

# Growth of Mutual Fund Industry in New Millennium: A Case of India

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The present study attempts to explore the entire journey of Mutual Fund industry in India, peeping through all the ups and down that it faced since its origin to the present scenario. The study shows that the Indian mutual fund (MF) industry has matured in terms of Assets Under Management (AUM), number of Asset Management Companies (AMCs), number and variety of products and the participation level in the capital market. The recent additions of exchange traded funds, real estate funds, fund of funds and relaxation of regulation in offshore instruments have put Indian MF industry at par with its global peers in product offerings. It has been found that industry has witnessed rapid growth in recent times with Assets under Management (AUM) growing at a CAGR of 47% over 2003–08. Total AUM of all mutual funds increased more than 6 times since 2000–01 to touch INR 6,13,979 crore (USD 150 billion) in 2010. The industry is concentrating heavily on the corporate sector or insitutional investors and market share is detained by the open-ended category both interms of number as well as assets under management

## Introduction

The formation of Unit Trust of India marked the evolution of the Indian Mutual Fund Industry in the year 1963. The primary objectives of its establishment were to pool the resources of small investors together, increasing their participation in financial markets, providing services based on informed decisions to small investors and to mitigate market risk for this group of investors, etc. These objectives were made possible through the collective efforts of the Government of India and the Reserve Bank of India. Unit Trust of India enjoyed complete monopoly when it was established in the year 1963 by an act of Parliament. The first mutual fund was launched by UTI in 1964. However, till 1986-87, UTI was the only institution functioning as Mutual Fund in India and its investible funds increased from Rs.206.8 crore in 1964 to Rs.6,700 crore by the end of year 1987. Some public sector banks, Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) got the Entry in MF Industry in 1987 and this event took total Assets under Management of Indian mutual funds to Rs.47, 004 crores by the end of year 1993.

With the entry of private players along with the first Mutual Fund Regulations issued by SEBI, the year 1993 marked the beginning of a new era in the Indian MF industry, giving the Indian investors a wider choice

of fund families. The cumulative resources mobilized by Mutual Funds reached to Rs. 75050.2 crores in 1994-95. The 1993 SEBI Regulations were substituted by a more comprehensive and revised Regulations in 1996. The industry now began functioning 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 witnessed several mergers and acquisitions. By 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 involvement. 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 second is the UTI Mutual Fund Ltd, 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, mergers taking place among different private sector

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funds, the mutual fund industry entered its phase of consolidation and growth. With significant rise in household savings, comprehensive regulatory framework, favorable tax policies, introduction of several new products, investor education campaign and role of distributors, the flow of funds into the kitty of Mutual Funds increased impressively. The financial year 2007-08 was a year of reckoning for the mutual fund industry in more ways than one. By March, 2008 assets under management stood at Rs 505152 crores under 421 schemes which rose to Rs 613979 crore on 31st March 2010.

Though the industry also faces a number of issues which are characterized by lack of systematic evaluation of investor's requirement, low penetration levels, lack of better services, and inefficiency of Mutual Funds, high dependence on corporate sector and spiraling cost of operations, it still has become a favourite of investors. The considerable rise in household's financial savings, point towards the huge market potential of the Mutual fund industry in India. Mutual Funds have also become a favourite of people all over the world. With the emphasis in increase in domestic savings and improvement in deployment of investment through markets, the need and scope for Mutual Fund operation has increased tremendously.

Thus mutual funds have now emerged as an important segment of the financial market in India. They play a crucial role in channelising the saving of millions of individuals in both equity and debt instruments. A large number of studies on the growth and financial performance of mutual funds have been performed during the last 50 years in advanced countries. However, mutual fund industry in an emerging economy like India could attract the attention of researches, analysts and academicians only after the entry of banks and insurance corporations. The articles of some Indian academics and professionals namely, Madan Gopal(1990), Vidhyashankar(1990), Sunil Sarodia(1991), Batra(1991), Sharma(1991), Sarkar(1991) Sadhak(1991), and Aggarwal(1992), appeared during the year 1991-92. These articles were primarily concerned with concept and types

of mutual funds, their characteristics, trends in the growth, and the importance of mutual funds for investors and in the overall development of the capital market. However, some comprehensive descriptive studies have been conducted in the recent past like Gupta Amitabh(2001); Turan & Bodla (2002); Rao(2003); Gupat & Amitabh (2004); Sondhi & Jain (2004-2005); Y.V Reddy & S.B. Patkar(2005); Sharma(2006); Swaminathan & Buvanmeswaram (2006); Hemeant(2007); Bodla& Aashish(2007); Harvinder kaur(2008); Bodla & Sunita (2008); Kavita & M.Vijay Babu(2009); KavitaChavali & Shefali(2009); concentrating on risk and return analysis and benchmark comparison risk adjusted returns. The stock selection abilities and market timing skills of the fund managers have been studied by Mishra (2002), Gupta (2000), Tripathy (2006), Chander (2006), Banerjee and Chakrabarti (2007), and Raju and Rao (2009).

## Objectives and Research Methodology

A close look at the existing studies on Mutual Funds brings to the notice that a majority of the recent research papers concentrate on risk - return analysis and market timing abilities of fund managers rather than dwelling on the growth aspect. Hence, there was an urgent need to conduct a fresh study for bringing out the growth pattern of mutual funds in India. The present study attempts to portray the growth performance of Mutual Funds industry in India in terms of number of schemes launched, type of schemes, funds mobilisation and assets under management (AUM). To bring forth a precise and useful analysis, the following tools of analysis have been used:

- The change in Percentage in number of mutual fund scheme, unit holding pattern, resource mobilization, Asset under management and transaction on stock exchanges by mutual funds;
- Percentage share of various type of schemes, resources mobilization and AUM; and
- Compound Annual Growth Rate (CAGR);

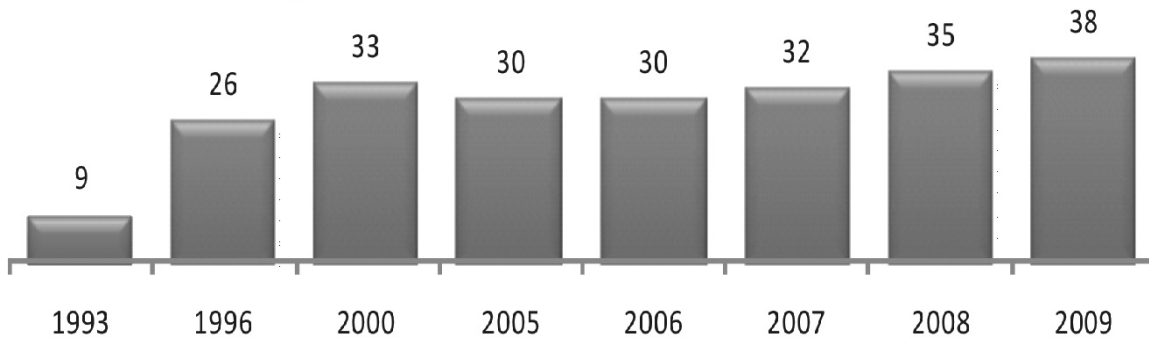
The study is based on secondary data that has been collected from the various publications of SEBI, RBI, AMFI India, UTI, Value Research, The Economic Times, Business Line and CMIE Database. The secondary data were gathered for the period of 1999-00 to 2009-10. The statistical tools used includes year on year percentage growth, compound annual growth rate (CAGR), percentage market share and t test.

**Results and Discussion**  
**Industry Structure**

The study brings forth various characteristic measures which form the basis of analyzing the growth of Mutual Fund industry during the study

period. Beginning with the structure, the Indian mutual fund industry currently consists of 38 players that have been given regulatory approval by SEBI. The industry has witnessed a drastic shift in favour of private sector players, as the number of public sector players reduced from 11 in 2001 to 5 in 2009. The public sector has gradually ceded market share to the private sector. Out of these 38 funds, the top 5 – Reliance, HDFC, ICICI Prudential, UTI and Birla Sun Life accounted for 15%, 12%, 11%, 10% and 9% respectively of the total assets under management, totaling over 56% of the industry while the remaining 33 players shared the balance 44% of the assets under management (Exhibit A & B).

**Figure 1. Growth in the Number of AMCs in India**



Source: AMFI data

**Exhibit B. Overview of India Mutual Funds Industry**

	UTI	Ban/ Financial Institution Sponsored	Private Sector India	JV Predominantly Indian	JV-Predominantly Foreign
Key Players	UTI AMC	SBI(JV), LIC Canara Bank & BobB Asset	Reliance, Tata AMC, Kotak Mahindra	Prudential ICICI, HDFC, Birla Sun life, DSAPML	Franklin Templeton, Standard Chartered, HSBC
Total Market Share	9.1%	8.7%	30.4%	31.2%	20.6%
Number of Players	1	4	16	5	12

Source: AMFI data

## Unit Holding Pattern

Unit holding pattern indicates the constitution of type of investors at a given period of time. Table 1 shows the unit holding pattern of all mutual funds as on March 31, 2010. The investor-wise pattern of asset-holding as well as investors accounts reveals that individual investors account for almost 97.07 per-cent of total investors and contribute to 39.77 per-cent of the total net assets as on March 31, 2010. The comparatively lower share of net assets of individual investors in total net assets is mainly because of lower penetration of mutual funds as an investment instrument among working population (age group 18-59 years). A majority of investors in this category are not fully aware of investing in mutual funds through Systematic Investment Plan (SIP). On the other hand, corporates/institutions though account for only 0.95 per-cent of the total number of investors' accounts in Mutual funds industry, contribute as much as 54.75 per-cent to the total net assets of the industry as on March 31, 2010. This high percentage of corporate ownership can be traced back to tax reforms instituted in 1999 that lowered the tax rate on dividend and interest income from mutual funds. Despite a rise in net FII inflow in the domestic mutual funds, they constitute a very small percentage of investors' accounts (0.0003 per-cent) and contribute 1.03 per-cent to the total net assets of the Indian Mutual fund industry as on March 31, 2010.

## Number of Mutual Fund Schemes

The quantum of mutual fund schemes across various categories and portfolios is exhibited in Tables 2 and 3 respectively. The various categories of mutual funds include open-end, close-end and assured return schemes, the portfolios wise classification comprises income, growth, balanced, liquidity, gilt and ELSS schemes. The year-on-year percentage change in number of schemes and market share has been analysed and tabulated in Tables 2A and 3A.

Table 2 indicates that the total number of mutual fund schemes have risen from 337 in the year 2000 to 1001 by the year 2009 and then, declined to 882 in

the year 2010. The CAGR of these schemes stood at 12.33 per-cent in this period. As indicated by Table 2, the phenomenon of growth of number of schemes was sustained till May 2008 but, due to recession, a major decline was observed after this period and it increased only 4.71 per cent in the year 2009 and showed a negative growth in the year 2010. The major growth of schemes has been observed in the year 2006 pointing to 31.26 per cent. This growth has been contributed due to a major augmentation of new schemes in the close-ended category leading the percentage change to 168.75 as compared to negative growth between 2000 and 2004. Due to this fact, the market share which was detained single-handedly by the open-ended category, shifted to the kitty of close-ended schemes capturing 21.79 per cent share as compared to 10.64 per-cent in the year 2006 (Table 2A). The CAGR of close ended has also been noticed higher than those of open ended category for this duration of ten years. Though close-ended category enjoyed a handsome share in the market in the year 2000, it declined continuously till 2005. On the contrary, the share of open-ended schemes has been much more than close-ended but it declined from 89.36 per-cent to 58.84 per-cent during the period 2005 to 2009. The above analysis points towards a shift in the behavior of MF investors, changing from open ended to close ended schemes. One of the new category of scheme also appeared in the picture in the year 2009 i.e the interval fund. This scheme combines the features of both open and close-ended funds. They are open for sale and repurchase at a predetermined period. There are 68 schemes of interval fund coming into the picture in year 2009.

The table 3 indicates the portfolio wise growth in number of schemes from year 2000 to 2010. At overall level, the table depicts the increasing share of income schemes and decreasing share of growth, balanced and liquidity schemes. There were 882 mutual fund schemes as on March 31, 2010, of which, 458 were income/debt oriented schemes, 355 were growth/equity oriented schemes and 33 were balanced schemes (Table 3). In addition, there were 21 Exchange Traded Funds, of which 7 were

Gold ETFs. Also, there were 15 schemes operating as Fund of Funds which also invested in overseas securities. It is evident from the table 3A that the market has remained dominated by income and growth schemes. The highest overall growth has been observed in the income schemes that reached to 367 in 2007 from 113 schemes in 2000 (224.77 %). The year-on-year growth rate of income schemes is the maximum (57.86%) in 2006 followed by that of year 2007 (46.22%). But this scheme also showed a major decline (27.90 %) in 2010. The market share of income schemes has also come down from 52.93 per cent to 41.61 per cent in 2010 (Table 3A).

Table 3 further shows that the number of growth schemes rose to 194 in 2006 from 105 in 2000 and the number further increased to 307 in 2010. The growth schemes have registered the highest growth (28.48 %) in 2005 - 2006 due to booming in the Indian equity market. However, a major decline in growth rate of these schemes was seen in the year 2009 and 2010. The share of equity-oriented funds has also reduced to 28 per cent in 2008 from 33 per cent in the year 2005; largely owing to market losses in equity funds as the equity market had been performing weakly for a large part of this period due to subprime crisis.

The share of liquid funds of various types including medium-term and short-term (with separate schemes for retail and institutional investors) and Fixed Maturity Plans (FMPs) has declined during the period 2005 and 2009 as compared to that during 2003-05. Balanced schemes are the schemes that seek to maintain a balance between growth and regular income. These schemes have encountered a negative growth of 2.63 per cent in 2008, 5.41 per cent in 2009 and 5.71 per cent in 2010. A glance through Table 3A provides that the market share of balanced funds have reduced from 6.82 in year 2000 to 3.74 in 2010.

Coming to the ELSS schemes, Tables 3 reveals that these schemes held around 20 per cent share in the total mutual fund schemes up to the year 2001, but gradually lost their impact and remained just 5.44 percent in 2010. In recent years, Exchange Traded

Funds (ETFs) have constituted an increasingly popular type of index fund that is listed and traded like a stock on an exchange. An ETF is a single security representing a basket of stocks that corresponds to a particular index, say, the S&P, CNX, Nifty or Sensex. Table 3 and 3A indicate that ETF is still a new concept in India and emerged in the year 2007. As on 31st March, 2010, India has 21 ETFs in contrast the US had 707 ETFs, with combined assets of 585.9 billion dollars or Rs 27.5 lakh crore.

### Assets Under Management

Another measure of the performance of mutual funds is asset under management (AUM). This section attempts to bring forth and analyse the sector wise, category-wise, and type-wise AUM of mutual funds in India from 2000 to 2010.

A decline in deposit rates in the early 1990s marked the beginning of explosive growth of MFs which lasted till about 1999 after which the growth of MFs has reversed. The destruction of World Trade Centre, Iraq War, weakening of dollar, increase in the number of bankruptcy cases have led to withdrawal of funds from MFs during 2001, 2002 and 2003. Table 4, which presents sector-wise assets under management of mutual funds, indicates a fall in AUM in 2001 and 2003 of 20 per cent and 21 per cent, respectively. However, AUM in India registered positive growth ranges between 7 per cent and 76 per cent during the period 2003-04 and 2007-08. During this period (2004-07), the industry had witnessed several mergers and acquisitions, examples of which are acquisition of schemes of Alliance Mutual Fund by Birla Sun Life, Sun F&C Mutual Fund and PNB Mutual Fund by Principal Mutual Fund. Simultaneously, more international mutual fund players have entered India like Fidelity, Franklin Templeton Mutual Fund etc. This was a continuing phase of growth of the industry through consolidation and entry of new international and private sector players. The AUM has registered a vigorous growth as evidenced by CAGR of 22.97 per cent. Mutual Fund Industry in India saw its highest

AUM in May 2008 crossing Rs 6 trillion (Rs 6 lakh crore). Except Russia (CAGR 97%) and China (CAGR 67%), no other country in the world has surpassed this. The industry shielded itself from the meltdown and the double-digit growth story continued until the liquidity crisis in Oct 2008 when it lost 18.34 per cent. The stock market downturn, in October 2008, wiped off close to Rs 1,50,000 crore, bringing its asset size to nearly Rs 4,00,000 crore in 2009 and leaving the industry shattered with a huge liquidity crunch.

The sector-wise share of AUM as exhibited in Table 4A indicates that UTI constituted a major portion with 67.74 per cent in 2000 which currently, holds only 10.82 per cent of the total market. The present scenario is in the favour of private sector accounting to 77.58 per cent share of Assets under management from a mere 22.16 per-cent in 2000. A slight shift to the public sector is being observed in the years 2009 and 2010. While the private sector funds still account for a lion's share of assets, this is for the second consecutive year that the public sector mutual funds have shown an increase in market share. Public sector AMCs include SBI Mutual Fund, Canara Robeco Mutual Fund, and LIC Mutual Fund. The increase in preference for public sector funds became all the more evident in the performance of a single player – LIC Mutual Fund – whose net assets grew by 107 per cent in just four months in 2009-10. UK Sinha, Chairman and Managing Director of UTI Mutual Fund, explained, "There has been a flight to safety. Investors are increasingly feeling that they are safer with government-owned entities and it is not just retail investors; even institutional investors are showing more interest in public sector mutual funds".

After analysing sector wise AUM of mutual funds, the category-wise position of MF has been examined and tabulated in Tables 5 and 5A. The former table reveals that AUM has been rising through out the study period in case of open-end schemes. It rose to Rs. 5,32,886 crore in 2010 from Rs. 68,833 crore in 2000. Open-end schemes have registered a compound growth rate of 25.03 per cent in their AUM. The year-on-year growth in AUM of open-end schemes was

found the highest (79.19%) in 2004 followed by 2008 (69.83%) and 2010 (63.88%). On the contrary the AUM of close end funds has witnessed sharp rise and falls during the period under observation. The prologue to the renewal of the closed-end schemes in year 2006 lies in the SEBI guidelines issued in April 2006, which disallowed open-ended schemes from amortizing the initial issue expenses incurred in launching a new fund offer. Earlier, all funds - closed or open - could amortise six per cent of their collections from the NFO as initial issue expenses. While in the year 2009-10, all the open- ended and interval schemes of mutual funds recorded positive net inflows, and the close-ended schemes witnessed net outflows.

Table 6 throws light on the portfolio wise AUM. It is evident that during 2010, the AUM is the highest for income/debt oriented schemes (at Rs.3,11,715) crore while the AUM under growth/equity oriented scheme is Rs.1,74,054 crore in this year. In terms of growth in AUM, Gold ETFs achieved the highest (116.1 percent) increase followed by ELSS schemes (93.7 percent) during the year. The assets under management by all mutual funds decreased by 17.4 per cent to Rs. 4,17,300 crore at the end of March 2009 from Rs.5,05,152 crore over the year 2008. During 2008-09, there was net outflow from income/debt oriented schemes and ETFs. Under debt oriented schemes, only gilt funds recorded positive inflows. In fact gilt funds recorded the maximum growth of 126.4 per cent in 2009 over the previous financial year. Even though Growth/equity oriented schemes recorded positive net inflows, it was substantially less compared to last year. The CAGR of AUM of mutual funds is the highest for liquid schemes (45.24%) followed by Gold ETF (42.10%), Growth (31.43%) and ELSS (31.11%) during 2000 and 2010. The share of income funds, growth funds and liquid stood at 51%, 28% and 13% respectively in 2010 (Table 6A).

## Resource Mobilization

Mutual funds play an important role in mobilizing the household savings for deployment in capital markets. The sector wise position of gross

mobilization of resources, redemption and net inflow/outflow is presented in table 7. It is clear from the table that the net resources raised by Mutual Fund Industry in India mounted by a very high growth rate in 2004, 2006 and 2010. After a slump of three years, from 2001 to 2003, the net assets mobilized attained the value of Rs. 46, 808 crore in 2004, Rs. 52,779 crore in 2006 and Rs. 153802 crore in 2008. The gross mobilization of resources by all mutual funds during 2010 was at Rs.1,00,19,022 crore compared to Rs.54,26,353 crore during the previous year indicating an increase of 85 per cent over the previous year (Table 6). Redemption also rose by 82 per cent to Rs.99,35,942 crore in 2010 from Rs.54,54,650 crore in 2009. The effect of the global meltdown has been noticeable in 2008-09 when, for the first time, redemptions exceeded funds mobilized resulting in negative fund mobilization. All mutual funds, taken together, recorded a net outflow of Rs.28, 296 crore in 2009 compared to a net inflow of Rs.1,53,802 crore in 2008. Net resource mobilization had thus declined by 118.4 per cent in 2009 over the previous year.

Unlike the previous year, private sector mutual funds dominated resource mobilization efforts during 2009-10. In fact the net inflow was the highest from private sector mutual funds at Rs.53,641 crore as against a net outflow of Rs.34,018 crore in 2009 (Table 7). UTI mutual fund recorded a net inflow of Rs.15,653 crore compared to net outflow of Rs.3,659 crore in 2009. The net inflows recorded by public sector mutual funds in 2009-10 amounted to Rs.13,787 crore compared to Rs.9,380 crore in the previous year.

Table 7A clearly indicates that the private sector mutual funds dominated resource mobilization efforts during the entire study period. The market share of private sector in gross funds mobilized, climbed to as high as 90.59 per cent in 2004. The declining phase has been noticed in the share of this sector after this year. On the contrary, the market share of Public sector and UTI has been increasing from the year 2004. UTI had re-stored its glory as the fund mobilizer in the period of seven years after it's spilt in 2003 and acquired almost 8.80 percent

of market share in 2010 which is more than double the percentage share of the year 2004. Appraising net resource mobilization in terms of sector-wise share reveals that UTI has encountered the problem of excess outflows over inflows in the year 2005 and public sector is faced with the same problem four times in the years 2002, 2003, 2005 and 2009.

### Transactions on Stock Exchange

The mutual funds are one of the major investors in the equity and debt segment of the Indian securities market. Between 2001 and 2008 equity and debt transactions by mutual funds in Indian markets have risen by a multiple of over 12 with net investments rising about 40 times. This is considerably more than the rate at which transaction volumes in Indian equity markets have been growing. Consequently the importance of mutual funds in stock markets has risen over time. During 2010, the combined net investments by the mutual funds in debt and equity was Rs.1, 70,076 crore compared to Rs.88, 787 crore in 2009, registering an increase of 91.5 percent (Table 8). Mutual Funds are net sellers in equity segment with Rs.10, 512 crore, whereas, their net investments in the debt segment rose to Rs.1, 80,588 crore during the same period. During 2009, the combined net investments by the mutual funds in debt and equity was Rs.88, 787 crore compared to Rs.90, 095 crore in 2008, registering a fall of 1.5 per cent. The net investments in the equity market was Rs.6, 984 crore in 2009 compared to Rs.16, 306 crore in 2008, a fall of 57.2 per cent, whereas, the net investments in the debt segment rose by 10.9 per cent during the same period. The combined net investment is positive for all years except 2009, as discussed above, and the year 2005. The year 2010 is the come back year for stock exchange transactions where in the net investments touched a high rate of growth accounting to 92 percent from a negative growth in the previous year.

### Conclusion

The following facts have emerged as the outcomes of the above study. By the end of March 2010 the number of registered MFs with the SEBI stood at 38. The unit

holding pattern of mutual funds shows that number of individual investors stood at Rs.46,327,683 at end-March 2010 which accounted for 97.07% of the total number of investor accounts. NRIs and institutional corporates constituted a meager 1.98% and 0.95% of the total number of investor accounts. However, the corporate/ institutions accounted for 54.75% of the net assets of the MF industry in 2010 as compared to 39.77% of individuals. Coming to the number of MF schemes, as against 337 schemes in the year 2000, the count stood at 1001 by the year 2009, out of which 589 are open-ended and 344 are close-ended schemes. Further, Income and Growth schemes account for a major portion of the total number of schemes with 509 and 293 schemes in each category, respectively. It is further revealed that these two schemes have dominated other existing schemes in terms of the total market share. Moving to the assets under management, as on March 31, 2010, the MFs have managed assets of Rs.6,13,979 crores. The share of private sector MFs in total assets decreased to 77.58% at end March 2010 from 80.26% in March 2009. UTI showed a positive move, with its share in total assets under management rising to 10.82 % in the year 2010 from 9.06% in the previous year, breaking a continuous declining trend since 2000. The open ended schemes and the close ended schemes accounted for 86.79% and 10.67% of total assets under management of MFs, respectively, by March 2010. The income schemes accounted for 51% of total assets under management as on March 2010, followed by growth schemes with 28%, and then the liquid/ money market schemes at 13%. The popularity of MFs as an investment avenue is clearly visible from the resources mobilized by them. The Maximum resource mobilization was witnessed in 2008 (Rs. 44 trillion).

Thus, the following aspect seems to emerge as the outcome of the above discussion:

- The industry structure is dominated by private sector as the number of public sector players reduced from 11 in 2001 to 5 in 2009. The public sector has gradually relinquished market share to the private sector.
- Out of the 38 funds, the top 5 accounted for 56% of the total assets under management while the remaining 33 players shared the remaining 44% of the assets under management.
- Indian private sector funds and joint ventures with predominant Indian partners are the frontrunners, foreign funds and foreign players operating through JVs have also done their bit towards the growth of the industry.
- The mutual fund industry is concentrating heavily on the corporate sector or institutional investors, and therefore retail investors have been rather neglected.
- The market share is detained single-handedly by the open-ended category both in terms of number as well as assets under management.
- The Industry has witnessed a drastic shift in favour of private sector players and snatched a major share of the market from public sector mutual funds. On the contrary, a slight shift to the public sector is being observed in the period 2008-09 to 2009-10 showing investors' preference toward government-owned entities.
- UTI is on the come back scenario exhibiting a positive growth after almost a decade.
- The growth and income funds are more popular than the other types of schemes as they enjoy almost 80 percent of market share.
- On the whole, the Indian MF industry is in a growth mode, which will not only help India in building a strong financial system but also in providing a financial stabilizing factor to the economy by absorbing financial risk and extra liquidity from investors base.

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**Table : 1 Unit holding Pattern of Indian Mutual Funds Industry**

Category	Number of Investors (March, 2010)	% To Total Investors (March, 2010)	Number of Investors (March, 2002)	% To Total Investors (March, 2002)	Net Assets (March, 2010) (Rs. Crore)	% To Total Net Assets (March, 2010)	Net Assets (March, 2002) (Rs. Crore)	% To Total Net Assets (March, 2002)
Individuals	46,327,683	97.07	30,238,065	98.04	245,390	39.77	55,487	55.16
NRIs	943,482	1.98	154,622	0.50	22,821	4.45	1,398	1.39
FIIIs	216	0.00	1,123	0.00	6,335	1.03	306.00	0.30
Corporates/ Institutions/ Other	452,330	0.95	450,132	1.46	337,813	54.75	43,403	43.15
<b>TOTAL</b>	<b>47,723,711</b>	<b>100</b>	<b>30,843,942</b>	<b>100</b>	<b>616,967</b>	<b>100</b>	<b>100,594</b>	<b>100</b>

Source : SEBI

**Table 2 Category-wise Growth in Number of MF Schemes in India**

Year	Open End		Close End		Assured Return		Interval Fund	Total	
	No.	% Δ	No.	% Δ	No.	% Δ		No.	% Δ
2000	168		128		41			337	
2001	240	42.86	118	-7.81	35	-14.63		393	16.62
2002	304	26.67	87	-26.27	26	-25.71		417	6.11
2003	329	8.22	47	-45.98	6	-76.92		382	-8.39
2004	363	10.33	40	-14.89				403	5.50
2005	403	11.02	48	20.00				451	11.91
2006	463	14.89	129	168.75				592	31.26
2007	486	4.97	270	109.30				756	27.70
2008	592	21.81	364	34.81				956	26.46
2009	589	-0.51	344	-5.49			68*	1001	4.71
2010	641	8.83	202	-41.28			39	882	-11.89
<b>CAGR</b>	<b>12.86**</b>		<b>15.16</b>					<b>12.33**</b>	

\* Separate data for interval fund is not available for the previous years, as the said category is introduced since april 2008.

\*\* Significant at 0.01 level

Source : AMFI

**Table : 2A Category-wise Percentage Share in Total Number of MF Schemes in India**

Year	Open End	Close End	Assured Return	Interval Fund	Total
2000	49.85	37.98	12.17	0.00	100
2001	61.07	30.03	8.91	0.00	100
2002	72.90	20.86	6.24	0.00	100
2003	86.13	12.30	1.57	0.00	100
2004	90.07	9.93	0.00	0.00	100
2005	89.36	10.64	0.00	0.00	100
2006	78.21	21.79	0.00	0.00	100
2007	64.29	35.71	0.00	0.00	100
2008	61.92	38.08	0.00	0.00	100
2009	58.84	34.37	0.00	6.79	100
2010	72.68	22.90	0.00	4.42	100

Source : AMFI

**Table : 3 Portfolio-Wise Growth of Mutual Funds Schemes**

Year	Income		Growth		Balanced		Liquid/ Money Market		Gilt		ELSS		Gold ETFs	Other ETFs*	Fund of Fund	Total	
	No.	% Δ	No.	% Δ	No.	% Δ	No.	% Δ	No.	% Δ	No.	% Δ	No.	No.	No.	No.	% Δ
2000	113		105		23		18		13		65					337	
2001	126	11.50	110	4.76	32	39.13	26	44.44	19	46.15	80	23.08				393	16.62
2002	146	15.87	114	3.64	34	6.25	31	19.23	29	52.63	63	-21.25				417	6.11
2003	117	-19.86	120	5.26	35	2.94	32	3.23	31	6.90	47	-25.40				382	-8.39
2004	131	11.97	126	5.00	37	5.71	36	12.50	30	-3.23	43	-8.51				403	5.50
2005	159	21.37	151	19.84	35	-5.41	39	8.33	30	0.00	37	-13.95				451	11.91
2006	251	57.86	194	28.48	36	2.86	45	15.38	29	-3.33	37	0.00				592	31.26
2007	367	46.22	227	17.01	38	5.56	55	22.22	28	-3.45	40	8.11	1			756	27.70
2008	506	37.87	270	18.94	37	-2.63	58	5.45	30	7.14	42	5.00	5	8		956	26.46
2009	509	0.59	293	8.52	35	-5.41	56	-3.45	34	13.33	47	11.90	5	12	10	1001	4.71
2010	367	-27.90	307	4.78	33	-5.71	56	0.00	35	2.94	48	2.13	7	14	15	882	-11.89
CAGR	17.92**		13.14**		2.35		11.46**		6.71**		4.73		74.65		12.33*		

\* separate data is not available as these schemes were earlier classified as Growth Funds and hence included under that category

\*\* Significant at 0.01 level

Source : AMFI

**Table 3A : Portfolio - Wise Percentage Share in Total Schemes**

Year	Income	Growth	Balanced	Liquid/Money Market	Gilt	ELSS	Gold ETFs	Other ETFs*	Fund of Fund	Total
2000	33.53	31.16	6.82	5.34	3.86	19.29	0.00	0.00	0.00	100
2001	32.06	27.99	8.14	6.62	4.83	20.36	0.00	0.00	0.00	100
2002	35.01	27.34	8.15	7.43	6.95	15.11	0.00	0.00	0.00	100

2003	30.63	31.41	9.16	8.38	8.12	12.30	0.00	0.00	0.00	100
2004	32.51	31.27	9.18	8.93	7.44	10.67	0.00	0.00	0.00	100
2005	35.25	33.48	7.76	8.65	6.65	8.20	0.00	0.00	0.00	100
2006	42.40	32.77	6.08	7.60	4.90	6.25	0.00	0.00	0.00	100
2007	48.54	30.03	5.03	7.28	3.70	5.29	0.13	0.00	0.00	100
2008	52.93	28.24	3.87	6.07	3.14	4.39	0.52	0.84	0.00	100
2009	50.85	29.27	3.50	5.59	3.40	4.70	0.50	1.20	1.00	100
2010	41.61	34.81	3.74	6.35	3.97	5.44	0.79	1.59	1.70	100
Source : AMFI										

**Table 4 : Sector-Wise Asset Under Management of MF in India**

Rs. In Crore					
Year	Private Sector	Public Sector	UTI	Total	% Δ
2000	25046	11412	76547	113005	
2001	25942	6628	58017	90587	-20
2002	41459	7702	51434	100594	11
2003	55522	10426	13516	79464	-21
2004	107087	11912	20617	139616	76
2005	117487	11374	20740	149600	7
2006	181515	20829	29519	231862	55
2007	262079	28725	35488	326292	41
2008	415621	41123	48408	505152	55
2009	334916	44583	37801	417300	-17
2010	476339	71189	66,451	613979	47
CAGR	38.10*	24.82*	0.23	22.97*	

\* Significant at 0.01 level  
Source : AMFI

**Table 4 A : Sector-Wise Percentage Share in Total Asset Under Management of MF in India**

Year	Private Sector	Public Sector	UTI	Total
2000	22.16	10.10	67.74	100
2001	28.64	7.32	64.05	100
2002	41.21	7.66	51.13	100
2003	69.87	13.12	17.01	100
2004	76.70	8.53	14.77	100
2005	78.53	7.60	13.86	100
2006	78.29	8.98	12.73	100
2007	80.32	8.80	10.88	100
2008	82.28	8.14	9.58	100
2009	80.26	10.68	9.06	100
2010	77.58	11.59	10.82	100
Source : AMFI				

**Table 5 : Category Wise Asset Under Management of MFs in India****RS. In Crore**

Year	Open End		Close End		Assured Return		Total	
	Amt.	% Δ	Amt.	% Δ	Amt.	% Δ	Amt.	% Δ
2000	68833		21608		22564		113005	
2001	57293	-16.77	13613	-37.00	19681	-12.78	90587	-20
2002	71938	25.56	10977	-19.36	17679	-10.17	100594	11
2003	75071	4.36	4033	-63.26	360	-97.96	79464	-21
2004	134523	79.19	5093	26.28			139616	76
2005	137983	2.57	11571	127.19			149554	7
2006	193713	40.39	38149	229.69			231862	55
2007	217417	12.24	108971	185.65			326388	41
2008	369239	69.83	135913	24.72			505152	55
2009	325161	-11.94	89249	-34.33	2890*		417300	-17
2010	532886	63.88	65519	-26.59	15574	438.89	613979	47
CAGR	25.03**		30.43				22.97**	

\* Separate data for interval fund is not available for the previous years, as the said category is introduced since April 2008

\*\* Significant at 0.01 level

Source : AMFI

**Table 5 A : Category Wise Percentage Share in Total Asset Under Management of MFs in India**

Year	Open End	Close End	Assured Return	Total
2000	60.91	19.12	19.97	100
2001	63.25	15.03	21.73	100
2002	71.51	10.91	17.57	100
2003	94.47	5.08	0.45	100
2004	96.35	3.65	0.00	100
2005	92.26	7.74	0.00	100
2006	83.55	16.45	0.00	100
2007	66.61	33.39	0.00	100
2008	73.09	26.91	0.00	100
2009	77.92	21.39	0.69	100
2010	86.79	10.67	2.54	100

Source : AMFI

**Table 6 : Portfolio-Wise Asset Under Management of MFs in India****Rs. In Crores**

Year	Income		Growth		Balanced		Liquid/Money Market		Gilt		ELSS		Gold ETFs	Other ETFS*	Fund of Fund	Total	
	Amt.	% Δ	Amt.	% Δ	Amt.	% Δ	Amt.	% Δ	Amt.	% Δ	Amt.	% Δ				Amt.	% Δ
2000	48004		30611		26757		2227		2370		3036					113005	
2001	48863	1.79	13483	-55.95	19273	-27.97	4128	85.36	2317	-2.24	2523	-16.90				90587	-20
2002	55788	14.17	13852	2.74	16954	-12.03	8069	95.47	4163	79.67	1763	-30.12				100589	11

2003	47564	-14.74	9887	-28.62	3141	-81.47	13734	70.21	3910	-6.08	1228	-30.35				79464	-21
2004	62524	31.45	23613	138.83	4080	29.89	41704	203.66	6026	54.12	1669	35.91				139616	76
2005	47605	-23.86	36711	55.47	4867	19.29	54068	29.65	4576	-24.06	1727	3.48				149554	7
2006	60278	26.62	92867	152.97	7493	53.96	61500	13.75	3135	-31.49	6589	281.53				231862	55
2007	119322	97.95	113386	22.10	9110	21.58	72006	17.08	2257	-28.01	10211	54.97	96			326388	41
2008	220762	85.01	156722	38.22	16283	78.74	89402	24.16	2833	25.52	16020	56.89	483	2647		505152	55
2009	197343	-10.61	95817	-38.86	10629	-34.72	90594	1.33	6413	126.37	12427	-22.43	736	660	2681	417300	-17
2010	311715	57.96	174054	81.65	17246	62.25	78094	-13.80	3395	-47.06	24066	93.66	1590	957	2862	613979	47
CAGR	20.89**		31.43**		2.77		45.24**		2.71		31.11**		42.10**			22.97**	

\* Fund of fund is a scheme where in the asset invested in the existing schemes of mutual funds

\*\* Significant at 0.01 level

Source : AMFI

**Table 6 A : Portfolio-Wise Percentage Share in Total Asset Under Management(2000-2010)**

Year	AUM	Income	Growth	Balanced	Liquid/ Money Market	Gilt	ELSS	Gold ETFs	other ETFs	Fund of Funds*	Total
2000	113005	42	27	24	2	2	3	0	0	0	100
2001	90587	54	15	21	5	3	3	0	0	0	100
2002	100589	55	14	17	8	4	2	0	0	0	100
2003	79464	60	12	4	17	5	2	0	0	0	100
2004	139616	45	17	3	30	4	1	0	0	0	100
2005	149554	32	25	3	36	3	1	0	0	0	100
2006	231862	26	40	3	27	1	3	0	0	0	100
2007	326388	37	35	3	22	1	3	0	0	0	100
2008	505152	44	31	3	18	1	3	0	1	0	100
2009	417300	47	23	3	22	2	3	0	0	1	100
2010	613979	51	28	3	13	1	4	0	0	0	100

Source : AMFI

**Table 7 : Sector-Wise Resources Mobilised by the Mutual Funds (RS. In Crore)**

Year	Private Sector MFs						UTI					
	Gross Mobilization	% Δ	Redemption	% Δ	Net In/ Out-flow	% Δ	Gross Mobilization	% Δ	Redemption	% Δ	Net In/ Out-flow	% Δ
2000	43726		28559		15166		3817		4562		-745	
2001	75009	72	65160	128	9850	-35	5535	45	6580	44	-1045	40
2002	147798	97	134748	107	13050	32	12082	118	10673	62	1409	-235
2003	284095	92	272026	102	12069	-8	23515	95	21954	106	1561	11
2004	534649	88	492105	81	42545	252	23992	2	22325	2	1667	7
2005	736463	38	728864	48	7600	-82	46656	94	49378	121	-2722	-263
2006	914703	24	871727	20	42977	466	73127	57	69704	41	3424	-226
2007	1599873	75	1520836	74	79038	84	142280	95	134954	94	7326	114
2008	3780753	136	3647449	140	133304	69	346126	143	335448	149	10677	46
2009	4292750	14	4326768	19	-34018	-126	423131	22	426790	27	-3659	-134
2010	7603878	77	7550237	75	53641	258	881851	108	866198	103	15653	-528
CAGR					16.42*						69.71	

Year	Public Sector MFs						Grand Total					
	Gross Mobilization	% Δ	Redemption	% Δ	Net In/Outflow	% Δ	Gross Mobilization	% Δ	Redemption	% Δ	Net In/Outflow	% Δ
2000	13698		9150		4548		61241		42271		18970	
2001	12413	-9	12090	32	323	-93	92957	52	83829	98	9128	-52
2002	4643	-63	11927	-1	-7284	-2355	164523	77	157348	88	7175	-21
2003	7096	53	16530	39	-9434	30	314706	91	310510	97	4196	-42
2004	31548	345	28951	75	2597	-128	590190	88	543381	75	46808	1015
2005	56589	79	59266	105	-2677	-203	839708	42	837508	54	2200	-95
2006	110319	95	103940	75	6379	-338	1098149	31	1045370	25	52779	2299
2007	196340	78	188719	82	7621	19	1938493	77	1844508	76	93985	78
2008	337498	72	327678	74	9820	29	4464376	130	4310575	134	153802	64
2009	710472	111	701092	114	9380	-4	5426353	22	5454650	27	-28296	-118
2010	1533294	116	1519507	117	13787	47	10019023	85	9935942	82	83081	394
CAGR					81.180						11.56	

\* Significant at 0.01 level

**Table 7A : Sector-Wise Percentage Share in Gross and Net Resource Mobilisation of MF in India**

Year	Share in Gross Resource Mobilisation				Share in Net Resource Mobilisation			
	Private Sector	UTI	Public Sector	Total	Private Sector	UTI	Public Sector	Total
2000	71.40	6.23	22.37	100	79.95	-3.93	23.98	100
2001	80.69	5.95	13.35	100	107.90	-11.44	3.54	100
2002	89.83	7.34	2.82	100	181.87	19.64	-101.52	100
2003	90.27	7.47	2.25	100	287.61	37.20	-224.81	100
2004	90.59	4.07	5.35	100	90.89	3.56	5.55	100
2005	87.70	5.56	6.74	100	345.38	-123.72	-121.66	100
2006	83.29	6.66	10.05	100	81.43	6.49	12.09	100
2007	82.53	7.34	10.13	100	84.10	7.80	8.11	100
2008	84.69	7.75	7.56	100	86.67	6.94	6.39	100
2009	79.11	7.80	13.09	100	120.22	12.93	-33.15	100
2010	75.89	8.80	15.30	100	64.56	18.84	16.59	100

Source : AMFI

**Table 8 : Trends in Transactions on Stock Exchanges by Mutual Funds**

Rs. In Crore

Year	Equity			Debt			Total			% Δ
	Gross Purchase	Gross Sale	Net Purchase/Sale	Gross Purchase	Gross Sale	Net Purchase/Sale	Gross Purchase	Gross Sale	Net Purchase/Sale	
2001	17376	20143	-2767	10414	8489	5023	27790	28631	2257	
2002	12098	15894	-3796	33584	22624	10959	45682	38518	7163	217
2003	14521	16588	-2067	46664	34059	12604	61185	50647	10538	47

2004	36663	35355	1307	63170	40470	22701	99833	75827	24009	128
2005	45045	44597	448	62186	45199	16987	107232	89796	17435	-27
2006	100436	86134	14302	109805	73004	36801	210241	159137	51103	193
2007	135498	126886	9062	153733	101190	52543	289681	228075	61606	21
2008	217578	201274	16306	298605	224816	73790	516183	426090	90095	46
2009	144069	137085	6984	327744	245942	81,803	471815	383026	88787	-1
2010	195662	206173	-10512	624314	443728	180,588	819976	649901	170076	92

Source : SEBI

**Exhibit A. AMC-Wise Average Assets Under Management for the month of March 2010**

Sr. No.	Name of the Asset Management Company	Average Assets Under Management for the month of March 2010	% Share
<b>A</b>	<b>BANK SPONSORED</b>		
<b>(I)</b>	<b>JOINT VENTURES - PREDOMINANTLY INDIAN</b>		
1	Canara Robeco Asset Management Co. Ltd.	9220	1.23%
2	SBI Funds Management Private Ltd.	37417	5.01%
	<b>TOTAL A (I)</b>	46637	6.24%
<b>(ii)</b>	<b>JOINT VENTURES - PREDOMINANTLY FOREIGN</b>		
1	Baroda Pioneer Asset Management Company Limited	3574	0.48%
	<b>TOTAL A (ii)</b>	3574	
<b>(iii)</b>	<b>OTHERS</b>		
1	UTI Asset Management Company Ltd	80218	10.73%
	<b>TOTAL A (iii)</b>	80218	10.73%
	<b>TOTAL A (i+ii+iii)</b>	130429	17.45%
<b>B</b>	<b>INSTITUTIONS</b>		
1	LIC Mutual Fund Asset Management Co. Ltd.	42304	5.66%
	<b>TOTAL B</b>	42304	
<b>C</b>	<b>PRIVATE SECTOR</b>		
<b>(i)</b>	<b>INDIAN</b>		
1	Axis Asset Management Company Ltd.	3552	0.48%
2	Benchmark Asset Management Co. Private Ltd.	1999	0.27%
3	Deutsche Asset Management (India) Private Ltd.	10477	1.40%
4	Edelweiss Asset Management Limited	149	0.02%
5	Escorts Asset Management Ltd.	203	0.03%
6	IDFC Asset Management Company Private Limited	25386	3.40%
7	J.M. Financial Asset Management Private Ltd.	7997	1.07%
8	Kotak Mahindra Asset Management Co. Ltd.	34681	4.64%
9	L&T Investment Management Limited	2511	0.34%
10	Peerless Funds Management Co. Ltd.	303	0.04%
11	Quantum Asset Management Co. Private Ltd.	92	0.01%
12	Reliance Capital Asset Management Ltd.	110413	14.77%

13	Religare Asset Management Company Private Limited	12945	1.73%
14	Sahara Asset Management Co. Private Ltd.	635	0.08%
15	Tata Asset Management Ltd.	21935	2.93%
16	Taurus Asset Management Co. Ltd.	2307	0.31%
	<b>TOTAL C (I)</b>	235585	31.52%
<b>(ii)</b>	<b>FOREIGN</b>		
1	AIG Global Asset Management Company (India) Private Ltd.	1138	0.15%
2	FIL Fund Management Private Ltd.	7684	1.03%
3	Fortis Investment Management (India) Private Ltd.	7890	1.06%
4	Franklin Templeton Asset Management (India) Private Ltd.	33290	4.45%
5	Mirae Asset Global Investments (India) Private Ltd.	251	0.03%
	<b>TOTAL C (ii)</b>	50253	6.72%
<b>(iii)</b>	<b>JOINT VENTURES - PREDOMINANTLY INDIAN</b>		
1	Birla Sun Life Asset Management Co. Ltd.	62343	8.34%
2	DSP BlackRock Investment Managers Ltd.	21491	2.87%
3	HDFC Asset Management Co. Ltd.	88780	11.88%
4	ICICI Prudential Asset Management Co. Ltd.	80989	10.83%
5	Sundaram BNP Paribas Asset Management Company Ltd.	13878	1.86%
	<b>TOTAL C (iii)</b>	267481	35.78%
<b>(iv)</b>	<b>JOINT VENTURES - PREDOMINANTLY FOREIGN</b>		
1	Bharti AXA Investment Managers Private Limited	549	0.07%
2	HSBC Asset Management (India) Private Ltd.	6215	0.83%
3	ING Investment Management (India) Private Ltd.	1547	0.21%
4	JP Morgan Asset Management (India) Private Ltd.	3541	0.47%
5	Morgan Stanley Investment Management Private Ltd.	2257	0.30%
6	Principal Pnb Asset Management Co.Private Ltd	6997	0.94%
7	Shinsei Asset Management (India) Pvt. Ltd.	367	0.05%
	<b>TOTAL C (iv)</b>	21473	2.87%
	<b>TOTAL C (i+ii+iii+iv)</b>	574792	76.89%
	<b>TOTAL (A+B+C)</b>	747525	100.00%