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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

GROWTH OF INDIAN MUTUAL FUND INDUSTRY: AN OVERVIEW

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ABSTRACT

Mutual funds play a vital role in resource mobilization and its efficient allocation to the productive sources of the economic system. In this process of development, mutual funds have emerged as strong financial intermediaries and are playing an important role in bringing stability to the financial system and efficiency to the resource allocation process. Mutual Funds are essentially financial intermediaries. They have become a critical link among various financial segments in the economy. Today, they play a crucial role in the mobilization of resources, especially from small savers. On account of the huge resources at their disposal, they have also emerged as the dominant players in the capital market. With such enormous funds at their disposal is hardly surprising that they have become critical players in the market. In the present study an attempt has been made 1638 mutual funds scheme are issued by mutual funds companies, number of mutual fund intermediaries are 50 and Assets under management Rs.825240 crores.

KEYWORDS

Mutual fund scheme, Assets Under Management (AUM), Resource Mobilization and intermediaries.

INTRODUCTION

Mutual funds are essentially financial intermediaries. They have become a critical link among various financial segments in the economy. Today, they play a crucial role in the mobilization of resources, especially from small savers. On account of the huge resources at their disposal, they have also emerged as the dominant players in the capital market. It is estimated that the mutual funds in India together have assets over Rs.one lakh crores. With such enormous funds at their disposal, it is hardly surprising that they have become critical players in the market.

A mutual fund is a trust or a an investment company that pools resources from thousands of investors who share investment goals and then diversifies its investment into different types of securities in order to provide potential returns and reasonable safety. The emergence and rapid growth of mutual fund can be described to the diversified dimension of the Indian capital market.

REVIEW OF LITERATURE

Jaspal Singh and Subhas Chander (2004) analysed that, the perceptions about mutual funds in the view of general investor feels that different regulatory bodies like SEBI and have not been able to regulate and control the working of mutual funds so as to safeguard the small investors interest.

Sudhakar and Sasikumar (2005) opined that most of the growth oriented mutual funds have been able to deliver better return than the benchmark indicators. Growth oriented mutual funds are expected to offer the advantage of diversification, market timing and selectivity.

Muttappan,P.K (2006) in his study explains about the factors influencing mutual fund investment decision making. The study reveals that tax exemption given to the investments in mutual funds was the most influencing factor.

Noronha (2007) has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period April 2002-March 2005. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of MFs highlighting the better earning capacity of equity, tax plans and index funds.

Das Bhagaban, Mohanty Sangeeta, Shil Chandra N (2008) has thrown light on the selection behaviour of Indian retail investors towards mutual funds and life insurances particularly in post-liberalization period. With this background, their paper made an earnest attempt to study the behaviour of the investors in the selection of these two investment vehicles in an Indian perspective by making a comparative study.

Lakshmi.R (2009) studies the investor servicing factors. It shows that the investors in mutual funds place quality of service very high among the attributes, something even above returns. It is thus I the fund managers, marketing interest to ensure the investors service commitments are well executed. The entry of foreign fund managers brings to the capital markets a new level of service.

Yamal Vyas (2010) examined the retail investors, he says that, he says that, the retail investors have taken great fancy to the Systematic Investment Plan and it seems that every middle class household has a SIP investment. He also taught the mutual fund investment cannot be different from equity investments.

Badrinath and Gubellni (2011) have evaluated the return performance of long-short, market-neutral and bear MFs using multi-factor models and a conditional CAPM and revealed that Market-neutral funds provide a down market hedge, but bear funds do not generate the returns that investors hope for.

Nishi Sharma (2012) conducted a study to understand the perception of the investors towards mutual funds and found that in order to secure the patronage of Indian investor mutual fund companies are expected to ensure full disclosure and regular updates of the relevant information along with the assurance of safety and monetary benefits.

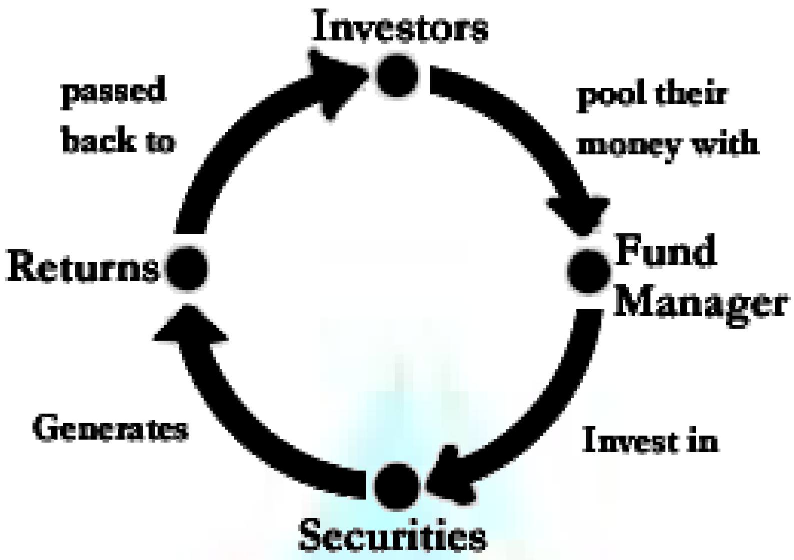
Sharma (2013) has worked to assess the return earned by the sample mutual fund schemes and weighted against the standard market returns and found that large numbers of Mutual Funds have surpassed the market benchmark indexes in Sharpe and Treynor Ratios and correlation between them is significantly higher. They also found that a fund & its market return have a high correlation.

CONCEPT OF MUTUAL FUND

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these instruments and the capital appreciation realized are shared by its units holders in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost.

A mutual fund collects the savings from small investors, invest them in government and other corporate securities and earn income through interest and dividends, besides capital gains. It works on the principle of small drops of water make a big ocean.

EXHIBIT-1: MUTUAL FUND OPERATION



Source: www.amfiindia.com

OBJECTIVES OF THE STUDY

The following are the specific objectives of the present study.

1. To know the history of mutual funds industry in India.
2. To analyse total number of schemes under mutual funds.
3. To analyse the assets under management schemes wise of mutual funds.
4. To analyse the resource mobilisation by mutual funds industry in India.
5. To offer suggestions based on the findings of the study.

METHODOLOGY AND DATA COLLECTION

The present study is based on secondary data. The data required for the study has been collected from books, magazines, newspapers and official websites of Securities Exchange Board of India (SEBI), Association of Mutual Funds in India (AMFI) and the websites of the various mutual fund companies.

PERIOD OF THE STUDY

The study is primarily focused on the growth of mutual fund industry in India over the past seven years i.e. from 2007-08 to 2013-14.

HISTORY OF MUTUAL FUNDS INDUSTRY IN INDIA

Mutual funds came into existence in India with the setting up of UTI under UTI Act, 1963. The mutual fund industry in India started in 1963 with the formulation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. The history of mutual funds in India can broadly divided into five distinct phases.

1. FIRST PHASE (1964-87) EMERGENCE AND GROWTH OF UNIT TRUST OF INDIA

Unit Trust of India (UTI) was established in 1963 by an Act of the Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978, UTI was de linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988, UTI had Rs.6,700 Crores of assets under management.

2. SECOND PHASE (1987-93) ENTRY OF PUBLIC SECTOR FUNDS

1987 marked the entry of non-UTI, public sectors mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Life Insurance Corporation(GIC). SBI mutual fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund(Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (June 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989, while GIC had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs.47,004 crores .

3.THIRD PHASE (1993-96) ENTRY OF PRIVATE SECTOR FUNDS

With the entry of private sectors funds in 1993 a new era started in the Indian mutual fund industry, giving the Indian Investors a wider choice of fund families. Also 1993 was the year in which the first mutual fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The Industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed sever mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs.1,21,805 crores. The Unit Trust of India with Rs.44,541 crores of assets under management was way ahead of other mutual funds.

4. FOURTH PHASE(1996-04) GROWTH AND SEBI REGULATIONS

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the specified undertaking of the Unit Trust of India with assets under management of Rs.29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The specified undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

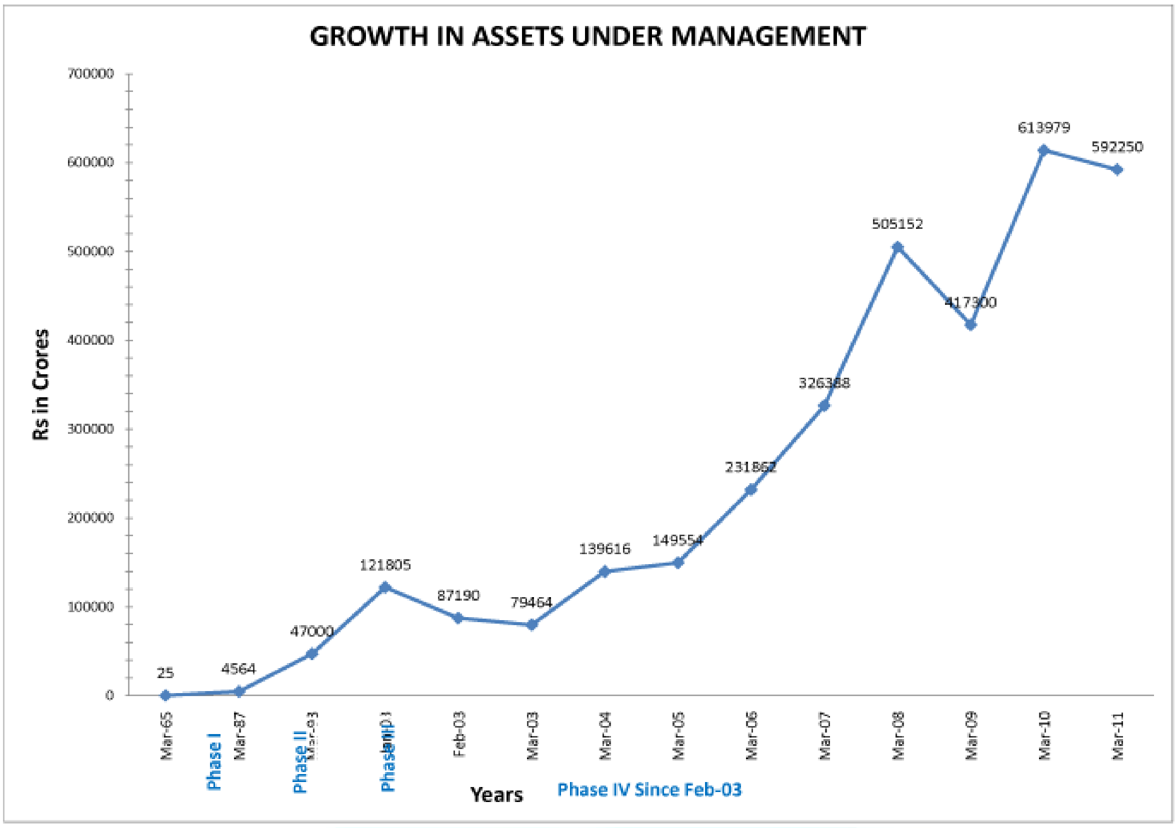
The Second is the UTI Mutual Fund Ltd., sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. As at the end of the year 2004 there were 37 funds which manage assets of Rs.1,49,600 crores under 450 schemes.

5. FIFTH PHASE (2004 ONWARDS) GROWTH AND CONSOLIDATION

The industry has also witnessed several mergers and acquisitions recently examples of which are acquisition of schemes of Alliance Mutual fund by Birla Sun Life, Sun F&C Mutual Fund and PNB Mutual Fund by Principal Mutual Fund. Simultaneously, more international mutual fund players have entered India like Fidelity, Franklin Templeton mutual Fund etc. There were 44 mutual funds companies as at the end of June 2012. This is a continuing phase of growth of the industry through consolidation and entry of new international and private sector players.

The graph given below indicates the growth of assets under management over the years.

GRAPH NO. 1



Source: Association of Mutual Funds in India (AMFI)

TABLE-1: TOTAL NUMBER OF SCHEMES UNDER MUTUAL FUNDS

Year	Income/Debt Fund				Growth/Equity Fund		Balanced Fund	Exchange Traded fund		overseas Fund	Total No. of Funds
	MM	Gilt	Debt	Inf.d	Elss	Growth		Gold	Other		
2007-08	58 (6.07)	30 (3.14)	505 (52.82)	-	43 (4.50)	270 (28.24)	37 (3.87)	5 (0.52)	8 (0.84)	-	956 (100)
2008-09	56 (5.59)	34 (3.40)	509 (50.85)	-	47 (4.70)	293 (29.27)	35 (3.50)	5 (0.50)	12 (1.20)	10 (0.99)	1001 (100)
2009-10	56 (6.35)	35 (3.97)	367 (41.61)	-	48 (5.44)	307 (34.81)	33 (3.74)	7 (0.79)	14 (1.59)	15 (1.70)	882 (100)
2010-11	51 (4.51)	37 (3.27)	591 (52.25)	-	48 (4.24)	328 (29.00)	32 (2.83)	10 (0.88)	18 (1.60)	16 (1.42)	1131 (100)
2011-12	55 (4.20)	42 (3.21)	775 (59.21)	-	49 (3.74)	303 (23.15)	30 (2.29)	14 (1.07)	21 (1.60)	20 (1.53)	1309 (100)
2012-13	55 (4.25)	42 (3.26)	760 (58.73)	-	50 (3.86)	297 (22.95)	32 (2.47)	14 (1.08)	23 (1.78)	21 (1.62)	1294 (100)
2013-14	53 (3.24)	44 (2.69)	1077 (65.75)	4 (0.24)	52 (3.17)	311 (18.99)	30 (1.83)	14 (0.85)	26 (1.59)	27 (1.65)	1638 (100)

Source: Compiled and calculated from the data presented in SEBI publication.

Note: Figures in the parenthesis are percentage to row total

The above table reveals that total number of schemes under mutual funds. In the year 2007-08 the highest number of scheme is debt fund 505 i.e.,52.82 percent and lowest is gold fund 5 i.e.,0.52 percent. In the year 2008-09 the highest number of scheme is debt fund 509 i.e.,50.85 percent and lowest is gold fund 5 i.e.,0.50 percent. In the year 2009-10 highest number of scheme are debt 367 i.e.,41.61percent and lowest is gold fund 7 i.e., 0.79 percent. In the year 2010-11 highest number of scheme where debt fund 591 i.e.,52.25 percent and lowest is gold fund 10 i.e., 0.88 percent. In the year 2011-12 highest number of scheme are debt fund 775 i.e.,59.21 percent and the lowest scheme is gold fund 14 i.e., 1.07 percent. In the year 2012-13 the highest number of scheme were debt fund 760 i.e.,58.73 percent and the lowest is gold fund 14 i.e.,1.08 percent. During the last year 2013-14 the highest number of mutual fund scheme are debt fund 1077 i.e., 65.75 percent and lowest is infrastructure development fund 4 i.e., 0.24 percent .

TABLE-2: ASSETS UNDER MANAGEMENT (SCHEME-WISE) OF MUTUAL FUNDS (Rs.in Crores)

Year	Income/Debt Scheme			Growth/Equity Scheme		Balanced Scheme		Exchange Traded scheme	Fund of investing overseas	Grand Total
	Open	Closed	Interval	Open	Closed	Open	Closed			
2007-08	216132 (42.79)	96864 (19.18)	- -	136385 (27.00)	36357 (7.18)	13592 (2.70)	2692 (0.53)	3130 (0.62)	- -	505152 (100)
2008-09	222219 (53.25)	69347 (16.62)	2784 (0.67)	89732 (21.50)	18512 (4.44)	9133 (2.19)	1496 (0.36)	1396 (0.33)	2681 (0.64)	417300 (100)
2009-10	336281 (54.77)	41579 (6.77)	15344 (2.50)	175578 (28.60)	22542 (3.67)	15618 (2.54)	1628 (0.27)	2547 (0.41)	2862 (0.47)	613979 (100)
2010-11	230295 (38.88)	120610 (20.40)	18144 (3.06)	190108 (32.09)	5215 (0.88)	17360 (2.93)	1085 (0.18)	6917 (1.16)	2516 (0.42)	592250 (100)
2011-12	231785 (39.47)	135100 (23.00)	7972 (1.36)	179552 (30.58)	2524 (0.42)	16250 (2.77)	11 (0.00)	11493 (1.96)	2530 (0.44)	587217 (100)
2012-13	371702 (53.00)	118159 (16.85)	7590 (1.08)	170027 (24.24)	2481 (0.35)	16295 (2.32)	12 (0.00)	13124 (1.87)	2053 (0.29)	701443 (100)
2013-14	401765 (48.68)	187156 (22.38)	12024 (1.46)	185378 (22.46)	5729 (0.70)	16778 (2.03)	15 (0.00)	13205 (1.60)	3190 (0.39)	825240 (100)

Source: Compiled and calculated from the data presented in SEBI publication.

Note: Figures in the parenthesis are percentage to row total.

The above table shows the assets under management (scheme-wise) mutual funds. It can be observed that investors prefer open ended funds to close ended funds. Assets under management of the open ended funds dominates the assets under management close ended funds. During the year 2007-08 highest assets under management scheme is Income/debt scheme is Rs.216132 Crores i.e., 42.79 percent and lowest is balanced scheme Rs.2692 Crores i.e.,0.53 percent. In the year 2008-09 highest assets under management are Income/debt scheme is Rs.222219 Crores i.e., 53.25 percent and lowest is exchange traded fund Rs.1396 Crores i.e.,0.33 percent. In the year 2009-10 the highest assets under management fund are Income/debt scheme is Rs.336281 Crores i.e., 54.77 percent and lowest is balanced scheme Rs.1628 Crores i.e.,0.27 percent. In the year 2010-11 highest assets under management is Income/debt scheme Rs.230295 Crores i.e.,38.88 percent and lowest fund of investing overseas is Rs.2516 Crores i.e.,0.42 percent. In the year 2011-12,12-13 and 13-14 the highest assets under management fund are Income/debt scheme is Rs.231785 Crores i.e., 39.47 percent,Rs.371702 Crores i.e.,53.00 percent and Rs.401765 Crores i.e.,48.68 percent and lowest fund is balanced fund is Rs.11,12,and15 Crores.

TABLE-3: RESOURCE MOBILISATION BY MUTUAL FUNDS INDUSTRY IN INDIA (Rs. in Crores)

Year	Gross Mobilisation	Redemption	Net Inflow	Assets at the end of the period
2007-08	44,64,377	4310575	153802	505152
2008-09	54,26,353	5454650	-28296	417300
2009-10	1,00,19,023	9935942	83080	613979
2010-11	88,59,515	8908921	-49406	592250
2011-12	68,19,679	6841702	-22023	587217
2012-13	72,67,885	7191346	76539	701443
2013-14	97,68,101	9714318	53783	825240

Source: Compiled and calculated from the data presented in SEBI and AMFI publication

The above table 3 shows that resource mobilisation by mutual funds industry in India. Under gross mobilisation includes public sector, private sector and UTI mutual funds companies. Redemption includes repurchase as well as redemption. It is evident from the table assets at the end of the period increased Rs.505152 corres in the year 2007-08 to Rs.825240 Crores in the year 2013-14.

TABLE-4: GROWTH OF MUTUAL FUND INTERMEDIARIES IN INDIA

S.No.	Year	Number of Intermediaries	Assets Under Management
1	2007-08	40	505152
2	2008-09	44	417300
3	2009-10	47	613979
4	2010-11	51	592250
5	2011-12	49	587217
6	2012-13	52	701443
7	2013-14	50	825240

Source: Compiled and calculated from the data presented in SEBI and AMFI publication.

Table 4 shows that growth of mutual fund intermediaries in India over a past seven years. The total assets under management increased from Rs.505152 Crores in 2007-08 to Rs.825240 Crores in 2013-14 and Number of intermediaries 40 in the year 2007-08 increased to 52 in the year 2012-13 and again there is fall in number by 2 in the 2013-14. It indicates the tremendous growth of industry in Indian economy.

FINDINGS OF THE STUDY

The following are some of the important findings of the present study.

1. It is found that total number of schemes under mutual funds was increased from 956 to 1638 during the year 2007-08 to 2013-14.
2. During the entire period of the study more than 50 percent total number of scheme issued by mutual fund company is debt scheme.
3. It is found that lowest total number of scheme is issued by mutual funds company is exchange traded fund.
4. It is evident that assets under management of the open ended funds dominated the assets under management of the close ended funds which signifies that the investors prefer open ended funds to the close ended funds.
5. During past seven years it is found that resource mobilisation by mutual funds industry is increased from Rs.505152 Crores to Rs.825240 Crores.
6. It is clear from the table growth of mutual fund intermediaries in India increased from 40 to 50 during the year 2007-08 to 2013-14.

SUGGESTIONS

The following suggestions are made to make the mutual fund industry more active.

1. During the study period it was found that the majority of the scheme issued by mutual funds company is income/debt scheme.This indicate that more efforts have to be made by the mutual funds to create awareness among the investors regarding the exchange traded fund and fund of investing overseas.
2. It is suggested that mutual funds companies should increase the assets under management scheme wise in balanced fund, exchange traded fund and fund of investing overseas with innovative scheme and attractive return by the investors.

3. Mutual funds company should properly maintain its investment portfolio to provide better services to its unit holders.
4. It is suggested that mutual funds company should issue various innovative schemes other than debt scheme infrastructure development, exchange traded fund, balanced fund with minimum risk and the maximum return .It will help to investors by investing in the mutual fund industry.
5. There should be centralised agency to monitor the fund utilization by fund houses.
6. The Asset Management Companies should concentrate more on the research studies to be carried out in the scenario of macro environmental changes.

CONCLUSION

The Indian mutual fund industry is expected to witness rapid growth in assets under management over next few years. The fund houses concentrate on innovative product offerings, efficient service delivery and supportive technology. The mutual fund industry needs to develop products to fulfil the needs of investors. In order to attain sustained profitable growth, the industry should concentrate on developing distribution networks, increasing retail participation and expanding the reach of mutual funds into areas by conducting awareness programs.

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