CHAPTER-III

MUTUAL FUNDS INDUSTRY IN INDIA – AN OVERVIEW

In this chapter an attempt has been made to study the theoretical aspects relating to the mutual fund in PART – A and profile of the selected mutual fund in PART-B.

PART - A

3.1. INTRODUCTION:

Mutual funds are one of the most favored investment routes for the small and medium investors across the world. Ideally, mutual funds provide opportunities for small investors to participate in the capital market without assuming a very high degree of risk. An important principle of investment in the capital market is diversification. A small investor is not able to have a diversified portfolio mainly due to the paucity of resources.

Basically, mutual funds are institutions that mobilize resources from the small investors. The savings of small investors are, thereafter, utilized to purchase the securities of companies and corporations. It is, thus, an institutional arrangement for resource mobilization from small, marginal and household sector investors. Such accumulated funds are utilized to acquire shares and securities of reputed companies. Mutual funds become a major vehicle for mobilization of savings, particularly from small and household sectors, for the investment in stock market. The Importance of mutual funds has been increasing in the capital market by expanding the investors base. In the 1992-93 budget, the finance Minister proposal to allow to set up mutual funds in joint and private sectors has further gained the momentum and significance for the mutual funds.
A mutual fund is an institutional device or an investment vehicle through which, the investors pool their funds under the direction of an investment manager. These funds are invested in a wide variety of portfolios of securities in such a way as to minimize risk, while ensuring safety and steady return. A mutual fund is an institutional device to bridge the gap between the supply and demand of capital in the market.

Mutual fund is the major types of investment companies. Investment companies are financial intermediaries (middlemen) that pool the funds of investors who are seeking some general investment objective and invest them in a number of frequently traded different types of securities (e.g., common stock, bonds, money market securities). These pooled funds provide thousands of investors with proportional ownership of diversified portfolios which are operated by the professional investment manager.

A mutual fund is an institutional arrangement wherein savings of millions of investors are pooled together for investment in a diversified portfolio of securities to spread risk and ensure steady return. These funds bring a wide variety of securities within the reach of the most modest of investors. It is essentially a mechanism of pooling together savings of a large number of investors for collective investment with an approved objective of attractive yield and appreciation in value. The mutual funds offer different investment objectives such as growth, income and tax planning.

India is the fifth largest economy in the world and it ranks above France, Italy, the United Kingdom, and Russia. It has the third largest GDP in Asia. It is the second largest of the emerging nations. India is also one of the few markets in the world which offer high prospects of growth and earning potential in all sectors of business. The Indian capital market has been increasing tremendously during last few years. With the reforms of the economy, reforms of industrial
policy, public sector, and the financial sector, the economy has been opened up and many developments have been taking place in the Indian capital market. In order to help the small investors, the mutual fund industry has come and occupies an important place³.

Mutual funds are financial intermediaries that pool the financial resources of investors and invest those resources in portfolios of assets⁴.

Mutual funds are basically institutional arrangement for pooling of funds from small investors and invest them in the best financial instruments. A mutual fund is a trust that pools the saving of a number of investors who share 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 instruments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Mutual funds help small and medium size investors to participate today’s complex and modern financial scenario. The advantages for the investors are a reduction in risk, expert professional management, diversified portfolios, the liquidity of the investment, a variety of schemes and tax benefits⁵.

3.2. ORIGIN OF MUTUAL FUND:

The history of mutual funds institutions is very old in other countries particularly in Europe and America and they are operating very successfully for the last five decades in these countries. In the very beginning, Egyptians and Phoenicians started selling shares in vessels and caravans to share the risk involved in this transactions⁶.

Mutual funds originated in Belgium, where, in 1882, a company was started to finance investments in national industries associated with high risks under the name of “Societe Generale de Belgique”. In the 1860s, this movement spread to England. In 1868, the ‘Foreign
and Colonial Government Trust’ was formed to spread risks for investors over a large number of securities. The history of mutual funds started in the USA from the beginning of the 20th century. In the beginning, investments companies were formed in America. The first open-end investment company was formed in America in 1924. After World War II, due to great depression, the growth of these investment companies curtail towards the end of the 1920s. ‘Massachusetts Investors Trust’ (MIT) organized the first modern mutual fund, State Street Investment Corporation is the second followed just four months later in 1928, first ‘Investment counsel Trust’, now ‘Scudder Income Fund’ was organized as a first no-load fund7.

Mutual funds emerged during the 1920’s in Canada when many close-ended investment companies were organized. The Canadian Investment Fund’ was the first mutual fund set up in Canada in 1932. Subsequently, hundreds of mutual funds emerged and expanded their wings in many countries in Europe, the Far East and Latin America8.

3.3. CONCEPT OF MUTUAL FUND:

A Mutual Fund is a trust registered with the Securities and Exchange Board of India (SEBI), which pools up the money from individual/corporate investors and invests the same on behalf of the investors/unit holders, in equity shares, government securities, bonds, call money markets etc. and distribute the profits. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. This pooled income is professionally managed on behalf of the unit-holders, and each investor holds a proportion of the portfolio i.e., entitled not only to profits when the securities are sold but also subject to any losses in value as well.
A Mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The Mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When you invest in mutual funds, you are buying units or portions of the mutual fund and thus on investing becomes a shareholder or unit holder of the fund.

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

A mutual fund is a form of collective investment that pools money from many investors and invests their money in stock, bonds, short-term money market instruments, and/or other securities. In a mutual fund, the fund manager trades the funds underlying securities, realizing capital gains or losses, and collects the dividend or interest income. The investment proceeds are then passed along to the individual investors. The value of a share of the mutual fund, known as the net asset value per share (NAV), is calculated daily based on the total value of the fund divided by the number of shares currently used and outstanding.

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.10.

The chart given below indicates the concept of mutual fund

**Chart-3.1**

**Concept of Mutual Fund**

1. Many investors with common financial objectives pool their money
2. Investors, on a proportionate basis, get mutual fund units for the sum contributed
3. The money collected from investors is invested into shares, debentures and other securities by the fund manager
4. The fund manager realizes gains or losses, and collects dividend or interest income
5. Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units held by them

Source: www.appuonline.com

3.4. **DEFINITION OF MUTUAL FUND:**

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 monies 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”

According to the Mutual Fund Fact Book (Published by the Investment Company Institute of the U.S.) “A Mutual Fund is a service organization that receives money from shareholders, invests it, earns returns on it, attempts to make it grow and agrees to pay the shareholder cash on demand for the current value of his investment”.

A non-depository or nonbanking financial intermediary which acts as an important vehicle for bringing wealth holder and deficit units together, indirectly, is known as ‘Mutual Fund’. Mutual fund is corporations that accept money from savers and then use this money to buy stocks, long-term bonds, and short-term debt instruments issued by business or Government units. These corporations pool funds and thus reduce risk by diversification.

Encyclopedia American defines the concept of a mutual fund as, “Mutual funds are open-end investment companies that invest shareholders money in a portfolio of securities. They are an open end in that they normally offer new share to the public on a continuing that they are always able to sell their shares back to the fund at net asset value that is the present market value of the portfolio behind each outstanding share”.

3.5. CHARACTERISTICS OF MUTUAL FUND:

Some noteworthy distinctiveness of mutual funds which are considered to be universal in nature irrespective of the type of fund is summarized as under.

3.5.1. Mobilization of funds: Mutual fund helps to mobilize the savings of small investor by launching schemes which are specially designed to meet their investment preferences. In this way, the scattered savings of small investors are accumulated
into a common fund of considerable amount and then invested in a number of financial instruments available in the capital market. Hence, the retail investors get an opportunity to participate in the prosperity of a large number of companies.

3.5.2. Diversification of risks: Mutual funds with the collected funds from small investors can ensure diversification. The investment collected from various investors of a mutual fund scheme are invested in the scrip of a number of companies so as to make certain the diversification of the portfolio, which results in the diminution of the magnitude of risk.

3.5.3. Allocation of returns with fellow investors: Returns earned on the plentiful of scrip of various companies, that constitute the portfolio of a mutual fund scheme are distributed among the investors after the deduction of administration expenditure. The degree of returns earned depends on the value of the underlying portfolio and as well on the proceeds earned on the various scrips that make up the portfolio of an individual investor.

3.5.4. Expert services: Mutual fund employs experts and professional managers to take the investment decision and to efficiently manage the portfolio of the individual investors. Thus, the professional insight and the dynamic approach towards the investment of the resources provide these managers an edge over the individual investor.

![Chart-3.2](chart.png)

Source: www.amfiindia.com
3.6. HISTORY OF MUTUAL FUND INDUSTRY IN INDIA:

Mutual funds came into existence in India with the setting up of UTI under UTI Act, 1963. The mutual fund industry in India started in 1963 with the formulation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank.

The history of mutual funds in India can broadly divided into five distinct phases.

**Chart-3.3**

**History of Mutual Fund**

- **Phase-I: Establishment and Growth (1964-1987)**
- **Phase-II: Entry of Public Sector Funds (1987-1993)**
- **Phase-III: Emergence of Private Sector Funds (1993-1996)**
- **Phase-IV: Growth and SEBI Regulations (1996-2004)**
- **Phase-V: Growth and Consolidation (2004 Onwards)**

Source: Compiled.

The origin of mutual fund industry in India is with the introduction of the concept of a mutual fund by UTI in the year 1963. Though the growth was slow, but it accelerated from the year 1987 when non-UTI players entered the industry.
In the past decade, Indian mutual fund industry had seen a dramatic improvement, both quality-wise as well as quantity-wise. Before, the monopoly of the market had seen an ending phase; the Asset Under Management (AUM) was 67 billion. The private sector entry to the fund family raised the AUM to 470 billion in March 1993 and as on March 2013 total mutual funds are around 43 in numbers with approximately in Rs. 8,16,657 crores as Assets Under Management.

3.6.1 First Phase – 1964 to 1987 (Establishment and Growth):

Unit Trust of India enjoyed complete monopoly when it was established in the year 1963 by an act of Parliament. UTI was set up by the Reserve Bank of India and it continued to operate under the regulatory control of the RBI until the two were de-linked in 1978 and the entire control was transferred in the hands of Industrial Development Bank of India (IDBI). UTI launched its first scheme in 1964, named as Unit Scheme 1964 (US-64), which attracted the largest number of investors in any single investment scheme over the years. US-64 helped to fulfill the twin objectives of mobilizing retail savings and investing those savings in the capital market and passing on the benefits so accrued to the small investors.

UTI launched more innovative schemes in the 1970s and 80s to suit the needs of different investors. It launched ULIP in 1971, six more schemes between1981-84, Children’s Gift Growth Fund and India Fund (India’s first offshore fund) in 1986, Mastershare (India’s first equity diversified scheme) in 1987 and Monthly Income Schemes (offering assured returns) during the 1990s. At the end of 1988, UTI’s assets under management grew ten times to Rs.6,700 crores.

Following table provides the Net assets of Indian Mutual Fund Industry (UTI) from1964-1987.
### Table-3.1

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets</th>
<th>Annual Growth Rate (%)</th>
<th>Net Accretion of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964-65</td>
<td>24.67</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1965-66</td>
<td>25.94</td>
<td>5.15</td>
<td>1.27</td>
</tr>
<tr>
<td>1966-67</td>
<td>33.86</td>
<td>30.53</td>
<td>7.92</td>
</tr>
<tr>
<td>1967-68</td>
<td>48.70</td>
<td>43.83</td>
<td>14.84</td>
</tr>
<tr>
<td>1968-69</td>
<td>65.40</td>
<td>34.29</td>
<td>16.70</td>
</tr>
<tr>
<td>1969-70</td>
<td>88.30</td>
<td>35.02</td>
<td>22.90</td>
</tr>
<tr>
<td>1970-71</td>
<td>105.14</td>
<td>19.07</td>
<td>16.84</td>
</tr>
<tr>
<td>1972-73</td>
<td>141.96</td>
<td>19.03</td>
<td>22.70</td>
</tr>
<tr>
<td>1973-74</td>
<td>172.09</td>
<td>21.22</td>
<td>30.13</td>
</tr>
<tr>
<td>1974-75</td>
<td>169.95</td>
<td>-1.24</td>
<td>-2.14</td>
</tr>
<tr>
<td>1975-76</td>
<td>176.66</td>
<td>3.95</td>
<td>6.71</td>
</tr>
<tr>
<td>1976-77</td>
<td>206.84</td>
<td>17.08</td>
<td>30.18</td>
</tr>
<tr>
<td>1977-78</td>
<td>279.91</td>
<td>35.33</td>
<td>73.07</td>
</tr>
<tr>
<td>1978-79</td>
<td>393.70</td>
<td>40.65</td>
<td>113.79</td>
</tr>
<tr>
<td>1979-80</td>
<td>455.30</td>
<td>15.65</td>
<td>61.60</td>
</tr>
<tr>
<td>1980-81</td>
<td>513.97</td>
<td>12.89</td>
<td>58.67</td>
</tr>
<tr>
<td>1981-82</td>
<td>679.24</td>
<td>32.16</td>
<td>165.27</td>
</tr>
<tr>
<td>1982-83</td>
<td>870.24</td>
<td>28.12</td>
<td>191.00</td>
</tr>
<tr>
<td>1983-84</td>
<td>126.33</td>
<td>44.94</td>
<td>391.09</td>
</tr>
<tr>
<td>1984-85</td>
<td>2209.61</td>
<td>75.18</td>
<td>948.28</td>
</tr>
<tr>
<td>1985-86</td>
<td>3218.34</td>
<td>45.65</td>
<td>1008.73</td>
</tr>
<tr>
<td>1986-87</td>
<td>4563.68</td>
<td>41.80</td>
<td>1345.34</td>
</tr>
</tbody>
</table>

Source: UTI Factbook.
Table 3.1 shows the net assets of the Indian mutual fund industry (UTI) from 1964-65 to 1986-87. The net investable fund of UTI mutual fund industry is increased from Rs.24.67 crores in the year 1964-65 to Rs. 4563.68 crores in 1986-87. Net accretion of funds is increased from Rs. 1.27 crores in the year 1964-65 to Rs.1345.34 crores in 1986-87. The same information has been graphically represented.

**Graph-3.1**


### 3.6.2 Second Phase – 1987 to 1993 (Entry of Public Sector Funds):

The 1980s witnessed the beginning of the process of liberalization of the industrial sector by the Government of India, in pursuit of faster industrial and economic development. This not only brought in changes in the environment for Indian industries, corporate sector and the capital market but also led to the emergence of demand for newer financial services such as issue management, corporate counselling etc. Once it became apparent that its development objectives could not be met solely by using financial
institutions and commercial banks, the Government removed the monopoly in the mutual fund industry in 1987 by permitting large number of companies to raise funds through equity market and encouraging equity ownership through tax incentives. The following table provides the data pertaining to resource mobilization by the UTI and other public sector mutual funds during the period from 1987-1993 and the below table presents the data pictorially.

**Table-3.2**

**Cumulative Resources Mobilized by UTI and Other Public Sector Mutual Funds from 1987-88 to 1992-93**

(Rs. in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>UTI Mutual Fund</th>
<th>Other Public Sector Mutual Funds</th>
<th>Total</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-87</td>
<td>4563.88</td>
<td>-</td>
<td>4563.88</td>
<td>-</td>
</tr>
<tr>
<td>1987-88</td>
<td>6738.81</td>
<td>132</td>
<td>6870.81</td>
<td>50.55</td>
</tr>
<tr>
<td>1988-89</td>
<td>11834.65</td>
<td>1621</td>
<td>13455.65</td>
<td>95.84</td>
</tr>
<tr>
<td>1989-90</td>
<td>17650.92</td>
<td>1480</td>
<td>19130.92</td>
<td>42.18</td>
</tr>
<tr>
<td>1990-91</td>
<td>21376.48</td>
<td>1784.99</td>
<td>23161.47</td>
<td>21.07</td>
</tr>
<tr>
<td>1991-92</td>
<td>31805.69</td>
<td>6167.78</td>
<td>37973.47</td>
<td>63.95</td>
</tr>
<tr>
<td>1992-93</td>
<td>38976.81</td>
<td>8756.69</td>
<td>47733.50</td>
<td>25.70</td>
</tr>
</tbody>
</table>

Source: Mutual Fund Yearbook 2000

The above table 3.2 clearly shows the cumulative resources mobilized by UTI and other public sector mutual funds has been increased from Rs.4563.88 crores in the year 1986-87 to Rs.47733.50 crores during the year 1992-93. The same information has been depicted with the help of graph.
Thus, after two decades of UTI monopoly, the mutual fund industry began to include some more players, though all of them from the public sector. State Bank of India Mutual Fund was the first followed by the Canara Bank Mutual Fund (December 1987), Punjab National Bank Mutual Fund (August 1989), Indian Bank Mutual Fund (November 1989), Bank of India (June 1990), Bank of Baroda Mutual Fund (October 1992), Life Insurance Corporation of India in 1989 and General Insurance Company in 1990. The end of 1993 resource mobilized by mutual funds industries was Rs.47733.50 crores. However, UTI remained to be the leader with about 80% market share.
Table-3.3  
Phase-II of Mutual Fund Industry

(Rs. in Crores)

<table>
<thead>
<tr>
<th></th>
<th>Amount Mobilized</th>
<th>Asset Under Management</th>
<th>Mobilisation as % of Gross Domestic Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTI MF</td>
<td>11,057</td>
<td>38,247</td>
<td>5.2%</td>
</tr>
<tr>
<td>Public Sector MF</td>
<td>1,964</td>
<td>8,757</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,021</strong></td>
<td><strong>47,004</strong></td>
<td><strong>6.1%</strong></td>
</tr>
</tbody>
</table>

Source: AMFI website.

From the above Table 3.3 it is evident that during the year 1992-93 amount mobilized by UTI mutual fund and public sector mutual fund is Rs. 13,021 crores and asset under management is Rs.47,004 crores. The mobilisation of gross domestic savings is 6.1 percent.

3.6.3 Third Phase – 1993 to 1996 (Emergence of Private Sector Funds):

In the history of mutual funds, a new era was started with the entry of private sectors in the mutual funds industry during 1993-1996. During this period, private domestic and foreign players were allowed in the mutual fund industry. Finally, in the year 1992-93, the Government allowed private sector player to setup the mutual fund.

As a result, a number of private sectors mutual funds came up. With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund family, some of them are Kothari Pioneer Mutual Fund, ICICI Mutual Fund, Birla Mutual Fund, Morgan Stanly Mutual Fund etc.
Also, 1993 was the year in which the first mutual fund Regulations came into being, under which all mutual funds, except UTI, were to be registered and governed. The erstwhile Kothari Pioneer which is now merged with Franklin Templeton was the first private sector mutual fund registered in July 1993. The rising number of mutual and increasing competition in the industry offers investors a wide choice, as a result, they began to give investors improved services.

The private sector funds provided an added benefit to the investor as these were generally setup as a partnership or the joint venture with foreign mutual funds. The latter provided the technology and experience in managing the funds.

Thus, it was the phase of private sector funds entering in mutual fund market thereby affecting investors, providing sufficient choice of fund, numerous managers as well as a big flow of funds.

**Table-3.4**

**Net Resources Mobilized By Private Sector Mutual Funds**

*(From 2007-08 to 2012-13) (Rs. in Billion)*

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Mutual Fund</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>07-08</td>
</tr>
<tr>
<td>1.</td>
<td>AIG Global Invest.</td>
<td>31.65</td>
</tr>
<tr>
<td>2.</td>
<td>AXIS</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Benchmark</td>
<td>30.56</td>
</tr>
<tr>
<td>4.</td>
<td>BOI AXA</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>Birla Sun Life</td>
<td>138.31</td>
</tr>
<tr>
<td>6.</td>
<td>BNP Paribus</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Baroda Pioneer</td>
<td>-0.38</td>
</tr>
<tr>
<td>8.</td>
<td>CRB Mutual Fund</td>
<td>2.95</td>
</tr>
<tr>
<td>9.</td>
<td>Deutsche</td>
<td>35.75</td>
</tr>
<tr>
<td>10.</td>
<td>DSP BlackRock</td>
<td>46.55</td>
</tr>
<tr>
<td>11.</td>
<td>Edelweiss MF</td>
<td>-15.77</td>
</tr>
<tr>
<td>12.</td>
<td>Escorts Mutual Fund</td>
<td>0.61</td>
</tr>
<tr>
<td>13.</td>
<td>Fidelity Mutual Fund</td>
<td>20.50</td>
</tr>
<tr>
<td>14.</td>
<td>Fortis Mutual Fund</td>
<td>17.81</td>
</tr>
<tr>
<td>15.</td>
<td>Franklin Templeton</td>
<td>17.53</td>
</tr>
<tr>
<td>16.</td>
<td>Goldman Sachs</td>
<td>-</td>
</tr>
</tbody>
</table>
Table 3.4 clearly shows the net resources mobilized by private sector mutual funds which is decreased from Rs. 1586.74 billion in the year 2007-08 to Rs. 825.23 billion during 2012-13.

3.6.4 Fourth Phase –1996 to 2004 (Growth and SEBI Regulations):

The mutual fund industry witnessed robust growth and stricter regulation from the SEBI after the year 1996. The mobilisation of funds and the number of players operating in the industry reached new heights as investors started showing more interest in mutual funds. Investors interests were safeguarded by SEBI and the Government offered tax benefits to the investors in order to encourage them. SEBI (Mutual Funds) Regulations, 1996 was introduced by SEBI that set uniform standards for all mutual funds in India. The
Union Budget in 1999 exempted all dividend incomes in the hands of investors from income tax. Various investor awareness programmes were launched during this phase, both by SEBI and AMFI, with an objective to educate investors and make them informed about the mutual fund industry. In February 2003, the UTI Act was repealed and UTI was stripped of its special legal status as a trust formed by an Act of Parliament.

The primary objective behind this was to bring all mutual fund players on the same level. UTI was re-organised into two parts: 1) The specified undertaking, 2) The UTI mutual fund.

**Graph-3.3**

**Growth in Asset Under Management**

Presently Unit Trust of India operates under the name of UTI mutual fund and its past schemes (like US-64, Assured Return Schemes) are being gradually wound up. However, UTI mutual fund is still the largest player in the industry. In 1999, there was a significant growth in mobilisation of funds from investors and assets under management which is supported by the following data:
### Table-3.5

Net Resources Mobilized by Mutual Funds from 1973-74 to 2013-14

(Rs. in Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>UTI Mutual fund</th>
<th>Bank sponsored Mutual fund</th>
<th>FII-sponsored Mutual fund</th>
<th>Private Sector Mutual Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>0.31</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.31</td>
</tr>
<tr>
<td>1974-75</td>
<td>0.17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.17</td>
</tr>
<tr>
<td>1975-76</td>
<td>0.29</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.29</td>
</tr>
<tr>
<td>1976-77</td>
<td>0.35</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.35</td>
</tr>
<tr>
<td>1977-78</td>
<td>0.73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.73</td>
</tr>
<tr>
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<td>3.15</td>
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<td>1996-97</td>
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<td>1.37</td>
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<td>Year</td>
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<td>Bank sponsored Mutual fund</td>
<td>FII-sponsored Mutual fund</td>
<td>Private Sector Mutual Funds</td>
<td>Total</td>
</tr>
<tr>
<td>--------</td>
<td>----------------</td>
<td>----------------------------</td>
<td>---------------------------</td>
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<td>7.49</td>
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<td>-0.89</td>
<td>5.47</td>
<td>20.67</td>
<td>26.95</td>
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<td>1999-00</td>
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<td>2.96</td>
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<td>2000-01</td>
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<td>111.36</td>
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<td>4.06</td>
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<td>2003-04</td>
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<td>7.06</td>
<td>-33.84</td>
<td>79.33</td>
<td>27.88</td>
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<tr>
<td>2005-06</td>
<td>34.24</td>
<td>53.65</td>
<td>21.12</td>
<td>415.81</td>
<td>524.82</td>
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<td>2006-07</td>
<td>73.26</td>
<td>30.33</td>
<td>42.26</td>
<td>794.77</td>
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<td>2007-08</td>
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<td>75.97</td>
<td>21.78</td>
<td>1382.24</td>
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<tr>
<td>2008-09</td>
<td>-41.12</td>
<td>44.89</td>
<td>59.54</td>
<td>-305.38</td>
<td>-242.07</td>
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<td>2009-10</td>
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<td>98.55</td>
<td>48.71</td>
<td>479.68</td>
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<tr>
<td>2012-13</td>
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<td>72.32</td>
<td>13.12</td>
<td>624.57</td>
<td>749.38</td>
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<tr>
<td>2013-14</td>
<td>4.01</td>
<td>48.44</td>
<td>25.72</td>
<td>467.90</td>
<td>546.07</td>
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</table>


Table 3.5 clearly shows the net resources mobilized by UTI, bank sponsored, FII sponsored and private sector mutual funds industries which is increased from Rs.0.31 billion during the year 1973-74 to Rs.1586.77 billion during 2007-08 and there is fall down Rs. 546.07 billion in the year 2013-14. The same information has been drawn with the help of graph.
3.6.5 Fifth Phase - 2004 Onwards (Growth and Consolidation):

After the year 2003, during this phase, the flow of funds into the mutual funds industry considerably increased. This was due to tax benefits and improvement in the quality of investor service which has resulted in a positive growth in the mutual fund industry in India. However, in the year 2003, due to the revocation of the Unit Trust of India Act, 1963, UTI was bifurcated into two separate entities. This phase is known for the division of UTI into separate entities. The phase had harsh experience for UTI. It was divided into two separate entities. One is the specified undertaking of the Unit Trust of India; running under the supervision and the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund Ltd, sponsored by State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BOB) and Life Insurance Corporation of India (LIC). It is registered with SEBI and function under the Mutual Fund Regulations. With the division of the former UTI which had in March 2000 more than Rs.76,000 crores of AUM (Asset Under Management)
and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth.

**Table 3.6**

*Net Assets of Mutual Fund Industry in India (2004 – 2012)*

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>UTI MF</th>
<th>Other MF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Annual Growth Rate (%)</td>
<td>Amount</td>
</tr>
<tr>
<td>2004-05</td>
<td>20617</td>
<td>-</td>
<td>118999</td>
</tr>
<tr>
<td>2005-06</td>
<td>20740</td>
<td>0.60</td>
<td>128860</td>
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<tr>
<td>2006-07</td>
<td>29519</td>
<td>42.33</td>
<td>202343</td>
</tr>
<tr>
<td>2007-08</td>
<td>37613</td>
<td>27.42</td>
<td>321484</td>
</tr>
<tr>
<td>2008-09</td>
<td>48983</td>
<td>30.23</td>
<td>489525</td>
</tr>
<tr>
<td>2009-10</td>
<td>48754</td>
<td>-0.47</td>
<td>444531</td>
</tr>
<tr>
<td>2010-11</td>
<td>80218</td>
<td>64.54</td>
<td>667307</td>
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<tr>
<td>2011-12</td>
<td>67189</td>
<td>-16.24</td>
<td>633349</td>
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<tr>
<td>2012-13</td>
<td>58922</td>
<td>-12.30</td>
<td>605870</td>
</tr>
<tr>
<td>Total</td>
<td>4,12,555</td>
<td>-</td>
<td>36,12,268</td>
</tr>
</tbody>
</table>

Source: Data compiled from AMFI monthly

The above Table 3.6 reveals the net assets of mutual funds industry in India from 2004-05 to 2012-13. The net asset of UTI and other mutual funds has been increased from Rs.139616 crores in the year 2004-05 to Rs.664792 crores during year 2012-13. The same information has been graphically represented.
3.7. ORGANISATION OF A MUTUAL FUND:

The organization of a mutual fund is how the mutual funds are controlled by various entities. A number of entities are involved in the organization of a mutual fund. This helps in the proper management of the mutual fund portfolio.

The organization of a mutual fund contains entities such as:
1. Sponsors of Mutual Funds
2. Investment Management Company or Asset Management Company
3. The Trustees
4. Board of directors
5. Mutual Fund Shareholders
6. Transfer Agents
7. SEBI
8. Association of Mutual Funds in India (AMFI)
Mutual funds operations in India involve the following entities: the unit holder, sponsor, trustees, the asset management companies, the custodian and the registrars and transfer agent. There are many entities involved and the diagram below illustrates the organizational set up of a mutual fund.

**Chart No: 3.4**

**ORGANISATIONAL SETUP**

Source: www.finance.indiamart.com

The organization consists of the following entities:

**3.7.1 Unit holder:**

Unit holder means a participant in the scheme of a mutual fund.

**3.7.2 Sponsor:**

The sponsor of mutual funds is a promoter of a company. The sponsor may be a bank, a financial institution, or financial service company. It may be Indian or foreign. SEBI Regulation, 1996 contains a certain provision regarding the sponsor of the mutual funds. As per the definitions of SEBI Regulation Act 1996, “A sponsor is any person while acting alone or combination with another body corporate who establishes a mutual fund”. The sponsor should have a sound track record and general reputation of fairness and integrity in all his
business and transaction. The regulations specify that the sponsor should contribute at least 40% to the net worth of the AMC.

3.7.3 Trustees:

A trust is a national entity that cannot contract in its own name, so the trust enters into contracts in the name of trustees. Appointed by the sponsor, the trustee can be either individuals or a corporate body. As per 1996 regulations, a mutual fund shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, duly registered under the provisions of the Indian registration Act, 1908 (16 of 1908), executed by the sponsor in favour of trustees named in such instruments. The mutual fund is managed by the board of trustees, or Trustee Company, and the sponsor executes the trust deeds in favour of the trustee. Money is raised by the mutual fund by the sale of units under various schemes as per SEBI guidelines.

3.7.4 Assets Management Company:

It is also referred to as investment manager, is a separate company appointed by the trustees to run the mutual funds. According to Regulation 20(d) of SEBI (mutual funds) Regulations, 1993, an “Asset Management Company” means a company formed and registered under Company Act, 1956 and approved by the board under Regulation 20 of the Company Act. The asset management company shall be authorized for business by SEBI on the basis of following criteria:

- AMCs, which already exist, should have a soundtrack record, fairness in dealing coupled with a good reputation.
- The Director of AMCs should have ten years of professional experience in relevant field and a man of high integrity.
- The board of the asset management company should have at least 50 percent, independent director.
- The AMC should have minimum net worth of Rs. 5 crores.
3.7.5 Custodian:

The custodian handles the investment back office operations of a mutual fund. As per SEBI Regulation 1996, the mutual fund shall appoint a custodian for carrying out custodial services for schemes of the fund and intimate the same to SEBI within fifteen days of the appointment of the custodian. The responsibilities of custodians are as follows:

- Receipt and delivery of securities
- Holding of securities.
- Collecting income
- Holding and processing cost

3.7.6 Registrar and Transfer agent:

The transfer agents are appointed by the mutual fund companies for the purpose of maintaining records of the shareholders. The maintenance of the shareholder’s accounts, calculation of dividends to be the disbursed, sending information to the shareholders of the account statements, notices and income tax information. Some of the transfer agents sends information to the shareholders transactions and account balances. They also maintain customer service departments in order the cater to the queries of the shareholders.

The registrars and transfer agents handle investors related services such as issuing units, sending fact sheet and annual reports and so on. Some funds handle such function in-house, while other outsource it to SEBI registrars and transfer agents.

3.7.7 SEBI:

The primary aim of the Securities Exchange Board of India is to protect the interest of the mutual fund investors. The SEBI has formulated several policies for better functioning and controls the mutual funds. In the year 1993, SEBI issued guidelines pertaining to
the mutual funds. All mutual funds, the private sector and public sector are regulated by the guidelines of the SEBI. The Asset Management Company managing the funds has to be approved by the SEBI.

**3.7.8 Association of Mutual Funds in India (AMFI):**

It was set up on 22nd August 1995. It was established with the aim to function as a non-profit organization. This association is the chief governing body of all Asset Management Companies (AMC) and is registered with Securities and Exchange Board of India (SEBI).

With the increase in mutual fund players in India, a need for mutual fund association was generated to function as a non-profit organisation. Hence Association of Mutual Funds in India (AMFI) was incorporated on 22nd August 1995. AMFI is as the apex of all Asset Management Companies which has been registered with SEBI. All the AMCs that have launched mutual fund scheme are its members till date. It functions under the supervision and guidelines of its board of directors. AMFI has brought the Indian mutual fund industry to a professional and healthy market with ethical lines enhancing and maintaining standards. It follows the principles of both protecting and promoting the interest of mutual funds as well as their unit holders.\textsuperscript{13}

The structure of a mutual fund in India presented in the following chart 3.5.
3.8. THE SPONSORS OF ASSOCIATION OF MUTUAL FUNDS IN INDIA:

In India currently there are 44 mutual funds industries are participated. The following are major sponsors of Association of Mutual Funds in India (AMFI). They are classified into bank sponsored, institutions, private sector India, predominantly India joint ventures, and predominantly foreign joint ventures are listed in below and managed by Association of Mutual Funds in India(AMFI).

Major Mutual Funds Players is managed by Association of Mutual Funds in India (AMFI):

A. Bank Sponsored
   1. **Joint Ventures - Predominantly Indian**
      1. BOI AXA Investment Managers Private Limited
      2. Canara Robeco Asset Management Company Limited
      3. SBI Funds Management Private Limited
      4. Union KBC Asset Management Company Private Limited
   2. **Joint Ventures - Predominantly Foreign**
      5. Baroda Pioneer Asset Management Company Limited
   3. **Others**
      6. IDBI Asset Management Ltd.
      7. UTI Asset Management Company Ltd

B. **Institutions**
   1. **Joint Ventures - Predominantly Indian**
      8. LIC NOMURA Mutual Fund Asset Management Company Limited
   2. **Indian**
      9. IIFCL Asset Management Co. Ltd.

C. **Private Sector**
   1. **Indian**
      10. Deutsche Asset Management(India) Pvt. Ltd.
      11. Escorts Asset Management Limited
      12. IL&FS Infra Asset Management Limited
      13. India Infoline Asset Management Co. Ltd.
      15. JM Financial Asset Management Private Limited
      16. Mahindra Asset Management Company Limited(KMAMCL)
      17. L&T Investment Management Limited
18. Motilal Oswal Asset Management Company Limited  
19. Peerless Funds Management Co. Ltd.  
20. PPFAS Asset Management Pvt. Ltd.  
21. Quantum Asset Management Company Private Limited  
22. Reliance Capital Asset Management Ltd.  
23. Sahara Asset Management Company Private Limited  
24. Shriram Asset Management Co. Ltd.  
26. Sundaram Asset Management Company Limited  
27. Tata Asset Management Limited  
28. Taurus Asset Management Company Limited  

2. Foreign  
29. BNP Paribas Asset Management India Private Limited  
30. Franklin Templeton Asset Management (India) Private Limited  
31. Goldman Sachs Asset Management (India) Private Limited  
32. Mirae Asset Global Investments (India) Pvt. Ltd.  
33. Pramerica Asset Managers Private Limited  

3. Joint Ventures - Predominantly Indian  
34. Axis Asset Management Company Ltd.  
35. Birla Sun Life Asset Management Company Limited  
36. DSP BlackRock Investment Managers Private Limited  
37. HDFC Asset Management Company Limited (Corporate Identification Number - U65991MH1999PLC123027)  
38. ICICI Prudential Asset Mgmt.Company Limited  
39. IDFC Asset Management Company Limited  
40. Religare Invesco Asset Management Company Private Limited  

4. Joint Ventures - Predominantly Foreign  
41. HSBC Asset Management (India) Private Ltd.  
42. ING Investment Management (India) Pvt. Ltd.  
43. JPMorgan Asset Management India Pvt. Ltd.  
44. Principal Pnb Asset Management Co. Pvt. Ltd.
The legal structure of Indian mutual funds as laid down by SEBI is shown in below figure.

**Chart-3.6**

**Structure of Mutual Fund Industry in India:**

![Diagram of Mutual Fund Industry Structure]


**3.9. BENEFITS OF MUTUAL FUND:**

The following are the benefits of mutual funds summarized as below.

**3.9.1. Investment Avenue:** One of the basic characteristics of a mutual fund is that it provides an ideal avenue for investment for persons of small means, and enables them to earn a reasonable return with the advantages of relatively better liquidity. It offers investors a proportionate claim on the portfolio of assets that fluctuate in value in comparison to the value of the assets that comprise the portfolio.
3.9.2. **Professional Management:** It provides the services of experienced and skilled professionals, backed by a dedicated investment research team that analyses the performance and prospects of companies and selects suitable investments to achieve the objectives of the scheme.

3.9.3. **Mobilizing Small Savings:** It mobilizes funds by selling their own shares, known as units. To any investor, a unit in mutual funds means ownership of a proportional share of securities in the portfolio of a mutual fund. This gives the benefit of convenience and the satisfaction of owning shares in many industries. Thus, mutual funds are primarily investment intermediaries to acquire individual investments and pass on the returns to small fund investors.

3.9.4. **Diversified Investment:** Diversified investment of funds in various industry segments spread across the country. This is beneficial to small investors who cannot afford to have the shares of highly established companies due to high market price. Hence, mutual funds allow millions of investors to have an investment in a variety of securities of many different companies.

3.9.5. **Better Liquidity:** It offers to its investors the benefit of better liquidity of investment. In the case of open-ended mutual fund units, it is possible for the investor to divest holdings any time during the year at the Net Asset Value (NAV). In the case of close-ended mutual funds, it is obligatory that units are listed and traded, thus offering a secondary market for the units. Further, a high level of liquidity is possible for the fund holders because of more liquid securities in the mutual fund portfolio. These securities could be converted into cash at any time. Moreover, mutual fund schemes provide the advantage of an
active secondary market by allowing the units to be listed and traded on the stock exchange.

3.9.6. Reduced Risks: There is only a minimum risk attached to the principal amount and return for the investments made in mutual fund schemes. This is usually made possible by expert supervision, diversification and liquidity of units. It provides small investors the access to a reduced investment risk resulting from diversification, economies of scale in transaction cost and professional finance management.

3.9.7. Investment Protection: Mutual funds in India are largely regulated by guidelines and legislative provisions put in place by regulatory agencies such as the SEBI. The Securities Exchange Commission (SEC) in the USA allows for the provision of safety of investments. In order to protect the investor interest, it is incumbent on the part of mutual funds to broadly follows the provisions laid down in this regard.

3.9.8. Switching Facility: It provides investors with flexible investment opportunities, whereby it is possible to switch from one scheme to another. This flexibility enables investors to shift from income scheme to growth scheme, or vice-versa or from a close-ended scheme to an open-ended scheme, all at will.

3.9.9. Tax Benefits: An attractive benefit of a mutual fund is that the various schemes offered by them provide tax shelter to the investor. This benefit is available under the provisions of the Income Tax Act.

3.9.10. Low Transaction Costs: The cost of purchase and sale of mutual fund units is relatively lower. This is due to the large volume of money being handled by mutual funds in the capital market. The fees payable, as brokerage fee and trading
commissions are lower. This obviously enhances the quantum of distributable income available to investors.

3.9.11. Economic Development: Mutual funds makes a contribution to the development of a country’s economy. The efficient functioning of mutual funds contributes to an efficient financial system. This, in turn, paves the way for efficient allocation of the financial resources of the country, thus contributing to the economic development. This is made possible through the mobilization of more savings and channelling them to the most productive sectors of the economy\(^{14}\).

3.10. LIMITATIONS OF MUTUAL FUND:

The following are some of the limitations of mutual funds.

3.10.1. Tax issues: Although, the returns on investment are quite high, a mutual fund cannot guarantee lower tax bills. The tax amounts are usually high, especially in the case of short-term gains.

3.10.2. Investor issues: A mutual fund requires a deep and long-term analysis of the amount of investment and its potential investment areas. If the companies fund manager changes regularly, it may adversely affect the returns on investment.

3.10.3. Fluctuating Returns: Mutual funds are like many other investments where there is always the possibility that the value of the mutual fund will depreciate, unlike fixed income products, such as bonds and treasury bills, mutual funds experience price fluctuations along with the stocks that make up the fund.

3.10.4. Over Diversification: Although diversification is one of the keys to successful investing, many mutual fund investors tend to over diversify. The idea of diversification is to reduce the
risks associated with holding a single security; over diversification occurs when investors acquire many funds that are highly related and as a result, reduce benefits of diversification.

3.10.5. **High Costs and Risks:** Mutual funds provide investors with professional management, but it comes at a cost. Funds will typically have a range of different fees that reduce the overall payout. In mutual funds, the fees are classified into two categories: shareholder fees and annual operating fees.

The shareholder fees, in the forms of loads and redemption fees, are paid directly by shareholders purchasing or selling the funds. The annual fund operating fees are charged as an annual percentage – usually ranging from 1-3%. These fees are assessed to mutual fund investors regardless of the performance of the fund. Mutual funds are subjected to market risks or assets risks. If the investment is not sufficiently diversified, it may involve huge losses.

3.10.6. **No Guarantees:** No investment is risk-free. If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own. However, anyone who invests through a mutual fund runs the risk of losing money.

3.10.7. **Fees and Commissions:** A funds charge administrative fees to cover their day-to-day expenses. Some funds also charge sales commissions or “loads” to compensate brokers, financial consultants, or financial planners. Even if you don’t use a broker or other financial advisor, you will pay a sales commission if you buy shares in a load fund.
3.10.8. **Taxes:** During a typical year most actively managed mutual funds sell anywhere from 20 to 70 percent of the securities in their portfolios. If you find makes a profit on its sales, you will pay taxes on the income. You received, even if you reinvest the money you made.

3.10.9. **Management Risk:** When you invest in a mutual fund, you depend on the funds manager to make the right decisions regarding the funds portfolio. If the manager does not perform as well as you had hoped, you might not make as much money on your investment as you expected. Of course, if you invest in index funds, you forego management risk because these funds do not employ managers.

3.10.10. **Hidden Costs:** There is soft money or hidden brokerage fees that the mutual funds use for research. Usually, this money may be used for giving incentives to the fund managers like vacations for them and their families. Investors must examine the mutual funds turnover rate or ratio. Turnover rate or ratio is the percentage of mutual fund holdings that have been sold over in the past year. The higher the turnover rate, the higher the likelihood of the large hidden brokerage costs.

3.10.11. **Cost of Diversification:** The diversification advantage provided by the mutual funds become a disadvantage as they curb the possibility for large gains in individual shares. For example, if an investor owned Infosys share for a decade, she could have a large capital gain from her investment. But a mutual fund that owned Infosys share might report small gain since the fund usually holds a small percentage of an individual share.
### Table-3.7

**Banks versus Mutual Funds in a Nutshell**

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<th>Sl. No</th>
<th>Parameters</th>
<th>Banks</th>
<th>Mutual Funds</th>
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<tr>
<td>1</td>
<td>Returns</td>
<td>Low</td>
<td>Better</td>
</tr>
<tr>
<td>2</td>
<td>Administrative expenses</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
<td>Risk</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>4</td>
<td>Safety</td>
<td>Comparatively high</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>Liquidity</td>
<td>At a cost</td>
<td>Better</td>
</tr>
<tr>
<td>6</td>
<td>Investment option</td>
<td>Less</td>
<td>More</td>
</tr>
<tr>
<td>7</td>
<td>Network</td>
<td>High Penetration</td>
<td>Low but improving</td>
</tr>
<tr>
<td>8</td>
<td>Quality assets</td>
<td>Not transparent</td>
<td>Transparent</td>
</tr>
<tr>
<td>9</td>
<td>Capital appreciation</td>
<td>Nil</td>
<td>High</td>
</tr>
<tr>
<td>10</td>
<td>Interest calculation</td>
<td>Minimum balance between 10th and 30th of every month</td>
<td>Everyday</td>
</tr>
<tr>
<td>11</td>
<td>Guarantee</td>
<td>Maximum Rs. 1 lakh on deposits</td>
<td>None</td>
</tr>
</tbody>
</table>

**Source:** Nalini Prava Tripathy “Financial Services” Prentice Hall of India Private Limited, New Delhi 2007, p.94

### 3.11. CLASSIFICATION OF MUTUAL FUND:

Investors have the option of choosing from a wide variety of schemes in a mutual fund, depending upon their requirements. Mutual funds adopt different strategies to achieve these objectives and accordingly offer different schemes of investments. The following section presents a detailed classification of mutual funds. In India, various mutual funds are offering a variety of schemes to investors. These schemes can be broadly classified into four categories.

1) Operational classification.
2) Return based classification.
3) Investment based classification.
4) Geographic classification.
3.11.1 Operational Classification:
Operational classification of mutual funds classified into three
categories they are as follows.

3.11.1.a Open-ended Scheme:
When a fund is accepted and liquidated on a continuous basis
by a mutual fund manager, it is called ‘open-ended scheme’. The fund
manager buys and sells units constantly on demand by the investors.
Under this scheme, the capitalization of the fund will constantly
change, since it is always open for the investors to all sell or buy their
share units (shares in the USA, units in India). The scheme provides
an excellent liquidity facility to investors, although the units of such
scheme are not listed. No intermediaries are required. There is a
certainty in repurchase in price, which takes place in accordance with
the declared NAV.

3.11.1.b Close-ended Scheme:
When units of a scheme are liquidated (repurchased) only after
the expiry of a specified period, it is known as a close-ended scheme.
Accordingly, such funds have fixed capitalization and remain as a
corpus with the mutual fund manager. Units of the close-ended
scheme are to be quoted and therefore traded, on the floors of a stock
exchange in the secondary market. The price is determined on the
basis of demand and supply. Therefore, there will be two prices, one
that is market-determined and the other, which is NAV-based. The
market price may be either above or below NAV. Managing a close-
ended scheme is comparatively easy as it gives fund managers ample
opportunity to evolve and adopt long-term investment strategies
depending on the life of the scheme. Need for liquidity arises after a
comparatively longer period, i.e., normally at the time of redemption.

The main point of distinction between the open-ended and
close-ended scheme are as follows:
Table-3.8
{
Distinction between Open-ended and Close-ended Scheme

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Features</th>
<th>Open-ended Scheme</th>
<th>Close-ended Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Subscription</td>
<td>Open for public subscription throughout the currency of</td>
<td>Open for subscription only for a limited period</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the scheme</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Corpus</td>
<td>The fund raised from public keeps varying</td>
<td>The corpus of the scheme is fixed for all time to come</td>
</tr>
<tr>
<td>3</td>
<td>Exit</td>
<td>Easy and convenient exit, any time</td>
<td>No exit possible till the closure of the scheme</td>
</tr>
<tr>
<td>4</td>
<td>Liquidation</td>
<td>Units can be liquidated any time</td>
<td>Units can be liquidated only at the end of specified period</td>
</tr>
<tr>
<td>5</td>
<td>Maturity</td>
<td>No maturity period</td>
<td>Fixed maturity period</td>
</tr>
<tr>
<td>6</td>
<td>Listing</td>
<td>No listing and hence not traded in stock exchange</td>
<td>Listed in stock exchange and traded</td>
</tr>
<tr>
<td>7</td>
<td>Liquidity</td>
<td>Through re-purchase by MF at NAV or at any other price</td>
<td>Through trading in a stock exchange at the current market price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>as may be determined</td>
<td></td>
</tr>
</tbody>
</table>


3.11.1.c Interval Scheme:

It is a kind of close-ended scheme with a peculiar feature that it remains open during a particular part of the year for the benefit of investors, either to off load their holdings or to undertake purchase of units at the NAV, Under SEBI (MF) Regulations, every mutual fund is free to launch any or both types of schemes, including interval scheme. In the USA, UK and Canada, close-ended funds are popularly known as investment companies/trust, whereas open-ended funds are known as mutual funds.

3.11.2. Return based Classification:

Under this classification fall those mutual fund schemes that are designed to meet the diverse needs of investors and to earn a good return. Returns expected are in the form of regular dividends of capital appreciation or a combination of these two.
3.11.2.1. Income fund scheme:

The scheme that is tailored to suit the needs of investors who are particular about regular returns is known as ‘income fund scheme’. The scheme offers the maximum current income, whereby the income earned by units if distributed periodically. Such funds are offered in two forms. The first scheme earns a target constant income at relatively low risk, while the second scheme offers the maximum possible income. This obviously implies that the higher expected return comes with a higher potential risk of the investment.

3.11.2.2. Growth fund scheme:

It is a mutual fund scheme that offers the advantage of capital appreciation of the underlying investment. For such funds, investment is made in growth-oriented securities that are capable of appreciating in the long run. Growth funds are also known as nest eggs or long haul investments. In proportion to such capital appreciation, the amount of risks to be assumed would be far greater.

3.11.2.3. Conservative fund scheme:

A scheme that aims at providing a reasonable rate of return, protecting the value of the investment and achieving capital appreciation, may be designated as ‘conservative fund scheme’. These are also known as middle-of-the-road funds since such funds offer a blend of all these features. Further, such fund divided their portfolio into common stocks and bonds in such a way as to achieve the desired objectives.

3.11.3 Investment based Classification:

Investment based classifications of mutual funds are classified into various categories they are illustrated with below chart-3.7.
1. **Equity Funds:** A kind of mutual fund strength is derived from equity-based investments is called ‘equity fund scheme’. 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. There are different types of equity funds each falling into different risk bracket which are stated below.

1. a) **Aggressive Growth Funds:** In Aggressive Growth Funds, fund managers aspire for maximum capital appreciation and invest in less researched shares of speculative nature. Because of these speculative investments Aggressive Growth Funds (AGF)
become more volatile and thus, are prone to higher risk than other equity funds.

1.b) **Growth Funds:** Growth Funds also invest for capital appreciation (with a time horizon of 3 to 5 years) but they are different from Aggressive Growth Funds in the sense that they invest in companies that are expected to outperform the market in the future. Without entirely adopting speculative strategies, Growth Funds invest in those companies that are expected to post above average earnings in the future.

1.c) **Equity Income or Dividend Yield Funds:** The objective of Equity Income or Dividend Yield Equity Funds is to generate high recurring income and steady capital appreciation for investors by investing in those companies which issue high dividends (such as Power or Utility companies whose share prices fluctuate comparatively lesser than other companies’ share prices). Equity Income or Dividend Yield Equity Funds are generally exposed to the lowest risk level as compared to other equity funds.

1.d) **Equity Linked Savings Schemes (ELSS):** Except for a small portion of the investment in the liquid money market, diversified equity funds invest mainly in equities without any concentration on a particular sector(s). These funds are well diversified and reduce sector-specific or company-specific risk. However, like all other funds, diversified equity funds to be exposed to equity market risk. One prominent type of diversified equity fund in India is Equity Linked Savings Schemes (ELSS). As per the mandate, a minimum of 90% of investments by ELSS should be in equities at all times. ELSS investors are eligible to claim a deduction from taxable income (up to Rs 1 lakh) at the time of filing the income tax return. ELSS usually has a lock-in period and in the case of any redemption by the investor before the expiry of the lock-in period makes him liable to pay income tax
on such income(s) for which he may have received any tax exemption(s) in the past.

1. e) **Equity Index Funds:** Equity Index Funds have the objective to match the performance of a specific stock market index. The portfolio of these funds comprises of the same companies that form the index and is constituted in the same proportion as the index. Equity index funds that follow broad indices (like S&P CNX Nifty, Sensex) are less risky than equity index funds that follow narrow sectoral indices (like BSE BANKEX or CNX Bank Index etc). Narrow indices are less diversified and therefore, are riskier.

1. f) **Value Funds:** Value Funds invest in those companies that have sound fundamentals and whose share prices are currently under-valued. The portfolio of these funds comprises of shares that are trading at a low Price to Earning Ratio (Market Price per Share/Earning Per Share) and a low Market to Book Value (Fundamental Value) Ratio. Value Funds may select companies from diversified sectors and are exposed to lower risk level as compared to growth funds or Specialty funds. Value stocks are generally from cyclical industries (such as cement, steel, sugar etc.) which make them volatile in the short-term. Therefore, it is advisable to invest in value funds with a long-term time horizon as a risk in the long term, to a large extent, is reduced.

1. g) **Specialty Funds:** Specialty Funds have stated criteria for investments and their portfolio comprises of only those companies that meet their criteria. Criteria for some Specialty funds could be to invest/not to invest in particular regions/companies. Specialty funds are concentrated and thus, are comparatively riskier than diversified funds. Following are the major types of Specialty funds;

1.g.i. **Sector Funds:** Sector funds are those mutual funds or ETFs that invest in a single sector like Information Technology, Telecommunications, Pharmaceuticals, etc. In this type of
investment, there is very little or no diversification. The purpose of sector funds is to take advantage of a growing sector. So it is important to understand the various sectors and the trends in their growth. Exiting at the right time is crucial to avoid loss. If you are holding a wrong sector at the wrong time it will adversely affect your portfolio.

1.g.ii **Foreign Securities Funds:** Foreign Securities Equity Funds have the option to invest in one or more foreign companies. Foreign securities funds achieve international diversification and hence they are less risky than sector funds. However, foreign securities funds are exposed to foreign exchange rate risk and country risk.

1.g.iii **Mid-Cap or Small-Cap Funds:** Funds that invest in companies having lower market capitalization than large capitalization companies are called Mid-Cap or Small-Cap Funds. The market capitalization of Mid-Cap companies is less than that of big, blue-chip companies (less than 500 crores but more than 2500 crores) and Small-Cap companies have market capitalization of less than 500 crores. Market Capitalization of a company can be calculated by multiplying the market price of the company’s share by the total number of its outstanding shares in the market. The shares of Mid-Cap or Small-Cap Companies are not as liquid as of Large-Cap Companies which gives rise to volatility in share prices of these companies and consequently, investment gets risky.

1.g.iv **Option Income Funds:** While not yet available in India, options income funds write options on a large fraction of their portfolio. Proper use of options can help to reduce volatility, which is otherwise considered as a risky instrument. These funds invest in big, high dividend yielding companies, and then sell options against their stock positions, which generate stable income for investors.
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. There are following types of hybrid funds in India:

3. a) **Balanced Funds:** The portfolio of balanced funds include assets like debt securities, convertible securities, and equity and preference shares held in a relatively equal proportion. The objectives of balanced funds are to reward investors with a regular income, moderate capital appreciation and at the same time minimizing the risk of capital erosion. Balanced funds are appropriate for conservative investors having a long-term investment horizon.

3. b) **Growth and Income Funds:** Funds that combine features of growth funds and income funds are known as Growth-and-Income Funds. These funds invest in companies having the potential for capital appreciation and those known for issuing high dividends. The level of risks involved in these funds is lower than growth funds and higher than income funds.

3. c) **Asset Allocation Funds:** Mutual funds may invest in financial assets like equity, debt, money market or non-financial (physical) assets like real estate, commodities etc.. Asset allocation funds adopt a variable asset allocation strategy that
allows fund managers to switch over from one asset class to another at any time depending upon their outlook for specific markets. In other words, fund managers may switch over to equity if they expect equity market to provide good returns and switch over to debt if they expect debt market to provide better returns. It should be noted that switching over from one asset class to another is a decision taken by the fund manager on the basis of his own judgment and understanding of specific markets, and therefore, the success of these funds depends upon the skill of a fund manager in anticipating market trends.

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 a 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 riskier. Based on different investment objectives, there can be following types of debt funds:

4. a) **Diversified Debt Funds:** Debt funds that invest in all securities issued by entities belonging to all sectors of the market are known as diversified debt funds. The best feature of diversified debt funds is that investments are properly diversified into all sectors which result in risk reduction. Any loss incurred, on
account of default by a debt issuer, is shared by all investors which further reduces the risk for an individual investor.

4.b) **Focused Debt Funds:** Debt funds that invest in all securities issued by entities belonging to all sectors of the market are known as diversified debt funds. The best feature of diversified debt funds is that investments are properly diversified into all sectors which results in risk reduction. Any loss incurred, on account of default by a debt issuer, is shared by all investors which further reduces risk for an individual investor.

4.c) **High Yield Debt Funds:** As we now understand that risk of default is present in all debt funds, and therefore, debt funds generally try to minimize the risk of default by investing in securities issued by only those borrowers who are considered to be of "investment grade". But, High Yield Debt Funds adopt a different strategy and prefer securities issued by those issuers who are considered to be of "below investment grade". The motive behind adopting this sort of risky strategy is to earn higher interest returns from these issuers. These funds are more volatile and bear higher default risk, although they may earn at times higher returns for investors.

4.d) **Assured Return Funds:** Although it is not necessary that a fund will meet its objectives or provide assured returns to investors, but there can be funds that come with a lock-in period and offer assurance of annual returns to investors during the lock-in period. Any shortfall in returns is suffered by the sponsors or the Asset Management Companies (AMCs). These funds are generally debt funds and provide investors with a low-risk investment opportunity. However, security of investments depends on upon the net worth of the guarantor (whose name is specified in advance in the offer document). To safeguard the interests of investors, SEBI permits only those funds to offer assured return schemes whose sponsors have adequate net-worth to guarantee returns in the future. In the past, UTI had
offered assured return schemes (i.e. Monthly Income Plans of UTI) that assured specified returns to investors in the future. UTI was not able to fulfill its promises and faced large shortfalls in returns. Eventually, the government had to intervene and took over UTI's payment obligations on itself. Currently, no AMC in India offers assured return schemes to investors, though possible.

4.e) **Fixed Term Plan Series:** Fixed Term Plan Series usually are closed-end schemes having short-term maturity period (of less than one year) that offer a series of plans and issue units to investors at regular intervals. Unlike closed-end funds, fixed term plans are not listed on the exchanges. Fixed term plan series usually invest in debt/income schemes and target short-term investors. The objective of fixed term plan schemes is to gratify investors by generating some expected returns in a short period.

5. **Gilt Funds:** Have also known as ‘Government Securities’ in India 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. **Other:**

Other mutual funds are also classified into four categories they are commodity funds, real estate funds, exchange traded funds and fund of funds.

6.a) **Commodity Funds:** Are 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.

6.b) **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.

6.c) **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, the 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.

6.d) **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 maintains 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 provides investors with an added advantage of diversifying into different mutual fund schemes with even a small amount of investment, which further helps in the 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.

In addition to the schemes mentioned above, following are the other schemes that are designed and operated by mutual fund managers:

a) **Load funds:** Where mutual fund managers charge a fee over and above the NAV from the purchaser.

b) **No load funds:** Where no load-fee is charged because very little effort is made to promote the sale of the fund unit, except through direct advertising.

c) **Money Market Mutual Funds** (MMMF)

d) **Offshore mutual funds:** Also known as regional or country funds, where the funds are mobilized from abroad for deployment in the Indian market.

e) **Other funds:** property fund, art funds, commodity funds, energy funds etc.\(^1\)

### 3.11.4. GEOGRAPHIC CLASSIFICATION:

#### 3.11.4.1 Domestic Mutual Funds:

Domestic mutual fund schemes mobilise the savings of the country citizens. However, NRIs and foreign investors can invest in these schemes. All the schemes in vogue in the country are domestic mutual fund schemes.

#### 3.11.4.2 Off-shore Mutual Funds:

These funds enable NRIs and international investors to participate in the Indian capital market. Further, these funds are governed by the rules and procedures laid down for the purpose of approving and monitoring their performance by the Department of Economic Affairs, Ministry of Finance and the directions of RBI.
### Table-3.9
**Total Number of Schemes Under Mutual Funds**

<table>
<thead>
<tr>
<th>Year Schemes</th>
<th>Number of Schemes Launched</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Income/ Debt Oriented Schemes</td>
<td></td>
</tr>
<tr>
<td>(i) Liquid/ Money Market</td>
<td>39</td>
</tr>
<tr>
<td>(ii) Gilt</td>
<td>30</td>
</tr>
<tr>
<td>(iii) Debt (other than assured return.)</td>
<td>158</td>
</tr>
<tr>
<td>(iv) Debt (assured return)</td>
<td>--</td>
</tr>
<tr>
<td>(v) Infrastructure Development</td>
<td>--</td>
</tr>
<tr>
<td>Sub Total (i + ii + iii + iv + v)</td>
<td>227</td>
</tr>
<tr>
<td>B. Growth / Equity Oriented Schemes</td>
<td></td>
</tr>
<tr>
<td>(i) ELSS</td>
<td>37</td>
</tr>
<tr>
<td>(ii) Others</td>
<td>151</td>
</tr>
<tr>
<td>Sub Total (i + ii)</td>
<td>188</td>
</tr>
<tr>
<td>C. Balanced Schemes</td>
<td></td>
</tr>
<tr>
<td>(i) Balanced Schemes</td>
<td>35</td>
</tr>
<tr>
<td>D. Exchange Traded Fund</td>
<td></td>
</tr>
<tr>
<td>(i) Gold ETF</td>
<td>--</td>
</tr>
<tr>
<td>(ii) Other ETFs</td>
<td>--</td>
</tr>
<tr>
<td>Sub Total (i + ii)</td>
<td>--</td>
</tr>
<tr>
<td>E. Funds of Funds Investing Overseas</td>
<td></td>
</tr>
<tr>
<td>(i) Funds of Funds Investing Overseas</td>
<td>--</td>
</tr>
<tr>
<td>Grand Total (A+B+C+D+E)</td>
<td>450</td>
</tr>
<tr>
<td>F. Funds of Funds Schemes</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Compiled from various annual reports data presented in SEBI Publications No. of schemes also include serial plans.
Table 3.9 reveals the total number of schemes under mutual funds. Mutual funds schemes increased from 450 in the year 2004-05 to 1638 during the year 2013-14. It indicates that more number of schemes offered by the mutual funds industries are income/debt oriented schemes and growth/equity oriented schemes. The same information has been drawn with the help of graph.

**Graph-3.6**

**Total Number of Schemes under Mutual Funds**
Chart-3.8
Types of Mutual Fund Companies in India

Types of Mutual Fund Companies

Public Sector

- Trust (i.e., UTI MF)
- Financial Institutions
  1. ICICI MF
  2. IDBI MF
- Public Sector Banks
  1. SBI MF
  2. Canara Bank MF
  3. Indian Bank MF
  4. Bank of India AXA MF
  5. Bank of Baroda MF
  6. Punjab National Bank MF
- Insurance Sector
  1. GIC MF
  2. LIC MF

Private Sector

1. HDFC MF
2. Reliance MF
3. Birla Sun Life MF
4. Franklin Templeton MF
5. DSP Black Rock MF
6. Tata MF
7. Deutsche MF
8. Sundaram MF
9. Religare MF
10. Axis MF
11. Fidelity MF
12. JM Financial MF
13. Principal MF
14. BNP Paribas MF
15. HSBC MF
16. Goldman Sachs MF
17. Peerles MF
18. Taurus MF
19. L&T MF
20. Pram erica MF
21. Morgan Stanley MF
22. India Bulls MF
23. Union KBC MF

3.12. MUTUAL FUND COMPANIES IN INDIA:

The concept of mutual funds in India dates back to the year 1963. The era between 1963 and 1987 marked the existence of only one mutual fund company in India with Rs. 67 billion Assets Under Management (AUM), by the end of its monopoly era, the Unit Trust of India (UTI). By the end of 80s decade, a few other mutual fund companies in India took their position in mutual fund market.

The new entrants into mutual fund companies in India were SBI Mutual Fund, Canbank Mutual Fund, Punjab National Bank Mutual Fund, Indian Bank mutual Fund and Bank of India Mutual Fund.

The succeeding decade showed a new horizon in the Indian mutual fund industry. By the end of 1993, the total AUM of the industry was Rs. 470.04 billion. The private sector fund started penetrating the fund families. In the same year the first Mutual Fund Regulations came into existence with the re-registering of all mutual funds except UTI. The regulations were further given a revised shape in 1996.

Kothari pioneer was the first private sector mutual fund company in India which has now merged with Franklin Templeton. Just after ten years with private sector player’s penetration, the total assets rose to Rs. 1218.05 billion. Today there are around 44 mutual funds companies participated in India and over 1638 schemes with total assets under management around Rs.49,50,335crores and also total resource mobilized by mutual funds industry is Rs. 5,65,01,279 crores.

Mutual fund companies in India are classified into two categories.
3.12.1. PUBLIC SECTOR MUTUAL FUNDS:

a) Unit Trust of India Mutual Fund (UTI Mutual Fund):

The Unit Trust of India (UTI) is India’s first mutual fund organization. It is the single largest mutual fund in India which came into existence with the enactment of UTI Act in February 1964. The initial capital of the Trust was Rs.5 Crores which was subscriber fully by the Reserve Bank of India. The life insurance corporation. The State Bank of India and the Scheduled Banks and other financial institutions. The general management of the affairs and business of the trust is vested in a board of trustees. To create a diversified financial conglomerate and to meet investors varying needs under a common umbrella, UTI has set up a number associated company in the field of banking, securities trading, investors, servicing, investment advice and training.

UTI Asset Management Company Private Limited, established on January 14, 2003, manages the UTI Mutual Fund with the support of UTI Trustee Company Private Limited. UTI Asset Management Company presently manages a corpus of over Rs.20,000 Crores. The patrons of UTI mutual Fund are Bank of Baroda( BOB), Punjab National Bank (PNB), State Bank of India(SBI), and Life Insurance Corporation of India(LIC). The schemes of UTI Mutual Fund are Liquid Funds, Income Funds, Asset Management Funds, Index Funds, Equity Funds and Balance Funds.

b) Bank of Baroda Mutual Fund (BOB Mutual Fund):

Bank of Baroda Mutual Fund or BOB Mutual Fund was setup on October 30, 1992, under the sponsorship of Bank of Baroda. BOB Asset Management Company Limited is the AMC of BOB Mutual Fund and was incorporated on November 5, 1992. Deutsche Bank AG is the custodian.
c) **State Bank of India Mutual Fund (SBI Mutual Fund):**

State Bank of India Mutual Fund is the first Bank sponsored Mutual Fund to launch the offshore fund, the India Mangum Fund with a corpus of Rs. 225 Crores approximately. Today it is the largest Bank sponsored Mutual Fund in India. They have already launched 35 schemes out of which 15 have already yielded handsome returns to investors. State Bank of India Mutual Fund has more than Rs.5,500 Crores as AUM. Now it has an investors base of over 8 lakhs spread over 18 schemes.

d) **Canbank Mutual Fund:**

Canbank Mutual Fund was setup on December 19, 1987, with Canara Bank acting as the sponsor. Canbank Investment Management Service Ltd. Incorporated on March 2, 1993 is the AMC. The Corporate Office of the AMC is in Mumbai.

e) **INSURANCE SECTOR MUTUAL FUNDS:**

i) **LIC Mutual Fund:**

Life Insurance Corporation of India set up LIC Mutual Fund on 19th June 1989. It contributed Rs. 2 Crore towards the corpus of the Fund. LIC Mutual Fund was contributed as a Trust in accordance with the provisions of the Indian Trust Act, 1882. The Company started its business on 29th April 1994. The Trustees of LIC Mutual Fund have appointed Jeevan Bima Sahayog Asset Management Company Ltd. as the investment managers for a mutual fund.

ii) **GIC Mutual Fund:**

GIC Mutual Fund, sponsored by General Insurance Corporation of India (GIC), a Government of India undertaking and the four Public Sector General Insurance Companies, viz. National Insurance Co. Ltd (NIC), The New Indi Assurance Co. Ltd (NIA), The Oriental Insurance Co. Ltd (OIC) and United India Insurance Co. Ltd (UII) and is
constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882.

3.12.2. PRIVATE SECTOR MUTUAL FUNDS:

a) Birla Sun Life Mutual Fund:

Birla Sun Life Mutual Fund is the joint venture of Aditya Birla Group and Sun Life Financial. Sun Life Financial is a global organisation evolved in 1871 and is being represented in Canada, the US, the Philippines, Japan, Indonesia and Bermuda apart from India. Birla Sun Life Mutual Fund follows a conservative long-term approach to investment. Recently it crossed an AUM of Rs. 10,000 Crores.

b) HDFC Mutual Fund:

HDFC Mutual Fund was set up June 30, 2000, with two sponsors namely Housing Development Finance Corporation Limited and Standard Life Investments Limited.

c) ING Vysya Mutual Fund:

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

d) Prudential ICICI Mutual Fund:

The mutual fund of ICICI is a joint venture with Prudential Plc. of America, one of the largest life insurance companies in the US of America. Prudential ICICI Mutual Fund was set up on 13th of October, 1993 with two sponsors, Prudential Plc. and ICICI Ltd. The Trustee Company formed is Prudential ICICI Trust Ltd. and the AMC is Prudential ICICI Asset Management Company Limited incorporated on 22nd of June 1993.

e) TATA Mutual Fund:

TATA Mutual Fund (TMF) is a Trust under the Indian Trust Act, 1882. The sponsors for Tata Mutual Fund are Tata Sons Ltd. and Tata
Investment Corporation Ltd. The Investment manager is Tata Asset Management Limited and Tata Trustee Company Pvt. Limited. Tata Asset Management Limited is one of the fastest in the country with more than Rs. 7,703 Crore (as on April 30, 2005) of AUM.

f) **Kotak Mahindra Mutual Fund:**

Kotak Mahindra Asset Management Company (KMAMC) is a subsidiary of KMBL. It is presently having more than 10 lakh investors in its various schemes. KMAMC started its operations in December 1998. Kotak Mahindra Mutual Fund offers schemes catering to investors with varying risk-return profiles. It was the first company to launch dedicated gilt scheme investing only in government securities.

g) **Reliance Mutual Fund:**

Reliance Mutual Fund (RMF) was established as a trust under Indian Trust Act, 1882. The sponsor of RMF is Reliance Capital Limited and Reliance Capital Trustee Co. Limited is the Trustee. It was registered on June 30, 1995, as Reliance Capital Mutual Fund which was changed on March 11, 2004. Reliance Mutual Fund was formed for the launching of various schemes under which, units are issued to the public with a view to contributing to the capital market and to provide investors the opportunities to make investments in diversified securities.

h) **Sahara Mutual Fund:**

Sahara Mutual Fund was set up on July 18, 1996, with Sahara India Financial Corporation Ltd. as the sponsor. Sahara Asset Management Company Private Limited incorporated on August 31, 1995, works as the AMC of Sahara Mutual Fund. The paid-up capital of the AMC stands at Rs. 25.8 Crore.
3.13 GROWTH OF MUTUAL FUND INDUSTRY:

Mutual funds play a vital role in resource mobilization and its efficient allocation to the productive sources of the economic system. In this process of development, mutual funds have emerged as strong financial intermediaries and are playing an important role in bringing stability to the financial system and efficiency to the resource allocation process. Mutual fund industry today is one of the most preferred investment avenues in India. Mutual funds increase the mobilization of investable funds of the society by pooling the interest of a great number of small savers towards the financial system of the country. Resource mobilization means the movement of money or money equals from the none or less productive section to the productive section. Mutual fund industry in India is a fast growing industry is regulated by the Securities and Exchange Board of India (SEBI).

Growth of mutual fund industry is based on the growth of Assets Under Management (AUM), resource mobilisation by mutual funds, SEBI registered market intermediaries/institutions, assets under custody of custodians, total number of schemes under mutual funds, trends in transactions on stock exchanges, unit holding pattern, investment by mutual funds, trends in resource mobilisation by mutual funds etc.

3.13.1 Growth of Asset Under Management:

The Asset Under Management (AUM) meant that the market value of the total investments of a fund as on a particular date. The Asset Management Company collected money from the investors and was one of the visible faces of the mutual fund. As this money had to be invested and managed, the Assets Management Company had an investment team. The collected fund had to be managed so as to get the expected returns from the money market. The fund was generally known as the Asset Under Management (AUM).16
The mutual fund industry has been grown rapidly in recent years. A corpus of Rs. 8,25,240 crores of Assets Under Management (AUM) are being managed by nearly 1638 various mutual funds schemes. The growth of asset under management is shown in the table 3.10

Table-3.10

Growth of Assets Under Management

(Rs.in Crores)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>Assets Under Management</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>1,49,600</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>2,31,862</td>
<td>54.99</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>3,26,292</td>
<td>40.73</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>5,05,152</td>
<td>54.82</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>4,17,300</td>
<td>-17.39</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>6,13,979</td>
<td>47.13</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>5,92,250</td>
<td>-3.54</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>5,87,217</td>
<td>-0.85</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>7,01,443</td>
<td>19.45</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>8,25,240</td>
<td>17.65</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>49,50,335</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from Various Annual Reports of SEBI

From the above table 3.10 it is evident that growth of assets under management. The asset under management has been increased from Rs. 1,49,600 crores in the year 2004-05 to Rs. 8,25,240 crores during the year 2013-14. The same information has been depicted with the help of graph.
3.13.2 Scheme-Wise Asset Under Management of Mutual Fund Industry:

Indian mutual fund industry is playing an important role in the stock market. Many of the mutual fund industry like the public, private offered a variety of schemes such as income/debt fund, growth/equity fund, balanced fund, exchanged traded fund and fund of funds overseas. Income/debt fund are very high level of assets under management because of these funds are provide high recurring income and steady capital appreciation for investors by investing in those companies which are issue high dividends. The table 3.11 inferred that scheme wise asset under management of mutual fund industry.
### Table 3.11

**Scheme-Wise Asset Under Management of Mutual Fund Industry**

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Income/Debt Fund</th>
<th>Growth/Equity Fund</th>
<th>Balanced Fund</th>
<th>Exchange Traded Fund</th>
<th>Fund of Funds Overseas</th>
<th>Total Assets Under Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>1,06,250 (71.02)</td>
<td>38,484 (25.73)</td>
<td>4,866 (3.25)</td>
<td>--</td>
<td>--</td>
<td>1,49,600 (100)</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>1,24,913 (53.87)</td>
<td>99,456 (42.90)</td>
<td>7,493 (3.23)</td>
<td>--</td>
<td>--</td>
<td>2,31,862 (100)</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>1,93,584 (59.33)</td>
<td>1,23,598 (37.88)</td>
<td>9,110 (2.79)</td>
<td>--</td>
<td>--</td>
<td>3,26,292 (100)</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>3,12,997 (61.96)</td>
<td>1,72,742 (34.20)</td>
<td>16,283 (3.22)</td>
<td>3,130 (0.62)</td>
<td>--</td>
<td>5,05,152 (100)</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>2,94,350 (70.54)</td>
<td>1,08,244 (25.94)</td>
<td>10,629 (2.55)</td>
<td>1,396 (0.33)</td>
<td>2,681 (0.64)</td>
<td>4,17,300 (100)</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>3,93,204 (64.04)</td>
<td>1,98,121 (32.27)</td>
<td>17,246 (2.81)</td>
<td>2546 (0.41)</td>
<td>2,862 (0.47)</td>
<td>6,13,979 (100)</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>3,69,050 (62.31)</td>
<td>1,95,322 (32.98)</td>
<td>18,445 (3.11)</td>
<td>6,917 (1.17)</td>
<td>2,516 (0.43)</td>
<td>5,92,250 (100)</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>3,74,857 (63.83)</td>
<td>1,82,076 (31.01)</td>
<td>16,261 (2.77)</td>
<td>11,493 (1.96)</td>
<td>2,530 (0.43)</td>
<td>5,87,217 (100)</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>4,97,451 (70.92)</td>
<td>1,72,508 (24.60)</td>
<td>16,307 (2.32)</td>
<td>13,125 (1.87)</td>
<td>2,052 (0.29)</td>
<td>7,01,443 (100)</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>6,00,945 (72.82)</td>
<td>1,91,107 (23.16)</td>
<td>16,793 (2.03)</td>
<td>13,204 (1.60)</td>
<td>3,191 (0.39)</td>
<td>8,25,240 (100)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>32,67,601 (66.00)</strong></td>
<td><strong>14,81,658 (29.93)</strong></td>
<td><strong>1,33,433 (2.70)</strong></td>
<td><strong>51,811 (1.05)</strong></td>
<td><strong>15,832 (0.32)</strong></td>
<td><strong>49,50,335 (100)</strong></td>
</tr>
</tbody>
</table>

**Source:** Compiled and calculated from the data published in various annual reports of SEBI

**Note:** Figures in the parenthesis are percentage to row total

Table 3.11 shows that the highest scheme-wise asset under management scheme are income/debt fund which has been increased from Rs. 1,06,250 crores in the year 2004-05 to Rs. 6,00,945 crores during the year 2013-14. Lowest scheme are fund of funds is also increased from Rs. 2,681 crores in the year 2008-09 to Rs. 3,191 crores during 2013-14. The same information has been graphically represented.
3.13.3 Assets under the Custody of Custodians:

A custodian’s role is safekeeping of physical securities and also keeping a tab on the corporate actions like rights, bonus, and dividends declared by the companies in which the fund has invested. The Custodian is appointed by the Board of Trustees. The custodian also participates in a clearing and settlement system through approved depository companies on behalf of mutual funds, in the case of dematerialized securities. In India today, securities (and units of mutual funds) are no longer held in physical form but mostly in dematerialized form with the Depositories. The holdings are held in the Depository through Depository Participants (DPs). Only the physical securities are held by the Custodian. The deliveries and receipt of units of a mutual fund are done by the custodian or a depository participant at the instruction of the AMC and under the overall direction and responsibility of the Trustees. Regulations provide that the Sponsor and the Custodian must be separate entities.
**Table-3.12**  
*Assets under the Custody of Custodians (Rs.in Crores)*

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>No. of Custodians</th>
<th>Amount</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>639</td>
<td>1,26,286</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>831</td>
<td>2,04,518</td>
<td>61.95</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>1220</td>
<td>2,90,378</td>
<td>41.98</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>1784</td>
<td>4,69,776</td>
<td>61.78</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>1701</td>
<td>3,78,954</td>
<td>-19.33</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>1209</td>
<td>5,84,628</td>
<td>54.27</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>1491</td>
<td>5,91,937</td>
<td>1.25</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>1856</td>
<td>5,87,249</td>
<td>-0.79</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>1774</td>
<td>6,50,963</td>
<td>10.85</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>1815</td>
<td>7,65,820</td>
<td>17.64</td>
</tr>
<tr>
<td>Total</td>
<td>14320</td>
<td></td>
<td>46,50,509</td>
<td></td>
</tr>
</tbody>
</table>


The above Table 3.12 clearly shows the number of custodians are increased from 639 in the year 2004-05 to 1815 during the year 2013-14. Assets under custodians amounts is also increased from Rs. 1,26,286 crores in the year 2004-05 to Rs.7,65,820 crores during 2013-14. The same information has been presented with the help of graph.

**Graph -3.9**  
*Assets under the Custody of Custodians*
3.13.4 Resource Mobilisation by Mutual Funds:

Mutual funds play an important role in the mobilisation of household savings for deployment in the capital market. Under mobilisation of funds includes total funds mobilised by the public sector, the private sector and UTI mutual fund companies. Redemption includes repurchase as well as redemption. Net inflow is the difference between mobilisation of funds and redemption.

Table-3.13

Resource Mobilisation by Mutual Fund Industry

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Mobilisation of Funds</th>
<th>Redemption</th>
<th>Net Inflow</th>
<th>Assets at the end of the period</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>8,39,708</td>
<td>8,37,508</td>
<td>2,200</td>
<td>1,49,600</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>10,98,149</td>
<td>10,45,370</td>
<td>52,779</td>
<td>2,31,862</td>
<td>54.99</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>19,38,493</td>
<td>18,44,508</td>
<td>93,985</td>
<td>3,26,292</td>
<td>40.73</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>44,64,377</td>
<td>43,10,575</td>
<td>1,53,802</td>
<td>5,05,152</td>
<td>54.82</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>54,26,353</td>
<td>54,54,650</td>
<td>-28,296</td>
<td>4,17,300</td>
<td>-17.39</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>1,00,19,022</td>
<td>99,35,942</td>
<td>83,080</td>
<td>6,13,979</td>
<td>47.13</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>88,59,515</td>
<td>89,08,921</td>
<td>-49,406</td>
<td>5,92,250</td>
<td>-3.54</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>68,19,678</td>
<td>68,41,702</td>
<td>-22,024</td>
<td>5,87,217</td>
<td>-0.85</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>72,67,885</td>
<td>71,91,346</td>
<td>76,539</td>
<td>7,01,443</td>
<td>19.45</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>97,68,100</td>
<td>97,14,318</td>
<td>53,782</td>
<td>8,25,240</td>
<td>17.65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,64,82,257</strong></td>
<td><strong>5,60,84,840</strong></td>
<td><strong>4,16,441</strong></td>
<td><strong>49,50,335</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled and calculated from the data published in various annual reports of SEBI 2013-14, p.99.
Table 3.13 shows the resource mobilisation by mutual fund industry. Mobilisation of funds increased from Rs.8,39,708 crores in the year 2004-05 to Rs.97,68,100 crores during 2013-14. Redemption is also increased from Rs.8,37,508 crores in the year 2004-05 to Rs.97,14,318 crores during 2013-14. Net inflow increased from Rs.2,200 crores in the year 2004-05 to Rs.53,782 crores during 2013-14. The same information has been graphically represented.

**Graph -3.10**

**Resource Mobilisation by Mutual Fund Industry**

![Graph showing resource mobilisation by mutual fund industry from 2004-05 to 2013-14.]
3.13.5 Scheme-Wise Resource Mobilisation by Mutual Fund Industry:

**Table-3.14**

Scheme-Wise Resource Mobilisation by Mutual Fund In Industry

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Income/Debt Scheme</th>
<th>Growth/Equity Scheme</th>
<th>Balanced Scheme</th>
<th>Exchange Traded Scheme</th>
<th>Fund of Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>7,98,673 (95.11)</td>
<td>37,280 (4.44)</td>
<td>3,755 (0.45)</td>
<td>00 (0)</td>
<td>00 (0)</td>
<td>8,39,708 (100)</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>10,08,129 (91.80)</td>
<td>86,014 (7.83)</td>
<td>4,006 (0.37)</td>
<td>00 (0)</td>
<td>00 (0)</td>
<td>10,98,149 (100)</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>18,39,668 (94.90)</td>
<td>94,352 (4.87)</td>
<td>4,473 (0.23)</td>
<td>00 (0)</td>
<td>00 (0)</td>
<td>19,38,493 (100)</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>43,17,263 (96.70)</td>
<td>1,26,287 (2.83)</td>
<td>11,488 (0.26)</td>
<td>9,338 (0.21)</td>
<td>00 (0)</td>
<td>44,64,376 (100)</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>53,83,367 (99.21)</td>
<td>32,805 (0.60)</td>
<td>2,695 (0.05)</td>
<td>5,719 (0.11)</td>
<td>1,767 (0.03)</td>
<td>54,26,353 (100)</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>99,44,693 (99.25)</td>
<td>64,714 (0.65)</td>
<td>4,693 (0.05)</td>
<td>3,535 (0.04)</td>
<td>1,387 (0.01)</td>
<td>1,00,19,022 (100)</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>87,77,034 (99.07)</td>
<td>66,592 (0.75)</td>
<td>7,490 (0.08)</td>
<td>7,709 (0.09)</td>
<td>690 (0.01)</td>
<td>88,59,515 (100)</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>67,54,113 (99.04)</td>
<td>50,619 (0.74)</td>
<td>5,027 (0.07)</td>
<td>8,563 (0.13)</td>
<td>1,356 (0.02)</td>
<td>68,19,678 (100)</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>72,13,578 (99.25)</td>
<td>43,364 (0.60)</td>
<td>5,205 (0.07)</td>
<td>5,052 (0.06)</td>
<td>686 (0.02)</td>
<td>72,67,885 (100)</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>97,09,762 (99.40)</td>
<td>46,093 (0.47)</td>
<td>3,435 (0.34)</td>
<td>6,869 (0.07)</td>
<td>1,941 (0.02)</td>
<td>97,68,100 (100)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5,57,46,280 (98.66)</strong></td>
<td><strong>6,48,120 (1.46)</strong></td>
<td><strong>52,267 (0.09)</strong></td>
<td><strong>46,785 (0.08)</strong></td>
<td><strong>7,827 (0.01)</strong></td>
<td><strong>5,65,01,279 (100)</strong></td>
</tr>
</tbody>
</table>

**Source:** Compiled and calculated from the data published in various annual reports of SEBI

**Note:** Figures in the parenthesis are percentage to row total
From the above table it is evident that out of Rs.5,65,01,279 crores (100 percent) resource mobilisation by mutual fund industry the highest scheme wise resource mobilized fund is income/debt scheme with Rs.5,57,46,280 crores(98.66 percent) and lowest is the fund of funds Rs.7,827 crores(0.01 percent). The same data has been presented with the help of graph.

**Graph-3.11**

**Scheme-Wise Resource Mobilisation by Mutual Fund Industry**

![Graph showing scheme-wise resource mobilisation by mutual fund industry]

3.13.6. **Sector-Wise Total Resources Mobilized by Mutual Fund Industry:**

Sector wise as well as total resource mobilised by mutual fund industry in India categories into three groups according to nature of mutual funds industry. They are namely.
a) **UTI Mutual Fund:**

b) **Public Sector Mutual Fund:** These includes ICICI mutual fund, IDBI mutual fund, SBI mutual fund, Canara bank mutual fund, Indian bank mutual fund, Bank of India AXA mutual fund, Bank of Baroda mutual fund, Punjab National bank mutual fund, GIC mutual fund, LIC mutual fund.

c) **Private Sector Mutual Fund:** HDFC mutual fund, Reliance mutual fund, Birla Sun Life mutual fund, Tata mutual fund, Franklin Templeton mutual fund, DSP Black Rock mutual fund, Deutsche mutual fund, Sundaram mutual fund, Religare mutual fund, Axis mutual fund, Fidelity mutual fund, JM Financial mutual fund, PRINCIPAL mutual fund, BNP Paribas mutual fund, HSBC mutual fund, Goldman Sachs mutual fund, Peerless mutual fund, Taurus mutual fund, L & T mutual fund, Paramedical mutual fund, Morgan Stanley mutual fund, Indiabulls mutual fund, Union KBC mutual fund etc. The below table 3.15 displays sector wise total resources mobilized by mutual fund industry.
### Table-3.15

**Sector-Wise Total Resources Mobilized by Mutual Fund Industry**

(Rs.in Crores)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>UTI Mutual Fund</th>
<th>Public Sector Mutual Fund</th>
<th>Private Sector Mutual Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>46,656 (5.56)</td>
<td>56,589 (6.74)</td>
<td>7,36,463 (87.70)</td>
<td>8,39,708</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>73,127 (6.66)</td>
<td>1,10,319 (10.05)</td>
<td>9,14,703 (83.29)</td>
<td>10,98,149</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>1,42,280 (7.34)</td>
<td>1,96,340 (10.13)</td>
<td>15,99,873 (82.53)</td>
<td>19,38,493</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>3,37,498 (7.56)</td>
<td>3,46,126 (7.75)</td>
<td>37,80,752 (84.69)</td>
<td>44,64,376</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>4,23,131 (7.80)</td>
<td>7,10,472 (13.10)</td>
<td>42,92,750 (79.10)</td>
<td>54,26,353</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>8,81,851 (8.80)</td>
<td>14,38,688 (14.36)</td>
<td>76,98,483 (76.84)</td>
<td>1,00,19,022</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>7,83,858 (8.85)</td>
<td>11,52,733 (13.01)</td>
<td>69,22,924 (78.14)</td>
<td>88,59,515</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>5,22,453 (7.67)</td>
<td>6,13,482 (8.99)</td>
<td>56,83,743 (83.34)</td>
<td>68,19,678</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>6,33,350 (8.71)</td>
<td>7,06,589 (9.72)</td>
<td>59,27,946 (81.57)</td>
<td>72,67,885</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>8,02,352 (8.21)</td>
<td>9,16,351 (9.38)</td>
<td>80,49,397 (82.41)</td>
<td>97,68,100</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>46,46,556 (8.22)</td>
<td>62,47,689 (11.06)</td>
<td>4,56,07,034 (80.72)</td>
<td>5,65,01,279</td>
</tr>
</tbody>
</table>

**Source:** Compiled and calculated from the data published in various annual reports of SEBI

**Note:** Figures in the parenthesis are percentage to row total.
Table 3.15 shows the sector-wise total resource mobilized by mutual fund industry. Out of Rs.5,65,01,279 crores (100 percent) resource mobilised, the highest resource mobilised by mutual fund industry is private sector mutual fund i.e. Rs. 4,56,07,034 crores (80.72 percent) and the lowest is the UTI mutual fund industry Rs. 46,46,556 crores (8.22 percent). The same information has been graphically represented.

**Graph-3.12**

**Sector-Wise Total Resources Mobilized by Mutual Fund Industry**

![Sector-Wise Total Resources Mobilized by Mutual Fund Industry](image)

3.13.7 Market Intermediaries/ Institutions:

The term financial intermediary includes all kinds of organization which intermediate and facilitates financial transactions of both individuals and corporate customers. Thus, it refers to all kinds of financial institutions and investing institutions which facilitate financial transactions in the financial markets. The below table 3.16 focuses on the SEBI registered market intermediaries/ intuitions.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>No. of Market Intermediaries/Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>39</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>38</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>40</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>40</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>44</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>47</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>51</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>49</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>52</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>50</td>
</tr>
</tbody>
</table>


The above table clearly shows the SEBI registered market intermediaries/institutions which are increased from 39 in the year 2004-05 to 51 during 2010-11 and again there is fall down to 50 in the year 2013-14. The same information has been depicted with the help of graph.

Graph-3.13
SEBI Registered Market Intermediaries/Institutions

No. of Market Intermediaries/Institutions
Table-3.17
Mutual Funds Registered Companies with SEBI

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Mutual Funds Companies</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Public Sector Mutual Funds (Including UTI)</td>
<td>Private Sector Mutual Funds</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>4</td>
<td>35</td>
<td>39</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>4</td>
<td>34</td>
<td>38</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>5</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>5</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>4</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>4</td>
<td>43</td>
<td>47</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>5</td>
<td>46</td>
<td>51</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>5</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>7</td>
<td>45</td>
<td>52</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>7</td>
<td>43</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Annual reports of SEBI, 2013-14.

The above table shows the mutual funds companies registered with SEBI. Both public sector and private sector mutual funds companies have been increased from 39 in the year 2004-05 to 50 during the year 2013-14. Majority of the mutual fund companies registered with SEBI are private sector mutual funds. The same information has been graphically represented.
Graph-3.14
Mutual Funds Registered Companies with SEBI

Public Sector Mutual Funds including UTI
Private Sector Mutual Funds
Total Mutual Funds Companies
Table-3.18
Trends in Resource Mobilisation by Mutual Funds Industries

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Mobilisation</th>
<th></th>
<th></th>
<th></th>
<th>Redemption</th>
<th></th>
<th></th>
<th></th>
<th>Net inflow / Outflow</th>
<th></th>
<th></th>
<th></th>
<th>Assets at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pvt. Sector</td>
<td>UTI</td>
<td>Public Sector</td>
<td>Total</td>
<td>Pvt. Sector</td>
<td>UTI</td>
<td>Public Sector</td>
<td>Total</td>
<td>Pvt. Sector</td>
<td>UTI</td>
<td>Public Sector</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>7,36,463</td>
<td>46,656</td>
<td>56,589</td>
<td>8,39,708</td>
<td>7,28,864</td>
<td>49,378</td>
<td>59,266</td>
<td>8,37,508</td>
<td>7,600</td>
<td>-2,722</td>
<td>-2,677</td>
<td>2,200</td>
<td>1,49,600</td>
</tr>
<tr>
<td>2005-06</td>
<td>9,14,703</td>
<td>73,127</td>
<td>1,10,319</td>
<td>10,98,149</td>
<td>8,71,727</td>
<td>69,704</td>
<td>1,03,940</td>
<td>10,45,370</td>
<td>42,977</td>
<td>3,424</td>
<td>6,379</td>
<td>52,779</td>
<td>2,31,862</td>
</tr>
<tr>
<td>2006-07</td>
<td>15,99,873</td>
<td>15,20,836</td>
<td>1,34,954</td>
<td>18,44,508</td>
<td>10,03,036</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
<td>52,779</td>
<td>2,31,862</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>37,80,753</td>
<td>3,46,126</td>
<td>3,45,448</td>
<td>43,10,575</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
<td>52,779</td>
<td>2,31,862</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>42,92,751</td>
<td>43,26,768</td>
<td>1,88,719</td>
<td>43,10,575</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
<td>52,779</td>
<td>2,31,862</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>76,98,483</td>
<td>76,43,555</td>
<td>1,33,304</td>
<td>54,26,354</td>
<td>1,00,19,023</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
<td>52,779</td>
<td>2,31,862</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>69,22,924</td>
<td>69,42,140</td>
<td>14,26,189</td>
<td>88,19,679</td>
<td>14,38,688</td>
<td>76,43,555</td>
<td>1,33,304</td>
<td>54,26,354</td>
<td>1,00,19,023</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
<td>52,779</td>
</tr>
<tr>
<td>2011-12</td>
<td>56,83,744</td>
<td>56,99,189</td>
<td>5,25,637</td>
<td>68,41,702</td>
<td>54,26,354</td>
<td>14,38,688</td>
<td>76,43,555</td>
<td>1,33,304</td>
<td>54,26,354</td>
<td>1,00,19,023</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
</tr>
<tr>
<td>2012-13</td>
<td>59,87,889</td>
<td>59,19,979</td>
<td>6,16,877</td>
<td>88,19,679</td>
<td>14,38,688</td>
<td>76,43,555</td>
<td>1,33,304</td>
<td>54,26,354</td>
<td>1,00,19,023</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
<td>52,779</td>
</tr>
<tr>
<td>2013-14</td>
<td>80,49,397</td>
<td>80,00,559</td>
<td>4,01,951</td>
<td>97,14,318</td>
<td>88,19,679</td>
<td>14,38,688</td>
<td>76,43,555</td>
<td>1,33,304</td>
<td>54,26,354</td>
<td>1,00,19,023</td>
<td>79,038</td>
<td>7,326</td>
<td>6,379</td>
</tr>
<tr>
<td>Total</td>
<td>4,56,66,980</td>
<td>4,53,01,066</td>
<td>5,60,84,840</td>
<td>49,50,335</td>
<td>4,56,66,980</td>
<td>5,60,84,840</td>
<td>49,50,335</td>
<td>49,50,335</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: HANDBOOK OF STATISTICS ON THE INDIAN SECURITIES MARKET 2009, p. 55 and SEBI Bulletin Vol. 12, Number 9, September 2014, p. 131
Table 3.18 reveals the trends in resource mobilisation by mutual funds industries. Gross mobilisation has been increased from Rs.8,39,708 crores in the year 2004-05 to Rs.97,68,101 crores during the year 2013-14. Redemption includes purchase as well sale of total units amount in the capital market. Redemption is also increased from Rs.8,37,508 crores in the year 2004-05 to Rs.97,14,318 crores during the year 2013-14. Net inflow/outflow is the difference between gross mobilisation and redemption. Net inflow/outflow has been also increased from Rs. 2,200 crores in the year 2004-05 to Rs.53,783 crores during the year 2013-14.

**Graph-3.15**

*Trends in Resource Mobilisation by Mutual Funds*
Table 3.19
Trends in Transactions on Stock Exchanges by Mutual Funds

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity</th>
<th></th>
<th></th>
<th>Debt</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Purchase</td>
<td>Gross Sale</td>
<td>Net Purchase/Sale</td>
<td>Gross Purchase</td>
<td>Gross Sale</td>
<td>Net Purchase/Sale</td>
<td>Gross Purchase</td>
</tr>
<tr>
<td>2004-05</td>
<td>45,045</td>
<td>44,597</td>
<td>448</td>
<td>62,186</td>
<td>45,199</td>
<td>16,987</td>
<td>1,07,232</td>
</tr>
<tr>
<td>2005-06</td>
<td>1,00,436</td>
<td>86,133</td>
<td>14,303</td>
<td>1,09,720</td>
<td>72,969</td>
<td>36,801</td>
<td>2,10,202</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,35,948</td>
<td>1,26,886</td>
<td>9,062</td>
<td>1,53,733</td>
<td>1,01,190</td>
<td>52,543</td>
<td>2,89,681</td>
</tr>
<tr>
<td>2007-08</td>
<td>2,17,578</td>
<td>2,01,274</td>
<td>16,306</td>
<td>2,98,605</td>
<td>2,24,816</td>
<td>73,790</td>
<td>5,16,183</td>
</tr>
<tr>
<td>2008-09</td>
<td>1,44,069</td>
<td>1,37,085</td>
<td>6,984</td>
<td>3,27,744</td>
<td>2,45,942</td>
<td>81,803</td>
<td>4,71,815</td>
</tr>
<tr>
<td>2009-10</td>
<td>1,95,662</td>
<td>2,06,173</td>
<td>-10,512</td>
<td>6,24,314</td>
<td>4,43,728</td>
<td>1,80,588</td>
<td>8,19,976</td>
</tr>
<tr>
<td>2010-11</td>
<td>1,54,919</td>
<td>1,74,893</td>
<td>-19,975</td>
<td>7,64,142</td>
<td>5,15,290</td>
<td>2,48,854</td>
<td>9,19,060</td>
</tr>
<tr>
<td>2011-12</td>
<td>1,32,137</td>
<td>1,33,494</td>
<td>-1,358</td>
<td>11,16,760</td>
<td>7,81,940</td>
<td>3,34,820</td>
<td>12,48,897</td>
</tr>
<tr>
<td>2012-13</td>
<td>1,13,758</td>
<td>1,36,507</td>
<td>-22,749</td>
<td>15,23,393</td>
<td>10,49,934</td>
<td>4,73,460</td>
<td>16,37,150</td>
</tr>
<tr>
<td>2013-14</td>
<td>1,12,131</td>
<td>1,33,356</td>
<td>-21,224</td>
<td>15,38,087</td>
<td>9,94,842</td>
<td>5,43,247</td>
<td>16,50,219</td>
</tr>
</tbody>
</table>

**Source:** Handbook of Statistics on Indian Securities Market 201, P-51 and SEBI Bulletin Vol.12 No.9, September 2014, P-1319

Table 3.19 shows the trends in transaction on stock exchanges by mutual funds. Equity and Debt mutual funds total net purchase/sale increased from Rs.17,435 crores in the year 2004-05 to Rs.5,22,023 crores during the year 2013-14. The same information has been graphically represented.
3.14. Investment Made by Mutual Funds Companies:

Investment plays a vital role in the mobilisation of savings through the small and medium term of investors by the mutual fund companies. Mutual funds companies are investing in various schemes such as income, growth, liquid, debt, equity, tax savings, gilt, ELSS balanced, ETF Fund of Fund etc. The below table focuses on the investment made by mutual fund companies particularly equity and debt scheme are presented below.
## Table-3.20

**Investment Made by Mutual Funds**

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>Net Investment by Mutual Funds</th>
<th>Total</th>
<th>Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equity</td>
<td>Debt</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>2004-05</td>
<td>448</td>
<td>16,987</td>
<td>17,435</td>
</tr>
<tr>
<td>2.</td>
<td>2005-06</td>
<td>14,303</td>
<td>36,801</td>
<td>51,104</td>
</tr>
<tr>
<td>3.</td>
<td>2006-07</td>
<td>9,062</td>
<td>52,543</td>
<td>61,607</td>
</tr>
<tr>
<td>4.</td>
<td>2007-08</td>
<td>16,306</td>
<td>73,790</td>
<td>90,065</td>
</tr>
<tr>
<td>5.</td>
<td>2008-09</td>
<td>6,984</td>
<td>81,803</td>
<td>88,787</td>
</tr>
<tr>
<td>6.</td>
<td>2009-10</td>
<td>-10,512</td>
<td>1,80,588</td>
<td>1,70,076</td>
</tr>
<tr>
<td>7.</td>
<td>2010-11</td>
<td>-19,802</td>
<td>2,49,153</td>
<td>2,29,352</td>
</tr>
<tr>
<td>8.</td>
<td>2011-12</td>
<td>-1,358</td>
<td>3,34,820</td>
<td>3,33,463</td>
</tr>
<tr>
<td>9.</td>
<td>2012-13</td>
<td>-22,749</td>
<td>4,73,460</td>
<td>4,50,711</td>
</tr>
<tr>
<td>10.</td>
<td>2013-14</td>
<td>-21,224</td>
<td>5,43,247</td>
<td>5,22,023</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-28542</strong></td>
<td><strong>20,43,192</strong></td>
<td><strong>20,14,623</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>


The above Table 3.20 shows the investment made by mutual funds. Net investment made by equity and debt mutual funds increased from Rs.17,435 crores in the year 2004-05 to Rs.5,22,023 crores during the year 2013-14. The same information has been graphically represented.

### Graph-3.17

**Investment Made by Mutual Funds**

![Graph showing investment made by mutual funds](image-url)
PART-B

In this section, a profile of the selected mutual funds for the present study is covered.

3.15. PROFILE OF UTI MUTUAL FUND:

3.15.1 Introduction:

The Unit Trust of India (UTI) is India’s first mutual fund organization. It is the single largest mutual fund in India which came into existence with the enactment of UTI Act in February 1964. The initial capital of the Trust was Rs.5 Crores which was subscribed fully by the Reserve Bank of India. The life insurance corporation. The State Bank of India and the Scheduled Banks and other financial institutions. The general management of the affairs and business of the trust is vested in a board of trustees. To create a diversified financial conglomerate and to meet investors varying needs under a common umbrella, UTI has set up number associate companies in the field of banking, securities trading, investors servicing, investment advice and training.

The economic turmoil and the wars in the early sixties depressed the financial markets, making it difficult for both existing and new entrepreneurs to raise fresh capital. The then Finance Minister, T.T. Krishnamachari, setup the idea of a Unit Trust which would mobilize savings of the community and invest these savings in the capital market. His ideas took the form of the Unit Trust of India, which commenced operations from July 1964 ‘with a view to encouraging savings and investment and participation in the income, profits and gains accruing to the corporation from the acquisition, holding, management and disposal of securities’. The regulations passed by the Ministry of Finance (MOF) and the parliament from time to time regulated the functioning of UTI. Different provisions of the UTI Act laid down the structure of management, scope of business,
powers and functions of the trust as well as accounting, disclosures, and regulatory requirements for the Trust.  

UTI was set up as a trust without ownership capital and with an independent Board of Trustees. The Board of Trustees manages the affairs and business of UTI. The Board performs its functions, keeping in view the interest of the Unit holders under various Schemes.

In order to recover from the adverse affects by war in 1962, resource crunch had to be garnished to a better economic condition, growth in industrial sector, new economic order for the country, a novel step forward would be establishment of an institution which would mobilize savings from the common man and then channelise them into the corporate sector, the then Prime Minister Pandit Jawaharlal Nehru felt the need of such on the suggestion of Shri. T. T. Krishnamachari, the then Finance Minister of India. The Reserve Bank of India was entrusted the task of setting up such an institution and Unit Trust of India bill was introduced in Parliament. It was introduced by the then Finance Minister. In the context of National Economic development, the concept of setting up UTI as new institution combining the characteristics of Mutual Funds (MFs) of USA and Unit Trust of the U.K. to provide resource support for corporate growth through channelising household savings was the brain child of Shri. T.T. Krishnamachari. A separate act was enacted in parliament entitled Unit Trust of India Act, 1963.  

3.15.2 UTI’s Associates:

UTI has setup associate companies in the fields of banking, securities trading, investor servicing, investment advice and training, towards creating a diversified financial conglomerate and meeting investors varying needs under a common umbrella.

- **UTI Bank Limited:** UTI Bank was the first private sector bank to be setup in 1994. The Bank has a network of 121 fully
computerized branches spread across the country. The bank offers a wide range of retail, corporate and forex services.

- **UTI Securities Exchange Limited**: UTI securities exchange Limited was the first institutionally sponsored corporate stockbroking firm incorporated on June 28, 1994, with a paid-up capital of Rs.300 million. It is wholly owned by UTI and promoted to provide secondary market trading facilities, investment banking, and other related services. It has acquired membership of NSE, BSE, OTCEI and Ahmadabad Stock Exchange (ASE).

- **UTI Investor Services Limited**: UTI Investor services limited was the first institutionally sponsored Registrar and Transfer agency set up in 1993. It helps UTI in rendering prompt and efficient services to the investor.

- **UTI Institute of Capital Markets**: UTI Institute of Capital Market was set up in 1989 as a non-profit educational society to promote professional development of capital market participants. It provides specialized professional development programmes for the varied constituents of the capital market and is engaged in research and consultancy services. It also serves as a forum to discuss ideas and issues relevant to the capital market.

- **UTI Investment Advisory Services Limited**: UTI Investment Advisory Services Limited, the first Indian investment advisor registered with SEC, US, was setup in 1988 to provide investment research and back office support to other offshore funds of UTI.

- **UTI International Limited**: UTI International Limited is a 100 percent subsidiary of UTI, registered in the Island of Guernsey, channel Islands. It was set up with the objective of helping in the UTI offshore funds in marketing their products and managing funds. UTI International Limited has an office in London, which is responsible for developing new products, new
business opportunities, maintaining relations with foreign investors and improving communication between UTI and its clients and distributors abroad.

- UTI has a branch office at Dubai, which caters to the needs of NRI investors based in six Gulf countries, namely, UAE, Oman, Kuwait, Saudi Arabia, Qatar and Bahrain. This branch office acts as a liaison office between NRI investors in the Gulf and UTI offices in India.

- UTI has extended its support to the development of Unit Trusts in Sri Lanka and Egypt. It has participated in the equity capital of the Unit Trust Management Company of Sri Lanka.\(^\text{19}\)

### 3.15.3 Promotion of Institutions:

The Unit Trust of India has helped in promoting / co-promoting many institutions for the healthy development of the financial sector. These institutions are:

- Infrastructure Leasing and Financial Services (ILFS)
- Credit Rating and Information Services Limited (CRISIL)
- Stock Holding Corporation of India Limited (SHCIL)
- Technology Development Corporation of India Limited (TDCIL)
- Over the Counter Exchange of India Limited (OTCEIL)
- National Securities Depository Limited (NSDL)
- North-Eastern Development Finance Corporation Ltd. (NEDFCL)

### 3.15.4 Board of Trustees:

Upon formation of Unit Trust of India, the general supervision and management of the UTI was entrusted to the Board Trustees. The Board was expected to act on business principles, having regard to the interest of the unit holders. Chairman was appointed by the RBI. Four trustees to be nominated by RBI, one each to is nominated by LIC and SBI, two trustees to be elected by contributing institutions other than RBI, IDBI, LIC and SBI and one executive trustee
appointed by RBI (IDBI now) since they are the contributors of the initial capital to the UTI.  

### 3.15.5 Functions of UTI Mutual Fund:

UTI was empowered to sell and purchase units, introduce unit schemes, invest, acquire, hold and dispose of securities, keep money and deposit, formulate insurance-linked savings, borrow money and issue bond etc.

### 3.15.6 Management of UTI Mutual Fund:

The management of officers and business of UTI is managed by the Board of Trustees with a full-time Chairman appointed by Government of India. There are nine directors. It constituted an Advisory Board of Mutual Fund and advisory Board of India fund exclusively. Besides, a separate Board of Director of India Growth Fund Inc.

Unit Trust of India (UTI) was established in 1963 by the parliament with the enactment of UTI Act, 1963. The objective of it was to provide an opportunity for the middle and lower income groups to acquire without much difficulty, property in the firm of shares. This institution is intended to cater mainly to needs of individual investors whose means are small.

### 3.15.7 The Constitution of UTI Mutual Fund:

Unit Trust of India is a Statutory Corporation constituted under the UTI Act, 1963 with a view to encouraging savings and investment and participation in the income profits and gains accruing to the trust from the acquisition, holding management and disposal of securities. It commenced its operations with effect from 1\textsuperscript{st} July 1964.
3.15.8 Objectives of UTI Mutual Fund:
The objectives of the Unit Trust of India are as follows;

a) To mobilize savings, particularly from the low and middle-income groups.

b) To channelise these savings into productive investment and to provide an assured income to savers.

c) It provides the savers with expert investment service, portfolio management and assured income.

d) The risk-averting savers would not normally invest in stock and capital market. They are afraid to do so due to lack of expertise and easy access.

e) The UTI provides expert management of their funds, steady income and liquidity for their investment through repurchase facility.

f) The UTI mobilizes the savings through the sale of its units and operates a number of schemes with varied characteristics to suit the requirements of savers and investors.  

3.15.9 Vision of UTI Mutual Fund:
To be the most preferred Mutual Fund.

3.15.10 Mission of UTI Mutual Fund:
- The most trusted brand, admired by all stakeholders.
- The largest and most efficient money manager with a global presence.
- The best in class customer service provider.
- The most preferred employer.
- The most innovative and best wealth creator.
- A socially responsible organization known for best corporate governance.
3.15.11 Genesis:

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

3.15.12 Asset Under Management of UTI Mutual Fund:

To know latest corpus of UTIAMC UTI Mutual Fund has a track record of managing a variety of schemes catering to the needs of every class of citizens. It has a nationwide network consisting 149 UTI Financial Centres (UFCs) and UTI International offices in London, Dubai and Singapore.

UTIAMC has a well-qualified, professional fund management team, which has been fully empowered to manage funds with greater efficiency and accountability in the sole interest of the unit holders. The fund managers are ably supported by a strong in-house securities research department. To ensure investors’ interests, a risk management department is also in operation.

3.15.13 Reliability:

UTIMF has consistently reset and upgraded transparency standards. All the branches, UFCs and registrar offices are connected on a robust IT network to ensure cost-effective quick and efficient service. All these have evolved UTIMF to position as a dynamic, responsive, restructured, efficient and transparent entity, fully compliant with SEBI regulations.

3.15.14 Investment Philosophy of UTI Mutual Fund:

UTI Mutual Fund’s investment philosophy is to deliver consistent and stable returns in the medium to long term with a fairly lower volatility of fund returns compared to the broad market. It believes in having a balanced and well-diversified portfolio for all the
funds and a rigorous in-house research based approach to all its investments. It is committed to adopting and maintain good fund management practices and a process based investment management.

UTI Mutual Fund follows an investment approach of giving as equal importance to asset allocation and sectoral allocation, as is given to security selection while managing any fund. It combines top-down and bottom-up approaches to enable the portfolios/funds to adapt to different market conditions so as to prevent missing an investment opportunity.

In terms of its funds performance, UTI Mutual fund aims to remain consistently in the top quartile vis-à-vis the funds in the peer group.

3.15.15 Trustee:

UTI Trustee Company Private Limited, a company incorporated under The Companies Act, 1956 will be the Trustee of transferred/migrated schemes, which is the first and sole trustee of the Mutual Fund under the Trust Deed dated December 9, 2002, executed between the Sponsors and the Trustee Company (the Trustee).

3.15.16 Sponsor:

UTI Mutual Fund was carved out of the erstwhile Unit Trust of India (UTI) as a SEBI registered mutual fund from 1st February 2003. The Unit Trust of India (Transfer of undertaking & Repeal) Act 2002 was passed by the Parliament, paving the way for the bifurcation of UTI into – Specified Undertaking of Unit Trust of India (SUUTI); and UTI Mutual Fund (UTIMF).

UTI Mutual Fund is promoted by the four of the largest Public Sector Financial Institutions as sponsors, viz., State Bank of India, Life Insurance Corporation of India, Bank of Baroda and Punjab
National Bank with each of them presently holding an 18.5% stake in the paid up capital of UTI AMC.

T Rowe Price Group Inc (TRP Group) through its wholly owned subsidiary T Rowe Price International Ltd. (TRP) has acquired a 26% stake in UTI Asset Management Company Limited (UTI AMC).

The sponsors are neither responsible nor liable for any loss resulting from the operation of the scheme beyond the contribution of Rs.10,000/- made by them towards setting up the Mutual Fund.23

3.15.17 Schemes of UTI Mutual Fund:

The following are the major types of schemes are offered by UTI mutual fund company

I.A) Equity Funds Category:
1. UTI Master Share
2. UTI Master Plus
3. UTI Equity Fund
4. UTI Contra Fund
5. UTI Wealth Builder Fund
6. UTI India Lifestyle Fund

B) Speciality/Theme Based Funds
1. UTI Infrastructure Fund
2. UTI Dividend Yield Fund
3. UTI Services Industries Fund
4. UTI Master Value Fund
5. UTI Mid Cap Fund
6. UTI Leadership Equity Fund
7. UTI Master Growth
8. UTI MNC Fund
9. UTI Opportunities Fund
C) **Sector Funds**
1. UTI Software Fund
2. UTI Banking Sector Fund
3. UTI Energy Fund
4. UTI Pharma and Health Care Fund
5. UTI Transpiration and Logistics Fund

D) **Tax Planning Funds**
1. UTI Equity Tax Savings Plan
2. UTI Long Term Advantage Fund-Ser I
3. UTI MEPUS
4. UTI Spread Fund

II. **Index Funds Category**
1. UTI Master Index Fund
2. UTI Nifty Index Fund
3. UTI Nifty Select Fund
4. UTI Sunder

III. **Asset Allocation Funds Category**
1. UTI Variable Investment Scheme

IV. **Balance Funds Category**
1. UTI Balance Fund
2. UTI CCP Advantage Fund
3. UTI Children’s Career Balanced Plan
4. UTI Mahila Unit Scheme
5. UTI Crts
6. UTI Unit Linked Insurance Plan
7. UTI Retirement Benefit Pension Plan

V. **Income Funds Category**
1. UTI Short Term Income Fund
2. UTI G-SEC Investment Plan
3. UTI G-SEC Short Term Plan
4. UTI Gilt Advantage Fund
5. UTI Bond Fund
6. UTI Liquid Plus Fund
7. UTI Monthly Income Scheme
8. UTI MIS-Advantage Plan

VI. **Liquid Fund Category**
1. UTI Floating Rate Fund
2. UTI Money Market Fund
3. UTI Liquid Fund Cash Plan

### 3.16. PROFILE OF SBI MUTUAL FUND

#### 3.16.1 Corporate Profile:

With 28 years of rich experience in fund management, it brought forward expertise by consistently delivering value to investors. It has a strong and proud lineage that traces back to the State Bank of India (SBI) - India's largest bank. It has a Joint Venture between SBI and AMUNDI (France), one of the world's leading fund management companies.

Excellence has no substitute and to ensure excellence right from the first stage of product development to the post-investment stage, it is guided by the philosophy of ‘growth through innovation’ and stable investment policies. This dedication is what helps the customers to achieve their financial objectives.

#### 3.16.2 Vision of SBI Mutual Fund:

To be the most preferred and the largest fund house for all asset classes, with a consistent track record of excellent returns and best standards in customer service, product innovation, technology and HR practices.”
3.16.3 Services of SBI Mutual Fund:

Mutual Funds Investors are our priority. Our mission has been to establish Mutual Funds as a viable investment option to the masses in the country. Working towards this it developed innovative, need-specific products and educated the investors about the added benefits of investing in capital markets via Mutual Funds.

Today, it has been actively managing investor's assets not only through investment expertise in domestic mutual funds, but also offshore funds and portfolio management advisory services for institutional investors.

This makes it one of the largest investment management firms in India, managing investment mandates of over 5.4 million investors.

3.16.4 Portfolio Management and Advisory Services:

SBI Funds Management has emerged as one of the largest player in India advising various financial institutions, pension funds, and local and international asset management companies.

It has excelled by understanding investor's requirements and terms of risk/return expectations, based on which it suggest customized asset portfolio recommendations. It also provides an integrated end-to-end customized asset management solution for institutions in terms of advisory service, discretionary and non-discretionary portfolio management services.

3.16.5 Offshore Funds:

SBI Funds Management has been successfully managing and advising India's dedicated offshore funds since 1988. SBI Funds Management was the 1st bank sponsored asset management company fund to launch an offshore fund called 'SBI Resurgent India Opportunities Fund' with an objective to provide our investors with
opportunities for long-term growth in capital, through well-researched investments in a diversified basket of stocks of Indian Companies.

**3.16.6 Investment Philosophy (Growth through innovation) of SBI Mutual Fund:**

The expert team of experienced and market savvy researchers prepare comprehensive analytical and informative reports on diverse sectors and identify stocks that promise high performance in the future.

Innovation is the process of turning ideas into concrete plans for progressive growth. It always seek to provide investors with opportunities for progressive growth through innovative products, superior stock selection and active portfolio management. Accordingly, we also enhance and optimize asset allocation and stock selection based on internal and external research. Derivatives are used to hedge and rebalance portfolios to keep the risk factors at reasonable levels.

The three main phrases, which act as a guiding force for the investment performance, are as follows:

1. **Long-term capital appreciation for the investor:** The fund manager’s view is not guided by any momentum play but by the objective of generating sustainable performance for the investor.
2. **Superior stock selection:** The team is encouraged to be ahead of the rest of the industry in terms of identifying new ideas & opportunities.
3. **Active fund management:** While the performance of all the funds is benchmarked against a specific index, it do not encourage our investment team to replicate the index composition with the fund portfolio.

**3.16.7 Optimal Risk Management:**

Risk Management is an inherent part of any business. As one of the core focus areas, each of the strategies is subject to close scrutiny on a continuous basis. Regulatory agencies around the world are
placing increasing pressure on institutions to measure and manage risk better. At SBI Funds Management, it follow enterprise wide approach to risk management with a dedicated, experienced and professional risk management team covering significant functions of the organization. Risk Management focuses on:

- Identifying actual and potential areas of risk.
- Assessing the adequacy of internal controls.
- Proposing risk mitigating measures and.
- Safeguarding investor interest through ongoing analysis and monitoring.

3.16.8 History of SBI Mutual Fund:

SBI Mutual Fund (SBIMF) was set up as a Trust by the settlers, State Bank of India on June 29, 1987 with SBI Mutual Fund Trustee Company Private Limited (The Trustee Company) as a Trustee in accordance with the provisions of the Indian Trust Act, 1882 and is duly registered under the Registration Act, 1908. The Trustee has entered into an Investment Management Agreement dated May 14, 1993 and also a supplemental thereto on April 28, 2003, which was replaced by Restated and Amended Investment Management Agreement December 29, 2004 with SBI Funds Management Private Ltd. (the AMC) to function as the investment Manager for all the Schemes of SBI MF. SBI MF was registered with SEBI on December 23, 1993 under Registration Code MF-009/93/3.24

3.16.9 Schemes of SBI Mutual Fund:

The following are the various mutual funds schemes offered by SBI Mutual Fund Company.

I. Equity Funds and Scheme:

The primary objective of the equity asset class is to provide capital growth/appreciation by investing in the equity and equity related instruments of companies over medium to long term.
1. **Equity/Growth Fund:**
   a. SBI Mangum Equity Fund
   b. SBI Mangum Global Fund
   c. SBI BlueChip Fund
   d. SBI Mangum Multicap Fund
   e. SBI Mangum Multiplier Fund
   f. SBI Small and Midcap Fund
   g. SBI Mangum Midcap Fund
   h. SBI Emerging Business Fund

2. **Sectoral Funds:**
   a. SBI Contra Fund
   b. SBI FMCG Fund
   c. SBI IT Fund
   d. SBI Pharma Fund
   e. SBI Banking and Financial Services Fund

3. **Thematic Funds:**
   a. SBI Mangum COMMA Fund
   b. SBI Infrastructure Fund
   c. SBI PSU Fund

4. **ELSS Funds:**
   a. SBI Mangum Taxgain Scheme-1993
   b. SBI Tax Advantage Fund-Series-I
   c. SBI Tax Advantage Fund-Series-II
   d. SBI Tax Advantage Fund-Series-III

5. **Index Funds:**
   SBI Nifty Index Fund

6. **Market Neutral Strategy:**
   SBI Arbitrage Opportunities Fund
II. Debt/Income Fund and Schemes:

The schemes in this asset class generally invest in fixed income securities such as bonds, corporate debentures, government securities (gilts), money market instruments, etc. and provide regular and steady income to investors.

1. SBI Savings Fund
2. SBI Corporate Bond Fund
3. SBI Mangum Income Fund
4. SBI Treasury Advantage Fund
5. SBI Dynamic Bond Fund
6. SBI Mangum Gilt Fund- Short Term Plan
7. SBI Mangum Gilt Fund- Long Term Plan
8. SBI Short Term Debt Fund
9. SBI Ultra Short Term Debt Fund

III. Liquid Funds and Schemes:

The strategy for liquid funds include investments in short investment horizon, which includes 'cash' assets such as treasury bills, certificates of deposit and commercial paper.

1. SBI Mangum InstaCash Fund
2. SBI Mangum InstaCash Fund-Liquid Floater
3. SBI Premier Liquid Fund

IV. Hybrid Schemes:

These schemes invest in a mixture of debt and equity securities in different proportions as prescribed in the Scheme Information Document.

1. SBI Magnum Children’s Benefit Plan
2. SBI Magnum Balanced Fund
3. SBI Regular Savings Fund
4. SBI Magnum Monthly Income Plan
5. SBI Magnum Monthly Income Plan-Floater
6. SBI Dynamic Asset Allocation Fund
V. **Fixed Maturity Plans:**

These are closed ended debt schemes with a fixed maturity date and they invest in debt & money market instruments maturing on or before the date of the maturity of the scheme.

1. SBI Debt Fund Series A - 1 (15 Months)
2. SBI Debt Fund Series A - 2 (15 Months)
3. SBI Debt Fund Series A - 4 (786 Days)
4. SBI Debt Fund Series A - 5 (411 Days)
5. SBI Debt Fund Series 14 Months 1
6. SBI Debt Fund Series 15 Months 10
7. SBI Debt Fund Series 180 Days 26
8. SBI Debt Fund Series 36 Months 1
9. SBI Debt Fund Series 36 Months 3
10. SBI Debt Fund Series 36 Months 6

VI. **Exchange Traded Funds and Schemes:**

Exchange Traded Funds/ Schemes (ETFs) are a basket of securities that are traded on the stock exchange.

1. SBI –ETF Gold
2. SBI –ETF SENSEX
3. SBI -ETF Nifty Bank
4. SBI –ETF BSE 100
5. SBI-ETF Nifty Next 50
6. SBI –ETF Nifty 50
7. SBI –ETF 10 Year Gilt
8. Direct Redemption

VII. **Fund of Funds Schemes:**

A "Fund of Funds Scheme" means a mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds.

1. SBI Gold Fund
3.17. PROFILE OF LIC NOMURA MUTUAL FUND

3.17.1 History of LIC Mutual Fund:

LIC Mutual Fund was established on 20th April 1989 by LIC of India. Being an associate company of India's premier and most trusted brand, LIC Mutual Fund is one of the well known players in the asset management sphere. With a systematic investment discipline coupled with a high standard of financial ethics and corporate governance, LIC Mutual Fund is emerging as a preferred Investment Manager amongst the investor fraternity.

LIC Mutual Fund endeavours to create value for its investors by adopting innovative and robust investment strategies, catering to all segments of investors. LIC Mutual Fund believes in providing delight to its customers and partners by way of superior investment experience and unparalleled service thereby truly bring them Khushiyaan, Zindagi Ki.

3.17.2 A New Dawn:

LIC Mutual Fund was established on 20th April 1989 by LIC of India. A name synonymous with trust in the financial system of our country, LIC of India has delivered hope to millions of lives every day for the past 59 years. The company today, is the largest life insurer in the world and has insured more than 250 million lives.

3.17.3 Pillars of Support:

It was empowered by a foundation of strength that adds momentum to its endeavours. The joint venture partners:

1. LIC Housing Finance Ltd.:– One of the largest Housing Finance companies in India, with over 15.56 lakh prudent house owners who have enjoyed its financial assistance.

2. GIC Housing Finance Ltd.:– With a presence of 59 branches across the country, tie-ups with builders and corporates, GIC HFL
provides finance to individual borrowers for various housing finance needs.

3. **Corporation Bank** - With a nationwide network of 2364 fully automated CBS branches, 2998 ATMs and 4685 Branchless Banking Units across 4685 villages.

### 3.17.4 The Onset of an Eternal Smile

LIC Mutual Fund’s journey so far has been promising. Partnering with our stakeholders, LIC Mutual Fund is committed to deliver Khushiyaan, Zindagi Ki.

### 3.17.5 Vision of LIC Mutual Fund:

“To be a trusted partner in wealth creation and a mutual fund of choice”.

### 3.17.6 Mission of LIC Mutual Fund:

"Within the realms of good corporate governance, financial ethics, consistent fund performance, imparting knowledge and creating awareness to empower investors achieve financial goals”.

#### Table-3.21

**Share holding pattern of LIC MF Trustee Co. Ltd.**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Names of the New Shareholders</th>
<th>Percentage of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>LIC of India</td>
<td>49.00</td>
</tr>
<tr>
<td>2.</td>
<td>LIC Housing Finance Ltd.</td>
<td>35.30</td>
</tr>
<tr>
<td>3.</td>
<td>GIC Housing Finance Ltd.</td>
<td>15.70</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: www.licmf.com

Above table shows clearly the share holding pattern of LIC MF Trustee Co. Ltd. Out of its total share 49 percent is by LIC of India, 35.30 percent is by LIC Housing Finance Ltd and 15.70 percent is GIC Housing Finance Ltd.
Table-3.22
Share holding pattern of LIC MF Asset Management Co. Ltd.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Names of the New Shareholders</th>
<th>Percentage of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>LIC of India</td>
<td>45.00</td>
</tr>
<tr>
<td>2.</td>
<td>LIC Housing Finance Ltd.</td>
<td>39.30</td>
</tr>
<tr>
<td>3.</td>
<td>GIC Housing Finance Ltd.</td>
<td>11.70</td>
</tr>
<tr>
<td>4.</td>
<td>Corporation Bank</td>
<td>4.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: www.licmf.com

Above table reveals that share holding pattern of LIC MF Asset Management Co. Ltd. Out of 100 percent share holding by LIC mutual funds, 45 percent shareholders are LIC of India, 39.30 percent shareholders are LIC Housing Finance Ltd., 11.70 percent of shareholders are GIC Housing Finance Ltd. and lastly 4 percent is Corporation bank.  

3.17.7 Schemes of LIC Mutual Fund:

The following are various products offered for the investors of LIC mutual fund.

1. **Equity fund Categories:**
   1. Banking and Financial Services Fund.
   2. Diversified Equity Fund Series (1).
   3. Diversified Equity Fund Series (2).
   4. Equity Fund.
   5. Growth Fund.
   6. Index Fund Nifty Plan.
   7. Index Fund Sensex Plan.
   8. Infrastructure Fund.
   9. Mid-cap Fund.
   10. RGESS Fund Series (2).
   11. RGESS Fund Series (3).

2. **Exchange Traded Fund Categories:**
   1. Exchange Traded Fund-Nifty 100.
   2. Exchange Traded Fund-Nifty 50.
   3. Exchange Traded-Sensex.
   4. G-SEC Long Term ETF.

3. **Debt Fund Categories:**
   1. Bond Fund.
   2. Income Plus Fund.
   5. Childrens Fund.
   8. Interval Fund Quarterly Plan-Series (1).
   10. Interval Fund Annual Plan-Series (1).

4. **Hybrid Fund Categories:**
   2. Dual Advantage Fund-Series (1).
   5. Unit Linked Insurance Scheme (ULIC).
   6. CAPRO Fund-Series (1).
   7. CAPRO Fund-Series (2).
   8. CAPRO Fund-Series (3).
   10. CAPRO Fund-Series (5).

5. **Liquid Fund Categories:**
   1. Liquid Fund.
3.18. CONCLUSION:

Mutual funds are essentially financial intermediaries. They have become a critical link among the various financial segments in the economy. Today, they play a crucial role in the mobilisation of resources, especially from small savers. On account of the huge resources at their disposal they also emerged as the dominant players in the capital market. Indian mutual fund industry is expected to witness rapid growth in Assets Under Management (AUM), resources mobilisation, trends in transaction on stock exchanges by mutual funds, market intermediaries, various schemes offered by the industries over the next few years.

With the structural liberalization policies, the Indian economy, no doubt is likely to return to a high growth path in few years. Hence, mutual funds organizations are needed to upgrade their skills and technology. It has to overcome the bottlenecks in growth of mutual fund industry. There is a need for strong regulatory framework, transparency and disclosure policies, customer involvement, upgradation of technology, innovation in products etc., to serve in the competitive environment.
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25. www.licmf.com

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