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## Certificate

This is to certify that Prof. Dr. Mr. Ms. Mayen P. Khadhane of T. J. College, Khadki, Pune  
has participated published research paper as Resource Person in the ICSSR sponsored National seminar  
organized by the department of economics on Financial literacy in Economics held on 27 January 2023 he/she  
presented a paper entitled... A Study on mutual funds in India



Dr. Tejaswini Shende

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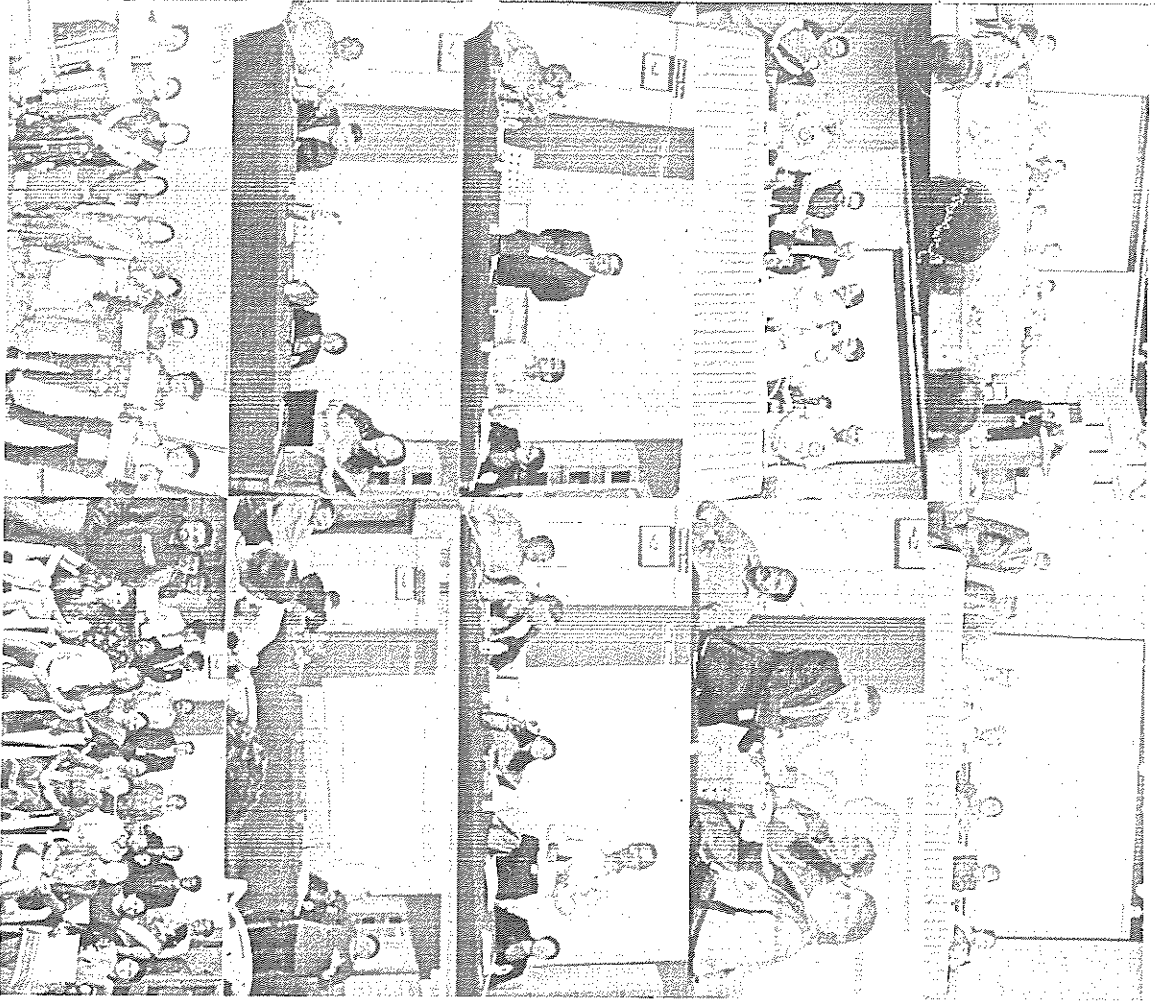
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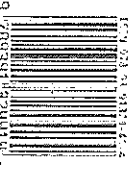
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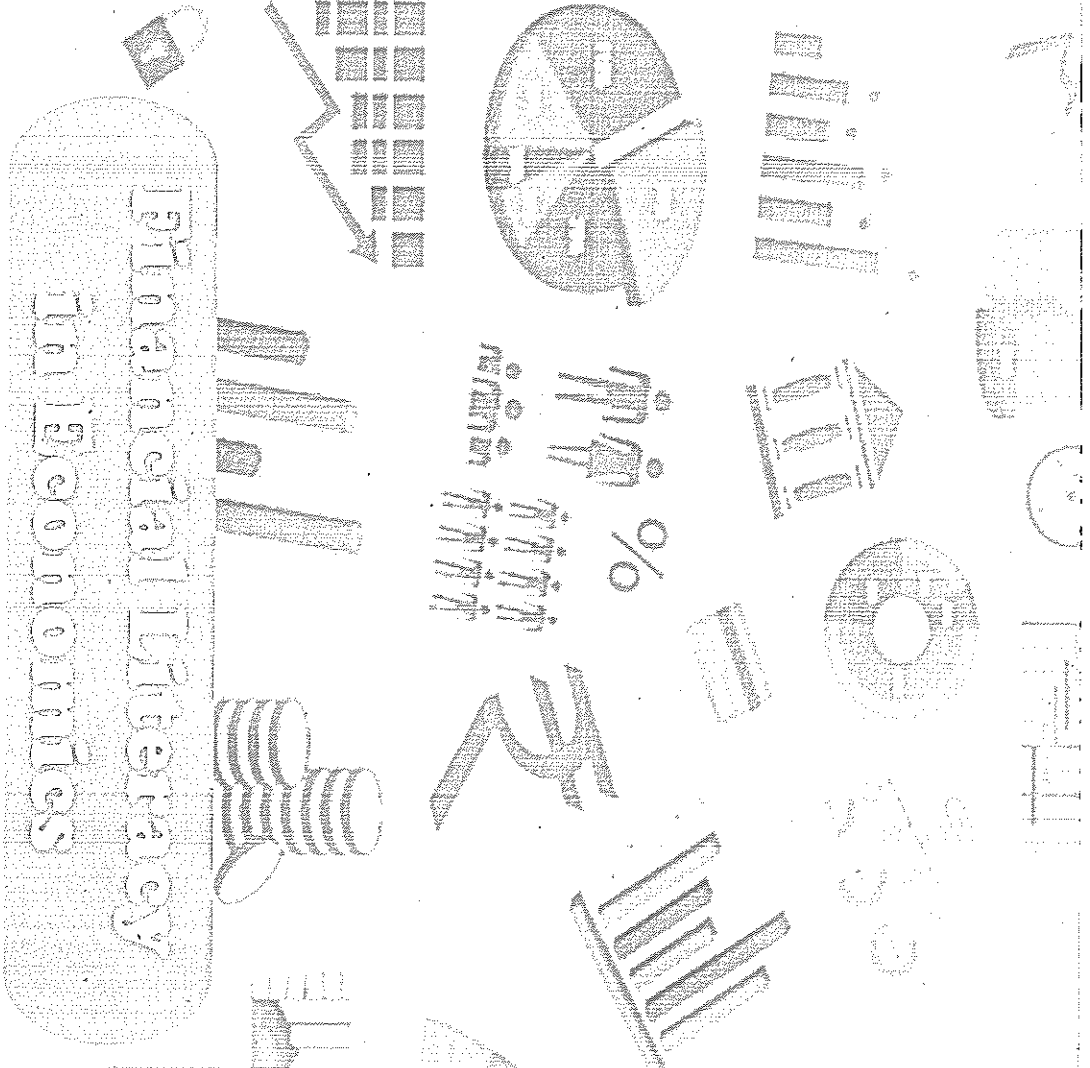
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Financial Literacy in Economics

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Editors  
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## A STUDY ON MUTUAL FUNDS IN INDIA

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### Abstract

This paper focuses on the entire journey of mutual fund industry in India. How it originated, its fall and rise over the years and try to predict what the future may hold for mutual fund investors in the long run. A mutual fund, also called an investment company, is an investment vehicle that pools money from many investors and the fund manager uses the pooled money to buy securities such as stocks and bonds. The securities purchased are referred to as the fund's portfolio. Restrictions on competing products should have acted as a catalyst for the development of money markets and (short-term) bond funds. The study was conducted to analyze and compare the performance of different types of mutual funds in India and concluded that equity funds outperformed income funds. This study further concludes that equity fund managers have significant market timing ability and institutional fund managers are able to time their investments, but broker operated funds have not demonstrated market timing ability. Further, experience has found that fund managers are able to time their investments according to market

conditions and appear to have considerable timing potential.

### Introduction

A mutual fund is a managed group of securities owned by several corporations. It involves corporations earning dividends on the shares they own and capital gains or losses on the securities they trade. Investors buy shares in a mutual fund as if it were a personal security. After paying operating fund earnings are distributed to investors in proportion to the amount invested. Investors hope that losses on one holding can be offset by gains on another. Adhering to the adage "don't put all your eggs in one basket", mutual fund shareholders diversify their investments to achieve collective benefits, which may be beyond their individual financial means. A mutual fund can be either an open-end or a closed-end fund. An open-end mutual fund does not have a fixed number of shares; This liquid capital can be considered as stock. The number of shares changes as investors buy or sell their shares. Investors can buy and sell shares of their company anytime at the market price. It depends on the investor.



### **Objective**

1. To understand history mutual fund in India
2. To understand the various types of mutual fund in India
3. To know the role of mutual fund in India financial markets

### **Hypothesis**

1. Investment in Mutual funds Increase in past few years.
2. Investment In SIP More than lump-Sum Mutual fund

### **Research Methodology**

In the present research statistical sources have been used for sample selection.

According to the topic of research, information is collected through secondary sources

Secondary Data Sources: Dissertations, Journals, Reference Books, Government Reports, Research Papers, Magazines. Central Bank Quarterly and Annual Reports, Economic Survey, SEBI Reports, RBI Reports

### **HISTORY OF MUTUAL FUNDS IN INDIA**

A strong financial market with broad participation is essential for a developed economy. With this broad objective India's first mutual fund was establishment in 1963, namely, Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India 'with a view to encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities'.

In the last few years the MF Industry

has grown significantly. The history of Mutual Funds in India can be broadly divided into five distinct phases as follows:

#### **FIRST PHASE - 1964-1987**

The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964 (US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹ 6,700 crores of Assets Under Management (AUM).

#### **SECOND PHASE - 1987-1993 - ENTRY OF PUBLIC SECTOR MUTUAL FUNDS**

The year 1987 marked the entry of public sector mutual funds set up by Public Sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first 'non-UTI' mutual fund established in June 1987, followed by Canara bank Mutual Fund (Dec. 1987), Punjab National Bank Mutual Fund (Aug. 1989), Indian Bank Mutual Fund (Nov 1989), Bank of India (Jun 1990), Bank of Baroda Mutual Fund (Oct. 1992). LIC established its mutual fund in June 1989, while GIC had set up its mutual fund in December 1990. At the end of 1993, the MF industry had assets under management of 47,004 crores.

#### **THIRD PHASE - 1993-2003 - ENTRY OF PRIVATE SECTOR**



## **MUTUAL FUNDS**

The Indian securities market gained greater importance with the establishment of SEBI in April 1992 to protect the interests of the investors in securities market and to promote the development of, and to regulate, the securities market.

In the year 1993, the first set of SEBI Mutual Fund Regulations came into being for all mutual funds, except UTI. The erstwhile Kothari Pioneer (now merged with Franklin Templeton MF) was the first private sector MF registered in July 1993. With the entry of private sector funds in 1993, a new era began in the Indian MF industry, giving the Indian investors a wider choice of MF products. The initial SEBI MF Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable.

The number of MFs increased over the years, with many foreign sponsors setting up mutual funds in India. Also the MF industry witnessed several mergers and acquisitions during this phase. As at the end of January 2003, there were 33 MFs with total AUM of <sup>1</sup> 1,21,805 crores, out of which UTI alone had AUM of <sup>1</sup> 44,541 crores

January 2023, around 5 fold increase in a span of 10 years.

The MF Industry's AUM has grown from <sup>1</sup> 22.41 trillion as on January 31, 2018 to <sup>1</sup> 39.62 trillion as on January 31, 2023, around 2 fold increase in a span of 5 years.

The no. of investor folios has gone up from 6.83 crore folios as on 31-Jan-2018 to 14.28 crore as on 31-Jan-2023,

more than 2 fold increase in a span of 5 years.

On an average 12.42 lakh new folios are added every month in the last 5 years since January 2018.


The growth in the size of the industry has been possible due to the twin effects of the regulatory measures taken by SEBI in re-energising the MF Industry in September 2012 and the support from mutual fund distributors in expanding the retail base.

MF Distributors have been providing the much needed last mile connect with investors, particularly in smaller towns and this is not limited to just enabling investors to invest in appropriate schemes, but also in helping investors stay on course through bouts of market volatility and thus experience the benefit of investing in mutual funds.

MF distributors have also had a major role in popularising Systematic Investment Plans (SIP) over the years. In April 2016, the no. of SIP accounts has crossed 1 crore mark and as on 31st January 2023 the total no. of SIP Accounts are 6.22 crore.

### ***FOURTH PHASE - SINCE FEBRUARY 2003 – APRIL 2014***

In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities, viz., the Specified Undertaking of the Unit Trust of India (SUUTI) and UTI Mutual Fund which functions under the SEBI MF Regulations. With the bifurcation of the erstwhile UTI and several mergers taking place among different private sector funds, the MF industry entered its fourth phase of consolidation.



Following the global melt-down in the year 2009, securities markets all over the world had tanked and so was the case in India. Most investors who had entered the capital market during the peak, had lost money and their faith in MF products was shaken greatly. The abolition of Entry Load by SEBI, coupled with the after-effects of the global financial crisis, deepened the adverse impact on the Indian MF Industry, which struggled to recover and remodel itself for over two years, in an attempt to maintain its economic viability which is evident from the sluggish growth in MF Industry AUM between 2010 to 2013.

#### ***FIFTH (CURRENT) PHASE – SINCE MAY 2014***

Taking cognisance of the lack of penetration of MFs, especially in tier II and tier III cities, and the need for greater alignment of the interest of various stakeholders, SEBI introduced several progressive measures in September 2012 to “re-energize” the Indian Mutual Fund industry and increase MFs’ penetration.

In due course, the measures did succeed in reversing the negative trend that had set in after the global melt-down and improved significantly after the new Government was formed at the Centre.

Since May 2014, the Industry has witnessed steady inflows and increase in the AUM as well as the number of investor folios (accounts).

The Industry’s AUM crossed the milestone of ₹ 10 Trillion (₹ 10 Lakh Crore) for the first time as on 31st May 2014 and in a short span of about three years the AUM size had increased more than two folds and crossed ₹ 20 trillion (₹ 20 Lakh

Crore) for the first time in August 2017. The AUM size crossed ₹ 30 trillion (₹ 30 Lakh Crore) for the first time in November 2020.

The overall size of the Indian MF Industry has grown from ₹ 8.26 trillion as on 31st January 2013 to ₹ 39.62 trillion as on 31st January 2023, around 5 fold increase in a span of 10 years.

The MF Industry’s AUM has grown from ₹ 22.41 trillion as on January 31, 2018 to ₹ 39.62 trillion as on January 31, 2023, around 2 fold increase in a span of 5 years.

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### **Conclusion & Suggestion**

There is no doubt that the economy is returning to the path of high growth in a few years due to structural liberalization, globalization and privatization. Hence mutual fund organizations need to upgrade their skills and technology.

It is necessary to change oneself according to time

However, the success of a mutual fund will depend on the implementation of instructions and regulations. As a mutual fund investor, we believe that an investor must adopt two important skills for successful investing: timing awareness and investment discipline.

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