PROJECT REPORT

ON

Emergence dynamics of Mutual Funds industry in India

Submitted in Partial Fulfillment for the Award of Degree of

BACHELOR OF BUSINESS ADMINISTRATION

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I have tried my best to keep report simple yet technically correct. I hope I succeed in my attempt.

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CERTIFICATE OF GUIDE

This is to certify that the Project entitled "Emergence dynamics of Mutual Funds industry in India" submitted to the Department of Commerce & Business Management, Faculty of Commerce & Management, Integral University, in partial fulfillment for the award of the degree of Bachelors of Business Administration (BBA), is a record of work carried out by **Mohd. Saif , Roll No. 2001029091** under my guidance.

The project report of student is found to be satisfactory for submission for the award of degree of Bachelors of Business Administration (BBA). I wish him all the best for his/her future endeavors.

Dr. Shariq Nadeem

Assistant Professor

(Signature)

Declaration

I the undersigned solemnly declare that the report of the Project work entitled "Emergence dynamics of Mutual Funds industry in India" is based on my own work carried out during the course of my study under the supervision of **Dr. Shariq Nadeem.**

I assert that the statements made and conclusions drawn are an outcome of the project work. I further declare that to the best of my knowledge and belief that the project report does not contain any part of any work which has been submitted for the award of any other degree/diploma/certificate in this University or any other University.

(Signature of the candidate)

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Executive summary

While the Indian mutual fund industry has registered a six-fold increase in AUM over the last 10 years, it is yet to emerge as the preferred investment choice for retail investors in India. More than 50 years have gone by since UTI started its first sale in July 1964, and we believe that in the next few years, the industry will perform closer to the original mandate of encouraging and mobilizing savings of small investors. The confluence of emerging technology and enabling regulation will facilitate the industry to broaden and deepen its reach amongst retail investors. • Evaluation of e-commerce platforms to sell mutual funds is currently underway, and a positive outcome will help unlock the buying power of the 400 mn Internet users and 1 bn mobile phone users in India; • Financial inclusion has received a fillip with the JAM number trinity (Jan Dhan, Aadhar& Mobile), and opening of 192 mn Jan Dhan accounts in 15 months with a deposit base of Rs 27,000 crore. This builds the case forevaluating adoption of a similar model and cross-selling opportunities; • More clarity on E-KYC and its subsequent adoption will aid the penetration amongst the hitherto un-served segment; • The recently approved payment banks, with permission to sell third-party mutual fund products are expected to improve the reach. In the context of improving the financial literacy and awareness among retail investors, AMCs have conducted around 60,000 investor awareness programmes in the past 60-odd months across 500 cities in India, and have reached out to 1.8 mn participants. This is an ongoing initiative and is expected to improve the low penetration of mutual funds in the Indian market. With individual investors relying heavily on distributors for purchase of mutual funds, AMCs will continue their focus on distribution network along with an emphasis on increasing sale of direct plans. We believe that these enablers will help the industry to increase its customer base in a cost-effective manner from 42 mn retail accounts and increase their ticket size. While these measures will enable customer acquisition, AMCs need to focus on retaining customers through sale of simpler products, demonstrating better fund performance, better service quality and deployment of analytics. The industry has witnessed consolidation, and the trend is expected to continue with increasing focus on improving performance.

Introduction

Finance plays a very important role in the present market driven world. Starting from the process of production to distribution, the entrepreneur as well as the company needs finance. The business enterprises as well as firms need finance to meet all of their short term, medium term and long term needs. The long-term financial need is generally to make investment on the fixed assets such as plants, machines and buildings. The short term financial needs are generally for working capital management. The medium term financial needs generally for a period of 1 year to 5 years. A capital market is a market where both Government and companies raise long term funds to trade securities on the bond and the stock market. It consists of both the primary market where new issues are distributed among investors, and the secondary markets where already existent securities are traded. In the capital market, mortgages, bonds, equities and other such investment funds are traded. The capital market also facilitates the procedure whereby investors with excess funds can channel them to investors in deficit. The capital market provides both overnight and long term funds and uses financial instruments with long maturity periods.

The following financial instruments are traded in this market

- Foreign exchange instruments.
- Equity instruments.
- Insurance instruments.
- Credit market instruments.
- Derivative instruments.
- Hybrid instruments.

Literature review

The study of mutual fund is emerging subject of research among research scholars, academicians and practitioners. There is dearth of flow of literature on this subject.This study attempts to focus few relevant studies for this analysis.

Bello (2009) have used common indicators of business and monetary conditions, the lagged mutual-fund-risk premium, and the market- risk premium to predict mutual-fund returns for a time horizon of one-month. He finds that each of the five predictors significantly forecast mutual-fund returns from April 1991 to March 2006. Further Bello have pointed out that the indicator of monetary conditions, i.e. the federal funds premium have the strongest forecast power Multivariate analyses confirm that the five predictors are indeed strong forecasters of mutual fund returns and the federal funds premium, the market-risk premium, and the lagged mutual-fund-risk premium all emerge as the best and most consistent predictors of mutual fund returns. Moreover, the default-risk premium and term premium are found to be good but less consistent as predictors of mutual-fund.

Chen, Roll, and Ross (1986), find that several economic variables are significant in explaining expected stock returns including industrial production, measure of unanticipated inflation, changes in expected inflation, etc. Chen, Roll, and Ross argue that, in accordance with financial theory, the spread between long-term and short-term interest rates, expected and unexpected inflation, industrial production, and the spread between high and low grade bonds should systematically affect returns. Their results show that these sources of risk are indeed significantly priced.

Jensen and Johnson (1995), Jensen, Mercer, and Johnson (1996), Belcher, Jensen and Mercer (2006), Patelis (1997), Thornback (1997), and others, investigate the relation between stock and bond returns and the alternative indicators of monetary conditions, including changes in the federal funds rate, the federal funds premium, the term premium, et cetera. Jensen, Mercer and Johnson (1996) find that the behavior of business conditions proxies is affected by monetary policy and that monetary developments are associated with security return patterns. They investigate the impact of monetary influences on security returns in the presence of three business conditions proxies including dividend yield, default premium and term premium. They show that expected stock and bond returns move together across changing business conditions and that the three variables are all related similarly to both stock and bond returns. They argue that these r elations depend on the monetary environment.

Belcher, Jensen and Mercer (2006) examine monetary conditions and business conditions jointly. They focus on the relation between aggregate stock and bond returns and alternative indicators of monetary conditions while conditioning on the Federal Reserve monetary policy stance (i.e. whether the policy is expansive or restrictive). They demonstrate that monetary conditions have a prominent and systematic relation with security returns. They also show that Federal Reserve monetary policy has strongest relation with security returns for cyclical industries and weakest relation with returns for defensive industries. Moreover, they argue that monetary conditions and business conditions are related but that they display considerable independence. They show that the changes in the federal funds rate, the federal funds premium (i.e. the difference between federal funds rate and Treasury bills rate) and the term premium (i.e. the difference between 10-year Treasury bond rate and the rate on one-year Treasury securities) have significant relation with future stock returns in line with Patelis (1997) and Thornback (1997). Belcher, Jensen and Mercer also show that only the federal funds premium and the term premium significantly predict bond returns and that the term premium provides the greatest explanatory power for both stock and bondreturns. Jensen and Johnson (1995) contend that monetary stringency affects required returns.

Jensen, Mercer, and Johnson (1996) find that term premium, default premium, and dividend yield can forecast expected returns. They also find that default premium and term premium are significantly higher when the Fed is following an expansive monetary policy than during restrictive policy, and that stock and bond returns are significantly higher during expansive policy and negative during restrictive periods. Becher, Jensen and Mercer (2006), and others, demonstrate that the ability of the measures of monetary policy to predict security returns is improved substantially by including a variable that indicates the Federal Reserve Bank's policy stance, in other words, monetary stringency plays a key role in determining the association between changes in the short-term monetary indicators and future stock returns.

Chan, Karceski, and Lakoniskok (1998) evaluate the performance of various factors in capturing return co-movements, thus the sources of portfolio risk, and find that except for default premium and term premium, macroeconomic factors do poorly. Chan, Karceski and Lakonishok are not specifically concerned with the determinants of expected returns, rather, their purpose is to identify factors that drive common variation in stock returns, whether the factors are priced or not. Fama (1984), and others, find that forward rates contain variation in expected return on multiperiod Treasury bills. Fama finds that one-month forward rate has power to predict the spot rate one month ahead.

Keim and Stambaugh (1986) address the proposition that the level of prices is related to the level of expected risk premiums, that is whether current level of asset prices can predict future returns. They find that several variables that reflect the level of bond and stock prices predict returns on common stocks of firms of various sizes, long-term bonds of various default risks, and default-free bonds of various maturities.

Kothari and Shanken (1997) find that the book-to-market-value (B/M) ratio predicts market returns in the 1926-1991 period. Similarly, Further, Pontiff and Schall (1998) find that variables such as default spreads, interest rates, term spread, and dividendyields predict market returns. Moreover, Pontiff and Schall examine the ability of an aggregate B/M ratio to forecast market returns. In line with Kothari and Shanken, they show that the B/M ratio predicts market returns as well as small-firm excess returns, and that the ratio contains information about future returns not captured by other variables such as yield spreads and dividend yields. Fama and French (1988) use dividend yield to forecast returns and find that dividend yield has greater explanatory power than earnings yield.

Treynor and Mauzy (1966) attempted to test the market timing abilities of 57 funds for the period 1957-62 and found that only one fund out of 57 are significant in market timing abilities. Fabozzi and Francis (1979) tested performance of 85 investment companies by using monthly data during December, 1965 and December 1971. By using 116 open-ended funds during the period 1968-80, Henrikson and Merton (1981) suggested that the mutual fund may provide superior return than market index by reducing administrative costs. Latzko (1999) tested economies of scale in administering and managing funds by using translog cost function by using 2,610 sample funds and observed the presence of economies of scale in mutual fund administration. In a paper, Wermers (2000) focused the performance of the mutual fund at both the stock holding level and the net return level for the period January 1, 1975 and December 31, 1994.

Financial Market In India

Today financial market is more developed than many other sectors because it was organized long before with the securities exchanges in India. By the early 1960s the total number of securities exchanges in India rose to eight, including Mumbai, Ahemedabad and Kolkata apart from Madras, Kanpur, Delhi, Bangalore and Pune. Today there are 21 regional securities exchanges in India in addition to the centralized National Stock Exchange and OTCEI (Over the Counter Exchange of India). However the stock markets in India remained stagnant due to stringent controls on the market economy that allowed only a handful of monopolies to dominate their respective sectors.2 The corporate sector wasn't allowed into many industry segments, which were dominated by the state controlled public sector resulting in stagnation of the economy right up to the early 1990s. Thereafter when the Indian economy began liberalizing and the controls began to be dismantled or eased out, the securities markets witnessed a flurry of IPOs that were launched. This resulted in many new companies across different industry segments to come up with newer products and services. 4 A remarkable feature of the growth of the Indian economy in recent years has been the role played by its securities markets in assisting and fuelling that growth with money rose within the economy. This was in marked contrast to the initial phase of growth in many of the fast growing economies of East Asia that witnessed huge doses of FDI (Foreign Direct Investment) spurring growth in their initial days of market decontrol.3 During this phase in India much of the organized sector has been affected by high growth as the financial markets played an all-inclusive role in sustaining financial resource mobilization. Many Public Sector Undertakings that decided to offload part of their equity were also helped by the well-organized securities market in India. The launch of the National Stock Exchange and the Over the Counter Exchange of India during the mid-1990s by the government of India was meant to usher in an easier and more transparent form of trading in securities. The NSE was conceived as the market for trading in the securities of companies from the large-scale sector and the OTCEI for those from the small-scale sector. While the NSE has not just done well to grow and evolve into the virtual backbone of capital markets in India the OTCEI struggled and is yet to show any sign of growth and development. The integration of IT into the capital market infrastructure has been particularly smooth in India due to the country's world class IT industry. This has pushed up the operational efficiency of the Indian stock market to global standards 5 and as a result the country has been able to capitalize on its high growth and attract foreign capital like never before. The regulating authority for capital markets in India is the Securities and Exchange Board of India (SEBI). SEBI came into prominence in the 1990s after the capital markets experienced some turbulence. It had to take drastic measures to plug many loopholes that were exploited by certain market forces to advance their vested interests. After this initial phase of struggle SEBI has grown in strength as the regulator of India's capital markets and as one of the country's most important institutions. Globalization, economic liberalization and financial sector reforms generated and augmented the interest of Indian investors in equity. With the growing institutionalization, retail investors have started to keep out of the primary and secondary market, and are looking forward to mutual funds for their investments. Mutual funds have become the most favored investment route for small and medium investors to reap the benefits of diversification even with a meager amount of investment in the capital market in an indirect route. Many investors, particularly youth, having dispensable income opt for mutual funds to enter into the securities market indirectly.4Hence, potential investors in mutual funds need evaluation not only by financial institutions but also by academicians so that they can make a right choice in their investment decisions.

Sales Or Repurchase/Redemption Price:

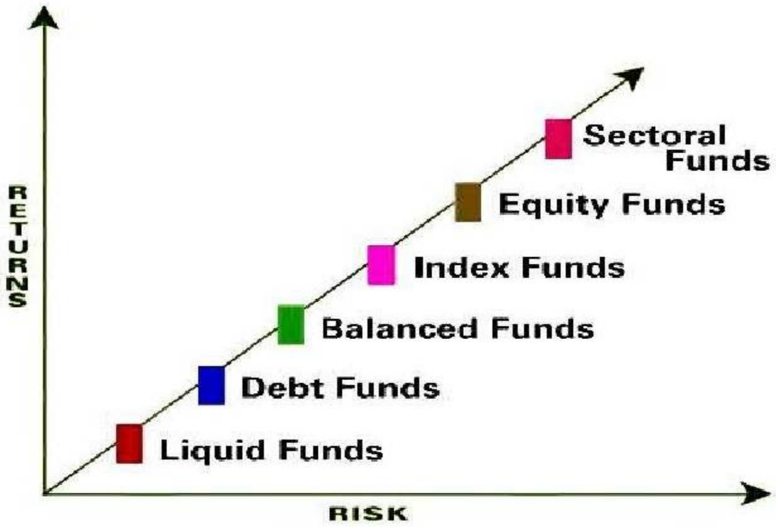
The price or NAV a unit holder is charged while investing in an open-ended scheme is called sales price. It may include sales load, if applicable. Repurchase or redemption price is the price or NAV at which an open-ended scheme purchases or redeems its units from the unit holders. It may include exit load, if applicable.

Assured Return Scheme

Assured return schemes are those schemes that assure a specific return to the unit holders irrespective of performance of the scheme. A scheme cannot promise returns unless such returns are fully guaranteed by the sponsor or AMC and this is required to be disclosed in the offer document. Investors should carefully read the offer document whether return is assured for the entire period of the scheme or only for a certain period. Some schemes assure returns one year at a time and they review and change it at the beginning of the next year.

Flexibility In Altering The Asset Allocation:

Considering the market trends, any prudent fund managers can change the asset allocation i.e. he can invest higher or lower percentage of the fund in equity or debt instruments compared to what is disclosed in the offer document. It can be done on a short term basis on defensive considerations i.e. to protect the NAV. Hence the fund managers are allowed certain flexibility in altering the asset allocation considering the interest of the investors. In case the mutual fund wants to change the asset allocation on a permanent basis, they are required to inform the unit holders and giving them option to exit the scheme at prevailing NAV without any load.



Investment Options:

Various investment options in Mutual Funds offer to cater to different investment needs, Mutual Funds offer various investment options. Some of the important investment options include:

1. **Growth Option:** Dividend is not paid-out under a growth option and the investor realizes only the capital appreciation on the investment by an increase in NAV.
2. **Dividend Payout Option:** Dividends are paid-out to investors under the dividend payout option. However, the NAV of the mutual fund scheme falls to the extent of the dividend payout.
3. **Dividend Re-investment Option:** Here the dividend accrued on mutual funds is automatically re-invested in purchasing additional units in open-ended funds. In most cases mutual funds offer the investor an option of collecting dividends or re-investing the same.

4. **Retirement Pension Option:** Some schemes are linked with retirement pension. Individuals participate in these options for themselves, and corporate participate for their employees.

5. **Insurance Option:** Certain Mutual Funds offer schemes that provide insurance cover to investors as an added benefit.

6. **Systematic Investment Plan (SIP):** Here the investor is given the option of preparing a pre-determined number of postdated cheques in favour of the fund. The investor is allotted units on a predetermined date specified in the offer document at the applicable NAV.

7. **Systematic Withdrawal Plan (SWP):** As opposed to the Systematic Investment Plan, the Systematic Withdrawal Plan allows the investor the facility to withdraw a pre-determined amount / units from his fund at a pre-determined interval. The investor's units will be redeemed at the applicable NAV as on that day.

Investors Choice in Mutual Funds:

The following choices with the hands of investor to invest in the various mutual funds.

- Mutual funds suit all classes of investors. Investor may choose a fund depending how much risk are willing to take and when the investor want the money back. Go for an equity fund if he doesn't mind a little higher risk.
- If you are slightly risk-averse, prefer a balanced fund, which invests in stocks only up to 60-70 per cent. If you are largely risk-averse, stick to debt funds. Have very little

appetite for risks? Choose liquid funds like Cash Funds or short term floating rate funds.

- You may also choose funds based on when you want your funds back. Look at a cash fund if you need the money in a few weeks. A short-term bond fund would just be fine for you if you expect a return in three to six months.
- An income fund or an equity fund would fit in if you can afford to leave it with the fund manager for over a year.
- Even within each category, the investor can pick and choose. In equity funds, for example, you have a variety of options: blue chip funds, mid-cap funds, contrarian funds, opportunity funds, dividend yield funds, sectorial funds that invest specifically in select business segments etc. Equity-linked savings schemes allow you to reap tax gains up to Rs 1 lakh a year.
- You may want to invest but may not have a large corpus right now. Not to worry. Stash away a little every month. Many equity funds offer the option of systematic investment plan (SIP) that allows you to invest a certain sum every month or every quarter. This way, you not only discipline your investments but to a great extent can protect yourself against the vagaries of the market.
- Debt funds don't lack luster either. Choose among medium term debt funds, short-term bond funds, floating rate funds, dynamic bond funds and cash funds. If you want an aggressive debt fund, then go for gilt funds. If you prefer a mix of both equity and debt, MIPs or balanced funds would do just fine.

Conceptual background

Emerging dynamics-

The term "emerging dynamics" refers to constantly evolving and changing patterns, trends and forces in a place, job or profession. Indicates that there are new or improved factors, relationships, and influences that have changed and altered the current situation. These changes often represent changes or changes in the way work is done, creating new opportunities, challenges and possibilities.

It involves analyzing current patterns, trends and changes occurring in the business world while examining the latest trends in a particular subject such as mutual funds in India. This includes factors driving growth, changes in consumer behavior and preferences, management improvement, technological advances, etc. It includes understanding the factors that affect the future of work.

By discovering and understanding new trends, stakeholders can understand changes, identify potential opportunities and challenges, and adapt their strategies and ways of adaptation. It helps to anticipate and respond to changes, ultimately improving decision making, innovation, and overall efficiency in the business or process in question.

Origin of Mutual Funds:

Historically, mutual fund investment traces its origins to the early pioneering investments of Scottish and English investors in the American West in the 1800s, and later of the early global portfolio investors in Japan in the 1960s. Mutual funds go back to the times of the Egyptians and Phoenicians when they sold shares in caravans and vessels to spread the risk of these ventures. The foreign and Colonial Government Trust of London of 1868 is considered to be the fore-runner of the modern concept of mutual funds. The USA is, however, considered to be the mecca of modern mutual funds. By the early 1930s quite a large number of close ended mutual funds were in operation in the U.S.A. Much later in 1954, the committee on finance for the private sector recommended mobilization of savings of the middle class investors through unit trusts.

In July 1964, the concept took root in India when Unit Trust of India was set up with the twin objective of mobilizing household savings and investing the funds in the capital market for industrial growth. Household sector accounted for about 80 percent of nation's savings and only about one third of such savings was available to the corporate sector. It was felt that UTI could be an effective vehicle for channelizing progressively larger shares of household savings to productive investments in the corporate sector. The process of economic liberalization in the eighties not only brought in dramatic 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 counseling, capital restructuring and loan syndication. After two decades of UTI monopoly, recently some other public sector organizations like SBI (1987), Can Bank (1987), LIC (1989), Indian Bank (1990), Bank of India (1990), Punjab National Bank (1990), GIC (1991), have been permitted to set up mutual funds.[6] According to M.R. Mayya the Executive Director of Bombay Stock Exchange that the decade of nineties will belong to mutual funds because the ordinary investor does not have the time, experience and patience to take independent investment decisions on his own.

Mutual Funds in India-

In India, a mutual fund is a type of investment vehicle that pools money from multiple investors and invests it in a diversified portfolio of securities, such as stocks, bonds, money market instruments, and other assets. The fund is managed by a professional fund manager or an asset management company (AMC).

Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI). They are governed by the SEBI (Mutual Funds) Regulations, 1996, which provides a framework for their formation, operation, and investor protection.

Key points about Mutual Funds in India:

1. Structure: Mutual funds in India are set up as trust entities. The trust is established by a sponsor, who appoints an AMC to manage the fund's investments.

2. Types of Mutual Funds: There are various types of mutual funds available in India to cater to different investment objectives and risk profiles. Some common types include equity funds, debt funds, balanced funds, index funds, sector-specific funds, and tax-saving funds (Equity Linked Saving Schemes or ELSS).

3. NAV (Net Asset Value): The performance of a mutual fund is measured by its Net Asset Value. NAV represents the per-unit value of the fund and calculated by dividing the total value of the fund's assets by the number of units issued.

4. Investment Options: Mutual funds offer different investment options such as growth option (reinvestment of gains), dividend option (distributing profits to investors), and dividend reinvestment option (reinvesting profits in the fund).

5. SIP (Systematic Investment Plan): Mutual funds in India offer the option of investing through a SIP. It allows investors to regularly invest a fixed amount at predefined intervals (weekly, monthly, etc.) and benefit from rupee cost averaging.

6. KYC (Know Your Customer): Before investing in a mutual fund, individuals are required to complete a KYC process, which involves providing necessary identification documents and details. It is a regulatory requirement for investor protection.

7. Expense Ratio: Mutual funds charge an expense ratio, which covers the operating expenses of the fund, including fund management fees, administrative costs, marketing expenses, etc. The expense ratio is expressed as a percentage of the fund's average net assets.

8. Risk and Returns: Mutual funds carry varying degrees of risk depending on the type of fund and the underlying investments. Equity funds are generally considered riskier than debt funds. Returns on mutual funds depend on the performance of the underlying investments.

It's important to conduct thorough research, consider investment objectives, and review the fund's past performance before investing in mutual funds. It's also advisable to consult with a financial advisor or professional for personalized investment advice.

Types of Mutual Funds-

Equity Funds

Equity funds primarily invest in stocks, and hence go by the name of stock funds as well. They invest the money pooled in from various investors from diverse backgrounds into shares/stocks of different companies. The gains and losses associated with these funds depend solely on how the invested shares perform (price-hikes or price-drops) in the stock market. Also, equity funds have the potential to generate significant returns over a period. Hence, the risk associated with these funds also tends to be comparatively higher.

Debt Funds

Debt funds invest primarily in fixed-income securities such as bonds, securities and treasury bills. They invest in various fixed income instruments such as Fixed Maturity Plans (FMPs), Gilt Funds, Liquid Funds, Short-Term Plans, Long-Term Bonds and Monthly Income Plans, among others. Since the investments come with a fixed interest rate and maturity date, it can be a great option for passive investors looking for regular income (interest and capital appreciation) with minimal risks.

Money Market Funds

Investors trade stocks in the stock market. In the same way, investors also invest in the money market, also known as capital market or cash market. The government runs it in association with banks, financial institutions and other corporations by issuing money market securities like bonds, T-bills, dated securities and certificates of deposits, among others. The fund manager invests your money and disburses regular dividends in return. Opting for a short-term plan (not more than 13 months) can lower the risk of investment considerably on such funds.

Hybrid Funds

As the name suggests, hybrid funds (Balanced Funds) is an optimum mix of bonds and stocks, thereby bridging the gap between equity funds and debt funds. The ratio can either be variable or fixed. In short, it takes the best of two mutual funds by distributing, say, 60% of assets in stocks and the rest in bonds or vice versa. Hybrid funds are suitable for investors looking to take more risks for ‘debt plus returns’ benefit rather than sticking to lower but steady income schemes.

Growth Funds

Growth funds usually allocate a considerable portion in shares and growth sectors, suitable for investors (mostly Millennials) who have a surplus of idle money to be distributed in riskier plans (albeit with possibly high returns) or are positive about the scheme.

Income Funds

Income funds belong to the family of debt mutual funds that distribute their money in a mix of bonds, certificate of deposits and securities among others. Helmed by skilled fund managers who keep the portfolio in tandem with the rate fluctuations without compromising on the portfolio’s creditworthiness, income funds have historically earned investors better returns than deposits. They are best suited for risk-averse investors with a 2-3 years perspective.

Liquid Funds

Like income funds, liquid funds also belong to the debt fund category as they invest in debt instruments and money market with a tenure of up to 91 days. The maximum sum allowed to invest is Rs 10 lakh. A highlighting feature that differentiates liquid funds from other debt funds is the way the Net Asset Value is calculated. The NAV of liquid funds is calculated for 365 days (including Sundays) while for others, only business days are considered.

Tax-Saving Funds

ELSS or Equity Linked Saving Scheme, over the years, have climbed up the ranks among all categories of investors. Not only do they offer the benefit of wealth maximisation while allowing you to save on taxes, but they also come with the lowest lock-in period of only three years. Investing predominantly in equity (and related products), they are known to generate non-taxed returns in the range 14-16%. These funds are best-suited for salaried investors with a long-term investment horizon.

Aggressive Growth Funds

Slightly on the riskier side when choosing where to invest in, the Aggressive Growth Fund is designed to make steep monetary gains. Though susceptible to market volatility, one can decide on the fund as per the beta (the tool to gauge the fund's movement in comparison with the market). Example, if the market shows a beta of 1, an aggressive growth fund will reflect a higher beta, say, 1.10 or above.

Capital Protection Funds

If protecting the principal is the priority, Capital Protection Funds serves the purpose while earning relatively smaller returns (12% at best). The fund manager invests a portion of the money in bonds or Certificates of Deposits and the rest towards equities. Though the probability of incurring any loss is quite low, it is advised to stay invested for at least three years (closed-ended) to safeguard your money, and also the returns are taxable.

Fixed Maturity Funds

Many investors choose to invest towards the of the FY ends to take advantage of triple indexation, thereby bringing down tax burden. If uncomfortable with the debt market trends and related risks, Fixed Maturity Plans (FMP) – which invest in bonds, securities, money market etc. – present a great opportunity. As a close-ended plan, FMP functions on a fixed maturity period, which could range from one month to five years (like FDs). The fund manager ensures that the money is allocated to an investment with the same tenure, to reap accrual interest at the time of FMP maturity.

Pension Funds

Putting away a portion of your income in a chosen pension fund to accrue over a long period to secure you and your family's financial future after retiring from regular employment can take care of most contingencies (like a medical emergency or children's wedding). Relying solely on savings to get through your golden years is not recommended as savings (no matter how big) get used up. EPF is an example, but there are many lucrative schemes offered by banks, insurance firms etc.

Open-Ended Funds

Open-ended funds do not have any particular constraint such as a specific period or the number of units which can be traded. These funds allow investors to trade funds at their convenience and exit when required at the prevailing NAV (Net Asset Value). This is the sole reason why the unit capital continually changes with new entries and exits. An open-ended fund can also decide to stop taking in new investors if they do not want to (or cannot manage significant funds).

Closed-Ended Funds

In closed-ended funds, the unit capital to invest is pre-defined. Meaning the fund company cannot sell more than the pre-agreed number of units. Some funds also come with a New Fund Offer (NFO) period; wherein there is a deadline to buy units. NFOs comes with a pre-defined maturity tenure with fund managers open to any fund size. Hence, SEBI has mandated that investors be given the option to either repurchase option or list the funds on stock exchanges to exit the schemes.

Interval Funds

Interval funds have traits of both open-ended and closed-ended funds. These funds are open for purchase or redemption only during specific intervals (decided by the fund house) and closed the rest of the time. Also, no transactions will be permitted for at least two years. These funds are suitable for investors looking to save a lump sum amount for a short-term financial goal, say, in 3-12 months.

Very Low-Risk Funds

Liquid funds and ultra-short-term funds (one month to one year) are known for its low risk, and understandably their returns are also low (6% at best). Investors choose this to fulfil their short-term financial goals and to keep their money safe through these funds.

Low-Risk Funds

In the event of rupee depreciation or unexpected national crisis, investors are unsure about investing in riskier funds. In such cases, fund managers recommend putting money in either one or a combination of liquid, ultra short-term or arbitrage funds. Returns could be 6-8%, but the investors are free to switch when valuations become more stable.

Medium-risk Funds

Here, the risk factor is of medium level as the fund manager invests a portion in debt and the rest in equity funds. The NAV is not that volatile, and the average returns could be 9-12%.

High-Risk Funds

Suitable for investors with no risk aversion and aiming for huge returns in the form of interest and dividends, high-risk mutual funds need active fund management. Regular performance reviews are mandatory as they are susceptible to market volatility. You can expect 15% returns, though most high-risk funds generally provide up to 20% returns.

Sector Funds

Sector funds invest solely in one specific sector, theme-based mutual funds. As these funds invest only in specific sectors with only a few stocks, the risk factor is on the higher side. Investors are advised to keep track of the various sector-related trends. Sector funds also deliver great returns. Some areas of banking, IT and pharma have witnessed huge and consistent growth in the recent past and are predicted to be promising in future as well.

Index Funds

Suited best for passive investors, index funds put money in an index. A fund manager does not manage it. An index fund identifies stocks and their corresponding ratio in the market index and put the money in similar proportion in similar stocks. Even if they cannot outdo the market (which is the reason why they are not popular in India), they play it safe by mimicking the index performance.

Funds of Funds

A diversified mutual fund investment portfolio offers a slew of benefits, and 'Funds of Funds' also known as multi-manager mutual funds are made to exploit this to the tilt – by putting their money in diverse fund categories. In short, buying one fund that invests in many funds rather than investing in several achieves diversification while keeping the cost down at the same time.

Emerging market Funds

To invest in developing markets is considered a risky bet, and it has undergone negative returns too. India, in itself, is a dynamic and emerging market where investors earn high returns from the domestic stock market. Like all markets, they are also prone to market fluctuations. Also, from a longer-term perspective, emerging economies are expected to contribute to the majority of global growth in the following decades.

International/ Foreign Funds

Favoured by investors looking to spread their investment to other countries, foreign mutual funds can get investors good returns even when the Indian Stock Markets perform well. An investor can employ a hybrid approach (say, 60% in domestic equities and the rest in overseas funds) or a feeder approach (getting local funds to place them in foreign stocks) or a theme-based allocation (e.g., gold mining).

Global Funds

Aside from the same lexical meaning, global funds are quite different from International Funds. While a global fund chiefly invests in markets worldwide, it also includes investment in your home country. The International Funds concentrate solely on foreign markets. Diverse and universal in approach, global funds can be quite risky to owing to different policies, market and currency variations, though it does work as a break against inflation and long-term returns have been historically high.

Real Estate Funds

Despite the real estate boom in India, many investors are still hesitant to invest in such projects due to its multiple risks. Real estate fund can be a perfect alternative as the investor will be an indirect participant by putting their money in established real estate companies/trusts rather than projects. A long-term investment negates risks and legal hassles when it comes to purchasing a property as well as provide liquidity to some extent.

Commodity-focused Stock Funds

These funds are ideal for investors with sufficient risk-appetite and looking to diversify their portfolio. Commodity-focused stock funds give a chance to dabble in multiple and diverse trades. Returns, however, may not be periodic and are either based on the performance of the stock company or the commodity itself. Gold is the only commodity in which mutual funds can invest directly in India. The rest purchase fund units or shares from commodity businesses.

Market Neutral Funds

For investors seeking protection from unfavourable market tendencies while sustaining good returns, market-neutral funds meet the purpose (like a hedge fund). With better risk-adaptability, these funds give high returns where even small investors can outstrip the market without stretching the portfolio limits.

Inverse/Leveraged Funds

While a regular index fund moves in tandem with the benchmark index, the returns of an inverse index fund shift in the opposite direction. It is nothing but selling your shares when the stock goes down, only to repurchase them at an even lesser cost (to hold until the price goes up again).

Asset Allocation Funds

Combining debt, equity and even gold in an optimum ratio, this is a greatly flexible fund. Based on a pre-set formula or fund manager’s inferences based on the current market trends, asset allocation funds can regulate the equity-debt distribution. It is almost like hybrid funds but requires great expertise in choosing and allocation of the bonds and stocks from the fund manager.

Gift Funds

Yes, you can also gift a mutual fund or a SIP to your loved ones to secure their financial future.

Exchange-traded Funds

It belongs to the index funds family and is bought and sold on exchanges. Exchange-traded Funds have unlocked a new world of investment prospects, enabling investors to gain extensive exposure to stock markets abroad as well as specialised sectors. An ETF is like a mutual fund that can be traded in real-time at a price that may rise or fall many times in a day.

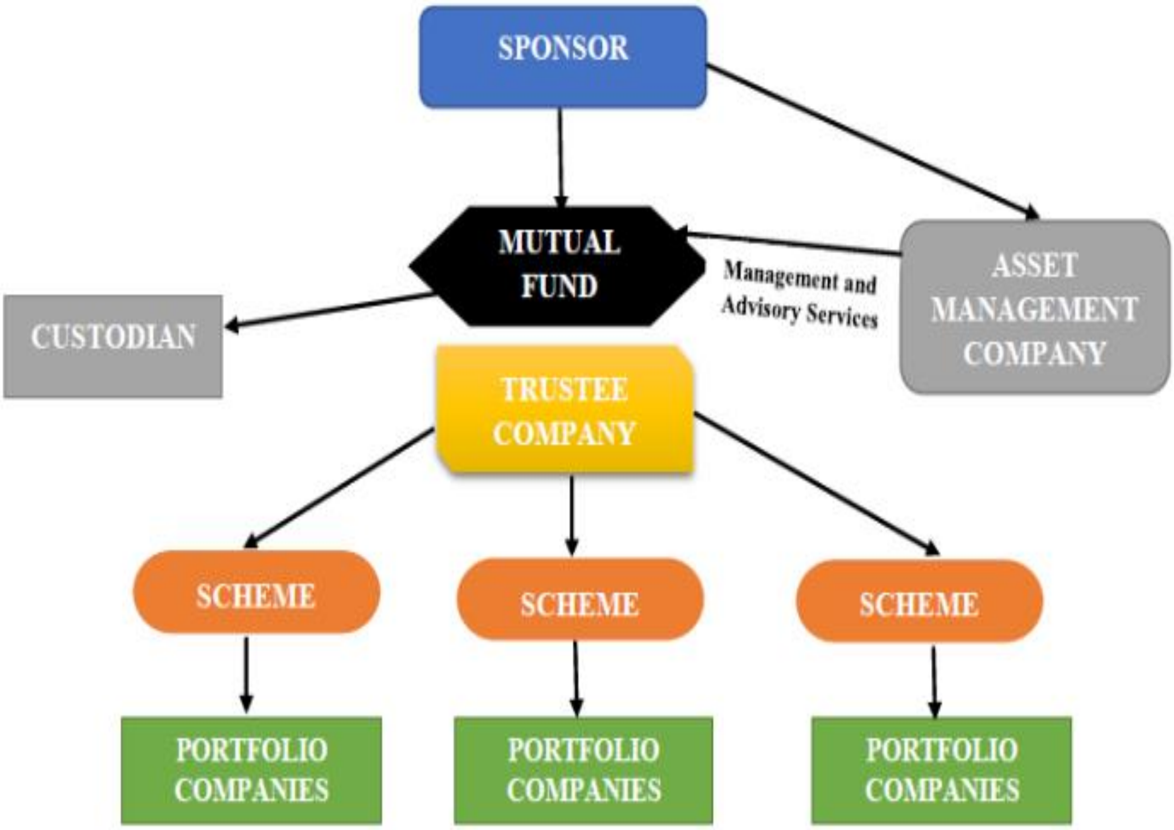
As a tax-paying citizen, Section-80C of the Indian Tax Act allows you some breather – a deduction of up to 150,000 from your total annual income.

Industry profile

Structure of the Indian mutual fund industry:

A typical company i.e. Unit Trust of India may float several funds, focused on typical needs of investors. Unit Trust of India, for example, has fund for children, for insurance linked savings, for retired people, for charitable trusts, for capital gains and equity funds for risks takers in search of high yields. LIC has concentrated on funds which include provisions for life cover. General Insurance Corporation recently has come out with a fund which provides home insurance policy. It would be a fund’s desire to mop as large amount of savings of its loyal investor as possible through its various schemes.

The structure of mutual fund is likely to be as follows:



Mutual Fund Companies in India

A study on the mutual fund market in India provides some insight over the mutual fund companies in India. The mutual fund business was started in India in the year 1963. Unit Trust of India was the only mutual fund company in India from 1963 to 1987.[6]It was by the end of 1980s when the Indian mutual fund market started to experience the existence of other mutual fund companies. A number of financial companies in India started to enter into the market of mutual funds. Some of the major mutual fund companies that started their new operations in the Indian mutual fund market at the end of 1980s were - SBI Mutual Fund, Reliance Mutual Fund, Sundaram Mutual Fund, HDFC Mutual Fund, Franklin Templeton Mutual Fund, ICICI Prudential Mutual Fund, Life Insurance Corporation of India, Birla Sun Life Mutual Fund, Tata Mutual Fund, Kotak Mutual Fund,, and many others.

It was by the end of 1993 when private sector financial companies started to enter into the Indian mutual fund market. By that time, the mutual fund industry in India had grown substantially and the penetration of private sector made the industry more competitive. The mutual fund firms in India came up with innovative products and services in order to attract the customers. The various mutual fund companies in India then started to offer mutual fund products catering to the special needs of the investors.

The first mutual fund regulations were introduced in the year 1993. This made all the mutual fund firms except UTI to re-register. This regulation went for further revision in the year 1996. SEBI regulates the operations of all the mutual fund firms in India. Under the Indian Trusts Act, all the mutual funds in the country need to be established as trusts. All the mutual funds in India are allowed to apply for firm allotment in public issues. The mutual funds can even be penalized for defaults such as non-registration or failure to observe rules set by their asset management companies. The mutual funds that are dealing exclusively with money market instruments need to be registered with the Reserve Bank of India (RBI).

Mutual Funds companies in India-

1. Joint Ventures - Predominantly Indian

- - Baroda BNP Paribas Asset Management India Private Limited
- - Canara Robeco Asset Management Company Limited
- - SBI Funds Management Limited
- - Union Asset Management Company Private Limited

2. Others

- - Bank of India Investment Managers Private Limited
- - IDBI Asset Management Ltd.
- - UTI Asset Mgmt. Co. Ltd.

B.Institutions

1. Indian

- - IIFCL Asset Management Co. Ltd.
- - LIC Mutual Fund Asset Management Limited

C.Private Sector

1. Indian

- - 360 ONE Asset Management Limited (Formerly known as IIFL Asset Management Limited)

- - Bajaj Finserv Asset Management Limited
- - Bandhan AMC Limited
- - DSP Asset Managers Private Limited
- - Edelweiss Asset Management Limited
- - IL&FS Infra Asset Management Limited
- - Indiabulls Asset Management Company Ltd.
- - ITI Asset Management Limited
- - JM Financial Asset Management Limited
- - Kotak Mahindra Asset Management Company Limited.
- - Motilal Oswal Asset Management Company Limited
- - Navi AMC Limited
- - NJ Asset Management Private Limited
- - PPFAS Asset Management Pvt. Ltd.
- - quant Money Managers Limited
- - Quantum Asset Management Company Private Limited
- - Samco Asset Management Private Limited
- - Shriram Asset Management Co. Ltd.
- - Sundaram Asset Management Company Ltd
- - Tata Asset Management Limited
- - Taurus Asset Management Company Limited
- - Trust Asset Management Private Limited
- - WhiteOak Capital Asset Management Limited

2. Foreign

- - Franklin Templeton Asset Management (India) Private Limited
- - HSBC Asset Management (India) Private Ltd.

- - Invesco Asset Management (India) Private Limited
- - Mirae Asset Investment Managers (India) Pvt. Ltd
- - Nippon Life India Asset Management Limited
- - PGIM India Asset Management Private Limite

3. Joint Ventures - Predominantly Indian

- - Aditya Birla Sun Life AMC Limited
- - Axis Asset Management Co. Ltd.
- - HDFC Asset Management Company Limited
- - ICICI Prudential Asset Management Company Limited
- - Mahindra Manulife Investment Management Pvt Ltd

Profile of Mutual Fund Companies

Today there are plenty of investment avenues open. Some of them include banks deposits, bonds, stocks, mutual fund investments and corporate debentures. Investors may invest money in banks, bonds and corporate debentures where the risk is low and so are the returns. On the contrary, stocks of companies have high risk but the returns are also proportionately high. The recent trends since last year clearly suggest that the average investors have lost money in equities. People have now started opting for portfolio managers who have the expertise in stock markets. There are many institutions in India which provide wealth management services. An average investor has found refuge with the mutual funds.

There have been a lot of changes in the mutual fund industry in past few years. Lots of multinational companies have bought their professional expertise to manage funds worldwide. In the past few months there has been consolidation going on in the mutual fund industry. Mutual funds in India now offer a wide range of schemes to choose. Mutual funds are turned to be the most preferred choice worldwide for both small and big investors due to their numerous advantages. It's all about long term financial planning. These benefits mainly include diversification, professional management, potential of returns, efficiency and easy to use. Mutual fund investments carry low risk because of their diversified nature. It is important to understand the benefits of mutual funds before investing the money you really care about. The size of Indian mutual fund industry has grown in recent few years. India can now boast of having dominance in this industry. The total Asset Under Management popularly known as AUM has increased from Rs.1,01,565 crores in January 2000 to Rs.5,67,601.98 crores in April 2008.

According to the Association of Mutual Funds in India, the growth of mutual fund industry has been exceptional. This industry has indeed come a very long way with only 34 players in the market and more than 480 schemes. One of the major factors contributing to the growth of this industry has been the booming stock market with an optimistic domestic economy. Second most important reason for this growth is a favourable regulatory regime which has been enforced by SEBI. This regulatory board has improved the market surveillance to protect the investor's interest. NAV is directly proportionately to the bearish trends of the market. Top mutual funds also suffer because of the fluctuations in the market. The pooled money is invested in shares, debentures and treasury bills and thus has high risk involved. Indian mutual funds however reveal this multidimensional avenue and all the intricacies in a highly fashionable manner. It provides a lot of scope to understand the scenario and make some thoughtful investments for decent returns. In order to invest in the best mutual funds, it is important to perform a comparative study.

Mission and vision of mutual funds-

Mission of Mutual Funds:

1. Wealth Creation: Mutual funds aim to provide opportunities for investors to create wealth over the long term through diversified investments in various asset classes.

2. Professional Management: Mutual funds strive to offer investors access to professional investment management services, where experienced fund managers make informed investment decisions on behalf of the investors.

3. Risk Management: Mutual funds focus on managing risk by diversifying investments across different securities, sectors, and asset classes. They aim to protect investor capital and deliver consistent returns within the risk parameters defined by the fund.

4. Investor Education and Awareness: Mutual funds often have a mission to educate and create awareness among investors about the benefits and risks associated with investing, financial planning, and the role of mutual funds in achieving financial goals.

5. Accessibility and Inclusivity: Many mutual funds aim to provide easy access to investing for a wide range of individuals, including retail investors. They strive to offer investment options that cater to different risk profiles, investment amounts, and investment goals.

Vision of Mutual Funds:

1. Investor Satisfaction: Mutual funds strive to provide superior investment solutions and services that meet the expectations and financial goals of their investors. They aim to deliver consistent and competitive returns, along with excellent customer service and investor support.

2. Trust and Transparency: Mutual funds envision fostering trust and transparency in the investment management industry. They aim to provide accurate and timely information to investors, adhere to regulatory guidelines, and maintain the highest standards of corporate governance.

3. Long-term Wealth Creation: Mutual funds often have a vision to help investors achieve their long-term financial goals, such as retirement planning, education funding, or buying a home. They aim to generate sustainable returns and compound wealth over time.

4. Innovation and Adaptability: Mutual funds aspire to be at the forefront of innovation in investment strategies, technologies, and customer experiences. They continuously evolve to meet the changing needs and preferences of investors.

5. Responsible Investing: Some mutual funds embrace a vision of responsible investing by considering environmental, social, and governance (ESG) factors in their investment decisions. They aim to contribute to sustainable development and positive societal impact through their investment choices.

Research methodology

Research methodology process includes a number of activities to be performed. These are arranged in proper sequence of timing for conducting research. One activity after another is performed to complete the research work.

TITLE OF THE STUDY:

"Emergence dynamics of mutual funds industry in India"

Objectives :-

1. To analyse the development and growth of Mutual Fund investment since inception.
2. To analyse Mutual Fund investment during Covid-19.
3. To examine the future prospects of Mutual Funds industry in India.

Research Design:

The research design of this study is descriptive research design. It is done because I have gathered the data and then analyzed it and then I have presented it.

To understand the emerging dynamics of mutual funds in India and their impact on investor behaviour and fund performance.

Data Collection:

a. Quantitative Data: Gather relevant quantitative data from various sources, including mutual fund databases, financial statements, industry reports, and regulatory filings. Collect data on fund performance metrics (returns, risk-adjusted measures), expense ratios, AUM growth, fund flows, portfolio composition, and other variables of interest. Use data from multiple time periods to capture the evolving dynamics.

Emerging dynamics of mutual funds

History of the company.

The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI).

First Phase - 1964-1987

Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

Second Phase - 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

Third Phase - 1993-2003 (Entry of Private Sector Funds)

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 families. 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 (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs. 44,541 crores of assets under management was way ahead of other mutual funds.

Fourth Phase - since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under 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, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs. 76,000 crores of assets 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.

A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

Emerging dynamics -

1. Increasing Investor Participation: The mutual fund industry in India has seen a significant increase in investor participation. More individuals are turning to mutual funds as a preferred investment option due to factors like convenience, professional management, and potential returns. This trend has been driven by initiatives to promote investor awareness and education.

2. Rise of Systematic Investment Plans (SIPs): Systematic Investment Plans (SIPs) have gained popularity among investors. SIP allows investors to invest a fixed amount regularly (weekly, monthly, etc.) in mutual funds. It offers benefits like rupee cost averaging and disciplined investing. The convenience and flexibility of SIPs have made mutual funds more accessible to retail investors.

3. Focus on Goal-based Investing: Investors are increasingly adopting a goal-based investment approach. They are identifying specific financial goals, such as retirement planning, education, or buying a house, and investing in mutual funds accordingly. Fund houses are launching goal-oriented funds or offering customized solutions to cater to the specific investment needs of individuals.

4. Shift towards Passive Investing: Passive investment strategies, particularly index funds and exchange-traded funds (ETFs), have gained traction in India. Investors are showing interest in low-cost options that track specific indices. The growing availability of passive investment products has provided investors with alternatives to actively managed funds.

5. Emphasis on Investor Education and Awareness: The regulatory authorities, industry associations, and asset management companies have been actively promoting investor education and awareness. Efforts are being made to enhance financial literacy, educate investors about mutual funds, and improve transparency in the industry. Investors are encouraged to make informed investment decisions.

6. Technological Advancements and Digital Adoption: Technology has played a significant role in shaping the mutual fund industry in India. Online platforms and mobile applications have made it easier for investors to invest, track their investments, and access information. Robo-advisory platforms and digital investment services have also gained popularity, allowing investors to automate investment decisions.

7. Regulatory Changes and Investor Protection: The Securities and Exchange Board of India (SEBI) has introduced various regulatory changes to strengthen investor protection and enhance transparency. These include guidelines for categorization and rationalization of mutual fund schemes, disclosure norms, expense ratio regulations, and guidelines for mutual fund distributors. These measures aim to safeguard investor interests and ensure a more efficient and accountable mutual fund industry.

Recent trends in mutual fund industry

The most important trend in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players. Many nationalized banks got into the mutual fund business in the early nineties and got off to a good start due to the stock market boom prevailing then.[4] These banks did not really understand the mutual fund business and they just viewed it as another kind of banking activity. Few hired specialized staff and generally chose to transfer staff from the parent organizations. The performance of most of the schemes floated by these funds was not good. Some schemes had offered guaranteed returns and their parent organizations had to bail out these AMCs by paying large amounts of money as the difference between the guaranteed and actual returns. The service levels were also very bad. Most of these AMCs have not been able to retain staff, float new schemes etc. and it is doubtful whether, barring a few exceptions, they have serious plans of continuing the activity in a major way.

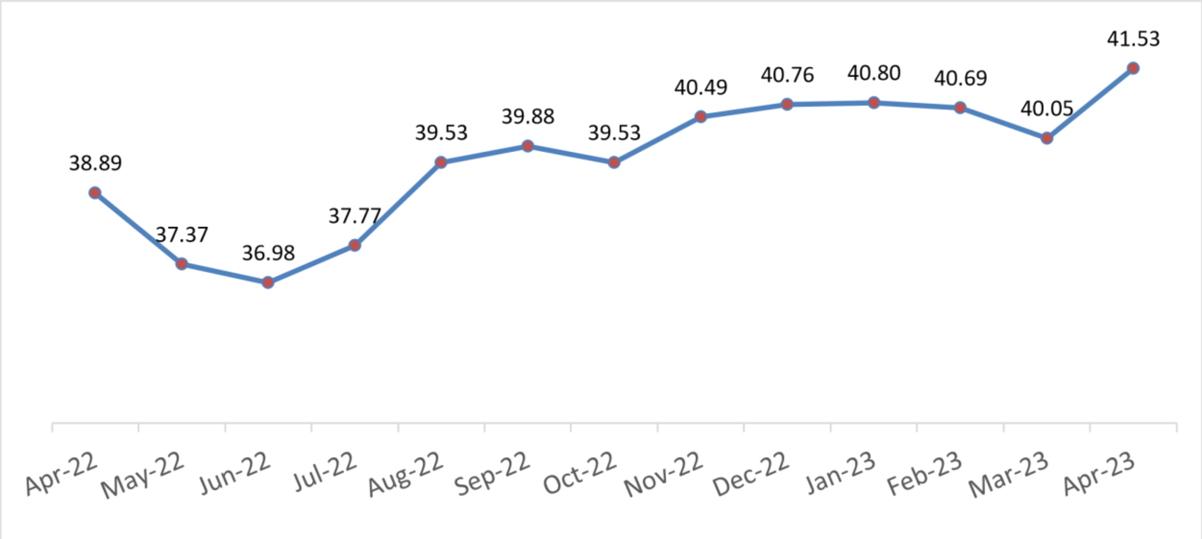
The experience of some of the AMCs floated by private sector Indian companies was also very similar. They quickly realized that the AMC business is a business, which makes money in the long term and requires deep-pocketed support in the intermediate years. Some have sold out to foreign owned companies, some have merged with others and there is general restructuring going on. They can be credited with introducing many new practices such as new product innovation, sharp improvement in service standards and disclosure, usage of technology, broker education and support etc. In fact, they have forced the industry to upgrade itself and service levels of organizations like UTI have improved dramatically in the last few years in response to the competition provided by these.

Market Trends:

Alone UTI with just one scheme in 1964 now competes with as many as 400 odd products and 34 players in the market. In spite of the stiff competition and losing market share, Last few years have been the most turbulent as well as exiting ones for the industry. New players have come in, while others have decided to close shop by either selling off or merging with others. Product innovation is now out of date with the game shifting to performance delivery in fund management as well as service. Those directly associated with the fund management industry like distributors, registrars and transfer agents, and even the regulators have become more mature and responsible. The industry is also having a profound impact on financial markets. While UTI has always been a dominant player on the money market as well as the debt markets, the new generations of private funds, which have gained substantial mass, are now flexing their muscles. Fund managers, by their selection criteria for stocks have forced corporate governance on the industry. Rewarding honest and transparent management with higher valuations has created a system of risk-reward created where the corporate sector is more transparent then before. Funds have shifted their focus to the recession free sectors like pharmaceuticals, FMCG and technology sector.

Industry trends

Total Assets (Rs. Trillion)



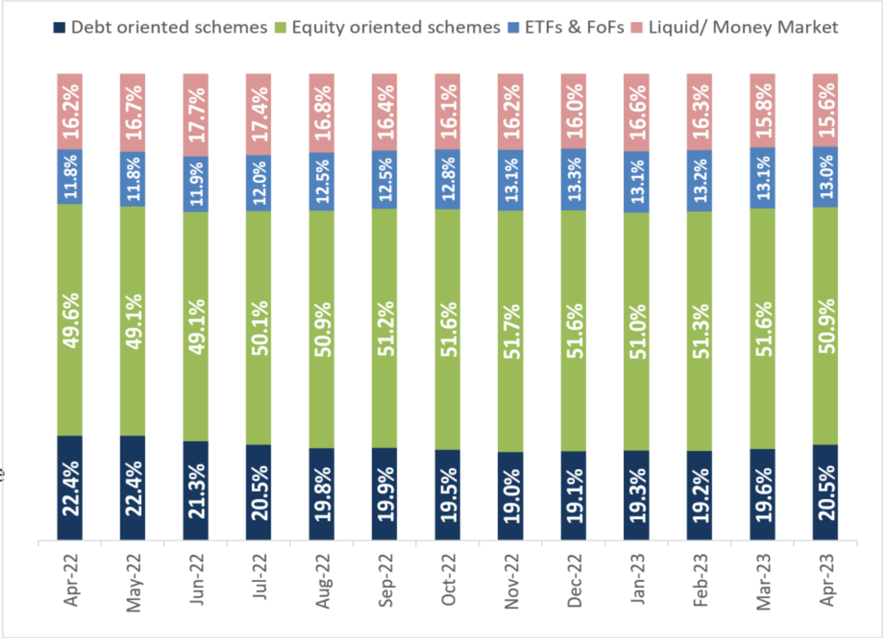
Assets managed by the Indian mutual fund industry has increased from Rs. 38.89 trillion in April 2022 to Rs. 41.53 trillion in April 2023. That represents6.78% increase in assets over April 2022

Scheme wise Composition of Assets

The proportionate share of equity-oriented schemes is now 50.9% of the industry assets in Apr 2023, up from 49.6% in Apr 2022.

The proportionate share of debt-oriented schemes is 20.5% of industry assets in Apr 2023, down from 22.4% in Apr 2022.

Increase in ETF market share from 11.8% in Apr 2022 to 13.0% in Apr 2023

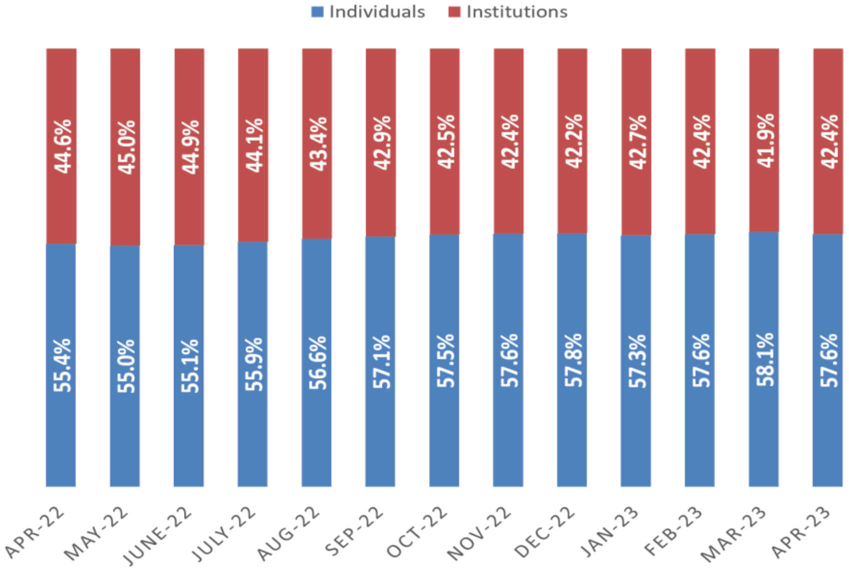


Equity-oriented schemes include equity and balance funds.

Investor Type-wise Composition of Mutual Fund Assets

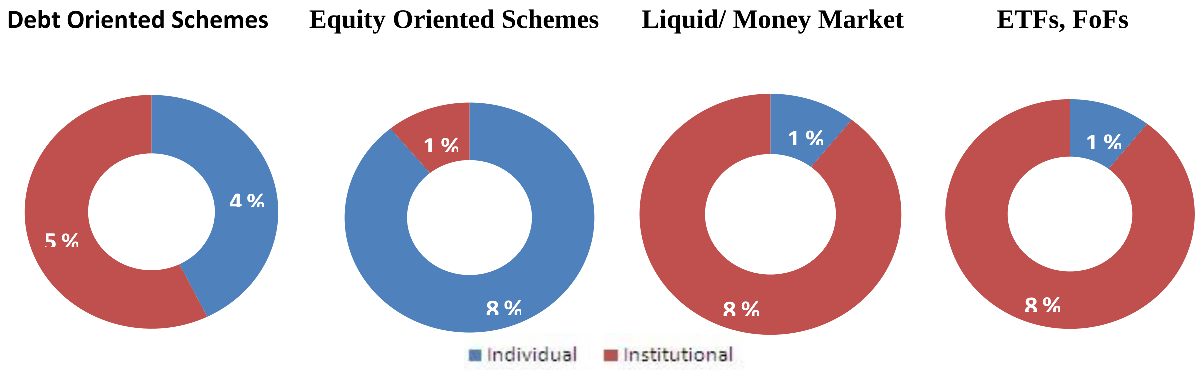
Individual investors now hold a relatively higher share of industry assets, i.e. 57.6% in Apr 2023, compared with 55.4% in Apr 2022

Institutional investors account for 42.4% of the assets, of which corporates are 96%. The rest are Indian and foreign institutions and banks.



Institutions include domestic and foreign institutions and banks.

Investor Categories Across Scheme Types

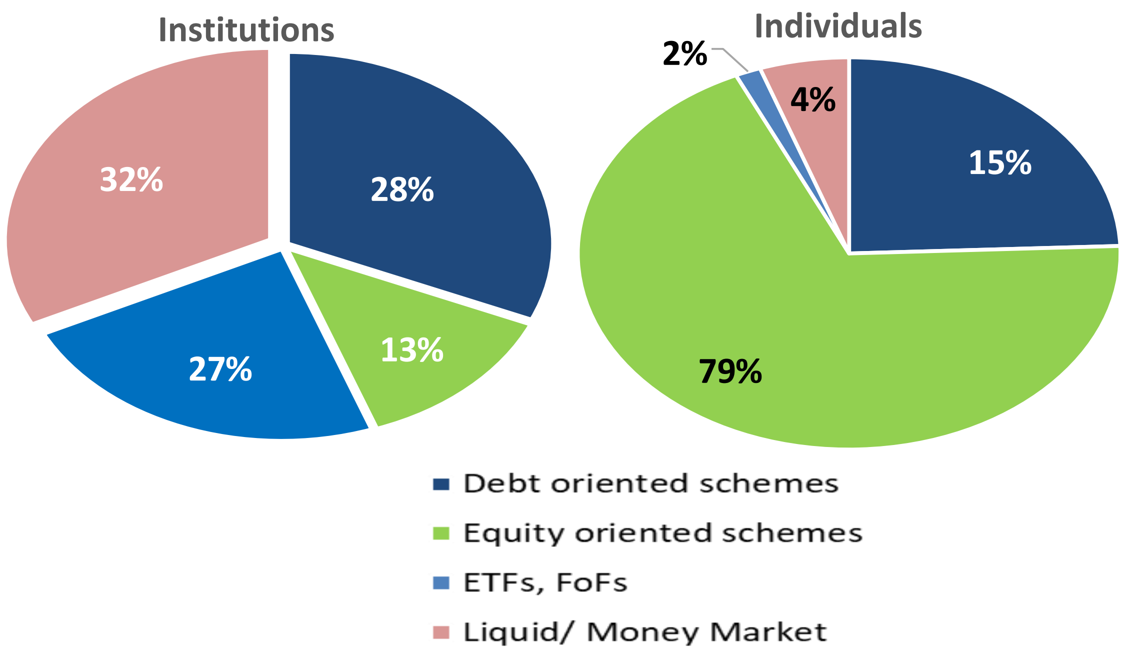


Equity-oriented schemes derive 89% of their assets from individual investors (Retail + HNI)Institutional investors dominate liquid and money market schemes (89%), debtoriented schemes (57%) and ETFs, FOFs (89%).

* In Apr 22-

1. Equity-oriented schemes derived 88% of their assets from individual investors .
2. Institutional investors dominate liquid and money market schemes (89%), debt-oriented schemes (62%) and ETFs, FOFs (90%).

Composition of investor's Holdings

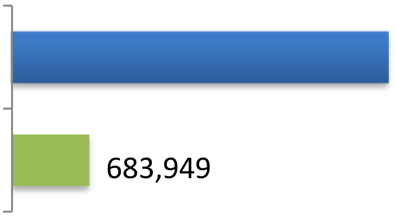


B30 vs T30 assets

B 30 assets

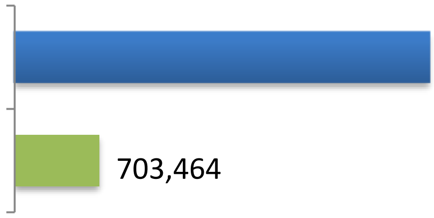
Mar. 2023

T303,449,251



Apr. 2023

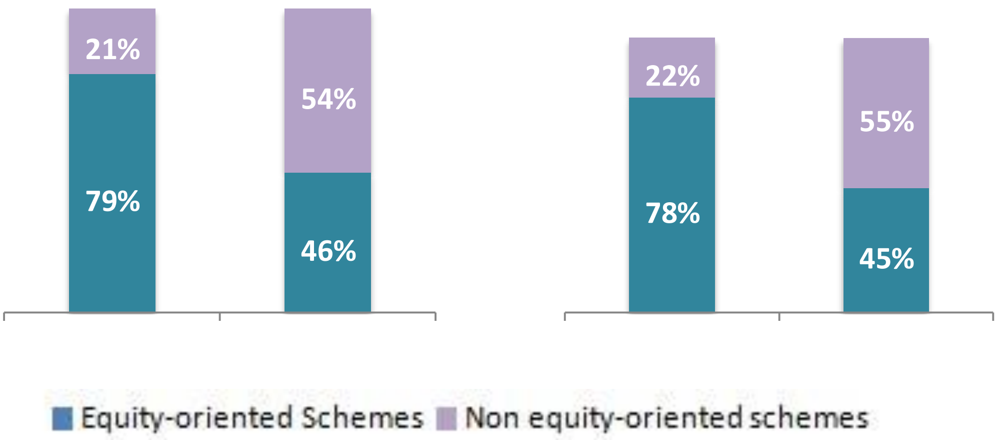
T303,320,688



17% of the assets of the mutual fund industry came from B30 locations in April 2023.Assets from B30 locations increased from 7.03 lac cr. in Apr 2023 to 6.84 lac cr, representing a increase of 3%.

B30 and T30 - Asset Mix

Mar 2023 **Apr 2023**

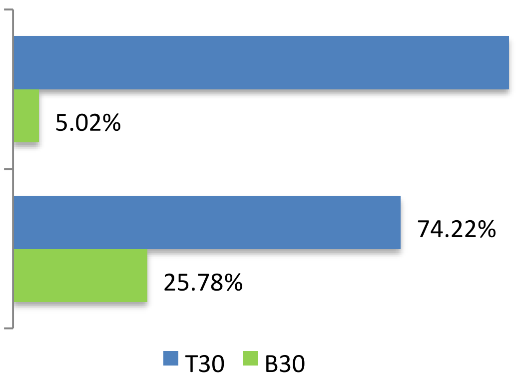


78% of the assets from B30 locations are in equity schemes in Apr 2023 for T30 locations, equity-oriented schemes accounted for 45% of assets in Apr 2023.

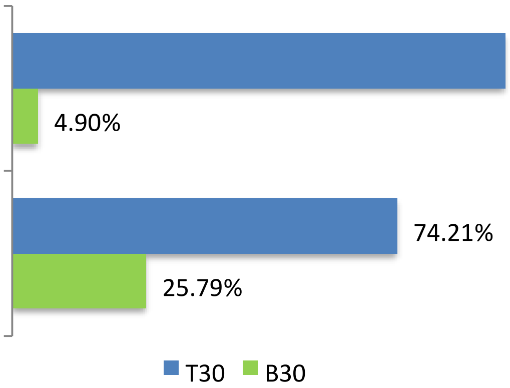
In Apr 2022, 76% of assets from B30 locations were in equity schemes and non equity – oriented schemes accounted for 24%.

26% of Individual Assets are from B30 Locations

March 2023

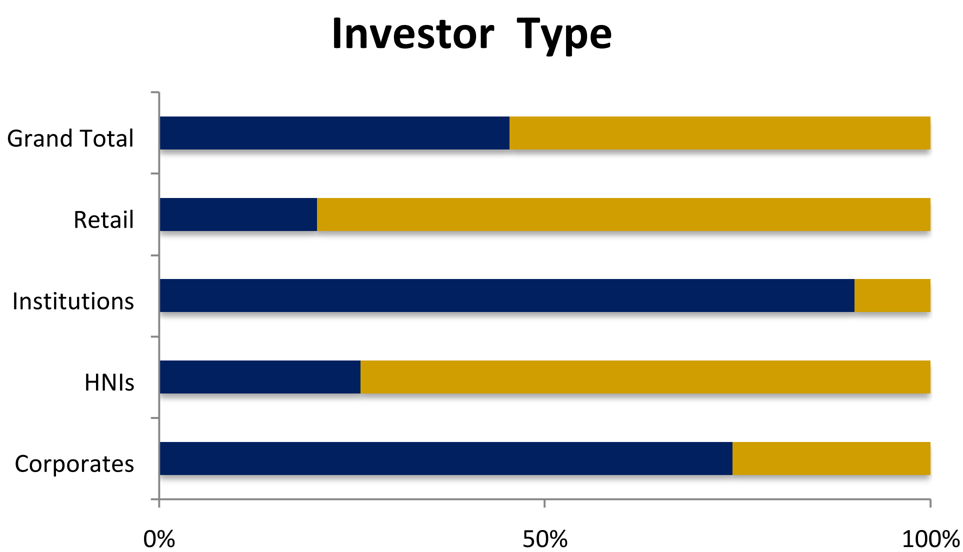


April 2023



In Apr 2023, 26% of assets held by individual investors is from the B30 locations. 5% of institutional assets come from B30 locations. Institutional assets are concentrated in T30 locations, accounting for 95% of the total.

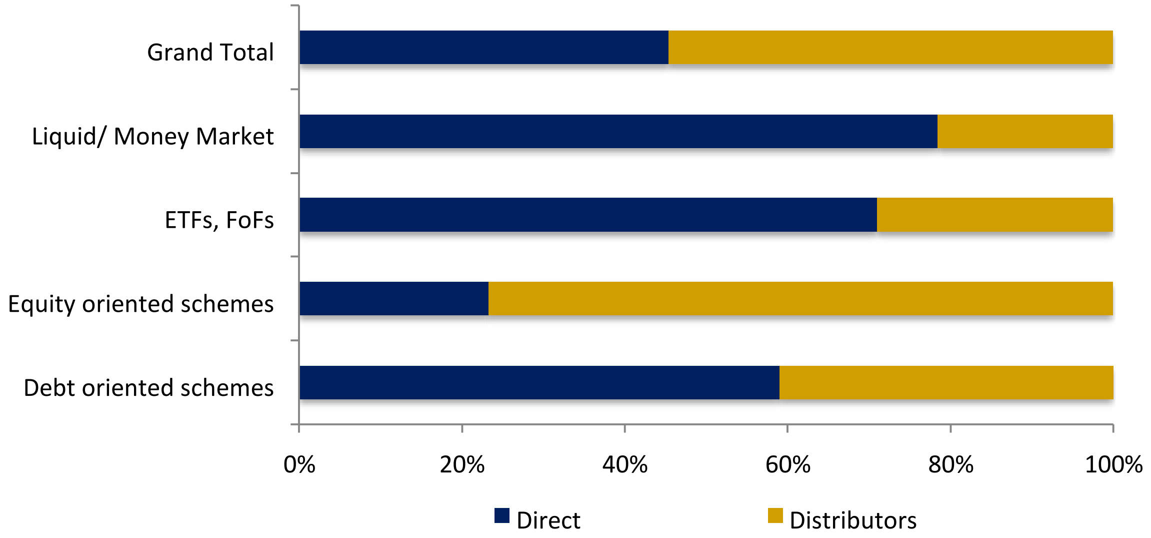
Distributor Vs Direct



About 20% of the retail investors chose to invest directly, while 26% of HNI assets were invested directly in Apr 23 . About 18% of the retail investors chose to invest directly, while 24% of HNI assets invested directly in Apr 22.

Distributor Vs Direct

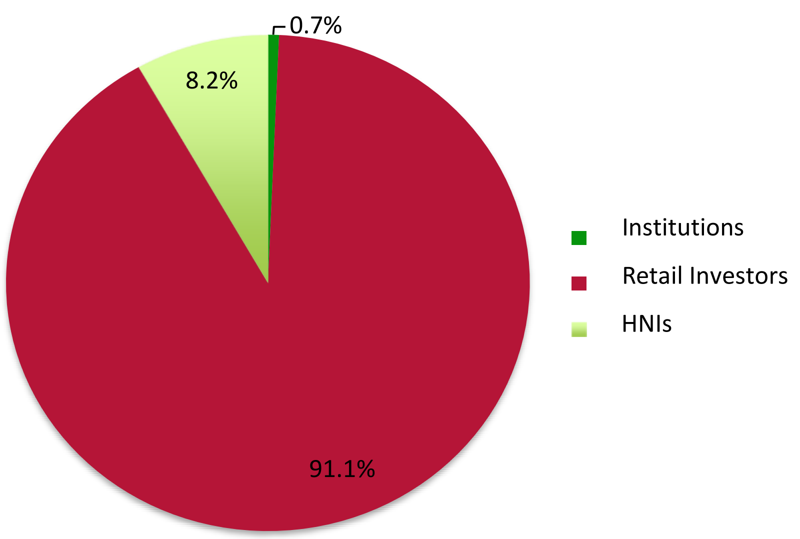
Scheme Type



78% of liquid/money market scheme assets where institutional investors dominate, were direct, whereas 59% of debt-oriented scheme assets and 23% of equity scheme assets were direct.

Folio and Ticket Size

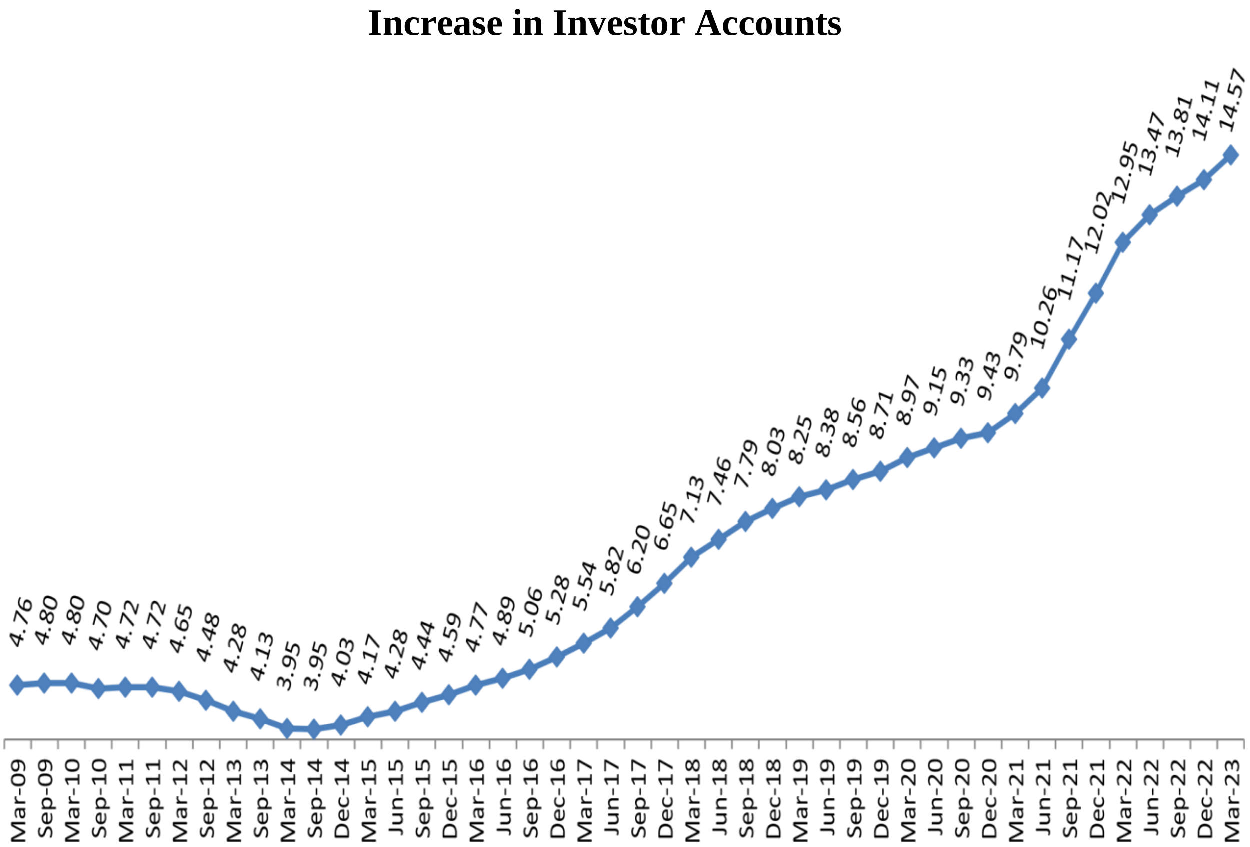
Accounts Across Investor Types



There are 14,57,30,600 accounts in the mutual fund industry on Mar 23, of which 91.1% is accounted for by retail investors.

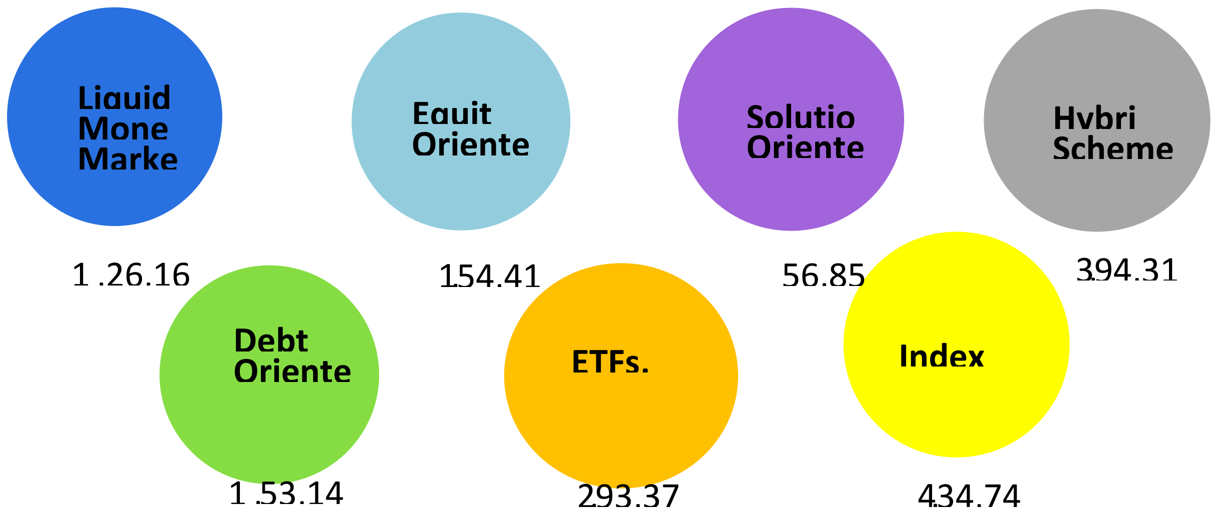
There were:

- 13,27,84,895 Retail investor accounts
- 1,19,63,912 HNI accounts
- 9,81,793 Institutional investor accounts



Since December 2014, there is a steady increase in investor accounts from 4.03 cr to 14.57 cr in Mar 2023.

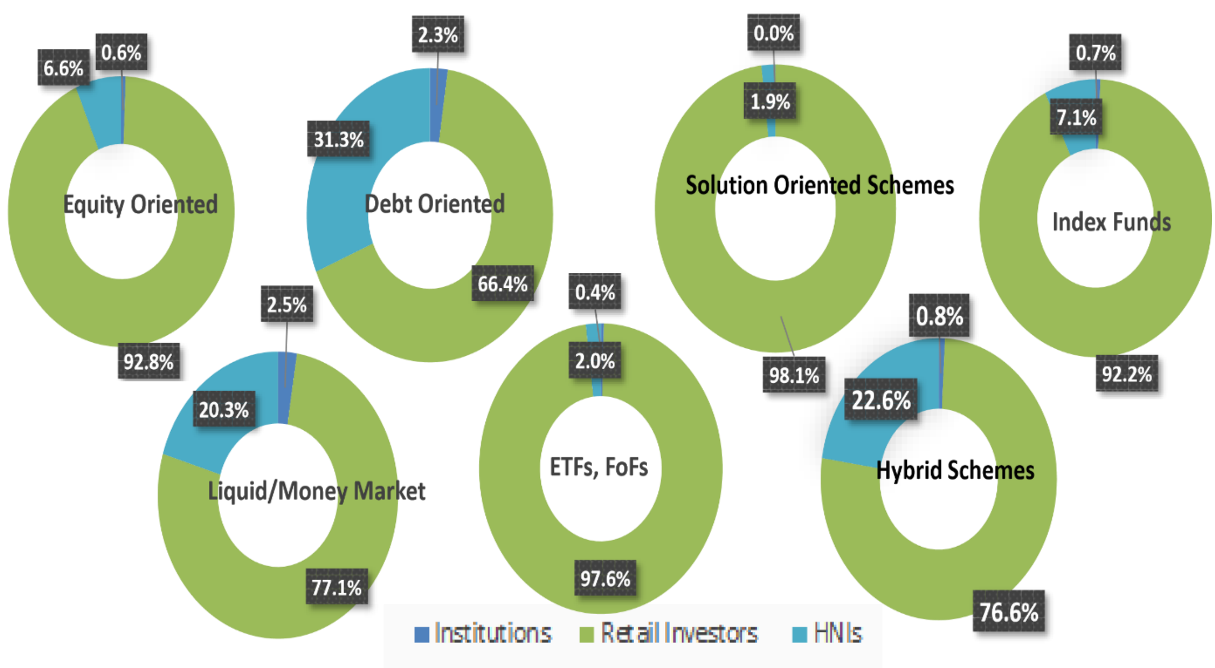
Average ticket size across is Rs. 2.71 lac



The average ticket size is relatively higher for liquid and debt oriented schemes which are dominated by institutional investors.

- The average ticket size for equity oriented funds is Rs. 1,54,415
- The average ticket size for debt oriented funds is Rs. 14,53,146

Scheme Level Folio Composition of Investor Accounts

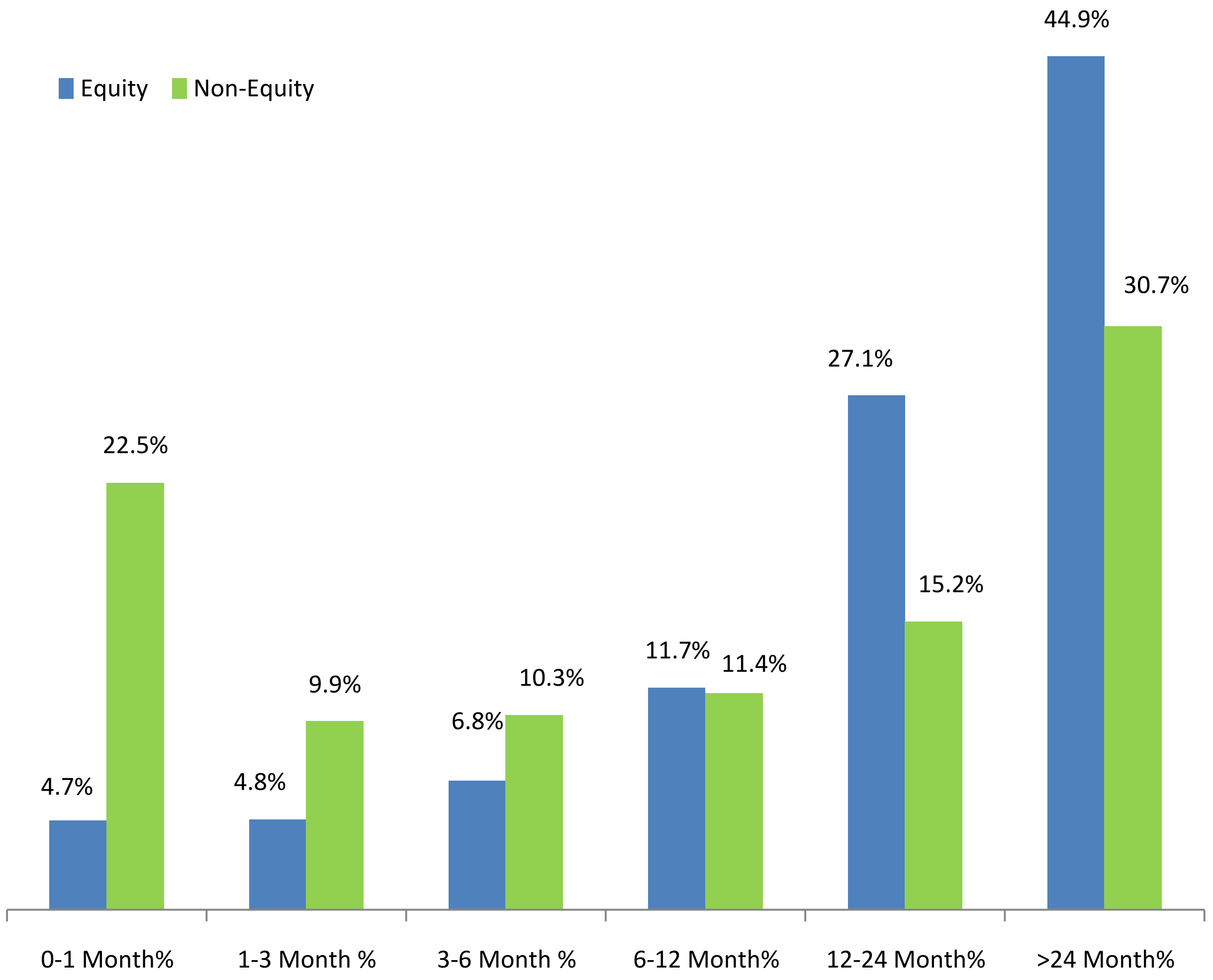


Across fund types, most of the accounts are retail investor accounts.

Retail investors hold only 66.4% percentage of the total accounts in debt oriented scheme (least among the other category)

HNI investors are predominantly concentrated in debt oriented (31.3%) , liquid /money market (20.3%) and hybrid (22.6 %) schemes.

44.9% of the Industry's Equity Assets stay invested for more than 2 years



Equity assets have a longer average holding period as compared to non-equity assets. 44.9 % of equity assets have been held for periods greater than 24 months.

Retail investors hold 56.5 % of equity assets for period greater than 24months.

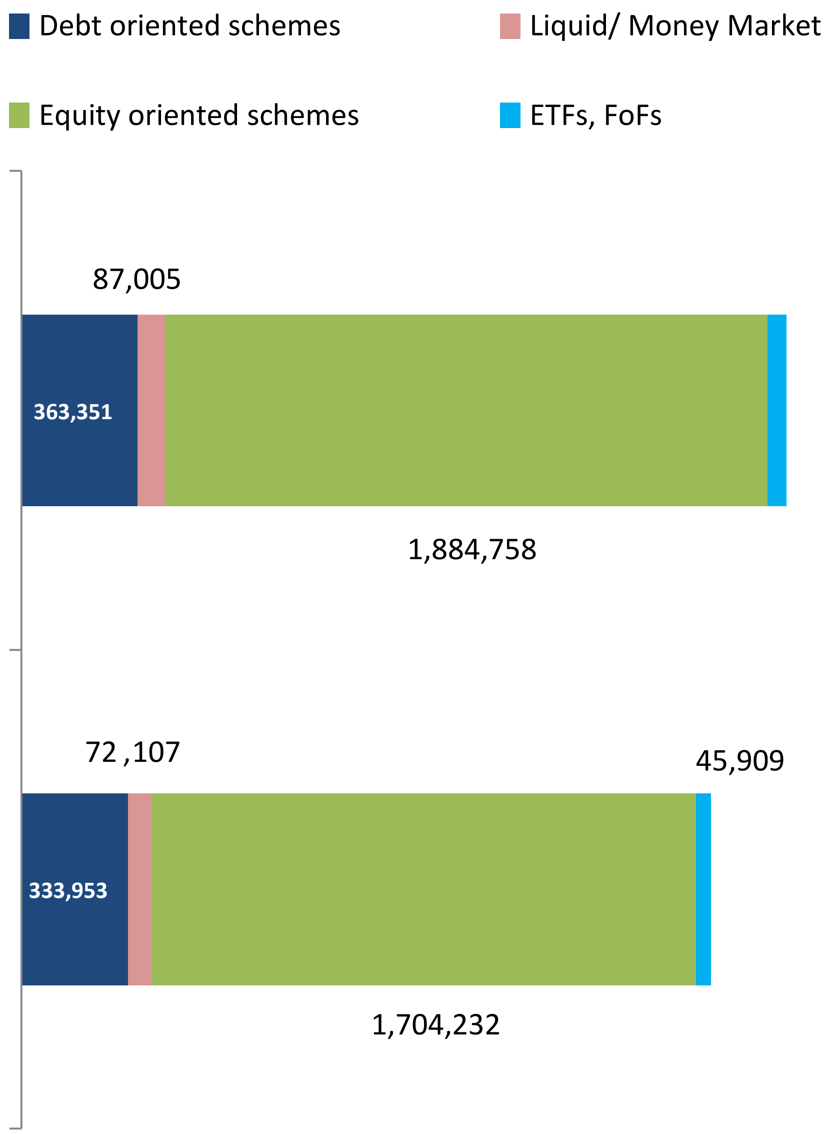
Individual-Investor Assets Composition

Individual investors held Rs.23.92. 57369lac crore in mutual funds as of

Apr-23

Apr 2023, an increase of 10.96% over Apr 2022.

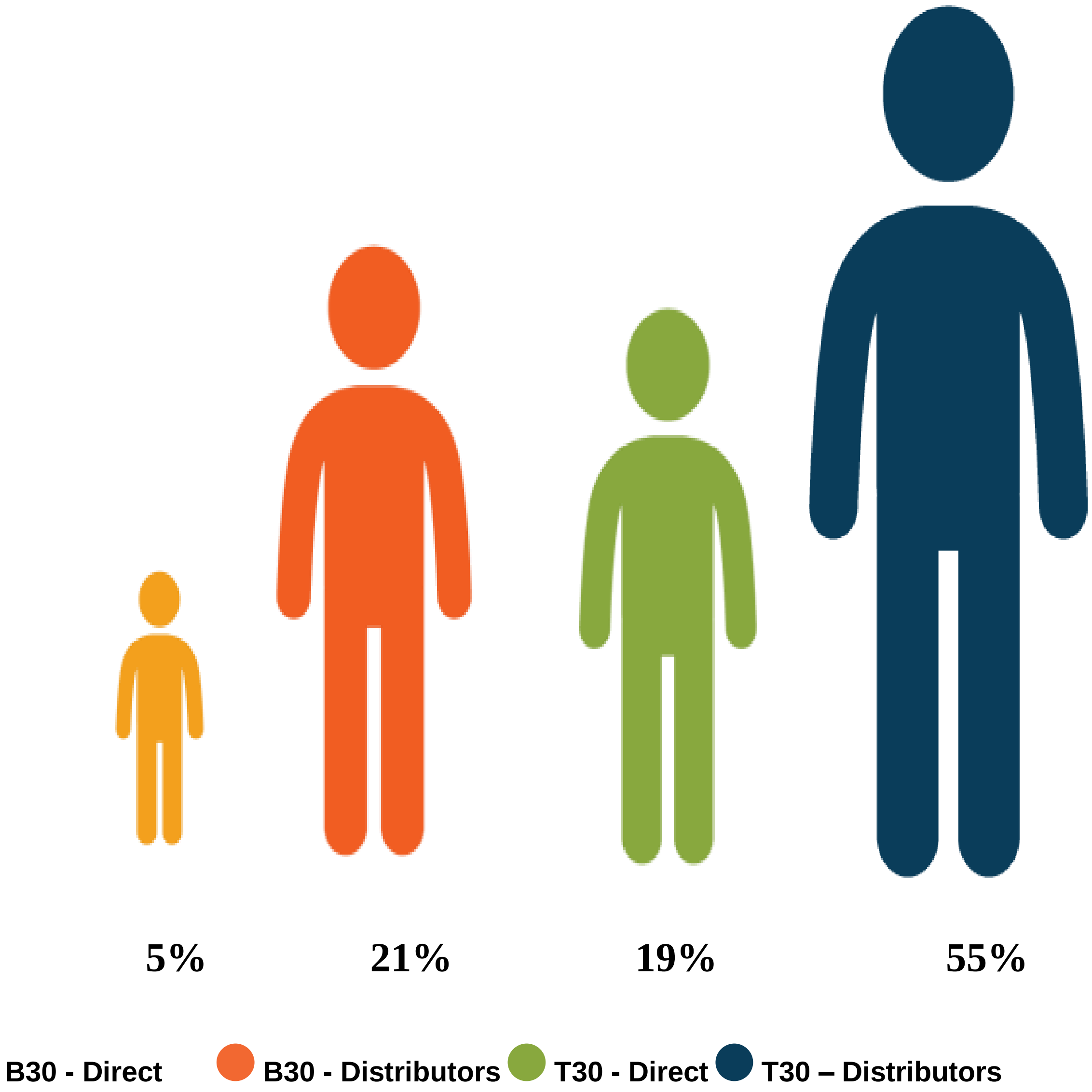
Investments of individual investors in equity schemes increased by 11% over Apr 2022. Apr-22



Individual Investors – Overall Composition

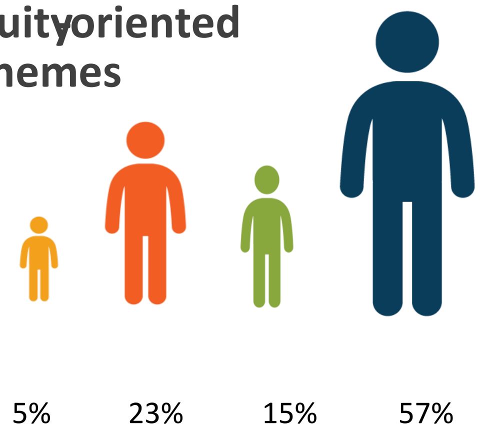
Individual assets are primarily distributor-driven.55% of the assets of Individual investors are from T30 cities, brought in by distributors.

Direct investments amount to 24% of individual assets, divided as 5% from B30 and 19% from T30.

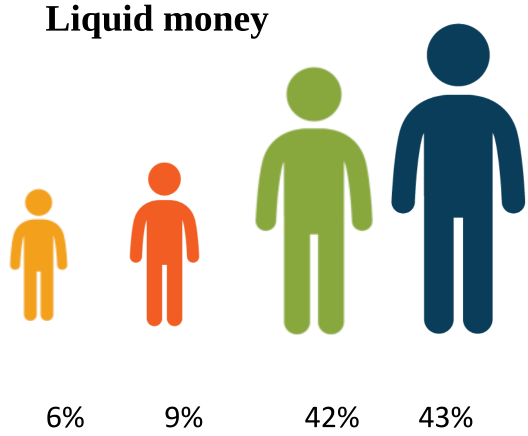


Individual Investors – Scheme level Composition

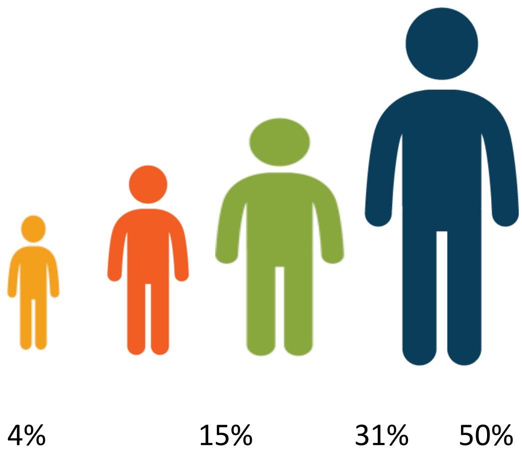
Equity oriented Schemes



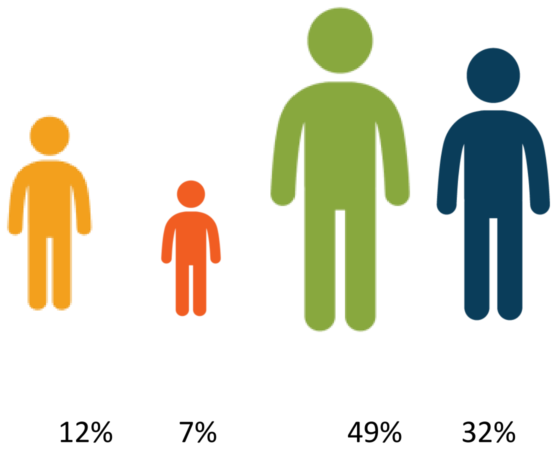
Liquid money



Market schemes



Debt-oriented ETFs & FoFs Schemes



B30 - Direct **B30 - Distributors** **T30 - Direct** **T30 – Distributors**

Future Prospect of Mutual Fund industry in India.

The mutual fund industry in India is expected to grow at a CAGR of 21.5% by the year 2027. The industry has been growing rapidly in recent years, thanks to a number of factors, including:

Increasing awareness about mutual funds among investors

Growing disposable incomes

Rising investment needs

Increasing penetration of digital channels

The industry is also expected to benefit from the government's initiatives to promote financial inclusion. The government has launched a number of schemes, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the Pradhan Mantri Sukanya Samriddhi Yojana (PMSSY), which are aimed at encouraging people to save and invest.

The following are some of the key trends that are expected to shape the future of the mutual fund industry in India:

Growth of digital channels: The use of digital channels for investing is expected to grow rapidly in the coming years. This is due to the increasing penetration of smartphones and the growing comfort level of investors with online transactions.

Rise of ETFs: Exchange-traded funds (ETFs) are a type of mutual fund that is traded on stock exchanges. They are known for their low costs and transparency. The popularity of ETFs is expected to grow in the coming years, as investors become more aware of their benefits.

Focus on ESG funds: ESG funds are mutual funds that invest in companies that meet certain environmental, social, and governance (ESG) criteria. The demand for ESG funds is expected to grow in the coming years, as investors become more concerned about the impact of their investments on the environment and society.

Overall, the future of the mutual fund industry in India looks bright. The industry is expected to grow at a rapid pace in the coming years, thanks to a number of factors, including increasing awareness, growing disposable incomes, and rising investment needs.

Impact of COVID 19 on the Mutual Fund in India

Globally, the stock market is bearing a crisis of COVID 19 pandemics. An impact of coronavirus pandemics has affected a stock market vastly. It becomes a more volatile state. It causes many investors to have met dramatic changes in the value of the investment portfolio. It's been critical for an investor to maintain and track their investment goals and especially it affects long term investment plans. Every country's stock market value comes down which affects the banks and private sector. The rapid spread of this virus, an investor from all over the world affected. People those who all invested in mutual funds investment facing financial asset crisis. India's mutual funds' performance is quite better than in other countries. However, the performance of the equity market is falling worst. Sensex hits around 23% on the equity market. Mainly people who have invested in construction companies are facing losses every day. According to the money control report, interest rates on fixed deposits fall which was announced by Reserve Bank of India (RBI) and it particularly impacts the savings bank rates. Investors try to save their investment by using some strategies for taking a fresh breath like Sensex as well as the Nifty market. During this lockdown period, investors can take ease pressure from the equity market, some markets are highly rated which are pharma, emerging giants, prudence, etc.

In the business point of view, meetings like Annual General Meeting, Board meetings, corporate meetings, meetings for product launches, conferences, seminars meetings, etc. has canceled and postponed due to COVID-19. GDP growth of the Indian economy reduced to 4.7% in the 3rd Quarter of 2019-2020. The outbreak of COVID-19 changes the whole world economy into a recession including India. It changes the lives of people, businesses, and how the economies will function. This impact would continue at least for the next 24 months, currently, many businesses are struggling to survive and some may even result in wound up. But things will eventually get back to normal only if emerges of new industries take place with famed hope of recovery. We can expect the liquidity of many industries and companies in near future as the cost of borrowing went upwards in the real term, due to this RBI (Reserve Bank of India) forced to reduce its interest rates. Currently, demand for the essential goods was increased rapidly. Therefore, the Indian government's focus is only on the essential goods which will affect the non-essential goods is huge. So, Non-essential goods business would look forward to recovering they're outstanding from outsiders and receivable from debtors in order to survive in the market. Financial institutions and banks have already had the problems of recovering the Non-Performable Assets, bankrupt and insolvency now this impact will add additional pressure to them.

IMPACTS ON DIFFERENT SECTOR	RETURNS (April to June)
Construction	-13.3%
Professional services, Real estate, and Finance	-17.3%
Agricultural, Fishing, and Forestry	-1.3%
Manufacturing	-6.3%
Water supply, electricity, gas and other	-13.9%
Trade, Transport, Hotels, Communication	-9.7%
Public administration, defense, and others	-0.4%

Building and construction:

It's really hard to find the sector which is not affected by the COVID-19; almost every commercial activity has been affected severely by the COVID-19. Building and construction sector have already faced multiple challenges like irrecoverable create, insufficiency of capital, different kind of frauds, etc. Now, this COVID-19 makes Building and construction sectors further worst. Due to the lockdown imposed by the government, the building and construction activities and many more businesses across the world have stopped. The Building and Construction companies in India appointing nearly 5cr people as employs it is almost 12% of the working people population of India. Impact of COVID-19 affected the economy in wide-spread but it is an unprecedented good chance for us to respond and restart the majority of our baselines in the building and construction sector in India.

Travel and Tourism sectors

As everyone knows that Travel and Tourism sector was the first most affected sector due to lockdown outbreak, and also it sweeps this industry to a dead level, ISTO (Indian Association of Tour Operators) evaluates the Travel and Hotel industry to incur the huge losses of Rs.8500 crs because of lockdown imposed by the government due to lockdown.

Automobile sectors

This sector was already undergone into deep considerable lowdown for the past 12 to 15 months because of total structural changes like GST, Axle-load reforms, Liquidity crunch, shift to shared mobility, and so on. COVID-19 makes Automobile sectors further worst and it completely affected the manufacturer's revenues and cash flows. Bharat Stage-IV sales from past 10 days after lockdown ends, dealers of automobile industries facing the burden to liquidate the Bharat-Stage-IV which is unsold and it is worth Rs,6300 crores.

COVID-19 outbreak and Debt Fund crisis

Most risk-averse mutual fund investors prefer to invest their hard-earned money in Debt mutual funds. These funds usually carry lesser risk than equity funds. As a result, these funds provide lower returns compared to equity funds. These funds generally invest in fixed interest-earning securities like treasury bills, commercial papers, etc. However, these debt funds started experiencing the harsh realism of the corona virus outbreak since January 2020.Franklin Templeton Mutual Fund crisis added extra ammunition to the war of confusion and fear among investors 'minds about their hard-earned money.

In April 2020, Franklin Templeton (FT) Mutual Fund announced winding up of six of its creditfocused debt schemes. This was a rude shock to the entire debt mutual fund investors, who rushed to withdraw their investments from credit funds as well as other debt MF schemes. Although the debt-oriented categories witnessed a net inflow of Rs. 43,432 crore in April, the credit risk category, given its nature, was one of the worst-hit with a net outflow of Rs.19,239 crore during the month. Investor's in credit risk funds ran for exits after FT MF incident. As per the Morning star note dated April 24, the FT funds were run with a clear focus towards a credit (or accrual) strategy, with significantly higher exposure to AA and A-rated instruments as compared to their peers. Lower-rated papers usually have very low liquidity as they cannot be sold immediately in the market at a fair valuation in India. During times of stress, the liquidity for such lower-rated papers becomes even tighter as everyone becomes risk-averse and wants to lend only to higher-rated corporate (Patel, 2020).

Through a notice dated April 23, 2020, FT MF announced its decision to wind up six of its schemes; Franklin India Low Duration Fund, Franklin India Ultra Short Bond Fund, Franklin India Short Term Income Plan, Franklin India Credit Risk Fund, Franklin India Dynamic Accrual Fund and Franklin India Income Opportunities Fund. The reason cited by the Fund House was dramatic and sustained fall in liquidity in certain segments of the corporate bonds market on account of the COVID-19 crisis and the resultant lock-down of the Indian economy. Joseph Thomas, Head of Research, Emkay Wealth Management, termed the incident as a crisis of confidence rather than a crisis of liquidity. The Reserve Bank of India (RBI) on following day announced a special liquidity of Rs.50, 000 crore for mutual funds in the wake of the winding up of six debt funds by Franklin Templeton. Banks can benefit of 90 day funds from the RBI's repo window and use it to lend solely to mutual funds or acquire investment grade corporate papers held by mutual fund. One hopes that this is a rare case and we will not see more such cases even though the economy is yet to come out of this difficult phase (Kansara, 2020).

Mutual Fund	3m		1y		3y		5y		10y	
	Apr 20	Dec 19	Apr 20	Dec 19	Apr 20	Dec 19	Apr 20	Dec 19	Apr 20	Dec 19
Equity Funds										
LC	16.58	4.92	14.06	10.53	2.11	14.03	4.51	8.58	7.53	9.77
LMC	19.00	5.00	13.72	08.03	1.54	11.58	4.28	8.82	8.49	11.12
MLC	18.00	4.00	13.12	09.78	0.43	12.20	4.20	8.50	8.39	11.05
M C	20.00	4.00	13.82	02.77	3.97	09.01	3.85	8.12	10.6	13.47
S C	24.36	2.00	20.39	01.51	7.92	07.02	2.08	7.32	7.86	11.59
V O	19.89	3.00	19.55	02.39	4.49	08.83	2.63	7.19	8.14	10.98
E L S S	18.23	4.00	13.99	08.26	1.02	11.78	3.99	8.26	8.47	11.12
INT	09.73	9.00	02.24	25.51	5.49	10.37	2.68	6.72	6.13	04.79
BANK	31.12	9.00	27.66	14.79	5.72	16.07	0.70	7.79	4.11	10.10
INFRA	24.00	1.00	22.62	01.80	8.31	06.93	0.32	4.90	2.86	05.93
PHARMA	12.87	8.00	19.25	03.80	5.83	00.90	2.97	1.35	12.9	12.20
TECH	12.10	1.00	10.14	08.81	12.47	14.96	7.69	8.80	11.4	12.69

Note: LC: Large-cap, LMC: Large and mid-cap, MLC: Multi-cap, MC: Mid-cap, SC: Small-cap, VO: Value-arranged, ELSS: Equity Linked Savings Scheme, INT: International, BANK: Banking Sector, INFRA: Infrastructure, PHARMA: Pharmaceutical Sector, TECH: Technology

Sector, AGG: Aggressive, BAL: Balanced, CON: Conservative, LD: Long-term, MD: Mid-span, SD: Short-length, USD: Ultra Short-length, LIQ: Liquid, DYN: Dynamic Bond, CORP: Corporate Bond, CR: Credit Risk The fundamental perceptions fromTable4 are expressed underneath:

Pre-corona returns of all value assets with the exception of drug reserves were more than the post-corona. All crossover reserves performed better in the pre- corona period.

Among obligation reserves, mid-cap, brief term, ultra brief span and credit hazard reserves performed better in the pre- corona period. Shockingly, long-span obligation assets and dynamic security reserves performed better in the post- corona period. Fluid assets performed better in the pre- corona period in all periods aside from the 10-year time frame. Corporate obligation reserves performed better in the post corona period in two periods (3-yearand10-year).

Post- corona returns of all value assets with the exception of drug reserves were negative in 3month and 1-year. Among value reserves, huge cap reserves, worldwide assets, drug assets and innovation area reserves create dispositive returns in the post- corona period in 3year. 5year and 10-yearpost- corona returns of all value reserves were positive excepting foundation finances which produced negative returns in the5-year time span. Debt funds, only long-duration debt funds exhibited returns above 12% in1-year both in pre and post-corona period.

All debt funds provided positive returns in the pre- corona period. During post- corona period, barring mid-duration fund (3-month period) and credit risk fund (3-month and 1-year period) all other debt funds were successful in generating positive returns.

During post- corona period, amongst all the funds, pharmaceutical funds remained the best performing fund in 3-month (12.87%), 1-year (19.25%) and 10-year (12.91%), technology sector fund in 3-year (12.47%), long-durationdebtfundin5-year(9.24%). The fund in 3 month (9.99 %) and 3-year (16.07%) international fund in 1-year (25.51%), large and mid-cap fund in 5 year (8.82%) & mid-cap fund in 10-year (13.47%).

During post- corona period, banking sector fund was the worst-performing fund in 3-month (31.12%) and 1-year(27.66%), infrastructure fund in 3-year (-7.31%), 5-year (-0.32%) and 10year (2.86%).On the other hand, during the pre corona period, technology sector fund was the worst-performing fund in 3-month (0.71%), small-cap fund in 1-year(-1.51%),pharmaceutical fund in 3-year(0.90%)and5-year(1.35%) & international fund in10-year (4.79%).

Learning and knowledge gained as per objective of the study are-

1. Mutual funds helps us to diversify our cash in the various places that increases the safety of the assets.
2. Mutual funds have the very good staff or professional managers to manage the risk of happning loss in any of the cases.
3. Mutual funds always take and evolve the new techniques that don’t let the cutomer have a loss.
4. Mutual funds provide the long term investment wich always feel better than short term investment because in long term investment there are less chances of happning loss.
5. Mutual funds contain various types of plans and have various type of polices depends and vary according to the customer needs and expectation every customer have diff. needs and wants.

Findings

1. The mutual fund industry in India has witnessed significant growth in recent years. The Assets Under Management (AUM) of mutual funds have been steadily increasing, indicating growing investor participation and confidence in this investment avenue.
2. Equity mutual funds have been the preferred choice for Indian investors seeking higher returns over the long term.
3. Debt funds have also gained traction due to their relatively lower risk profile compared to equity funds.
4. The manager and the staff that is present in mutual funds is very professional.
5. Technology has played a crucial role in transforming the mutual fund industry in India. Online platforms and mobile applications have made it easier for investors to research, invest, and manage their mutual fund portfolios.

Suggestions

1. Development of Shared Stores in Tier-2 and Tier-3 Cities: Explore the expanding entrance of shared stores in littler cities and towns in India.
2. There should be trained and cooperative management to tell people about the mutual funds and the benefits of investing through mutual funds.
3. They should help the people or investors by providing them end to end help.
4. There should be adequate number of technical person for giving proper technical support.
5. They should help to change the investor behaviour and prefrences against investing.
6. They should suggest the proper and the best polices for the investor so that they cant get loss after investing there money in mutual funds.
7. With the stock market soaring the investors are attracted towards mutual funds schemes. Only a small segment of the investors still in Mutual Funds and the main sources of information still are the financial advisors followed by advertisements in different media.

Limitations

1. Data availability and quality can be challenging. Historical data may be limited, making long-term assessments difficult.
2. Mutual funds are affected by many external factors such as the economy, market fluctuations, geopolitical events and international trade. These external events can create uncertainty and affect the joint venture's business in ways that are difficult to predict or control.
3. Depending on the scope and objectives of the study, some benefits of integration in India may be excluded or unexplored. For example, certain budgets, regional differences, or niche marketing strategies may not be widely covered, possibly limiting the depth of analysis.

Conclusion

1. A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal.
2. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities
3. A mutual fund brings together a group of people and invests their moneyin stocks, bonds, and other securities
4. Debt funds have gained traction due to their relatively lower risk profile. The introduction of various debt fund categories has provided investors with a range of options to suit their risk appetite and investment horizon.
5. The advantages of mutuals are professional management, diversification, economies of scale, simplicity and liquidity.
6. The biggest problems with mutual funds are their costs and fees.
7. Mutual funds are easy to buy and sell. You can either buy them directlyfrom the fund company or through a third party.
8. Mutual fund ads can be very deceiving

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