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   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

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CONTRIBUTIONS TO BOOKS

- 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.

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

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MUTUAL FUND INDUSTRY IN INDIA: RECENT TRENDS AND PROGRESS

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ABSTRACT

Indian mutual fund sector has gone a long way since the inception of Unit Trust of India, the first mutual fund of the country set up in 1963. The basic objective of this paper is to highlight the performance of mutual fund sector during the last decade. Data for the research pertains to the period 1999-00 to 2009-10. Descriptive analysis of data has been done using measures like mean, standard deviation and standard error. T- Statistics has been used to test the hypotheses. The study reveals that gross mobilization by mutual fund and redemption are statistically significant which implies that there has been a significant increase in gross mobilization and redemption over the years. Whereas it reveals that increase in net inflows and assets at the end of the year are not statistically significant. Study also finds that turnover of mutual funds (measured as net purchases/sales) in the debt and equity market is statistically not significant which implies that mutual funds were equally active in equity and debt segments. In nutshell, the study finds that mutual fund sector in India has grown significantly during the study period.

JEL CLASSIFICATION
E440, C120.

KEYWORDS
mutual fund, gross mobilization, net inflow, redemption.

1. INTRODUCTION
The Indian financial system based on four basic components like Financial Market, Financial Institutions, Financial Service, Financial Instruments. All are play important role for smooth activities for the transfer of the funds and allocation of the funds. The main aim of the Indian financial system is that providing the efficiently services to the capital market. The Indian capital market has been increasing tremendously during the second generation reforms. The first generation reforms started in 1991 the concept of LPG. (Liberalization, privatization, Globalization)

Then after 1997 second generation reforms was started, still the it's going on, its include reforms of industrial investment, reforms of fiscal policy, reforms of ex-imp policy, reforms of public sector, reforms of financial sector, reforms of foreign investment through the institutional investors, reforms banking sectors. The economic development model adopted by India in the post independence era has been characterized by mixed economy with the public sector playing a dominating role and the activities in private industrial sector control measures emaciated form time to time. The last two decades have been a phenomenal expansion in the geographical coverage and the financial spread of our financial system.

The spared of the banking system has been a major factor in promoting financial intermediation in the economy and in the growth of financial savings with progressive liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services industry including merchant banking, leasing and venture capital, leasing, hire purchasing. Consistent with the growth of financial sector and second generation reforms its need to fruition of the financial sector. Its also need to providing the efficient service to the investor mostly if the investors are supply small amount, in that point of view the mutual fund play vital for better service to the small investors. The main vision for the analysis for this study is to scrutinize the performance of five star rated mutual funds, given the weight of risk, return, and assets under management, net assets value, book value and price earnings ratio.

2. 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 investments and the capital appreciation realized is shared by its unit 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. The flow chart below describes broadly the working of a mutual fund:

The Securities and Exchange Board of India (mutual Funds) Regulations, 1996, defines a mutual fund as 'a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments'.

3. HISTORY OF MUTUAL FUNDS IN INDIA
The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases

FIRST PHASE – 1964-87

Unit Trust of India (UTI) was established on 1963 by an Act of 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.

SECOND PHASE – 1987-1993 (ENTRY OF PUBLIC SECTOR FUNDS)

1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (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 (Jun 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.

THIRD PHASE – 1993-2003 (ENTRY OF PRIVATE SECTOR FUNDS)

With the entry of private sector 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 several 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.

FOURTH PHASE – SINCE FEBRUARY 2003

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, 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.

4. LITERATURE REVIEW

Deutsche Bank Research (2007) paper follows an analysis of supply (bonds, equities and derivatives) and demand conditions (household and institutional investors) in India's capital markets. Some stylized facts regarding India's capital market infrastructure and corporate governance are first presented, followed by an analysis of its fixed income, equity and derivatives markets. Later, the paper discusses the classes of investors in India's markets and the constraints they face in optimizing the risk/return objectives of their portfolios. Finally, some brief comments regarding the link between economic growth and capital markets reform conclude the paper.

Tetsuya Kamiyama (2007) carried out a study on India's mutual fund industry The assets managed by India's mutual funds have shown impressive growth, and had totaled 3.3 trillion rupees (Rs 3.3 trillion) as of the end of March 2007. India's middle class, who are prospective investors in mutual funds, has been growing, and we expect to see further growth in the mutual fund market moving forward. In this paper, the researcher first provides an overview of the assets managed within India's mutual fund market, both now and in the past, and of the legal framework for mutual funds, and then discuss the current situation and recent trends in financial products, distribution channels and asset management companies.

Narayan and Ravindra (2007**)** studied performance of mutual funds using monthly closing NAV for the period September 98-April 02 with a sample of 269 open ended schemes. The results of performance measures suggest that most of the mutual fund schemes in the sample of 58 were able to satisfy investor's expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk.

Making Mutual Fund Work for You

(June 2008, AMFI in association with Price Waterhouse LLP/FIRE Project funded by USAID and Ogilvy & Mather, Financial & Business Communications)

This guide on the concept, operations and advantages of mutual funds and the rights of mutual fund unit holders was produced by AMFI to promote financial literacy among public regarding Indian Mutual fund Industry. This guide explains the concept of mutual fund, its advantages and risks associated with the mutual funds. The main aim of this guide was to spread awareness among investors regarding their rights as mutual fund unit holders.

Soumya Guha Deb & Ashok Banerjee (2009) attempt to highlight the importance of VaR as a measure of 'downside risk' for Indian equity mutual funds, an aspect which is completely ignored for performance reporting in Indian mutual fund industry. The study used three parametric models and one non parametric model and weekly returns of a sample of equity mutual fund schemes in India, to predict their weekly VaR on a 'rolling' basis and also tested the robustness and predictive ability of the models by employing two popular 'back testing' approaches. Overall the analysis shows that the Indian equity mutual funds have exhibited considerable downside risk in terms of VaR measures. Back testing of the models suggest that the 'random walk' and the 'moving average' models suffer from a downward bias and err by underestimating the VaR frequently. The EWMA and historical simulation models are free from that bias, but these two models, particularly the later, show tendency of providing too conservative estimates of VaR.

KPMG and CII report (2009) report highlighted the following findings. Low customer awareness levels and financial literacy pose the biggest challenge to channelizing household savings into mutual funds. Further, fund houses have shown limited focus on increasing retail penetration and building retail AUM.

Customer awareness is the pre-requisite for the achievement of the industry growth potential, there is a need for planning, financing and executing initiatives aimed at increasing financial literacy and enhancing investor education across the country through a sustained collaborative effort across all stakeholders, which is expected to result in a massive increase in mutual fund penetration.

Distributors and the mutual fund houses have exhibited limited interest in continuously engaging with customers post closure of sale as the commissions and incentives have been largely in the form of upfront fees from product sales.

The next phase in the industry is likely to be characterized by a stronger focus on customer centricity, cost management and robust governance and regulatory framework – all aimed at enabling the industry to achieve sustained, profitable growth, going forward.

Gayathri , S., Karthika, S. and Kumar, Gajendran Lenin (2010) made a study on emerging issues and challenges faced by mutual fund industry in India. They identified right mix of growth versus governance, investor education, diminishing talent pool as emerging challenges before the Indian mutual funds industry.

5. RESEARCH METHODOLOGY

This paper aims analyzing the progress of mutual funds industry during the last decade. Research would be thus descriptive and analytical in nature as it aims at analyzing the growth a pattern of mutual fund industry during the reference period. Data for the study were taken from SEBI annual report for the year 2009-10. The study covered the period beginning from 1999- 2010.

5 A. RESEARCH OBJECTIVES

This paper aims at achieving following research objectives.

- To statistically analyze the trend in gross mobilization, redemption, net inflow and assets held at the end of year during the study period
- To compare and analyze equity and debt market transactions of mutual funds

5 B. HYPOTHESES

H_1: There is no significant increase in gross mobilization over the years

H_2: There is no significant increase in redemption mobilization over the years

H_3: There is no significant increase in net inflow over the years

H_4: There is no significant increase in assets held at the end of each year of study.

H_5: There is a significant difference between net purchases/sales turnover of equity and debt market

6. DATA ANALYSIS AND HYPOTHESIS TESTING

This section discusses the growth pattern in gross mobilization, redemption , net inflows and assets at the end of the during the study period.

As shown in the chart-1 there has been a tremendous increase in the gross mobilization by mutual funds during the last decade. It has increased from Rs. 61241 core in 1999-00 to 10019022 crore in 2009-10

TABLE-I: MOBILIZATION OF RESOURCES BY MUTUAL FUNDS *(Rs. crore)*

Period	Gross mobilization	Redemption	Net Inflow	Assets at the End of Period
1999-00	61,241	42,271	18,970	1,07,946
2000-01	92,957	83,829	9,128	90,587
2001-02	1,64,523	1,57,348	7,175	1,00,594
2002-03	3,14,706	3,10,510	4,196	1,09,299
2003-04	5,90,190	5,43,381	46,808	1,39,616
2004-05	8,39,708	8,37,508	2,200	1,49,600
2005-06	10,98,149	10,45,370	52,779	2,31,862
2006-07	19,38,493	18,44,508	93,985	3,26,292
2007-08	44,64,376	43,10,575	1,53,802	5,05,152
2008-09	54,26,353	54,54,650	-28,296	4,17,300
2009-10	1,00,19,022	99,35,942	83,080	6,13,978

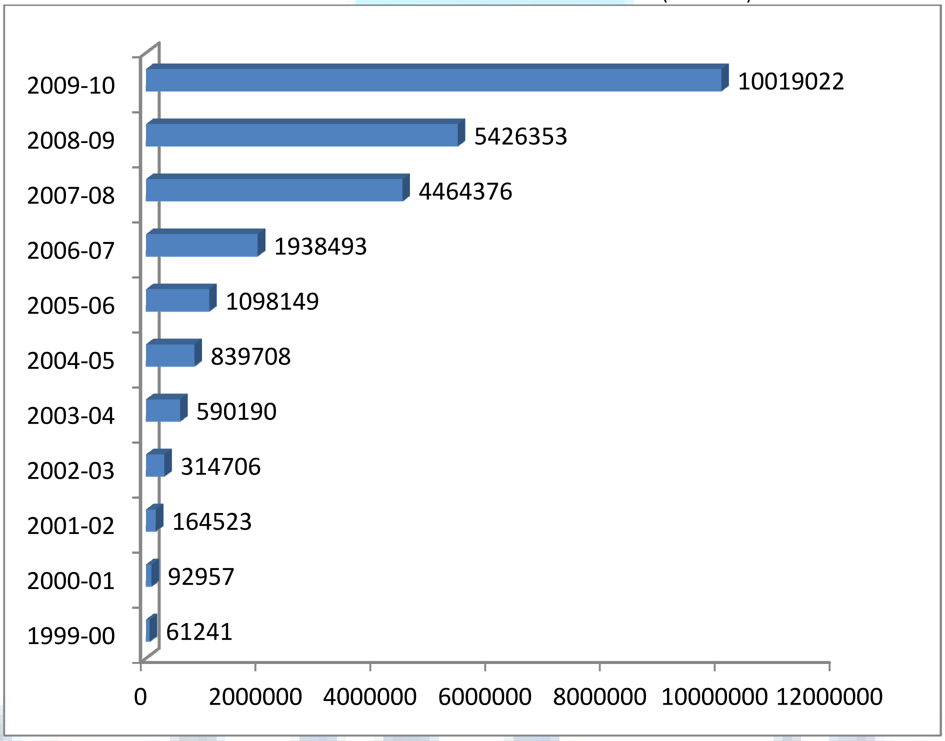
Source: SEBI Annual Report, 2009-10

TABLE II: TRENDS IN TRANSACTIONS ON STOCK EXCHANGES BY MUTUAL FUNDS *(Rs.Crore)*

Year/Moth	Equity			Debt			Total		
	Gross purchase	Gross sales	Net Pur- chase/ Sales	Gross purchase	Gross sales	Net Pur- chase/ Sales	Gross purchase	Gross sales	Net Pur- chase/ Sales
2004-05	45,045	44,597	448	62,186	45,199	16,987	1,07,232	89,796	17,435
2005-06	1,00,436	86,134	14,302	1,09,805	73,004	36,801	2,10,241	1,59,137	51,103
2006-07	1,35,948	1,26,886	9,062	1,53,733	1,01,190	52,543	2,89,681	2,28,075	61,606
2007-08	2,17,578	2,01,274	16,306	2,98,605	2,24,816	73,790	5,16,183	4,26,090	90,095
2008-09	1,44,069	1,37,085	6,984	3,27,744	2,45,942	81,803	4,71,815	3,83,026	88,787
2009-10	1,95,662	2,06,173	-10,512	6,24,314	4,43,728	1,80,588	8,19,976	6,49,901	1,70,076

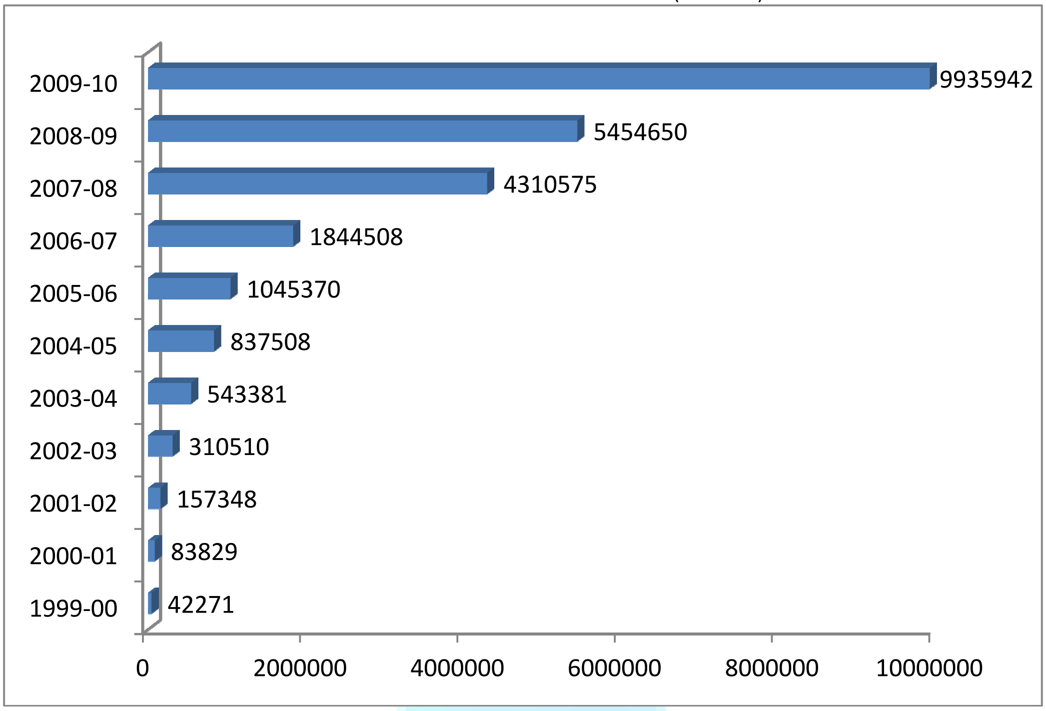
Source: SEBI Annual Report, 2009-10

CHART-1: GROSS MOBILIZATION BY MUTUAL FUNDS (Rs. Crore)



As evident from chart-2, redemption by mutual funds has increased considerably during the period 1999-00 to 2009-10 showing quantum jump in the turnover of mutual funds.

CHART-2: REDEMPTION BY MUTUAL FUNDS (Rs. Crore)



It is clearly depicted ion chart-3 that net inflow of mutual funds has jumped from only 18970 crore in 1999-00 to 83080 crores in 2009-10. However net inflow has been quite volatile as it reduced to all time low level of 2200 crores in the year 2004-05

CHART-3: NET INFLOW (Rs. Crore)

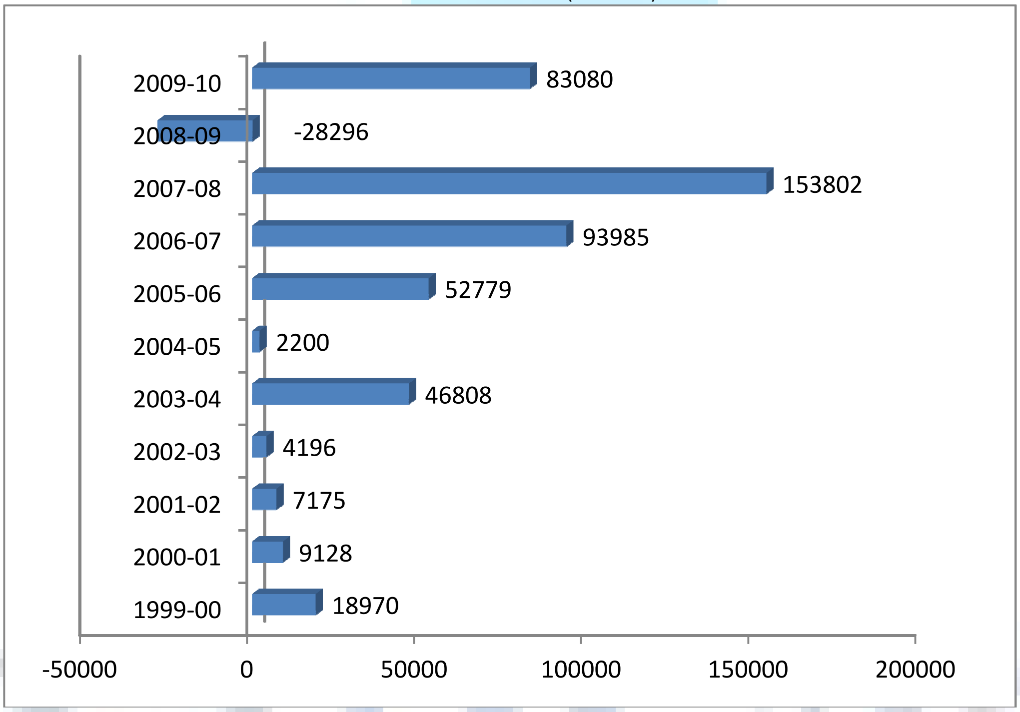


Chart-4 depicts that assets held at the end of each year during has increased significantly from Rs. 107946 crore in 199-00 to Rs.613978 in the year 2009-10 witnessing almost a jump of six fold during this period.

CHART-4 ASSETS AT THE END OF YEAR (Rs. Crore)

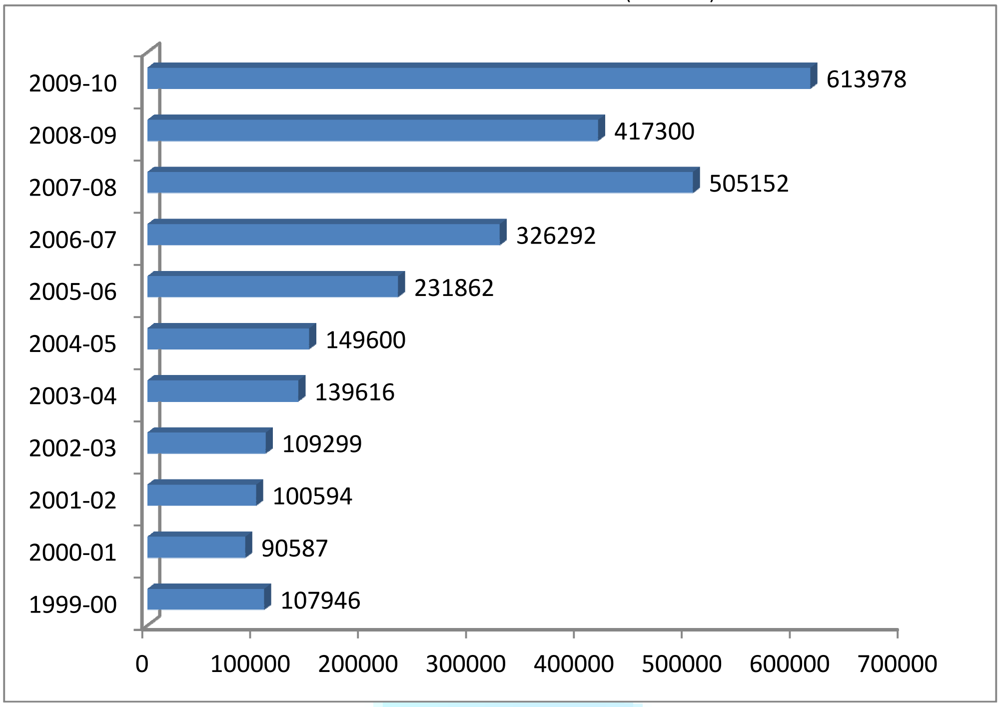


TABLE-III: DESCRIPTIVE STATISTICS

	Gross Mobilization	Redemption	Net Inflow	Assets at the end of year
Mean	2273610.727	2233262.909	40347.90909	253838.7273
Standard Error	948922.9201	942997.1137	15890.93911	55721.28164
Standard Deviation	3147221.281	3127567.604	52704.28258	184806.584
Sum	25009718	24565892	443827	2792226
t-distribution (Calculated value)	3.33	3.99	1.07	1.11
d.f.=n-1	11-1=10	11-1=10	11-1=10	11-1=10
t critical value t (0.05, 10)	2.23	2.23	2.23	2.23

TABLE-IV: T-TEST: PAIRED TWO SAMPLE FOR MEANS (NET PURCHASES/SALES)

	Equity	Debt
	Variable 1	*Variable 2*
Mean	6098.333333	73752
Variance	97778754.27	3303242850
Observations	6	6
Hypothesized Mean Difference	0	
df	5	
t Stat	-2.579913656	
t Critical one-tail	2.015048372	
t Critical two-tail	2.570581835	

7. RESULTS AND DISCUSSION

Gross mobilization by mutual funds averaged Rs 2273610.727 crore for the peiod 1990-00 to 2009-10 with the standard deviation of 3147221.281. It thus indicates that mutual fund have witnessed quantum jump in the mobilization of funds during the study period. Calculation of t statistics proves that gross mobilization by mutual fund is statistically significant and hence it can be concluded that gross mobilization has increased over period of time.

Redemption by mutual funds averaged Rs. 2233262.909 crore with a standard deviation of Rs.3127567.604. Statistical calculations prove that in increase redemptions is also statistically significant leading to a conclusion that redemptions by mutual funds have increased significantly over the years.

Mutual fund witnessed an average net inflow of Rs. 40347.90909 crores with a standard deviation of Rs. 52704.28258 crores. Statistical calculation proves that in case of net inflow difference is not statistically significant meaning that there has not been a significant increase in the net flows during the period.

Assets at the end of the year averaged Rs. 253838.7273 crore with a standard deviation of Rs. 184806.584 crores. Statistical analysis proves that increase in assets at the end of the year is statistically not significant which implies that they have not grown over the period.

As shown in table-IV, turnover of mutual funds (measured as net purchases/sales) in the debt and equity market is statistically not significant which implies that mutual funds were equally active in equity and debt segments.

8. FUTURE OUTLOOK

According to KPMG study (2009) industry AUM is likely to continue to grow in the range of 15 per cent from the period 2010 to 2015 based on the pace of economic growth. Industry profitability may reduce further as revenues shrink and operating costs escalate. Product innovation is expected to be limited. Market deepening and widening is expected with the objective of increased retail penetration and participation in mutual funds. The regulatory and compliance framework for mutual funds is likely to get aligned with the other framework across the financial service sector.

9. CONCLUSION, LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE RESEARCH

This paper reveals that mutual funds in India have grown significantly in term of their gross mobilization and redemptions. During the last ten years the growth in mutual fund has been quite impressive. Despite having witnessed significant increase on year on year basis in gross mobilization and redemption, there has been a great volatility in the net inflows of the mutual fund which is worrying factor for the industry. A further study can thus be undertaken to identify the reason behind the fluctuations in net inflow. Mutual funds showed equal turnover as measured in terms of net purchases/sales in equity and debt market which can also be probed further to get more insights into the turnover pattern of mutual funds in these markets.

This study analyzed the progress of mutual fund industry based on five to six parameters. It would be thus quite difficult to analyze the progress of the entire industry based on the few parameters. More parameters could be used to get further insights into the growth pattern of the sector. Moreover, the study did not reveal the segment wise performance i.e performance of private mutual funds and public mutual funds which could be an area of further research.

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