

Mutual Fund: A Resource Mobilizer in Financial Market

(A Comparative Study of Public and Private Sector in India)

**Anil Verma**

Assistant Professor,
Deptt. of Accounting,
JNV University,
Jodhpur, Rajasthan, India

Abstract

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal and play a vital role in resource mobilization and its efficient allocation to the productive sources of the economic system. In this process, mutual funds have emerged as strong financial intermediaries and are playing an important role in bringing stability to the financial system. Mutual funds increase the mobilization of investable funds of the society by pooling the interest of a great number of small investors towards the financial system of the country. Resource mobilization means the movement of money or money equals from the less productive section to the productive section. This research paper tries to compare the growth of Resource Mobilisation made by Public and Private Sector Mutual funds in India during 2010-11 to 2017-18.

Keywords: Mutual Fund, Resource Mobilization, Small Investors, Financial System.

Introduction

Mutual Fund a financial innovation provides for a novel way to mobilising savings from small investors and allowing them to participate in the equity and other securities of the industrial organisation with less risk. A mutual fund is a trust that pools together the savings of a number of investors who share a common financial goal. They buy units of a fund that best suits their needs. The fund managers then invest this pool of money in securities ranging from share to debenture to money market instruments depending on the objectives of the scheme. The income earned through this investment and the capital appreciation realized by the scheme, are distributed among the investors in proportion to the number of units they own by way of dividend or net assets value (NAV) appreciation. Thus, a Mutual Fund is the most suitable form of investment for the common as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost.

Review of Literature

A review of the various research articles and other literature pertaining to the resource mobilization by mutual funds, with special reference to the public and private sector mutual funds in India, has been made. Parihar, Sharma and Singh (2009) revealed that mutual funds are financial Intermediaries concerned with mobilizing savings of those who have surplus and the canalization of these savings in those avenues where there is a demand for funds. Black et al. (2006) examined Customer's choice of financial services distribution channels. They showed that customer confidence, lifestyle factors, motivations and emotional responses influence the customer's choice, while product, channel and organizational factors such as image and reputation are also significant. Usha Rekha(2012)has taken initiative to study on "Growth of Indian Mutual Fund Industry-A Review" discussed about the history of mutual funds in India, the mutual fund industry started with the setting up of Unit Trust of India (UTI) in 1964, enjoyed the monopoly power up to 1987. Public sector banks were allowed to establish mutual funds in 1987. Since 1993, private sector and foreign institutions were permitted to set up mutual funds. Narasimhan (2013) in their article on "Mutual Funds: A Change in Indian Investment Perspective" he discussed mutual funds have a new „mantra“

for Indian investors. Mutual funds market plays a predominant role on par with other investment instrument. There has been a tremendous shift from traditional investment avenues like N.S.C., F.D. and P.P.F. etc, to mutual funds and this trend is rapidly increasing day-by-day. He conclude that mutual funds play an important role in supporting the capital market, which is quite essential for supporting a growing economy like India and also plays a leading role in the development of secondary securities market.

Research Methodology

The present study covers the appraisal of the mutual funds of India in public and private sector for the period 2010-11 to 2017-18. The top 5 mutual funds of public and private sector selected for the present study on the basis of Assets Under Management as on 31st March 2010. The data for the current study have been obtained from the published Annual Reports of Reserve Bank of India. The information thus collected has been supplemented by other details available in the Government publications, Web sites and research articles published in various journals. The data so obtained have been rearranged and classified to present them. Other statistical tools and techniques of presentation like graphs and trends etc. have also been used suitably.

Objectives of Study

The major objective of the study is to compare in detail the growth pattern of resource mobilization made by public and private sector mutual funds in India. Following is the specific objective:-

To study, whether private sector mutual funds are better in comparison to public sector mutual funds in resource mobilization.

Resource Mobilization by Public and Private Sector Mutual Funds

Resource Mobilization is a process, which identifies the resources essential for the development, implementation and continuation of works for achieving the organization's mission. Thus, the study examines the trends in mobilization of funds and redemption/repurchases. The mobilization of resources is an indicator of strength of financial system of any economy. As more and more of funds from the public will be employed in the securities market of the country, more of the strength will be added to the overall financial system of the country. The present study signifies the role of the Mutual Fund Industry in India in mobilizing the funds. On the other hand, redemption is a parameter or indicator of state of liquidity of the investment.

Net Resources Mobilized By Public Sector Mutual Funds (Rs. In Billion)

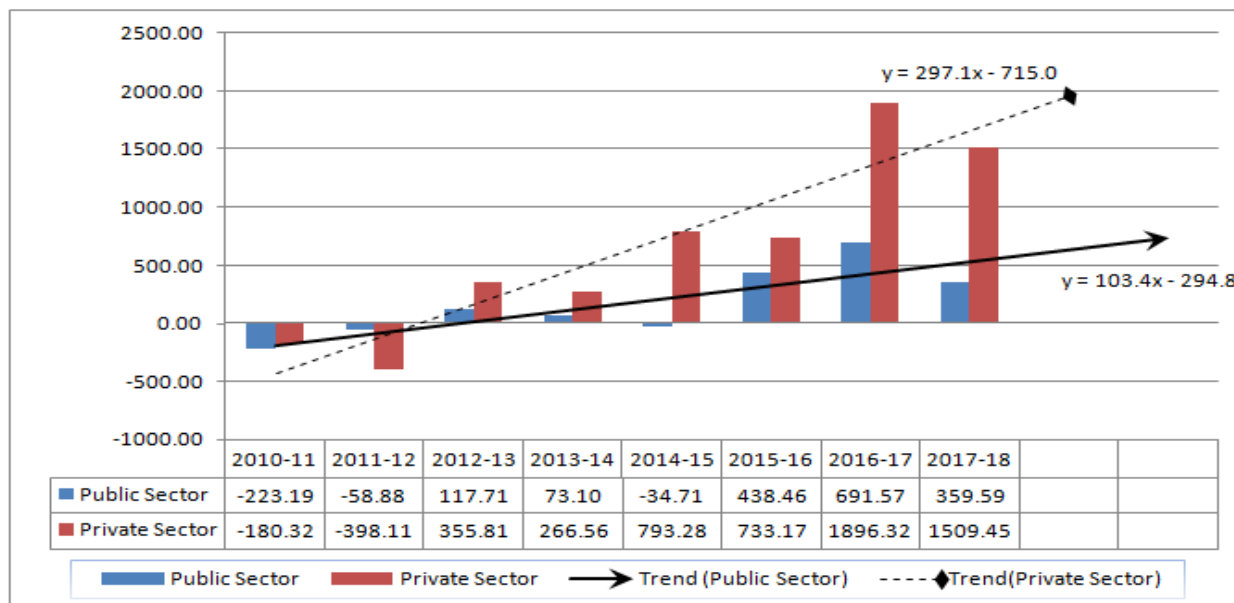
Year	Bank Sponsored			Financial institutions Sponsored		Total
	SBI	Canara Robeco	Bank of Baroda	UTI	LIC	
2010-11	42.42	-24.17	-5.20	-66.36	-169.88	-223.19
2011-12	4.22	-3.64	3.31	-31.79	-30.98	-58.88
2012-13	44.99	-0.46	13.77	46.29	13.12	117.71
2013-14	63.49	-20.13	3.01	4.01	22.72	73.10
2014-15	-1.53	5.70	-15.65	-12.78	-10.45	-34.71
2015-16	259.49	12.67	2.05	154.16	10.09	438.46
2016-17	400.80	11.62	13.35	201.46	64.34	691.57
2017-18	390.17	18.90	9.83	-12.61	-46.70	359.59

Net Resources Mobilized By Private Sector Mutual Funds (Rs. In Billion)

Year	Reliance	HDFC	ICICI	Birla Sunlife	Kotak Mahindra	Total
2010-11	-81.78	-25.91	-12.91	-47.46	-12.26	-180.32
2011-12	-188.04	-114.72	-28.51	-18.07	-48.77	-398.11
2012-13	82.29	52.67	97.56	75.03	48.26	355.81
2013-14	15.44	52.82	132.64	86.51	-20.85	266.56
2014-15	155.81	165.43	242.24	172.15	57.65	793.28
2015-16	162.15	150.45	226.63	66.46	127.48	733.17
2016-17	316.69	371.12	480.55	453.82	274.14	1896.32
2017-18	65.64	467.09	406.42	306.18	210.12	1455.45

Data Source: RBI Handbook 2018

Data for 2017-18 are provisional

Trend in Resource Mobilizations of Public and Private Sector Mutual Funds

Mobilization of funds or resources mobilization is the ability of fund managers to acquire resources and mobilize funds towards accomplishing the goal. The data on mobilization of funds by public and private sectors spread over a period of 8 years from 2010-11 to 2017-18 were screened for its behavior over the period of the study in the table and the trend values in the form of linear transformation have also been calculated and shown in the table.

Standard Deviation of resource mobilization of public and private sector mutual funds is 302.62 and 778.41 with arithmetic means 170.46 and 615.27

respectively. Co-efficient of Variation of resource mobilization of Public and Private sector mutual funds are 177.54% and 126.51% which shows that Public sector have more variation in resource mobilization in compare to the Private sector mutual fund and there is a significant difference.

Application of Anova Test Null Hypothesis

There is no significant difference in mean value of resource mobilization of Public and Private Sector Mutual Funds.

$$(H_0 = \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5 = \mu_6 = \mu_7 = \mu_8 = \mu_9 = \mu_{10})$$

	SBI	Canara Robecco	Bank of Baroda	UTI	LIC	Reliance	HDFC	ICICI	Birla Sunlife	Kotak Mahindra
	x_1	x_2	x_3	x_4	x_5	x_6	x_7	x_8	x_9	x_{10}
10-11	42.42	-24.17	-5.20	-66.36	-169.88	-81.78	-25.91	-12.91	-47.46	-12.26
11-12	4.22	-3.64	3.31	-31.79	-30.98	-188.04	-114.72	-28.51	-18.07	-48.77
12-13	44.99	-0.46	13.77	46.29	13.12	82.29	52.67	97.56	75.03	48.26
13-14	63.49	-20.13	3.01	4.01	22.72	15.44	52.82	132.64	86.51	-20.85
14-15	-1.53	5.70	-15.65	-12.78	-10.45	155.81	165.43	242.24	172.15	57.65
15-16	259.49	12.67	2.05	154.16	10.09	162.15	150.45	226.63	66.46	127.48
16-17	400.80	11.62	13.35	201.46	64.34	316.69	371.12	480.55	453.82	274.14
17-18	390.17	18.90	9.83	-12.61	-46.70	65.64	467.09	406.42	306.18	210.12
	$\sum x_1 =$ 1204.05	$\sum x_2 =$ 0.49	$\sum x_3 =$ 24.47	$\sum x_4 =$ 282.38	$\sum x_5 =$ -147.74	$\sum x_6 =$ 528.20	$\sum x_7 =$ 1118.95	$\sum x_8 =$ 1544.62	$\sum x_9 =$ 1094.62	$\sum x_{10} =$ 635.77

ANOVA TABLE

Source of Variance	Sum of Square	d.f.	Mean Square	Variance Ratio F
Between Sample	390006.5 (SSB)	9	43334.05 (MSB)	F=MSB MSW 43334.05 18189.99 F= 2.382
Within Sample	1273299 (SSW)	70	18189.99 (MSW)	
Total	1663306 (SST)	79		

Conclusion and Findings

Since Calculated value of $F(2.382) >$ Table value of $F_{.05} 2.02$ i.e. difference in the mean of all sample values is significant, hence, the Null hypothesis is rejected, therefore, it is concluded that

resource mobilization of the public sector and the private sector mutual funds is not same. There is a significant difference in Resource Mobilization of mutual funds of two sectors. On the basis of Arithmetic Mean, it can be concluded that private

sector mutual funds are much better in resource mobilization in compare to the public sector mutual funds.

References

- B. Vijaya¹ and Prakash. T. Talwar² "Growth of Resource Obilisation by Indian Mutual Fund Industry: An Empirical analysis" *Tactful Management Research Journal* ISSN: 2319-Vol. 3 | Issue. 5 | Feb 2015
- Hitesh.S. Viramgami, "Resource Mobilisation by Indian Mutual Fund Industry", *India Journal of Commerce*, Vol. III No.3, March 2009.
- M.Venkateswara Rao "Growth of resource mobilisation by Indian mutual fund industry: an empirical analysis" *International Journal of Pure and Applied Mathematics Volume* 118 No. 18 2018, 4357-4371
- Narsimhan (2013) "Mutual Funds: A Change in Indian Investment Perspective"
- Poojara J. G. * & Christian S.R** "Funds Mobilization in Indian financial market – A Mutual Fund Perspective" *IJEMR* - April 2012-Vol 2 Issue 4
- SEBI Annual Reports 2018
- The Reserve Bank of India – 2018 reports.
- Usha Rekha (2012) "Growth of Indian Mutual Fund Industry-A Review"
- www.rbi.org