

# “A Study on Growth and Performance of Selected Mutual Fund Industry and Investors’ Preference Towards Mutual Funds in Comparison to different investment avenues in India”

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## Abstract:

The notion of a "Mutual Fund" was initially formulated in the Netherlands during the 18th century, and it was introduced to India in the 1960s by Unit Trust of India (UTI). In the late 1980s, a large number of public sectors joined the Indian mutual fund industry, and in 1993, commercial sectors, including foreign fund management firms, were permitted entry. The entry of the private sector led to more opportunities for investors and fiercer competition among market players. This study aims to examine the mutual fund industry's growth, performance structure, and preference for individual investors over other Indian investing options.

**Keywords:** Mutual Funds, AUM (Asset Undertaking Management), AMC (Asset Management Company), Selected Investment Avenues

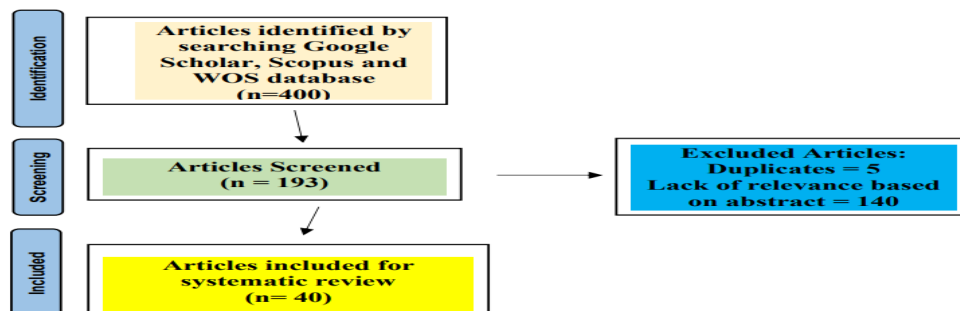
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## About Mutual Funds:

A mutual fund is an expertly managed trust that invests the combined savings of numerous investors in commodities like precious metals, equities, bonds, and short-term money market products. A mutual fund's investors share a single financial purpose, and their capital is allocated among several asset classes in line with the fund's investing goals. Mutual fund investments involve very small sums of money, thus even with tiny investments of a few thousand rupees, individual customers can benefit from having finance specialists manage their money. Mutual funds are pooled investment vehicles that are either passively monitored by an industry or index, or actively managed by qualified fund managers. In general, the funds are highly diversified to minimize possible losses.

## I. Review Of Literature:



PRISMA 2020 flow diagram

- Nandrajog, A. B. (2018) This study attempt to evaluate the performance of selected mutual fund schemes covered under Private Sector Mutual Fund. Further, as per the study, it has been observed that most of the schemes are providing higher returns during the tenure of the study but fluctuating behaviour was observed due to inconsistency with respect to return on yearly basis.
- Surpur, A. B., & Mahat, T. (2019)– The basic objective of the study to evaluate the performance of selected mutual funds schemes using varied performance measures which displays optimum risk- return relationship.

Further, the result of the study shows particular Mutual Fund Scheme has performed well in comparison to other mutual funds.

- Samanta, T. K. (2019) – This study attempt to investigate the performance of selected mutual funds categories by using risk- adjusted performance measures and tools. Secondary data has been collected from varied financial websites pertaining to mutual fund industry. Further, it has been concluded that majority of the schemes selected for the purpose of the study have outperformed in the market by using risk – adjusted performance measures.
- ADHIKARI, K., DEY, N. B., & MAZUMDER, M. A. (2020) – This study aims to assess the performance of a few Indian mutual fund schemes focused on equities over a ten-year period. secondary data sources chosen specifically for the investigation. The study on Indian mutual fund schemes that are growth- and equity-oriented was carried out over a ten-year period. Furthermore, using risk-adjusted performance indicators, it has been discovered that the majority of the schemes have outperformed in the market.
- Arora, R., & Raman, T. V. (2020) – This study makes an effort to assess the performance of mutual funds focused on equity in India using risk-adjusted performance metrics. Thirty mutual fund schemes are the subject of the study, which gathered secondary data sources. According to the study, there has been a period of time when certain of the schemes covered by Equity-Oriented Mutual Funds have performed better in the market than others.
- Das, A. K. (2020) - This study attempt to make comparative study on selected growth oriented mutual funds schemes and developed market during pre and post financial crisis. Secondary data sources selected for the purpose of the study using risk- adjusted performance measures over a period of years. Further, it has been observed that mutual fund industry have performed very well in comparison to selected developed market in terms of growth in assets.
- Choksi, M., & Bhatt, P. (2020) - This study uses risk-adjusted performance metrics to assess the performance of a few large cap mutual funds in India. A secondary data analysis based on a selection of large cap mutual funds in India has been carried out. Additionally, the study notes that some of the schemes have outperformed during a five-year period in the market.
- Chauhan, S., Kataria, S., & Dhand, R. (2020) - This study uses a variety of risk-adjusted metrics to assess the performance of a few Indian mutual fund schemes. Mutual fund schemes that are open-ended and those that are equity-oriented have been chosen for the study. Furthermore, it has been noted that while several schemes have shown tremendous volatility, others have done extremely well over the course of a ten-year period.
- Tripathi, S., & Japee, D. G. P. (2020) - The purpose of this study is to assess the performance of a few Indian mutual fund schemes that are focused on equities. Furthermore, using risk-adjusted metrics, it has been noted that the majority of mutual fund schemes have outperformed the market. Furthermore, it has been determined that risk ratios should be taken into account in addition to return when making investment selections.
- Karibasappa, T. (2020) - This study makes an effort to assess the performance of particular mutual fund schemes in India using a variety of risk-adjusted metrics based on information from an online platform focused on financial investments. The research has been carried out using small-, mid-, and large-cap funds as the basis. The study reports that certain mutual fund schemes have outperformed others based on a certain risk-adjusted criterion that was chosen specifically for the investigation.
- Virparia, V. (2022) - This study makes an effort to assess the effectiveness of a few Indian mutual fund schemes using a range of risk-adjusted metrics. The research has been carried out using small-, mid-, and large-cap funds as the basis. Based on certain risk-adjusted parameters that were chosen specifically for the study, it has been found that certain of the mutual fund schemes that were chosen have done better over a period of years.
- Safiuddin, S. K., & Hasan, M. (2022) - This study attempt to evaluate the performance of Equity- Oriented Mutual Funds in India by based upon extensive in peer- reviewed journals, articles, seminars, conference proceedings.

*Note: PRISMA Approach has been adapted in order to review and scan literatures related to the study.*

### **Objectives of the study:**

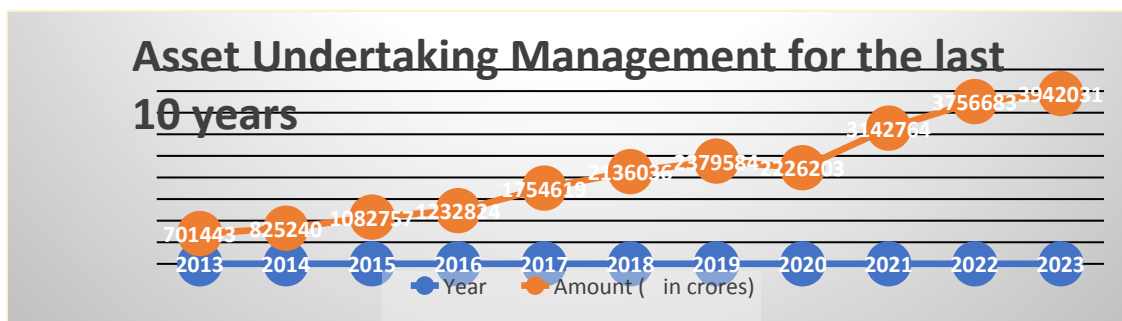
- a) To analyse the “*Growth and Performance of Mutual Funds*” for the last few years.
- b) To analyse the *Performance of “Selected Mutual Funds” in comparison to different “investment options” available in the Financial Markets.*

## **II. Result Of The Study:**

**Growth and Performance of “Mutual Funds”:** There are certain factors that need to be taken into consideration for analysing growth and performance of “Mutual Funds” in India which involves:

**About AUM (Asset Undertaking Management):**

The total market value of the investments that an organization manages on behalf of its clients is known as “Assets Under Management”. The Assets under management are directly proportional to the performance of the financial institution. AUM is basically known to indicate the size and success of the fund house.



Source: Extracted from sebi.gov.in (Handbook of Statistics)  
**Chart 1.2 Growth Trend of Asset Undertaking Management for the last 10 years**

**Interpretation of the Study: From 2013 till 2023**

As per the tables and graphical representation shown above related to growth and performance of Asset Undertaking Management from 2013 till 2023, it has been observed that there has been an increase in Asset Undertaking Management from ₹8,25,240 to ₹10,82,757 (i.e., 31.21 percent increase) in the year 2015 followed by sudden increase in Asset Undertaking Management from ₹12,32,824 to ₹17,54,619 (i.e., 42.33 percent approx.) in the year 2017. Suddenly there has been decrease in AUM in the year 2020 from ₹23,79,584 to ₹22,26,203 (decreased by ₹1,55,381) i.e., -6.45 percent approx. followed sudden increase in AUM from ₹22,26,203 to ₹31,42,764 (increased by ₹9,16,561) i.e., 41.17 percent approx. in the year 2021.

**Growth Trend of Asset Undertaking Management from 2023 till March 2024**



Assets managed by the Indian mutual fund industry has increased from Rs. 40.05 trillion in March 2023 to Rs. 55.01 trillion in March 2024. That represents 37.36% increase in assets over March 2024

Source: Extracted from AMFI India (current annual data of assets managed by Mutual Fund Industry from March 2023 till March 2024).

**Chart 1.3 Growth Trend of Asset Undertaking Management from 2023 till March 2024**

**Interpretation of the study: From 2023 till March,2024**

As per the study, it has been observed that Assets managed by Indian Mutual Fund Industry has been increased from ₹40.05 trillion in March,2023 to ₹55.01 trillion in March 2024 which represent 37.36 percentage increase in the asset over March 2024.

**Performance of Mutual Fund Industry for the last few years:** Factors taken into account in order to evaluate the performance of Mutual Funds are as follows:

- “Category Wise Resource Mobilization” by Mutual Funds – Factor 1
- “City Wise Resource Mobilization” by Mutual Funds under Direct and Regular Plan – Factor2
- “AMC wise Net Resource Mobilization” – Factor 3

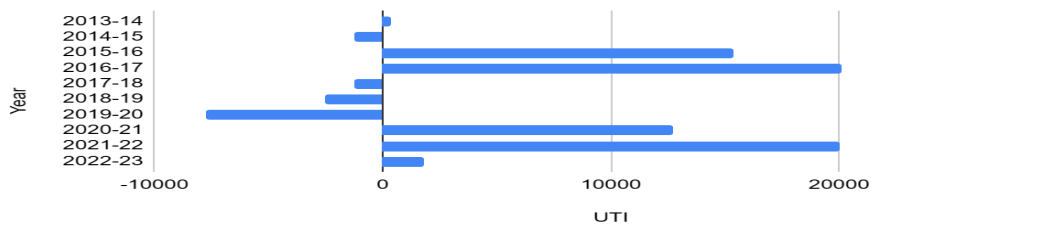
**Category Wise Resource Mobilization by Mutual Funds – Factor 1**

1	2	3	4	5	6
Year	UTI	Bank Sponsored (excluding UTI)	FI Sponsored	Private Sector Mutual Funds	Total (2 to 5)

2013-14	401	4845	2572	46762	54580
2014-15	-1278	-700	-1045	105903	102880
2015-16	15416	27576	1009	87004	131005
2016-17	20146	44850	6434	271987	343417
2017-18	-1261	45370	-4470	232587	272226
2018-19	-2496	50692	-3181	64688	109703
2019-20	-7717	70958	-539	24595	87297
2020-21	12710	71606	1480	128946	214742
2021-22	20013	97821	13369	127560	246730
2022-23	1797	59480	-2678	17627	76226

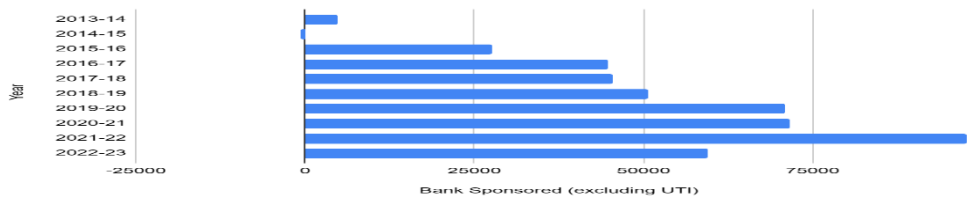
Source: Extracted from sebi.gov.in  
**Table 2.1 Category- Wise Resource Mobilised**

**Performance of UTI (Category 1) for the last few years from 2013-14 till 2022-23**



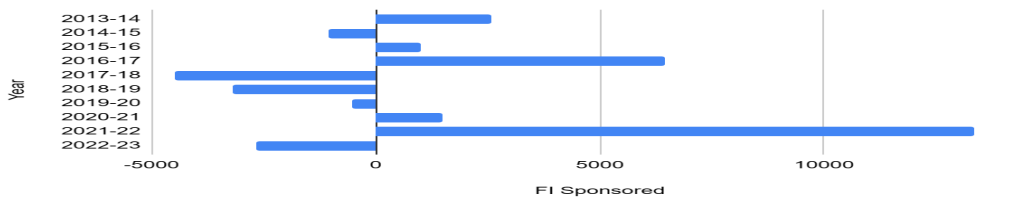
Source: Extracted from sebi.gov.in  
**Chart 1.4 Performance of UTI (Category 1) for the last few years from 2013-14 till 2022-23**

**Performance of Bank Sponsored excluding UTI (Category 2) for the last few years from 2013-14 till 2022-23**



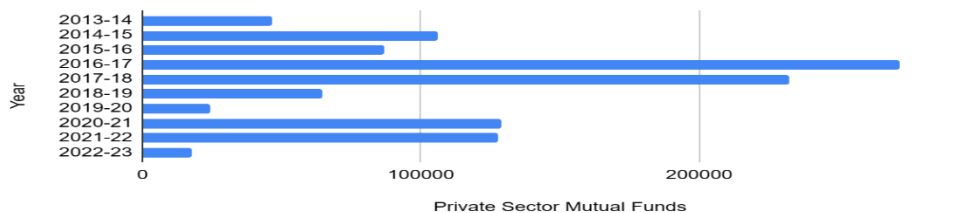
Source: Extracted from sebi.gov.in  
**Chart 1.5 Performance of Bank Sponsored excluding UTI (Category 2) for the last few years from 2013-14 till 2022-23**

**Performance of FI Sponsored (Category 3) for the last few years from 2013-14 till 2022-23**



Source: Extracted from sebi.gov.in  
**Chart 1.6 Performance of FI Sponsored (Category 3) for the last few years from 2013-14 till 2022-23**

**Performance of Private Sector (Category 4) for the last few years from 2013-14 till 2022-23**



Source: Extracted from sebi.gov.in  
**Chart 1.7 Performance of Private Sector (Category 4) for the last few years from 2013-14 till 2022-23**

**Category- Wise Performance Analysis: Result of the study**

Category Wise Resource Mobilised	Performance Analysis	Tenure
Category 1: UTI	Not Performed well	2013-14 till 2014-15
Category 2: Bank Sponsored (Excluding UTI)	Performed well	2019-20 and 2022-23
Category 3: FI Sponsored	Not Performed well	2015-16 till 2022-23
Category 4: Private Sector Mutual Funds	Performed very well	2013-14 till 2018-19 2020-21 till 2021-22

Source: Extracted from sebi.gov.in

**Table 2.2 Performance Based Analysis of Category Wise Resource Mobilised**

**Interpretation of the Study:** *As per the study, it has been observed that “Bank Sponsored Mutual Funds” and “Private Sectors Mutual Funds” have performed well over a period of years in comparison to “UTI and Bank Sponsored Mutual Funds (except UTI)”.*

**City Wise Resource Mobilization by Mutual Funds under Direct Plan and Regular Plan-Factor 2**

City	Direct Plan (Ranking)	Regular Plan (Ranking)
Mumbai	1	1
Delhi	2	2
Bangalore	3	3
Kolkata	4	4
Chennai	5	5

Source: sebi.gov.in (Collected from Handbook of Statistics)

**Table 2.3 City- Wise Resource Mobilization under Direct and Regular Plan**

**Interpretation of the Study:** *As per direct and regular plan, it has been observed that Mumbai performed very well over the last few years followed by Delhi, Bangalore, Kolkata and Chennai.*

**AMC wise Net Resource Mobilization: Analysis and Interpretation of the Study: Performance Structure of AMC for the last few years: Factor 3**

AMC (Asset Management Company)	Year	Performance
“ICICI Prudential Mutual Fund”	2014-15	Good
“ICICI Prudential Mutual Fund”	2015-16	Good
“ICICI Prudential Mutual Fund”	2016-17	Good
“HDFC Mutual Fund”	2017-18	Good
“SBI Mutual Fund”	2018-19	Good
“SBI Mutual Fund”	2019-20	Good
“SBI Mutual Fund”	2020-21	Good
“SBI Mutual Fund”	2021-22	Good
“SBI Mutual Fund”	2022-23	Good

Source: AMFI India, ET Money

**Table 2.4 AMC Wise Net Resource Mobilization**

**Interpretation of the study:** *As per the study, 47 AMCs have been selected. It has been observed that ICICI Prudential Mutual Funds have performed very well in the year 2014-15,2015-16 and 2016-17 followed by HDFC Mutual Funds in the year 2018-19 and SBI Mutual Funds consecutively from 2018-19 till 22-23.*

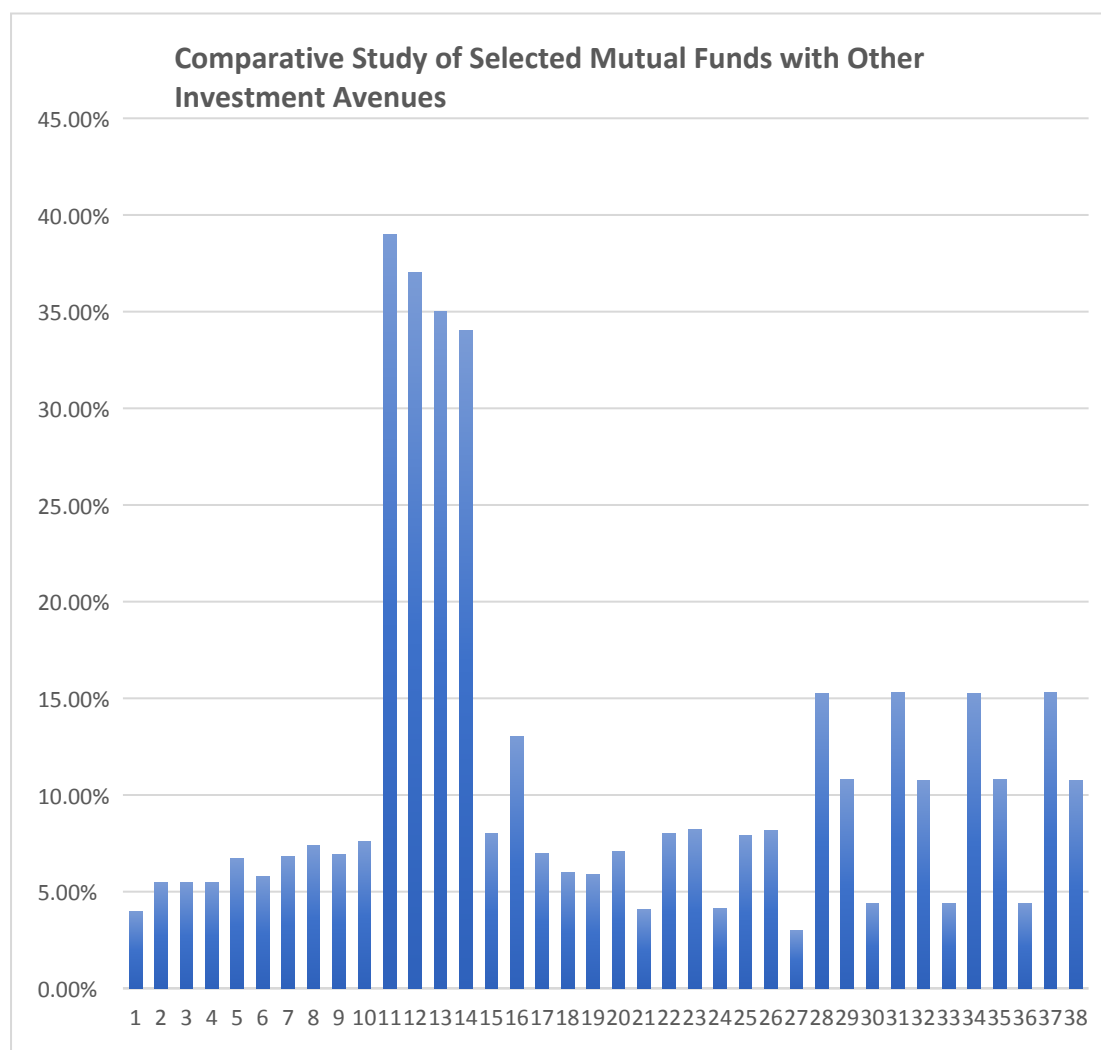
**Analysing the performance of Selected Mutual Funds in comparison to different investment avenues: Comparative Study**

Category	Particulars	2022-23	Performance
Post Office Scheme	Savings Bank Account	4.00%	Poor
	TD - 1 year	5.50%	Moderate
	TD - 2 year	5.50%	Moderate
	TD - 3 year	5.50%	Moderate
	TD - 5 year	6.70%	Better
	Monthly Income Scheme (MIS)	5.80%	Moderate
	National Saving Scheme	6.80%	Better
	Senior Citizen Saving Scheme	7.40%	Good
	Kisan Vikan Patra	6.90%	Better
Selected Equity Oriented Mutual Funds	Sukanya Samridhi Scheme	7.60%	Good
	Quant Small Cap Fund (Direct Plan)	39%	Good
	Quant Small Cap Fund (Regular Plan)	37%	Good
	Nippon India Small Cap Fund (Direct Plan)	35%	Good
Selected Debt Oriented Mutual Funds	Nippon India Small Cap Fund (Regular Plan)	34%	Good
	ICICI Prudential Short-Term Fund	8%	Moderate
	Bank of India Short Term Income Fund	13%	Good
	Bandhan Bond Fund (Direct Plan)	7%	Moderate

	Bandhan Bond Fund (Regular Plan)	6%	Moderate
Fixed Deposit	Fixed Deposits	5.90%	Moderate
Public Provident Fund	Public Provident Fund	7.10%	Better
National Pension Scheme	NPS Central Government Schemes – 1 year	4.09%	Poor
	NPS Central Government Schemes – 3 years	8.02%	Moderate
	NPS Central Government Schemes - 5 years	8.20%	High
	NPS State Government Schemes – 1 year	4.14%	Poor
	NPS State Government Schemes – 3 years	7.92%	Moderate
	NPS State Government Schemes – 5 years	8.18%	High
	Top Performing NPS Tier – I returns 1 year	3 %	Poor
	Top Performing NPS Tier – I returns 3 years	15.27%	High
	Top Performing NPS Tier – I returns 5 years	10.82%	High
	Top Performing NPS Tier- II returns 1 years	4.41%	Poor
	Top Performing NPS Tier – II returns 3 years	15.31%	High
	Top Performing NPS Tier – II returns 5 years	10.74%	High
	“Fund Managers generating best NPS Tier-I Equity Funds” – 1 year	4.37%	Poor
	“Fund Managers generating best NPS Tier-I Equity Funds” – 3 years	15.27%	High
	“Fund Managers generating best NPS Tier-I Equity Funds” – 5 years	10.82%	High
	“Fund Managers generating best NPS Tier-II Equity Funds” – 1 year	4.41%	Poor
“Fund Managers generating best NPS Tier-II Equity Funds” – 3 years	15.31%	High	
“Fund Managers generating best NPS Tier-II Equity Funds” – 5 years	10.74%	High	

Source: moneycontrol.com, AMFI India

**Table 2.5 Comparative Analysis of Mutual Funds (Selected) with Different Investment Avenues**



**Chart 1.8 Graphical Representation of Mutual Funds (Selected) with Different Investment Avenues**

**Interpretation of the study:**

As per the study, it has been observed that Savings Bank Account having lower interest rate (4 percent) in comparison to other investment avenues covered under Post Office Saving Schemes which includes: Term Deposit (1 year, 2 year and 3 year) and Monthly Income Scheme.

Further it has been observed that Bandhan Bond Fund – Debt Oriented Mutual Funds having lower interest rate for the last one year in comparison to National Saving Scheme, Kisan Vikan Patra, Public Provident Fund and Senior Citizen Saving Scheme, Term Deposit (5 years). Selected Equity Oriented Mutual Funds have performed very well for the last one year having significant return of 39 percent – Quant Small Cap Fund (Direct Plan) followed by Quant Small cap Fund (Regular Plan), Nippon India Small cap fund (Direct and Regular Plan).

- From the perspective of Post Office Saving Scheme, it has been observed that, saving bank account having lower interest rate in comparison to Sukanya Samridhi Scheme having higher interest rate.
- From the perspective of Selected Equity Oriented Mutual Funds, it has been observed that Quant Small Cap Fund (Direct Plan) performed well followed by Quant Small Cap Fund (Regular plan), Nippon India Small cap Fund (Direct Plan) and Nippon India Small Cap Fund (Regular Plan).
- From the perspective of Selected Debt Oriented Mutual Funds, it has been observed that Bank of India – Short Term Income Fund have performed well followed by ICICI Prudential Short-Term Fund and Bandhan Bond Fund.
- From the perspective of Fixed Deposits, having moderate return of 5.90 percent
- From the perspective of Public Provident Fund, having return of 7.10 percent for the past few years.
- From the perspective of National Pension Schemes, it has been observed that:
  - a) NPS Central Government Schemes - 3 years and 5 years plan have performed well in comparison to 1 year plan
  - b) NPS State Government Schemes – 3 years and 5 years plan have performed well in comparison to 1 year plan

- c) NPS Tier – I Return – 3 years plan have performed very well in comparison to 5 years and 1 year plan
- d) NPS Tier – II Return – 3 years plan have performed very well in comparison to 5 years and 1 year plan
- e) NPS Tier – I Equity Fund – 3 years plan have performed very well in comparison to 5 years and 1 year plan
- f) NPS Tier – II Equity Fund – 3 years plan have performed very well in comparison to 5 years and 1 year plan.

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