

## Mutual fund: An important part of investment matrix

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### Abstract

This paper aims to study the recent trends in mutual fund industry in India. It is observed that mutual funds have become an important part of investment matrix. Investment industry in India has gone through huge pace of reinventions, given changes in monetary and political policies of government. In the same line the study attempts to identify the major changes which can be marked for mutual funds as an investment options.

**Keywords:** mutual funds, trends, asset allocation

### 1. Introduction

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. Over the past decade, mutual funds have increasingly become the investor's vehicle of choice for longterm investing. In recent times, the emerging trend in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and small private sector players.

Growth and developments of various mutual funds products in the Indian capital market has proved to be one of the most catalytic instruments in generating momentous investment growth in the capital market. In this context, close monitoring and evaluation of mutual funds has become essential. With emphasis on increase in domestic savings and improvement in deployment of investment through markets, the need and scope for mutual fund operation has increased tremendously. Thus, the involvement of mutual funds in the transformation of Indian economy has made it urgent to view their services not only as a financial intermediary but also as a pace-setter as they are playing a significant role in spreading equity culture.

In this context, it becomes pertinent to study the recent trends of the Indian mutual fund industry

1.1 The most important trend in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players.

Many nationalized banks got into the mutual fund business in

the early nineties and got off to a good start due to the stock market boom prevailing then. These banks did not really understand the mutual fund business and they just viewed it as another kind of banking activity. Few hired specialized staff and generally chose to transfer staff from the parent organizations. The performance of most of the schemes floated by these funds was not good. Some schemes had offered guaranteed returns and their parent organizations had to bail out these AMC's by paying large amounts of money as the difference between the guaranteed and actual returns. The service levels were also very bad.

Last few years there took a series of events within and outside the Indian economy which deleteriously affected the industry. This research will include study of classified growth trends in mutual fund industry which will contribute to growth of the industry as whole.

### 1.2 Research Problem and Objectives

#### Research Problem

To find out trends in mutual funds after reinvention in investment industry of India

#### 2. Objectives of studies

1. To study recent trends in growth of Mutual Fund Industry on following points. - Total assets - Investors types - Location wise (T-15 and B-15)
2. Data Analysis and Interpretation



Fig 1: Total Assets of Indian Mutual Fund Industry

**Interpretation:** 17.9 trillion assets are managed by the Mutual Fund Industry increased significantly as compared to 11.28 trillion in December 2014.

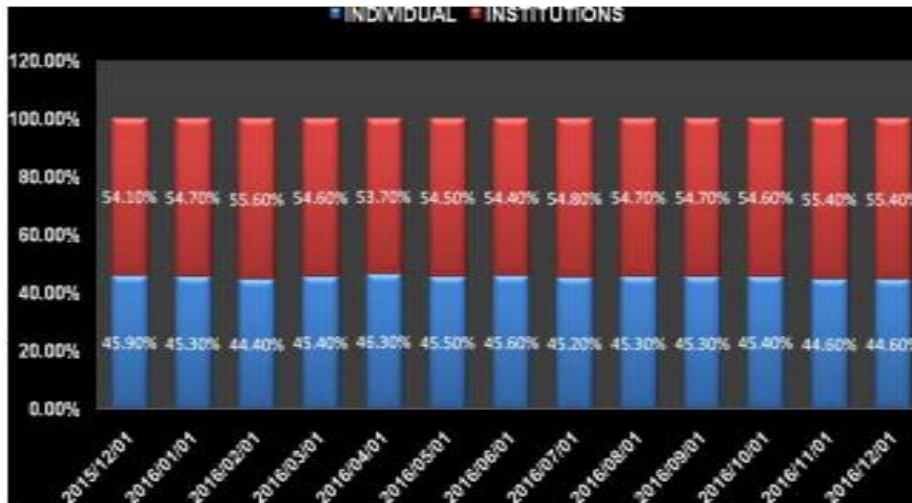


Fig 2: Investor Type wise composition of Mutual Fund Assets:

**Interpretation:** Individual investors now hold a lower share of industry assets i.e. 44.60% in December 2016, compared with 45.9% in December 2015. Institutional Investors account for 55.4% of the assets, of which corporate are 86.3%. The rest are Indian and foreign institutions and banks.

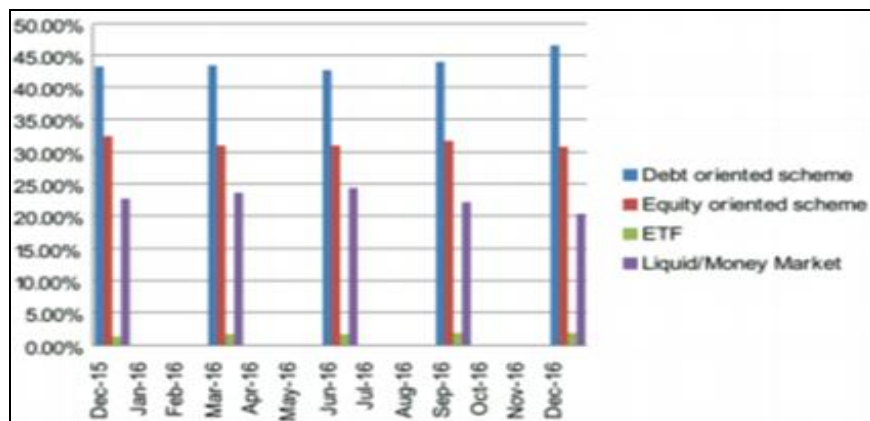
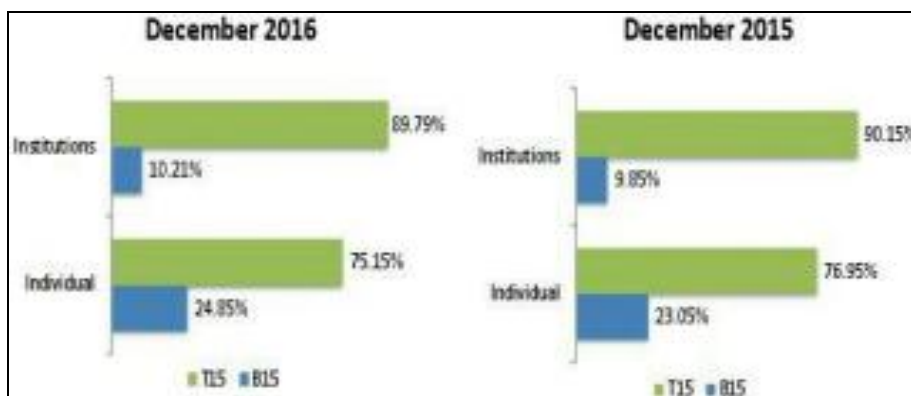


Fig 3: Scheme wise composition of assets

**Interpretation:** The proportionate share of equity oriented schemes is now 30.9% of the industry’s assets in December 2016, down from 32.5% in December 2015. The proportionate

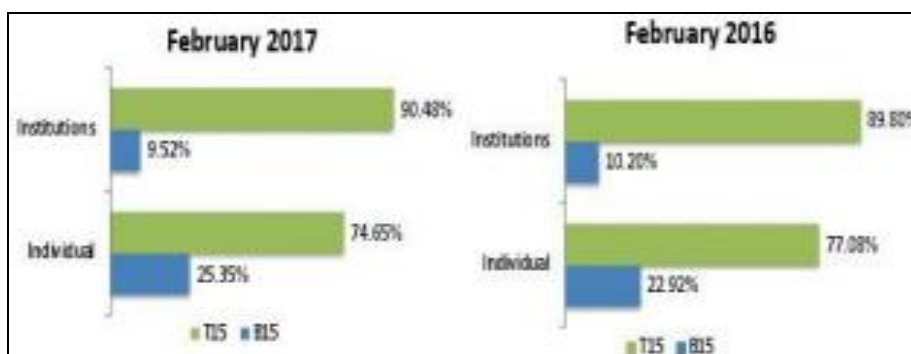
share of debt-oriented schemes is 46.7% of industry assets in December 2016, up from 43.3% in December 2015.



**Fig 4:** Institutions and Individual assets from B-15 & T-15 locations (The top fifteen cities in India are marked as T15 for mutual fund investors – so if you’re in these cities, your investment is a T15 investment. B15 is everything else.)

**Interpretation:** Over 83% of the assets (Rs. 12.1 Lac Cr.) have come from Top 15 locations while the remaining 17% (Rs. 2.31 Lac Cr.) has come from non-T15 locations. The B15

location coverage is actually falling – for both individuals and institutions. Individual ownership in B15 has fallen about 0.5% in terms of market share since last year.



**Fig 5**

**Interpretation:** About 25% of assets held by individual investors is from the B15 locations. About 10% of institutional assets come from B15 locations. Institutional assets are concentrated in T15 locations, accounting for 90.48% of the total.

The shares of B15 assets individual categories has increased, whereas of institutional categories has decreased marginally since February 2016 whereas the share of T15 assets individual categories has decreased and the share of T15 institutional categories has increased.

**3. Findings and conclusion**

1. Overall investor accounts has been increase from 3.95 Cr. in Dec-2014 to 5.28 Cr. approximately in Dec-2016
2. There are 99% of accounts in the Mutual Fund industry as at the end of Dec-2016 is accounted by only individual investors whereas only 1% accounts of institutional investors.
3. Almost 80% of individual investor accounts are invests in Equity Oriented Scheme.
4. Current total assets of Mutual Fund industry has increased from 11.28 trillion in Dec-14 to 17.9 trillion in Feb-17.

5. Equity Oriented Scheme proportionate share is 30.9% of the industry assets in Dec-16 down from Dec-15 and Debt Oriented Scheme proportionate share is 46.7% of industry assets in Dec-2016, up from 43.3% in Dec-2015.

6. 17% of assets of Mutual Fund industry comes from B-15 locations in Feb-2017. The assets which is comes from B-15 locations have increased from 2.13 trillion to 3.7 trillion in Feb-2017.

7. 25% Individual investors assets Comes from B- 15 locations while only 10% of institutional assets come from B-15 locations.

8. 75% of assets held by individual investors comes from T-15 location which is decreased by 3% as compared to last year, whereas 91% of institutional assets comes from T-15 locations which increased by approximately 1% as compared to last year data.

**4. Conclusion**

It is observed that even though mutual fund industry seems to grow in India the growth is concentrated both with respect to investor category and place. It is dominated by Institutional investors, T- 15 cities and debt oriented schemes leaving huge

scope for growth. But large segment of investor are still outside the umbrella of the industry.

The reach of the fund houses to different segments of investors is still a key challenge. One possible solution could be increasing financial knowledge and awareness to stimulate investors in mutual fund investment. This will attract investors towards mutual fund investment. The limited distribution network and investor service can be enhanced for wider reach beyond large cities

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