

# Analysis of Growth and Performance of Mutual Funds in India after Demonitization



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## Abstract

The resources mobilized by MMMFs can be invested in different money market instruments. The investment can be made in accordance with the guidelines which may be issued by the Reserve Bank of India from time to time.

Since demonetization, the mutual fund industry in India has registered a phenomenal growth in the assets under management (AUM). The net inflows/outflows in mutual funds in India during November 2015-January 2016 and November 2016-January 2017. The process of demonetization has left to reduction in deposit interest rates by banks which has enhanced the relative attractiveness of various mutual fund schemes in India specially the income or debt-oriented mutual funds.

**Keywords:** Mutual Fund, Portfolio, Asset Management Company, Asset under Management.

## Introduction

A mutual fund is a professionally managed firm of collective investment that pools money from many investors and invest in stocks, bonds and short-term securities. Mutual fund is an investment vehicle preferred by small investors as it offers-term securities. Mutual fund is an investment vehicle preferred by small investors as it offered an opportunity to invest in a diversified as well as professionally managed portfolio at a relative low cost. The main advantage risk of mutual fund is that it diversifies the risk because the pooled money is invested in diversified port folio. The mutual fund industry in India has witnessed a remarkable growth in AUM especially after demonetization since 8<sup>th</sup> November 2016.

## Definition

According to Association of Mutual Funds in India (AMFI), "A mutual fund is a trust that pools the savings of number of investors who share common financial goal. Anybody with an investible surplus of as little as a few thousand rupees can invest in mutual funds."

SEBI (Mutual Funds) Regulations 1996, defines Mutual fund as: "a fund established in the form of a trust by a sponsor to raise money by the Trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with these Regulations."

The VNR Dictionary of Business and Finance defines mutual funds as "an investment fund that pools the invested funds of others and invests funds on their behalf, usually in a specific kind of investment, municipal bonds or common stock" Investment by money market mutual fund (MMMFs)

The resources mobilized by MMMFs can be invested in different money market instruments. The investment can be made in accordance with the guidelines which may be issued by the Reserve Bank of India from time to time. Accordingly, at present MMMFs can follow the investment pattern as indicated in Table 1.1

**Table 1.1**  
**Investment Pattern for Money Market Mutual Funds**

Investment	Limit (per cent of investible resource of each scheme)
(1) Treasury bills and dated government securities having an unexpected maturity up to 1 year.	Minimum 25 per cent
(2) Call/Notice money	Maximum 30 per cent
(3) Commercial Papers	Maximum 15 per cent . The exposure to Commercial Papers issued by an individual company should be more than 3 per cent.
(4) Commercial bills arising out of genuine trade/commercial transaction accepted by banks.	Maximum 20 per cent
(5) Certificate of deposit	No limit

**Source;** Desai (2012)

These limits have been designed essentially with a view to confirming safety and liquidity for the investors. MMMFs should not deploy their funds in capital market instrument so that their investments are not exposed to undue risks.

#### **Assets Management Company (AMC) of Mutual Funds**

An Asset management company (AMC) is the legal entity formed by the promoter to run a mutual fund. It is the AMC that employs fund managers and analysts and other personnel. It holds all operational matters of a mutual fund i.e. from launching schemes to manage them to interact with investors.

#### **Association of Mutual Funds in India (AMFI)**

AMFI was set up on 22<sup>nd</sup> August 1995 and was recognized with the aim to function as a non-profit organization. This association is the chief governing body of all Asset Management Companies which have been registered with Securities and Exchange Board of India (SEBI). It functions under the supervision and guidelines of its Board of Directors. Till date, all the AMCs that have launched mutual fund schemes are its members. The main principle consistently followed by AMFI is to promote the mutual funds and to protect the interest of the investors or shareholders.

Since demonetization, the mutual fund industry in India has registered a phenomenal growth in the assets under management (AUM). Table 1.2 represents the net inflows/outflows in mutual funds in India during November 2015-January 2016 and November 2016-January 2017. The process of demonetization has left to reduction in deposit interest

rates by banks which has enhanced the relative attractiveness of various mutual fund schemes in India specially the income or debt-oriented mutual funds. As a result there have been net inflows of rupees 520.4 billion in income/debt schemes during November 2016- January 2017 in contrast to net outflows of rupees 535.5 billion during November-January 2016. All mutual fund schemes mentioned in the table have shown an increase in their inflows during November 2016-January 2017 as compared to same period of last year. This has been reflected in a sharp increase in the overall resources mobilized by mutual funds during November 2016 -January 2017 in contrast to outflows in the same period of last year.

**Table 1.2**  
**Net Inflows/Outflows in Mutual Funds (Rs. Billion)**

Category	Nov 2015- January 2016	November 2016-January 2017
Income/Debt Schemes	-535.5	520.4
Equity Schemes	129.4	240.6
Balanced Schemes	63.8	108.8
Exchange Traded Funds	31.2	138.0
Fund to Fund Investing Overseas	-0.9	-0.2
Total	-311.9	1007.6

**Objective of the study:** The specific objectives of the study of study are:

To analyse the growth of mutual fund industry in India after demonitization.

#### **Review of Literature**

Kaur (2014) analyses the performance of 23 open ended debt mutual funds by comparing musically weekly returns of selected schemes with the benchmark Returns over period from 2010 2 2011 it is found that maximum schemes have not performed better according to financial models used in the study like shark trainer and Johnson measures

Sharma and Agarwal (2015) study the investment perception of mutual fund investor in Udaipur city. The study is based on the primary data collected from 50 mutual fund investors with the help of a structured questionnaire. The study reveals that the investor's perception is dependent on the demographic profile and assess the investor age, marital status and occupation have direct impact on the Investors Choice of investment.

Unnamalai (2016) examine the Awareness of the investor about the mutual fund investment Musiri Taluk. This study has shown that the AUM show a tremendous growth since Inception.

Agarwal and Mirza (2017) examine the risk adjusted performance of 100 mutual fund schemes in India over the period from January 2013 to June 2016. The study compares the performance of mutual fund schemes with the benchmark index using various risk adjusted measures.

Manek and Nandola (2018) attempt to investigate the determinants of performance of 17 diversified open ended equity Mutual Fund schemes with the growth option during the period ranging from January 2013 to may 2018. The study shows that portfolio turnover and scheme return are positively correlated.

#### Need of the study

The present study aims to evaluate the performance of selected 28 open ended growth oriented equity mutual fund schemes in India. It will surely help the potential investor to take right decision regarding investment in mutual fund.

#### Sources of Data

The study is based on secondary data that have been collected from various published reports issued by various agencies like RBI, SEBI and AMFI as well as from various websites like [mutualfundindia.co](http://mutualfundindia.co), [moneycontrol.com](http://moneycontrol.com), [valueresearch.com](http://valueresearch.com), [sebi.com](http://sebi.com), [rbi.org](http://rbi.org). in etc.

#### Methodology

In order to analyse the growth of mutual fund industry in India percentage- cum -tabular analysis technique has been used in the study.

#### Overview of Growth of Mutual Fund industry in India

Table 1.3 indicates that the assets under the management have increased by the more than 133% from Rs.703730.92 cr. in 2011-12 to Rs.1643669.61cr. in 2017-18. Therefore Mutual Fund industry in India has shown tremendous increase in its assets under management over the period of 7 years covered under the study.

The year on year growth in AUM indicates that Mutual Funds industry has attained the highest growth rate of 26.34 percent in the year 2015-16 from its lowest level of -0.42% in 2012-13. Further, it has declined to 20.65% in 2015-16 and finally it has increased to settle at 20.51% in 2017-18. Thus CIF year on year growth in AUM has revealed an increasing trend with some variation.

**Table 1.3**

#### Growth in Asset Under Management of Indian Mutual Fund industry ( Rs. Crore)

Year	AUM	% increase or decrease
2011-12	703730.92	-
2012-13	700740.10	-0.42
2013-14	760830.54	8.52
2014-15	859159.54	12.92
2015-16	1085486.90	26.34
2016-17	1309630.73	20.65
2017-18	1643669.61	25.5

**Sources** : Compiled from data available on website of association of mutual funds in India (<http://www.amfindia.com>)

#### Growth in average Asset under Management of Mutual Fund in India

As reported, the average asset under management whole of the whole mutual fund industry in India have grown by more than 133% over the period of study from Rs.703730.92cr. in 2011-12 to

Rs. 1643669.61cr. in 2017-18. The table reveals that in 2010-11 highest assets have been mobilized by Reliance Mutual Fund with AAUM of Rs. 104790.02 cr. Followed by HDFC Mutual Fund (Rs. 89468.56 cr.), ICICI prudential Mutual Fund (Rs.72472.23cr.), UTI Mutual Fund (Rs.67853.82cr.) and Birla Sun Life Mutual Fund (Rs.63648.09 cr.) respectively. The remaining Mutual Funds have been mobilized the Assets of less than Rs. 50,000 crore during year 2011-12. The least assets have been mobilized in 2011-12 by Quantum Mutual Fund value in Rupees 113.40 followed by Escorts Mutual Funds (Rs. 199.36 crore) Motilal Oswal mutual fund (rupees 202.56 crore) Edelweiss mutual fund of rupees 222.84 crore Mirae Asset Mutual Fund of rupees 306.62 crore BOI AXA mutual fund( rupees 499.20 crore), Sahara Mutual Fund (rupees 506.82 crore) and DHFL Pramerica Mutual Fund rupees 75.93 crore respectively in 2011-12.

It has been found that Life Mutual Fund has mobilized the highest assets in the terms of AAUM in 2011-12 and from 2012-13 onwards. HDFC mutual fund has mobilized the highest AAUM till 2015-16 while ICICI Prudential Mutual Fund has mobilized the highest AAUM in 2017-18. Quantum Mutual Funds has been mobilized the least AAUM in the first two years of study that is 2011-12 to 2012-13 whereas Escorts Mutual Fund has mobilized the least AAUM in 2013-14 and Edelweiss mutual fund in 2014-15, while Sahara Mutual Fund has mobilize the least AAUM in 2015-16 to 2017-18. Among all the mutual funds, HDFC Mutual Fund has achieved the landmark of mobilize Assets of more than rupees 1 lakh crore for the first time among all the mutual funds in 2014-15. ICICI Prudential Mutual Fund, Reliance Mutual Fund and Birla Sun Life Mutual Fund have joined the club of more than 1 lakh crore in AAUM along with HDFC mutual fund in 2015-16. UTI Mutual Fund has joined the club of more than 1 lakh crore in AAUM in 2016-17, while SBI has joined this club in 2017-18. These 6 funds have collectively captured around 65% share in terms of AAUM of the whole mutual fund industry in India.

The category of income funds, infrastructure debt funds and liquid/money market funds have shown an increase in their AAUM throughout all the years covered under study. The AAUM of income fund has increased by 1.27 times from Rs. 3104666.30 cr in 2012-13 to rupees 705301.75 in 2017-18. While the AAUM of infrastructure debt funds have increased by 8.45 times Rs 145.68 crore in 2014-15 to rupees 1377.50 crore in 2017-18, where as the AAUM of liquid/money market funds has increased by 1.22 times from rupees 162664.27 crore in 2012-13 to Rs. 362136.50 crore respectively.

The analysis of percentage increase/decrease in AAUM of mutual funds depicts that gilt funds have shown the highest percentage increase in AAUM during 2013-14 to 2014-15 and 2016-17 whereas infrastructure debt fund has reported highest percentage increase in AAUM 2017-18. Fund of fund investing Overseas has shown the percentage decrease in AAUM during 3 years of study that is

2013-14 ,2016-17 to 2017-18 whereas Gold EPF has also reported the percentage decrease in its AAUM for 2 years from 2014-15 to 2015-16. This analysis also shows that overall mutual fund industry has reported an increasing trend in terms of AAUM over the period of study with slight variation.

**Conclusion**

Finally, it is concluded that in present economic scenario of falling interest rates on Bank deposits and outstanding performance of stock merit in recent past, it is expected that Mutual Funds will become the most preferable investment of the investor in the time to come.

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