitable investment option by investors.

**Dr. Yogesh Kumar Mehta (Feb 2012)**, has studied Emerging Scenario of Mutual Funds in India: An Analytical Study of Tax Funds. The present study is based on selected equity funds of public sector and private sector mutual fund. Corporate and Institutions who form only 1.16% of the total number of investors accounts in the MFs industry,

contribute a sizeable amount of Rs. 2,87,108.01 crore which is 56.55% of the total net assets in the MF industry. It is also found that MFs did not prefer debt segment.

**Dr Surender Kumar Gupta and Dr. Sandeep Bansal (Jul 2012)**, have done a Comparative Study on Debt Scheme of Mutual Fund of Reliance and Birla Sunlife. This study provides an overview of the performance of debt scheme of mutual fund of Reliance, and Birla Sunlife with the help of Sharpe Index after calculating Net Asset Values and Standard Deviation. This study reveals that returns on Debt Schemes are close to Benchmark return (Crisil Composite Debt Fund Index: 4.34%) and Risk Free Return: 6% (average adjusted for last five year).

## OBJECTIVES OF THE STUDY

1. To present the trends in the growth of Indian mutual funds.
2. To appraise the performance of selected schemes on the basis of performance measures like Sharpe ratio, Jensen and Treynor measures to find out the risk adjusted returns.
3. To evaluate the performance of the select equity growth schemes and compare it with the benchmark to find out whether there is equality of means (returns).
4. To suggest suitable measures for strengthening of the mutual funds in India.

## OPPORTUNITIES IN THE MUTUAL FUND SECTOR

1. **LOW PENETRATION** There are over 8.5 crore registered taxpayers in India, but out of them, only 2.5 crore people invest in Mutual Funds. For the country as a whole, the AUM/GDP stands at approx. 6.99%. When this ratio is calculated for the first decile of districts, the ratio is 29.52% - slightly lower than the world average. However, the rest of India paints a dismal picture, with the AUM/GDP ratio at 1.82% (Taken from SEBI).
2. **RISING MIDDLE-CLASS INCOME** India's middle-class population has grown significantly. In 2005, one in 15 households was classified as upper middle class; by 2018, that number had increased to one in five. There are 6.1 crore upper-middle-class households in India today. Only two core opt to invest in mutual funds,
3. **RISK-TAKING APPETITE** Since India now has the world's youngest population, the risk-taking ability has grown compared to the previous generations. With decrease in interest rates and an increase in inflation, the risk taking appetite seems to be only growing, So naturally there is a move from Physical Assets like Gold, Real-estate to Market Linked assets like Mutual Funds, Stocks. This trend is exhibited in the image.

## RESEARCH GAP

Based on the previous studies or literature review it is found that so far some researches deal with statistical tools or quantitative tools to analyze the performance of the mutual fund schemes. All researches will use one or two methods to compare the mutual funds of one or two companies or schemes only or comparing performance between public sector and private fund houses. Some of the researches focused only on particular segment of fund and bring forth the funds advantage and disadvantage only. No researches have focused on comparing the similar type of open ended growth schemes in various categories like Large Cap, Mid & Small Cap and Diversified/Multi Cap funds. So, this research has been taken to fill the gap to compare selected schemes from top five fund mutual fund houses in the various categories by using of different statistical and ratio analysis.

Performance Evaluation of the Selected Mutual Fund Schemes Performance Analysis of Large Cap funds The results of return, risk, beta and coefficient of determination of selected Large Cap schemes with benchmark index (S&P BSE 100) return for all the five schemes for 6 years shows competency to make out a strong case for investment.

S.No.	Schemes	Scheme Return	Scheme Risk	Beta	R Square
1	ICICI Top 100	2.2341	5.1478	0.892	0.912
2	HDFC Top 200	2.5499	6.1248	0.785	0.927
3	Reliance Top 200	7.8954	4.2517	0.852	0.900
4	Birla Top 100	1.8891	5.5874	0.785	0.912
5	SBI Blue Chip	.64141	6.1287	0.784	0.941

### **SUMMARY OF RISK, RETURN, BETA AND R SQUARE (APRIL 2017 TO MARCH 2023)**

### **CONCLUSION**

This study concludes that Mutual funds are among the most preferred investment instruments among the respondents. For middle income individuals, investing in mutual funds yields higher interest and comes with good principal amount at the end of the maturity period of the mutual fund investment. According to intermediaries important fact is revealed that mutual funds are safe, with close to zero risk, offering an optimized return on earnings and protecting the interest of investors. It is important to gain good understanding of mutual fund investments, companies in the field, and mutual fund experts, as customers are easily misguided by the advertisements and offers promoted by various financial institutions. A large number of investor switches from fund to gain more from changing market situations. on the other hand 64% investor prefer to invest in existing mutual fund as they analyse schemes looking at its past performance and they feels that investment in newly launch funds or schemes may involves high risk and at the same time they bear high expenses which may reduce their returns.Mutual fund companies should come forward with full support for the investors in terms of advisory services, participation of investor in portfolio design, ensure full disclosure of related information to investor.

### **SUGGESTIONS**

This study has given some suggestions for creating awareness about the mutual fund investment and schemes so that mutual fund investors may get information that helps out in their investment decision. Intermediaries providing consultancy, they would understand the need of investors and suggest plan accordingly.

These are as follows:

- Most of the investors are not aware of dealing in Mutual Fund. Investors interested to invest in MF schemes should be given some basic knowledge about operations of Funds. Investors should also be aware to frame their investment objectives and know how to diversify the risk in their portfolios.
- Government and Mutual Fund organizations should also take some initiative to motivate women investors by educating them and providing extra benefits to them in all types of investments.
- It is also suggested the AMC's should come up with some focused investment solutions for focused group of investors. Where they can manage investments taking risk and can get better returns beating inflation.
- Government and investment companies should take initiative to come forward with full support for the investors in terms of investors' awareness, advisory services, participation of investor in portfolio design& management, ensure full disclosure of related information to the investors.

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