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Growth of Mutual Fund Industry in India : A Study between 2012—2017

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Abstract

Mutual funds are defined as a vehicle that pools the savings from number of small investors having predetermined investment objective and make large corpus of these savings and invest the same in a diversified portfolio. The income earned or the appreciation in the capital is then shared among the unit holders in proportion of their contribution in the corpus.Hence it is the most suitable investment option for small investors who do not have sufficient capital, as it enables them to invest in blue chip companies. Over the years SEBI has taken various measures to re-energize the growth of mutual fund industry. This paper attempts to analyze the growth pattern of mutual fund industries in India. Moreover it endeavors to study the response of investors to the wide variety of mutual fund schemes.

JEL Code : G11; G20; G23
Keywords : Mutual Funds, Asset under management, resource mobilization, redemption.

I. Introduction

AN INVESTOR CAN invest directly in securities or through an investment companies who professionally manages their funds, referred to as mutual funds. Mutual funds is a vehicle that accumulates and make a large corpus of the savings of Small investors having determined investment objective and invest the same in a diversified portfolio. The term mutual means that the investor contributes to the fund and gets the benefit from the pool. It facilitates the small investors having small capital to invest in blue chip companies. Moreover considerable proficiency and constant management is required by the investor to take an informed decision while investing in stocks, bonds and other financial instruments. Whereas the mutual funds are managed by the professional investment managers, and

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- Scheme-wise pattern reveals that the gross mobilization of funds is highest in Money market schemes followed by debt schemes which ensure a fixed return to the investors.
- The Redemption rate is very high in growth/equity funds which exhibits that the investors are not willing to undertake the risk of inconsistent returns in changing market conditions.
- The Gold ETF schemes register the highest decline in assets under management at 13.6%.

V. Conclusion

The mutual fund industry has grown at a very fast pace over the last few years with introduction of various products according to the need of the investors and number of players entering into the market. The industry continued to sustain a positive growth in assets under management in 2016-17. The analysis shows that the private sector holds a dominant position with a high percentage to total folios and total net assets. The findings indicates that the investors in India are risk averse and prefer a fixed return on their investment as they prefer more of debt schemes when compared to equity/growth oriented schemes.

VI. Suggestions

- The growth of mutual fund industry in India is reliant on the enhanced financial literacy especially in the rural areas. It is essential to improve the reach of mutual fund products in small cities and towns.
- AMC'S and mutual fund distributors are required to work in collaboration to improve the mobilization of household savings.
- Inorder to stimulate the growth of mutual fund industry in India, reforms should be made to increase transparency & protect investor's interest.
- To improve the provision of online investment facility in order to attract the internet savvy users and mushrooming mobile internet users to enrich the mutual fund investments.

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