



GROWTH OF RESOURCE MOBILISATION BY INDIAN MUTUAL FUND INDUSTRY: AN EMPIRICAL ANALYSIS

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Abstract:- 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 non 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). Today there are around 44 mutual funds industry participated 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.

In the present study an attempt have been made to know the mobilization of funds, assets at the end of period, scheme-wise assets under management, sector-wise and scheme resource mobilized by mutual fund industry.

Keywords:Funds Mobilized, Assets Under Management (AUM),Resource Mobilized, Schemes, Public Sector, Private Sector, UTI Mutual Fund.

INTRODUCTION :

Indian financial system is one of the largest financial system in the world with a broad variety of banking, financial and capital market institutions and instruments. Indian financial system analyses the initiatives aimed at developing a healthy, efficient and market oriented system by deregulating interest rates, development of market instruments for pricing of public debt and bank loans, upgrading of India's regulatory and accounting standard to international norms, adjustments in monetary and financial policies and exchange rate management for an increasingly liberalized and open economic and financial environment.

Mutual fund industry today is one of the most attractive investment avenues in India. Mutual fund is a good investment option for the medium and small investors who have the limited resources and do not have a professional knowledge about the stock market and other investment opportunities. Mutual funds are the significant financial intermediary collecting funds mainly from small investors and investing them in financial market securities. A mutual fund is an investment company or trust that pools the resources of thousands of its unit holders and investment on behalf of these diversified securities and a cross section of companies to attain the objectives of the investors, which in turn achieve income or growth or both i.e. steady return or capital appreciation or both along with low risk.

REVIEW OF LITERATURE:

Reviews of previous research studies made in the area of mutual funds are discussed below.

Narasimhan and Vijayalakshmi (2001) a joint paper entitled, Performance Analysis of Mutual Funds in India, evaluated the performance of the Mutual Funds in terms of achieving diversification benefit and fund manager's timing ability. The study found that there was a general shift in the investment strategy of holding a diversified portfolio and in optimizing the risk-returns of investments to invest in predictive winners of the period.

Anand and Murugaiah(2004) had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

Sudhakar and Sasikumar(2005) opined that most of the growth oriented mutual funds have been able to deliver better return than the benchmark indicators. Growth oriented mutual funds are expected to offer the advantage of diversification, market timing and selectivity.

Muthappan.P.K and Damodharan.E(2006) in their study, Risk-Adjusted Performance Evaluation of Indian Mutual Funds Schemes, investigated the Indian mutual fund schemes in the framework of risk and returns relationship during the study period April-1-1995 to March-31, 2000. The empirical findings of that study showed that the Indian Mutual Funds were not properly diversified during the study period.

Meenu Verma(2007) investigated the concept of Investment Style Analysis of Mutual Funds. The author conducted a survey among various financial advisors and fund managers from various Asset Management Companies. It was found that majority of the Mutual Funds managers adopt the security specific investment style and prefer the Bottom-Up Approach Style while selecting stocks.

Parihar, Sharma and Singh(2009) revealed that mutual funds are financial Intermediaries concerned with mobilizing savings of those who have surplus and the canalization of these savings in those avenues where there is a demand for funds.

Vaikunthe and Salimath(2011) in their article on "Mutual Funds: The Challenges and Issues" have discussed AMC's need to re-orient their business towards fulfilling customer needs. As customers seek trusted advisor, the manufacture-distributor-customer relationship is expected to be centered not on the sale of product, but for collectively promoting the financial success of customers across all facets of their professional and personal lives. This requires creating a collaborative network of experts in funds management and financial advice, innovative product offerings, efficient service delivery and supporting technology.

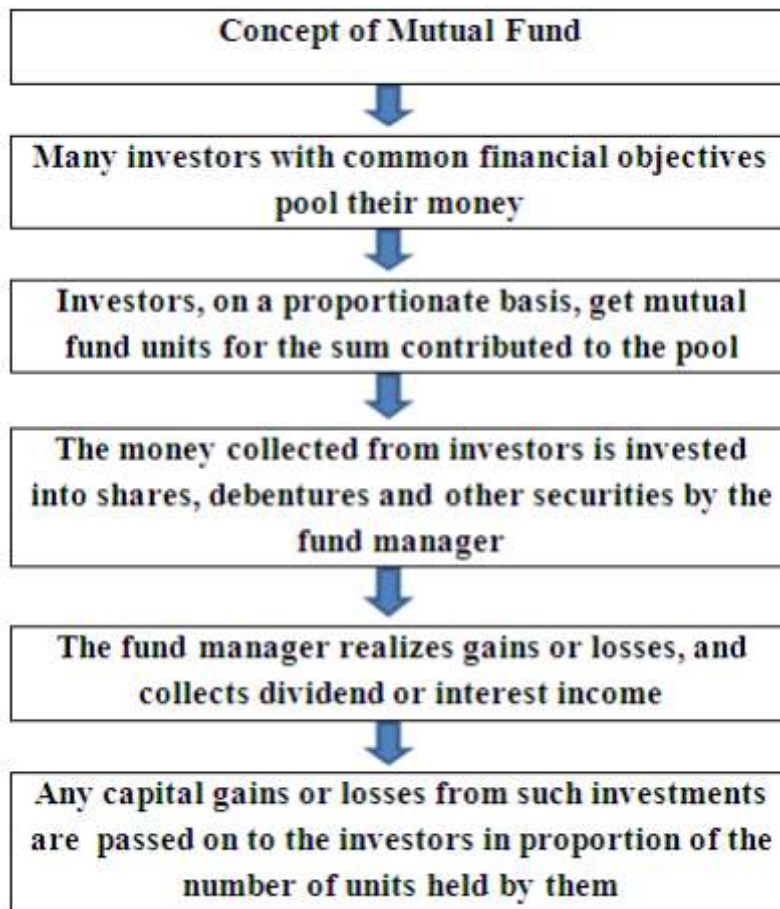
Usha Rekha(2012) has taken initiative to study on "Growth of Indian Mutual Fund Industry-A Review" discussed about the history of mutual funds in India, the mutual fund industry started with the setting up of Unit Trust of India (UTI) in 1964, enjoyed the monopoly power up to 1987. Public sector banks were allowed to establish mutual funds in 1987. Since 1993, private sector and foreign institutions were permitted to set up mutual funds. By the end of March 2011 there are 41 fund houses under 1131 schemes with managed assets of Rs.592250 Cr.

Narasimhan(2013) in their article on "Mutual Funds: A Change in Indian Investment Perspective" he discussed mutual funds have a new 'mantra' for Indian investors. Mutual funds market plays a predominant role on par with other investment instrument. There has been a tremendous shift from traditional investment avenues like N.S.C. and P.P.F. etc, to mutual funds and this trend is rapidly increasing day-by-day. He concludes that mutual funds play an important role in supporting the capital market, which is quite essential for supporting a growing economy like India and also plays a leading role in the development of secondary securities market.

Concept of Mutual Fund:

The chart given below indicates the concept of mutual fund

Chart No.1: Concept of Mutual Fund



OBJECTIVES OF THE STUDY:

The following are the specific objectives of the present study.

1. To analyse the resource mobilisation by mutual fund industry.
2. To analyse the scheme-wise asset under management of mutual fund industry
3. To analyse the sector-wise as well as nature wise resource mobilisation by mutual fund industry.
4. To analyse the scheme-wise resource mobilisation by mutual fund industry.
5. To offer suggestions based on the findings of the study.

METHODOLOGY AND DATA COLLECTION:

The present study is based on secondary data. The data required for the study has been collected from the books, magazines, various annual reports of Securities Exchange Board of India (SEBI), hand book of statistics on Indian securities market, Association of Mutual Fund in India (AMFI) and various websites of the mutual fund companies etc.

PERIOD OF THE STUDY:

In the present study an attempt is made to analyse total resource mobilisation by the mutual fund industry in India for the past ten years period i.e. from 2004-05 to 2013-14.

TOOLS AND TECHNIQUES USED:

For the present study data drawn from various sources are analyzed with help of statistical tools such as averages, percentage and ratios are used. The data has been presented mainly in tabular form to make it understandable easily.

Table No.1
Resource mobilisation by mutual fund industry (Rs.in Crores)

Year	Mobilisation of Funds	Redemption	Net Inflow	Assets at the end of the period
2004-05	8,39,708	8,37,508	2,200	1,49,600
2005-06	10,98,149	10,45,370	52,779	2,31,862
2006-07	19,38,493	18,44,508	93,985	3,26,292
2007-08	44,64,377	43,10,575	1,53,802	5,05,152
2008-09	54,26,353	54,54,650	-28,296	4,17,300
2009-10	1,00,19,022	99,35,942	83,080	6,13,979
2010-11	88,59,515	89,08,921	-49,406	5,92,250
2011-12	68,19,678	68,41,702	-22,024	5,87,217
2012-13	72,67,885	71,91,346	76,539	7,01,443
2013-14	97,68,100	97,14,318	53,782	8,25,240
Total	4,64,82,257	5,60,84,840	4,16,441	49,50,335

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

The above table 1 shows that resource mobilisation by mutual fund industry in India. Under mobilisation of funds includes total funds mobilised by public sector, 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. It is evident from the table mobilisation of fund increased from Rs.8,39,708 Crores in the year 2004-05 to Rs.1,00,19,022 Crores during 2009-10 and decreased by Rs.68,19,678 Crores in the year 2011-12 and again increase to Rs.97,68,100 Crores in the year 2013-14. Redemption is continuously increased from Rs.8,37,508 Crores in the year 2004-05 to 97,14,318 Crores in the year 2013-14. Net inflow is increased from Rs.2,200 Crores in the year 2004-05 to Rs.1,53,802 Crores in the year 2007-08 and decreased by Rs.53,782 Crores during the year 2013-04. Finally Assets at the end of the period increased Rs.1,49,600 Crores in the year 2004-05 to Rs.8,25,240 Crores in the year 2013-04.

Table No.2
Scheme-wise asset under management of mutual fund industry(Rs.in Crores)

Year	Income/ Debt Fund	Growth/ Equity Fund	Balanced Fund	Exchange Traded Fund	Fund of Funds Overseas	Total Assets Under Management
2004-05	1,06,250 (71.02)	38,484 (25.73)	4,866 (3.25)	00 (0)	00 (0)	1,49,600 (100)
2005-06	1,24,913 (53.87)	99,456 (42.90)	7,493 (3.23)	00 (0)	00 (0)	2,31,862 (100)
2006-07	1,93,584 (59.33)	1,23,598 (37.88)	9,110 (2.79)	00 (0)	00 (0)	3,26,292 (100)
2007-08	3,12,997 (61.96)	1,72,742 (34.20)	16,283 (3.22)	3,130 (0.62)	00 (0)	5,05,152 (100)
2008-09	2,94,350 (70.54)	1,08,244 (25.94)	10,629 (2.55)	1,396 (0.33)	2,681 (0.64)	4,17,300 (100)
2009-10	3,93,204 (64.04)	1,98,121 (32.27)	17,246 (2.81)	2546 (0.41)	2,862 (0.47)	6,13,979 (100)

2010-11	3,69,050 (62.31)	1,95,322 (32.98)	18,445 (3.11)	6,917 (1.17)	2,516 (0.43)	5,92,250 (100)
2011-12	3,74,857 (63.83)	1,82,076 (31.01)	16,261 (2.77)	11,493 (1.96)	2,530 (0.43)	5,87,217 (100)
2012-13	4,97,451 (70.92)	1,72,508 (24.60)	16,307 (2.32)	13,125 (1.87)	2,052 (0.29)	7,01,443 (100)
2013-14	6,00,945 (72.82)	1,91,107 (23.16)	16,793 (2.03)	13,204 (1.60)	3,191 (0.39)	8,25,240 (100)
Total	32,67,601 (66.00)	14,81,658 (29.93)	1,33,433 (2.70)	51,811 (1.05)	15,832 (0.32)	49,50,335 (100)

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

Note: Figures in the parenthesis are percentage to row total

The above table reveals that scheme-wise asset under management of mutual fund industry. During the entire period the study it can be observed that total assets under management is Rs.49,50,355 Crores i.e.100 percent. Out of which highest scheme wise assets under management is income/debt fund Rs.32,67,601 Crores i.e.66 percent. Followed by in growth/equity fund of Rs.14,81,658 Crores i.e. 29.93 percent, balanced fund Rs.1,33,433 i.e. 2.70 percent, exchange traded fund Rs.51,811 i.e. 1.05 percent and finally fund of fund overseas Rs.15,832 i.e. 0.32 percent.

Table No.3
Sector-wise total resources mobilized by mutual fund industry(Rs.in Crores)

Year	UTI Mutual Fund	Public Sector Mutual Fund	Private Sector Mutual Fund	Total
2004-05	46,656 (5.56)	56,589 (6.74)	7,36,463 (87.70)	8,39,708 (100)
2005-06	73,127 (6.66)	1,10,319 (10.05)	9,14,703 (83.29)	10,98,149 (100)
2006-07	1,42,280 (7.34)	1,96,340 (10.13)	15,99,873 (82.53)	19,38,493 (100)
2007-08	3,37,498 (7.56)	3,46,126 (7.75)	37,80,752 (84.69)	44,64,376 (100)
2008-09	4,23,131 (7.80)	7,10,472 (13.10)	42,92,750 (79.10)	54,26,353 (100)
2009-10	8,81,851 (8.80)	14,38,688 (14.36)	76,98,483 (76.84)	1,00,19,022 (100)
2010-11	7,83,858 (8.85)	11,52,733 (13.01)	69,22,924 (78.14)	88,59,515 (100)
2011-12	5,22,453 (7.67)	6,13,482 (8.99)	56,83,743 (83.34)	68,19,678 (100)
2012-13	6,33,350 (8.71)	7,06,589 (9.72)	59,27,946 (81.57)	72,67,885 (100)
2013-14	8,02,352 (8.21)	9,16,351 (9.38)	80,49,397 (82.41)	97,68,100 (100)
Total	46,46,556 (8.22)	62,47,689 (11.06)	4,56,07,034 (80.72)	5,65,01,279 (100)

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

Note: Figures in the parenthesis are percentage to row total

It is observed from the above table that sector-wise total resources mobilized by mutual fund industry. During the entire period of the study total resource mobilized by mutual fund industry is increased from 8,39,708 Crores in the year 2004-05 to Rs. 97,68,100 Crores during 2013-14.i.e. total of Rs.5,65,01,279 Crores (100 percent). Private sector mutual fund industry plays a dominant player in the market their mobilisation of resources increased from Rs. 7,36,463 Crores in the year 2004-05 to Rs.80,49,397 Crores during 2013-14 i.e. total Rs.4,56,07,034 Crores (80.72 percent). Public sector mutual fund companies resources mobilised increased from Rs.56,589 Crores in the year 2004-05 to Rs.9,16,351 Crores in the year 2013-14.i.e. total Rs.62,47,689 Crores (11.06 percent). Lastly UTI mutual fund increased from Rs.46,656 Crores in the year 2004-05 to Rs.8,81,851 Crores during the year 2009-10

and decreased by 5,22,453 Crores in 2011-12 and again increased from 8,02,352 Crores in the year 2013-14.i.e. total of Rs.46,46,556 Crores (8.22 percent)

Table No.4
Scheme-wise resource mobilisation by mutual fund industry (Rs.in Crores)

Year	Income/Debt Scheme	Growth/Equity Scheme	Balanced Scheme	Exchange Traded Scheme	Fund of Funds	Total
2004-05	7,98,673 (95.11)	37,280 (4.44)	3,755 (0.45)	00 (0)	00 (0)	8,39,708 (100)
2005-06	10,08,129 (91.80)	86,014 (7.83)	4,006 (0.37)	00 (0)	00 (0)	10,98,149 (100)
2006-07	18,39,668 (94.90)	94,352 (4.87)	4,473 (0.23)	00 (0)	00 (0)	19,38,493 (100)
2007-08	43,17,263 (96.70)	1,26,287 (2.83)	11,488 (0.26)	9,338 (0.21)	00 (0)	44,64,376 (100)
2008-09	53,83,367 (99.21)	32,805 (0.60)	2,695 (0.05)	5,719 (0.11)	1,767 (0.03)	54,26,353 (100)
2009-10	99,44,693 (99.25)	64,714 (0.65)	4,693 (0.05)	3,535 (0.04)	1,387 (0.01)	1,00,19,022 (100)
2010-11	87,77,034 (99.07)	66,592 (0.75)	7,490 (0.08)	7,709 (0.09)	690 (0.01)	88,59,515 (100)
2011-12	67,54,113 (99.04)	50,619 (0.74)	5,027 (0.07)	8,563 (0.13)	1,356 (0.02)	68,19,678 (100)
2012-13	72,13,578 (99.25)	43,364 (0.60)	5,205 (0.07)	5,052 (0.06)	686 (0.02)	72,67,885 (100)
2013-14	97,09,762 (99.40)	46,093 (0.47)	3,435 (0.34)	6,869 (0.07)	1,941 (0.02)	97,68,100 (100)
Total	5,57,46,280 (98.66)	6,48,120 (1.46)	52,267 (0.09)	46,785 (0.08)	7,827 (0.01)	5,65,01,279 (100)

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

Note: Figures in the parenthesis are percentage to row total

It is evident from the above table that scheme-wise resource mobilisation by mutual fund industry. During the last ten year period total resource mobilisation by mutual fund companies are Rs.5,65,01,279 Crores. Out of which highest scheme wise resource mobilized of mutual fund companies are income/debt scheme i.e. Rs. 5,57,46,280 Crores (98.66 percent), followed by growth /equity scheme i.e.Rs.6,48,120 Crores(1.46 percent), balanced scheme i.e. Rs.52,267 Crores (0.09 percent), exchange traded fund i.e. Rs.46,785 Crores (0.08 percent) and lastly Rs.7,827 Crores (0.01percent)

FINDINGS OF THE STUDY:

The following are some of the important findings of the present study.

- 1.It is found that during entire period of the study total resource mobilisation of fund by mutual fund industry were Rs.4,64,82,257 Crores.
- 2.It is evident for the entire period of study total assets managed by mutual fund industries were Rs.49,50,335 Crores.
- 3.It is clear from the table 2 that highest scheme wise assets under management is income/debt fund Rs.32,67,601 Crores i.e.66 percent.
- 4.It is found that lowest scheme wise assets under management is fund of funds Rs. 15,832 Crores i.e.0.32 percent.
- 5.It is found that majority of the sector wise total resource mobilized by mutual fund industries are private sector mutual fund companies were Rs.4,56,07,034 Crores i.e. 80.72 percent.
- 6.It is evident that UTI mutual fund had total lowest resource mobilized by mutual fund industry during last ten years. Rs.46,46,556 Crores i.e.8.22 percent.
- 7.It is found for study during the last ten year period total resource mobilisation by mutual fund companies are Rs.5,65,01,279 Crores.

8. During past ten years it is found that income/debt scheme having a major scheme-wise resource mobilized by mutual fund were Rs.5,57,46,280 Crores i.e.98.66 percent.

9. It is evident that fund of fund have lowest resource mobilized mutual fund scheme were Rs.7,827 Crores i.e.0.01percent.

SUGGESTIONS:

The following suggestions have been offered for the mutual fund industry.

1. During the study period it was found that highest scheme wise asset under management is income/debt fund. It may be liquidity and assured return. This indicate that more efforts have been made by the mutual fund companies to create awareness among the investors regarding the exchange traded fund and fund of fund overseas.

2. It is suggested that mutual fund companies should increase the assets under management scheme wise in balanced fund, exchange traded fund and fund of fund overseas with innovative scheme and attractive return by the investors.

3. It is suggested that UTI mutual fund company and public sector mutual fund company should introduced the more and more scheme in market with assured return with highest safety and liquidity. It will helpful by the company for mobilising the resources.

4. It is suggested that mutual funds companies should issue various innovative schemes other than income/debt scheme. Like balanced fund, exchange traded fund and fund of fund overseas with minimum risk and maximum return. It will help to the investors by investing in the mutual fund industries.

5. During the period of study, it was found that the majority of the resources mobilized by the mutual funds are through the income-debt schemes. This indicates that more efforts have to be made by the mutual funds to create awareness among the investors regarding the earnings potential of the equity/growth schemes.

6. The asset management companies should concentrate more on the research studies to be carried out in the scenario of macro environmental changes.

7. There should be centralized agency to monitor the fund utilization by fund houses.

CONCLUSION:

It can be concluded that mutual funds are one of the fast growing industries in the financial sector. It has recorded an exponential growth in the post liberalization period particularly in the last decade income/ debt fund, growth/equity fund and balanced fund are managed more schemes in terms of assets under management as well as resources mobilisation by mutual fund industry in India. Among various sectors operating in mutual fund industry, private sector mutual fund industry have become a most prominent player in the market when compare with UTI mutual fund and public sector mutual fund industry in terms of resources mobilized.

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