Chapter - II

Structure and Growth of Mutual Fund Industry in India
2.1 Introduction

Mutual funds are the dynamic financial institutions which play a crucial role in the economy by mobilizing savings and investing them in capital market, thus establishing a link between the savings and capital market. Investors have a basic choice to invest directly in individual securities or they can invest indirectly through a financial intermediary. A financial intermediary gathers savings from consumers and invests this money in a portfolio of financial assets.

A mutual fund is a common pool of money into which investors place their contributions that are to be invested in accordance with a stated objective. The ownership of the fund is thus joint or mutual: the fund belongs to all investors. An investor’s ownership of the fund is in same proportion as the amount of the contribution made by him. A mutual fund is an investment vehicle, a company or a trust that pools the resources of thousands of its shareholders or unit holders and invests on behalf of them in diversified securities to achieve the objectives of the scheme.

According to William F. Sharpe, “An investment company that stands ready at all times to purchase its own shares at or near their net asset value is termed as open-end investment company. Most of these companies, commonly known as ‘mutual funds’, also continuously offer new shares to the public for a price or near their net

The money collected from a number of investors is invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus 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.

Historians are uncertain of the origins of investment funds; some cite the closed-end investment companies that were launched in the Netherlands in 1822 by King William I as the first mutual funds, while others point to a Dutch merchant named Adriaan van Ketwich whose investment trust created in 1774 might have given the king the idea. Van Ketwich probably theorized that diversification would increase the appeal of investments to smaller investors with minimal capital. The name of van Ketwich's fund, EENDRAGT MAAKT MAGT, translates to "unity creates strength". The next wave of near-mutual funds included an investment trust launched in Switzerland in 1849, followed by similar vehicles which was followed by many companies in Scotland in the 1880s. The idea of pooling resources and spreading risk using closed-end investments soon took root in Great Britain and France, making its way to the United States in the 1890s. The Boston Personal Property Trust, formed in 1893, was the first closed-end fund in the U.S. The creation of the Alexander Fund in Philadelphia, Pennsylvania, in 1907 was an important step in the evolution toward
what we know as the modern mutual fund. The Alexander Fund featured semi-annual
issues and allowed investors to make withdrawals on demand.

The creation of the Massachusetts Investors' Trust in Boston, Massachusetts,
heralded the arrival of the modern mutual fund in 1924. The fund went public in 1928,
eventually spawning the mutual fund firm known today as MFS Investment
Management. State Street Investors' Trust was the custodian of the Massachusetts
Investors' Trust. Later, State Street Investors started its own fund in 1924 with Richard
Paine, Richard Saltonstall and Paul Cabot at the helm. Saltonstall was also affiliated to
Scudder, Stevens and Clark, an outfit that would launch the first no-load fund in 1928.
A momentous year in the history of the mutual fund, 1928 also saw the launch of the
Wellington Fund, which was the first mutual fund to include stocks and bonds, as
opposed to direct merchant bank style of investments in business and trade.

By 1929, there were 19 open-end mutual funds competing with nearly 700
closed-end funds. With the stock market crash of 1929, the dynamic began to change,
as highly leveraged closed-end funds were wiped out and small open-end funds
managed to survive. Government regulators also began to take notice of the fledgling
mutual fund industry. The creation of the Securities and Exchange Commission
(SEC), the passage of the Securities Act of 1933 and the enactment of the Securities
Exchange Act of 1934 put in place safeguards to protect investors: mutual funds were
required to register with the SEC and to provide disclosure in the form of prospectus.
The Investment Company Act of 1940 put in place additional regulations that required
more disclosures and sought to minimize the grievance of investors of different
conflicts of interest. The mutual fund industry continued to expand. At the beginning

60
of the 1950s, the number of open-end funds topped 100. In 1954, the financial markets overcame their 1929 peak, and the mutual fund industry began to grow in earnest, adding some 50 new funds over the course of the decade.

The 1960s saw the rise of aggressive growth funds, with more than 100 new funds established and billions of dollars in new asset inflows. Hundreds of new funds were launched throughout the 1960s until the bear market of 1969 cooled the public appetite for mutual funds. Money flowed out of mutual funds as quickly as investors could redeem their shares, but the industry's growth later resumed. Massachusetts Investors Trust (now MFS Investment Management) was founded on March 21, 1924, and, after one year, had 200 shareholders and $392,000 in assets. The entire industry, which included a few closed-end funds, represented less than $10 million in 1924. In response to the stock market crash, Congress passed the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws required that a fund be registered with the Securities and Exchange Commission.

2.2 Structure, Mechanism and Regulatory Framework of Indian Mutual Fund

2.2.1 Structure

In India, the mutual fund industry is highly regulated with a view to imparting operational transparency and protecting the investor's interest. In India the structure of a mutual fund is determined by Security Exchange Board of India (SEBI) regulations. These regulations require a fund to be established in the form of a trust under the Indian Trust Act 1882. A mutual fund is typically externally managed; it is now an operating company with employees in the traditional sense. Instead a fund relies upon
third parties either affiliated organizations or independent contractors to carry out its business activities such as investing in securities. A mutual fund operates through a four-tier structure.

The four parties that are involved are Sponsor, Board of trustees, Asset Management Company and Custodian.

**Constituents of a Mutual Fund**

![Diagram of constituents of a mutual fund]

**Sponsor**

A sponsor is a body corporate who establishes a mutual fund. It may be one person acting alone or together with another body - corporate. Additionally, the sponsor should contribute at least 40% to the net worth of the Asset Management Company. However if any person holds 40% or more of the net worth of an AMC, then he shall be deemed to be a sponsor and will be required to fulfill the eligibility criteria specified in the Mutual Find Regulation.
Board of Trustee

Mutual fund requires an independent Board of Trustee, where two-thirds of the trustees should be independent person who are not associated with the sponsor in any manner. The Board of Trustees of the trustee company holds the property of the mutual fund in trust for the benefit of the unit holders. The board of trustees is responsible for protecting the unit holder’s interest.

Asset Management Company

The role of Asset Management Company is highly significant in the mutual fund operation. They are the fund managers i.e. they invest the investors money in various securities (equity, debt and money market instruments, etc.) after proper research of market conditions and the financial performance of individual companies and specific securities in the efforts to meet or beat average market return and analysis. Mutual funds provide an economical way for the average investor to obtain professional money management and diversification of investments much like large institution and wealthy investors. They also look after the administrative functions of a mutual fund for which they charge management fee.

Custodian

Mutual funds require a law to protect their portfolio securities by placing them with a custodian. Nearly all mutual funds use qualified bank custodians. Only a registered custodian under the SEBI regulation can act as a custodian to a mutual fund.
2.2.2 Mechanism of Mutual Fund Operation

The professional manager of a fund invests the collected money in different types of securities for and on behalf of the investors. The investment is based on the objectives for which the money is collected. These could range from shares, debentures to money market instruments. The income earned through these Investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them. The income received is again invested in funds by investors. Thus, a mutual fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in mutual funds. Each mutual fund scheme has a defined investment objective and strategy.

2.2.3 Regulatory Framework of Mutual Fund

SEBI is the regulatory authority of MFs. SEBI has the following broad guidelines pertaining to mutual funds:

- MFs should be formed as a Trust under Indian Trust Act and should be operated by Asset Management Companies (AMCs).
- MFs need to set up a Board of Trustees and Trustee Companies. They should also have their Board of Directors.
- The net worth of the AMCs should be at least Rs.5 crores.
- AMCs and Trustees of a MF should be two separate and distinct legal entities.
- The AMC or any of its companies cannot act as managers for any other fund.
• AMCs have to get the approval of SEBI for its Articles and Memorandum of Association.
• All MF schemes should be registered with SEBI.
• MFs should distribute minimum of 90% of their profits among the investors.

2.3 Types of Mutual Fund Schemes:

Mutual funds schemes are classified into three categories based on maturity period, investment objective and liquidity.

2.3.1 Schemes according to maturity period:

A mutual fund scheme can be classified into open-ended scheme or closed-ended scheme depending on its maturity period.

• Open-ended Fund / Scheme

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are calculated on daily basis. The key feature of open-end schemes is liquidity.

• Closed-ended Fund / Scheme

A closed-ended fund or scheme has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription, only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors some closed-ended funds give an option of selling...
back the units to the mutual fund through periodic repurchase at NAV related
prices. SEBI Regulations stipulate that at least one of the two exit routes is
provided to the investors i.e. either repurchase facility or through listing on
stock exchanges. These mutual funds schemes disclose NAV generally on
weekly basis.

2.3.2 Schemes according to investment objective

A scheme can also be classified as growth scheme, income scheme, or balanced
scheme considering its investment objective. Such schemes may be open-ended or
closed--ended scheme as described earlier. The schemes may be classified mainly as
follows:

➢ **Growth/ Equity oriented scheme**

The aim of growth funds is to provide capital appreciation over the
medium to long-term. Such schemes normally invest a major part of their
corpus in equities. Such funds have comparatively high risks and provide
different options to the investors like dividend option, capital appreciation, etc.
and the investors may choose an option depending on their preferences. The
investors must indicate the option in the application form. The mutual funds
also allow the investors to change the options at a later date. Growth schemes
are good for investors having a long-term outlook seeking appreciation over a
period of time.

➢ **Income / Debt oriented scheme**

The aim of income funds is to provide regular and steady income to
investors. Such schemes generally invest in fixed income securities such as
bonds, corporate debentures, government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However opportunities to capital appreciation are also limited in such funds. The NAVs of such funds are affected by the change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long-term investors may not bother about these fluctuations.

➢ **Balanced Fund**

The aim of balanced fund is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% in equity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

➢ **Money Market or Liquid Fund**

These funds are also income-oriented and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposits, commercial paper and inter-bank call money, government securities, etc., Returns on these schemes fluctuate much less compared to
other funds. These funds are appropriate for individual investors as a mean to park their surplus funds for short periods.

➢ Gilt Fund

These funds invest exclusively in government securities that have no default risk. NAV’s of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

➢ Index Funds

Index fund replicates the portfolio of a particular index such as the BSE sensitive index’s NSE 50 index (nifty), etc. These schemes invest in the securities in the same weightage comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as “tracking error” in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme. There are also exchange traded index funds launched by the mutual funds which are traded on the stock exchanges.

2. 4 Risk Return Grid

Higher the risk, greater the returns / loss and lower the risk, lesser the returns/loss. The risk return grid is given below:
2. 5 Factors Influencing Success of Mutual Fund

The following factors are influencing success of a mutual fund:

**Product Innovation**

Product innovation is an important part of mutual fund industry. Over the years mutual funds have been reshaping the financial landscape of investors, drawing in monies from various segments and providing a whole new range of products with easy access to financial products. Considering the fact that the current regulations provide
ample freedom in terms of product designing and the mutual fund schemes have distinct objectives that characterize them. There is a room for product innovation. While the focus of the industry will remain on the plain vanilla products with add-ons to tackle the changes in the economic environment, the specialty products will help players in creating a niche for them.

**Customer Focus**

Mutual funds especially in the private sectors have set new standards in providing prompt and efficient service to investors by taking advantages of technology. In fact they have redefined the concept of service in the Indian context by helping investors in understanding economic trends and their impact on mutual funds disclosure of portfolio evaluating fund performance, answering questions on specifics of mutual fund investment and offering information/advice through a newsletter etc. Moreover a healthy competition among mutual funds will ensure that the industry continues to innovate to satisfy the needs of mutual funds investors better than even before.

**Market Innovation**

Over a period of time the mutual fund industry has made progress in reaching a situation where investors are encouraged in making informed decision and the seller has to cater to this need. Realizing the fact banks and some of the distributors have started offering tailor made asset allocation service bundled up with other services such as tax advice and a wide range of research services. In other words, they provide supermarkets that allow investor to select from a variety of schemes run by various mutual funds.
Brand Building

As the mutual fund industry continues its effort to achieve consistent growth funds, a strong brand will be in a better position to market their products compared to the competitors. Corporate image would really matter when prospects start, looking at the products, rank them on the basis of image performance services and costs. While there is no short cut for establishing track record both in terms of fund management as well as customer service, a strong brand will ensure increased awareness among investing public and that will encourage distributors to push the products. Moreover, it will take them beyond traditional markets and enable them to expand geographical operations. Therefore, serious players will continue to do a focus and sustained brand building exercise.

Distribution Strategy

In a country as big as India, geographically diversified and densely populated, there is a need to have a network of distribution sufficiently large and varied to tap investment from all corners and segments. The mutual fund industry has already taken several initiatives to sharpen the skills of intermediaries as also find new method of harnessing people’s saving.

Information Technology

The mutual fund industry will have to use the technology to reach masses so that services can be provided in a cost advantageous manner. The development of independent distribution network will be an important element for mutual fund industry. Never in the history of Indian mutual fund industry had the information flows as freely as it does today. The distributors who are not technology savvy will have to act quickly and empower themselves with the growing power of internet.
Information technology has an important role to play in marketing of mutual fund products. In fact, it enables much more sophisticated database marketing leading to better relationship building. Net-based marketing has the potential to be highly relevant, personalized and productive.

2.6 Mutual Funds Have A Significant Economic Function

- As professional fund managers, they allow the prosperity of the share and securities markets to reach the common investors who otherwise find the stock market too complex.
- Mutual funds allow diversification of risk, as the money mobilized is spread across the shares/debentures of various companies of diversified industries.
- Being larger players they can manage the funds at much lower cost than an individual investor can do.
- Apart from participating in primary issues themselves in a big way, mutual funds provide the investors and stock brokers in primary issues an opportunity to pursue other upcoming stocks.
- As large institutional players, they also ensure orderly development of the capital market.

2.7 Advantages of Mutual Fund

Mutual Fund Investments in stocks, bonds and other financial instruments require considerable expertise and constant supervision, to enable an investor to take informed decisions. Small investors usually do not have the necessary expertise and the time to undertake any study that can facilitate decision making. While this is the
predominant reason for the popularity of mutual funds, there are many other benefits that can accrue to small investors. Some of the advantages are listed below:

- **Diversification Benefits**

  Diversified investment improves the risk return profile of the portfolio. Small investors may not have the amount of capital that would allow optimal diversification. Since the corpus of a mutual fund is subsequently big, as compared to individual investments, optimal diversification becomes possible. As the individual investors' capital gets pooled into a mutual fund, all of them are able to derive the benefits of diversification.

- **Low Transaction Costs**

  The transactions of mutual fund are generally very large. These large volumes attract lower brokerage, commissions and other costs as compared to the smaller volumes of the transactions entered into by individual investors. The brokers quote a lower rate of commission due to two reasons. The first is competition for the institutional investors business. The second reason is that the overhead cost for executing a trade do not differ much for large and small orders. Hence, for a large order, these costs spread over a large volume enabling the broker to quote a lower commission rate.

- **Availability of various schemes**

  There are four basic types of mutual funds: equity, bond, hybrid, and money market. Equity funds concentrate their investment in stocks. Similarly bond funds primarily invest in bonds and other securities. Equity, bond, and hybrid funds are called long-term funds. Money market funds are referred to as short-term funds because they invest in securities that generally mature in
about one year or less. Mutual funds generally offer a number of schemes to suit the requirement of the investors.

➤ Professional Management

Management of a portfolio involves continuous monitoring of various securities and the innumerable economic variables that may affect the portfolio’s performance. This requires a lot of time and effort on the part of the investors along with in-depth knowledge of the functioning of the financial markets. Mutual funds are generally managed by knowledgeable experienced professionals whose time is solely devoted to tracking and updating the portfolio. Thus investment in a mutual fund not only saves time and efforts for the investor but also produce better results.

➤ Liquidity

Liquidating a portfolio is not always easy. There may not be a liquid market for all the securities held. In case only a part of the portfolio is required to be liquidated, it may not be possible to see all the securities forming part of the portfolio. A mutual fund generally stands ready to buy and sell its units in a regular basis. Thus, it is easier to liquidate holdings in a mutual fund as compared to direct investment in securities.

➤ Returns

In India dividend received in the hands of the investors is tax free. This enhances the yield on mutual funds marginally as compared to income from other investment options. Also in case of long-term capital gains, the investor gets the benefits of indexation and lower capital gain tax
Flexibility

Mutual fund possesses features such as regular investment plan, regular withdrawal plans and dividend reinvestment plan. Because of these features one can systematically invest or withdraw funds according to one’s needs and convenience.

Well Regulated

All mutual funds are registered with SEBI and they function within the provisions of strict regulations designed to protect the interest of investors. The operations of mutual funds are regularly monitored by SEBI.

2.8 Problems in Mutual Fund

The investors may face the following problems:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees and other expenses regardless of how the fund performs. And depending on the timing of their investment, investors may also have to pay taxes on any capital gain distribution they receive, even if the fund went on to perform poorly.

Lack of Control

Investors typically cannot ascertain the exact make up of a fund’s portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, a person can obtain real time pricing information with relative ease by checking financial websites or by calling the broker. He can also monitor how a stock price changes from hour to hour or
even second to second. By contrast, with a mutual fund the price at which he 
purchase or redeem shares typically depend on the funds NAV which the fund 
might not calculate until many hours after he has placed his order. In general 
mutual funds calculate their NAV atleast once every business day typically 
after the major U.S. exchange closes.

2.9 Growth of Mutual Fund Industry in India

In the recent times the Indian capital market has witnessed new trends, one of 
them being the spectacular growth of mutual funds. As on march 2008, there were 48 
mutual funds and 943 schemes with total assets of Rs.5,05,152 and these funds have 
mobilized substantial amount of the household savings.

The following sections deals with the growth of mutual fund industry:

The growth of the mutual fund industry in India can be divided into four phases 
IV (Beyond 1997).

Phase I commenced with the establishment of UTI in 1964 and the launch of 
Unit Scheme 1964 (US-64). During this phase, UTI was the only institution offering 
mutual fund products and it experienced a consistent growth. UTI’s investible funds, 
at market value (and including the book value of fixed assets) progressively grew 
from Rs.49 crores in 1965 to Rs.219 crores in 1970-71, to Rs.1126 crores in 1980-81 
and further to Rs.5,068 crores by June 1987. By that date, its investor base had also 
grown to about Rs.2 million. During this phase, US-64 became increasingly popular 
as an alternative to bank deposits. Master share, the equity growth fund launched in 
1986 was the first product in India to provide a dedicated vehicle for the entry of small
investors into the equity market. It proved to be a grand marketing success. 1986 also saw the launch of India Fund, the first Indian off-shore fund for overseas investors, which was listed in the London Stock Exchange.

Phase II witnessed the advent of competition in the mutual fund industry with the launch of mutual funds by subsidiaries of the nationalized banks and also of the two insurance corporations viz. Life Insurance Corporation of India and the General Insurance Corporation of India. In 1988, UTI floated another off-shore fund viz. The India Growth Fund which was listed in the New York Stock Exchange. During this phase, there was a dramatic growth in the size of the mutual fund industry with investible funds, at market value, increasing to Rs.53,462 crores and the number of investor accounts increasing to over 23 million. The buoyant equity markets in 1991-92 and tax benefits under Equity-linked Savings Schemes enhanced the attractiveness of equity funds.

Phase III marked the entry of private sector mutual funds including foreign sponsors as also the prescription of mutual fund regulations in 1993 by the Securities and Exchange Board of India. UTI's Master gain, launched in May 1992, was a phenomenal success with subscription of Rs.4,700 crores from 63 lakhs applicants. The investible funds, at market value, of the industry increased to Rs.78,655 crores and the number of investor accounts increased to 50 million. However, the industry entered a relatively sluggish phase from 1995. During 1995 and 1996, as capital market conditions were not conducive, the NAVs of the equity funds showed declines and closed funds traded at a discount to the NAV and, for the first time, investors saw erosion in the value of their investments. Due to the very fast growth in the number of
investor accounts, and the inadequacy of servicing infrastructure like postal services and banking network, the quality of service declined. Both lower returns and decline in service standards led investors to gradually shift away from the mutual fund industry and average annual sales declined from about Rs.13,000 crores in 1991-94 to about Rs.9,000 crores in 1995 and 1996.

Phase IV witnessed the initial year’s significant growth in the mutual fund industry aided by a more positive sentiment in the capital market, significant tax benefits and improvement in the quality of investor service. Investible funds, at market value, of the industry rose by June 2000 to over Rs.110,000 crores with UTI having 68% of the market share. During 1999-2000, sales mobilization reached a record level of Rs.73, 000 crores as against Rs.31,420 crores in the preceding year. This trend has however sharply reversed in 2000-2001 and investible funds at market value have declined and there have been significant declines in the NAVs of funds.

To analyze the growth of mutual fund industry in India, the following areas have been identified: Assets under Management, Resource mobilization, Number of schemes issued, Number of investors and trend in mutual fund transactions. Further analysis have been made under the following categories:

a. **Assets under Management**
   i. Sector Wise
   ii. Scheme wise

b. **Resource Mobilization**
   i. Sector Wise
   ii. Scheme wise
c. Number of Schemes Issued
   i. Open-ended schemes
   ii. Closed-ended schemes

d. Number of investors
   i. All Schemes
   ii. Open ended schemes
   iii. Closed-ended schemes

e. Trend in mutual fund Transactions.

2.10 Assets Under Management

Assets Under Management are one of the important factors used to estimate and analyze the growth of mutual fund industry. This section attempts to analyze the growth of Assets Under Management through schemes and sectors.

2.10.1 Assets under Management - Sector Wise

The growth of Assets Under Management during the study period has been analysed sector wise i.e. public sector – banks sponsored and institution, private sector – Indian, Indian and foreign Joint venture and UTI. The total assets of mutual fund industry are given in the following table:
The data relating to sector wise Assets Under Management for the period 2003-2004 to 2007-2008 is presented in table 2.1. In the year 2007-2008, out of the total Assets Under Management of Rs.5,05,152.44 crores, the private sector mutual fund are having a lion's share of 82.28% whereas the public sector mutual funds amounted to only 17.72%. During the study period the Total Assets Under Management has shown an increasing trend. In the year 2005-06, the growth rate of both the public (56.78%) and private (54.50%) sectors have seen a tremendous increase in the assets. The highest Annual Compound Growth Rate has been achieved
by private sector mutual funds (40.36%), whereas UTI’s growth was found to be the least with an Annual Compound Growth Rate of 23.79% during the study period.

2.10.2 Assets Under Management – Scheme Wise

The growth of Assets Under Management has been analysed based on open-ended and closed-ended schemes and is given in the following table:
Table – 2.2
Growth in Assets Under Management (Scheme-Wise)

(Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth/ Equity Oriented Schemes</th>
<th>Income/Debt Oriented Schemes</th>
<th>Balanced Schemes</th>
<th>Grand Total (Rs.)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Open (Rs.)</td>
<td>Close (Rs.)</td>
<td>Total (Rs.)</td>
<td>Growth Rate (%)</td>
<td>Open (Rs.)</td>
</tr>
<tr>
<td>2003-04</td>
<td>108584.71</td>
<td>1669.97</td>
<td>110254.68</td>
<td>-</td>
<td>22643.27</td>
</tr>
<tr>
<td></td>
<td>(77.77%)</td>
<td>(1.20%)</td>
<td>(78.97%)</td>
<td></td>
<td>(16.22%)</td>
</tr>
<tr>
<td>2004-05</td>
<td>98052.32</td>
<td>8197.29</td>
<td>106249.61</td>
<td>-3.63</td>
<td>35813.78</td>
</tr>
<tr>
<td></td>
<td>(65.54%)</td>
<td>(5.48%)</td>
<td>(71.02%)</td>
<td></td>
<td>(23.94%)</td>
</tr>
<tr>
<td>2005-06</td>
<td>95513.83</td>
<td>29398.93</td>
<td>124912.76</td>
<td>17.57</td>
<td>91498.15</td>
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<td></td>
<td>(41.19%)</td>
<td>(12.68%)</td>
<td>(53.87%)</td>
<td></td>
<td>(39.46%)</td>
</tr>
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<td>2006-07</td>
<td>105156.35</td>
<td>88428.33</td>
<td>193584.67</td>
<td>54.98</td>
<td>104755.33</td>
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<tr>
<td></td>
<td>(32.23%)</td>
<td>(27.10%)</td>
<td>(59.33%)</td>
<td></td>
<td>(32.10%)</td>
</tr>
<tr>
<td>2007-08</td>
<td>216132.60</td>
<td>96864.44</td>
<td>312997.04</td>
<td>61.68</td>
<td>136384.99</td>
</tr>
<tr>
<td></td>
<td>(42.9%)</td>
<td>(19.2%)</td>
<td>(62.1%)</td>
<td></td>
<td>(27.2%)</td>
</tr>
<tr>
<td>ACGR (%)</td>
<td>18.78</td>
<td>175.97</td>
<td>29.80</td>
<td></td>
<td>56.66</td>
</tr>
</tbody>
</table>

Source: AMFI Publications
Data relating to scheme-wise Assets Under management for the period of 2003-2004 to 2007-2008 is presented in table-2. It is observed that investors prefer open-ended funds over closed-ended funds. In the entire period of study, assets under management of the open-ended funds dominated the assets under management of the closed-ended funds. The growth rate of equity oriented schemes has shown an increasing trend. In the year 2007-2008, of the total Assets under Management 62.1% are mobilized through growth / equity oriented schemes, followed by 34.4% from income/debt oriented schemes and only 3.5% from balanced schemes. Further it can be observed that the Annual Compound Growth Rate of income/debt oriented schemes (61.68%) is high when compared to growth/equity oriented and balanced schemes.

2.11 Resource Mobilization

This section attempts to analyze the growth of resource mobilization during the study period, based on sectors and schemes.

2.11.1 Resource Mobilization - Sector Wise

The total resources mobilized by mutual fund industry under private sector, UTI and other public sector funds over the study period are given below:
**Table – 2.3**

Growth in Resource Mobilization – Sector Wise  
(Rs in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total (Rs.)</th>
<th>Growth Rate(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UTI (Rs.)</td>
<td>Growth Rate (%)</td>
<td>Others (Rs.)</td>
<td>Growth Rate (%)</td>
</tr>
<tr>
<td>2003-04</td>
<td>1667</td>
<td>(3.56%)</td>
<td>2597</td>
<td>(5.55%)</td>
</tr>
<tr>
<td></td>
<td>(-2722)</td>
<td>(-123.67%)</td>
<td>(-2677)</td>
<td>(-121.63%)</td>
</tr>
<tr>
<td>2004-05</td>
<td>3424</td>
<td>(6.49%)</td>
<td>6379</td>
<td>(12.09%)</td>
</tr>
<tr>
<td></td>
<td>(-225.79)</td>
<td>(-1.40%)</td>
<td>(-338.29)</td>
<td>(-67.09%)</td>
</tr>
<tr>
<td>2005-06</td>
<td>7326</td>
<td>(7.79%)</td>
<td>7621</td>
<td>(8.11%)</td>
</tr>
<tr>
<td></td>
<td>(113.96)</td>
<td>(1.89%)</td>
<td>(19.47)</td>
<td>(2.59%)</td>
</tr>
<tr>
<td>2006-07</td>
<td>9820</td>
<td>(6.38%)</td>
<td>10677</td>
<td>(6.94%)</td>
</tr>
<tr>
<td></td>
<td>(34.04)</td>
<td>(1.59%)</td>
<td>(40.10)</td>
<td>(2.28%)</td>
</tr>
<tr>
<td>ACGR (%)</td>
<td>55.79</td>
<td></td>
<td>42.39</td>
<td>(2.18%)</td>
</tr>
</tbody>
</table>

Source: AMFI Publications

Resources mobilized by mutual funds from different sectors are given in table 2.3. In the last three years, there has been an increasing trend in the resource mobilization by all the companies. In the case of private sector the resource mobilization has increased in the year 2007-08 which is nearly double that of the previous year. In the year 2004-05 all the sectors have shown decreasing trend. In the year 2007-08, resource mobilized by private sector is 86.68%, which has shown tremendous growth compared to other two sectors. But the ACGR of UTI has shown the highest percentage of 55.79%.
2.11.2 Resource Mobilization – Scheme Wise

The following table furnishes the amount of resources mobilized under open-ended schemes and closed-ended schemes.

Table- 2.4
Resource Mobilization– Scheme Wise
(Rs in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Open Ended (Rs.)</th>
<th>Growth Rate (%)</th>
<th>Close ended (Rs.)</th>
<th>Growth Rate (%)</th>
<th>Total (Rs.)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>46033</td>
<td>-</td>
<td>775</td>
<td>-</td>
<td>46808</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(98.34%)</td>
<td></td>
<td>(1.66%)</td>
<td></td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>-3972</td>
<td>-108.63</td>
<td>6173</td>
<td>6.97</td>
<td>2201</td>
<td>-95.30</td>
</tr>
<tr>
<td></td>
<td>(-180.46%)</td>
<td></td>
<td>(280.46%)</td>
<td></td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>2005-06</td>
<td>257.83</td>
<td>-749.12</td>
<td>26996</td>
<td>337.32</td>
<td>52779</td>
<td>22.98</td>
</tr>
<tr>
<td></td>
<td>(48.85%)</td>
<td></td>
<td>(51.15%)</td>
<td></td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>23900</td>
<td>-7.30</td>
<td>70085</td>
<td>159.61</td>
<td>93985</td>
<td>78.07</td>
</tr>
<tr>
<td></td>
<td>(25.43%)</td>
<td></td>
<td>(74.57%)</td>
<td></td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>133454</td>
<td>458.38</td>
<td>20348</td>
<td>-70.96</td>
<td>153802</td>
<td>63.64</td>
</tr>
<tr>
<td></td>
<td>(86.77%)</td>
<td></td>
<td>(13.23%)</td>
<td></td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>ACGR (%)</td>
<td>30.49</td>
<td>126.36</td>
<td>34.64</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AMFI Publications

Table 2.4 shows scheme-wise resource mobilization. Even though the ACGR of close-ended schemes (126.36%) is higher than the open-ended schemes (30.49%) in the year 2007-08, resource mobilization of open-ended schemes is six times, more than the closed ended schemes. However, in the last three years the resource mobilized have been on the positive side. Major portion of the resource mobilized is under open-ended schemes. During the study period the growth rate of total resource mobilization (78.07%), is at the highest in the year 2006-07.
2.12 Schemes Issued

In case of open-ended schemes, the units of a fund are issued by the operator of the fund and after allotment also the units of the fund remain open for sale and repurchase by the issuing organizations. In case of closed-ended schemes the corpus of the schemes and the number of units are determined in advance. Through the public issue the units are offered to the investors. After the date of closure, the entry to the scheme is closed with fixed redemption period. Under this section the growth of mutual fund industry is analyzed based on the number of schemes issued over the study period.

2.12.1 Open ended schemes

The number of open-ended schemes issued over the study period is analyzed based on the investment objectives like income, equity, balanced, liquid and money market, gilt, and equity linked schemes. The details are given in table 2.5.
<table>
<thead>
<tr>
<th>Year</th>
<th>Income (Nos)</th>
<th>Growth Rate (%)</th>
<th>Equity (Nos)</th>
<th>Growth Rate (%)</th>
<th>Balanced (Nos)</th>
<th>Growth Rate (%)</th>
<th>Liquid &amp; Money Market (Nos)</th>
<th>Growth Rate (%)</th>
<th>Gilt (Nos)</th>
<th>Growth Rate (%)</th>
<th>ELSS (Nos)</th>
<th>Growth Rate (%)</th>
<th>Total (Nos)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>120</td>
<td>-</td>
<td>124</td>
<td>-</td>
<td>34</td>
<td>-</td>
<td>36</td>
<td>-</td>
<td>30</td>
<td>-</td>
<td>19</td>
<td>-</td>
<td>363</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(33.06%)</td>
<td>(34.16%)</td>
<td>(36.97%)</td>
<td>(9.37%)</td>
<td>(9.92%)</td>
<td>(8.26%)</td>
<td>(100%)</td>
<td>(5.23%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td>(100%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>131</td>
<td>9.2</td>
<td>149</td>
<td>20.2</td>
<td>34</td>
<td>0</td>
<td>39</td>
<td>8.3</td>
<td>30</td>
<td>0</td>
<td>20</td>
<td>5.3</td>
<td>403</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>(32.51%)</td>
<td>(36.97%)</td>
<td>(9.37%)</td>
<td>(8.44%)</td>
<td>(9.68%)</td>
<td>(8.36%)</td>
<td>(100%)</td>
<td>(4.96%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td>(100%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-06</td>
<td>139</td>
<td>6.1</td>
<td>190</td>
<td>27.5</td>
<td>34</td>
<td>0</td>
<td>45</td>
<td>15.4</td>
<td>29</td>
<td>-3.3</td>
<td>26</td>
<td>14.9</td>
<td>463</td>
<td>14.9</td>
</tr>
<tr>
<td></td>
<td>(30.02%)</td>
<td>(41.04%)</td>
<td>(7.34%)</td>
<td>(9.72%)</td>
<td>(9.72%)</td>
<td>(5.77%)</td>
<td>(100%)</td>
<td>(5.62%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td>(100%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>133</td>
<td>-4.3</td>
<td>206</td>
<td>8.4</td>
<td>34</td>
<td>0</td>
<td>55</td>
<td>22.2</td>
<td>28</td>
<td>-3.4</td>
<td>29</td>
<td>11.5</td>
<td>485</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>(27.42%)</td>
<td>(42.47%)</td>
<td>(7.01%)</td>
<td>(11.34%)</td>
<td>(10.02%)</td>
<td>(7.1)</td>
<td>(100%)</td>
<td>(9.88%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td>(100%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>209</td>
<td>57.1</td>
<td>221</td>
<td>7.3</td>
<td>31</td>
<td>-8.8</td>
<td>58</td>
<td>5.5</td>
<td>30</td>
<td>7.1</td>
<td>30</td>
<td>3.4</td>
<td>579</td>
<td>19.4</td>
</tr>
<tr>
<td></td>
<td>(36.1%)</td>
<td>(38.17%)</td>
<td>(5.35%)</td>
<td>(10.02%)</td>
<td>(10.02%)</td>
<td>(5.18%)</td>
<td>(100%)</td>
<td>(5.18%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td>(100%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACGR (%)</td>
<td>14.88</td>
<td>15.54</td>
<td>-2.28</td>
<td>12.66</td>
<td>0</td>
<td>12.10</td>
<td>12.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AMFI Publications
During the study period, number of open-ended schemes issued have shown an increasing trend. The Annual Compound Growth Rate of equity oriented schemes (15.54%) is very high, followed by Income oriented schemes (14.88%) and -2.28 in the case of balanced schemes. In the study period growth rate of equity oriented schemes has shown a decreasing trend, but the number of open-ended schemes issued under equity oriented schemes shows upward trend for the subsequent years.

2.12.2 Closed-Ended Schemes

The number of schemes issued under the category like Income, Equity, Balanced and ELSS is given in the following table.

Table – 2.6
Growth in Schemes Issued – Closed Ended Schemes

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (Nos)</th>
<th>Growth rate (%)</th>
<th>Equity (Nos)</th>
<th>Growth rate (%)</th>
<th>Balanced (Nos)</th>
<th>Growth Rate (%)</th>
<th>ELSS (Nos)</th>
<th>Growth Rate (%)</th>
<th>Total (Nos)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>11 (27.5%)</td>
<td>-15.4</td>
<td>2 (5%)</td>
<td>-</td>
<td>3 (7.5%)</td>
<td>-</td>
<td>24 (60%)</td>
<td>-</td>
<td>40 (100%)</td>
<td>-</td>
</tr>
<tr>
<td>2004-05</td>
<td>28 (58.33%)</td>
<td>154.5</td>
<td>2 (4.17%)</td>
<td>0</td>
<td>1 (-66.7)</td>
<td>17 (35.42%)</td>
<td>48 (100%)</td>
<td>17 (-29.2)</td>
<td>20 (100%)</td>
<td>20 (100%)</td>
</tr>
<tr>
<td>2005-06</td>
<td>112 (86.82%)</td>
<td>300 (3.1%)</td>
<td>4 (1.55%)</td>
<td>100 (8.53%)</td>
<td>11 (-35.3)</td>
<td>129 (100%)</td>
<td>168.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>234 (86.67%)</td>
<td>108.9 (7.78%)</td>
<td>21 (1.48%)</td>
<td>425 (4.07%)</td>
<td>100 (100%)</td>
<td>470 (100%)</td>
<td>109.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>297 (81.59%)</td>
<td>26.9 (13.46%)</td>
<td>49 (1.65%)</td>
<td>133.3 (3.3%)</td>
<td>50 (100%)</td>
<td>316 (100%)</td>
<td>34.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>127.95 122.48</td>
<td>18.92 (18.92%)</td>
<td>-15.91 (15.91%)</td>
<td>73.68 (73.68%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AMFI Publications
The number of closed-ended schemes issued is presented in table-2.6. The total number of closed-ended schemes has shown an increasing trend. The Annual Compound Growth Rate of Income oriented schemes (127.95) is at the highest followed by Equity oriented schemes (122.48). However, the growth in Balanced schemes is very low (18.92%). ELSS has recorded a substantial fall during the period and the average fall is around 16%.
2.13 Number of Investors

There are different types of investors in mutual funds. They are categorized as individuals, NRIs, Foreign Institutional Investors, Corporate and Institutions. Among them the individual investors are more in number. As on March 31, 2008, there were around 4.40 crores investors. Under this section the growth of mutual fund industry is analyzed based on the types of investors in the mutual funds during the study period.

2.13.1 Number of investors – All schemes

The total number of investors is grouped under Debt schemes, Equity schemes, Balanced schemes and Fund of funds. Table 2.7 furnishes the details.
### Table 2.7

Growth in Number of Investors – All Schemes

<table>
<thead>
<tr>
<th>Year</th>
<th>Liquid /Money Market (Nos)</th>
<th>Growth Rate (%)</th>
<th>Gilt Growth Rate (%)</th>
<th>Growth Rate (%)</th>
<th>Debt Growth Rate (%)</th>
<th>Total Growth Rate (%)</th>
<th>ELSS Growth Rate (%)</th>
<th>Growth Others (Nos)</th>
<th>Growth Rate (%)</th>
<th>Total Growth Rate (%)</th>
<th>Growth Rate (%)</th>
<th>Balanced Funds Growth Rate (%)</th>
<th>Growth Rate (%)</th>
<th>Fund of Funds Growth Rate (%)</th>
<th>GRAND TOTAL (Nos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>48889</td>
<td>0.33</td>
<td>77714</td>
<td>24.98</td>
<td>267927</td>
<td>381750</td>
<td>1203312</td>
<td>45.8</td>
<td>8033568</td>
<td>54.67</td>
<td>2792226</td>
<td>(19)</td>
<td>52384</td>
<td>(0.36)</td>
<td>14695708</td>
</tr>
<tr>
<td>2005</td>
<td>104748</td>
<td>0.75</td>
<td>46391</td>
<td>22.26</td>
<td>3094555</td>
<td>-15.70</td>
<td>3245694</td>
<td>-14.98</td>
<td>1064622</td>
<td>-18.31</td>
<td>7976453</td>
<td>(55.37)</td>
<td>1558553</td>
<td>(11.21)</td>
<td>58445</td>
</tr>
<tr>
<td>2006</td>
<td>127523</td>
<td>0.58</td>
<td>30220</td>
<td>12.59</td>
<td>2748926</td>
<td>-11.17</td>
<td>2906669</td>
<td>-10.45</td>
<td>2616706</td>
<td>145.79</td>
<td>14622070</td>
<td>(66.99)</td>
<td>1642770</td>
<td>(7.53)</td>
<td>39167</td>
</tr>
<tr>
<td>2007</td>
<td>204482</td>
<td>0.67</td>
<td>25361</td>
<td>9.63</td>
<td>2931846</td>
<td>-16.08</td>
<td>3161689</td>
<td>8.77</td>
<td>4489006</td>
<td>71.55</td>
<td>20887341</td>
<td>(68.58)</td>
<td>42.85</td>
<td>(83.32)</td>
<td>1828671</td>
</tr>
<tr>
<td>2008</td>
<td>187302</td>
<td>0.43</td>
<td>24041</td>
<td>6.92</td>
<td>2778400</td>
<td>-5.20</td>
<td>2989743</td>
<td>-5.44</td>
<td>7173578</td>
<td>59.81</td>
<td>30592281</td>
<td>(69.58)</td>
<td>46.46</td>
<td>(85.9)</td>
<td>2953725</td>
</tr>
<tr>
<td>ACGR</td>
<td>39.90</td>
<td>-29.57</td>
<td>-6.37</td>
<td>-5.93</td>
<td>53.17</td>
<td>46.01</td>
<td>47.25</td>
<td>1.42</td>
<td>48.60</td>
<td>31.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Figures in parenthesis are the percentage to total) Source: AMFI Publications
The total number of investors in Mutual fund schemes has shown an increasing trend while the number of investors in Debt schemes has decreased in all the years except in 2007. In Gilt schemes also the number of investors has decreased. Equity schemes have shown positive growth in all the years and it seems that investors prefer to invest more in equity schemes than in Debt and Gilt schemes. However, the total number of investors in the fund of funds is gradually increasing. The Debt schemes have shown the highest Annual Compound Growth Rate of 93.27% followed by Equity oriented schemes (47.25).

2.13.2 Number of Investors – Open ended schemes

Table 2.8 presents the number of investors in different schemes under open-ended schemes.
Table – 2.8
Growth in Number of Investors – Open Ended Schemes

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INCOME/DEBT ORIENTED SCHEMES</th>
<th>GROWTH / EQUITY ORIENTED SCHEMES</th>
<th>BALANCED SCHEMES</th>
<th>FUND OF FUNDS</th>
<th>GRAND TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Liquid/ Money Market Rate (%)</td>
<td>Growth Rate (%)</td>
<td>Growth Rate (%)</td>
<td>Growth Rate (%)</td>
<td>Total (Nos)</td>
</tr>
<tr>
<td>2004</td>
<td>48889 (0.38)</td>
<td>97714 (0.76)</td>
<td>3670127 (28.61)</td>
<td>3816730 (29.76)</td>
<td>338427 (2.64)</td>
</tr>
<tr>
<td>2005</td>
<td>104748 (0.84)</td>
<td>114.26</td>
<td>46391 (0.37)</td>
<td>308995 (24.71)</td>
<td>3240134 (25.92)</td>
</tr>
<tr>
<td>2006</td>
<td>127523 (0.64)</td>
<td>30229 (0.15)</td>
<td>3086642 (12.92)</td>
<td>2744385 (13.71)</td>
<td>2744385 (13.71)</td>
</tr>
<tr>
<td>2007</td>
<td>204482 (0.79)</td>
<td>25361 (0.1)</td>
<td>2670288 (10.36)</td>
<td>2900131 (11.25)</td>
<td>2744385 (13.71)</td>
</tr>
<tr>
<td>2008</td>
<td>187302 (0.54)</td>
<td>-8.40</td>
<td>24041 (0.07)</td>
<td>239941 (6.92)</td>
<td>2610575 (7.53)</td>
</tr>
<tr>
<td>ACGR</td>
<td>39.90</td>
<td>-29.57</td>
<td>-10.08</td>
<td>-9.06</td>
<td>15.24</td>
</tr>
</tbody>
</table>

(Figures in parenthesis are the percentage to total) Source: AMFI Publications
Table 2.8 shows that the total number of investors in open-ended schemes have accounted for an increasing trend. There is a significant growth rate in the number of investors in fund of funds. There is a negative growth rate in the debt-oriented schemes compared to other schemes. The equity oriented schemes have shown the highest Annual Compound Growth Rate (46.81%), followed by balanced schemes (43.72%). In open-ended schemes, the Annual Compound Growth Rate in number of investors in Equity schemes (46.81%) is at the highest, compared to all other schemes. But in closed-ended schemes, Debt-oriented schemes have shown the highest Annual Compound Growth Rate (366.53%).

The growth rate of private sector mutual funds in all the selected criteria is found to be at the highest compared to public sector mutual funds during the study period.

2.13.3 Number of investors – Closed-ended schemes

Table 2.9 presents the number of investors in different schemes under closed-ended schemes.
### Table 2.9

**Growth in Number of Investors – Closed – Ended Schemes**

<table>
<thead>
<tr>
<th>Year</th>
<th>INCOME/DEBT ORIENTED SCHEMES</th>
<th>GROWTH / EQUITY ORIENTED SCHEMES</th>
<th>FUND OF FUNDS</th>
<th>GRAND TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt (Nos)</td>
<td>Growth Rate (%)</td>
<td>Total (Nos)</td>
<td>Growth Rate (%)</td>
</tr>
<tr>
<td>2004</td>
<td>800</td>
<td>0.04</td>
<td>800</td>
<td>964885</td>
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<tr>
<td></td>
<td>(0.04)</td>
<td>(51.61)</td>
<td>(0.04)</td>
<td>(44.23)</td>
</tr>
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<td>655985</td>
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<td></td>
<td>(0.4)</td>
<td>(46.98)</td>
<td>(0.4)</td>
<td>(52.77)</td>
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<tr>
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<td>162284</td>
<td>8.98</td>
<td>162284</td>
<td>611202</td>
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<td></td>
<td>(8.98)</td>
<td>(33.82)</td>
<td>(8.98)</td>
<td>(57.1)</td>
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<td>5.6</td>
<td>261558</td>
<td>745270</td>
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<td></td>
<td>(5.6)</td>
<td>(15.95)</td>
<td>(5.6)</td>
<td>(75.56)</td>
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<td>1205800</td>
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<td></td>
<td>(4.07)</td>
<td>(44.90)</td>
<td>(4.07)</td>
<td>(81.22)</td>
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<td>ACGR (%)</td>
<td>366.53</td>
<td>5.73</td>
<td>366.53</td>
<td>73.89</td>
</tr>
</tbody>
</table>

(Figures in parenthesis are the percentage to total)
Source: AMFI Publications

95
Table 2.9 shows that the total number of investors in closed-ended schemes have accounted for an increasing trend except in the year 2005-06. The Annual Compound Growth Rate of the total investors in all the schemes is positive. Compared to other schemes the Annual compound Growth Rate of Debt-oriented schemes (336.53%) is at the highest, followed by Fund of Funds (324.17%).

2.14 Trends in Mutual Fund Transactions

Table 2.10 furnishes the trend in mutual fund transactions during the study period 2003-04 to 2007-08.
Data relating to net purchases/sales of equity and debt, by mutual funds during the period 2003-04 to 2007-08 is presented in table-2.10. From the year 2003-04, the gross purchases of equity is more than the gross sales, there by making their net investment in equity positive. Gross Purchase in the year 2005-06 is remarkable as the total purchases of equity crossed Rs.100000crores. It is also evident that in the mutual fund companies, net purchases in debt are always higher than the net purchases in equity which emphasizes that the investors are interested in the debt oriented schemes over the equity oriented schemes.
2.15 Conclusion

The mutual fund industry has witnessed a tremendous growth during 2003-04 to 2007-08. It is observed that there is a significant growth in the industry in terms of Assets under Management, Resource mobilization, Number of schemes issued, Number of investors and Trends in mutual fund transactions.

A number of factors lead to the boom in the mutual fund industry in India. One of the important factors is the entry of private players in the market. The resource mobilized by the mutual funds in private sector, public sector including UTI have tremendously increased during the year 2003-04 to 2007-08. The total amount of resource mobilized have grown from Rs.46,809 crores in 2003-04 to 1,53,802 crores in 2007-08. The Annual Compound Growth Rate of resource mobilization during the study period is 34.64%. With regard to scheme wise resource mobilization, a major share of the resource mobilized is under the open-ended schemes.

In the case of Assets Under Management, the total assets of the entire industry has increased during the study period. The Annual Compound Growth Rate of private sector (343.45%) is higher during the study period.

With regard to number of schemes issued, Open – ended schemes is higher compared to closed-ended schemes. In open-ended schemes the Annual Compound Growth Rate of equity share is higher (15.54%) followed by income schemes (14.88%) when compared to other Balanced and Debt schemes. In the closed-ended schemes, the Annual Compound Growth Rate of income schemes is higher (127.95%) followed by equity schemes (122.48%) when compared to Balanced and ELSS schemes.
The number of investors is higher in equity schemes compared to all other schemes. Investor’s preference to Debt schemes especially Gilt schemes has decreased. Equity schemes have shown the highest growth rate, while Gilt and Debt schemes have shown negative growth rate. In the trend in mutual fund transactions, 2005-06 is the remarkable year, as the total purchase of equity crossed Rs.100000crores. So far as the growth of mutual fund industry in India is concerned, the growth rate of the private sector in all the selected criteria for the study is found to be higher than public sector mutual funds.