

Mutual Funds Industry in India: A Growth Trend Analysis

¹Prasanna K Baral, ²Dr. Kishore Kumar Das

¹ Ph D Scholar Ravenshaw University Cuttack, Odisha

² Reader in Commerce School of Commerce & Registrar, Ravenshaw University Cuttack, Odisha

Abstract

The uncertainty and volatility in the stock markets is a global phenomenon. The everchanging stock markets across the globe have always fuelled jitters among the investors, particularly the small and medium investors. To protect the interest of the investors' financial innovations always take place in the financial markets. Financial intermediaries play a great role in financial innovation and protection of investors' interest. Mutual Funds have emerged as an important financial intermediary globally, particularly in India where retail investors represent 97.7% of the 4.70 crore investor accounts. Mutual Funds protect the interest of the small investors not only from the downside market risk through the diversification of risks, but also provide the benefits from the upward market returns. It also plays a key role in the inflow of capital to the financial market. The present paper is divided into two parts; the first part studies the evolution of mutual funds in India and second part analyses the growth trend of the mutual funds industry in India.

Keywords: Financial Innovations, Financial Intermediaries, diversification of risks, downside market risk.

1. Introduction

With progressive liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services including merchant banking, leasing and venture capital. Consistent with this evolution of the financial sector, the mutual fund industry has also come to occupy an important place. For all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise-based equity investments to all types of investors.

Mutual Fund is a type of an Investment institution which mobilizes savings of individuals and institutions and channelizes these savings in corporate securities to provide investors a steady stream of returns and capital appreciation. Mutual funds are based on the principle of 'Trusteeship' which means working on the behalf of someone else for the benefit of interested party and providing a protection to such party.

Objectives of the Study

- 1: To know the concept and meaning of the Mutual Fund.
- 2: To study the historical evolution of Mutual Fund in India.
- 3: To analyses the growth trend of the mutual funds industry in India.

Research Methodology

The data for the study has been derived basically from secondary sources. The secondary sources include, internet, journals, magazines, books, publications of various research agencies like, AMFI, SEBI Handbook, RBI Report, UTI Annual Report, etc. The data has been properly analysed and interpreted to draw conclusion and inferences.

Meaning and Definition of Mutual Funds

The term "mutual" signifies a mechanism wherein the benefits of investment accrue to all the investors in proportion to their

investment. A mutual fund is a financial intermediary which acts as an instrument of investment. It is a financial institution through which the pooled investible funds of investors are invested in a well-diversified portfolio of securities thus spreading and reducing the risk and ensuring a good return (dividend or capital gains or both) to the investors. Small and medium investors who are unable to participate in the capital market, can access the stock market through the medium of mutual funds under the direction of an investment manager.

Investors subscribe to units of a mutual fund just as shareholders subscribe to shares of a company. Each unit of a mutual fund represents a unitholder's proportionate ownership of the fund's portfolio holdings. The investors of mutual funds are known as unit holders. The companies that operate the mutual funds are known as Asset Management Companies (AMCs) or Investment Managers. An AMC may float more than one fund (also called schemes), each with an objective and investment mandate of its own. The terms mutual fund, fund or scheme are often used interchangeably.

According to Frank Reilly, "Mutual funds are financial intermediaries, which bring a wide variety of securities within the reach of the most modest of investors".

According to Quartely Market Guide to Merrill Lynch, "Mutual Fund is an investment company that pools the money of many individuals and invests in a portfolio of stocks, bonds and /or cash equivalents, actively managed by a portfolio manager who buys and sells securities in an attempt to take an advantage of current or expected market conditions".

According to Securities and Exchange Board of India Regulations, 1996 a mutual fund means "a fund established in the form of trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments".

Evolution of Mutual Funds in Indian

Mutual Funds in India originated in the second half of the 19th century. Financial Association of India and China was the first investment trust formed in India in 1869. However, the growth of investment trust business started only after 1930. The need for the establishment of Unit Trust type of institution was felt in 1931 by the Indian Central Banking Enquiry Committee. The Committee observed in its report that an immeasurable benefit to India is bound to grow from the establishment and proper working of unit trusts, and the assistance which they will give to the investor in the creation of intermediate securities which do not exist now, in providing a channel for investment in industrial and other fields, where the primary investor would be too scared of too ignorant.

The first Industrial Investment Trust was established in 1933 by M/s Premchand Roychand in Bombay. After the establishment of this trust the number of other trusts were formed, such as Investment and Finance Company, Kolkata, General Investment and Trust Company, Kolkata, Tata Investment Trust, Bombay. Most of the Investment Trusts were established by the industrial groups. The Trusts are organized as private companies. The investment trusts were used as a tool to control more and more unit by owning and controlling the shares.

In 1954, the Shroff Committee made the following recommendation:

“The Committee was of the opinion that industrial investment can be assisted through the formation of Investment Trusts and Unit Trusts. The committee therefore felt that unit trusts in particular would be eminently suitable to conditions in India and that steps should be taken by both the public and private sectors to encourage the formation of such institutions”.

At that time it appeared that Shroff had set his heart on setting up unit trusts and hire-purchase corporations in India. When he went to the US at the invitation of George Woods in 1959, he explained the possibility of persuading foreign investment banks to invest in India and set up unit trusts. He wrote to J.R.D. Tata from Washington saying that through the courtesy of George Woods he had met people who had promised all technical assistance to set up a large scale hire-purchase financing corporation in India. Nothing came of this but Shroff set his staff at the Investment Corporation of India, (which was in essence a closed Mutual Fund) and New India Assurance, both companies which he headed to start work on a plan for setting up a unit trust.

The idea of setting up a unit trust in India existed since 1931 but did not materialize for a variety of reasons until T.T. Krishnamachari revived it in March 1963, when he was Minister for Economic and Defence Coordination. T.T. Krishnamachari read a news item about a government sponsored Unit Trust being contemplated in Pakistan. He wrote to Pandit Nehru emphasizing the merits of such an institution and urged him to do something similar in India.

Pandit Nehru passed on the matter to Moraji Desai who was the Finance Minister, who in turn referred the matter to P.C. Bhattacharya, the RBI Governor. Bhattacharya asked B.K. Madan, then Executive Director at the RBI to look into the matter. Madan then asked V.G. Pendharkar, Economic Adviser to the bank and the head of the Economics Department, if he had seen the news item. Pendharkar, who narrated this incident in his account of the setting up of the Unit Trust of India, told Madan, his immediate superior, that he had not only seen the news item but also had a note on the subject ready. Pendharkar,

anticipated that the government would want action on the matter, had asked Anand Chandavarkar then Director, Division of Monetary Economics in his department to work on a similar scheme for India.

Finally, in September 1993, when T.T. Krishnamachari took over as the Finance Minister, the government machinery began to move speedily on the Draft Bill on setting up UTI. The UTI Bill was passed on 5th December, 1993 in the Lok Sabha and on 12th December, 1993 in the Rajya Sabha. The Bill got the consent of the President Sarbapalli Radhakrishnan on 30th December, 1993 and became the UTI Act, 1993. The UTI was formed on February 1, 1964 as per the provisions of the UTI Act, 1993. The purpose of UTI was to create an opportunity for the middle and lower income groups to acquire without much difficulty the property in the form of shares through channelizing their savings to the Indian Capital Market. The UTI launched its first open-ended equity scheme in June 1964 popularly known as US-64 (Unit Scheme- 64) in the country.

During last 36 years, UTI has grown to be a dominant player in the industry. In 1987 public sector banks and two Insurance companies (Life Insurance Company and General Insurance Company) were allowed to launch mutual funds. Securities and Exchange Board of India (SEBI), regulatory body for Indian capital market, formulated comprehensive regulatory framework for Mutual Funds in 1993 and allowed private corporate bodies to launch mutual fund schemes. Since then several mutual funds have been set up by the private and joint sectors. It has been a decade of competition for Indian mutual fund industry.

The AUM which were Rs.24.67 crores as on 31st March 1965 had grown to Rs.1,187,477 Crores as on 31st March 2015. The Asset Under Management have grown at a rapid pace at a CAGR (Compounded Annual Growth Rate) of 24.47 percent from 31st March, 2005 to 31st March, 2010. But there is a fall in growth at CAGR of -3.5 on 31st March, 2011 against CAGR of 24.47 percent on 31st March, 2010, because of series of global financial crisis. Again the industry got momentum showing a growth rate of 12.24% in March 2012 and finally posted a growth of 23% for the year ended 31st March 2013. The Total Assets under Management (AuM) in India of all Mutual Funds put together touched a peak of Rs.1,187,477 Crores as on 31st March 2015 compared to Rs.9,03,325 Crores as on 31st March 2014 showing a growth rate of 31.28%. The recent study conducted by the Associated Chamber of Commerce and Industry of India and AMFI revealed that India is going to follow the pattern seen in the developed markets such as the US where the size of the industry is 83% of the GDP, when the worldwide size of the industry is about 38% of GDP. The report suggests that mutual fund industry in India is expected to jump sharply from its present share of 7% in GDP to 40% in the coming years, provided the country's growth rate consistently exceeds 6% per annum.

Different Phases of Growth of Indian Mutual Fund Industry

The growth of Mutual Funds in India is divided into six different phases depending on the structural changes which have taken place in the mutual fund industry. The first phase of Indian mutual fund industry started with the establishment and growth of UTI during 1964-1987. In 1987 public sector banks and financial institutions were permitted to enter into mutual fund industry and this phase existed for six years that is from

1987-1993. With the emergence of privatization and liberalization of Indian economy, in 1993 Government of India allowed both Indian & Foreign Private sectors to enter into mutual fund industry. This was the third phase of growth of mutual fund industry started in 1993 and went till 1996. The fourth phase of growth started in 1996 with implementation of new SEBI regulations and continued till 1999 before new

amendments took place in SEBI Regulations. The fifth phase witnessed with the rapid growth in the mutual fund industry with increasing market share of private sector players. This phase started in 1999 and existed till 2004. The last phase which started in 2004 and continuing till date is witnessing major changes in the industry through mergers and acquisitions.



Phase 1: Establishment and Growth of UTI (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 it continued to operate under the regulatory control of the RBI until the two were delinked in 1978 and the entire control was transferred in the hands of Industrial Development Bank of India (IDBI).

UTI launched its first scheme in 1964 named as Unit Scheme 1964 (US-64) which attracted the largest number of investors in any single investment scheme over the years. The US-64 scheme is unique because it predates all other mutual fund activity in the country. Basically modelled as an income scheme offering regular and stable dividends, it had a strong emphasis on debt rather than equity until about 1979 when the Foreign Exchange Regulation Act (FERA) was diluted, allowing foreign companies to hold a maximum of 40 per cent equity in Indian companies. The UTI's exposure to equity increased substantially after 1979. From an initial unit capital of Rs.5 crores; it managed together of Rs.25 crores worth asset under management and a net income of Rs.1.30 crore at the end of its first year of operation itself as the successful launching of first ever mutual fund in India.

US-64 is the oldest scheme of UTI and has been attracting a lot of attention among the financial circles in the past. Investors invest in any savings scheme from the point of view of safety, liquidity and yield. US-64 has provided to be 100% safe, quite liquid and has offered a satisfactory yield. It has offered dividend every year which was ever lowered till 1995. Investors interest in US-64 has grown and sustained since it was launched. By 1964-65 outstanding unit capital was 18.73 crore, in 1970-71 outstanding unit capital had reached Rs.92.25 crores and by 1980-81 it had reached 389.78 crores. Outstanding

unitholding accounts were 1.32 lakh at the end of June 1965, 3.84 lakh at the end of June 1971 and 9.1 lakh at the end of June 1981.

The following Table 1 provides the data pertaining to the growth of US-64 Scheme:

Table 1: Growth of US-64 Scheme

	1964-65	1970-71	1980-81
1.Sales			
(a)No. of Applications	134724	61713	99740
(b)Amount(Face Value in Rs. Lakhs)	19.14	18.00	39.60
2.Repurchase			
(a)No. of Applications	3130	12724	30009
(b)Amount(Face Value in Rs. Lakhs)	0.41	3.19	15.36
3. Outstandings.			
(a)No. of Applications	131594	383673	905160
(b)Amount(Face Value in Rs. Lakhs)	18.73	92.25	389.78
4.Investible Funds (Rs.Crores)	24.67	105.14	477.23
5.Dividends			
(a)Rate in %	6.1%	8.0%	11.5%
(b)Yield	6.10	7.62	9.79
(c) Gross Amount(Rs.Crore)	1.29	7.64	45.25

Source: Compiled from UTI Annual Report

Due to the immense popularity of US- 64, UTI launched a reinvestment plan in 1966-67. Another popular scheme, Unit Linked Insurance Plan (ULIP) was launched in 1971. The first decade of UTI's operations (1964-74) was the formative period. By the end of June 1974, UTI had six lakh unit holders. The unit capital totalled Rs.152 crores and investible funds Rs.172

crores. Six more schemes were introduced by UTI between 1981-84. By the end of June 1984, the investible funds crossed Rs.1000 crores and the number of unit holders reached 17 lakhs. During 1984-87, new schemes, i.e., Children's Gift Growth Fund(1986), which is the India's first offshore Fund and Master Share Unit Scheme(1987), the India's first Equity Diversified Scheme. By the end of 1987, UTI had launched 20 schemes mobilizing net resources amounting to Rs.1261.1 crore (See.Table-3.1) and net assets over Rs.4563 crore (See.Table-3.2) while the number of unit holders reached 29.79 lakhs. For

these 23 long years up to 1964-87, UTI enjoyed complete monopoly and became the biggest mutual fund of the country. However, the major unit holders of US-64 scheme were not the individuals as it was perceived at the time of launching it with sole objective to channelize the small savings of households and the small investors, but it went into the hands of corporate sector as an other safe and sound source of income for companies. While otherwise defeats the main aim of the Unit Trust of India to cater the needs of small investors and householders as such. The following Table 2 provides the data pertaining to resources mobilized by UTI mutual fund.

Table 2: Net Resources Mobilised by UTI

Year	Rs. (Crore)
1970-71	18.0
1971-72	15.1
1972-73	23.2
1973-74	30.6
1974-75	17.2
1975-76	29.0
1976-77	34.6
1977-78	73.3
1978-79	101.5
1979-80	57.9
1980-81	52.1
1981-82	157.4
1982-83	166.9
1983-84	330.2
1984-85	756.2
1985-86	891.8
1986-87	1261.1

Source: SEBI Handbook on Indian Securities Market.

Note: Data from 1970-71 to 1986-87 for UTI relate to July-June Period.

Composition of UTI Assets under Management: Total and According to Types of Schemes

The UTI had no Close-ended Fund (CEF) till 1974-75, after which it had only one Close-ended Fund till 1986-87. Its Open-ended Funds (OEFs) accounted for 72 percent of its total assets

in 1986-87, the rest being accounted for by Close-ended Funds. Thus, OEFs were and still are more important than CEFs in terms of the volume of business of UTI, although their share has declined while that of CEFs has increased over the years (see Table 3).

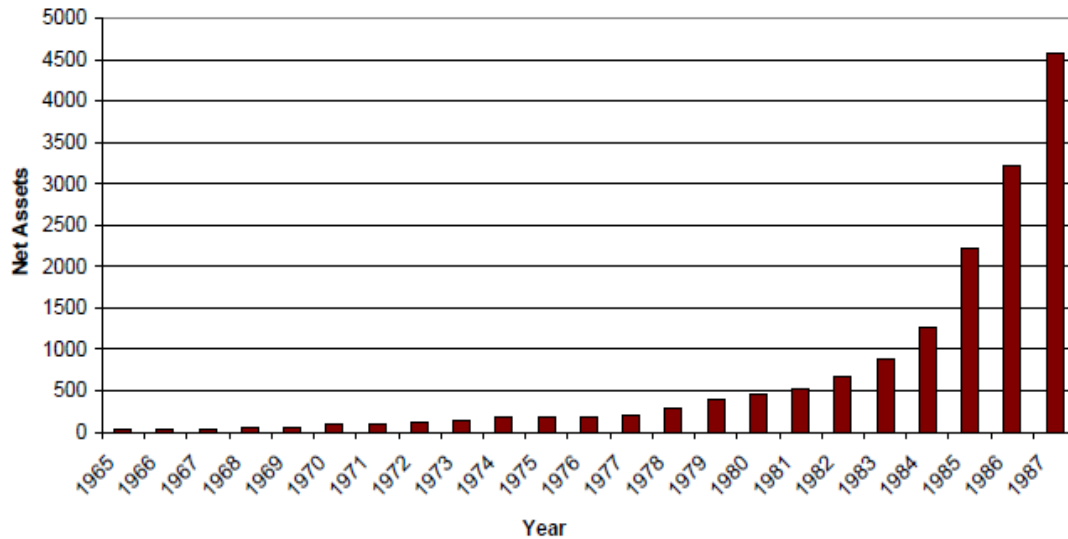
Table 3: Composition of Assets under Management

Years	Open-ended Schemes	Close-ended Schemes			Total (Rs. Crores)	Year on Year Growth Rate (%)
		Income Schemes	Growth Schemes			
			Domestic	Off-shore		
1964-65	24.67(100)	NA	NA	NA	24.67(100)	-
1965-66	25.94(100)	NA	NA	NA	25.94(100)	5.15
1966-67	33.86(100)	NA	NA	NA	33.86(100)	30.53
1967-68	48.70(100)	NA	NA	NA	48.70(100)	43.83
1968-69	65.40(100)	NA	NA	NA	65.40(100)	34.29
1969-70	88.18(100)	NA	NA	NA	88.18(100)	34.83
1970-71	105.14(100)	NA	NA	NA	105.14(100)	19.23
1971-72	119.26(100)	NA	NA	NA	119.26(100)	13.43
1972-73	141.96(100)	NA	NA	NA	141.96(100)	19.03
1973-74	172.09(100)	NA	NA	NA	172.09(100)	21.22
1974-75	169.95(100)	NA	NA	NA	169.95(100)	-1.24
1975-76	176.66(96)	7.91(4)	NA	NA	184.54(100)	8.58
1976-77	206.84(96)	7.57(4)	NA	NA	214.41(100)	16.17
1977-78	279.91(97)	8.27(3)	NA	NA	288.18(100)	34.40
1978-79	393.70(98)	8.73(2)	NA	NA	402.43(100)	39.65
1979-80	455.30(97)	11.74(3)	NA	NA	467.04(100)	16.05

1980-81	513.97(98)	9.25(2)	NA	NA	523.22(100)	12.02
1981-82	611.70(90)	67.54(10)	NA	NA	679.24(100)	29.82
1982-83	736.66(85)	133.58(15)	NA	NA	870.24(100)	28.12
1983-84	1093.27(86)	168.06(14)	NA	NA	1261.33(100)	44.94
1984-85	1912.51(86)	297.10(14)	NA	NA	2209.61(100)	75.18
1985-86	2683.36(83)	534.98(17)	NA	NA	3218.34(100)	45.65
1986-87	3295.78(72)	927.02(21)	183.67(4)	157.21(3)	4563.68(100)	41.80

Source: Annual Report of UTI, various years.

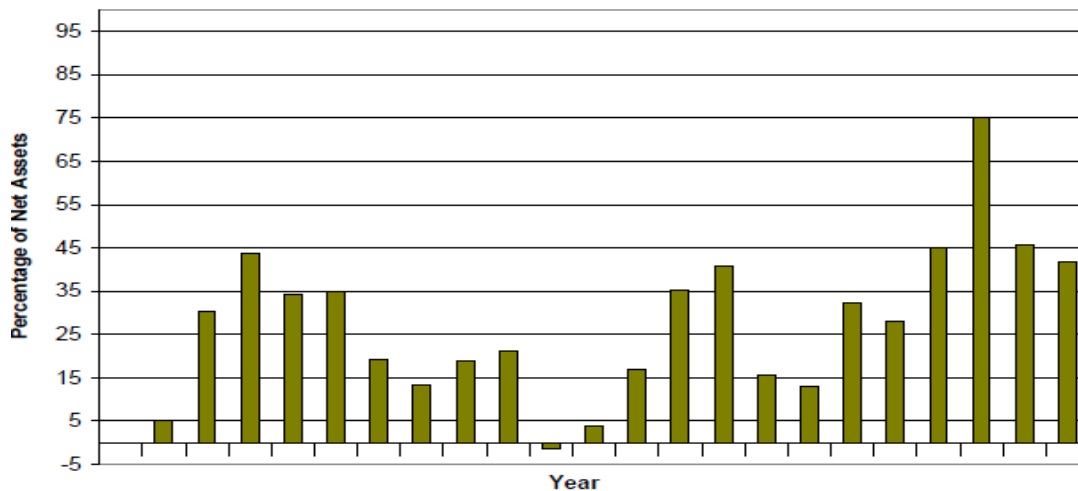
The composition of UTI Assets under Management over the period is graphically presented in Chart 1.



Source: Table 3

Chart 1: Composition of Assets under Management

The year on year percentage growth of the net assets over the period in the Phase 1 is graphically presented in Chart 2



Source: Table 3

Chart 2: Percentage of Net Assets under Management

Phase 2: Entry of Public Sector Funds (1987-1993)

In 1987, Government of India permitted the Commercial Banks in the public sector to form subsidiaries that would perform the functions of mutual funds through the amendment of Banking Regulation Act, 1949 which earmarked as an end of an era of UTI as the sole participant in the mutual fund sector. A number of Commercial Banks in the public sector, such as State Bank of India, Canara Bank, Punjab National Bank, Indian Bank,

Bank of India and Bank of Baroda started mutual funds. Government also permitted insurance companies like, Life Insurance Corporation of India and General Insurance Company of India to launch mutual funds to mobilize the savings of the small investors. In October 1989, the first regulatory guidelines were issued by RBI, but they were applicable only to the mutual funds sponsored by banks. Subsequently, the Government of India issued comprehensive

guidelines in June 1990 covering all mutual funds. These guidelines emphasized compulsory registration of with the SEBI and an arm's

length relationship be maintained between the sponsor and asset management company (AMC). With the entry of public sector funds, there was a tremendous growth in the size of mutual fund industry with net resources mobilized by mutual funds has increased to Rs.13021crore (See. Tabel 4).

The following Table 4 shows the net resources mobilized by UTI, Bank Sponsored Mutual Funds and FI (Financial Institutions) Sponsored Mutual Funds. UTI was the only institution that functioned up to 1986-87. The net resources mobilized during 1986-87 were Rs.1261.1crores which rose to upto Rs 13021crores by the year 1992-93, more than tenfold. The entries of Public Sector organisations have played a major role for the increase in mobilization of the resources during the recent period. So, far as UTI is concerned, it's contribution

fluctuated from 1987-88 onwards due to the entry of Bank sponsored mutual funds and Financial Institute sponsored mutual funds. In the year 1986-87, the resources mobilized by UTI was Rs.1261.1crores which rose upto Rs.11057 crores by the 1992-93, more than nine fold. In the year 1987-88, out of the total resources mobilized by the mutual funds, UTI has a share of 89.17% and public sector organizations mutual funds have only 10.83% share. During the period 1990-91 and 1991-92 public sector organizations mobilized resources 40% and 22% respectively. By the year end 1991-92 total amount mobilized by public sector organizations was Rs.2568crores. But, the contribution of public sector organizations declined in the year 1992-93 to only Rs.1964 crores. However, UTI remained the leader with about 60% market share. From a single player in 1985, the number increased to 8 players in 1993.

Table 4: Net Resources Mobilised by Mutual Funds Rs. Crore)

Year 1	UTI 2	Bank Sponsored Mutual Fund 3					FI Sponsored Mutual Fund 4		Total (2+3+4)
		SBI Mutual Fund	Canara Robeco Mutual Fund	Indian Bank Mutual Fund	Bank of India Mutual Fund	PNB Mutual Fund	GIC Mutual Fund	LIC Mutual Fund	
1987-88	2059.4 (89.17)	131 (5.67)	119 (5.16)	-	-	-	-	-	2309.4 (100)
1988-89	3855.0 (92.33)	136 (3.26)	184 (4.41)	-	-	-	-	-	4175 (100)
1989-90	5583.6 (82.27)	304 (4.48)	461 (6.79)	124 (1.83)	-	-	-	315 (4.63)	6786.6 (100)
1990-91	4553.0 (60.63)	505 (6.73)	998 (13.29)	176 (2.34)	592 (7.88)	81 (1.08)	214 (2.85)	390 (5.20)	7509 (100)
1991-92	8685.4 (77.18)	525 (4.67)	1268 (11.27)	127 (1.13)	73 (0.65)	147 (1.31)	198 (1.76)	230 (2.03)	11253.4 (100)
1992-93	11057 (84.92)	1041 (8.00)	16 (0.12)	117 (0.90)	5 (0.04)	25 (0.19)	371 (2.85)	389 (2.98)	13021 (100)

Source: SEBI Handbook on Indian Securities Market.

FI: Financial Institutions

Note: 1. Data from 1987-88 for UTI relate to July-June Period.

2. Figures in brackets are percentage to the row total.

Table 5 below reflects cumulative savings mobilised by Financial Institutions in India. The amount of savings mobilised by the Financial Institutions increased from Rs.4814 crores during 1987-88 to Rs.37887 crores during 1992-93. In other words, the simple index increased by 7.8 times. The number of investors had increased by 8 times, that is, there was only 31

lakh investors during 1987-88, and it had increased to 248.5 lakh by the year 1992-93. However, average saving per investor was highest during the year 1990-91, that is Rs.26089. But, it came down to Rs.15246 during 1992-93. It can be concluded that though the number of investors had increased, the average savings per investor decreased.

Table 5: Cumulative Savings Mobilised by Financial Institutions during 1987-1993

Year	Savings Mobilised in Crores(Rs.)	Simple Index	No. Investors (in Lakhs)	Simple Index	Mobilisation of Savings per Investor (Rs.)
1987-88	4814	100	31.01	100	15525
1988-89	7162	148.8	40.5	130.6	17683
1989-90	12553	260.8	52.95	170.7	23708
1990-91	21302	442.4	81.65	263.3	26089
1991-92	27193	564.28	117.5	379	23143
1992-93	37887	787	248.5	801	15246

Note: Simple Index is calculated based on the year 1987-88

The second phase of development in the Indian Mutual Fund Industry is characterised by the end of monopoly enjoyed by UTI. With the entry of the public sector banks and financial institutions, the asset holding pattern of mutual funds underwent a significant change. The percentage of the share of

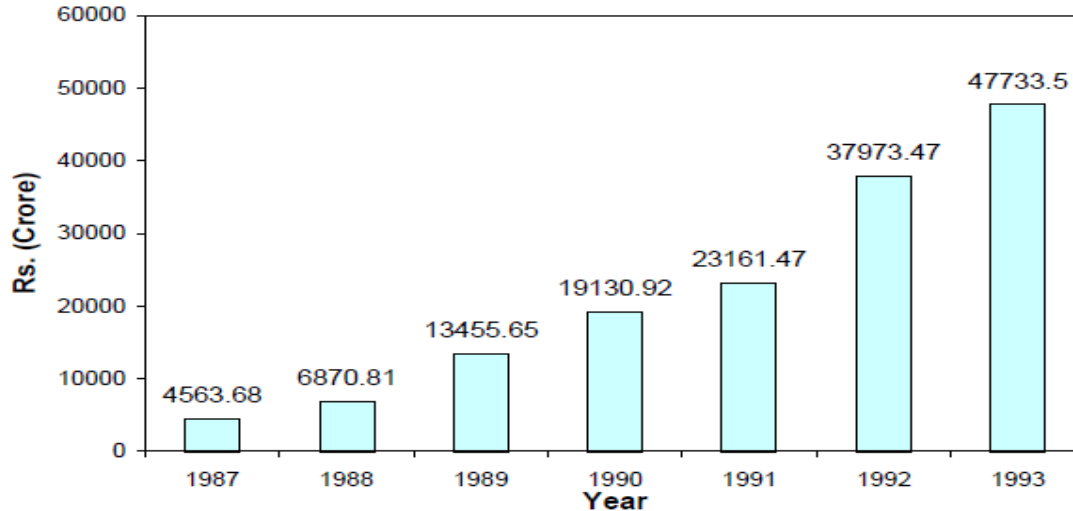
UTI in the Net Assets under Management of Mutual Funds steadily declined from 98.08 percent to 81.66 percent from the year 1987-88 to 1992-93 and Non-UTI Mutual Funds gained at the expense of UTI by 18.34 percent (Table 6).

Table 6: Net Assets under Management of the Indian Mutual Fund Industry

Year	Net Assets		Total (Rs.Crores)	Year on Year Growth Rate (%)
	UTI	Non-UTI's		
1986-87	4563.68(100)	0.00	4563.68(100)	
1987-88	6738.81(98.08)	132.00(1.92)	6870.81(100)	50.55
1988-89	11834.65(87.95)	1621.00(12.05)	13455.70(100)	95.84
1989-90	17650.92(92.26)	1480.00(7.74)	19130.909(100)	42.18
1990-91	21376.48(92.29)	1784.99(7.71)	23161.50(100)	21.07
1991-92	31805.69(83.76)	6167.78(16.24)	37973.50(100)	63.95
1992-93	38976.81(81.66)	8756.69(18.34)	47733.50(100)	25.70

Source: AMFI Year Book-2000.

The growth of the net assets over the period in the Phase 2 is graphically presented in Chart 3.



Source: Table 6

Chart 3: Net Assets under Management

During this second phase, significant developments to strengthen the regulatory framework of the Mutual Fund industry in India took place. Before 1989, there were no regulatory guidelines for the Mutual Funds in India. The first such guidelines were issued by RBI in October 1989, but they were applicable only to the Mutual Funds floated by banks. Comprehensive guidelines were issued by the Government of India in June 1990. These covered all Mutual Funds and made registration with SEBI mandatory.

Phase 3: Emergence of Private Sector Funds (1993-1996)

Ever since, non-UTI funds came into existence in 1987, the exclusion of private sector was being widely criticised. As such, the mutual fund industry appeared poised for a phenomenal growth. However, at this juncture, the shocking revelation of the 1992 securities scam shook the investor confidence and forced SEBI to put all the forthcoming schemes of mutual funds on hold. Unexpectedly, the scam did not dissuade the government from throwing open this industry to the private sector. By December, 1993, thirteen companies in the private sector were permitted to launch mutual 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. In 1993 the first Mutual Fund regulation came into being under which all Mutual Funds, except UTI was to be registered. The Kothari Pioneer (now merged with Franklin Templeton) was the first private sector

Mutual Fund registered in July 1993. During the year 1993-94, four others also entered the fray – ICICI

Mutual Fund, 20th Century Mutual Fund, Morgan-Stanley Mutual Fund, and Taurus Mutual Fund, launching their schemes.

During the year 1994-95, seven more players entered the market- Apple Mutual Fund, JM Mutual Fund, Shriram Mutual Fund, CRB Mutual Fund, Alliance Mutual Fund, Birla Mutual Fund and H.H. Mutul Fund. In 1995-96, three big players entered the Indian market-Tata Mutual fund, Reliance Capital Mutual Fund Jardine Fleming Mutual Fund.

Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI. 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 following Table 7 shows the net resources mobilized by UTI, Bank Sponsored Mutual Funds, FI (Financial Institutions) Sponsored Mutual Funds and Private Sector Mutual Funds. The mobilisation of resources in the first two years of Phase 3 worked well, though the initial collections by the private sector were slow. In the year 1993-94, out of Rs.11242.5crore, UTI share was Rs.9297crore (83%), public sector mutual funds share was Rs.386crore (3.43%) and private sector mutual funds contributed Rs.1559.5crore (13.87%).

During 1994-95, out of Rs.11274.8crore, UTI share was Rs.8611crore (76.3%), public sector mutual funds share was Rs.1342crore (11.9%) and private sector mutual funds contributed Rs.1321.8crore (11.72%).In spite of entry of private sector mutual funds, UTI remained the dominant player in resources mobilisation.

However, year 1995-96 was a disappointing one for the industry. The total mobilisation by all Mutual Funds, including

UTI fell drastically to Rs.-5833 crores.In this year UTI was worstly affected which resources mobilisation was Rs.-6314 crore. In 1995-96, the total mobilisation registered a negative growth of -48.26 percent over the previous year. The share of public sector fell from Rs.1342crores in the previous year to a meagre Rs.348crores. Private sector also presented a poor show by falling from Rs.1321.8 crores in 1994-95 to a dismal low of Rs.133 crores in 1995-96.

Table 7: Net Resources Mobilised by Mutual Funds (Rs. Crore)

Year 1	UTI 2	Bank Sponsored Mutual Fund 3						FI Sponsored Mutual Fund 4			Private Sector Mutual Funds 5	Total (2+3+4+5)
		SBI MF	Canara Robeco MF	Indian Bank MF	BOI MF	PNB MF	Baroda Pioneer MF	GIC MF	LIC MF	IDBI MF		
1993-94	9297.0 (7453.0)	105	43	-	-	-	-	227	11	-	1559.5	11242.5
1994-95	8611.0 (6800)	218	206	94	54	156	38	320	69	187	1321.8	11274.8
1995-96	-6314.0 (-877.0)	76	3	-	-	10	24	65	117	53	133.0	-5833

Source: SEBI Handbook on Indian Securities Market.

Note: 1.For Unit Trust of India (UTI), the figures are gross value (with premium) of net sales under all domestic schemes.

2. Figures in brackets pertain to net sales at face value (excluding premium).

With the entry of private players, the Indian Mutual Fund industry became full fledged and the assets under management by the end of 1996, reached Rs.75050crores. Table 8 shows the pattern of growth in terms of net assets during the Phase 3 of development of the Fund industry.

UTI still remained as the key player in the market contributing more than 80 percent of total assets under management till the

year 1995. However, the year on year growth rate of net assets in the industry in this phase declined to 16 percent in the year 1994-95 from the 30.79 percent during 1993-94.The year 1995-96 was also the worst with respect to growth of assets under management which accounts only 2.85 percent year on year growth rate compared to the previous year.

Table 8: Net Assets under Management of the Indian Mutual Fund Industry

Year	Net Assets		Total (Rs.Crores)	Year on Year Growth Rate (%)
	UTI	Non-UTI's		
1992-93	38976.81(81.66)	8756.69(18.34)	47733.50(100)	
1993-94	51708.88(82.83)	10721.17 (17.17)	62430.1(100)	30.79
1994-95	59618.64(81.71)	13348.53 (18.29)	72967.2(100)	16.88
1995-96	56620 (75.44)	18430 (24.56)	75050(100)	2.85

Source: Securities and Exchange Board of India

Phase 4: Growth and SEBI Regulation (1996-1999)

The Mutual Fund industry witnessed robust growth and strict regulations from SEBI after 1996. The mobilization of funds and the number of players operating in the industry reached new heights as investors started showing more interest in Mutual Funds. Investors' interests were safe guarded by SEBI and the government offered tax benefit to the investors. In order to encourage them, SEBI (Mutual Funds) Regulations 1996 was introduced by SEBI that set uniform standards. The union budget in 1999 exempted all dividend incomes in the hands of investors from income tax. As part of these measures, SEBI issued standard offer documents and memoranda containing key information. The guidelines issued by RBI for Money Market Funds were incorporated in the SEBI Regulations. Various investor awareness programmers were launched during this phase both by SEBI and Association of Mutual Fund in India (AMFI).

During 1996-97, eight new mutual funds- Templeton Mutual Fund, ITC Classic Threadneedle mutual Fund, Cholamandalam Cazenove Mutual Fund, Sundaram Newton Mutual Fund, First India Mutual Fund, Escorts Mutual Fund, Anagram Wellington Mutual Fund launched their schemes. In the year1997-88, two

new foreign players-DSP Merrill Lynch Mutual Fund and Sun F & C Mutual Fund set up their mutual funds in India. The year 1998-99 also witnessed the entry of two other players- Kotak Mahindra Mutual Fund and Dundee Mutual Fund in Indian mutual fund industry. By the year ended 1999, 37 mutual funds were operating in India.

The following Table 9 shows the net resources mobilized by UTI, Bank Sponsored Mutual Funds, FI (Financial Institutions) Sponsored Mutual Funds and Private Sector Mutual Funds. The mobilisation of resources in the Phase 4 was the worst in the history of Indian mutual fund industry.This Phase witnessed the end of the dominance of UTI and private sector mutual funds emerged as key market players. In the year 1996-97, the resource mobilized by UTI was negative of Rs.3043crore and private sector mutual funds contributed Rs.863.6crore.There was an improvement in UTI resources mobilization in the year 1997-98 showing in total mobilization of Rs.2875crore constituting 70.73 percent of total mobilization. During the same period, the public sector mutual funds contributed merely Rs.441crore (10.85%) and the share of private sector mutual funds was Rs.748.6crore (18.42%).The year 1998-99 was the year of private sector mutual funds contributing Rs.2066.9crore

out of the total resources of Rs. 2694.9crore, constituting 76.70percent, an increase by 58.28percent compared to the

previous year, while the share of public sector mutual funds and UTI was 16.99 percent and 6.3percent respectively.

Table 9: Net Resources Mobilised by Mutual Funds (Rs.Crore)

Year 1	UTI 2	Bank Sponsored Mutual Fund 3						FI Sponsored Mutual Fund 4			Private Sector Mutual Funds 5	Total (2+3+4+5)
		SBI MF	Canara Robeco MF	Indian Bank MF	BOI MF	PNB MF	Baroda Pioneer MF	GIC MF	LIC MF	IDBI MF		
1996-97	-3043.0@ (-855.0)@	3	2	-	-	-	2	-32	169	-	863.6	-2035.4
1997-98	2875.0 (-2592)	190	47	-	-	-	-	-19	100	123	748.6	4064.6
1998-99	170.0 (1300.0)	-72	-17	-	-	-	-	-12	348	211	2066.9	2694.9

Source: SEBI Handbook on Indian Securities Market.

Note: 1.For Unit Trust of India (UTI), the figures are gross value (with premium) of net sales under all domestic schemes.

2. Figures in brackets pertain to net sales at face value (excluding premium).

@ Excludes re-investment sales.

Table 10 below shows the pattern of growth in terms of net assets during the Phase 4 of development of the Fund industry. It is also seen in terms of asset under management UTI still remained as dominant player in the market contributing more than 80 percent of total assets under management. However, the year on year growth rate of net assets in the industry in this phase declined to -9.27 percent in the year 1997-98 from the

7.31 percent during 1996-97. But, there was improvement in the growth of assets under management in the year 1998-99 which accounts 3.09 percent year on year growth rate compared to the previous year. In this Phase both public sector and private sector mutual funds failed to contribute a significant share towards the growth of the industry.

Table 10: Net Assets under Management of the Indian Mutual Fund Industry

Year	Net Assets		Total (Rs.Crores)	Year on Year Growth Rate (%)
	UTI	Non-UTI's		
1995-96	56620 (75.44)	18430 (24.56)	75050(100)	
1996-97	57124(70.93)	23415(29.07)	80539(100)	7.31
1997-98	61164(83.71)	119069(16.29)	73070(100)	-9.27
1998-99	63623(84.46)	11709(15.54)	75332(100)	3.09

Source: Securities and Exchange Board of India

Phase 5: Emergence of a Large & Uniform Industry (1999-2004)

This Phase was marked by very rapid growth of the Indian mutual fund industry & the market share of private sector mutual funds increased significantly crossing Rs.1,00,000crore. The tax break offered to mutual funds in 1999 created arbitrage opportunities for a number of institutional players.

During this Phase, there was bifurcation of UTI. In February 2003, following the repeal of the UTI Act 1963, UTI was bifurcated into two separate entities. One is the SUUTI (Specified Undertaking of the UTI) with assets under management of Rs.29835crores as at the end of January 2003, representing broadly the assets of US-64, Assured Return and certain other schemes coming under this. The SUUTI was functioning under an administrator and under the rules framed by the Govt. of India.

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. For the first time UTI Mutual Fund became SEBI complaint. This Phase also witnessed with the recent mergers taking place among different private sector Funds and with many foreign Mutual Funds setting up Funds in India and the like, the mutual fund industry in India can be viewed as entering a new phase of consolidation and growth.

During this Phase eight more mutual fund companies were registered with SEBI to float new schemes. During the year 1999-00, two large mutual funds-ING Saving Trust Mutual Fund, IL & FS Mutual Fund were registered with SEBI. In the year 2000-01- HDFC Mutual Fund and Standard Chartered Mutual Fund launched their schemes in India. Benchmark Mutual Fund came to India in the year 2001-02 to operate as an Asset Management Company. The year 2002-03 also witnessed the entry of two large foreign mutual fund companies- Deutsche Asset Management, and HSBC Mutual Fund. Principal Mutual Fund set up its Fund in India in the year 2003-04.

The following Table 11 shows the net resources mobilized by UTI, Bank Sponsored Mutual Funds, FI (Financial Institutions) Sponsored Mutual Funds and Private Sector Mutual Funds. In Phase 5 private sector mutual funds occupied a significant position in Indian mutual fund industry with the entry of large mutual fund houses. The private sector mutual funds could able divert the attention of Indian investor towards themselves through launching of new innovative products and also the Indian investors showed their confidence towards the private sector mutual funds as compared to the UTI and public sector mutual funds.

In the year 1998-99, the resources mobilized by private sector mutual funds was Rs.2066.9crores which rose upto Rs.16937.4crores by the 1999-00, more than eight fold. Out of the total resources Rs.22117.4crore mobilized during 1999-00,

UTI has a share of Rs.4548.0crore (20%), public sector mutual funds have share of Rs.632crore (2.86%) and private sector mutual funds have share of Rs. 16937.4crore (77.14%).The resources mobilized by private sector mutual funds decreased to Rs. 9292.1 in the year 2000-01, from Rs.16937.4crore during 1999-00 showing a declining growth rate of 45 percent and the resources mobilized by UTI in the same period was f

Rs.322crore(2.89%). During the period 2001-02 to 2003-04, priate sector mutual funds grown at a higher rate than the growth rate of industry as whole, showing more than 80 percent growth rate. Share of UTI was reduced from70.73 percent in 97-98 to -2.19 percent in 2002-03. Non-UTI public sector also does not present a lucent picture.

Table 11: Net Resources Mobilised by Mutual Funds (Rs.Crore)

Year 1	UTI 2	Bank Sponsored Mutual Fund 3						FI Sponsored Mutual Fund 4			Private Sector Mutual Funds 5	Total (2+3+4+5)
		SBI MF	Canara Robeco MF	Indian Bank MF	BOI MF	PNB MF	Baroda Pioneer MF	GIC MF	LIC MF	IDBI MF		
1999-00	4548.0 (5762.0)	659	-361	-	-	40	-2	-268	285	279	16937.4	22117.4
2000-01	322.0 (1201.0)	252	-5	-	-	2	-	-43	566	750	9292.1	11136.1
2001-02	-7284.0 (-6119.0)	614	140	-	-	50	59	-56	640	-178	16134.1	10119.1
2002- 03	-9434.1	686	237	-	-	14	96	-97	578	380	12122.2	4582.1
2003- 04	1049.9*	1927	495	-	-	1841	263	-147	934	-	41509.8	47872.7

Source: RBI, SEBI Handbook on Indian Securities Market.

Note: 1.For Unit Trust of India (UTI), the figures are gross value (with premium) of net sales under all domestic schemes.

2. Figures in brackets pertain to net sales at face value (excluding premium).

*Data pertain to UTI Mutual Fund for the period February 01, 2003 to March 31, 2004, being the first year in operation after the bifurcation of erstwhile UTI into UTI Mutual Fund and Specified Undertaking of the Unit Trust of India.

The Table 12 below depicts the assets under management of UTI, Non-UTI Public Sector Mutual Funds and Private Sector Mutual Funds. From the following analysis it is found that private sector mutual funds get their dominance gradually in the Indian mutual funds industry, posing a serious challenge to UTI and public sector mutual funds. The share of private sector mutual funds in the market rose substantially from 18.21 percent in 1998-99 to 75.2 percent in 2004, while the share of

UTI and non-UTI public sector together constitutes only 24.8percent during the corresponding period. It can be seen that public sector fails to break-through the resistance level and hovers around 14percent. The fall in the share of UTI to 17 percent in 2003 is, because of its bifurcation. During this Phase the year on year growth rate of the industry was more fluctuating. The year on year growth rate declined to -21percent in the year 2002-03 from 50percent in the year 1999-00.

Table 12: Net Assets under Management of the Indian Mutual Fund Industry

Year	Net Assets			Total (Rs.Crores)	Year on Year Growth Rate (%)
	UTI	Non – UTI Public Sector MF	Private Sector MF		
1998-99	53320(70.78)	8292(11.01)	13720(18.21)	75332(100)	
1999-00	76547(67.74)	11412(10.10)	25046(22.16)	113005(100)	50.00
2000-01	58017(64.05)	6840(7.55)	25730(28.40)	90587(100)	-19.84
2001-02	51434(51.13)	8204(8.16)	40956(40.71)	100594(100)	11.05
2002-03	*13516(17.01)	10426(13.12)	55522(69.87)	79464(100)	-21.01
2003-04	-	34624(24.8)	104992(75.2)	139616(100)	75.69

Source: AMFI Report, various years.

Note:* Fig of UTI in 2003 is after bifurcation and relating to 'UTI Fund Ltd' only, excluding the specified undertaking of the UTI which manages assets of U -64 and other schemes worth Rs.29835crores. After 2003 UTI is included in Bank-Sponsored sector.

Phase 6: Consolidation and Growth (2004 onwards...)

Today, there are 1475 schemes offered by 31 mutual fund players as of April 30, 2004.However of late, as the consolidation process gained momentum, the industry has seen a slew of mergers & acquisitions. It was Franklin Templeton, which fixed the first salvo in this competition by acquiring Kothari Pioneer Mutual Fund in the year 2004. This has been followed by acquisition of Zurich Mutual Fund by HDFC Mutual Fund, IF&LS Mutual Fund by UTI Mutual Fund & recently First India Mutual Fund by the Sahara group. In between the mega deals, the market did see a number of smaller takeovers. Principal Mutual Fund bought out Sun F&C Mutual Fund's schemes, while Canbank Mutual Fund took care of GIC Mutual Fund and Indbank Mutual Fund sold out to the Tata Mutual Fund.

According to sources, Birla Sun Life AMC acquired Alliance Capital AMC in 2005. With this acquisition, Birla Sun Life

Mutual Fund's total AUM will increase to Rs 11,049 crore and will become the fifth largest fund house in India. Currently, UTI Mutual Fund is leading the pack with assets of Rs 20,224 crore, followed by Franklin Templeton (Rs 18495 crore), HDFC Mutual Fund (Rs 15,035 crore) and Prudential ICICI Mutual Fund (Rs 14,854 crore). Birla Sun Mutual Fund is ranked seventh with AUM of Rs 9,098 crore. as on September 30, 2004 Mutual fund industry has been going through a wave of consolidation post October 2008, when mutual funds faced a severe liquidity crisis and the Reserve Bank of India had to step in to provide them a line of credit. The problem did not stop there as several mutual funds' investments in real estate and NBFCs' (non-banking finance companies') papers went wrong. Religare acquired Lotus Mutual Fund in November 2008 after the latter went into trouble due to its huge exposure to fixed maturity plans (FMPs). ABN Amro Mutual Fund was changed to Fortis Mutual Fund in November 2008 after Fortis acquired

the investment management business of ABN Amro in a global deal.

Infrastructure Development Finance Corporation (IDFC) acquire Standard Chartered Mutual Fund for \$205 mn. On the date of merger Standard Chartered Mutual Fund has around eight equity funds--the Stan Chart Classic (a multi-cap fund), Stan Chart Premier Fund (a mid & small cap fund), Stan Chart Imperial (large cap fund), Stan Chart Enterprise Fund(that largely invests in IPOs and in the Nifty when there are no IPOs), the ELSS fund(a close ended fund), the Stan Chart SME fund and two arbitrage funds(one open ended and the other close ended).

The mutual fund industry was set for a major shake-up with mergers and acquisitions (M & As) gathering momentum when in September 2009, L&T Finance acquired DBS Cholamandalam for Rs 45 crore. All regulatory approvals have been taken from authorities (December 23, 2009 from SEBI), and now DBS Chola Mutual Fund will be renamed as L&T Mutual Fund, while DBS Cholamandalam Asset Management Ltd (DCAM) will be renamed as L&T Investment Management Ltd, while DBS Cholamandalam Trustees Ltd. will be renamed as L&T Mutual Fund Trustee Ltd.

On May 27, 2009 Sundaram BNP Paribas has acquired all the operations of Fortis which include asset management, private banking, merchant banking and consumer finance outside the Netherlands. This, in effect, means that Fortis Mutual Fund will be a part of Sundaram BNP Paribas Mutual Fund. However, under Indian regulations, a mutual fund cannot have two licences. This made the merger mandatory.

Fidelity MF and L&T MF has announced the merger of few of its schemes subsequent to L&T Mutual Funds acquisition of Fidelity AMC. Effective November 16, 2012, Fidelity Flexi Gilt Fund will merge with L&T Gilt Fund, Fidelity Wealth Builder Fund - Plan A with L&T Monthly Income Plan, Fidelity Wealth Builder Fund - Plan B and Fidelity Wealth Builder Fund - Plan C with L&T MIP - Wealth Builder Fund Furthermore, certain schemes of L&T Mutual Fund will also be merged with schemes of Fidelity Mutual Fund. L&T Contra Fund and Fidelity India Value Fund will merge to form a new scheme named 'L&T India Value Fund'. L&T Hedged Equity Fund, L&T Opportunities Fund and L&T Growth Fund will merger with Fidelity India Growth Fund to form a new scheme named 'L&T India Large Cap Fund' Both the AMCs have provided investors with an option to exit without paying any exit load between October 15,2012 to November 15,2012.

SBI Mutual Fund acquired Daiwa AMC on November 16, 2013. Following the acquisition of Daiwa AMC by SBI Mutual

Fund, SBI MF has renamed the acquired schemes. Daiwa Industrial Leaders Fund, a large cap scheme has been renamed to SBI Small & Midcap Fund and will be a part of the mid and small cap category of funds. Daiwa Treasury advantage Fund would now be recognised as SBI Treasury Advantage Fund. Daiwa Government securities Fund- Short Term Plan would be called SBI Benchmark G Sec Fund. Daiwa Liquid Fund has been merged into SBI Magnum Instacash Fund- Liquid Floater Plan.

HDFC Mutual Fund acquired Morgan Stanley Mutual Fund schemes on May 22, 2014.HDFC MF merged the four schemes offered by Morgan Stanley MF with itself, while it would change the name of another four schemes. The changes were announced pursuant to the acquisition of Morgan Stanley MF schemes and to avoid similar products being offered to the investors. Besides, HDFC MF had given an exit option to the unit holders of Morgan Stanley MF. "An exit option from May 22, 2014 to June 20, 2014 has been provided to the unit holders who are not agreeable to the transaction/changes to the schemes wherein they may submit redemption request to MSMF (Morgan Stanley MF) to exit the scheme without any exit load. The Board of ING Investment Management India, ING Trustee, Birla AMC and Birla Trustee have approved the merger and the market regulator SEBI has also given its nod to the proposed deal on September 6, 2014.Birla Sun Life MF, part of Aditya Birla Financial Services Group firm, will merge all the 26 schemes offered by ING MF with its own funds, according to a public notice. Besides, Birla Sun Life MF has given an exit option to the unit holders of ING MF. "The option to exit the schemes without any exit load can be exercised from September 8 and is valid up to October 9. The option to exit is available to all unit holders except for unit holders who have pledged their units.

On November 20, 2014, Kotak Mahindra Mutual Fund's acquired the schemes run by Pine Bridge Mutual Fund. Under the scheme of combination, Kotak Mutual Fund would acquire control of the schemes of Pine Bridge Mutual Fund by way of change in trusteeship, management and administration. Kotak AMC manages the mutual fund schemes offered by Kotak MF, a trust with Kotak Mahindra Bank Ltd as the sponsor. PBI Asset Management Company is into managing the schemes of PBI Mutual Fund -- a trust sponsored by Pine Bridge Investments Japan Co. As per report of the market regulator, "The parties' combined market share in the overall market of mutual funds in India would be 3.67 per cent which is significantly lower than the other large players in the mutual fund industry.

The consolidation of Mutual Fund is given in Table.

Table 13: Consolidation of Mutual Funds

Year	Acquiring Asset Management Company	Acquired Asset Management Company
2004	Sun F & C Mutual Fund Templeton Mutual Fund HDFC Mutual Fund Principal Mutual Fund UTI Mutual Fund Sahara India CanBank Mutual Fund	Jardine Fleming Mutual Fund Kothari Pioneer Mutual Zurich India Sun F & C Mutual Fund IL&FS Mutual Fund First India Mutual Fund GIC Mutual Fund
2005	Birla Sun Life Mutual Fund Principal Mutual Fund	Alliance Mutual Fund PNB Mutual Fund
2008	Religare Invesco Mutual Fund IDFC Mutual Fund Fortis Mutual Fund	Lotus India Mutual Fund Standard Chartered Mutual Fund ABN Amro Mutual Fund

2009	L & T Mutual Fund Sundaram BNP Paribas	DBS Cholamandalam Mutual Fund Fortis Mutual Fund
2012	L & T Mutual Fund	Fidelity Mutual Fund
2013	SBI Mutual Fund	Daiwa Mutual Fund
2014	HDFC Mutual Fund Birla Sun Life Mutual Fund Kotak Mutual Fund	Morgan Stanley ING Mutual Fund Pinebridge Investments

Source: Compiled from various sources.

Recently, State Bank of India has initiated a proposal to acquire UTI Mutual Fund and merge it with its asset management arm SBI Mutual Fund. SBI had made the proposal to the department of financial services, which in turn has forwarded it to the department of economic affairs for consideration. Both departments are part of the finance ministry, whose view on the matter is still to be firmed up. The merger plan, if it does pass muster, will create India's biggest mutual fund by assets while giving the country's biggest bank a majority stake in such an entity as well as a dominant role in the mutual fund business where it today is one of many players.

The analysis of the Table 14 below shows that resources mobilized by private sector mutual funds was Rs.7933crore in the year 2004-05 rose to Rs.1,63,356crore in the year 2007-08 showing an increase by 20 times. During the same period, UTI mutual fund showed a merely 5 times increase in resource mobilization, i.e, from Rs.-2467crore in the year 2004-05 to Rs. 10678crore in the year 2007-08. The share of public sector mutual funds have increased by 4.7 times i.e, from Rs.-2677crore in the year 2004-05 to Rs. 9964crore in the year 2007-08. By the year end 2008, the private sector mutual funds contributed 88.78 percent of the total resources mobilized in the Indian mutual fund industry, while the share of UTI mutual fund and public sector mutual funds together constitutes only 11.22percent during the corresponding period.

The year 2008-09 was marked by negative resources mobilization in the industry because of US Sub-Prime Lending crisis. During this period the major financial markets lost more than 30% of their value. Except public sector mutual funds, all private sector mutual funds including lost their market share due this global factor. During this period the private sector mutual funds resources reduced by -79.17 percent compared to the immediate preceding year.

The market again took momentum in the year 2009-10. The total resources mobilized during this period was Rs. 82153crore

gaining wide margin over the previous year. But, the recovery of the market did not last for a long period of time because, a continuing downside in the banking stocks, largely on concerns about rising bad debts due to a slowdown in economic growth, and apprehensions that the corporate profitability being hit due to increased interest rates and rising input costs added to the market woes during 2010-11. The problems in global economy was seen as a major reason for the downside in 2011 also, but concerns about domestic economic growth, a perceived notion of policy paralysis and slowdown in corporate sector added to the concerns towards the year-end.

Again, the Indian economy's performance in 2011-12 was marked by slowing growth, high inflation and widening fiscal and current account gaps. The economy grew at its slowest pace in nine years with mining, manufacturing and construction dragging growth down. Weakening of both domestic and external demand contributed to the slowdown. Importantly, in spite of slowing growth, inflation stayed high for larger part of the year. In response, the Reserve Bank persisted with tightening till October 2011 and paused before easing in April 2012. Slowing growth, high inflation and widening twin deficits, along with global flight to safety amidst a deepening euro area crisis put pressures on the financial markets and the exchange rate during the year. Because of the above sited reasons Indian mutual funds industry entered into the negative zone of growth during 2010-11 to 2011-12.

From the year 2012 onwards the market showed a sharp rise in the resources mobilization. The private sector mutual funds completely captured the market under their arms and dominated the Indian mutual funds industry. The share of private sector mutual funds in terms of resources mobilization increased to 102.76percent in the year 2014-15 from 82percent in the year 2012-13.

Table 14: Net Resources Mobilised by Mutual Funds (Rs. Crore)

Year 1	UTI Mutual Fund 2	Bank Sponsored Mutual Fund 3	FI Sponsored Mutual Fund 4	Private Sector Mutual Funds 5	Total (2+3+4+5)
2004-05	-2467	707	-3384	7933	2789
2005-06	3424	5365	2112	41581	52482
2006-07	7327	3032	4226	79477	94063
2007-08	10678	7786	2178	163356	183998
2008-09	-3658	4490	5954	-34018	-27236
2009-10	12499	9855	4871	54928	82153
2010-11	-16636	1304	-16988	-16281	-48601
2011-12	-3179	389	-3098	-39525	-45413
2012-13	4629	6708	2241	65284	78862
2013-14	401	4845	2572	46761	54579
2014-15	-1278	-700	-1035	112390	109377

Source: RBI, SEBI Handbook on Indian Securities Market

Note: 1. Data for 2014-15 are provisional.

2. Data for UTI from 2004-05 onwards pertain to UTI Mutual Fund only.

The Table 15 below shows the assets under management of UTI Mutual Fund, Non-UTI Public Sector Mutual Funds and Private Sector Mutual Funds. From the following analysis it is found that private sector mutual funds have completely dominated the Indian mutual funds industry the share of private sector mutual funds in the market rose substantially from 75.2 percent in 2003-04 to 82.72percent in 2015, while the share of UTI and non-UTI public sector together constitutes only 17.28percent during the corresponding period. It can be seen that the share of public sector mutual funds have declined to 9.48percent in the year 2015 from 24.8percent in the the year 2004 with a total decline of -15.32percent.It is also observed that the share of public sector mutual funds have started gradual declining from the year 2006-07 onwards. Similarly, due to the bifurcation of

UTI, the share of UTI mutual fund have declined to a very low level of 7.80percent in the year 2015 from 11.02percent in the year 2007 with a total decrease of -3.22 percent. But, during the same period the private sector mutual funds have increased by 7.52percent. During this Phase the year on year growth rate of the industry was more fluctuating due to global market turmoil. The year on year growth rate declined to -7.32percent in the year 2008-09 from 64.52percent in the year 2007-08 with a further fall to -5.14 in the year 2011-12.This happened as during this period the Indian economy was moving through a slow growth rate due to both domestic and global effect. The industry started gaining in the year 2015 showing year on year growth rate of 31.33percent.

Table 15: Net Assets under Management of the Indian Mutual Fund Industry

Year	Net Assets			Total (Rs. Crores)	Year on Year Growth Rate (%)
	UTI MF	Non – UTI Public Sector MF	Private Sector MF		
2003-04	-	34624 (24.8)	104992 (75.2)	139616(100)	
2004-05	-	32113 (21.56)	104992(70.5)	148886(100)	6.64
2005-06	-	50348 (21.71)	181514 (78.29)	231862(100)	35.5
2006-07	35488(11.02)	26525(8.24)	259854(80.74)	321867(100)	38.82
2007-08	48982(9.25)	43301(8.18)	437260(82.57)	529543(100)	64.52
2008-09	48754(9.93)	55543(11.32)	386509(78.75)	490806(100)	-7.32
2009-10	80217(10.73)	93064(12.45)	574057(76.82)	747338(100)	52.27
2010-11	67188(9.59)	67092(9.57)	566529(80.84)	700809(100)	-6.23
2011-12	58922(8.86)	65329(9.83)	540540(81.31)	664791(100)	-5.14
2012-13	69450(8.50)	88715(10.86)	658492(80.64)	816657(100)	22.84
2013-14	74233(8.20)	101454(11.21)	640970(80.59)	905120(100)	10.83
2014-15	92750(7.80)	112633(9.48)	983307(82.72)	1188690(100)	31.33

Source: AMFI Report, various years.

Conclusion

Mutual Funds clearly have a significant role to play in financial development of a developing economy like, India. The resources mobilized by mutual funds in India have recorded a two fold increase during the study period. Sector-wise analysis revealed that the share of private sector mutual funds in the resources mobilized was as high as 82 per cent. While the assets under management of public sector mutual funds had recorded a sharp decrease, that of private sector mutual funds have recorded an increase. This indicates the dominant role played by the private sector in the Indian mutual fund industry. The recent trends of consolidation of mutual funds in Indian industry have given a new boost to the industry in terms of increased market share of mutual funds.

References

1. Indian Central Banking Enquiry Committee, Minority Report, 1931.
2. Babu G Ramesh. Financial Services in India, Concept Publishing Company, 2005.
3. Dadabhoy Bakhtiar K. Barons of Banking, Random House India, 2013, 126-131.
4. Satya Sekhar GV. The Indian Mutual Fund Industry: A Comparative Analysis of Public vs Private Sector Performance, Palgrave Macmillan, 2014, 18.
5. Batra GC, Dangwal RC. Financial Services: New Innovation, Deep & Deep Publications Pvt. Ltd. New Delhi, 2005.
6. UTI Report, various years.
7. Information accessed at www.amfi.com

8. SEBI Handbook, various years.
9. RBI Annual Report, various years.
10. The Business Line, July 17, 2006.
11. The Economic Times, May 7, 2008.
12. The Business Standard, May 27, 2009.
13. www.moneycontrol.com, Oct 09, 2012.
14. www.valueresearchonline.com, Nov.18, 2013.
15. The Economic Times, May 28, 2014.
16. The Economic Times, September 8, 2014.
17. The Economic Times, November 28, 2014.
18. The Business Standard, 2014.
19. The Economic Times, Jan 7, 2015.