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GROWTH OF MUTUAL FUNDS INDUSTRY IN INDIA: A COMPARATIVE ANALYSIS OF PUBLIC SECTOR AND PRIVATE SECTOR

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Abstract

The Indian mutual fund industry has come a long way since its inception in 1963. The industry witnessed sufficient growth on all parameters - the number of fund houses, the number of schemes, funds mobilized, assets under management, etc. The uncertainty and volatility in the stock markets is a global phenomenon. The everchanging stock markets across the globe have always fuelled jitters among the investors, particularly the small and medium investors. To protect the interest of the investors' financial innovations always take place in the financial markets. Financial intermediaries play a great role in financial innovation and protection of investors' interest. Mutual Funds have emerged as an important financial intermediary globally, particularly in India where retail investors represent 97.7% of the 4.70 crore investor accounts. Mutual Funds protect the interest of the small investors not only from the downside market risk through the diversification of risks, but also provide the benefits from the upward market returns. It also plays a key role in the inflow of capital to the financial market. The present paper is divided into two parts; the first part studies the evolution of mutual funds in India and second part analyses the growth trend of the mutual funds industry in India.

Keywords: Mutual Funds, Assets under Management, House Hold Savings, Risk, Returns, Investors

Introduction

With progressive liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services including merchant banking, leasing and venture capital. Consistent with this evolution of the financial sector, the mutual fund industry has also come to occupy an important place. For all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise-based equity investments to all types of investors. Mutual Fund is a type of an Investment institution which mobilizes savings of individuals and institutions and channelizes these savings in corporate securities to provide investors a steady stream of returns and capital appreciation. Mutual funds are based on the principle of 'Trusteeship' which means working on the behalf of someone else for the benefit of interested party and providing a protection to such party.

Objectives of the Study

1: To know the concept and meaning of the Mutual Fund.

2: To study the historical evolution of Mutual Fund in India.

3: To analyses the growth trend of the mutual funds industry in India.

Meaning and Definition of Mutual Funds

The term "mutual" signifies a mechanism wherein the benefits of investment accrue to all the investors in proportion to their investment. A mutual fund is a financial intermediary which acts as an instrument of investment. It is a financial institution through which the pooled investible funds of investors are invested in a well-diversified portfolio of securities thus spreading and reducing the risk and ensuring a good return (dividend or capital gains or both) to the investors. Small and medium investors who are unable to participate in the capital market, can access the stock market through the medium of mutual funds under the direction of an investment manager.

Investors subscribe to units of a mutual fund just as shareholders subscribe to shares of a company. Each unit of a mutual fund represents a unitholder's proportionate ownership of the fund's portfolio holdings. The investors of mutual funds are known as unit holders. The companies that operate the mutual funds are known as Asset Management Companies (AMCs) or Investment Managers. An AMC may float more than one fund (also called schemes), each with an objective and investment mandate of its own. The terms mutual fund, fund or scheme are often used interchangeably.

According to Frank Reilly, "Mutual funds are financial intermediaries, which bring a wide variety of securities within the reach of the most modest of investors".

According to Quartely Market Guide to Merrill Lynch, "Mutual Fund is an investment company that pools the money of many individuals and invests in a portfolio of stocks, bonds and /or cash equivalents, actively managed by a portfolio manager who buys and sells securities in an attempt to take an advantage of current or expected market conditions".

According to Securities and Exchange Board of India Regulations, 1996 a mutual fund means "a fund established in the form of 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".

Growth and Development of Mutual Funds In India

The Mutual funds industry that started its journey in the country in 1963 has turned as one of the important constituents of the financial sector. The industry has witnessed sufficient expansion and standardization in terms of products and services offered, regulatory mechanism, and the proliferation of large number of private sector funds both domestic and foreign. The fact is that the fund market in the country has graduated from offering plain vanilla equity and debt funds, to an array of diverse products such as Gold Funds (GF), Exchange Traded Funds (ETFs), and capital protection oriented funds and even the native funds (Fozia, 2013). Truly, the mutual fund industry in the country has come from long-way but the moot question is that whether it has realized its potential fully. In order to answer this question, we would need to critically analyze its growth. For this purpose in the following para's the growth that the mutual funds industry has achieved over a certain period of time has been analyzed in respect of the following parameters:

- Number of funds
- Fund Schemes offered
- Mobilization of Funds
- Assets Under Management
- Household Savings mobilized
- Performance of AMCs in terms of earnings and profitability

Different Phases of Growth of Indian Mutual Fund Industry

The growth of Mutual Funds in India is divided into six different phases depending on the structural changes which have taken place in the mutual fund industry.

Phase 1: Establishment and Growth of UTI (1964- 1987)

Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and it continued to operate under the regulatory control of the RBI until the two were delinked in 1978 and the entire control was transferred in the hands of Industrial Development Bank of India (IDBI).

UTI launched its first scheme in 1964 named as Unit Scheme 1964 (US-64) which attracted the largest number of investors in any single investment scheme over the years. The US-64 scheme is unique because it predates all other mutual fund activity in the country. Basically modelled as an income scheme offering regular and stable dividends, it had a strong emphasis on debt rather than equity until about 1979 when the Foreign Exchange Regulation Act (FERA) was diluted, allowing foreign companies to hold a maximum of 40 per cent equity in Indian companies. The UTI's exposure to equity increased substantially after 1979.

US-64 is the oldest scheme of UTI and has been attracting a lot of attention among the financial circles in the past. Investors invest in any savings scheme from the point of view of safety, liquidity and yield.US-64 has provided to be 100% safe, quite liquid and has offered a satisfactory yield. It has offered dividend every year which was ever lowered till 1995. Investors interest in US-64 has grown and sustained since it was launched. By 1964-65 outstanding unit capital was 18.73 crore, in 1970-71 outstanding unit capital had reached Rs.92,25 crores and by 1980-81 it had reached 389.78 crores. Outstanding amendments took place in SEBI Regulations.

Phase 2: Entry of Public Sector Funds (1987-1993)

In 1987, Government of India permitted the Commercial Banks in the public sector to form subsidiaries that would perform the functions of mutual funds through the amendment of Banking Regulation Act, 1949 which earmarked as an end of an era of UTI as the sole participant in the mutual fund sector. A number of Commercial Banks in the public sector, such as State Bank of India, Canara Bank, Punjab National Bank, Indian Bank, Bank of India and Bank of Baroda started mutual funds. Government also permitted insurance companies like, Life Insurance Corporation of India and General Insurance Company of India to launch mutual funds to mobilize the savings of the small investors. In October 1989, the first regulatory guidelines were issued by RBI, but they were applicable only to the mutual funds sponsored by banks. Subsequently, the Government of India issued comprehensive guidelines in June 1990 covering all mutual funds. These guidelines emphasized compulsory registration of with the SEBI and an arm's length relationship be maintained between the sponsor and asset management company (AMC).With the entry of public sector funds, there was a tremendous growth in the size of mutual fund industry with net resources mobilized by mutual funds has increased to Rs.13021crore.

Phase 3: Emergence of Private Sector Funds (1993-1996)

Ever since, non-UTI funds came into existence in 1987, the exclusion of private sector was being widely criticised. As such, the mutual fund industry appeared poised for a phenomenal growth. However, at this juncture, the shocking revelation of the 1992 securities scam shook the investor confidence and forced SEBI to put all the forthcoming schemes of mutual funds on hold. Unexpectedly, the scam did not dissuade the government from throwing open this industry to the private sector. By December, 1993, thirteen companies in the private sector were permitted to launch mutual 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. In 1993 the first Mutual Fund regulation came into being under which all Mutual Funds, except UTI was to be registered. The Kothari Pioneer (now merged with Franklin Templeton) was the first private sector Mutual Fund registered in July 1993. During the year 1993-94, four others also entered the fray – ICICI Mutual Fund, 20th Century Mutual Fund, Morgan-Stanley Mutual Fund, and Taurus Mutual Fund, launching their schemes.

During the year 1994-95, seven more players entered the market- Apple Mutual Fund, JM Mutual Fund, Shriram Mutual Fund, CRB Mutual Fund, Alliance Mutual Fund, Birla Mutual Fund and H.H. Mutul Fund. In 1995-96, three big players entered the Indian market- Tata Mutual fund, Reliance Capital Mutual Fund Jardine Fleming Mutual Fund.

Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI. 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 net resources mobilized by UTI, Bank Sponsored Mutual Funds, FI (Financial Institutions) Sponsored Mutual Funds and Private Sector Mutual Funds. The mobilisation of resources in the first two years of Phase 3 worked well, though the initial collections by the private sector were slow. In the year 1993-94, out of Rs.11242.5crore, UTI share was Rs.9297crore (83%), public sector mutual funds share was Rs.386crore (3.43%) and private sector mutual funds contributed Rs.1559.5crore (13.87%). During 1994-95, out of Rs.11274.8crore, UTI share was Rs.8611crore (76.3%), public sector mutual funds share was Rs.1342crore (11.9%) and private sector mutual funds contributed Rs.1321.8crore (11.72%).Inspite of entry of private sector mutual funds, UTI remained the dominant player in resources mobilsation.

However, year 1995-96 was a disappointing one for the industry. The total mobilisation by all Mutual Funds, including UTI fell drastically to Rs.-5833 crores.In this year UTI was worstly affected which resources mobilistaion was Rs.-6314 crore. In 1995-96, the total mobilisation registered a negative growth of -48.26 percent over the previous year. The share of public sector fell from Rs.1342crores in the previous year to a meagre Rs.348crores. Private sector also presented a poor show by falling from Rs.1321.8 crores in 1994-95 to a dismal low of Rs.133 crores in 1995-96.

Phase 4: Growth and SEBI Regulation (1996-1999)

The Mutual Fund industry witnessed robust growth and strict regulations from SEBI after 1996. The mobilization of funds and the number of players operating in the industry reached new heights as investors started showing more interest in Mutual Funds. Investors' interests were safe guarded by SEBI and the government offered tax benefit to the investors. In order to encourage them, SEBI (Mutual Funds) Regulations 1996 was introduced by SEBI that set uniform standards. The union budget in 1999 exempted all dividend incomes in the hands of investors from income tax. As part of these measures, SEBI issued standard offer documents and memoranda containing key information. The guidelines issued by RBI for Money Market Funds were incorporated in the SEBI Regulations. Various investor awareness programmers were launched during this phase both by SEBI and Association of Mutual Fund in India (AMFI).

During 1996-97, eight new mutual funds- Templeton Mutual Fund, ITC Classic Threadneedle mutual Fund, Cholamandalam Cazenove Mutual Fund, Sundaram Newton Mutual Fund, First India Mutual Fund, Escorts Mutual Fund, Anagram Wellington Mutual Fund launched their schemes. In the year1997-88, two new foreign players-DSP Merril Lynch Mutual Fund and Sun F& C Mutual Fund set up their mutual funds in India. The year 1998-99 also witnessed the entry of two other players- Kotak Mahindra Mutual Fund and Dundee Mutual Fund in Indian mutual fund industry. By the year ended 1999, 37 mutual funds were operating in India.

Phase 5: Emergence of a Large & Uniform Industry (1999-2004)

This Phase was marked by very rapid growth of the Indian mutual fund industry & the market share of private sector mutual funds increased significantly crossing Rs.1,00,000crore. The tax break offered to mutual funds in 1999 created arbitrage opportunities for a number of institutional players.

During this Phase, there was bifurcation of UTI. In February 2003, following the repeal of the UTI Act 1963, UTI was bifurcated into two separate entities. One is the SUUTI (Specified Undertaking of the UTI) with assets under management of Rs.29835crores as at the end of January 2003, representing broadly the assets of US-64, Assured Return and certain other schemes coming under this. The SUUTI was functioning under an administrator and under the rules framed by the Govt. of India.

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. For the first time UTI Mutual Fund became SEBI complaint. This Phase also witnessed with the recent mergers taking place among different private sector Funds and with many foreign Mutual Funds setting up Funds in India and the like, the mutual fund industry in India can be viewed as entering a new phase of consolidation and growth.

During this Phase eight more mutual fund companies were registered with SEBI to float new schemes. During the year 1999- 00, two large mutual funds-ING Saving Trust

Mutual Fund, IL & FS Mutual Fund were registered with SEBI. In the year 2000-01- HDFC Mutual Fund and Standard Chartered Mutual Fund launched their schemes in India. Benchmark Mutual Fund came to India in the year 2001-02 to operate as an Asset Management Company. The year 2002-03 also witnessed the entry of two large foreign mutual fund companies- Deutsche Asset Management, and HSBC Mutual Fund. Principal Mutual Fund set up its Fund in India in the year 2003-04.

Phase 6: Consolidation and Growth (2004 onwards…)

Today, there are 1475 schemes offered by 31 mutual fund players as of April 30, 2004.However of late, as the consolidation process gained momentum, the industry has seen a slew of mergers & acquisitions. It was Franklin Templeton, which fixed the first salvo in this competition by acquiring Kothari Pioneer Mutual Fund in the year 2004. This has been followed by acquisition of Zurich Mutual Fund by HDFC Mutual Fund, IF&LS Mutual Fund by UTI Mutual Fund & recently First India Mutual Fund by the Sahara group. In between the mega deals, the market did see a number of smaller takeovers. Principal Mutual Fund bought out Sun F&C Mutual Fund's schemes, while Canbank Mutual Fund took care of GIC Mutual Fund and Indbank Mutual Fund sold out to the Tata Mutual Fund.

According to sources, Birla Sun Life AMC acquired Alliance Capital AMC in 2005. With this acquisition, Birla Sun Life Mutual Fund's total AUM will increase to Rs 11,049 crore and will become the fifth largest fund house in India. Currently, UTI Mutual Fund is leading the pack with assets of Rs 20,224 crore, followed by Franklin Templeton (Rs 18495 crore), HDFC Mutual Fund (Rs 15,035 crore) and Prudential ICICI Mutual Fund (Rs 14,854 crore). Birla Sun Mutual Fund is ranked seventh with AUM of Rs 9,098 crore. as on September 30, 2004 Mutual fund industry has been going through a wave of consolidation post October 2008, when mutual funds faced a severe liquidity crisis and the Reserve Bank of India had to step in to provide them a line of credit. The problem did not stop there as several mutual funds' investments in real estate and NBFCs' (non-banking finance companies') papers went wrong. Religare acquired Lotus Mutual Fund in November 2008 after the latter went into trouble due to its huge exposure to fixed maturity plans (FMPs) . ABN Amro Mutual Fund was changed to Fortis Mutual Fund in November 2008 after Fortis acquired the investment management business of ABN Amro in a global deal.

Infrastructure Development Finance Corporation (IDFC) acquire Standard Chartered Mutual Fund for $205 mn. On the date of merger Standard Chartered Mutual Fund has around eight equity funds--the Stan Chart Classic (a multi-cap fund), Stan Chart Premier Fund (a mid & small cap fund), Stan Chart Imperial (large cap fund), Stan Chart Enterprise Fund(that largely invests in IPOs and in the Nifty when there are no IPOs), the ELSS fund(a close ended fund), the Stan Chart SME fund and two arbitrage funds(one open ended and the other close ended).

The mutual fund industry was set for a major shake-up with mergers and acquisitions (M & As) gathering momentum when in September 2009, L&T Finance acquired DBS Cholamandalam for Rs 45 crore. All regulatory approvals have been taken from authorities (December 23, 2009 from SEBI), and now DBS Chola Mutual Fund will be renamed as L&T Mutual Fund, while DBS Cholamandalam Asset Management Ltd (DCAM) will be renamed as L&T Investment Management Ltd, while DBS Cholamandalaam Trustees Ltd. will be renamed as L&T Mutual Fund Trustee Ltd.

On May 27, 2009 Sundaram BNP Paribas has acquired all the operations of Fortis which include asset management, private banking, merchant banking and consumer finance outside the Netherlands. This, in effect, means that Fortis Mutual Fund will be a part of Sundaram BNP Paribas Mutual Fund. However, under Indian regulations, a mutual fund cannot have two licences. This made the merger mandatory.

Fidelity MF and L&T MF has announced the merger of few of its schemes subsequent to L&T Mutual Funds acquisition of Fidelity AMC. Effective November 16, 2012, Fidelity Flexi Gilt Fund will merge with L&T Gilt Fund, Fidelity Wealth Builder Fund - Plan A with L&T Monthly Income Plan, Fidelity Wealth Builder Fund - Plan B and Fidelity Wealth Builder Fund Plan C with L&T MIP - Wealth Builder Fund Furthermore, certain schemes of L&T Mutual Fund will also be merged with schemes of Fidelity Mutual Fund. L&T Contra Fund and Fidelity India Value Fund will merge to form a new scheme named 'L&T India Value Fund'. L&T Hedged Equity Fund, L&T Opportunities Fund and L&T Growth Fund will merger with Fidelity India Growth Fund to form a new scheme named 'L&T India Large Cap Fund' Both the AMCs have provided investors with an option to exit without paying any exit load between October 15,2012 to November 15,2012.

SBI Mutual Fund acquired Daiwa AMC on November 16, 2013. Following the acquisition of Daiwa AMC by SBI Mutual Fund, SBI MF has renamed the acquired schemes. Daiwa Industrial Leaders Fund, a large cap scheme has been renamed to SBI Small & Midcap Fund and will be a part of the mid and small cap category of funds. Daiwa Treasury advantage Fund would now be recognised as SBI Treasury Advantage Fund. Daiwa Government securities Fund- Short Term Plan would be called SBI Benchmark G Sec Fund. Daiwa Liquid Fund has been merged into SBI Magnum Instacash Fund- Liquid Floater Plan.

HDFC Mutual Fund acquired Morgan Stanley Mutual Fund schemes on May 22, 2014.HDFC MF merged the four schemes offered by Morgan Stanley MF with itself, while it would change the name of another four schemes. The changes were announced pursuant to the acquisition of Morgan Stanley MF schemes and to avoid similar products being offered to the investors. Besides, HDFC MF had given an exit option to the unit holders of Morgan Stanley MF. "An exit option from May 22, 2014 to June 20, 2014 has been provided to the unit holders who are not agreeable to the transaction/changes to the schemes wherein they may submit redemption request to MSMF (Morgan Stanley MF) to exit the scheme without any exit load. The Board of ING Investment Management India, ING Trustee, Birla AMC and Birla Trustee have approved the merger and the market regulator SEBI has also given its nod to the proposed deal on September 6, 2014.Birla Sun Life MF, part of Aditya Birla Financial Services Group firm, will merge all the 26 schemes offered by ING MF with its own funds, according to a public notice. Besides, Birla Sun Life MF has given an exit option to the unit holders of ING MF. "The option to exit the schemes without any exit load can be exercised from September 8 and is valid up to October 9. The option to exit is available to all unit holders except for unit holders who have pledged their units.

On November 20, 2014, Kotak Mahindra Mutual Fund's acquired the schemes run by Pine Bridge Mutual Fund. Under the scheme of combination, Kotak Mutual Fund would acquire control of the schemes of Pine Bridge Mutual Fund by way of change in trusteeship, management and administration. Kotak AMC manages the mutual fund schemes offered by Kotak MF, a trust with Kotak Mahindra Bank Ltd as the sponsor. PBI Asset Management Company is into managing the schemes of PBI Mutual Fund -- a trust sponsored by Pine Bridge Investments Japan Co. As per report of the market regulator, "The parties' combined market share in the overall market of mutual funds in India would be 3.67 per cent which is significantly lower than the other large players in the mutual fund industry.

Recently, State Bank of India has initiated a proposal to acquire UTI Mutual Fund and merge it with its asset management arm SBI Mutual Fund. SBI had made the proposal to the department of financial services, which in turn has forwarded it to the department of economic affairs for consideration. Both departments are part of the finance ministry, whose view on the matter is still to be firmed up.The merger plan, if it does pass muster, will create India's biggest mutual fund by assets while giving the country's biggest bank a majority stake in such an entity as well as a dominant role in the mutual fund business where it today is one of many players.

Table 1: Net Resources Mobilised by Mutual Funds (Rs. Crore)

Year	UTI Mutual Fund	Bank Sponsored Mutual Fund	FI Sponsored Mutual Fund	Private Sector Mutual Funds	Total
1	**2**	**3**	**4**	**5**	**(2+3+4+5)**
2004-05	-2467	707	-3384	7933	2789
2005-06	3424	5365	2112	41581	52482
2006-07	7327	3032	4226	79477	94063
2007-08	10678	7786	2178	163356	183998
2008-09	-3658	4490	5954	-34018	-27236
2009-10	12499	9855	4871	54928	82153
2010-11	-16636	1304	-16988	-16281	-48601
2011-12	-3179	389	-3098	-39525	-45413
2012-13	4629	6708	2241	65284	78862
2013-14	401	4845	2572	46761	54579
2014-15	-1278	-700	-1035	112390	109377

Source: RBI, SEBI Handbook on Indian Securities Market

Note: 1.Data for 2014-15 are provisional.

2. Data for UTI from 2004-05 onwards pertain to UTI Mutual Fund only.

The analysis of the table shows that resources mobilized by private sector mutual funds was Rs.7933crore in the year 2004-05 rose to Rs.1,63,356crore in the year 2007-08 showing an increase by 20 times. During the same period, UTI mutual fund showed a merely 5 times increase in resource mobilization, i.e, from Rs.-2467crore in the year 2004-05 to Rs. 10678crore in the year 2007- 08.The share of public sector mutual funds have increased by 4.7 times i.e, from Rs.-2677crore in the year 2004-05 to Rs. 9964crore in the year 2007-08.By the year end 2008, the private sector mutual funds contributed 88.78 percent of the total resources mobilized in the Indian mutual fund industry, while the share of UTI mutual fund and public sector mutual funds together constitutes only 11.22percent during the corresponding period.

The year 2008-09 was marked by negative resources mobilization in the industry because of US Sub-Prime Lending crisis. During this period the major financial markets lost more than 30% of their value. Except public sector mutual funds, all private sector mutual funds including lost their market share due this global factor. During this period the private sector mutual funds resources reduced by -79.17 percent compared to the immediate preceding year.

The market again took momentum in the year 2009-10.The total resources mobilized during this period was Rs. 82153crore gaining wide margin over the previous year. But, the recovery of the market did not last for a long period of time because, a continuing downslide in the banking stocks, largely on concerns about rising bad debts due to a slowdown in economic growth, and apprehensions that the corporate profitability being hit due to increased interest rates and rising input costs added to the market woes during 2010-11. The problems in global economy was seen as a major reason for the downslide in 2011 also, but concerns about domestic economic growth, a perceived notion of policy paralysis and slowdown in corporate sector added to the concerns towards the year-end.

Again, the Indian economy's performance in 2011-12 was marked by slowing growth, high inflation and widening fiscal and current account gaps. The economy grew at its slowest pace in nine years with mining, manufacturing and construction dragging growth down. Weakening of both domestic and external demand contributed to the slowdown. Importantly, in spite of slowing growth, inflation stayed high for larger part of the year. In response, the Reserve Bank persisted with tightening till October 2011 and paused before easing in April 2012. Slowing growth, high inflation and widening twin deficits, along with global flight to safety amidst a deepening euro area crisis put pressures on the financial markets and the exchange rate during the year. Because of the above sited reasons Indian mutual funds industry entered into the negative zone of growth during 2010-11 to 2011-12.

From the year 2012 onwards the market showed a sharp rise in the resources mobilization. The private sector mutual funds completely captured the market under their arms and dominated the Indian mutual funds industry. The share of private sector mutual funds in terms of resources mobilization increased to 102.76 percent in the year 2014-15 from 82percent in the year 2012-13.

Table 2: Net Assets under Management of the Indian Mutual Fund Industry

Year	Net Assets			Total (Rs. Crores)	Year on Year Growth Rate (%)
	UTI MF	Non – UTI Public Sector MF	Private Sector MF		
2003-04	-	34624 (24.8)	104992 (75.2)	139616(100)	
2004-05	-	32113 (21.56)	104992(70.5)	148886(100)	6.64
2005-06	-	50348 (21.71)	181514 (78.29)	231862(100)	35.5
2006-07	35488(11.02)	26525(8.24)	259854(80.74)	321867(100)	38.82
2007-08	48982(9.25)	43301(8.18)	437260(82.57)	529543(100)	64.52
2008-09	48754(9.93)	55543(11.32)	386509(78.75)	490806(100)	-7.32
2009-10	80217(10.73)	93064(12.45)	574057(76.82)	747338(100)	52.27
2010-11	67188(9.59)	67092(9.57)	566529(80.84)	700809(100)	-6.23
2011-12	58922(8.86)	65329(9.83)	540540(81.31)	664791(100)	-5.14
2012-13	69450(8.50)	88715(10.86)	658492(80.64)	816657(100)	22.84
2013-14	74233(8.20)	101454(11.21)	640970(80.59)	905120(100)	10.83
2014-15	92750(7.80)	112633(9.48)	983307(82.72)	1188690(100)	31.33

The table shows the assets under management of UTI Mutual Fund, Non-UTI Public Sector Mutual Funds and Private Sector Mutual Funds. From the following analysis it is found that private sector mutual funds have completely dominated the Indian mutual funds industry the share of private sector mutual funds in the market rose substantially from 75.2 percent in 2003-04 to 82.72percent in 2015, while the share of UTI and non-UTI public sector together constitutes only 17.28percent during the corresponding period. It can be seen that the share of public sector mutual funds have declined to 9.48percent in the year 2015 from 24.8percent in the the year 2004 with a total decline of -15.32percent.It is also observed that the share of public sector mutual funds have started gradual declining from the year 2006-07 onwards. Similarly, due to the bifurcation of UTI, the share of UTI mutual fund have declined to a very low level of 7.80percent in the year 2015 from 11.02percent in the year 2007 with a total decrease of -3.22 percent. But, during the same period the private sector mutual funds have increased by 7.52percent. During this Phase the year on year growth rate of the industry was more fluctuating due to global market turmoil. The year on year growth rate declined to -7.32percent in the year 2008-09 from 64.52percent in the year 2007-08 with a further fall to -5.14 in the year 2011-12.This happened as during this period the Indian economy was moving through a slow growth rate due to both domestic and global effect. The industry started gaining in the year 2015 showing year on year growth rate of 31.33percent.

Conclusion:

The Indian mutual fund industry has come a long way since its inception in 1963. The industry has witnessed sufficient growth on all parameters be it; number of fund houses, No. of schemes, funds mobalised, assets under management etc. The fund industry in the beginning consisted of UTI mutual fund only, but today the industry consists of all the three sectors viz. public sector, private sector and foreign fund houses. The fund houses which were just 31 in 1997-98, have grown to 44 funds as on 2013. Similarly the number of schemes in operation have grown from 235 in 1997-98 to 1,131 schemes at a compound growth rate of 14 percent. The major schemes in operation are regular Income Schemes which account for 52 percent of the total schemes, followed by Growth Schemes with 29 percent of the total schemes. ELSS is the only scheme which has recorded negative growth during the period.

The Money Market Mutual Fund (MMMFs) emerged as a major contributor to the funds mobalised and since 2000-01 it continues to dominate the industry in terms of funds mobalised. Contrary the Income Scheme which was initially the major contributor, has gradually lost its ground to the MMMFs. Product wise Indian fund industry is broadly consisted of six product categories viz. Liquid & Money Market, Equity Oriented, Debt Oriented, Balanced, Gilt and Gold ETFs. While looking at AUM composition by investor segment, corporate investments constitute nearly half of the AUMs, followed by high net worth investors. The retail segment account for just 20 percent of AUMs. As such, it can be inferred that the mutual funds have failed to penetrate deep into the retail segment. Retail investors in the country continue to prefer bank deposits and the real estate sector. The poor participation of the retail segment through mutual funds is reported due to very low levels of awareness in financial literacy, cultural and behavioral factors. The other important factor is the failure of the mutual fund industry to reach out to the nook and corner of the country. The top five cities namely: Mumbai, Delhi, Chennai, Bangalore and Kolkata contribute 74 percent of the total funds mobalised. Therefore, among other things, the need is to increase the penetration ratio.

One of the important goals of the mutual fund industry is to attract and mobalise major portion of the House Hold Savings (HHS) in order to enable the small savers to benefit from the economic growth by facilitating them to park their savings into the assets which yield better risk-adjusted returns. Further, the house hold sector which account for major position of the Gross Domestic Savings have shown least preference for mutual funds, rather these have been found to prefer most deposits, both banking and non-banking.

Though, the mutual fund industry has recorded significant progress on all fronts yet it has not been able to utilize its potential fully. On almost on all parameters it is far behind the developed economics and even most of the emerging economics of the world. The industry is confronted with number of challenges like low penetration ratio, lack of product differentiation, lack of investor awareness and ability to communicate value to customers, lack of interest of retail investors towards mutual funds and evolving nature of the industry. Therefore, if the industry has to utilize its potential fully, it has to address these challenges. To address these challenges the need is to penetrate into the tier II & tier III cities which among other things would require to seek more awareness of the investors through strategic initiatives and investor education drives. Apart from this, the mutual fund industry has to continually deliver superior risk-adjusted returns to the investors. This would require the fund managers on the one hand to exhibit superior stock selectivity and market timing performance consistently and on the other hand to keep the fund costs under check. Delivering superior risk-adjusted returns consistently will automatically create a niche for the mutual funds.

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