



A Study on The Indian Mutual Fund Industry with Reference to Bihar

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Abstract

The Indian Mutual Fund Industry is growing rapidly and is helping in the growth of the Indian Capital and Financial Market sectors. The mutual fund industry in India has seen dramatic improvements from 1993 in both the quantity and quality of products and services offered. The industry has grown steadily over the years. Mutual funds entered the Indian capital market in 1964 to provide diversification of risk and professional management. The current study is descriptive. The study is based on secondary data including journals, and AMFI's website, SEBI's website. Mutual fund offers debt, equity, liquid, hybrid, gold ETF, and other ETF related fund, equity-related fund. This study mainly focuses on the mutual fund industry from 2012 to 2022 and Bihar's investment in the mutual fund industry from 2014 to 2022. The state contribution to the mutual fund industry is growing.

Keywords: Mutual fund Industry, Equity, Debt, Hybrid, Liquid, Bihar Contribution

INTRODUCTION

A growing economy needs a strong financial market with large participation to fulfill the demand and supply of capital. A mutual fund is a collective investment vehicle that collects & pools money from many investors and invests in mutual fund schemes that are managed by professional fund managers. The Fund manager constructs a scheme portfolio according to investors' objectives and risk-taking capacity. The portfolio may include different financial instruments like equities, bonds, government securities, money market instruments, etc. When investors invest in a mutual fund scheme, an asset management company issue NAV units according to the current NAV of the scheme divided by the amount invested. Net asset value (NAV) calculate per unit is the current market value of securities in the portfolio of a scheme divided by the total number of units issued by the scheme (AMFI, 2022), after deducting applicable expenses and levies. The fees and expenses charged by the mutual funds to manage a scheme are regulated and are subject to the limits specified by SEBI. The countries' laws and norms have an impact on financial development, according to legal and economic literature Particularly robust legal While regulatory issues favorably affect the

mutual fund industry's size, laws for the fund sector, particularly those governing the procedure for authorizing fund launches, requiring disclosures of fees and performance, and dealing with conflicts of interest between the fund's shareholders and the fund management business. Investor wealth and education also have a favorable effect on equity funds at least, industry size (Khorana, Servae, & Tufano, 2005).

NAV increases or decreases accordingly earning interest, dividends, and capital gain or loss of invested financial instruments in a portfolio like shares, bonds and money market instruments, etc. mutual fund scheme returns calculate basis on the difference between the average investment value of NAV and the average redemption value of NAV.

Mutual fund schemes come in many varieties, designed to meet investors' goals, investment goals vary from person to person (AMFI, 2022) different investors have different age groups, different income levels, different qualifications, and so on, so their goal is also different. There is a common goal retirement scheme, money for children's education or marriage for child plan, house purchase and other goal have different -different plan to achieve their goal. Mutual funds offer a large number of schemes for investment combinations of different -different proportions and financial instruments like equity shares, corporate bonds, government securities, and money market instruments, providing an excellent avenue for retail investors to participate at low cost, managed by a professional manager.

The Association of Mutual Fund in India (AMFI) is an association of all SEBI registered Asset Management Companies which incorporate on 22 August 1995, as a non-profit organization (AMFI, 2022). This time 43 Asset Management Companies are members of AMFI. AMFI is dedicated to developing the Mutual fund Industry with an ethical line that protects the interests of investors and promotion of Mutual fund industry. AMFI provides mutual fund-related information scheme detail, Latest NAV, past NAV, and so on.

Bihar is a state of India with an area of 94163 km², a population of 1.04 crore, and the highest population density of 1106 /km² as per Census 2011 (Government of Bihar, 2022). With a literacy rate of 61.8 percent, the economy of Bihar was growing continuously before the negative impact of Covid-19. Bihar's Gross State Domestic Product (GSDP) growth rate was high at 11.3 percent in 2017-18, increased from 3.93 in 2012-13 compared to the national growth rate was 7 percent.

ADVANTAGES OF MUTUAL FUNDS

Every person wants to grow their wealth but their knowledge, experience, income, risk-taking capacity, etc vary from person to person, and mutual funds overcome it. Many individual investors have a lack of knowledge of the capital market, very low income, less risk-taking capacity, and a lack of resources to conduct research to buy individual stocks or bonds. Many types of stock and bonds exist in the capital market and their nature is also different. So mutual funds give benefit investors through professional management which have expertise in the capital market (Mohan, 2006), better experience, and research resource to buy, sell and monitor investment (AMFI, 2022). The fund manager according to the objective of the scheme monitors investment and rebalances the portfolio. Mutual funds diversified the

portfolio into different securities such as equity, debt, gold, etc, which help in minimizing the risk that “you won’t have all your eggs in one basket”. Mutual funds provide liquidity, low cost, tax benefit, affordability, and convenience regulated by SEBI which investors protection, transparency, and fair valuation principle.

ORIGIN AND DEVELOPMENT OF MUTUAL FUND INDUSTRY IN INDIA

Mutual funds (MFs) have been a significant part of the global financial markets for more than a century. In the US, the first modern mutual fund started in 1924 (Kale & Panchapagesan, 2012). First mutual fund was established in India in 1963 that name Unit Trust of India (UTI) at the initiative of the Government of India and the Reserve Bank of India (Kale & Panchapagesan, 2012). Indian Mutual fund industry history is divided into five phases (AMFI, 2022). The first stage was from 1964 to 1987, this stage was the initial stage of the mutual fund industry, UTI launched the first scheme in the Second stage started from 1987 to 1993, in June 1987 SBI Mutual Fund was the first entry as public sector mutual fund followed by Can bank mutual fund, Punjab National Bank Mutual fund, Indian Bank Mutual fund, Bank of India mutual fund and so on. The third stage was from 1993 to 2003 when the first started SEBI mutual fund that protect the interest of investors and promotes development, SEBI Mutual fund regulate all mutual fund except UTIs. Private sector mutual fund interred in July 1993 started a new era in the mutual fund industry which provide a wider range of mutual fund products. One of the most interesting financial phenomena of the 1990s for the mutual fund industry was the explosive growth of mutual funds (Klapper, Sulla, & Vittas, 2004). The Fourth stage started from 2003 to 2014. During this period Unit Trust of India Act, 1963 repealed and bifurcated UTIs into two separate entities on the Specified Undertaking of the Unit Trust of India (SUUTI) and the second UTI mutual fund which function under the SEBI mutual fund Regulations. During this period several private sector funds merged after the bifurcation of UTIs. A global crisis came in 2009 which affect the Indian mutual fund industry, which struggled and recovered two years after the good condition of the Indian economy. The fifth phage started in 2014 that period focused on the penetration of mutual funds, especially in tier II and tier III cities. Since 2014 Mutual fund industry is growing, and the AUM, as well as the number of investors' folios, is increasing, possibly due to SEBI regulation, support for MF distributors, and the popularity of the Systematic Investment Plan (SIP).

OBJECTIVE OF THE STUDY

1. To analyse the overall growth of the mutual fund industry in India.
2. To analyse the growth of Equity, Debt, Liquid, and Hybrid related scheme
3. To analyse the contribution of Bihar to the mutual fund industry.

RESEARCH METHODOLOGY

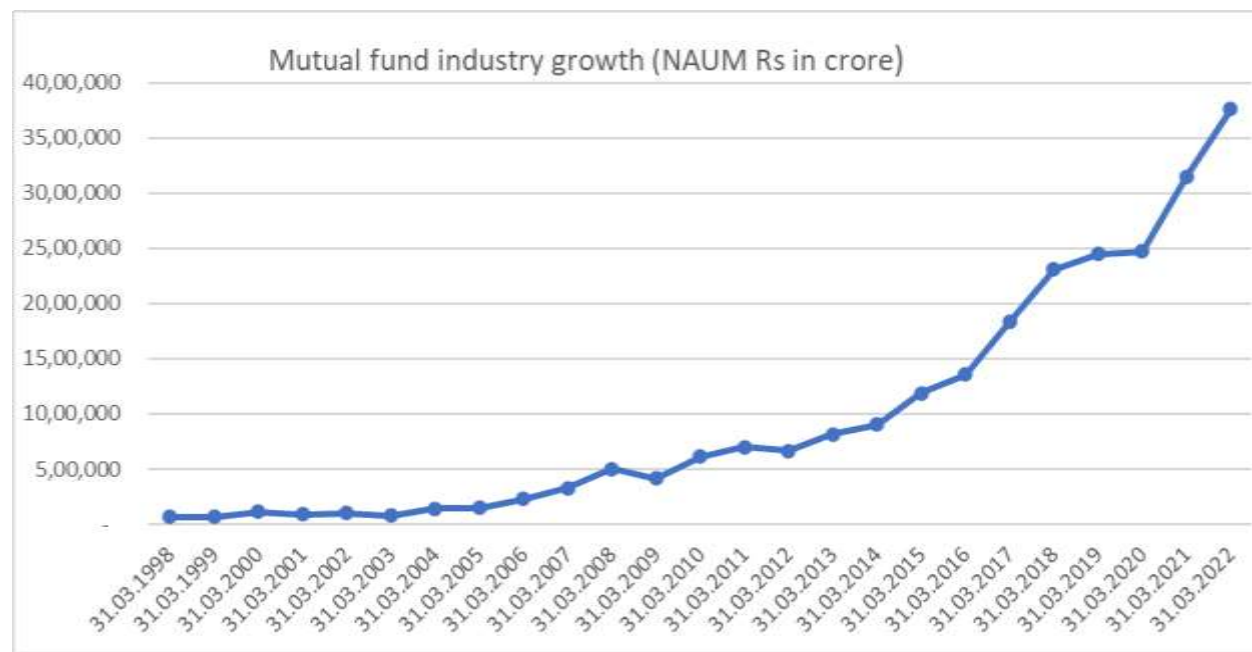
The present study is descriptive and based on secondary data from the AMFI website. This paper gives an insight into the mutual fund industry from 1998 to 2022 and analyzes the growth of different categories of the mutual fund industry. Its studies focus on the

contribution of Bihar to the mutual fund industry, AMFI updates all data related to the mutual fund industry, daily, monthly, and quarterly. We have used data from AMFI to analyze the growth of the mutual fund, category-wise growth, and Bihar's contribution to the mutual fund industry. Different category-wise data of the mutual fund industry is available on AMFI from 2012 and state-wise data is available since 2014.

GROWTH OF THE INDIAN MUTUAL FUND INDUSTRY

The mutual fund industry in India is divided into four five stages. The first stage started in 1964 with the launch UTI unit scheme in 1964 and at the end of 1988 only Rs. 6700 crores net assets were under management. The second stage started in 1987 with the entry of public sector mutual fund AMC like SBI mutual fund, LIC mutual fund, GIC mutual fund, Canbank mutual fund, Bank of India, etc. This stage was the initial stage of the mutual fund industry. The mutual fund industry has grown from 1988 Rs 6700 to Rs. 47,004 crores end of 1993

Figure 1



Source:

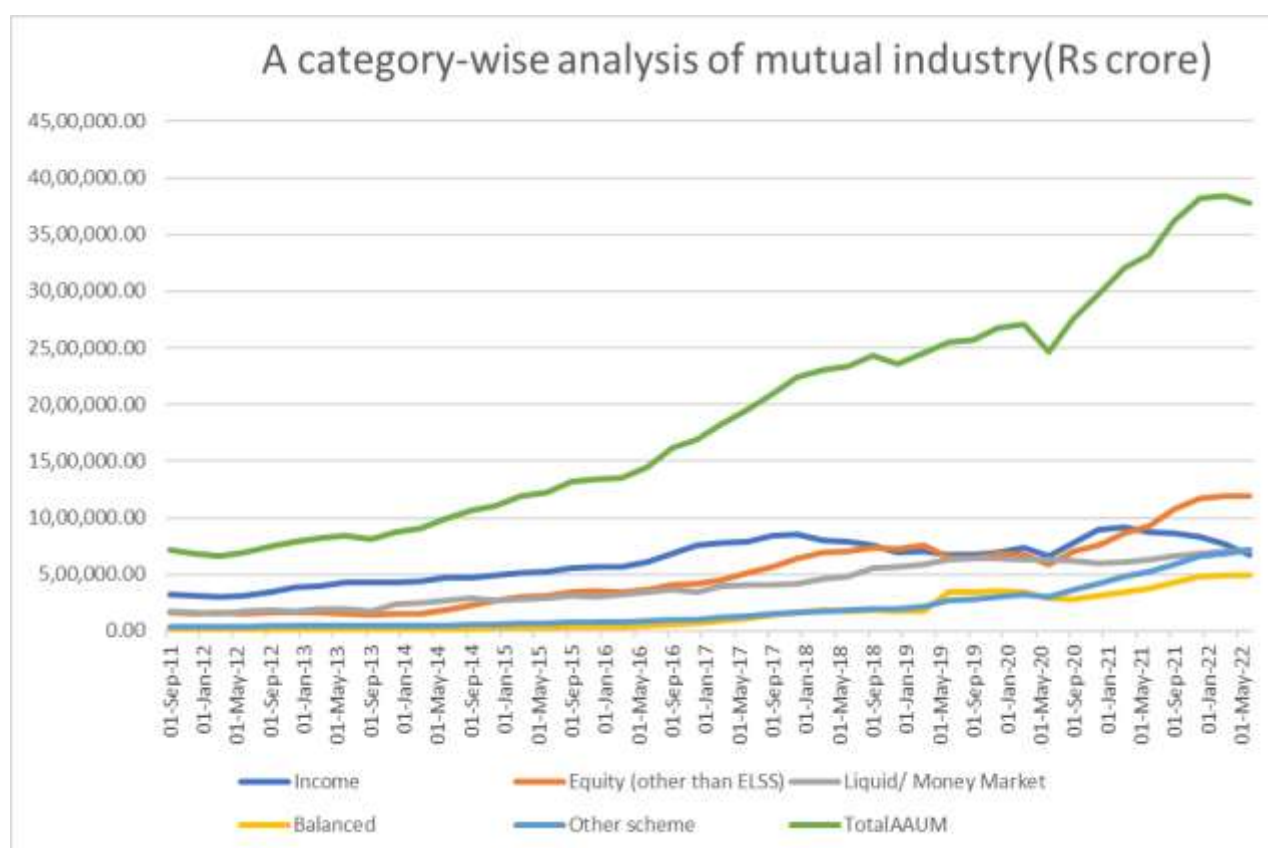
The third stage started in 1993 with the entry of private and foreign mutual fund companies. Figure 1 shows an overall picture from March 1998. There were thirty-three mutual fund companies with around total assets of Rs. 1,21,805 crores end of January 2003. This stage is very important for the mutual fund industry, Securities and Exchange Board of India (SEBI) was formed and a mutual fund was regulated by SEBI which helped in the growth of the mutual fund industry. The fourth stage started from February 2003 to 2014. During this period repealed the act of 1963 unit trust of India was formed into two separate entities, the first was the Specified Undertaking of the Unit Trust of India (SUUTI), and the second UTI mutual fund which functions under the SEBI mutual fund Regulations. The global economic crisis came in 2009 which had an effect on mutual fund industry after that mutual funds recovered

and grew from Rs 121805 crores in January 2003 to Rs 905120 crores 'In March 2014. The fifth stage mostly focused on the penetration of mutual funds in different regions, without the reach of mutual funds to every investor is not possible to growth of the mutual fund. This period increased the number of investors' folios as well as an asset under management in the mutual fund industry. Covid 19 came in January 2019 which affect the financial market and mutual funds, after that recovered from the situation in 2022. The mutual fund industry is considered the most successful financial innovation (Khorana, Servae, & Tufano, 2005) . Mutual fund industry assets under management grew from Rs 6700 crores in 1964 to 3756683 crores in March 2022 which is 560 times in 58 years.

Category-wise study of the mutual fund industry

The trend analysis of the mutual fund industry gives an overall picture including all types of categories in the scheme. There are different types of schemes in a mutual fund, like income, equity, liquid/money market, balance (hybrid), and other schemes (including equity ELLS, Gold ETF, and other ETFs). Category-wise analysis gives a picture of different categories' growth during the period. There is a large share of income, equity, liquid, and hybrid schemes, so this study focuses on income is related to debt, equity is related to shares, liquid related money market instruments whose maturity does not exceed 91 days, and hybrid schemes related to debt, equity, and other security. This study only looks at four schemes.

Figure 2



In figure 2 show, the total Average asset under management (AAUM) of mutual fund industry is continuously increasing from 664791.55 crore on March 2012 to 3837994.00 crore on March 2022 but came correction in mutual fund industry from January 2019 to June 2020 due to spread covid 19. A categories wise analysis of mutual fund industry from end March 2012 to end March 2022, the total AAUM of income scheme has also grown from 298996.19 on march 2012 to 764450 crore on March 2022, it grown 2.56 times in its 10 years, total AAUM of equity scheme increased from 16255.71 crore on march 2012 to 1193873.00 crore on March 2022, it grown 7.54 times in last 10 years, liquid scheme has increased from 150703.15 crore on March 2012 to 703648 on March 2022, It grown 4.67 times in last 10 years, balance scheme (hybrid scheme total) AAUM is increased from 16255.71 crore on March 2012 to 492421 crore on March 2022, it grown 30.29 times in last 10 years, other scheme (include gilt fund, gold ETF, other ETF, fund of fund investing overseas, equity ELSS) is increased from 40440.20 crore on March 2012 to 683602.00 crore on March 2022, other scheme grown 16.90 times in last ten years.

Figure 2.1

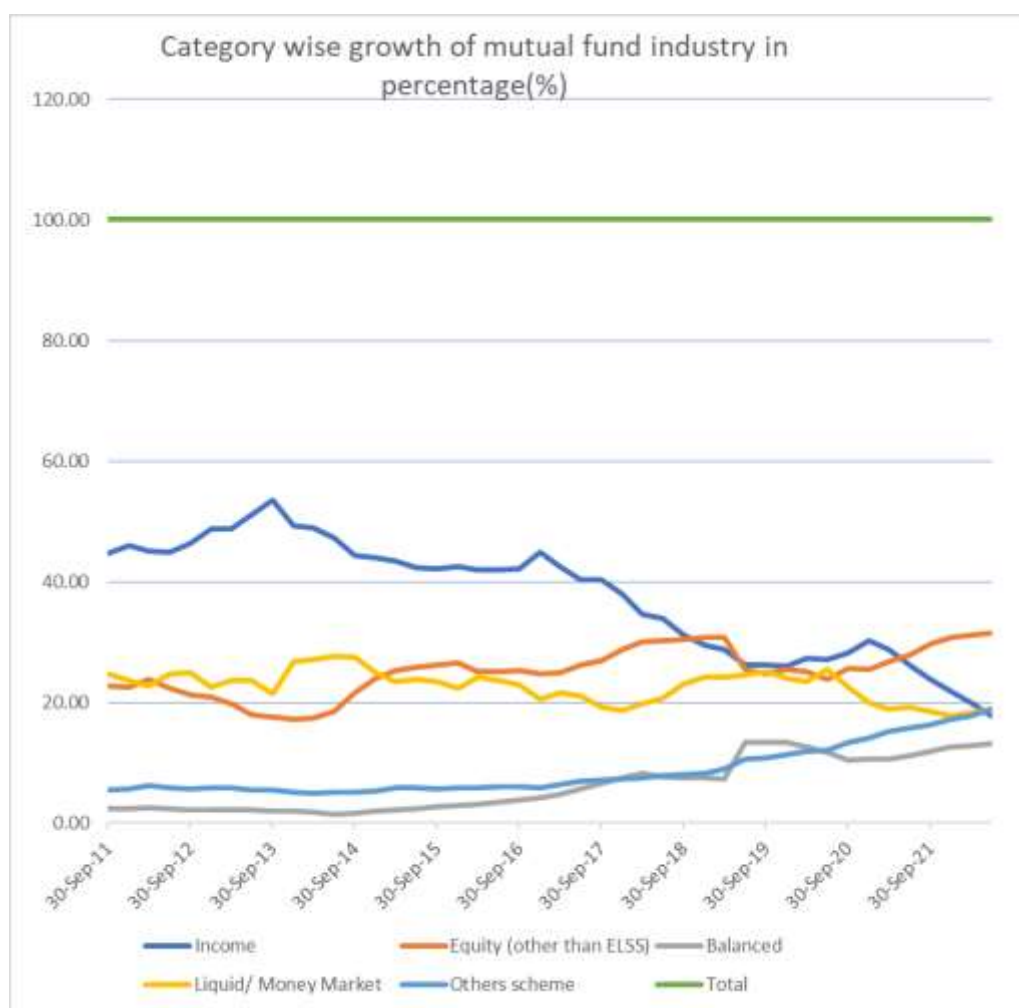
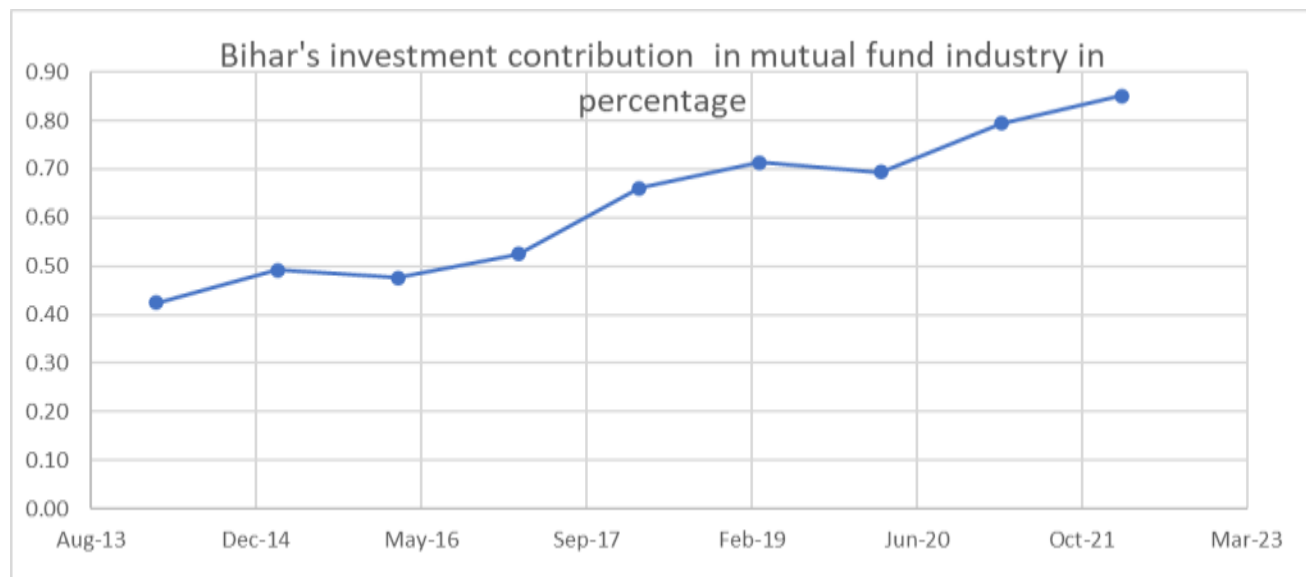


Figure 2.1 shows percentage wise contribution of different scheme in mutual fund industry over the period. In this study focus on income scheme, equity scheme, Balance scheme (hybrid) scheme, Liquid scheme and other scheme include gold ETF, other ETF, gilt fund, fund of fund, other scheme contribution is very less. Mutual fund total investment is hundred percentage (100%) on period and different scheme percentage decide according to their contribution in mutual fund industry on that period. Income scheme contribution is decreasing from 44.98% on March 2012 to 18.33% on March 2022, equity scheme contribution is increasing from 23.83% on March 2012 to 31.11 % on March 2022, liquid scheme minor changed their contribution from 22.67% on March 2012 to 18.33% on March 2022, balance scheme (hybrid) contribution is increasing from 2.45% on March 2012 to 12.83% on March 2022, other scheme contribution also increased from 6.08% on March 2012 to 17.81% on March 2022.

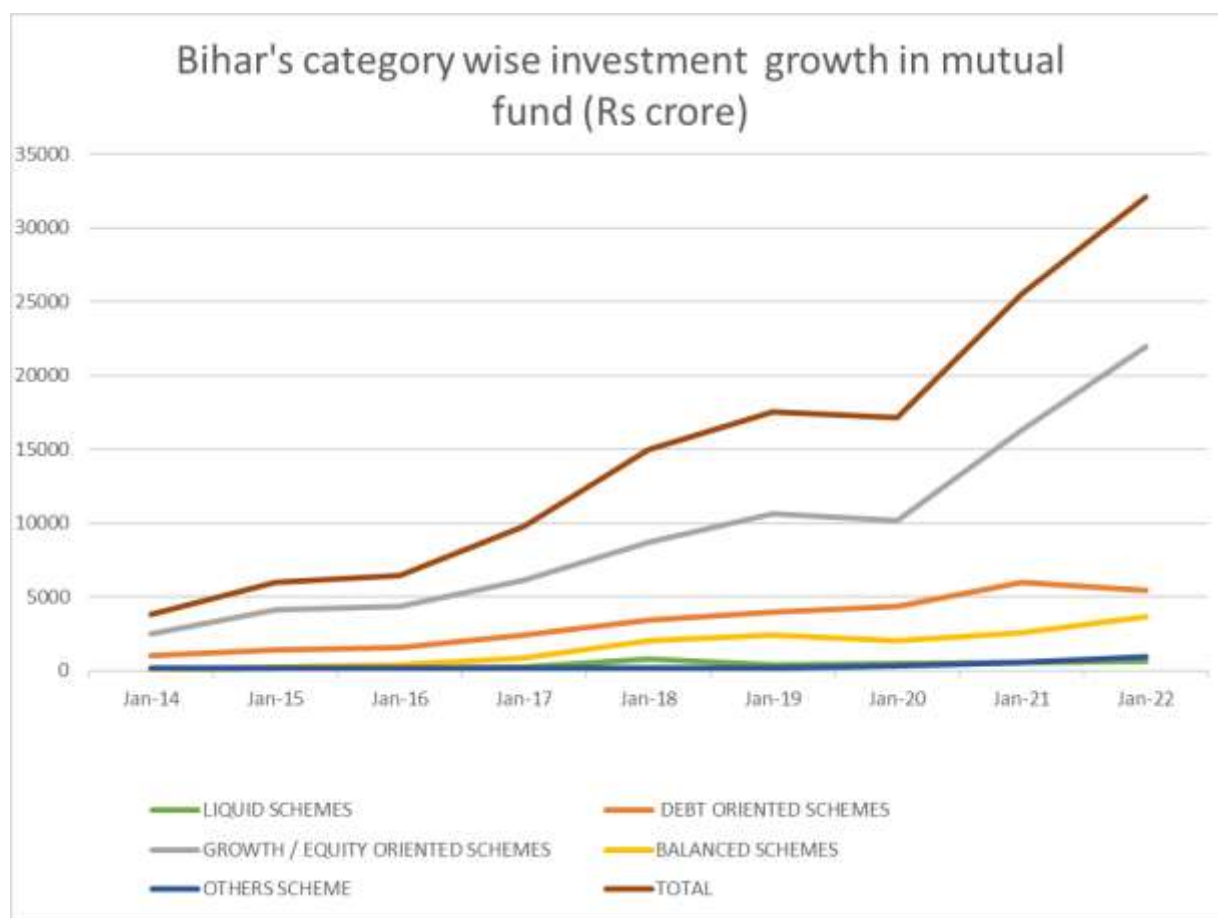
BIHAR'S INVESTMENT CONTRIBUTION IN MUTUAL FUND INDUSTRY

The study of geography wise investment pattern is also important. Geographical study shows contribution of different location and their growth. This study focusses on Bihar contribution in mutual fund industry and their growth. AMFI updates monthly percentage of asset under management (AUM) of state wise contribution in mutual fund industry.

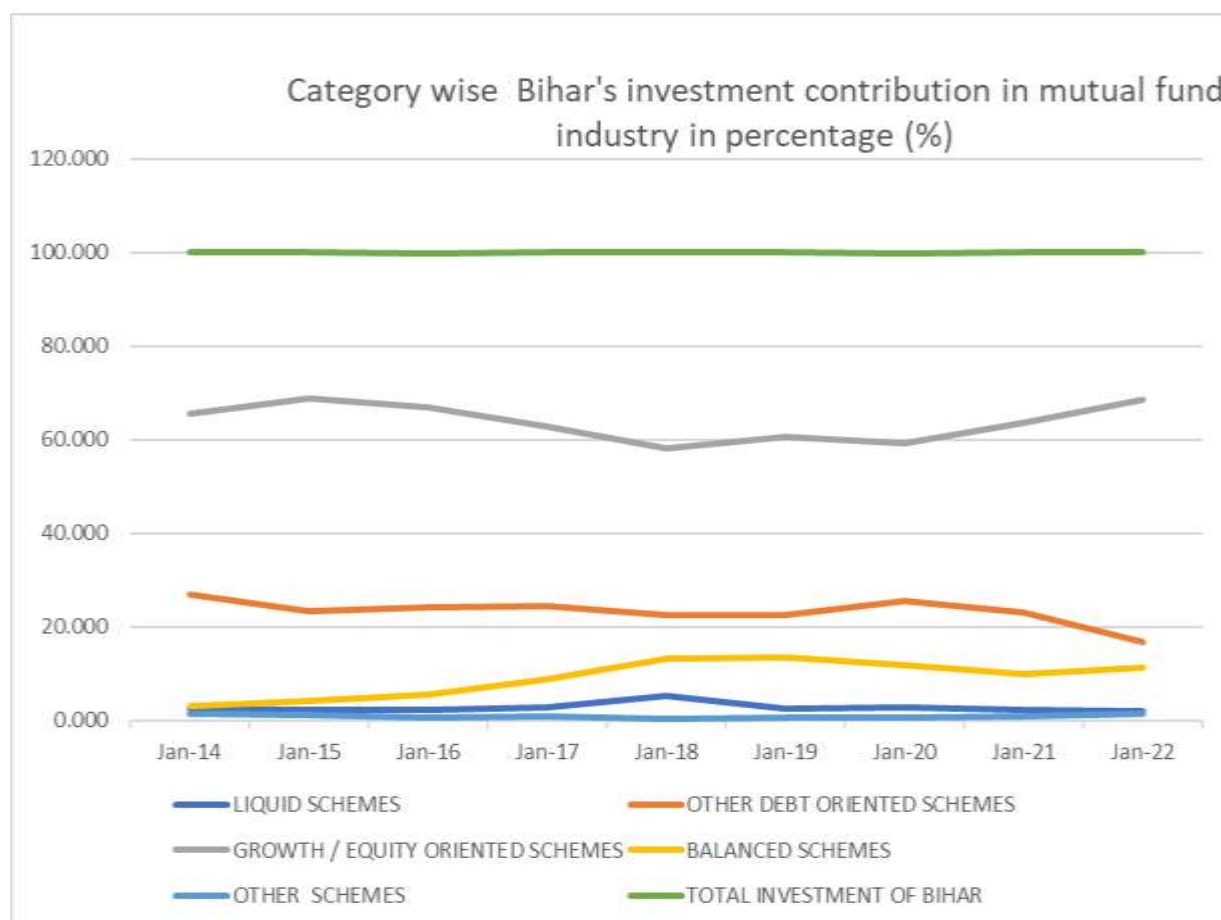
Figure 3



In figure 3 shows contribution and growth of Bihar from 2014 to 2022. Bihar mutual fund investment is growing with growth of mutual fund industry, in term of percentage growth of Bihar investment in mutual fund industry from 0.40% of mutual fund industry on March 2014 to 0.85% on March 2022.

Figure 4

A study of Bihar's investment in mutual fund industry help to understand contribution and category wise growth of Bihar in mutual fund industry. Bihar investment contribution in mutual fund industry is growing from 3805.44 crore on March 2014 to 32100.73 crore on March 2022, Bihar's total investment has grown 8.44 times in last 8 years. Equity oriented scheme has grown from 2499.78 crore on March 2014 to 21984.11 crore on March 2022, it grown 8.79 times in last eight years. Debt oriented scheme has grown from 1029.43 crore on March 2014 to 5401.13 crore on March 2022, it grown 5.25 times in last eight years. Hybrid(balance) oriented scheme has grown from 123.68 crore on March 2014 to 3642.62 crore on March 2022, it grown 29.61 times in last eight years. Liquid oriented scheme has grown from 2499.78 crore on March 2014 to 642.34 crore on March 2022, it grown 8.79 times in last eight years. Other scheme has grown from 163.37crore on March 2014 to 910.51 crore on march 2022, it grown 5.58 times in 8 years.

Figure 4.1

In figure 4.1 shows category wise in percentage of Bihar investment in mutual fund industry, total investment of Bihar on particular period is 100% and different category percentage decide according to contribution of investment in Bihar on particular time. Equity scheme contribution is flat around from 65.69% on March 2014 to 68.48% on March 2022, debt oriented scheme contribution has been decreasing from 27.05% on March 2014 to 16.82% March 2022, Balance scheme contribution has been increasing from 3.25% on March 2014 to 11.34% on March 2022, Liquid and Other scheme is flat around only 2% over the period from March 2012 to March 2022.

DISCUSSION

Mutual fund is one of the investment avenues which offer to small amount of investors to large amount of investors by profession managers, which provides diversified investment portfolio, liquidity, low cost, affordable, convenience to investment and tax benefits so on. Mutual fund provides wide range of funds according to investors objective and risk-taking capacity.

Mutual fund the first time established in India in 1963 with name of Unit Trust of India (UTI) that initiated by reserve bank of India (RBI). Securities and Exchange Board of India (SEBI) mutual fund regulation came in 1993, which regulate all mutual fund except UTI, after SEBI mutual fund regulation private sector mutual fund entered so new era started for mutual fund

industry. The countries' laws and norms have an impact on financial development (Khorana, Servae, & Tufano, 2005) So to grow mutual fund industry should focus on regulation which protect investors interest, promotion of mutual fund industry. Mutual fund industry is continuously growing from starting 1964 to 2022. In Indian mutual fund industry debt scheme contribution is decreasing and equity scheme contribution is increasing, liquid scheme contribution is flat in term of percentage, balance scheme and other scheme contribution is growing.

The contribution of Bihar Investment in mutual fund industry is also growing with Indian mutual fund industry growth, Bihar contribution grown from 0.42% to 0.85% during March 2014 to March 2022, scheme wise growth is around flat except balance fund is growing in term of percentage growth during March 2014 to March 2022.

CONCLUSION

Mutual fund is an investment avenue where investment start from low amount to large amount, which provide different type of mutual fund scheme accordingly investors objective. Indian Mutual fund industry is growing from beginning, mutual fund more grown after SEBI regulation. Comparative analysis of different type of scheme n mutual fund industry found that equity fund ,Balance fund , other fund contribution is growing and debt scheme contribution is decreasing , liquid fund contribution is around flat.

Bihar's investment in mutual fund industry analysis found that Bihar investment in mutual fund is growing , Equity scheme contribution is very high more than 60% and debt scheme contribution is declining , balance scheme contribution is increasing , liquid scheme and other scheme contribution is flat .

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