3.1 CONCEPT OF MUTUAL FUNDS

Conceptually, a mutual fund is a single large professionally managed investment organization that combines the money of many individual investors having similar investment objectives. It invests this money in a wide variety of securities and individual investors share its income and expenses, its profits and losses, its capital appreciation and growth in proportion to their shareholdings. In other words, a mutual fund is a type of Investment institutions, 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. It is worthwhile that in India in terms of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 a mutual fund means “a fund established in the form of trust to raise movies 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”\(^1\)

The mutual fund industry is a lot like the film star of the finance business. Though it is perhaps the smallest segment of the industry, it is also the most glamorous – in that it is a young industry where there are changes in the rules of the game everyday, and there are constant shifts and upheavals.

The mutual fund is structured around a feisty simple concept, the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling of a number of small investments into a large bucket. Yet is has been the subject of perhaps the most elaborate and prolonged regulatory effort in the history of the country.\(^2\)

3.1.1 When you buy a Mutual Fund unit what exactly do you buy?

When you buy a mutual fund unit you are buying a part of the equity or debt portfolio owned by the mutual fund. You are an owner of the particular security to the extent of your contribution to the total corpus, which is represented in terms of units credited to your account. In other words you are buying a part ownership of various companies and when you buy a debt mutual fund you are buying a part ownership of various companies and when you buy a debt mutual fund you are buying a part right to
tile to debt securities. The value of your part of the assets will fluctuate in line with the value of the individual components of the portfolio on the stock or the bond market.

**According to AMFI (Association of Mutual Fund in India)**

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures, and other securities. The income earned through these investments and the capital appreciation realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund.³

**Figure-3.1**

![Mutual Fund Operation Flow Chart](image-url)
3.1.2 **Association of Mutual Funds in India (AMFI).**

With the increase in mutual fund players in India, a need for mutual fund association in India was generated to function as a non-profit organization. Association of Mutual Funds in India (AMFI) was incorporated on 22\textsuperscript{nd} August, 1995.

AMFI is an open body of all Asset Management Companies (AMC) which has been registered with SEBI. Till date all the AMCs that have launched mutual fund schemes are its members. It functions under the supervision and guidelines of its Board of Directors.

Association of Mutual Funds India has brought down the Indian Mutual Fund Industry to a professional and healthy market with ethical lines enhancing and maintaining standards. It follows the principle of both protecting and promoting the interests of mutual funds as well as their unit holders.

**The objectives of Association of Mutual Funds in India**

The Association of Mutual Funds of India works with 30 registered AMCs of the country. It has certain defined objectives which juxtaposes the guidelines of its Board of Directors. The objectives are as follows: -
• This mutual fund association of India maintains a high professional and ethical standard in all areas of operation of the industry.

• It also recommends and promotes the top class business practices and code of conduct which is followed by members and related people engaged in the activities of mutual fund and asset management. The agencies who are by any means connected or involved in the field of capital markets and financial services also involved in this code of the association.

• AMFI interacts with SEBI and works according to SEBI’s guidelines in the Mutual fund industry.

• Association of Mutual Fund of India do represent the Government of India, the Reserve Bank of India and other related bodies on matters relating to the Mutual Fund Industry.

• It develops a team of well qualified and trained Agent distributors. It implements a programme of training and certification for all intermediaries and other engaged in the mutual fund industry.

• AMFI undertakes all India awareness programme for Investors in order to promote proper understanding of the concept and working of mutual funds.

• At last but not the least association of mutual fund of India also disseminate information on Mutual fund Industry and undertakes studies and research either directly or in association with other bodies.

It is difficult to form a precise concept of mutual fund but an idea can be formed from what role a mutual fund has to play or what service gap they try to fill for the investors. Because an average investor is basically interested in the achievement of two prime objectives i.e. income and Growth/Capital gain concerning investment made by him. In any event, it is wise to keep the familiar investment pyramid in mind (see figure-3.2)

With in this type of portfolio structure, a significant pertain of your assets would be kept stable, conservative investments, such as money funds, which could meet your needs for liquidity and emergencies. Two levels higher is the average-risk sector of the pyramid, where you would find balanced, equity-income, growth and income, utility,
convertible security, and option-income portfolios. These categories offer a lot more long-term inflation protection than you would get from low-risk, fixed income funds. For younger, more aggressive individuals, the core should also contain more volatile growth, small company, and international-stock products and less in the way of bond funds.

Mutual funds go a long way in achievement of the said objectives as a large base of capital is created due to pooling of funds by small investors, hence a diversified portfolio of securities is created which obviously reduces risk to the minimum (Bansal, 1996, p.25). Professionals who provide expert supervision for managing such funds manage the funds. The framework of rules given by SEBI provides Liquidity and safety to mutual fund investment.

**Figure-3.2**

**An Investment Pyramid**

![Investment Pyramid Diagram]

3.2 CLASSIFICATION AND TYPES OF MUTUAL FUND

In other developed countries, mutual funds attract much more investments as compared to the banking sector but in India the case is reverse. We lack awareness about the benefits that are offered by these schemes. It is time that investors irrespective of their risk capacities, made intelligent decisions to generate better returns and mutual funds are definitely one of the ways to go about it. Providing different types of mutual funds as below:

Figure-3.3
1. **Equity Funds:** Equity funds are considered to be the more risky funds as compared to other fund types, but they also provide higher returns than other funds. It is advisable that an investor looking to invest in an equity fund should invest for long term i.e. for 3 years or more.

2. **Money Market / Liquid Funds:** Money market / liquid funds invest in short-term (maturing within one year) interest bearing debt instruments. These securities are highly liquid and provide safety of investment, thus making money market / liquid funds the safest investment option when compared with other mutual fund types. However, even money market / liquid funds are exposed to the interest rate risk. The typical investment options for liquid funds include Treasury Bills (issued by governments), Commercial papers (issued by companies) and Certificates of Deposit (issued by banks).

3. **Hybrid Funds:** As the name suggests, hybrid funds are those funds whose portfolio includes a blend of equities, debts and money market securities. Hybrid funds have an equal proportion of debt and equity in their portfolio.

4. **Debt / Income Funds:** Funds that invest in medium to long-term debt instruments issued by private companies, banks, financial institutions, governments and other entities belonging to various sectors (like infrastructure companies etc.) are known as Debt / Income Funds. Debt funds are low risk profile funds that seek to generate fixed current income (and not capital appreciation) to investors. In order to ensure regular income to investors, debt (or income) funds distribute large fraction of their surplus to investors. Although debt securities are generally less risky than equities, they are subject to credit risk (risk of default) by the issuer at the time of interest or principal payment. To minimize the risk of default, debt funds usually invest in securities from issuers who are rated by credit rating agencies and are considered to be of "Investment Grade". Debt funds that target high returns are more risky.

5. **Gilt Funds:** Gilt Funds invest in government papers (named dated securities) having medium to long term maturity period. Issued by the Government of India, these investments have little credit risk (risk of default) and provide safety of principal to the investors. However, like all debt funds, gilt funds too are exposed
to interest rate risk. Interest rates and prices of debt securities are inversely related and any change in the interest rates results in a change in the NAV of debt/gilt funds in an opposite direction.

6. **Commodity Funds**: Those funds that focus on investing in different commodities (like metals, food grains, crude oil etc.) or commodity companies or commodity futures contracts are termed as Commodity Funds. A commodity fund that invests in a single commodity or a group of commodities is a specialized commodity fund and a commodity fund that invests in all available commodities is a diversified commodity fund and bears less risk than a specialized commodity fund. "Precious Metals Fund" and Gold Funds (that invest in gold, gold futures or shares of gold mines) are common examples of commodity funds.

7. **Real Estate Funds**: Funds that invest directly in real estate or lend to real estate developers or invest in shares/securitized assets of housing finance companies, are known as Specialized Real Estate Funds. The objective of these funds may be to generate regular income for investors or capital appreciation.

8. **Exchange Traded Funds (ETF)**: Exchange Traded Funds provide investors with combined benefits of a closed-end and an open-end mutual fund. Exchange Traded Funds follow stock market indices and are traded on stock exchanges like a single stock at index linked prices. The biggest advantage offered by these funds is that they offer diversification, flexibility of holding a single share (tradable at index linked prices) at the same time. Recently introduced in India, these funds are quite popular abroad.

9. **Fund of Funds**: Mutual funds that do not invest in financial or physical assets, but do invest in other mutual fund schemes offered by different AMCs, are known as Fund of Funds. Fund of Funds maintain a portfolio comprising of units of other mutual fund schemes, just like conventional mutual funds maintain a portfolio comprising of equity/debt/money market instruments or non financial assets. Fund of Funds provide investors with an added advantage of diversifying into different mutual fund schemes with even a small amount of investment, which further helps in diversification of risks. However, the expenses of Fund of Funds are
quite high on account of compounding expenses of investments into different mutual fund schemes.

### 3.3 STRUCTURE OF MUTUAL FUND

![Diagram of Mutual Fund Structure]

**Note:** Closed-end funds, UITs, and ETFs can differ from mutual funds and from each other with respect to structure.

**Source:** Amfi circulars

**Investment Advisers:** As noted above, a fund's investment adviser is often the fund's initial sponsor and its initial shareholder through the "seed money" it invests to create the fund. The investment adviser invests the fund's assets in accordance with the fund's investment objectives and policies as stated in the registration statement it files with the SEC.
As a professional money manager, the investment adviser also provides a level of money management expertise usually beyond the scope of the average individual investor. The investment adviser has its own employees—typically, a team of experienced investment professionals—who work on behalf of the fund shareholders and determine which securities to buy and sell in the fund's portfolio.

An adviser's investment decisions are based on a variety of factors, including the fund's investment objectives, its risk parameters, and extensive research of the market and financial performance of specific securities (e.g., the performance and risks associated with a particular company's securities). To protect investors from the adviser's self-dealings, a fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, including restrictions on transactions between the adviser and the fund it advises.

A primary function of the investment adviser is to ensure that the fund's investments are appropriately diversified as required by federal laws and/or as disclosed in the fund's prospectus. Diversification of the fund's investment portfolio reduces the risk that the poor performance of any one security will dramatically reduce the value of the fund's entire portfolio. The allocation of a fund's assets among investments is constantly monitored and adjusted by the fund's investment adviser to protect the interests of shareholders in the fund as dictated by its investment objectives.

**Administrators:** A fund's administrator can be either an affiliate of the fund, typically the investment adviser, or an unaffiliated third party. The services it provides to the fund include overseeing other companies that provide services to the fund, as well as ensuring that the fund's operations comply with applicable federal requirements. Fund administrators typically pay for office space, equipment, personnel, and facilities; provide general accounting services; and help establish and maintain compliance procedures and internal controls. Often, they also assume responsibility for preparing and filing SEC, tax, shareholder, and other reports. For these services, they are compensated by the fund.

**Principal Underwriters:** Investors buy and redeem fund shares either directly or indirectly through the principal underwriter, also known as the fund's distributor.
Principal underwriters are registered under the Securities Exchange Act of 1934 as broker-dealers, and, as such, are subject to strict rules governing how they offer and sell securities to investors.

The principal underwriter contracts with the fund to purchase and then resell fund shares to the public. A majority of both the fund's independent directors and the entire fund board must approve the initial contract with the underwriter. The role of the principal underwriter is crucial to a fund's success and viability, in large part, because the principal underwriter is charged with attracting investors to the fund. Although many investors are long-term investors, an industry that competes on service and performance—combined with a shareholder's ability to redeem on demand—makes attracting new shareholders crucial. See page 82 for more information on how investors buy and sell fund shares today.

**Custodians:** Mutual funds are required by law to protect their portfolio securities by placing them with a custodian. Nearly all mutual funds use banks as their custodians. The SEC requires any bank acting as a mutual fund custodian to comply with various regulatory requirements designed to protect the fund's assets, including provisions requiring the bank to segregate mutual fund portfolio securities from other bank assets.

**Transfer Agents:** Mutual funds and their shareholders also rely on the services of transfer agents to maintain records of shareholder accounts calculate and distribute dividends and capital gains, and prepare and mail shareholder account statements, federal income tax information, and other shareholder notices. Some transfer agents also prepare and mail statements confirming shareholder transactions and account balances, and maintain customer service departments, including call centers, to respond to shareholder inquiries.

### 3.4 TREND OF INVESTMENT BY MUTUAL FUNDS

Once we start talking of Mutual Funds the first question which arises in our mind is about: -
3.4.1 Why to do investment in mutual funds?

A proven principle of sound investment is—do not put all eggs in one basket. Investment in Mutual Funds is beneficial as firstly, they help in pooling of funds and investing in diverse companies, mutual funds can protect against unexpected fall in value of investment. Secondly, an average investor does not have enough time and resources to develop professional attitude towards their investment. Here professional fund managers engaged by Mutual funds take desirable investment decisions on behalf of investors so as to make better utilization of resources. Thirdly, investment in mutual funds is comparatively more liquid because investor can sell the units in open market or can approach mutual fund to repurchase the units at declared Net Asset Value depending upon the type of scheme. Fourthly, investors can avail tax rebates by investing in different tax-saving schemes floated by these funds, approved by the government. Lastly, operating cost is minimized per head because of large size of investible funds, thereby releasing more net income for investors.

The most important activity of a mutual fund operation is management of funds. Fund managers acquire skills and expertise over a period of time. Fund managers make investment decisions for the future. The results of the decisions are known only in the future. Investment decisions which are to be taken depend on the objectives of each fund. The skills required for managing each type of fund are different.

3.4.2 Defining Investment Objectives and Identifying the Constraints

Like any individual investor, an institutional fund manager has certain investment objectives. These are determined by the basic purpose of the investors and the level of risk tolerance. The objective may be one or more of the following: Current income, growth and income, Capital appreciation, Capital preservation, or realizing tax benefits with reasonable income growth. The identification of the investment objectives primarily depends on the purpose for which the fund has been set up. The combination of these factors makes for a unique risk return relationship for each fund. Every fund manager however, has to perform within certain given constraints, which are as follows:
The basic investment objective acts as an overall guiding principle, on the one hand and a limiting factor on the other, since the fund has to perform according to the defined risk-return relationship.

The time horizon has a significant influence on the funds' management and performance. Investors may have short, medium, or long-term objectives, which need to be reflected in the time horizon of the realization of returns and expected risks. Managing the time horizon is critical to performance because the changes in the business cycle affect the risk-return relationship of the portfolio.

Liquidity is considered a limiting factor for the management. A certain amount of liquidity needs to be maintained through the time horizon of the fund because of the determined and undetermined outflow of cash, considering that mutual fund redemption can take place at any time. The same is applicable for insurance and other types of investment. It is for such unplanned eventualities that funds maintain liquidity. The liquidity consideration is, therefore, an important constraint which fund managers have to tackle.

The income from the funds is taxed, which forms another constraint for the fund management.

Institutional fund management has to be carried out within the regulatory framework of investment. For example, the SEBI guidelines for mutual funds or the IRDA Regulations have set out the broad investment policy for mutual funds and insurance companies. The policy of portfolio selection, asset allocation etc. has to be decided within the framework of these guidelines.

### 3.4.3 Overall Investment by Mutual Funds.

After observing the investors' criteria of investing, whether it is based on risk or return or on any other factor the Mutual fund Industry invest the pooled amount. As per the SEBI BULLETINS, the total investment by the Mutual funds in Feb 2007 was Rs. 2395 crore. As in Jan 07, there was a net outflow of funds by the mutual funds at Rs. 274 crore from equity in Feb 2007. However, their inflow into the debt segment was higher at Rs. 2669 crore in Feb 2007. During 2006-07 so far, the total net investment by mutual funds into the Indian equity and debt were Rs. 10670 crore and Rs. 47249 crore.
respectively of the total net inflow, the share of debt segment was 81.6 percent. During May 2007, the mutual funds invested Rs. 11058 crore in the Indian stock market compared to Rs. 4159 crore in April 2007. Their investment in equity and debt was Rs. 1889 crore and Rs. 9169 crore respectively. During April-May 2007, the mutual funds invested Rs. 15217 crore in the Indian stock market of which Rs. 12296 crore was in debt and Rs. 2921 crore in equity. During June 2007, net investment by the mutual funds in debt and equity was Rs. 8546 crore and 701 crore. During April-June 2007, the total net investment by Mutual funds was Rs. 24464 crore of which Rs. 20842 crore was in the debt segment. On the other hand, mutual funds invested Rs. 12335 crore in debt segment in July 2007. They were net sellers in the equity segment to the tune of Rs. 1087 crore. The total net investment by mutual funds in the Indian stock market was Rs. 11248 crore.

During April-July 2007, the total net investment by mutual funds was Rs. 35712 crore of which Rs. 33177 crore was in equity and Rs. 2535 crore in debt. The net investment by mutual funds in the equity and debt segment was Rs. 4094 crore and Rs. 4359 crore respectively in August 2007. Their investment in the equity segment was the highest for any month in the current financial year. In fact, when the FIIS had started selling in equity market, the mutual funds supported it with positive investment. During April-August 2007, the total net investment by mutual funds into the Indian stock market was Rs. 4165 crore, of which Rs. 37536 crore and Rs. 6629 crore was in debt and equity respectively.

During September 2007, the net investment of mutual funds in the debt market was Rs. 9645 crore. But they were net sellers of Rs. 764 crore in the equity segment. During April-September 2007, the total net investment by mutual funds into the stock market was Rs. 53046 crore, of which Rs. 47181 crore and Rs. 5865 crore were in debt and equity respectively. The net investment of mutual funds in the debt market was Rs. 11933 crore in October 2007. But they were net sellers of Rs. 1715 crore in the equity segment. During April-October 2007, the total net investment by mutual funds into the Indian stock market was Rs. 63324 crore of which Rs. 59174 crore and Rs. 4159 crore were in debt and equity, respectively. Mutual funds were net sellers to the tune of Rs. 7121 crore in the debt segment in November 2007. However, in the equity segment they were buyers to the extent of Rs. 2170 crore. The total net investment of mutual funds was
negative for the first time in the financial year so far. Mutual funds were net buyers in the
month of December. Total investment by mutual fund was Rs. 4313 crore, of which Rs.
3024 crore was in equity and the rest Rs. 1288 crore was in debt segment\textsuperscript{6}.

Table 3.1
Overall investment by mutual funds

<table>
<thead>
<tr>
<th>Year/Month</th>
<th>Equity (Rs. Crore)</th>
<th>Debt (Rs. Crore)</th>
<th>Total (Rs. Crore)</th>
<th>Asset under Management (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>48</td>
<td>16987</td>
<td>17435</td>
<td>149600</td>
</tr>
<tr>
<td>2005-06</td>
<td>14303</td>
<td>36801</td>
<td>51104</td>
<td>231862</td>
</tr>
<tr>
<td>2006-07</td>
<td>9062</td>
<td>52543</td>
<td>61606</td>
<td>326292</td>
</tr>
<tr>
<td>2007-08 (Apr-Dec)</td>
<td>6320</td>
<td>52053</td>
<td>58372</td>
<td>537943</td>
</tr>
<tr>
<td>Apr 07</td>
<td>1032</td>
<td>3127</td>
<td>4159</td>
<td>350467</td>
</tr>
<tr>
<td>May 07</td>
<td>1889</td>
<td>9169</td>
<td>11058</td>
<td>414172</td>
</tr>
<tr>
<td>Jun 07</td>
<td>701</td>
<td>8546</td>
<td>9247</td>
<td>400842</td>
</tr>
<tr>
<td>Jul 07</td>
<td>-1087</td>
<td>12335</td>
<td>11248</td>
<td>486646</td>
</tr>
<tr>
<td>Aug 07</td>
<td>4094</td>
<td>4359</td>
<td>8453</td>
<td>467623</td>
</tr>
<tr>
<td>Sep 07</td>
<td>-764</td>
<td>9645</td>
<td>8881</td>
<td>476989</td>
</tr>
<tr>
<td>Oct 07</td>
<td>-1715</td>
<td>11993</td>
<td>10278</td>
<td>556730</td>
</tr>
<tr>
<td>Nov 07</td>
<td>2170</td>
<td>-7121</td>
<td>-4952</td>
<td>537943</td>
</tr>
<tr>
<td>Dec 07</td>
<td>3024</td>
<td>1288</td>
<td>4313</td>
<td>549936</td>
</tr>
</tbody>
</table>

Source: Jan 2007-Dec 2007 SEBI Bulletins.

3.5 MUTUAL FUND PLAYERS IN FINANCIAL MARKET

There are many mutual fund players in the Financial Market, which can be
categorized in the form of public vs. private Mutual funds, Bank vs Non Bank Mutual
funds, Domestic vs. International Mutual funds. And each and every mutual fund plays a
major role in market. Further they are classified below according to AMFI (Association
of Mutual Funds in India).
MF Players:
1. Canara Robeco MF
2. GIC MF
3. LIC MF
4. PNB MF
5. Principal MF
6. SBI MF
7. UTI MF (Axis MF)
8. ABN Amro MF
9. AIG Global Investment Group MF
10. Alliance Capital MF
11. Baroda Pioneer MF
12. Benchmark MF
13. Bharti AXA MF
14. Birla Sun Life MF
15. DBS Chola MF
16. Deutsche MF
17. DSP Merrill Lynch MF
18. Edelweiss MF
19. Escorts MF
20. Fidelity MF
21. Frankelin Templeton MF
22. HDFC MF
23. HSBC MF
24. ICICI Pru MF
25. IDFC MF
26. IL & FS MF
27. ING MF
28. JM Financial MF
29. JP Morgan MF
30. Kotak Mahindra MF
31. Lotus India MF.
32. Miral asset MF
33. Morgan Stanley MF
34. Quantumm MF
35. Reliance MF
36. Sahara MF
37. Standard Chartered MF
38. Sun F&C MF
39. Sundaram BNP Paribas MF
40. Tata MF
41. Taurus MF
42. Znrich India MF

3.6 ACHIEVEMENT THROUGH INVESTMENT IN MUTUAL FUNDS

Mutual funds are becoming a very popular form of investment characterized by many advantages that they share with other forms of investments and what they possess uniquely themselves. Mutual Funds make savings and investing simple, accessible and affordable. The primary objectives of an investment proposal would fit into one or combination of the two broad categories, i.e. income and capital gains. How mutual fund is expected to be over and above individual in achieving the two said objectives, is what attract investors to opt for mutual funds. Mutual funds route offer several important advantages.

**Convenient Administration:** After buying mutual fund scheme an essential benefit one acquires is of convenient Administration over his/her investment. Even under the best of market conditions, it takes an astute, experienced investor to choose investments correctly, and a further commitment of time to continually monitor those investments. The performance of mutual fund schemes, of course depends on the quality of fund managers employed. And as economic conditions change, the managers after adjust the mix of the fund’s investments to ensure it continues to meet the fund’s objectives.
Diversification: successful investors know that diversifying their investments can help reduce the adverse impact of a single investment. Mutual funds introduce diversification to your investment portfolio automatically by holding a wide variety of securities. Moreover, since you pool your assets with those of other investors, a mutual fund allows you to obtain a more diversified portfolio than you would probably be able to comfortably manage on your own-and at a fraction of the cost. In short, funds allow you the opportunity to invest in many markets and sectors. That’s the key benefit of diversification.

Variety: Within the broad categories of stock, bond, and money market funds, you can choose among a variety of investment approaches.

Low costs: Mutual funds usually hold dozens or even hundreds of securities like stocks and bonds. The primary way you pay for this service is through a fee that is based on the total value of your account. Because the fund industry consists of hundreds of competing firms and thousand of funds, the actual level of fees can vary. But for most investors, mutual funds provide professionals management and diversification at a fraction of the cost of making such investments independently.

Liquidity of Investment: Liquidity is the ability to readily access your money in an investment. Mutual fund shares are your Liquid investments that can be sold on any business day. Mutual funds are required by law to buy, or redeem, shares each business day. The price per share at which you can redeem shares is known as the fund’s net asset value (NAV). NAV is the current market value of all the fund’s assets, minus liabilities, divided by the total number of outstanding shares.

Convenience: You can purchase or sell fund shares directly from a fund or through a broker, financial planner, bank or insurance agent, by mail, over the telephone and increasingly by persona computer. You can also arrange for automatic reinvestment or periodic distribution of the dividends and capital gains paid by the fund. Funds may offer a wide variety of other services, including monthly or quarterly account statements, tax information and 24hour phone and computer access to fund and account information.
Protecting Investors: None only are mutual funds subject to compliance with their self-imposed restrictions and limitations, they are also highly regulated by the federal govt. through the US Securities and Exchange Commission (SEC). As part of this govt. regulation, all funds must meet certain operating standards, observe strict antifraud rules, and disclose complete information to current and potential investors. These laws are strictly enforced and designed to protect investors from fraud and abuse.

Reduced Risks: Risk in investment is as to recovery of the principal amount and as to return on it. Mutual fund investments on both fronts provide a comfortable situation for investors. The expert supervision, diversification and liquidity of units ensured in mutual funds minimize the risks; investors are no longer expected to come to grief by falling prey to misleading and motivating headline leads and tips, if they invest in mutual funds.

Safety of Investment: Besides depending on the expert supervision of fund managers, the legislation in a country (like SEBI in India) also provide for the safety of investments. Mutual funds have broadly follow the laid down provisions for their regulation SEBI acts as a watch dog and attempts whole heartedly to safeguard investor interests.

Tax Shelter: Depending on the schemes of mutual funds, tax shelter is also available. Like in India for equity linked schemes of mutual funds under.

Minimize operating costs: Mutual funds having large investible funds at their disposal avail economies of scale. The brokerage fee or trading commission may be reduced substantially. The reduced operating costs obviously increase the income available for investors.

Return potential: When you are investing in mutual funds you are investing with the primary objective of having return over your invested amount. With the Ups and Down in the market or loss or profit of the invested company, the stated amount of return you will receive over it.

Transparency: The best quality of investing in mutual funds is its transparency, the different ways are used by fund companies so that the investors, from time to time may
receive the information related to its invested amount. Whether in the form of pamphlets, newspaper, hoardings, its Booklet (Key information). Mails, sites and many other sources.

**Choices of Schemes:** Various schemes under various mutual funds are offered to the investors according to their preferences whether is tax-saving point of view, risk-free, or many other like Growth, Income, Dividend. So various options are before an investor.

**Well regulated:** Mutual fund companies do not run on their own, they are specifically ruined and regulated by the AMFI (Associations of Mutual Funds in India) which from time to time discloses rules and regulations and further amendments for the smoother running of Mutual fund companies.

### 3.7 GROWTH OF MUTUAL FUND INDUSTRY

#### 3.7.1 Introduction to the Growth Trajectory

The Indian Mutual Fund Industry is one of the fastest growing segments of the Indian Economy. During the last ten year period, the industry has grown at nearly 22 per cent CAGR (Compound Annual Growth Rate). With assets of US$125 billion, India ranks 19th and one of the fastest growing among the countries of the world. The Mutual Fund Industry started with Unit Trust of India set up under an Act of Parliament in 1963. In 1987 the Mutual Fund Industry was opened to other Public Sector Banks & Financial Institutions. Seven such Funds were commenced. In 1993, under Securities and Exchange Board of India Mutual Fund Regulations notified. In the same year Private Sector players were permitted to enter the Mutual Fund Industry. In 2003 the UTI Act was repealed, it marked the end of Assured Returns Schemes, UTI Mutual Fund came into being India’s Mutual Fund Industry, buoyed by a phenomenal rise in stock market indices and a spurt in foreign institutional investments, has been rewarding investors handsomely. The sector is poised to take-off on a new trajectory, even as funds target international markets.

In the very beginning of 1993, as mentioned earlier, private companies were allowed to perform mutual funds business. A number of private sector companies got registered as mutual funds and with the increase in this sector competition rises on its
peak with the launching of different schemes under different heads. As Table 3.2 depicts that, Mutual Fund Industry deals in only three categories of schemes first, Income/Debt oriented schemes-for those who invest in Mutual fund from liquidity and security point of view. Second, Growth/Equity oriented Schemes which involve risk-taker and Third, Balanced schemes which try to keep balance between both risk taker and risk-averse investors. Due to lack of knowledge of Mutual Fund, companies launched secured schemes such as in Debt where in the amount of return are in assured amount. In March 2000, 95 schemes of Debt were launched which rises to 108 in March 2003. In March 2004 a new Funds of funds scheme was launched. Which makes invested rather investing directly in securities. Also the expenses occurred are low in Comparison to active fund management.
### Table 3.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Income/Debt Oriented Schemes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Liquid/Money Market</td>
<td>27</td>
<td>30</td>
<td>32</td>
<td>36</td>
<td>39</td>
<td>45</td>
<td>55</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>(ii) Gilt</td>
<td>19</td>
<td>29</td>
<td>31</td>
<td>30</td>
<td>30</td>
<td>29</td>
<td>28</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>(iii) Debt (Other than ass. re)</td>
<td>95</td>
<td>120</td>
<td>118</td>
<td>131</td>
<td>158</td>
<td>251</td>
<td>367</td>
<td>505</td>
<td>503</td>
</tr>
<tr>
<td>(iv) Debt (assured return)</td>
<td>34</td>
<td>26</td>
<td>21</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sub Total (i+ii+iii+iv)</strong></td>
<td>175</td>
<td>205</td>
<td>202</td>
<td>197</td>
<td>227</td>
<td>325</td>
<td>450</td>
<td>593</td>
<td>595</td>
</tr>
<tr>
<td><strong>B. Growth/Equity Oriented Schemes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) ELSS</td>
<td>77</td>
<td>63</td>
<td>47</td>
<td>43</td>
<td>37</td>
<td>37</td>
<td>40</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>(ii) Others</td>
<td>110</td>
<td>115</td>
<td>121</td>
<td>126</td>
<td>151</td>
<td>194</td>
<td>227</td>
<td>270</td>
<td>292</td>
</tr>
<tr>
<td><strong>Sub Total (i+ii)</strong></td>
<td>187</td>
<td>178</td>
<td>168</td>
<td>169</td>
<td>188</td>
<td>231</td>
<td>267</td>
<td>313</td>
<td>338</td>
</tr>
<tr>
<td>C. Balanced Schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>(i) Balanced Schemes</td>
<td>32</td>
<td>34</td>
<td>36</td>
<td>37</td>
<td>35</td>
<td>36</td>
<td>38</td>
<td>37</td>
<td>35</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Exchange Traded Fund</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Gold ETF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>(ii) Other ETFs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td><strong>Sub Total (i+ii)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E. Funds of Funds Investing Overseas</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Funds of funds Investing Overseas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>394</td>
<td>417</td>
<td>406</td>
<td>403</td>
<td>450</td>
<td>592</td>
<td>755</td>
<td>956</td>
<td>994</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>F. Funds of Funds Scheme</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8</td>
<td>12</td>
<td>13</td>
<td>33</td>
<td>37</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

No. of Schemes also includes serial plans.

**Source:** RBI publications (Indian Statistics of Economy).
Increasing with the launching of schemes Mutual fund Industry is showing an increasing sign to attract the investors whether middle, low or high standard. As the table 3.2 shows that there is a positive sign of launching of schemes by the Industry, whether income oriented schemes, growth oriented schemes or Balanced schemes. Each and every scheme with its sub-head schemes increases in the number with the ratio of 2 to 4 percentage from the previous year. As in April 2007 to March 2008, a new scheme named as Exchange Traded Funds was launched to attract Investors as a creation basket, which makes investment based on market index or commodity but in fixed number of units. Also now Mutual Fund Industry had started Investing in Overseas by which an Investor can take the advantage of International Economy which is done by launching “Funds of funds Investing Overseas” scheme around 10 schemes were launched under this head. So keeping in point the investor benefits all the schemes as shown in the table is launched by the Mutual Fund Industry seeing the progress of the previous year in account.

The growth of the Mutual Fund Industry can also be known through the number of Investors who are investing in this Industry. As Investor is the base of this Industry so increasing number of them from year to year shows a tremendous sign of growth as shown in Table 3.3. Ups and Down are a part of life, same applies to the Running market where occurs a lot of changes due to the other factors prevailing in the market.

Figure shows that 3817530 no. of investors invest in Income/Debt Oriented schemes in March 2004 which is far more as compared to 3284276 in April 08-Feb 09, which shows a negative sign to the number of -533254. On the other hand 8033568 no. of investors invest in Growth/Equity Oriented schemes in (April 03 – March 04) which rises to 40901525 which show a positive sign of around 32867957 number of risk taker investor. In Balanced schemes also 311493 numbers of investors showed an increment. Majority lies with the increase in investors.
### Table 3.3

<table>
<thead>
<tr>
<th>Number of Investors</th>
<th>Apr 03 to Mar 04</th>
<th>Apr 04 to Mar 05</th>
<th>Apr 05 to Mar 06</th>
<th>Apr 06 to Mar 07</th>
<th>Apr 07 to Mar 08</th>
<th>Apr 08 to Mar 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Income/Debt Oriented Schemes</td>
<td>3817530</td>
<td>3245694</td>
<td>320669</td>
<td>3161689</td>
<td>2989743</td>
<td>3284276</td>
</tr>
<tr>
<td>(B) Growth/Equity Oriented Schemes</td>
<td>8033568</td>
<td>9041075</td>
<td>17238776</td>
<td>25376347</td>
<td>37766259</td>
<td>40901525</td>
</tr>
<tr>
<td>(C) Balanced Schemes</td>
<td>2792226</td>
<td>1558523</td>
<td>1642770</td>
<td>1828671</td>
<td>2953725</td>
<td>3103719</td>
</tr>
<tr>
<td>(D) Exchange Traded Fund</td>
<td></td>
<td></td>
<td>86351</td>
<td>114688</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(E) Fund of Funds Investing Overseas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>323012</td>
<td></td>
</tr>
<tr>
<td>(F) Fund of Funds Scheme</td>
<td>52384</td>
<td>58445</td>
<td>39167</td>
<td>88414</td>
<td>255462</td>
<td>61684</td>
</tr>
</tbody>
</table>

**Source:** RBI Publications

### 3.7.2 Growth in Net Assets under Management

The growth in the amount of assets under management is an indicator of their financial strength. The net assets under management of the Indian mutual fund industry grew by 46.49 percent at Rs. 103,452 crore for the financial year ended March 2000, according to mutual fund year book-2000. The net accretion to the industry over the
previous year was Rs. 32,829 crore, the highest single year accretion in the industry, since 1964, a yearbook published by the association of mutual funds of India (amfi). Table 3.4 present the net asset position at the end of the financial years beginning from 2000-01 in totality and also in different groups of mutual funds. The figures reveal fast growth in assets under management from Rs. 905.87 billion at the end of March 2001 to Rs. 3263.88 billion at the end of March 2007. If one compares these figures with Rs. 470 billion or those at the end of March 1993, it is really a great stride. Except for Financial Year 2002-03 when there was a drop in the amount of assets, the yearly change varied between 7.16 percent and as big as 54.99 percent making a single annual average growth rate of 28.15 percent. Who is responsible for such a big jump forward in the assets? It is primarily the private sector mutual funds that shared more than four fifths of the total assets under management at the end of Financial Year 2006-07. Thus the policy of the Indian Government to attract the private sector companies in the mutual fund business was definitely a correct step. Even among the private sector mutual funds, it was primarily those mutual funds that were set up as joint-ventures but having Indian domination that accounted for over two-fifths of the total assets under management at the end of Financial Year 2006-07. The rest three-fifths were almost equally shared by purely Indian companies and those joint ventures companies where foreign companies are dominant.7

Table 3.4

<table>
<thead>
<tr>
<th>At the end of Financial Year</th>
<th>UTI</th>
<th>Other public Sector</th>
<th>Private Sector</th>
<th>Total</th>
<th>% change over Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>580.17</td>
<td>68.40</td>
<td>257.30</td>
<td>905.87</td>
<td>-</td>
</tr>
<tr>
<td>2001-02</td>
<td>514.34</td>
<td>82.04</td>
<td>409.56</td>
<td>1005.94</td>
<td>11.40</td>
</tr>
<tr>
<td>2002-03</td>
<td>135.16</td>
<td>104.26</td>
<td>555.22</td>
<td>794.64</td>
<td>-21.01</td>
</tr>
<tr>
<td>2003-04</td>
<td>206.17</td>
<td>119.12</td>
<td>1070.87</td>
<td>1396.16</td>
<td>75.60</td>
</tr>
<tr>
<td>2004-05</td>
<td>207.40</td>
<td>113.74</td>
<td>1174.87</td>
<td>1496.01</td>
<td>7.16</td>
</tr>
<tr>
<td>2005-06</td>
<td>295.19</td>
<td>208.29</td>
<td>1815.15</td>
<td>2318.62</td>
<td>54.99</td>
</tr>
</tbody>
</table>
Table 3.5 presents the composition of assets under management under various segments. The figure reveals that up to Financial 2002-03, debt securities dominated the scene. Their share was high as three fifths of the total assets under management. But then their share began to squeeze moving down to around a quarter in Financial 2005-06, although in the following financial year, there was some appreciation. The share of equity shares remained less than a quarter till Financial 2004-05, but then it tended to ascend. Money market instruments were never a cherished destination for the mutual funds during the early years. But in the recent past, they have improved their share honoring around a quarter of the total asset under management. In fact, the mutual funds are more concerned with the higher return and this is perhaps the reason why they have disfavored the government securities. The share of government securities remained confined to a meager of 5 percent.

Table 3.5
Various segments of net asset under management (Rs. Billion)

<table>
<thead>
<tr>
<th>At the end of Financial Year</th>
<th>Debt (Rs. Billion)</th>
<th>Equity (Rs. Billion)</th>
<th>Money Market Instruments (Rs. Billion)</th>
<th>Government securities (Rs. Billion)</th>
<th>Others (Rs. Billion)</th>
<th>Total (Rs. Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>488.63</td>
<td>134.83</td>
<td>41.28</td>
<td>23.17</td>
<td>217.96</td>
<td>905.87</td>
</tr>
<tr>
<td></td>
<td>(53.9)</td>
<td>(14.9)</td>
<td>(4.6)</td>
<td>(2.6)</td>
<td>(24.1)</td>
<td>(100.00)</td>
</tr>
<tr>
<td>2001-02</td>
<td>557.88</td>
<td>138.52</td>
<td>80.69</td>
<td>41.63</td>
<td>187.22</td>
<td>1005.94</td>
</tr>
<tr>
<td></td>
<td>(55.5)</td>
<td>(13.8)</td>
<td>(8.0)</td>
<td>(4.1)</td>
<td>(18.6)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>2002-03</td>
<td>475.64</td>
<td>98.87</td>
<td>137.34</td>
<td>39.10</td>
<td>43.69</td>
<td>794.64</td>
</tr>
<tr>
<td></td>
<td>(59.9)</td>
<td>(12.4)</td>
<td>(17.3)</td>
<td>(4.9)</td>
<td>(5.5)</td>
<td>(100.00)</td>
</tr>
<tr>
<td>2003-04</td>
<td>625.24</td>
<td>236.13</td>
<td>417.04</td>
<td>60.26</td>
<td>57.49</td>
<td>1396.16</td>
</tr>
<tr>
<td></td>
<td>(44.8)</td>
<td>(16.9)</td>
<td>(29.9)</td>
<td>(4.3)</td>
<td>(4.1)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>2004-05</td>
<td>476.05</td>
<td>367.57</td>
<td>540.68</td>
<td>45.76</td>
<td>65.94</td>
<td>1496.00</td>
</tr>
</tbody>
</table>
Assets Management companies are the major regulator for managing the assets of a mutual fund. The number of AMCs set up by the Association of Mutual funds of India (amfi) and securities Exchange Board of India (Sebi) also varies from year to year or changes with the collaboration of different mutual fund companies. As Table 3.6 shows the number of AMCs in March 1998 to be 31 in number which further increases to 35 in March 2002, fluctuations arises with the other factors prevailing in the Economy. The number of AMCs in 2008 comes to around 33. This number represents the number of branches of a particular fund company. And overall assets under management represent the overall assets invested by the investors which reveal a fast growth in the Mutual fund Industry. In the year ending March 1998 it was 97228 (Rs. Crore) which further rises to in March 2002 to 100594 (Rs. crore) and further its shows a huge increase in the ratio of AUM of Mutual Funds. In March 2008 it recorded the amount of 505152 (Rs. Cr). Why there is an increase in their ratio-all because of investor’s faith in this market and even the efforts of the Mutual Fund Industry towards their products.
Table 3.7 depicts the number of Assets Management companies under the different categories, as under the Bank number of AMCs is 4 which represent the 14.92 percent to the total. Private Sector which has the majority to be in existence in comparison to other has 29 AMCs and having 81.94 percent of the total. This represents
that the expansion of Mutual Fund Industry business mostly lies in the hands of Private Sector.

Table 3.8
Category wise Assets under Management (AUM) as on August 31, 2008 (US & Mn).

<table>
<thead>
<tr>
<th>Types of Schemes</th>
<th>No. of Schemes</th>
<th>Assets Under Management</th>
<th>% to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (Bond)</td>
<td>532</td>
<td>61,937</td>
<td>50</td>
</tr>
<tr>
<td>Growth (Equity) including Special tax saving schemes</td>
<td>321</td>
<td>36,777</td>
<td>29</td>
</tr>
<tr>
<td>Balanced</td>
<td>36</td>
<td>3,502</td>
<td>3</td>
</tr>
<tr>
<td>Liquid/Money Market</td>
<td>58</td>
<td>20,416</td>
<td>16</td>
</tr>
<tr>
<td>Gilt</td>
<td>31</td>
<td>446</td>
<td>-</td>
</tr>
<tr>
<td>Gold ETFs</td>
<td>5</td>
<td>159</td>
<td>-</td>
</tr>
<tr>
<td>Other ETFs</td>
<td>11</td>
<td>793</td>
<td>1</td>
</tr>
<tr>
<td>Funds of Funds Investing Overseas</td>
<td>9</td>
<td>720</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1003</strong></td>
<td><strong>124,750</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: amfiindia.com

The above table 3.8 depicts different categories of schemes with Assets Under Management and founded that Income (Bond) scheme dominate the market by launching 532 scheme and with 61,937 Assets Under Management and the Majority or half of the percent lies in this category. Then lays the Growth (Equity) including special tax saving schemes which basically lies with the risk taker having 29 percent of the total share. So with the launching of the different schemes they are overtaking the share in the market.

3.7.3 Net Resources Mobilization by Mutual Funds during 1970-71 to 2007-08

UTI entered the Indian mutual fund market in the year 1964 as a trust. The first scheme launched by UTI was US-64. Table 3.9 shows the net resources mobilized by mutual funds during 1970-71 to 2007-08. UTI was the sole player in the mutual fund market till the year 1986-87. On analyzing below stated table along with base of year 1970-71, that depicts the growth in fund mobilization showed the swinging mood of the
investors. Also depicting the confidence it enjoyed with the investors. So by the year 1987-88 it touched a high level in comparison to the previous year. After this, with players like Bank-Sponsored mutual funds entering the market in 1987-88 and FI-Sponsored mutual funds in the year 1989-90 led to unprecedented growth in fund mobilization by mutual fund industry in the country. By the end of year 1992-93 the mutual fund Industry touched the height of around Rs. 13021 crores including UTI mutual funds of Rs. 11057 crores, Rs. 204 crores of Bank sponsored mutual funds and Rs. 760 crores of FI-Sponsored Mutual Funds.

Table 3.9

Net Resources mobilized by mutual funds during 1970-71 to 2007-08 P

<table>
<thead>
<tr>
<th>Year</th>
<th>UTI</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>1970-71</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>1971-72</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>1972-73</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>1973-74</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31</td>
</tr>
<tr>
<td>1974-75</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>1975-76</td>
<td>29</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29</td>
</tr>
<tr>
<td>1976-77</td>
<td>35</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35</td>
</tr>
<tr>
<td>1977-78</td>
<td>73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>73</td>
</tr>
<tr>
<td>1978-79</td>
<td>102</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>102</td>
</tr>
<tr>
<td>1979-80</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58</td>
</tr>
<tr>
<td>1980-81</td>
<td>52</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52</td>
</tr>
<tr>
<td>1981-82</td>
<td>157</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>157</td>
</tr>
<tr>
<td>1982-83</td>
<td>167</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>167</td>
</tr>
<tr>
<td>1983-84</td>
<td>330</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>330</td>
</tr>
<tr>
<td>1984-85</td>
<td>756</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>756</td>
</tr>
<tr>
<td>1985-86</td>
<td>892</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>892</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
<td>Change</td>
<td>Growth</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>--------</td>
<td>--------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>1986-87</td>
<td>1261</td>
<td>-</td>
<td>-</td>
<td>1261</td>
<td></td>
</tr>
<tr>
<td>1987-88</td>
<td>2059</td>
<td>250</td>
<td>-</td>
<td>2310</td>
<td></td>
</tr>
<tr>
<td>1988-89</td>
<td>3855</td>
<td>320</td>
<td>-</td>
<td>4175</td>
<td></td>
</tr>
<tr>
<td>1989-90</td>
<td>5584</td>
<td>888</td>
<td>315</td>
<td>6787</td>
<td></td>
</tr>
<tr>
<td>1990-91</td>
<td>4553</td>
<td>2352</td>
<td>604</td>
<td>7508</td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>8685</td>
<td>2140</td>
<td>427</td>
<td>11253</td>
<td></td>
</tr>
<tr>
<td>1992-93</td>
<td>11057</td>
<td>1204</td>
<td>760</td>
<td>13021</td>
<td></td>
</tr>
<tr>
<td>1993-94</td>
<td>9297</td>
<td>148</td>
<td>239</td>
<td>1</td>
<td>11243</td>
</tr>
<tr>
<td>1994-95</td>
<td>8611</td>
<td>766</td>
<td>576</td>
<td>1</td>
<td>11275</td>
</tr>
<tr>
<td>1995-96</td>
<td>-6314</td>
<td>113</td>
<td>235</td>
<td>-</td>
<td>-5833</td>
</tr>
<tr>
<td>1996-97</td>
<td>-3043@</td>
<td>6</td>
<td>137</td>
<td>-</td>
<td>-2037</td>
</tr>
<tr>
<td>1997-98</td>
<td>2875</td>
<td>237</td>
<td>203</td>
<td>-</td>
<td>4064</td>
</tr>
<tr>
<td>1998-99</td>
<td>170</td>
<td>-88</td>
<td>547</td>
<td>2</td>
<td>2695</td>
</tr>
<tr>
<td>1999-00</td>
<td>4548</td>
<td>336</td>
<td>296</td>
<td>16</td>
<td>22117</td>
</tr>
<tr>
<td>2000-01</td>
<td>322</td>
<td>248</td>
<td>1273</td>
<td>9</td>
<td>11135</td>
</tr>
<tr>
<td>2001-02</td>
<td>-7284</td>
<td>863</td>
<td>407</td>
<td>16</td>
<td>10120</td>
</tr>
<tr>
<td>2002-03</td>
<td>-9434</td>
<td>1033</td>
<td>862</td>
<td>12</td>
<td>4583</td>
</tr>
<tr>
<td>2003-04</td>
<td>1050**</td>
<td>4526</td>
<td>787</td>
<td>41</td>
<td>47873</td>
</tr>
<tr>
<td>2004-05</td>
<td>-2467#</td>
<td>707</td>
<td>-3384</td>
<td>7</td>
<td>2789</td>
</tr>
<tr>
<td>2005-06</td>
<td>3424#</td>
<td>5365</td>
<td>2112</td>
<td>41</td>
<td>52482</td>
</tr>
<tr>
<td>2006-07</td>
<td>7326#</td>
<td>3032</td>
<td>4226</td>
<td>79</td>
<td>94062</td>
</tr>
</tbody>
</table>
As the private sector mutual funds entered in the market in 1993-94 the competition arises which diverts the investors attraction by sponsoring different schemes with seeing the different requirement of the investors. In the year 2007-2008P Rs. 10678 crores were mobilized by Bank sponsored mutual funds which show an increasing sign in comparison to FI-sponsored mutual funds amounted Rs. 2178 crores. So there is an increasing trend towards mutual fund Industry as and there is investor’s awareness regarding this concept.

**3.7.4 Resource Mobilization through Investment in Mutual Funds.**

Mutual Funds have emerged as an important segment of financial markets in India, especially following the initiatives taken by the Government in the budget to resolve problems associated with it and to liberalize other benefits. They now play a crucial role in channeling savings of millions of individuals/households from different parts of the country into investment in both equity and debt instruments. The mutual fund industry has witnessed several innovations in the current financial year also.

Table 3.10 shows status of mutual funds resource mobilization from (1999-2000) to (April 2008-Feb 2009) depicting the sharp trend in favor of private sector mutual funds. One can clearly see that in the period of April 1999 – March 2000 as against
mobilization of Funds, redemption/repurchase amount was more by 4548.32 crores thereby leading to cumulative positions of net assets to stand as: UTI (67.00%), Private Sector (23.32%), and public sector (9.68%). This situation further titled in favor of private sector.

Status for the period up till Feb 2009 stood as: Private Sector (79.11%), others (11.26%), UTI (9.63%). These were the percentage of the grand total Rs. 508670.43 crores of cumulative position of net assets of UTI, private sector and public sector as on date. Erstwhile UTI has been divided into UTI Mutual Fund (registered with SEBI) and the specified undertaking of UTI (not registered with SEBI). Above data contains information of UTI mutual fund only. One noticeable thing here is that the private sector is maintaining a positive difference between funds mobilized and repurchase amount whereas in case of UTI and public sector mutual funds the redemption have been not less than the funds mobilized.

### Table 3.10

SECURITIES AND EXCHANGE BOARD OF INDIA INVESTMENT MANAGEMENT DEPARTMENT

<table>
<thead>
<tr>
<th>Status of Mutual Funds for the period April 2008-February 2009</th>
<th>(Figures in Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private Sector Mutual Funds</td>
</tr>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td>Mobilization of Funds</td>
<td>3825330.17</td>
</tr>
<tr>
<td>Repurchase/Redemption Amt.</td>
<td>3787119.98</td>
</tr>
<tr>
<td>Net Inflow/</td>
<td>38,210.19</td>
</tr>
</tbody>
</table>
### Structure and Growth of Mutual Funds

<table>
<thead>
<tr>
<th>Outflow(-ve) of funds</th>
<th>Cumulative Position of net assets as on February 28, 2009 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>402400.39 (79.11%)</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars

### Status of Mutual Funds for the period April 2007-March 2008

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector Mutual Funds</th>
<th>Public Sector Mutual Funds</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>UTI (i)</td>
<td>Others (ii)</td>
</tr>
<tr>
<td>Mobilization of Funds</td>
<td>3780752.63</td>
<td>346125.75</td>
<td>337497.94</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>3647448.68</td>
<td>335448.42</td>
<td>327677.64</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>133303.95</td>
<td>10677.33</td>
<td>9820.30</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on March 31, 2008 (%)</td>
<td>415621.34 (82.88%)</td>
<td>48407.86 (9.58%)</td>
<td>41123.24 (8.14%)</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars
## Status of Mutual Funds for the period April 2006-March 2007

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>1599873.44</td>
<td>142279.68</td>
<td>196339.85</td>
<td>1938492.97</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>1520835.78</td>
<td>134953.53</td>
<td>188718.87</td>
<td>1844508.19</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>79037.66</td>
<td>7326.15</td>
<td>7620.97</td>
<td>93984.79</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2007 (%)</td>
<td>262078.64</td>
<td>35488.26</td>
<td>28725.23</td>
<td>326292.13</td>
</tr>
</tbody>
</table>

Source: Sebi circulars

## Status of Mutual Funds for the period April 2005-March 2006

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>914703.26</td>
<td>73127.42</td>
<td>110318.63</td>
<td>1098149.31</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>871726.53</td>
<td>69703.61</td>
<td>103939.99</td>
<td>1045370.13</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>42976.73</td>
<td>3423.82</td>
<td>6378.64</td>
<td>52779.19</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2006(%)</td>
<td>181514.61</td>
<td>29519.09</td>
<td>20828.77</td>
<td>231862.47</td>
</tr>
</tbody>
</table>

Source: Sebi circulars
### Status of Mutual Funds for the period April 2004-March 2005

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>736463.30</td>
<td>46656.08</td>
<td>56588.99</td>
<td>839708.37</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>728863.80</td>
<td>49378.37</td>
<td>59265.89</td>
<td>837508.06</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>7599.51</td>
<td>-2722.29</td>
<td>-2676.90</td>
<td>2200.32</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2005 (%)</td>
<td>117487.31 (78.53%)</td>
<td>20739.57 (13.87%)</td>
<td>11373.53 (7.6%)</td>
<td>149600.41</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars

---

### Status of Mutual Funds for the period April 2003-March 2004

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>534649.28</td>
<td>23992.40</td>
<td>31548.19</td>
<td>590189.87</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>492104.78</td>
<td>22325.48</td>
<td>28951.18</td>
<td>543381.44</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>42544.50</td>
<td>1666.92</td>
<td>2597.01</td>
<td>46808.43</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2004 (%)</td>
<td>107087.44 (76.70%)</td>
<td>20616.96 (14.77%)</td>
<td>11911.89 (8.53%)</td>
<td>139616.29</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars
### Status of Mutual Funds for the period April 2002-March 2003

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>284095.49</td>
<td>23514.88</td>
<td>7095.82</td>
<td>314706.19</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>272026.05</td>
<td>21953.83</td>
<td>16529.92</td>
<td>310509.80</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>12069.44</td>
<td>1561.05</td>
<td>-9434.10</td>
<td>4196.39</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2003 (%)</td>
<td>56580.56 (51.77%)</td>
<td>9367.96 (8.57%)</td>
<td>43350.84 (39.66%)</td>
<td>109299.36</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars

### Status of Mutual Funds for the period April 2001-March 2002

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>147798.26</td>
<td>12081.91</td>
<td>4643</td>
<td>164523.17</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>134748.37</td>
<td>10672.6</td>
<td>11927</td>
<td>157347.97</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>13049.89</td>
<td>1409.31</td>
<td>-7284</td>
<td>7175.2</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2002 (%)</td>
<td>41458.98 (41.21%)</td>
<td>7701.6 (7.66%)</td>
<td>51433.61 (51.13%)</td>
<td>100594.19</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars
### Status of Mutual Funds for the period April 2000-March 2001

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>75009.11</td>
<td>5535.28</td>
<td>12413.00</td>
<td>92957.39</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>65159.54</td>
<td>6579.78</td>
<td>12090.00</td>
<td>83829.32</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>9849.57</td>
<td>-1044.50</td>
<td>323.00</td>
<td>9128.07</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2001 (%)</td>
<td>25942.14 (28.64%)</td>
<td>6628.01 (7.32)</td>
<td>58016.72 (64.04)</td>
<td>90586.87</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars

### Status of Mutual Funds for the period April 1999-March 2000

(Figures in Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Private Sector MFs</th>
<th>UTI</th>
<th>Public Sector MFs</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization of Funds</td>
<td>43725.66</td>
<td>3817.13</td>
<td>13698.44</td>
<td>61241.23</td>
</tr>
<tr>
<td>Repurchase/ Redemption Amt.</td>
<td>28559.18</td>
<td>4562.05</td>
<td>9150.12</td>
<td>42271.35</td>
</tr>
<tr>
<td>Net Inflow/Outflow (-ve) of funds</td>
<td>15166.48</td>
<td>-744.92</td>
<td>4548.32</td>
<td>18969.88</td>
</tr>
<tr>
<td>Cumulative Position of net assets as on Mar 31, 2001 (%)</td>
<td>25167.89 (23.32%)</td>
<td>10444.78 (9.68%)</td>
<td>72333.43 (67.00%)</td>
<td>107946.10</td>
</tr>
</tbody>
</table>

**Source:** Sebi circulars

#### 3.7.5 Net Resource Mobilization by Different Private Sector Mutual Funds

As depicted in Table 3.11 column 10 showing the total of resources mobilized by private sector mutual funds up to 2001 (i.e. the time period which is taken as a base and further help in the selection of mutual funds in this study), out of the total funds of Rs. 32990.6 crores mobilized by private sector mutual funds from 1993-94 till 2000-01. The major players were Prudential ICICI with Rs. 5499.6, Alliance Capital Mutual Fund with Rs. 3634.5 crores, Kothari Pioneer with Rs. 3819.4 crores.
## Table 3.11
Net resources Mobilized by private sector mutual funds

(Rupees Crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Pioneer ITI Mutual Fund</td>
<td>92.7</td>
<td>309.5</td>
<td>-10.0</td>
<td>-81.4</td>
<td>-0.9</td>
<td>134.0</td>
<td>1913.8</td>
<td>1461.7</td>
<td>3819.4</td>
<td>1228.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.27</td>
<td>5047.7</td>
<td></td>
</tr>
<tr>
<td>2 Zurich India Mutual Fund</td>
<td>116.2</td>
<td>51.9</td>
<td>1.8</td>
<td>-3.8</td>
<td>6.5</td>
<td>38.2</td>
<td>429.5</td>
<td>640.3</td>
<td>1111.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.44</td>
<td>1751.7</td>
<td></td>
</tr>
<tr>
<td>3 Prudential ICICI MF</td>
<td>159.2</td>
<td>90.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>626.1</td>
<td>3434.1</td>
<td>1189.9</td>
<td>5499.6</td>
<td>1404.8</td>
<td>2000.6</td>
<td>4385.0</td>
<td>170.3</td>
<td>5634.6</td>
<td>13785</td>
<td>2137.64</td>
<td>11.39</td>
<td>45017.54</td>
<td></td>
</tr>
<tr>
<td>4 Morgan Stanley MF</td>
<td>981.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>981.8</td>
<td>-24.1</td>
<td>-27.9</td>
<td>-14.9</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>0.23</td>
<td>914.9</td>
<td></td>
</tr>
<tr>
<td>5 Taurus Mutual Fund</td>
<td>209.6</td>
<td>97.7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-60.2</td>
<td>-38.7</td>
<td>208.4</td>
<td>-6.7</td>
<td>-14.2</td>
<td>-3.2</td>
<td>-45.2</td>
<td>-43.4</td>
<td>31.3</td>
<td>-34.48</td>
<td>0.3</td>
<td>135.92</td>
<td></td>
</tr>
<tr>
<td>6 Apple Mutual Fund</td>
<td>-</td>
<td>103.6</td>
<td>-20.2</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>82.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.02</td>
<td>82.7</td>
</tr>
<tr>
<td>7 CRB Mutual Fund</td>
<td>-</td>
<td>229.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>229.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.5</td>
<td>229.3</td>
</tr>
<tr>
<td>8 JM Financial MF</td>
<td>-</td>
<td>191.9</td>
<td>-78.7</td>
<td>487.8</td>
<td>-6.6</td>
<td>-48.7</td>
<td>1183.3</td>
<td>695.6</td>
<td>2424.6</td>
<td>1177.3</td>
<td>1290.4</td>
<td>965.9</td>
<td>386.2</td>
<td>-1464.7</td>
<td>453.3</td>
<td>8619.32</td>
<td>3.5</td>
<td>13852.32</td>
<td></td>
</tr>
<tr>
<td>9 Alliance Capital MF</td>
<td>-</td>
<td>71</td>
<td>2.8</td>
<td>9.8</td>
<td>138.6</td>
<td>200.7</td>
<td>2506.4</td>
<td>705.2</td>
<td>3634.5</td>
<td>-174.9</td>
<td>-901.7</td>
<td>-842.1</td>
<td>-1064.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.16</td>
<td>651.2</td>
</tr>
<tr>
<td>10 Birla Sun Life MF</td>
<td>-</td>
<td>162.2</td>
<td>25</td>
<td>111.6</td>
<td>260.4</td>
<td>473.8</td>
<td>1819.8</td>
<td>268.5</td>
<td>3121.3</td>
<td>608.3</td>
<td>976.2</td>
<td>3108.1</td>
<td>1115.3</td>
<td>2067.2</td>
<td>4202.7</td>
<td>13831.3</td>
<td>7.3</td>
<td>29030.2</td>
<td></td>
</tr>
<tr>
<td>11 Shriram Mutual Fund</td>
<td>-</td>
<td>14.5</td>
<td>26.7</td>
<td>1.2</td>
<td>1.1</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>43.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.01</td>
<td>43.5</td>
</tr>
<tr>
<td>12 Tata Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>102.3</td>
<td>100.6</td>
<td>-0.2</td>
<td>63.1</td>
<td>419.8</td>
<td>7.3</td>
<td>692.9</td>
<td>-17.4</td>
<td>89.4</td>
<td>2772.4</td>
<td>2387.5</td>
<td>1379.0</td>
<td>2290.8</td>
<td>5613.86</td>
<td>3.85</td>
<td>15208.46</td>
<td></td>
</tr>
<tr>
<td>13 Reliance Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>74.5</td>
<td>-7.8</td>
<td>43.8</td>
<td>-45.3</td>
<td>170.4</td>
<td>166.1</td>
<td>401.7</td>
<td>710.5</td>
<td>1305.2</td>
<td>3967.9</td>
<td>1849.7</td>
<td>15033.9</td>
<td>22581</td>
<td>40187.36</td>
<td>21.78</td>
<td>86037.26</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mutual Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>HB Mutual Fund</td>
<td>3.5</td>
<td>20.7</td>
<td>0</td>
<td></td>
<td></td>
<td>24.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Jardine Fleming MF</td>
<td>5.3</td>
<td>10.9</td>
<td>0.3</td>
<td>167.8</td>
<td>59.2</td>
<td>243.5</td>
<td>57.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Franklin Templeton MF</td>
<td>119.8</td>
<td>53.1</td>
<td>242.8</td>
<td>1251.3</td>
<td>839.5</td>
<td>2506.5</td>
<td>2301.8</td>
<td>1146.7</td>
<td>4719.0</td>
<td>-966.5</td>
<td>-1828.3</td>
<td>4333.5</td>
<td>1753.05</td>
<td>3.53</td>
<td>13965.75</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>ITC Classic Threadneedle MF</td>
<td>49.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>49.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>DBS Chola Mutual Fund</td>
<td>7.3</td>
<td>11.3</td>
<td>0</td>
<td>644.4</td>
<td>154.1</td>
<td>817.1</td>
<td>177.2</td>
<td>-13.2</td>
<td>339.2</td>
<td>-138.7</td>
<td>876.7</td>
<td>148.8</td>
<td>-101.62</td>
<td>0.53</td>
<td>2105.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Sundaram BNP Paribus MF</td>
<td>21.7</td>
<td>9.6</td>
<td>7.3</td>
<td>210.9</td>
<td>237.8</td>
<td>487.3</td>
<td>150.6</td>
<td>458.0</td>
<td>1456.1</td>
<td>-180.1</td>
<td>587.8</td>
<td>4417.6</td>
<td>4013.02</td>
<td>2.88</td>
<td>11390.32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>First India Mutual Fund</td>
<td>0.7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.7</td>
<td>67.7</td>
<td>67.2</td>
<td>227.5</td>
<td>-151.8</td>
<td></td>
<td></td>
<td></td>
<td>0.05</td>
<td>211.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Escorts Mutual Fund</td>
<td>21.0</td>
<td>0</td>
<td>-4.0</td>
<td>11.4</td>
<td>45.3</td>
<td>73.7</td>
<td>-1.7</td>
<td>-35.0</td>
<td>46.8</td>
<td>-4.2</td>
<td>11.2</td>
<td></td>
<td>61.32</td>
<td>0.03</td>
<td>152.12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Anagram Wellington MF</td>
<td>5.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td>0.0</td>
<td>5.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>DSP Merrill Lynch MF</td>
<td>218.0</td>
<td>208.8</td>
<td>637.6</td>
<td>-28.7</td>
<td>1035.7</td>
<td>607.2</td>
<td>160.0</td>
<td>2522.3</td>
<td>104.7</td>
<td>4409.2</td>
<td>1424.8</td>
<td>4655.38</td>
<td>3.77</td>
<td>14919.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Sun F&amp;C Mutual Fund</td>
<td>3.5</td>
<td>12.8</td>
<td>598.0</td>
<td>691.5</td>
<td>1305.8</td>
<td>-137.5</td>
<td>-22.6</td>
<td>-392.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.19</td>
<td>753.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Kotak Mahindra MF</td>
<td>146.8</td>
<td>657.3</td>
<td>321.2</td>
<td>1125.3</td>
<td>854.9</td>
<td>943.7</td>
<td>1914.7</td>
<td>1066.1</td>
<td>2432.0</td>
<td>1238.0</td>
<td>3128.04</td>
<td>3.21</td>
<td>12702.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Dundee Mutual Fund</td>
<td>10.3</td>
<td>386.1</td>
<td>46.7</td>
<td>443.1</td>
<td>-95.9</td>
<td>-21.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.08</td>
<td>325.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>ING Vysya Mutual Fund</td>
<td>168.1</td>
<td>92.1</td>
<td>260.2</td>
<td>46.0</td>
<td>168.1</td>
<td>880.4</td>
<td>-391.8</td>
<td>665.9</td>
<td>761.6</td>
<td>4166.38</td>
<td>1.65</td>
<td>6556.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>IL&amp;FS Mutual Fund</td>
<td>817.2</td>
<td>-36.7</td>
<td>780.5</td>
<td>326.1</td>
<td>516.2</td>
<td>1298.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.73</td>
<td>2920.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>HDFC Mutual Fund</td>
<td>1248.0</td>
<td>1248</td>
<td>3716.8</td>
<td>2122.4</td>
<td>4657.7</td>
<td>-54.9</td>
<td>3334.7</td>
<td>7140.4</td>
<td>15789.12</td>
<td>9.60</td>
<td>37954.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Standard Chartered MF</td>
<td>737.0</td>
<td>737</td>
<td>2039.9</td>
<td>861.9</td>
<td>2358.6</td>
<td>-256.5</td>
<td>1646.3</td>
<td>1547.2</td>
<td>-1577.44</td>
<td>1.86</td>
<td>7356.96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------</td>
<td>----------------------</td>
<td>------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td>-------------------</td>
<td>--------------------</td>
<td>----------------</td>
<td>----------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>-----------------------</td>
<td>--------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Deutsche Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>HSBC Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Principal Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>ABN AMRO Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>236.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Sahara Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2565.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Quantum Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3031.67</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>AIG Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Fidelity Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>629.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>J.P. Morgan MF</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9096.79</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Lotus Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Mirae Asset Mutual Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41652.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

P: Provisional, MF: Mutual Fund.

Source: Respective MF., RBI-publication.
Birla mutual fund with Rs. 3121.3 crores, Templeton India with Rs. 2506.5 crores and so on.

As regards individual performance of private sector mutual funds inter-se (as shown in Table 3.11) upto 2008P, out of the major funds, Reliance enjoyed maximum confidence of the investors, as there is an increase demand seems from 2002 onwards. Prudential ICICI Mutual Fund is next in the queue and HDFC Mutual Fund followed by AIG Mutual Fund, Birla Sunlife Mutual Fund. The HDFC mutual fund has emerged as second largest player among private mutual funds. Morgan Stanley, the first foreign mutual fund to make an opening in India in the year 1993-94, and dropped in negativity in 2003-04.

3.7.6 Scheme-wise Analysis of Resource/Fund Mobilization

The scheme-wise break-up of mutual funds viz., Income/Debt, Growth/Equity and Balanced has been depicted in Table 3.12. At the end of March 2001, Income/Debt oriented schemes have the major sharing in the mobilization of resources around 67046.26 crores comparatively Growth/Equity oriented schemes having share of 18210.62 Crore and balanced schemes 7700.51 crores. In the year ending March 2008, equity schemes shows a tremendous growth in the funds mobilization of 126286.35 crore which was approximately seven times the growth in 2001 March. In Feb 2009 this amount decreased to 30645.51 crores four times less than the previous year 2008, as the market was affected globally and equity which is the major scheme having return based-decline the share in its funds. On the other hand as the government provide norms regarding interest on government securities which attract the investors to invest in the Debt schemes which further rises to 4766345.95 crores in Feb 2009 to easily mobilize fund. Yet the equity schemes had shown a decline slope in funds but in the coming years they will again attain the good position in the market by educating investors and by making awareness of equity schemes including risk Factor and return.
Table 3.12
Scheme-wise Fund Mobilized

<table>
<thead>
<tr>
<th></th>
<th>Fund Mobilized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Income/Debt Oriented Schemes</strong></td>
<td></td>
</tr>
<tr>
<td>(i) Liquid/Money Market</td>
<td>36211.72</td>
</tr>
<tr>
<td>(ii) Gilt</td>
<td>4160.54</td>
</tr>
<tr>
<td>(iii) Debt (Other than ass. re)</td>
<td>26060.00</td>
</tr>
<tr>
<td>(iv) Debt (assured return)</td>
<td>614.00</td>
</tr>
<tr>
<td><strong>Sub Total (i+ii+iii+iv)</strong></td>
<td>67046.26</td>
</tr>
<tr>
<td><strong>B. Growth/Equity Oriented Schemes</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Structure and Growth of Mutual Funds

<table>
<thead>
<tr>
<th>(i) ELSS</th>
<th>214.01</th>
<th>32.66</th>
<th>21.58</th>
<th>52.72</th>
<th>154.63</th>
<th>3934.62</th>
<th>4668.81</th>
<th>6447.73</th>
<th>2713.22</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii) Others</td>
<td>17996.61</td>
<td>2007.14</td>
<td>4618.01</td>
<td>26642.00</td>
<td>37125.52</td>
<td>82079.03</td>
<td>89682.58</td>
<td>119838.62</td>
<td>27932.30</td>
</tr>
<tr>
<td><strong>Sub Total (i+ii)</strong></td>
<td>18210.62</td>
<td>2039.80</td>
<td>4639.59</td>
<td>26694.72</td>
<td>37280.15</td>
<td>86013.65</td>
<td>94351.39</td>
<td>126286.35</td>
<td>30645.51</td>
</tr>
</tbody>
</table>

### C. Balanced Schemes

| (i) Balanced Schemes | 7700.51 | 476.91 | 394.42 | 2522.75 | 3754.67 | 4006.38 | 4473.23 | 1488.03 | 2505.89 |

### D. Exchange Traded Fund

<table>
<thead>
<tr>
<th>(i) Gold ETF</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii) Other ETFs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub Total (i+ii)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### E. Funds of Funds Investing Overseas

<table>
<thead>
<tr>
<th>(i) Funds of funds Investing Overseas</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grand Total</strong></td>
<td>92957.39</td>
<td>164523.17</td>
<td>314706.19</td>
<td>590189.87</td>
<td>839708.37</td>
<td>1098149.32</td>
<td>1938492.97</td>
<td>4464376.32</td>
<td>4806854.17</td>
</tr>
</tbody>
</table>

### F. Funds of Funds Scheme

|                     | 1189   | 1826.97 | 845.20 | 2854.04 | 356.63 | 217.14 |

**Source:** Securities Exchange Board of India
3.7.7 Factors contributing to the Growth of the Mutual Fund Industry

An Indian Investor who is looking to an investment which allows him to beat the inflation rate, and still not expose him to aggravated risks, and helps him achieve his financial plan, has his work cut out. The stock market has boomed significantly and the risks associated with direct equity investments have escalated too, in such a scenario one investment choice that really stands apart is mutual funds.

The powerful bull market has given the industry a big opportunity for long term growth and consolidation. The journey has just begun and industry is poised to turn a new leaf as witnessed by the increasing penetration and awareness of mutual funds products across the nation. MFs are also doing their best to allure investors by offering innovative products. No doubt superlative returns of recent past may not be sustained going forward, but we still feel mutual funds as an asset class will deliver superior return over a longer period compared to any other investment product. Investors can not afford to ignore it for long and should look to invest in equity mutual funds to earn better returns and also save on time and efforts, which goes in direct investing in shares. Therefore concentrations towards the factors which have its contribution to the growth of the industry are explained below: -

- **Large Market Potential**: The saving rate in India is 23% and the Indian mutual fund Industry is expected to mobilize around 30 per cent of the financial savings over the next five years. Even during 2007-08, net mobilization of resources by mutual funds increased by 63.6 per cent to Rs. 153802 crore over those in 2006-07.

- **Comprehensive Regulatory Framework**: The growth of the mutual fund Industry is also based on the regulatory framework is instructed by AMFI (Association of Mutual of India) and SEBI (securities Exchange Board of India). First Regulation was passed in 1993 and further it revised in 1996. Various standards had been established regarding Accounting, valuations, NAV computation and disclosure. With consultation with AMFI a research party CRISIL was developed for the valuation of bonds, since 2000. Disclosure regarding portfolio will be twice a year. Publications of Half-yearly unaudited and Audited Annual account for the satisfaction of investors as to show that no
window-dressing process is taken into consideration. A simplified form of offer Documents & key information memorandum-important factor to be considered before investing has been taken into consideration. Distributors, Agents of mutual funds have to go through a certification Test to judge their knowledge. Specific Code of Conduct for AMCs & Distributors is instructed by SEBI. Risk Management System which has to be elaborated very comprehensively as this is the primary factor taken into consideration by the investors.

- **Favorable Tax Policies:** Mutual Fund is a non-tax paying entity. Investors investing in it enjoy a certain tax benefits. Under the Debt schemes – The fund pays upfront Dividend Distribution Tax (DDT) @ 141.625% for individuals and @ 22.66% for others, before distribution to Investors. In case of Money Market/Liquid Funds, DDT is payable @ 28.325% Dividend so received, is Tax free in the hands of the investors.

  Investment in Equity oriented Tax saver schemes upto Rs. 1 Lac (US $2300 approx.) with lock in period of 3 years is eligible for deduction from taxable income on Equity Oriented Mutual Fund Schemes-Short Term Capital Gains Tax is 10% and for Long Term it is Nil.

- **Role of Distributors:** In the growth of Mutual Funds, distributors play an important role or we can say that an active role is played by them. Different classes of Distributors are there as Large Corporate Distribution companies, Banks, Private & Partnership Companies, Post offices & Individual Agent Distributors. 70-75% of the total business is contributed by National and Regional Distribution companies and Banks As told earlier that Distributors have to pass AMFI certification test which creates a cadre of trained agent distributors across the country (over 81000). Know a day’s distribution is becoming more and more professional and various code of conduct promotes discipline in this distribution business which is modified by AMFI within the specified time duration.

- **Introduction of New Products:** New product Development is the major part of any Industry than how can Mutual Fund are laid down by ignoring this factor. Earlier Industry started its business with equity, debt and balanced products. Further it launched Liquid/Money Market fund, Sector specific funds, Index
funds, Gilt fund, Capital protection oriented schemes, Funds of Funds. Special category of funds are issued to attract investors like children funds, Education funds, Insurance linked funds, Exchange Traded Funds. Gold ETFS introduced in 2007 year. Not only at the National level but if investors want to invest at international level for them special schemes around 24 have been launched. Real Estate Mutual funds for investment. So if different products with meeting the different preferences of the investors are launched then how can the growth be lack behind?

- **Investor Education Campaign:** Without Awareness or Knowledge regarding any product it can’t be purchased and even consumed, same is the case with the mutual fund. So for this Every Fund House carries out education campaigns through investor meets and seminars etc. Nation wide Advertisement Campaign through Print & Electronic media carried out by Fund Houses. AMFI, right from the beginning initiated in educating investors rather setting fund. Specific Booklet on the concept and working of Mutual Fund issues for the investors to attain their attention towards their Product. Various Trade Bodies, Stock Exchanges regularly conduct Investor Awareness Programmes across the country.

- **Performance Record:** Performance is the base for the investment in the Industry from the investor’s point of view. By and large most funds have provided market related returns. Many have out performed benchmark indices. Various Research agencies had been established like – CRISIL, ICRA, Value Research etc. to represent the performance of any Fund House which Rank the Fund Houses and on this base the investors attract towards the Mutual Fund.

All above factors shows the growth of Mutual Fund Industry. But with a burgeoning middle-class, estimated to be around 200 million, the potential for growth is immense. India’s young population with a median age of 24 has the high saving rate, and the rapidly liberalizing economy is expected to pitchfork the mutual fund sector to a new height.
3.8 CURRENT SCENERIO

The India Mutual Fund has seen the launch of various new and innovative schemes over the last few years. There are 400 plus new fund offers (NFOs) in the financial year 2006-07 (ending March 31, 2007), as against 190 in the previous fiscal. Funds worth Rs. 1.4 trillion were raised through NFOs, as against Rs. 705.83 billion in the previous financial year. Investments in equity schemes shot up by 47 per cent, reflecting the buoyancy in the Indian stock markets. Retail penetration increased and investor base is now expected to be over 2.5 crores. MFs are now among the top 4 investment options. Out of 321 millions paid workers 5.3 million people have invested in MFs (1.65 per cent of the earning population). MFs attract people in the Upper Income range with 40 per cent of such investors earning between Rs. 2 lakhs to Rs. 5 lakhs annually. 77 per cent of investments in MFs came from super metros & class / towns. Middle class income group invest more in MFs as compared to higher income and low income group.

The challenge the industry faces today is lack of understanding of the MF Industry and its products by its retail investors. The retail investor is still evolving in the financial planning space and its only when the retail investors has completely understood the scope of a MF with the increase in penetration, thus making it imperative for the industry to educate its imperative completely and judiciously. Thus, it becomes imperative for the Industry to focus in “Investor Education” and raise the current level of awareness on the product offerings and promote it as an Ideal investment vehicle.

The most important in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by the nationalized bank and smaller private sector players. Many nationalized banks got into the mutual fund business in the early nineties and go off to a good start due to the stock market boom prevailing then. These banks did not really understand the mutual fund business and they just viewed it as another kind of banking activity. Few hired specialized staff and generally choose to transfer staff from the parent organization. Some schemes had offered guaranteed returns and their patent organization had to bail out these AMCs by paying large amount of money the difference between the guaranteed and actual returns. The service level was also bad. Most of these AMCs have not been able to
retain staffs, float, and new schemes etc. and it is doubtful whether barring a few expectations, they have serious plans of continuing the activity in a major way. The experience of some of the AMCs floated by private sector Indian companies was also very similar. They quickly realized that the AMCs business is a business, which makes money in the long term and requires deep pocketed support in the intermediate years. Some have sold out to foreign owned companies, some have merged with the others and there is general restructuring going on.

The foreign owned companies have deep pockets and have come in here with the expectation of a long haul. They can be credited with introducing many new practices such as new product innovation, sharp improvement in the service standards and disclosure, usage of technology, broker education etc. In fact, they have forced the industry to upgrade itself and service levels of the organization like UTI have improved dramatically in the last few years in response to the competition provided by these.

3.9 PROSPECTS OF MUTUAL FUNDS

3.9.1 Mutual Funds: Next step towards Investment

Mutual Funds have enjoyed many years of success and growth on a scale not previously experienced in the financial services industry. Undoubtedly the start of the mutual fund Industry in India was slow but steady. But after such a slow start, the Industry has picked up and is presently going through an interesting phase. The last few years have really been note worthy for the Industry. Today, mutual funds have become popular among the customers and have gained wide acceptability as an investment vehicle among investors. But According to Mr. A.P. Kurian, Chairman, (AMFI), he said that – In the hierarchy of Investment instruments, mutual funds occupy the lowest position. As a percentage of the financial savings of the household sector it used to be between 1 to 2 per cent, in 2006 it went up to 5 per cent. As of December 2007, the number of folios crossed 36 million. But a person can have more than one folio. If you divide the folios by 4 (the size of the average Indian household) we get a million
investors, which is not a very big number. But the Industry is definitely growing thanks to the efforts of the members and the Association.

During the last few years, India’s position as a market with potential for long-term growth has really been noteworthy as the Indian economy is being ranked among the top 10 globally (in terms of GDP), and as the fourth largest in terms of Purchasing Power Parity (PPP). Another good thing to note about Indian mutual fund Industry is that it has growth at a rapid pace of 16.4 per cent in the last eight years as compared to the global growth rate of 13 per cent during the same period. However when it comes to Total Net Assets of Mutual Funds Globally, India have Assets worth 13507 in year 2000 which further rises to 20,364 in year 2002 and rises further to 32,846 in 2004 and 108,582 in year 2007. This is comparatively very less growth in comparison to Australia having net assets worth 341,955 in year 2000 and jumped thrice to 635,073 in 2004 and further 1,192,992 in year 2007. If we have a look of United States having net assets of 6,964,634 in year 2000 and 8,106,939 in year of 2004 and further a tremendous growth of 12,021,027 in the year of 2007.

Mutual Fund Industry is a sunrise Industry and the potentiality for growth is almost unlimited. In an advanced country like USA, as per the above data, the mutual fund Industry is ten times bigger than other countries, what Indian Industry needs is a large number of financial planners to guide investors about the financial services, especially MFs.

A Practical Approach toward MF

Corporate activities in various Industries – ranging from consumer goods, insurance, to healthcare, mutual funds to travel and tourism – are now going through a metamorphosis in the Asian continent. The developed nations can no longer disregard the growing purchasing power of the millions of people in Asia. Marketing practices are getting fine-tuned and exiting developments are on the anvil. As with the global meltdown eroding the sensex , small investors faith in the equity markets – mutual funds, found to be out of favor which can only be tackled through and only by adopting the practical aspects of investing which takes into consideration following points.
- **Professional Management**: The sensex has gone up from 1000 to around 10,000 in two decades. But in the course of two decades the sensex has undergone a sea change. This is where professional management comes in. And an investor gets very useful help through them.

- **Tax efficiency**: Mutual Funds also dole out some ancillary benefits. Many of the funds are tax efficient as compared to other asset classes like physical gold or real estate.

- **Convenience & transparency**: The convenience that MFs offer – in terms of making investments as well as redeeming the same – is another plus point. There are various channels through which one can buy MF units – you can approach the fund house directly or through intermediaries engaged the distribution business.

- **Systematic Approach**: One can choose to invest in MFs through a SIP (Systematic Investment plan) or a systematic Transfer plan (STP) and reap the benefits of rupee cost averaging.

- **Long term benefits**: The sheer convenience of investing and flexibility in transactions will ensure investors interest in MFs for a long duration.

“Success” who avoids this concept in achieving one’s goal lacks one or the other. So every organization whether it’s small – medium or large they adopt this concept very tactfully with the changing market concepts. If we talk practically there is an existence of such concept prevailing in the Mutual Fund Industry.

### 3.10 FUTURE OF MUTUAL FUND IN INDIA-FACT ON GROWTH

Important aspects related to the future of mutual funds in India are:

- The growth rate was 100 per cent in 6 previous years.
- The saving rate in India is 23 per cent.
- There is a huge scope in the future for the expansion of the mutual fund Industry.
- A number of foreign based assets management companies are venturing into Indian markets.
• The Securities Exchange Board of India has allowed the introduction of Commodity mutual funds.
• The emphasis is being given on the effective corporate governance of Mutual Funds.
• The Mutual Funds in India has the scope of penetrating into the rural and semi-urban areas.
• Financial planners are introduced into the market, which would provide the people with better financial planning.

The asset base will continue to grow at an annual rate of about 30 to 35 per cent over the next few years as investor’s shift their asset from banks and other traditional avenues. Some of the older public and private sector players will either close or be taken over. Out of ten public sectors players five will sell out, close down or merge with strong players in three to four years. In the private sector this trend has already started with two mergers and one takeover. Here too some of them will down their shutter in the near future to come.

But this does not mean there is no room for other players. The market will witness a flurry of new players entering the area. There will be a large number of offers from various asset management companies in times to come. Some big names like Fidelity, Principal and Old Mutual etc. are looking at Indian market seriously. The mutual fund industry is awaiting the derivation in India as this would enable it to hedge its risk and this in turn would be reflected in its Net Asset Value (NAV). SEBI is working out the norms for enabling the existing mutual fund scheme to trade in derivatives. Importantly, many market players have called on the Regulator to initiate the process immediately, so that the mutual funds can implement the changes that are required to trade in derivates.

The potential for MF Industry to grow is huge. Currently 77 per cent of the investments in mutual fund come from super metros and Tier I towns. The scenario is most likely to change with everyone expanding. SBI MF alone has more than 100 points of acceptance across India, 28 investor service centers, 45 investor’s service desk and 52 district organizers, a base of over 20000 agents currently. HDFC have their presence in
400 places. UTI already has largest network. What is needed is standardization of operational areas and services like inner fund house swaps, common portals providing single view of investments with the entire Industry, uniform and pooled customer education including investor communication.
REFERENCES


8 SEBI Bulletins 2006-2008