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Growth of Mutual Fund Industry in India

Debendra Shaw
Assistant Professor in Commerce
Umeschandra College, 13 Surya Sen Street, Kolkata -700 012

Introduction:

There are different ways of investment to general people. They can invest through Post Office, Banks, Mutual funds, Stock Market etc. Every investment decision has different risk criteria. In our country equity market is not very much popular investment destination as stock price is very fluctuating.. The stock price is very fluctuating depending on the demand and supply force of the market. Investing decision is very difficult in the part of general retail investor. In our country stock market is not so much popular destination of investment. That is why investor consider mutual fund which are professionally managed by fund managers for investing in a stock market as criteria for investment. Mutual fund is an institutional arrangement that pools the savings of millions of investors in a diversified portfolio of securities such as stocks, bonds, money market instruments. During last two decade in India mutual fund industry has gone through rapid changes. In mutual fund's performance mainly depends on the portfolio. Different type of portfolio strategies are applied by the fund managers for their funds and success of the fund depends on the performance of the portfolio.

Literature review:

Dr. Umarani. M. B (2012) described the growth of mutual fund industry phase wise since incorporation of Unit Trust of India. He pointed out the growth of the industry as well as the prospect of the mutual fund industry in India economy.

Rashmi Sharma*1 and N. K. Pandya (2013) depicted a vivid analysis of the various factor for investing in mutual fund industry. They also showed key factors for the comparative analysis of mutual fund investment and stock market investment. They found that Investors should be given awareness about different schemes of mutual fund.

Krishna Kumar Kadambat, Raghavendra T and B M Singh (2015) studied the performance of ELSS in Indian mutual fund for 2001-2013 comparing with 12 top Diversified Equity Funds and 7 Benchmark Indexes. They pointed out that ELSS funds, overall has underperformed both against sample Diversified Equity Funds and Benchmark Indexes on a risk adjusted basis.

Dr. V. Ramanujam and A. Bhuvaneswari(2015) evaluated growth and performance of Indian Mutual fund industry for the period of April 2004 to March 2014 from the view point of different parameters like asset under management, sector wise mutual fund sale, Scheme wise resource mobilization, total number of schemes. They pointed out that the investor preference towards financial assets is increasing as all the parameters had shown a tremendous increasing growth rate.

Objective of the study:

1. To understand conceptual framework of mutual fund.
2. To depicts the growth of mutual fund industry in India.

Methodology:

The study is totally based on secondary data. Various books, research paper, web sites are used to prepare the paper.

Data analysis & Presentation:

Every investor considers three points before investing their money. Firstly Safety & Security of Principal amount, Secondly Profitability that is capital appreciation (Return) and thirdly Liquidity that is Convertibility into cash. These are general objective of any investor. To full fill this objective many people invest their money in mutual fund. In our country the concept of Mutual fund started with the establishment of Unit Trust of India (UTI) in the year 1963. To understand the growth of mutual fund industry in India we divide the period 1963 to 2017 into four stages.

Early stage (1963-1987), Second stage (1987-1993)-Entry of public sector, Third stage (1993-2003) - Entry of private sector and present stage (2003- on wards)

Early stage (1963-1987): The journey of mutual fun in India started in 1963 with the enactment of law passed by the Indian Government in the parliament. UTI launched its first scheme namely Unit Scheme -64 which was first scheme of the mutual fund history in India. It was popular among the small investor at that time and had a good return for the considerable period until the stock market scam. It was closed in 2003.Till 1978; the UTI was under functioned of the administrative and regulatory control of the reserve Bank of India. In 1978, the administrative control of the UTI was transferred to the industrial development Bank of India (IDBI), which was then a public financial institution. UTI had around Rs 6,700 crores of assets under management at that period.

Second stage (1987-1993): Until 1987 UTI continued as only sole mutual fund in India. In 1991 Indian economy transformed to new era of LPG model. As India needed to channelize huge investable amount of general people into economy system. So that need could not be full filled alone by the UTI. So Government of India allowed the public sector banks and Insurance companies to enter into the mutual fund industry. It was a cautious step of the country. The state bank of India was the first public sector banking institution to set up its mutual fund set up in the name of the SBI Mutual fund, followed by canbank mutual fund (DEC 1987), Punjab National bank Mutual fund (NOV 1989), Indian bank mutual fund (NOV 89), Bank of India (Jun 90) and Bank of Baroda Mutual fund (Oct 92). Two insurance companies forwarded their steps in this industry. They were LIC in 1989 and GIC in 1990. At the end of 1993 the industry witnessed Rs. 47004 crores in terms of asset under management.

Third stage (1993-2003): A new era in Mutual fund industry started from 1993 when govt. allowed private sector player in this field. Investor had a wide choice of fund house. All mutual fund hose was to be registered under SEBI. Kothari pioneer was the first house registered under SEBI as private sector fund. UTI generated confidence among the investor. In 1996, comprehensive and revised Mutual Fund regulations adopted.

present stage(2003- on wards): From 2003 Indian stock market faced a bull run as a result mutual fund industry ridden the momentum of the market. Till 2008 that is subprime crisis this industry has very faster growth. The growth rate was 2003 to 2008 was 196%. The growth in term of AUM is shown in Table. 1. It has gained tremendous growth 2009 to 2016 that is 201.52% for that period. On closing average basis the Nifty – 50 indexes grew from 2003-2016 was 489.95%. It is quite clear that the growth of the mutual fund industry has been in line with the capital market in exception both equity market and mutual fund industry passed a little hazard in the year 2008 onward due to sub-prime crisis or very short period of time. After 2012 our mutual fund industry showed a huge tremendous growth indicating a sound potentiality of Indian capital market. In India mutual fund industry has grown quantitatively as well as qualitatively. The regulatory environment of mutual fund industry has been consistently improving. Reporting to Investor as well as to other stake holder improved very well. The media also took part in the development of mutual fund industry. The higher growth rate and prospect of Indian economy as emerging market attracted globally in Mutual fund industry.

Industry in terms of yearly AUM(Table 1)

Year	AUM	% increase	Nifty (Cl. Avg.)	% increase
2003-2004	111,622		1427.50	
2004-2005	137,226	22.93813	1805.26	26.46305
2005-2006	147,761	7.677117	2513.44	39.2287
2006-2007	202,477	37.03007	3572.44	42.13349
2007-2008	329,722	62.84417	4896.60	37.06598
2008-2009	524,607	59.10585	3731.02	-23.8039
2009-2010	448,860	-14.4388	4657.76	24.83878
2010-2011	745,891	66.17453	5583.55	19.87629
2011-2012	700,809	-6.04405	5242.73	-6.104
2012-2013	664,791	-5.13949	5520.33	5.294951
2013-2014	816,657	22.84417	6009.50	8.861246
2014-2015	905,120	10.83233	7967.34	32.57908
2015-2016	1,188,690	31.32955	7983.79	0.206468
2016-2017	1,353,443	13.86005	8421.18	5.478476
2003-16		1548.047		489.95

Conclusion:

The journey of mutual fund industry in country was not very smooth. It had to pass from various struggle and fight to corruption, scams of stock market, fraudulent issues. The growth of early stages of the industry was in very cautious move from the govt but it took pace after 2003 due to participation from not only retail investor but corporate houses also contributed a great interest for the growth of the mutual fund industry in India. The promotional activity and corporate governance are needed from the regulator for further nourishment of the industry as a strong MF industry help in stability of financial system of the country.

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