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CHAPTER III
PERFORMANCE OF MUTUAL FUND INDUSTRY IN INDIA

3.1 INTRODUCTION

The most important factor shaping in today’s global economy is the process of Globalization. Indian companies are moving in search of low-cost markets, technology is driving growth in production and competition is becoming more intense. A second factor is the fastest growth in private capital flows, mainly short-term flows by banks and financial institutions, portfolio flows mutual funds and pension funds and foreign direct investment into India. A third factor is the increasing share of India and other emerging market economies in world trade. The outburst in communication technology has led to greater integration of Indian financial markets across the world. The impact of these changes could be felt from the extremely buoyant activity in Indian stock markets. A number of foreign financial service providers have entered the Indian financial market like Morgan Stanley, Templeton, and Goldman Sachs.

3.2 OVERVIEW OF MUTUAL FUND INDUSTRY

Over the past few decades, the mutual fund industry, both in the U.S. and elsewhere, has exploded. While the global fund industry has flourished, academic studies of mutual funds have remained geographically narrow. Almost all of the research has focused on the U.S., with the exception of a few insightful studies of national fund markets. According to the 2005 Investment Company Institute Fact Book, nearly 600 financial intermediaries in the U.S. and around the world compete in the U.S. mutual fund market. It is estimated that, as of year-end 2004, the top 25 of these firms held 74 per cent of this market’s $8.2 trillion total assets under management. The 8,000 plus publicly traded mutual funds in the U. S. break down by type such as 4,550 equity, 2,041 bond, 510 hybrid and 943 money market.¹
It is a huge understatement to say that for the investing public, this number of fund choices is absolutely overwhelming. It is important for fund investors to appreciate the importance of investing in funds that are sponsored by financial intermediaries in good standing. That is to say, that they are not saddled with regulatory problems resulting from questionable management practices and governance problems. The serious mutual fund scandals of 2002 and 2003 are, hopefully, behind us. However, it is prudent for fund investors to maintain a watchful eye in this area.

India is at the first stage of a revolution that has already peaked in the U.S. The U.S. boasts of an Asset base that is much higher than its bank deposits. In India, mutual fund assets are not even 10 per cent of the bank deposits, but this trend is beginning to change. Recent figures indicate that in the first quarter of the current fiscal year mutual fund assets went up by 115 per cent whereas bank deposits rose by only 17 per cent. This is forcing a large number of banks to adopt the concept of narrow banking wherein the deposits are kept in Gilts and some other assets which improve liquidity and reduce risk. The basic fact lies that banks cannot be ignored and they will not close down completely. Their role as intermediaries cannot be ignored. It is just that Mutual Funds are going to change the way banks do business in the future.²

MF Industry has been a late entrant into the Indian markets and is still at its nascent stage. In terms of size, it is only 0.50 per cent of the World Mutual Fund AUM however; it has been growing at a rapid rate of 39.4 per cent in the last 5 years. The World Mutual Fund AUM is USD 20.55 trillion as on 30 September, 2009.

Presently, there are 37 Asset Management Companies (AMCs) with total Assets under Management (AUM) of INR 6,651 billion as on 31 December, 2009. Presently, equity-oriented exposure is only around INR 1,979 billion (29.7 per cent) as compared to debt exposure which is at INR 4,442 billion (66.8 per cent) and balance constituting INR 230 billion (3.5 per cent) in others.³
The penetration of mutual fund industry has been low due to poor reach into remote locations; low level of awareness; lack of qualified investment advisors. SEBI has recently announced radical changes such as abolition of entry load; introduction of Exchange-based Trading Platform and dematerialization of mutual fund units, which could lead to a greater participation from the masses into the mutual fund industry.

There was a financial meltdown of the world economy in 2008 and in the first Quarter of 2009. The economy of U.S.A was the worst affected by it. But Indian economy, the second best, emerged unscathed. So it attracted foreign investors to a large extent.

3.3 SETUP OF MUTUAL FUNDS

A mutual fund is set up in the form of trust, which has sponsors, trustees, Asset Management Company (AMC) and custodians. The trust is established by a sponsor or more than one sponsor who is like the promoter of a company. The trustees of the mutual fund hold its property for the benefit of the unit holders.

**Mutual funds as Trusts**

The mutual fund in India is constituted in the form of a Public Trust created under the Indian Trusts Act, 1882. The fund sponsor acts as the Settler of the Trust, contributing to its initial capital, and appoints a Trustee to hold the assets of the Trust for the benefit of the unit holders, who are the beneficiaries of the Trust.

**The fund Sponsor**

“Sponsor” is defined under SEBI regulations as any person who, acting alone or in combination with another body corporate, establishes a mutual fund. The sponsor of a fund is akin to the promoter of a company as he gets the fund registered with SEBI. The sponsor will form a Trust and appoint a Board of Trustees. The sponsor will also generally appoint an Asset Management Company as fund managers. The sponsor, either directly or acting through the Trustees, will also appoint a custodian to hold the fund assets.
Board of Trustees

The trust- the mutual fund- may be managed by a Board of Trustees- a body of individuals, or a trust company- a corporate body. Most of the funds in India are managed by Board of Trustees. The board or the trustee company, as an independent body, acts as protector of the unit holders interests. The Trustees do not directly manage the portfolio of securities. For this specialist function, they appoint an Asset Management Company.

Asset Management Company (AMC)

It is approved by SEBI managers the fund by making investments in various schemes in its custody. The trustees are vested with the general power of the superintendence and direction over AMC. They monitor the performance and compliance of SEBI regulations by the mutual fund.

Custodians and Depositories

Mutual funds are in the business of buying and selling of securities in large volumes. Handling these securities in terms of physical delivery and eventual safe keeping is therefore a specialized activity. The custodian is appointed by the Board of Trustees for safe keeping of physical securities or participating to any clearing system through approved depository companies on behalf of the mutual fund in case of dematerialized securities.

Securities Exchange Board of India (SEBI)

SEBI regulations require that at least two thirds of the directors of trustee company or board of trustees must be independent i.e., they should not be associated with the sponsors. Also, 50% of the directors of AMC must be independent. All mutual funds are required to be registered with SEBI before they launch any scheme. The performance of a particular scheme of a mutual fund is denoted by net annual value (NAV).
Registrars and Transfer Agents

Registrars and Transfer Agents are responsible for issuing and redeeming units of the mutual fund and providing other related services such as preparation of transfer documents and updating investor records. A fund may choose to carry out this activity in house and charge the scheme for the service at a competitive market rate.

Association of Mutual Funds in India (AMFI)

AMFI was incorporated in 1995 with the objective of representing the mutual fund industry collectively. Its principal objectives are: to promote the interests of mutual funds and unit-holders, and interact with SEBI/RBI/Govt/regulators and to set and maintain ethical, commercial and professional standards in the industry and to recommend and promote best business practices and code of conduct to be followed by members and others engaged in the activities of mutual fund and asset management. To bring about an awareness among the public about the functions of mutual fund industry in our country.
3.4 STRUCTURE OF MUTUAL FUND INDUSTRY IN INDIA

Exhibit 3.1 Presents the Structure of Mutual Fund Industry in India

Exhibit 3.1
Structure of Mutual Fund Industry in India

Source: AMFI – Mutual fund Test Work Book
3.5 SCHEMES OF MUTUAL FUND INDUSTRY IN INDIA

The mutual fund companies have many schemes in which people can invest their money. Each and every scheme has its own significance. The size of the amount to be invested, terms and conditions to invest money in these schemes, maturity period, and flow of income from these schemes are differing from one another. These schemes are broadly classified into two categories such as open-ended funds and close-ended funds. Besides, on the basis of objectives, these schemes are classified into equity funds, balanced funds and debt funds. Exhibit 3.2 shows scheme of mutual fund in India.
Exhibit 3.2

Schemes of mutual funds industry in India

Based on their structure

- Open-ended funds
- Close-ended Funds

Based on investment

- Equity funds
  - Equity diversified funds
  - Thematic funds
  - Sector funds
  - ELSS
- Balanced Funds
- Debt funds
  - Debt-oriented funds
  - Equity-oriented funds
  - Liquid funds
  - Gilt Funds
  - Income funds
  - FMPs
  - Floating rate funds
  - Arbitrage funds
  - MIPs

Source: Karvy-stock broking limited
An open-end fund

It is one that sells and repurchases units at all times. When the fund sells units, the investor (buys them from the fund. When the investor redeems the units, the fund repurchases the units from the investor. An investor can buy units or redeem units from the fund itself at a price based on the net asset value (NAV) per unit. NAV per unit is obtained by dividing the amount of the market value of the fund's assets (plus accrued income minus the fund's liabilities) by the number of units outstanding. The number of units outstanding goes up or down every time the fund sells new units or repurchases existing units. In other words, the 'unit capital' of an open-end mutual fund is not fixed but variable. When sale of units exceeds repurchase, the fund increases in size. When repurchase exceeds sale, the fund shrinks.

Load and No-load Funds

Marketing of a new mutual fund scheme involves initial expenses. These expenses may be recovered from the investors in different ways at different times. Three usual ways in which a fund's marketing expenses may be recovered from the investors are: At the time of investor's entry into the fund/scheme, by deducting a specific amount from his contribution by charging the fund/scheme with a fixed amount each year, during a specified number of years at the time of the investor's exit from the fund/scheme, by deducting a specified amount from the redemption proceeds payable to the investor.

These charges imposed on the investors to cover distribution/sales/marketing expenses are often called “loads”. The load charged to the investor at the time of his entry into a scheme is called a “front-end load or entry load”. The load amount charged to the scheme over a period of time is called a “deferred load”. The load that the investor pays at the time of his exit is called a “back-end load or exit load”. Some funds may also charge different amounts of loads to the investors,
depending upon how many years the investor has stayed with the fund; the longer
the investor stays with the fund, the less the amount of “exit load” he is charged.
This is called “contingent deferred sales charge”.

**Tax-exempt Vs. Non-Tax-exempt Funds**

Generally, when a fund invests in tax-exempt securities, it is called a tax-
exempt fund. In the U.S.A for example, municipal bonds pay interest that is tax-
free, while interest on corporate and other bond is taxable. In India, any income
received by the mutual fund is tax-free. After the 1999 Union Government Budget,
all of the dividend income received from any of the mutual funds is tax-free in the
hands of the investor. However, funds other than open-end equity-oriented funds
have to pay a distribution tax, before distributing income to investors. In other words,
open-end equity-oriented mutual fund schemes are tax exempted investment avenues,
while other funds are taxable for distributable income.

For the Indian mutual fund investor, both the dividends and long-term
capital gains from their fund investments are currently tax-free. However, any
short-term capital gains arising out of repurchase of fund units (held for a period
of less than 12 months) are taxable. Further, after the 2005 Union Budget,
repurchase transactions under equity-oriented funds/schemes have been subjected
to a Securities Transaction Tax (STT). All these tax considerations are important
in the investment decision.

**Money Market/Liquid Funds**

Often considered to be at the lowest rung in the order of risk level, Liquid
Funds invest in debt securities of a short-term nature, which generally means
securities of less than one-year maturity. The typical, short-term, interest-bearing
instruments these funds invest in Treasury Bills issued by governments, Certificates
of Deposit issued by banks and Commercial Paper issued by companies.
**Gilt Funds**

Gilt Funds are government securities with medium to long-term maturities, typically of over one year (under one-year instruments being money market securities). In India, we have Government Securities or Gilt Funds that invest in government paper called dated securities (unlike Treasury Bills that mature in less than one year). Since the issuer is the Government/s of India/States, these funds have little risk of default and hence offer better protection of the principal. However, Gilt securities, like all debt securities, face interest rate risk. Debt securities' prices fall when interest rate levels increase (and vice versa). Investors have to understand the potential changes in NAVs of gilt funds on account of changes in interest rates in the economy.

**Debt Funds (or Income Funds)**

Next in the order of risk level, we have the general category. Debt Funds invest in debt instruments issued not only by governments, but also by private companies, bank and financial institutions and other entities such as infrastructure companies/utilities. By investing in debt, these funds target low risk and stable income for the investor as their key objectives. However, as compared to the market/liquid funds, they do have a higher price fluctuation risk, since they invest in longer-term securities. Similarly, as compared to Gilt Funds, general debt funds do have a higher risk of default by their borrowers.

**Diversified Debt Funds**

A debt fund that invests in all available types of debt securities, issued by entities across all industries and sectors is a properly diversified debt fund. While debt funds offer high income and less risk than equity funds, investors need to recognize that debt securities are subject to risk of default by the issue on payment of interest or principal. A diversified debt fund has the benefit of risk reduction through diversification. Hence a diversified debt fund is less risky than a narrow-
focus fund that invests in debt securities of a particular sector or industry. In addition, all debt mutual funds lead to risk reduction for the individual investor as any losses by a debt issuer are shared by a large number of investors in the fund.

**Focused Debt Funds**

Some debt funds have a narrower focus, with less diversification in its investments. Examples include sector, specialised and offshore debt funds. They have a substantial part of their portfolio invested in debt instruments and are therefore more income-oriented and inherently less risky than equity funds. However, the Indian financial markets have demonstrated that debt funds should not be automatically considered to be less risky than equity funds, as there have been relatively large defaults by issuers of debt and many funds have non-performing assets in their debt portfolios. It should also be recognized that market values of debt securities will also fluctuate more as Indian debt markets witness more trading and interest rate volatility in the future. The central point to note is that all these narrow-focus funds have greater risk than diversified debt funds.

**High Yield Debt Funds**

Usually, Debt Funds control the default risk by investing in securities issued by borrowers who are rated by credit rating agencies and are considered to be of "investment grade". There are, however, High Yield Debt Funds that seek to obtain higher interest returns by investing in debt instruments that are considered "below investment grade". Clearly, these funds are exposed to higher default risk. In the U.S.A. funds that invest in debt instruments that are not backed by tangible assets and rated below investment grade (popularly known as junk bonds) are called Junk Bond Funds. These funds tend to be more volatile than other debt funds, although they may earn at times higher returns as a result of the higher risks taken.
Assured Return Funds - an Indian Variant

Fundamentally, mutual funds hold assets in trust for investors. All returns and risks are assumed by the investor. The role of the fund manager is to provide professional management service and to ensure the most favorable risk-return profile consistent with the investment objective of the fund. The fund manager, the trustees or the sponsors do not guarantee minimum return to the investors.

Fixed Term Plan Series - Another Indian Variant

A mutual fund scheme would normally be either open-end or closed-end. However, in India, mutual funds have developed an innovative middle option between the two, in response to investor needs. If a scheme is open-end, the fund issues new units and redeems them at all times. The fund does not have a stated maturity or fixed term of investment as such. Fixed Term Plan Series offer a combination of both these features to investors, as a series of plans are offered and units are issued at frequent intervals for short plan durations.

Equity Funds

As investors move from Debt Fund category to Equity Funds, they face increased risk. However, their is a large variety of Equity Funds each with a slightly different risk profile. Investors and their advisers need to sort out and select the right equity fund that suits their risk appetite. In the following section we have presented the types of Equity Funds, going from the highest risk level to the lowest.

Aggressive Growth Funds

There are many types of stocks/shares available in the market; for example Blue Chips are recognized market leaders, less researched stocks that are considered to have future growth potential, and even some speculative stocks of somewhat unknown or unproven issuers. Fund managers seek out and invest in different types of stocks in line with their own perception of potential returns and appetite for risk.
Growth Funds

Growth funds invest in companies whose earnings are expected to rise at an above average rate. These companies may be operating in sectors like technology considered having a growth potential, but not entirely unproven and speculative. The primary objective of Growth Funds is capital appreciation over a three to five year span. Growth funds are therefore less volatile than funds that target aggressive growth.

Specialty Funds

These funds have a narrow portfolio orientation and invest in only companies that meet pre-defined criteria. For example, at the height of the South African apartheid regime, many funds in the U.S. offered plans that promised not to invest in South African companies. Some funds may build portfolios that will exclude tobacco companies.

Sector Funds

Sector funds' portfolios consist of investments in only one industry or sector of the market such as Information Technology, Pharmaceuticals or Fast Moving Consumer Goods. Since sector funds do not diversify into multiple sectors, they carry a higher level of sector and company specific risk than diversified equity funds.

Foreign Securities Funds

These funds invest in equities in one or more foreign countries thereby achieving diversification across the country's borders. However, they also have additional risks - such as the foreign exchange rate risk - and their performance depends on the economic conditions of the countries they invest in. Foreign Securities Equity Funds may invest in a single country (hence riskier) or many countries (hence more diversified).
Mid-Cap or Small-Cap Equity Funds

These funds invest in shares of companies with relatively lower market capitalization than that of big, blue-chip companies. They may thus be more volatile than other funds, as mid-size or smaller companies' shares are not very liquid in the markets. We can think of these funds as a segment of specialty funds. In terms of risk characteristic, small company funds may be aggressive-growth or just growth type. In terms of investment style, some of these funds may also be "value investors".

Option Income Funds

These funds do not yet exist in India, but Option Income Funds finds a significant part in investors’ portfolio. While options are viewed as risky instruments, they may actually help to control volatility, if properly used. Conservative option funds invest in large dividend paying companies, and then sell options against their stock positions. This ensures a stable income stream in the form of premium income through selling option and dividends. Now that options on individual shares have become available in India, such funds may be introduced.

Diversified Equity Funds

A fund that seeks to invest only in equities, except for a very small portion in liquid money market securities, but is not focused on any one or few sectors or shares, may be termed a diversified equity fund. While exposed to all equity price risks, diversified equity funds seek to reduce the sector or stock specific risks through diversification. They have exposure to the equity market risk. Such general purpose diversified funds are clearly at a lower risk level than growth funds.

Thematic funds

Invest 100 per cent of the assets in sectors which are related through some theme. Example: An infrastructure fund invests in power, construction, cement sectors etc.
Liquid Funds

These funds invest 100 per cent in money market instruments, a large portion being invested in call money market.

Arbitrage Fund

They generate income through arbitrage opportunities due to mis-pricing between cash market and derivatives market. Funds are allocated to equities, derivatives and money markets. Higher proportion (around 75 per cent) is put in money markets in the option of arbitrage opportunities.

Equity Linked Savings Schemes: an Indian Variant

In India, investors have been given tax concessions to encourage them to invest in equity markets through these special schemes. Investment in these schemes entitles the investors to claim an income tax rebate, but usually has a lock-in period. As the name suggests there are no specific restrictions on the investment objectives for the fund managers. Investors should clearly look for where the Fund Management Company proposes to invest and accordingly judge the level of risk involved. Generally, such funds would be in the Diversified Equity Fund category.

Equity Index Funds

An index fund tracks the performance of a specific stock market index. The objective is to match the performance of the stock market by tracking an index that represents the overall market. The fund invests in shares that constitute the index and in the same proportion as the index. These funds take only the overall market risk, while reducing the sector and stock specific risks through diversification. However, there are index funds that track a narrow sectoral index, such as Pharma, Index or Bank Index. These will be less diversified and more risky, although they will still be less risky compared to individual stocks in that industry/sector.
Value Funds

The Growth Funds we reviewed above hold shares of companies with good or improving profit prospects, and aim primarily at capital appreciation. They concentrate on future growth prospects, may be willing to pay high price earnings multiples for companies considered to have high growth potential. In contrast to the growth investing, some funds follow Value Investing approach. Value Funds try to seek out fundamentally sound companies whose shares are currently under-priced in the market. Value Funds will add only those shares to their portfolios that are selling at low price-earnings ratios, low market value ratios and are believed to be undervalued, compared to their true potentials.

Equity Income or Dividend Yield Funds

Usually income funds are in the Debt Funds category, as they target fixed income investments. However, there are equity funds that can be designed to give the investor a high level of current income along with some steady capital appreciation, investing mainly in shares of companies with high dividend yields. As an example, an Equity Income Fund would invest largely in Power/Utility companies' shares of established companies that pay higher dividends and whose prices do not fluctuate as much as other shares. These equity funds should therefore be less volatile and less risky than nearly all other equity funds. Recently many fund houses have launched such schemes.

Hybrid Funds – Quasi-Equity/Quasi-Debt

Many mutual funds mix these different types of securities in their portfolios. Thus, most funds, equity or debt, always have some money market securities in their portfolios as these securities offer the much-needed liquidity. However, money market holdings will constitute a lower proportion in the overall portfolios of debt or equity funds. There are funds that, however, seek to have a relatively
balanced holding of debt and equity securities in their portfolios. Such funds are termed as "hybrid funds" as they have a dual equity-bond focus. Some of the funds in this category are described below.

**Balanced Funds**

A balanced fund is one that has a portfolio comprising instruments, convertible securities, preference and equity shares. Their assets are generally held in more or less equal proportions between debt/money market securities and equities. By investing in a mix of this nature, balanced funds seek to attain the objectives of income, moderate capital appreciation and preservation of capital, and are ideal for investors with a conservative and long-term orientation.

**Growth-and-Income Funds**

Unlike income-focused or growth-focused funds, these funds seek to strike a balance between capital appreciation and income for the investor. Their portfolios are a mix between companies with good dividend paying records and those with potential for capital appreciation. These funds would be less risky than pure growth funds, though more risky than income funds.

**Asset Allocation Funds**

Normally, an Equity Fund would have its primary portfolio in equities most of the time. That is, the assets are primarily equity holdings. Similarly, Debt Fund would have allocated much of its money to debt instruments. The proportion of money to be invested in a particular class of asset is predefined. In other words, their "asset allocation" is predetermined to a large extent. However, there do exist funds that follow variable asset allocation policies and move in and out of an asset class (equity, debt, money market, or even non-financial assets) depending upon their outlook for specific markets. The fund manager is given the flexibility to shift towards equity when equity market is expected to do well and to shift...
towards debt when the debt market is expected to do well. The success of such strategy would depend on the skill of the fund manager in anticipating market trends. For this reason, Asset Allocation Funds could be riskier.

**Commodity Funds**

While all of the debt/equity/liquid funds invest in financial assets, the mutual fund vehicle is suited for investment in any other - for example - physical assets. Commodity funds specialize in investing in different commodities directly or through shares of commodity companies or through commodity future contracts. Specialized funds may invest in a single commodity or a commodity group such as edible oils or grains, while diversified commodity funds will spread their assets over many commodities.

**Real Estate Funds**

Specialized Real Estate Funds would invest in real estate directly, or may fund real estate developers, or lend them, or buy shares of housing finance companies or may even buy their securitized assets. The funds may have a growth orientation or seek to give investors regular income.

**Exchange Traded Funds**

An Exchange Traded Fund (ETF) is a mutual fund scheme, which combines the best features of open-end and closed-end structures. It tracks a market index and trades like a single stock on the Stock Exchange. Its pricing is linked to the index and units can be bought/sold on the Stock Exchange. ETF offers investor the benefit of flexibility of holding a single share as well as the diversification and cost efficiency of an index. These funds are popular abroad and have recently been introduced in India.

**Fund of Funds**

A Fund of Funds invests in other mutual funds. Just as a normal mutual fund invests in a portfolio of securities such as debt or equity, a fund of funds invests in a portfolio of the units of other mutual fund schemes. Availability of a
Fund of funds to an investor helps him select the right funds from a wide variety of schemes offered by different asset management companies. It also helps the investor diversify his risk not only in terms of the types of securities held in the portfolio, but also in terms of schemes of different fund managers and investment styles.

**Monthly Income Plans (MIPs)**

Monthly Income plans have an exposure of 70 per cent -90 per cent to debt and an exposure of 10 per cent - 30 per cent to equities.

**Fixed Monthly Plans (FMPs)**

Fixed monthly plans invest in debt papers whose maturity is in line with that of the fund.

3.6 PROFILE OF MUTUAL FUND COMPANIES IN INDIA

3.6.1. AIG Investments in India

The sponsor of the AIG Global Investment Group Mutual Fund is AIG Capital Corporation (AIGCC), a company incorporated under the laws of Delaware; United States of America. AIG is a holding company which, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIGCC was incorporated mainly to consolidate all the non-insurance financial service businesses of AIG under one company. Many of AIGCC’s direct and indirect subsidiaries are companies engaged in asset management, consumer finance and other non-banking finance activities. AIG Trustee Company (India) Private Limited (the “Trustee”), a company incorporated under the Companies Act, 1956 on October 30, 2006 has been appointed as the Trustee to the AIG Global Investment Group Mutual Fund vide Trust Deed dated December 15, 2006.
3.6.2. Axis Bank Limited

Axis Bank was the first of the new private banks to have begun operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the specified undertaking of the Unit Trust of India (UTI-I), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and other four PSU insurance companies, i.e. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Limited, and United India Insurance Company Ltd. The Bank has strengths in both retail and corporate banking and is committed to adopt the best industry practices internationally in order to achieve excellence.

3.6.3. Baroda Pioneer Asset Management Company Limited

Baroda Pioneer Mutual Fund was established by Bank of Baroda on October 30, 1992. Pioneer Global Asset Management SpA (Pioneer Investments) a global asset manager with 80 years of experience and assets under management of € 181 billion (as on April 2011), acquired 51% of the shareholding of Baroda Pioneer Asset Management Company Limited (earlier known as BOB Asset Management Company Limited) and became the co-sponsor of Baroda Pioneer Mutual Fund. Bank of Baroda entered into an agreement on 5 October 2007 with Pioneer Investments and consequent to the agreement and regulatory approvals, the Fund and the AMC is called Baroda Pioneer Mutual Fund and Baroda Pioneer Asset Management Company Limited respectively. With a focus on enhancing the overall customer experience, Baroda Pioneer Asset Management Company is working towards capitalizing the investors’ perception.

3.6.4. Bharti AXA Investment Managers Private Limited

Bharti AXA Investment Managers Private Limited is a joint venture between the Bharti Group represented by Bharti Ventures Limited, and AXA Group represented by AXA Investment Managers and AXA APH (through
NMIPL). Bharti AXA Investment Managers Private Limited was incorporated on 13th August, 2007 and is headquartered in Mumbai, the commercial hub of India. With a presence in twelve locations across the country, Bharti AXA Investment Managers is focused on the retail investor. With best practices brought in from world leaders in financial protection, Bharti AXA Investment Managers aim to be an aggressive player in the Indian Asset Management Industry.

3.6.5. Birla Sun Life Asset Management Company Limited

Birla Sun Life Asset Management Company Ltd. (BSLAMC), the investment managers of Birla Sun Life Mutual Fund, is a joint venture between the Aditya Birla Group and the Sun Life Financial Services Inc. of Canada. The joint venture brings together the Aditya Birla Group's experience in the Indian market and Sun Life's global experience. Established in 1994, Birla Sun Life Mutual fund has emerged as one of India's leading flagships of Mutual Funds business managing assets of a large investor base. The Aditya Birla Group is one of India's largest business houses. Global in vision, rooted in Indian values, the Group is driven by a performance ethic pegged on value creation for its multiple stakeholders. The Group operates in 26 countries.

3.6.6. BNP Paribas Investment Partners

BNP Paribas Investment Partners is the dedicated asset management business line of BNP Paribas and backed up by the financial strength of a bank which has been ranked among the six most solid banks in the world. The integration of Fortis Investments with the existing BNP Paribas Investment Partners Group has led to the creation of a top-tier global asset manager with a wider global reach, greater resources and an expanded range of investment solutions. BNP Paribas Mutual Fund is part of a global network seeking to combine in-depth local market knowledge with the expertise gained from managing investments throughout numerous market cycles and conditions across the world.
3.6.7. Canara Robeco Asset Management Company Limited (CRAMC)

Canara Robeco Mutual Fund is the oldest Mutual Fund in India, established in December 1987 as Canbank Mutual Fund. Subsequently, in 2007, Canara Bank partnered Robeco and the mutual fund was renamed as Canara Robeco Mutual Fund. Since then, it has consistently been one of the fastest growing mutual funds in India in terms of AuM, having grown 94 per cent year-on-year from March 2009 to March 2010. Their solutions offer a range of investment options, including diversified and thematic equity schemes, hybrid and monthly income funds and a wide range of debt and treasury products.

3.6.8. Daiwa Asset Management (India) Private Limited

Daiwa Asset Management (India) Private Limited (“Daiwa AMC”) is a part of the Daiwa Securities Group, which has a strong 100 years of history and is one of the leaders in the financial services industry in Asia. Daiwa Securities Group Inc. (“DSGI”) and Daiwa Asset Management Co. Ltd. (“DAM”) own 100 per cent equity share capital of Daiwa Asset Management (India) Pvt. Ltd. DAM, the asset management subsidiary of the Daiwa Securities Group, holds 91 per cent of the equity share capital of Daiwa AMC and the balance 9 per cent is held by DSGI, the parent company of DAM. Daiwa Asset Management (India) Pvt. Ltd. is the investment manager to Daiwa Mutual Fund which is a mutual fund registered by the Securities and Exchange Board of India ("SEBI").

3.6.9. DWS Investments

Established over 50 years ago in Germany, DWS Investments – which literally means ‘German Company for Security Savings’ – is the mutual fund arm of Deutsche Asset Management, being with 24.2 per cent market share the largest mutual fund company in its home country, Germany, with € 202 billion AuM among the five largest mutual fund companies across Europe and with € 283 billion assets under management, placed within the top 10 globally.
3.6.10. DSP Blackrock Investment Managers Private Limited

DSP Blackrock Investment Managers Private Limited is the investment manager to DSP Blackrock Mutual Fund. The philosophy of DSP Blackrock Investment Managers Pvt. Ltd. has been grounded in the belief that experienced investment professionals, using a disciplined process and sophisticated analytical tools, can consistently add value to client portfolios.

3.6.11. Edelweiss Asset Management Limited

Edelweiss Mutual Fund is an important fiduciary business of Edelweiss Group. It is a trust sponsored by Edelweiss Capital Ltd. Edelweiss Asset Management Limited, a subsidiary of Edelweiss Financial Services Limited, acts as the Investment Manager to Edelweiss Mutual Fund.

3.6.12. Escorts Mutual Fund

Escorts Mutual Fund is the premier Asset Management Company offering Investment products across a broad cross-section of Financial Assets covering both Debt and Equity. It was registered with Securities and Exchange Board of India (SEBI) in 1996. The Company is the one of the earliest entrants into the Indian Mutual Funds Industry. Escorts Mutual Fund has been established as a trust in accordance with the provisions of the Indian Trusts Act, 1882 and the Deed of Trust dated 15th April, 1996 has been registered under the Indian Registration Act, 1908.

3.6.13. FIL Fund Management Private Limited

Started operations in the country in 2004. Its first fund, the Fidelity Equity Fund, was launched in March 2005. Today, with total assets under management of Rs. 9468 Crores (AUM as on 31 July 2011) and over 1 million investor account as on 31 July 2011, FFMPL is among the fastest growing new asset management companies in India. In addition to offices in 8 cities and sales coverage over 20 cities, it has a significant web presence which helps investors across India access Fidelity's funds.
3.6.14. Franklin Templeton in Cyprus

The SICAV Range of Franklin Templeton Investment Funds was registered for sale in Cyprus in February 2004. Distribution partners in the Republic of Cyprus, and across the Eastern Mediterranean region are supported by our office in Dubai. Franklin Templeton Investments is a global investment organization that manages USD 7472 billion in assets (as of July 31, 2011) composed of mutual funds and other investment vehicles for individuals, institutions, pension plans, trust and partnerships in 150 countries. The Company's Head Office is based in San Mateo, California and has over 60 years of investment experience.

3.6.15. Goldman Sachs Asset Management (GSAM)

At Goldman Sachs Asset Management (GSAM), the goal is to meet the financial needs of institutional and individual investors. GSAM’s commitment to provide innovative solutions helps institutional and individual investors with their financial goals, now and in the future.

3.6.16. HDFC Asset Management Company Limited (AMC)

HDFC Asset Management Company Limited (AMC) was incorporated under the Companies Act, 1956, on December 10, 1999, and was approved to act as an Asset Management Company for the HDFC Mutual Fund by SEBI vide its letter dated July 3, 2000. In terms of the Investment Management Agreement, the Trustee has appointed the HDFC Asset Management Company Limited to manage the Mutual Fund. The paid up capital of the AMC is Rs. 25.169 crores.

3.6.17. HSBC Global Asset Management

HSBC Global Asset Management in India is part of the core global investment management business of the HSBC Group. With dedicated investment professionals across Europe, Africa, Asia-Pacific and the Americas, HSBC Global Asset Management has strong global investment capabilities that are delivered to clients locally. For institutions, corporate and financial intermediaries, a comprehensive
range of investment management solutions are offered. For high net worth individuals, HSBC Global Asset Management works with relationship managers to provide portfolio management services.

3.6.18. ICICI Prudential Asset Management Company Limited

ICICI Prudential Asset Management Company Limited is a joint venture between ICICI Bank, India’s second largest commercial bank and a well-known and trusted name in the financial services in India and Prudential, one of the United Kingdom’s largest players in the financial services sectors. In a span of just over 12 years, the company has forged a position of preeminence as one of the largest Asset Management Company’s in the country, contributing significantly towards the growth of the Indian mutual fund industry.

3.6.19. IDBI MF Trustee Company Limited

IDBI MF Trustee Company Limited, incorporated on 25th January, 2010 under the Companies Act, 1956, is the Trustee to the IDBI Mutual Fund. For over 40 years, IDBI Bank Ltd. has essayed a key nation-building role first as the apex Development Financial Institution (DFI) in the realm of industry and now as a full-service commercial bank. The Industrial Development Bank of India (IDBI) was established by an Act of Parliament in 1964 as a wholly-owned subsidiary of Reserve Bank of India to catalyze the development of a diversified and efficient industrial structure in the country in tune with national priorities. The 100 per cent ownership was transferred from RBI to the Government of India in 1976. On October 1, 2004, IDBI was converted into a banking company to undertake the entire gamut of banking activities while continuing to play its secular DFI role. In 2005, IDBI merged its banking subsidiary (IDBI Bank Ltd.) with itself with the ‘appointed date’ of merger fixed as 1 October, 2004. After the October 2004 merger, IDBI Bank Ltd. is now a universal bank. As of 31st March 2009, the
majority shareholder in the Bank is the Government of India (52.68%) with the balance being widely held by general public and institutional investors. The Bank currently has 707 branches across India.

### 3.6.20. IDFC Asset Management Company Limited

IDFC is a leading private sector diversified financial institution established by a consortium of strong global and local institutions with the support and sponsorship of the Government of India. A majority of IDFC’s shareholding (67% as of March 31, 2008) is held by reputed global stalwarts that include respectable names like Government of India, International Finance.

### 3.6.21. India Info line Asset Management Company Limited

It has Registered Office at IIFL Centre, 3rd Floor Annex, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. AMC has been appointed as the Investment Manager to IIFL Mutual Fund by the Trustee vide Investment Management Agreement (IMA) April 29, 2010, executed between India Infoline Trustee Company Ltd. and India Infoline Asset Management Company Ltd. The Board of Directors of the AMC comprises of eminent personalities with varied experience. India Infoline Trustee Company Limited ("Trustee Company") was incorporated on June 05, 2009 under the Companies Act, 1956 and is the Trustee to IFL Mutual Fund vide Trust deed dated April 29, 2010 executed between the Sponsor i.e. India Infoline Limited and Trustee Company. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

### 3.6.22. Indiabulls Asset Management Company Limited

Indiabulls Financial Services Limited is one of India’s leading and fastest growing private sector financial services companies providing Consumer Finance, Housing Finance, Commercial Loans, Asset Management and Advisory services. The company is focused on providing multiple financial services through an
extensive network of consumer touch-points. Indiabulls serves more than 500,000 customers across different financial products through its branch network, call centre and the internet. It also ranks among the top private sector financial services groups in terms of net worth.

3.6.23. ING Investment Management (India) Private Limited

ING Vysya Mutual Fund was setup on February 11, 1999 with the same name Trustee Company. It is a joint venture of Vysya and ING. The AMC, ING Investment Management (India) Pvt. Ltd. was incorporated on April 6, 1998.


JM Financial Mutual Fund is one of India’s first private sector mutual funds-an integral part of the first wave that commenced operations in 1993-94. It is a part of JM Financial Group, which has a rich heritage, built over three decades. It is focused on helping investors realize their investment goals through prudent advice, judicious fund management, impeccable research, and strong systems of managing risk scientifically.

3.6.25. JPMorgan Asset Management India Private Limited

JPMorgan Asset Management is one of the six largest active investment managers in the world on the basis of assets under management (Source: Pensions & Investments, December 2005). As of 30 June 2007, assets under management stand at US$1,108.6 billion - a reflection of the high regard in which they are held by investors across the world.


Kotak Mahindra is one of India's leading financial institutions, offering complete financial solutions that encompass every sphere of life. From commercial banking, to stock broking, to mutual funds, to life insurance, to investment banking, the group caters to the financial needs of individuals and corporate.
3.6.27. L&T Investment Management Limited

L&T Mutual Fund is one of the premier mutual funds in India which caters to the investment needs of different kinds of investors through a slew of mutual fund schemes. L&T Mutual Fund is a part of Larsen & Toubro Limited which is one of the largest and most respected companies in India's private sector.

3.6.28. LIC NOMURA Mutual Fund Asset Management Company Limited

LIC Mutual Fund Asset Management Company Limited was formed on 20th April 1994 in compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1993. The Company commenced business on 29th April 1994. The Trustees of LIC Mutual Fund have appointed LIC Mutual Fund Asset Management Company Ltd. as the Investment Managers for LIC Mutual Fund. The Trustees are responsible for appointing a Custodian. The Trustees should also ensure that the activities of the Trust and the Asset Management Company are in accordance with the Trust Deed and the SEBI Mutual Fund Regulations as amended from time to time. The Trustees have also to report periodically to SEBI on the functioning of the Fund.

3.6.29. Mirae Asset Global Investments (India) Private Limited

The role of Mirae Asset Financial Group is to safeguard the assets of the future by applying the basic principles of discipline, ethics, and transparency today. The organization was established in Korea in 1997 amid the turmoil of the Asian financial crisis.


Starting as a small firm of 20 in 1935 in New York, and growing to an international workforce of over 54,000 people around the world, Morgan Stanley is a leader in providing the finest in financial thinking, products and execution for companies, governments and institutional investors from around the globe.
3.6.31. Motilal Oswal Asset Management Company Limited

Motilal Oswal Securities Ltd. (MOSL) was founded in 1987 as a small sub-broking unit, with just two people running the show. Focus on customer-first-attitude, ethical and transparent business practices, respect for professionalism, research-based value investing and implementation of cutting-edge technology has enabled them to blossom into an over 1600 member team.

3.6.32. Peerless Funds Management Company Limited

Peerless Funds Management Company Limited a wholly-owned subsidiary of The Peerless General Finance and Investment Company Limited (PGFI), is the first mutual fund in the eastern region and the first to be headquartered in Kolkata. Peerless Funds Management Company Limited (FMCL) is a public limited company incorporated under the Companies Act, 1956, having its Registered Office at Peerless Mansion, Peerless Mutual Fund (the “Mutual Fund”) has been constituted as a trust on 4th August, 2009 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with The Peerless General Finance and Investment Company Limited (PGFI), as the Sponsor and Peerless Trust Management Company Limited as the trustee to the Mutual Fund.

3.6.33. Principal Pnb Asset Management Company Private Limited

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under Registration No. MF/019/94/0, dated December 13, 1994. The underlying objective of Principal Mutual Fund is to mobilize savings from the public, provide investment expertise to achieve optimal returns on their investments.

3.6.34. Pramerica Asset Managers Private Limited

Pramerica Mutual Fund has been constituted as a trust under Indian Trusts Act, 1882, with Prudential Financial, Inc. (PFI) as the sponsor and Pramerica
Trustees Private Limited as the trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. Pramerica Mutual Fund has been registered with Securities and Exchange Board of India (SEBI) on May 13, 2010.

3.6.35. Quantum Asset Management Company Private Limited

Quantum Mutual Fund is India’s first dedicated, direct-to-investor mutual fund. Quantum Mutual Funds offers simple and easy-to-understand products. Investing for the long term is not complicated. In December 2005, Quantum Asset Management Company Private Limited received the AMC licenses from SEBI.

3.6.36. Reliance Capital Asset Management Limited

Reliance Mutual Fund (‘RMF’/ 'Mutual Fund’) is one of India’s leading Mutual Funds, with Average Assets Under Management (AAUM) of Rs. 1,01,259 crores and an investor count of over 66.90 lakhs folios. (AAUM and investor count as of Apr-June '11. Reliance Mutual Fund, a part of the Reliance Group, is one of the fastest growing mutual funds in India. RMF offers investors a well-rounded portfolio of products to meet varying investor requirements and has presence in 159 cities across the country. Reliance Mutual Fund constantly endeavors to launch innovative products and customer service initiatives to increase value to investors. Reliance Capital Asset Management Limited (‘RCAM’) is the asset manager of Reliance Mutual Fund.

3.6.37. Religare Asset Management Company Limited

Religare is an emerging markets financial services group with a presence across Asia, Africa, Middle East, Europe, and the Americas. In India, Religare’s largest market, the group offers a wide array of products and services including broking, insurance, asset management, lending solutions, investment banking and wealth management. With 10,000-plus employees across multiple geographies, Religare serves over a million clients, including corporate and institutions, high net worth families and individuals, and retail investors.
3.6.38 Sahara Asset Management Company Private Limited

Their most valuable assets are always the trust and confidence of their investors. In responding to their needs, Sahara Mutual Fund strives to provide them with highest quality products, performance and the best level of service. Honesty, integrity and transparency are the bedrock on which Sahara Mutual Fund flourishes.

They endeavor to devise innovative products designed to help investors across diverse segments meet their financial goals. Their biggest assets are their people who have the undying passion to excel and challenge the limits. For them, each day is a new challenge, new heights to be scaled, new relationships to be forged and new solutions to be devised.

Sahara India Group has over the last four decades produced an enduring set of values based on integrity, social responsibility, strong leadership and innovative services and products. Sahara Mutual Fund, built on the edifice of these core values, would strive to provide the perfect balance of returns, safety liquidity and help serve you better.

3.6.39. SBI Funds Management Private Limited

With over 24 years of rich experience in fund management, SBI Funds Management Pvt. Ltd. brings forward their expertise by consistently delivering value to their investors. It has a strong and proud lineage that traces back to the State Bank of India (SBI) - India's largest bank. It is a Joint Venture between SBI and AMUNDI (France), one of the world's leading fund management companies, with approximately Euro 688 billion of assets under management.

3.6.40. Sundaram Asset Management Company Limited

This great trust was established by Sri. T.V. Sundaram Iyangar in the year 1911. It was started only as a bus service firm and in no time it gained momentum in the field and shot up in to fame and blossomed into a deeply rooted business world. The name and fame gained through their hard work and out of which the good will
the earned among the public made them ambitious and the led to them explore all the possible areas of service through which they serve the public as well as develop themselves.

The automobile business is a never-ending service to the people. It also attracted this firm. They plunged into this business in 1954 as a subsidiary of Madras Motor and General Insurance and it soon became a part of the TVS Group. In 1970, they established a strong presence in financing commercial vehicles. Slowly and gradually, they targeted a capture the retail space in financial services.

At present, it is considered as one of the most respected names in Indian business. They are the leaders in quality management and also the pioneers in employee welfare, customer satisfaction and values.

3.6.41. Tata Asset Management Limited

Backed by one of the most trusted and valued brands in India, Tata Mutual Fund has earned the trust of lakhs of investors with its consistent performance and world-class service. Tata Mutual Fund manages around 25,006.00 crores (average AUM for the quarter of April-June 2011) worth of assets across its varied offerings. Tata Mutual Fund offers an investment option for everyone, whether you are a businessman or salaried professional, a retired person or housewife, an aggressive investor or a conservative capital builder. The Tata Asset Management philosophy is centered on seeking consistent, long-term results. Tata Asset Management aims at overall excellence, within the framework of transparent and rigorous risk controls.

3.6.42. Taurus Asset Management Company Limited

Taurus Mutual Fund was amongst the first few private sector Mutual Funds to be registered with SEBI. It was constituted as a Trust on August 20, 1993 in accordance with the provisions of the Indian Trusts Act, 1882. The Mutual Fund was registered with SEBI on Sept 21, 1993 under Mutual Fund Registration Code No. MF/002/93. HB Portfolio Limited is the present sponsor of the Fund & the Taurus Investment Trust Company Ltd is the Trustee.
3.6.43. Union KBC Asset Management Company Private Limited

Union KBC Asset Management Company Private Limited (Union KBC AMC) is the Asset Management Company of Union KBC Mutual Fund. Union KBC is a joint venture between two complementary partners; Union Bank of India, a market leader in terms of brand value, network reach and customer centric approach and KBC Asset Management NV (KBC AM), an expert in global fund markets.

3.6.44. UTI Asset Management Company Limited

It was on January 14, 2003 when UTI Mutual Fund started to pave its path following the vision of UTI Asset Management Co. Ltd. (UTIAMC), which was appointed by UTI Trustee Co, Pvt. Ltd. for managing the schemes of UTI Mutual Fund and the schemes transferred/migrated from the erstwhile Unit Trust of India.

3.7 PERFORMANCE OF MUTUAL FUNDS INDUSTRY IN INDIA

Mutual fund in India has been a growing trend in their performance. On account of liberalization of the economy, the private mutual funds in India play a significant role in mobilizing funds from the small investors. Both public sector and private sector mutual funds in India performing well in terms of assets value and flow of money\(^6\). Investors always look for safer investment avenues. Investors wish to maximize their returns in accordance with their risk tolerance. Return is the motivating force and the principal reward in the investment process. Measuring historical returns enables investors to assess the returns that can be expected from their investments. Since return and risk are positively interrelated, it is always imperative to consider both risk and return while evaluating any investment alternative. The financial sector reforms and SEBI (Mutual Funds) Regulations brought out healthy competition in the mutual fund industry ensuring enhanced opportunities for the investing populace. Performance analysis of mutual funds, fund manager’s ability to identify and select growth stocks besides investing at the
right point of time are the key issues in mutual fund investment strategy. The most appropriate and commonly applied tool for assessing the performance of mutual fund scheme is to track the NAV, total return and net assets of schemes. Table 3.1 shows the Actual growth value for Net Resources Mobilized by Mutual funds in India.

Table 3.1
Actual Growth Value for Net Resources Mobilized By Mutual Funds in India
(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>UTI (Public)</th>
<th>Bank-Sponsored mutual funds</th>
<th>FI-Sponsored mutual funds</th>
<th>Private sector mutual funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>1991-92</td>
<td>8685</td>
<td>2140</td>
<td>428</td>
<td>-</td>
<td>11253</td>
</tr>
<tr>
<td>1992-93</td>
<td>11057</td>
<td>1204</td>
<td>760</td>
<td>-</td>
<td>13021</td>
</tr>
<tr>
<td>1993-94</td>
<td>9297</td>
<td>148</td>
<td>238</td>
<td>1560</td>
<td>11243</td>
</tr>
<tr>
<td>1994-95</td>
<td>8611</td>
<td>766</td>
<td>576</td>
<td>1322</td>
<td>11275</td>
</tr>
<tr>
<td>1995-96</td>
<td>-6314</td>
<td>113</td>
<td>235</td>
<td>133</td>
<td>-5833</td>
</tr>
<tr>
<td>1996-97</td>
<td>-3043</td>
<td>7</td>
<td>137</td>
<td>864</td>
<td>-2035</td>
</tr>
<tr>
<td>1997-98</td>
<td>2875</td>
<td>237</td>
<td>204</td>
<td>749</td>
<td>4065</td>
</tr>
<tr>
<td>1998-99</td>
<td>170</td>
<td>-89</td>
<td>547</td>
<td>2067</td>
<td>2695</td>
</tr>
<tr>
<td>1999-00</td>
<td>4548</td>
<td>336</td>
<td>296</td>
<td>16938</td>
<td>22118</td>
</tr>
<tr>
<td>2000-01</td>
<td>322</td>
<td>249</td>
<td>1273</td>
<td>9292</td>
<td>11136</td>
</tr>
<tr>
<td>2001-02</td>
<td>-7284</td>
<td>863</td>
<td>406</td>
<td>16134</td>
<td>10119</td>
</tr>
<tr>
<td>2002-03</td>
<td>-9434</td>
<td>1033</td>
<td>861</td>
<td>12122</td>
<td>4582</td>
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<tr>
<td>2003-04</td>
<td>1050</td>
<td>4526</td>
<td>787</td>
<td>41510</td>
<td>47873</td>
</tr>
<tr>
<td>2004-05</td>
<td>-2467</td>
<td>706</td>
<td>-3384</td>
<td>7933</td>
<td>2788</td>
</tr>
<tr>
<td>2005-06</td>
<td>3424</td>
<td>5365</td>
<td>2112</td>
<td>41581</td>
<td>52482</td>
</tr>
<tr>
<td>2006-07</td>
<td>7326</td>
<td>3033</td>
<td>4226</td>
<td>79477</td>
<td>94063</td>
</tr>
<tr>
<td>2007-08</td>
<td>10678</td>
<td>7597</td>
<td>2178</td>
<td>128032</td>
<td>148485</td>
</tr>
<tr>
<td>2008-09</td>
<td>-3659</td>
<td>4489</td>
<td>5954</td>
<td>-31425</td>
<td>-24641</td>
</tr>
<tr>
<td>2009-10</td>
<td>15653</td>
<td>9855</td>
<td>4871</td>
<td>48166</td>
<td>78545</td>
</tr>
<tr>
<td>2010-11</td>
<td>-16636</td>
<td>1304</td>
<td>-16988</td>
<td>-15594</td>
<td>-47914</td>
</tr>
<tr>
<td>Mean</td>
<td>1743</td>
<td>2194</td>
<td>286</td>
<td>18043</td>
<td>22266</td>
</tr>
<tr>
<td>S.D</td>
<td>8077</td>
<td>2792</td>
<td>4527</td>
<td>35581</td>
<td>43803</td>
</tr>
<tr>
<td>CV</td>
<td>463.41</td>
<td>127.23</td>
<td>1583.83</td>
<td>197.2</td>
<td>196.72</td>
</tr>
<tr>
<td>CAGR</td>
<td>-203.48%</td>
<td>-2.57%</td>
<td>-221.38%</td>
<td>-214.50%</td>
<td>-262.08%</td>
</tr>
</tbody>
</table>

Source: UTI and respective mutual funds
The net resource mobilized by the mutual funds in India has been shown in Table 3.1. The mutual funds are classified into four categories such as Unit Trust of India, Bank-sponsored mutual funds, Financial Institution-sponsored mutual funds and private sector-sponsored mutual funds. It was seen that there had been high degree of fluctuations in the fund mobilization from 1991-92 to 2010-11. The private sector-sponsored mutual funds in India performed well in resource mobilization right from the year 1991-92 to 2010-11. In the year 2010-12, all the mutual funds have negative figure except the bank-sponsored mutual funds. This is mainly because of global economic depression and depressed situation prevailing in the stock market and speculative markets. The mean values of public, private and bank-sponsored mutual funds were Rs.1743 crores, Rs.18043 crores and Rs.2194 crores respectively during the study period. All the four sectors have negative compound annual growth rate of net resources mobilized which worked out as -203.48 per cent, -2.57 per cent, -221.38 per cent and -214.5 per cent. The Co-efficient variance value indicates that the net resources mobilized of public, private and bank-sponsored mutual funds moderately fluctuated during the study period.

Exhibit 3.3 shows the Estimates of trend co-efficient for net resources mobilized by Mutual fund in India.
Exhibit 3.3.
Net Resources Mobilized by Mutual Funds in India

![Bar chart showing net resources mobilized by different types of mutual funds in India, with the following details:
- UTI (Public): 1743 Rs in crores
- Bank-sponsored mutual funds: 2194 Rs in crores
- FI-sponsored mutual funds: 286 Rs in crores
- Private sector mutual funds: 18043 Rs in crores]
Table 3.2

Estimates Trend Co-Efficient for Net Resources Mobilized By Mutual Funds in India

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>P= α + βt+e</th>
<th>p-value</th>
<th>S/NS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>α</td>
<td>β</td>
<td>R²</td>
</tr>
<tr>
<td>UTI(Public)</td>
<td>5254.05</td>
<td>-334.39</td>
<td>0.06</td>
</tr>
<tr>
<td>Bank-sponsored mutual funds</td>
<td>-920.42</td>
<td>296.62</td>
<td>0.40</td>
</tr>
<tr>
<td>FI-Sponsored mutual funds</td>
<td>1200.56</td>
<td>-87.12</td>
<td>0.09</td>
</tr>
<tr>
<td>Private sector mutual funds</td>
<td>-6857.94</td>
<td>2371.52</td>
<td>0.16</td>
</tr>
<tr>
<td>All sector</td>
<td>-1323.79</td>
<td>2246.65</td>
<td>0.013</td>
</tr>
</tbody>
</table>

**p<0.05   S- Significant      NS – Not significant

The results of estimates of trend co-efficient for net resources mobilized of mutual funds are presented in Table 3.2. It is clear from the table that the difference between the actual and trend values of net resources mobilized of Bank-sponsored mutual funds was significant, whereas the difference between the actual and trend values of net resources mobilized of public and private mutual funds was not significant as for the p-value. The null hypothesis was rejected in the case of Bank-sponsored mutual funds while the null hypothesis was accepted in the case of public and private mutual funds. Table 3.3 shows projections for net recourses mobilized by Mutual Funds in India.
Table 3.3
Projections for Net Resources Mobilized By Mutual Funds in India
(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>UTI(Public)</th>
<th>Bank-sponsored mutual funds</th>
<th>FI-Sponsored mutual funds</th>
<th>Private sector mutual funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>-1768.15</td>
<td>5308.62</td>
<td>-628.86</td>
<td>42943.9</td>
<td>45855.8</td>
</tr>
<tr>
<td>2012-13</td>
<td>-2102.54</td>
<td>5605.24</td>
<td>-715.97</td>
<td>45315.5</td>
<td>48102.4</td>
</tr>
<tr>
<td>2013-14</td>
<td>-2436.93</td>
<td>5901.86</td>
<td>-803.09</td>
<td>47687.1</td>
<td>50349.1</td>
</tr>
<tr>
<td>2014-15</td>
<td>-2771.32</td>
<td>6198.48</td>
<td>-890.2</td>
<td>50058.6</td>
<td>52595.7</td>
</tr>
<tr>
<td>2015-16</td>
<td>-3105.71</td>
<td>6495.11</td>
<td>-977.32</td>
<td>52430.2</td>
<td>54842.4</td>
</tr>
<tr>
<td>2016-17</td>
<td>-3440.1</td>
<td>6791.73</td>
<td>-1064.43</td>
<td>54801.7</td>
<td>57089</td>
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<tr>
<td>2017-18</td>
<td>-3774.49</td>
<td>7088.35</td>
<td>-1151.55</td>
<td>57173.3</td>
<td>59335.7</td>
</tr>
</tbody>
</table>

Source: Computed

Table 3.3 reveals the projections obtained for public, Bank-sponsored mutual funds and private mutual funds by linear growth models. Bank-sponsored mutual funds and private sector mutual funds have grown marginally. The trend movement for the year 2017-18, and the net resources mobilized of mutual funds will be highest in Private sector mutual funds Rs.57173.3 crores and followed by Bank-sponsored mutual funds Rs.7088.35 crores. The net resources mobilized by UTI mutual funds will be lowest of Rs.-3774.49 crores.
Exhibit 3.4

Trend Analysis for UTI

Trend Analysis Plot for UTI
Linear Trend Model
\[ Y_t = 5254.05 - 334.390 t \]

Accuracy Measures
MAPE 174
MAD 6089
MSD 58259190

Exhibit 3.5

Trend Analysis for Bank-sponsored Mutual funds

Trend Analysis Plot for Bank-sponsored mutual funds
Linear Trend Model
\[ Y_t = -920.421 + 296.621 t \]

Accuracy Measures
MAPE 872
MAD 1708
MSD 4478152
Exhibit 3.6

Trend Analysis for Financial Institutions sponsored Mutual funds

Exhibit 3.7

Trend Analysis for Private Mutual funds
Table 3.4 presents the performance of net asset value, total return and net assets of Mutual funds Industry in India

<table>
<thead>
<tr>
<th>Year</th>
<th>NAV (Rs.)</th>
<th>Total return (%)</th>
<th>Net assets (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>2001-02</td>
<td>20.95</td>
<td>17.08</td>
<td>239.19</td>
</tr>
<tr>
<td>2002-03</td>
<td>40.18</td>
<td>88.25</td>
<td>331.65</td>
</tr>
<tr>
<td>2003-04</td>
<td>39.91</td>
<td>19.56</td>
<td>303.03</td>
</tr>
<tr>
<td>2004-05</td>
<td>53.16</td>
<td>46.80</td>
<td>403.38</td>
</tr>
<tr>
<td>2005-06</td>
<td>66.75</td>
<td>28.75</td>
<td>653.88</td>
</tr>
<tr>
<td>2006-07</td>
<td>81.53</td>
<td>68.42</td>
<td>816.17</td>
</tr>
<tr>
<td>2007-08</td>
<td>57.76</td>
<td>-24.84</td>
<td>422.75</td>
</tr>
<tr>
<td>2008-09</td>
<td>94.62</td>
<td>68.03</td>
<td>1101.95</td>
</tr>
<tr>
<td>2009-10</td>
<td>158.06</td>
<td>17.10</td>
<td>826.22</td>
</tr>
<tr>
<td>2010-11</td>
<td>952.44</td>
<td>38.93</td>
<td>806.26</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td><strong>156.5</strong></td>
<td><strong>36.8</strong></td>
<td><strong>590.4</strong></td>
</tr>
<tr>
<td><strong>S.D</strong></td>
<td><strong>282.2</strong></td>
<td><strong>32.8</strong></td>
<td><strong>289.6</strong></td>
</tr>
<tr>
<td><strong>CV</strong></td>
<td><strong>180.31</strong></td>
<td><strong>89.03</strong></td>
<td><strong>49.05</strong></td>
</tr>
<tr>
<td><strong>CAGR</strong></td>
<td><strong>52.82</strong></td>
<td><strong>9.58</strong></td>
<td><strong>14.46</strong></td>
</tr>
</tbody>
</table>

Source: Value Research India Private Limited, 2012
The performance of the mutual funds in India has been shown in Table 3.4. The mean values of NAV, total return and net assets were Rs.156.5, 36.8 per cent and 590.4 crores respectively during the study period. All the three namely NAV, total return and net assets have positive compound annual growth rate which worked out as -52.82 per cent, 9.58 per cent and 14.46 per cent. The Co-efficient of Variance value indicates that the NAV, total return and net assets had moderately fluctuated during the study period.

Figure 3.8 shows Performance of Net Asset Value, Total Return and Net Assets of Mutual Funds Industry in India.

Table 3.5 shows estimates of trend co-efficient for net annual value, total return and net assets of mutual funds Industry in India.

<table>
<thead>
<tr>
<th>Performance Of Mutual Fund industry in India</th>
<th>P = α + βt+e</th>
<th>p-value</th>
<th>S/NS</th>
</tr>
</thead>
<tbody>
<tr>
<td>α</td>
<td>β</td>
<td>R²</td>
<td>F - value</td>
</tr>
<tr>
<td>NAV (Rs.)</td>
<td>-160.484</td>
<td>57.64</td>
<td>0.39</td>
</tr>
<tr>
<td>Total return (%)</td>
<td>44.6208</td>
<td>- 1.42</td>
<td>0.02</td>
</tr>
<tr>
<td>Net assets( Rs. in crores)</td>
<td>164.431</td>
<td>77.4577</td>
<td>0.66</td>
</tr>
</tbody>
</table>

**p<0.05  S- Significant  NS – Not significant

It is clear from the table 3.5 that the difference between the actual and trend values of NAV and Net assets (in Crores) of mutual funds was significant whereas the difference between the actual and trend values of total returns of mutual funds was not significant as for the p-value. The null hypothesis was rejected in the case
of NAV and Net assets (in Crores) while the null hypothesis was accepted in the case of total return of mutual funds.

Table 3.6 shows projections for Net Asset value, Total return and Net Assets of Mutual Funds Industry in India.

**Table 3.6**

<table>
<thead>
<tr>
<th>Year</th>
<th>NAV (Rs.)</th>
<th>Total return (%)</th>
<th>Net assets (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>473.56</td>
<td>29.00</td>
<td>1016.47</td>
</tr>
<tr>
<td>2012-13</td>
<td>531.20</td>
<td>27.58</td>
<td>1093.92</td>
</tr>
<tr>
<td>2013-14</td>
<td>588.84</td>
<td>26.15</td>
<td>1171.38</td>
</tr>
<tr>
<td>2014-15</td>
<td>646.48</td>
<td>24.73</td>
<td>1248.84</td>
</tr>
<tr>
<td>2015-16</td>
<td>704.12</td>
<td>23.31</td>
<td>1326.30</td>
</tr>
<tr>
<td>2016-17</td>
<td>761.76</td>
<td>21.89</td>
<td>1403.75</td>
</tr>
<tr>
<td>2017-18</td>
<td>819.40</td>
<td>20.47</td>
<td>1481.21</td>
</tr>
</tbody>
</table>

The projections obtained for Net Asset value, Total Return and Net Assets of Mutual Fund in India by linear growth models presented in Table 3.6 of those NAV and net assets of mutual funds have grown marginally. The trend movement for the year 2017-18 the NAV of mutual funds will be Rs.819.4, total return will be 20.47 per cent and net assets will be Rs.1481.21crores.

**H₀ 1:** There is no significant difference in the performance of fund mobilization of the public, bank-sponsored and private mutual fund Investments.
Table 3.7

ANOVA- Public, Bank-Sponsored and Private Mutual Fund Investments

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
<th>CV</th>
<th>F-value</th>
<th>p-value</th>
<th>S/NS</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>20</td>
<td>93</td>
<td>463.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>103</td>
<td>130</td>
<td>127.23</td>
<td>4.61</td>
<td>0.014*</td>
<td>S</td>
<td>Rejected</td>
</tr>
<tr>
<td>Private</td>
<td>1157</td>
<td>2281</td>
<td>197.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* P<0.05 S-Significant

It is identified from the table 3.7 that the p-value is less than 0.05 (p<0.05); and the results are significant. Hence, the null hypothesis is rejected and it is concluded that there is a significant difference in the performance of fund mobilization of the public-, private- and bank-sponsored mutual fund investments.

H₀₂: There is no significant difference growth rate of fund mobilization of the public and private mutual fund Investments.

Table 3.8

ANOVA- Growth rate of Mutual fund Mobilization for Public and Private

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
<th>CV</th>
<th>F-value</th>
<th>p-value</th>
<th>S/NS</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>20</td>
<td>93</td>
<td>463.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>1157</td>
<td>2281</td>
<td>197.2</td>
<td>4.96</td>
<td>0.032*</td>
<td>S</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

* P<0.05 S-Significant

It is revealed from the table 3.8 that the p-value is less than 0.05 (p<0.05); and the results are significant. Hence, the null hypothesis is rejected and it is concluded that there is a significant difference in the growth rate of fund mobilization of the public and private mutual fund.
**H₀₃:** There is no significant difference growth rate of fund mobilization of the public and bank-Sponsored mutual fund Investments.

**Table 3.9**

ANOVA- Growth rate of Mutual fund Mobilization for Public and Bank

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
<th>CV</th>
<th>F-value</th>
<th>p-value</th>
<th>S/NS</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>20.1</td>
<td>93</td>
<td>463.42</td>
<td>5.3</td>
<td>0.027*</td>
<td>S</td>
<td>Rejected</td>
</tr>
<tr>
<td>Bank</td>
<td>102.5</td>
<td>130.5</td>
<td>127.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* P<0.05 S-Significant

It is revealed from the table 3.9 that the p-value is less than 0.05 (p<0.05); and the results are significant. Hence, the null hypothesis is rejected and it is concluded that there is a significant difference in the performance of fund mobilization of the public-, private- and bank-sponsored mutual fund investments.

**H₀₄:** There is no significant difference in the growth rate of fund mobilization of the private and bank-sponsored mutual fund investments.

**Table 3.10**

ANOVA- Growth Rate of Mutual fund Mobilization for Private and Bank

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
<th>CV</th>
<th>F-value</th>
<th>p-value</th>
<th>S/NS</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>1157</td>
<td>2281</td>
<td>197.2</td>
<td>4.26</td>
<td>0.046</td>
<td>S</td>
<td>Rejected</td>
</tr>
<tr>
<td>Bank</td>
<td>103</td>
<td>130</td>
<td>127.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* P<0.05 S-Significant

It is revealed from the table 3.10 that the p-value is less than 0.05 (p<0.05); and the results are significant. Hence, the null hypothesis is rejected and it is concluded that there is a significant difference in the growth rate of fund mobilization of the private and bank-sponsored mutual fund investments.
3.8 CHALLENGES FOR INDIAN MUTUAL FUND INDUSTRY IN INDIA

Mutual fund companies need to introduce products for the semi-urban and rural market that are affordable and yet competitive against low-risk assured returns of government-sponsored saving schemes such as post office savings deposits. The industry is also overwhelmed by scarce technological infrastructure and needs to collaborate with other sectors of the economy such as banking and telecommunications. Mutual fund companies are also required to take advantage of the growing opportunity in the commodities market. Further, the mutual funds could also enable the small investors to participate in real estate boom.
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6. UTI and respective mutual funds