Why is Mutual Fund Industry Leading the Market Now-a-Days ?

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Abstract

The Indian mutual fund industry is fleeting through a conversion, adapting to the various regulatory changes. In today's volatile market environment, mutual funds are looked upon as a clear and low cost investment vehicle, which attracts a large number of fair-share of investor attention for promoting the growth of the industry. Mutual funds as an investment vehicle have gained gigantic recognition in the current scenario, which is clearly reflected in the vigorous growth levels of assets under management. This study is an attempt to overview growth and the return aspect of mutual funds in India during 2009-10 to 2013-14 and sees how the assets management company perform in the complex environment and in which sector the investor invest their money so that they can earn the return by investing the fund.

Keywords : Mutual Funds, Capital Market, Money Market, AUM, Investments

Introduction

Mutual fund sectors are some of the highest gaining sectors in the Indian Economic scenario and have tremendous possibilities for prolonged advancement in future. Mutual funds make saving and investing simple, manageable, and reasonably priced. Mutual fund is gaining popularity because of the risk and return factors and security that means that most of the people want to invest their money in the Mutual funds. According to some experts, "Mutual fund is in the form of trust that is called Assets Management Company and it is a pool of fund from different- different people in various classes of assets to achieve the financial goal". Mutual fund is saving instrument for the investors and these investors invest the small amount of money for a certain period in accordance to earn the good return on their investment and the fund manager manages the fund of these investors in such a manner so that the risk should be diversified and earn a profit on their investment. In Mutual Fund investment is made in different securities like equity, bonds, debentures and call money, etc. Currently, there are Mutual Funds which also invest in gold and other asset classes. Mutual funds also invest in more alien financial instruments such as futures, options, forwards, and swaps. In addition, some mutual funds invest primarily in shares in a few market sectors or in industries like utilities, financial services, or technologies. These are known as 'sector' or 'specialty funds'.

By seeing these investment options, that is why Mutual fund is leading the market and a large number of people prefer to invest the money in mutual fund because Mutual Fund is professionally managed by the Fund Houses for their investors. Mutual fund is comprise of varies types of funds to invest their money and earn a good amount of profit in the near future and it is called **"INVESTO FUND FAMILIES".**

As we can see that the mutual fund is growing very fast and the small amount invested through the SIPs for a certain period you can get a good return on the amount invested today.

Earlier when we invest the money in mutual fund we have to pay the entry load of 1% but now a days we don't have to pay that load and we have to pay the exit load of 1% but there is a condition when we withdraw the money before the one year then we have to pay that load otherwise we don't have to pay that load.

Mutual fund industry lead the market because of the awareness that the investors get and when there is a inflation and there is a rise in the prices of the goods everyone wants that they have to save the money for future someone wants that after retirement they live happy life, some save money for marriages, some save money for the education and so on. And this is the main reason why mutual fund industry is raising.

Mutual fund is the fund of the large of investors and that was managed the fund manager and he invest the money in different - different sector so that everyone gets the good return. The fund manager prepares the portfolio for the investors and invests the money in diversified sectors because if there is a loss in one sector that loss is compensated with the gain earned in other.

Origin of Mutual Fund in world

The first **Mutual Fund** was established in Europe in 1774 by Dutch Merchant. The first fund outside the Netherland was the foreign and colonial government trust which was established in London 1868. Now it is a foreign and colonial investment trust and traded in the London stock exchange. In United States Mutual Fund was introduced in 1890s but become popular in 1920s and these are generally the close ended fund. The first open ended mutual fund with redeemable shares was established in March 21, 1924. However the close ended fund remains popular throughout the 1920s. By 1929 open ended funds accounted only 5% of the industry.

Mutual fund industry is regulated by the SEBI because In 1929 the stock market crashes a series of act was passed to regulate and control the stock market then **"The Securities Act 1933"** came into force to see the dealing in the market and see the investment made by the public in the market. When confidence in the stock market returned in 1950s the mutual fund industry began to grow.

The origin of mutual fund industry in India is with the introduction of the concept of mutual fund by UTI in the year 1963. Though the growth was slow, but it accelerated from the year 1987 when non-UTI players entered the industry.

Phases of mutual fund industry in India

First Phase - 1964-87 Unit Trust of India (UTI) was established on 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 now in the hands of the Industrial development bank of India (IDBI) and now UTI is the regulated and administrated by the IDBI instead of RBI. The first scheme launch by the UTI was **Unit Scheme 1964**.

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

Now there is entry of non-UTI mutual funds. SBI Mutual Fund is the first who start issuing the fund and after that Canbank Mutual Fund came in (Dec87), 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). Life Insurance Corporation came in 1989 and after that General Insurance Corporation came in 1990.

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

now a new era was started in 1993 when the private sector came in the Indian Mutual Fund Industry and the investors get the more option in the fund families. In 1993 there is a first regulation amended for all the mutual fund industry except the UTI were to be registered and governed. The first private mutual fund set up in 1993 by the Erstwhile Pioneer but now merged with the Franklin Templeton.

Fourth Phase - since February 2003:

This phase is astringent experience for UTI because this phase is bifurcated into two parts one is the specific undertaking of the UTI with the AUM of Rs. 29835 crores as on January 2003 all these functioning comes under the administrator and the rules framed by the GOI but not come under the MF Regulations. The second is that the Mutual Fund Ltd. is sponsored by the SBI, PNB, BOB and LIC and it is registered under the SEBI and work according to the Mutual Fund Regulations.

And now there are 44 Assets Management Company in India and an average Assets Under Management(AUM) of mutual fund in India is 8.31 lakh crore and(US $17.4 billion) Up to 2013 . And now the total bank deposit of India is approx. 61 lakh crore and today and in America and US mutual fund is 70% of bank deposits.

Objectives

1. To know the reasons why the industry is growing very fast.
2. To see the safety and security aspects in the mutual fund industry.
3. To study the risk and return aspects while investing the money in the industry.
4. To ascertain the future in that industry.
5. Why it is capturing the large market area in the today's scenario.

Findings

The growth aspect of assets management company of Indian mutual fund industry is

Year	AUM (Assets Under Management) in Crores
March -65	25
March -87	4554
March-93	47000
March-01	121805
March-02	87190
March-03	79464
March-04	139616
March-05	149554
March-06	231862
March-07	326388
March-08	50512
March-09	417900
March-10	613979
March-11	592250
March-12	587217
March-13	8164017

As we see that the year by year the performance of the mutual fund increases at the fast rate but in 2008 there is a decline in the mutual fund because of the market crashes in 2008 and after that there is a rise in the market .

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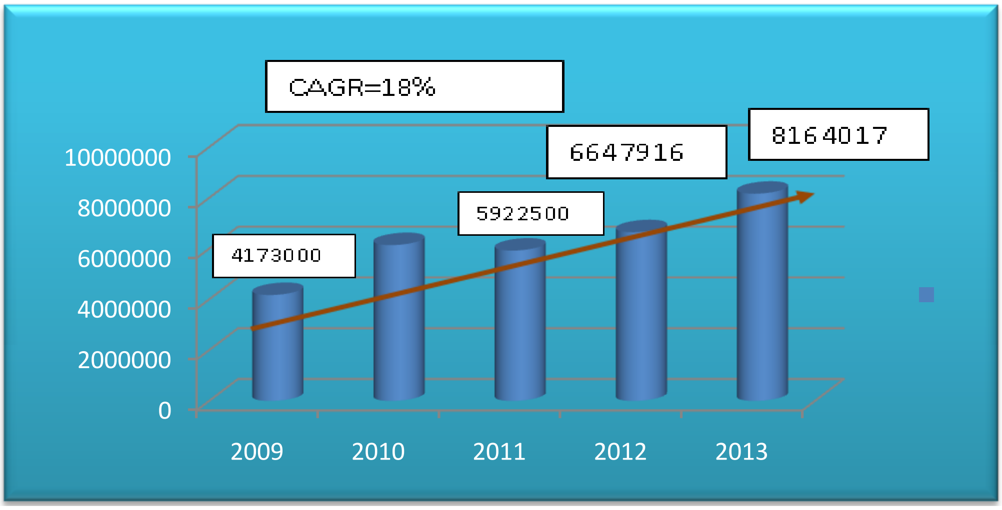
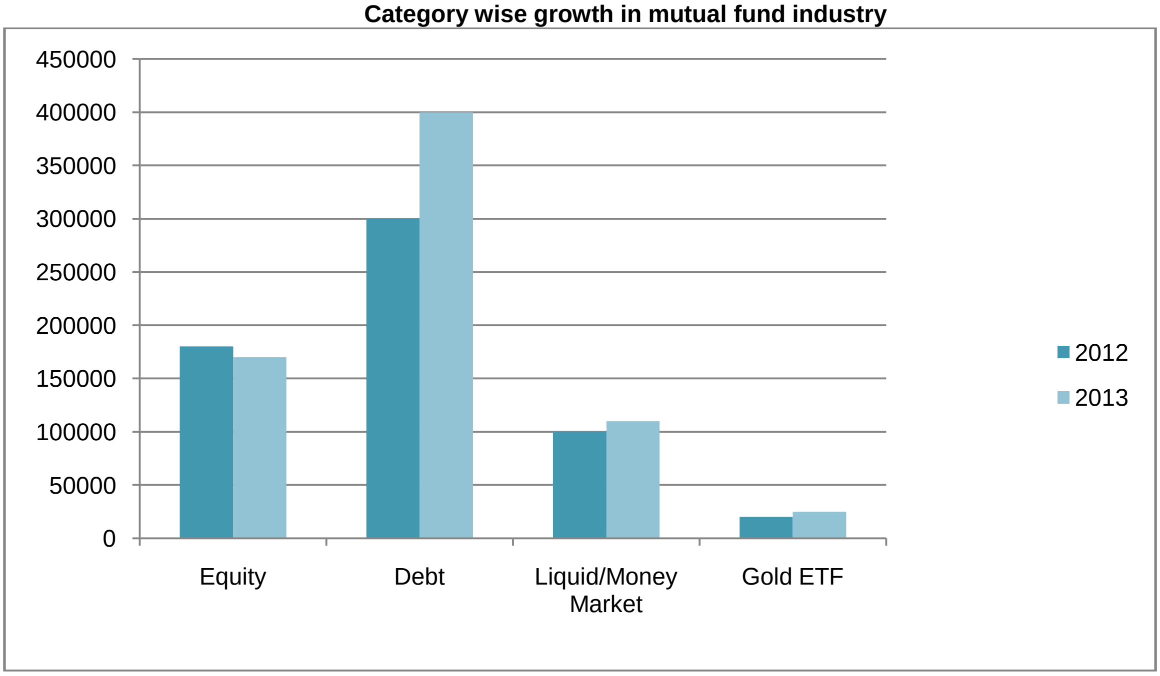


Above chart show the growth in the mutual fund industry from 2009 to 2013. And now Mutual fund industry is growing very fast in the today scenario because of the safety point of view and the return we get by investing the money in different sector and this can be done by preparing appropriate portfolio by the portfoliomanager.

Category wise growth in mutual fund industry



In this if we invest the money in the debt market then we get the good return as comparison to other instruments and debt market is the safer market and gaining popularity now a days because of the return we get. In March 2013, there is 139 new schemes were launched the sale of these scheme generate 23470 million INR. As we see that the assets under Management declines by 5% but there is a growth in the debt market by 36% this means that the investors want their money to be safer side that's why they invest money in the debt bucket. The liquid and money market and gold exchange traded fund (ETFs) Grew by 16% and 18% respectively.

Net flow in the mutual fund industry upto 2013

As we can see that there is a positive net flow in the equity international market in 2013 and the bond market also shows the positive flow of the money in 2013.

Net Flows into Mutual Funds ($BN)

	Year	Equity		Bond	Money Market
		Domestic	International		
2007-2012	2007	(65.3)	139.4	108.5	660.6
	2008	(148.8)	(80.3)	29.1	644.9
	2009	(81.2)	27.6	379.6	(583.6)
	2010	(132.5)	57.8	235.6	(529.0)
	2011	(156.0)	4.2	125.1	(16.6)
	2012	(156.0)	2.8	303.6	(0.3)
	TOTAL	**(613.1)**	**151.6**	**1,181.4**	**175.9**
2013 YTD	Jan	18.4	19.4	32.8	(11.1)
	Feb	(1.4)	15.6	20.2	(31.6)
	Mar	2.3	12.5	16.1	(58.3)
	Apr	(1.4)	5.8	12.0	(24.4)
	May	(3.9)	9.3	11.7	27.8
	Jun	(6.4)	6.9	(59.3)	NA
	TOTAL	7.7	69.5	33.6	**(96.6)**

Source: Strategas, 2013.

Conclusion

As we see that stance of the Mutual fund industry govern to a great extent because of the economic situation prevailing in the in the country which predict the ignite volatility in the market because of the election in 2014. When we see the economic condition of the country there is a inflation trend in the market the prices of the fuel raises rapidly and the each and every thing also show the upper trend and this rise in the prices which adversely impact the insight, and resulting in the low inflow in the equity market because everyone wants to first complete their needs then they invest the money. Now there is a time to motivate the investors and encourage them so that they can invest the money in the mutual fund so that the MF industry will make the growth in the different sectors even when the is a improbability. The structure of the debt market is very impressive and attractive because every wants the money to be in the safer side and the investor invest the money in this bucket only but we have to motivate the investors to invest the money in the ETFs and the equity market also for the growth point of view.

As we see that the mutual fund is the large industry a small amount invested through the SIP after the specified period you get the good return. The debt market is the safer market and the return you earn is attractive in the debt market. Mutual fund investors display systematic patterns in the mutual funds that they buy and sell. They tend to purchase funds with strong past performance, while generally neglecting operating expenses charged by the fund. Investors tend to sell funds that have posted strong returns.

Mutual fund is the best instrument for the saving point of view because you get the taxation benefit in the near future and also gives the return in the long run in the investment you made. And the mutual fund is mainly the investment for the long period likes in debt, derivatives and many more.

"The plan should be to 'manage assets' and not just 'gather assets'."

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