



An Analysis on Mutual Fund Industries As a Resource Mobilization in India

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DOI - 10.5281/zenodo.11651977

Abstract:

A mutual fund industry is one of the significant investment scheme that combines the capital raised from several investors to buy a range of securities, such as bonds, money market instruments, and other assets. It also provides investment options and helps with the proper deployment of funds.

A mutual fund is a business that offers investment opportunities and facilitates allocation of funds appropriately by combining the money raised from multiple investors.

Previously investors were investing their money mostly in insurance and other types of fixed assets similarly The purpose of this research paper is to highlight and find out how the mutual fund works and rose as resource mobilisation in the Indian financial market. It also analyses its operational structure and its performance in Indian financial markets from 2014 onwards.

Key Words: Mutual Funds, Recourse Mobilisation, A Financial Market.

Introduction:

Investors have a number of possibilities for making investments in the current financial climate. Investors want to diversify their holdings in their portfolio as a result, he invests in both debt and equity in an effort to reduce risk and increase returns. Within equities, he chooses companies in a number of industries, including banking, IT, textile, infrastructural, and cement.

A typical investor frequently struggles with a lack of information and

ends up with an inadequate portfolio. 'Asset Management Companies' are available for this purpose; they create a fund by offering units to the general public. These units are equivalent to shares or debentures, or any other type of instrument. Experts in the financial markets that work for this AMC will now invest the funds across a variety of industries in an effort to reduce risk and optimize rewards. The value of mutual fund units raises in tandem with the profits from various investment streams. Stock

exchanges are another venue for trading these units.

The government permitted private companies to create mutual fund schemes during the third phase, which began in 1993 and gave Indian investors more options for fund families.

Investing in mutual funds can be advantageous for all investors, but it can be particularly helpful for individuals who are unfamiliar with the intricacies of the financial markets. The increasingly sophisticated and complex financial markets mean that investors desire a financial intermediary that provides the professional skills and knowledge needed for successful investment.

The mutual fund business has opened up a world of interesting investment opportunities for Indian investors. It's becoming more and more obvious that savins are going to funds instead than banks. In India, mutual funds are still relatively new as financial intermediaries, despite the industry's anticipated continuous expansion.

Review of Literature:

This research project used past reviews of studies to find the performance of the mutual fund industry as there are limited study are there on mutual funds in research as a part of this study here are some reviews of the literature on the mutual fund industry.

Dr Mayank Malviya¹,and Dr. Prateek Khanna (2020) in the research paper titled Performance of Mutual Fund Industry in India in the International

Journal of Creative and Innovative Research In all Studies International Peer-Reviewed Journal the basic objectives of this study are to find out the past and objectives of this research paper to know performance of the varied mutual fund schemes based on their historical Net Asset Values (NAVs) and the application of statistical tools on the same for analyzing standard Deviation Sharpe Ratio Statistical tools. Finally, it has been determined that if an investor is not aware of the mutual fund's investing variables from a variety of temporal perspectives, they may invest for the incorrect time and miss out on the chance to make a return. For individuals who would prefer to invest in mutual funds as opposed to directly purchasing equity shares and debentures, this research is essential.

Sahu and Panda (1993) in their analysis titled the role and future of mutual fund industries in India found that the public's saved assets in shared resources accounted for less than 15% of significant worth market capitalization, 5–6% of supreme money-related save reserves, and 11–12% of bank stores. They proposed that basic resources should establish appropriate procedures for observing hold support prospects, hypothesis outlet advancement prospects, public plans, and needs.

Chakrabarti and Rungta (2000) in their evaluation titled "Normal Funds Industry in India: A Through and through explore the issues of acceptability, risk, and brand and emphasise the significance of brand sway in selecting the primary

situation of the Asset Management Companies. Their analysis revealed that the brand image component influences the financial supporter's knowledge and, consequently, his choice of resources and plot, even though it cannot be easily controlled by reasonable execution procedures.

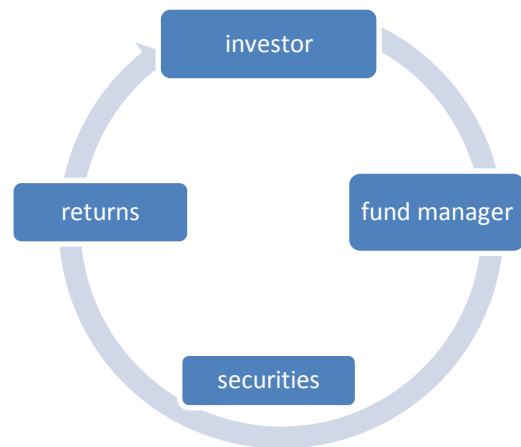
Abhishek Kumar, (2012) distinguished between the Mutual Funds' implementation and growth in India from 2002 to 2009. About 1025 Indian mutual fund plans, both open-ended and closed-ended, were examined in the evaluation. The researcher examined the degree of asset planning in the mutual fund sector using the AMFI database. There appears to have been a fundamental advancement inside the Mutual Fund sector.

Concepts of Mutual Funds:

A mutual fund is a collective financial account that participants contribute money to, with the intention of investing it toward a specific objective. Consequently, each investor owns a portion of the fund jointly.

The following flow chart provides a general overview of how a mutual fund operates:

Fig:1: Mutual Fund Operation Flow Chart.



Objectives of the Study:

This study has following objectives:

1. To study current status of mutual fund industries in Indian economy.
2. To analysis performance of some selected private mutual fund industries as a resource mobilisation.
3. To find growth of mutual fund industries after mutual fund regulation act.

Hypothesis of the Study:

1. H0: There are no changes in the performance of private mutual fund industries.
2. H1: There are changes in performance of private mutual fund industries.

Research Methodology and Data Collection:

The secondary data used in this study was gathered from a variety of journals, books, research papers, and

theses. Sources of secondary data included the Indian economy's statistics survey reports, magazines, Indian securities market review, SEBI's annual report, the (AMFI), and various mutual fund companies' various websites. Data was gathered from the aforementioned sources between 2006 and 2019–2020.

Scope of the Study:

1. This research will help to know as it is emerging as a significant resource of mobilisation.
2. The research gives an understanding of the investors' preferences on various mutual fund schemes.
3. The study will help in generating a new scheme according to the expectations of investors.

Statement of the Research Problem and the Need for Study:

Mutual funds are still a well-liked option for investment. They have evolved into a resource mobilization tool that gathers small investors' savings and uses it to invest in a portfolio. According to economic theory, investors act rationally. The current study looks into mutual funds as a means of capital market mobilization and the variables that affect investors' decision-making.

Even also seeks to evaluate the mutual fund industry's overall growth performance in India, particularly following the sector's "opening up." Numerous investigations were conducted to assess. The relative performance of

private mutual funds in terms resource mobilization, investment behavior, and overall efficiency, however, has not been well studied. The current study makes an effort to continue this kind of research.

Signification of Study:

As significant resource providers and a consistent buyer of floating equities, mutual funds also contribute significantly to market stability. Mutual funds are widely recognized to helpful guide for the people to save their small amount and use it for the development purpose. This will also create saving habit among the people which will increase investment

Period of the Study:

The study period for this research project is considered for the Period of fifteen years from 2006 to 2020 the main reason to take this period as in 2006 MMMF act has created a pivotal for mutual fund industries.

Tools and Techniques used:

In this research study data collected from multiple sources are analyses by using statistical methods like averages and percentages. To make the data easier to grasp, it has primarily been given in tabular form.

History of Mutual Funds Industries in India:

The mutual funds was first introduced Britain in the 19th century, but it gained traction these mainly closed-ended funds were utilized to support

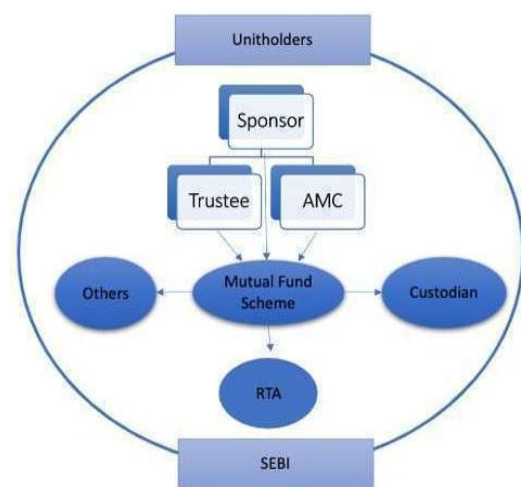
economic expansion in the United States. Nevertheless, these closed-ended funds failed as a result of the 1929 stock market crisis. The United States had roughly 68 funds in 1940; today, there are hundreds of schemes. More importantly, rarely two to three percent of American families had fund shares in 1965. Approximately 25% of American households already invest in mutual funds. U.S. Mutual Fund had yearly sales of \$4.4 billion in 1965; in modern currency, that amounts to its sales each month are double that amount. Currently, U.S. Mutual Funds manage more than five crore accounts for shareholders. The U.S. success story can be attributed to the fund manager's ability to create mutual funds tailored to various economic conditions and investment requirements. However, this industry has experienced exceptional expansion not just in the United States but also in a few other countries. Due to a protracted monopoly, the mutual fund business in India did not grow much in the beginning. But since the private sector was allowed access, the industry has grown enormously.

In 1963, the Indian government and RBI took the first steps to establish the mutual fund business within the country's financial system. The mutual fund sector is expanding, and this expansion may be observed in phases, starting with the Indian unit trust in 1964 and ending in 2003. Following the act, RBI passed the Money Market Mutual Fund Act of 2006 in response to the mutual fund industry's growth. The act's operating structure is depicted in Figure 2.

The organizational structure of mutual funds in India:

Mutual funds are arranged into three tiers in India, along with a few more significant components. These financial instruments are not exclusive to AMC's or banks. The three main players are the Trustees, (AMC), and the Sponsor, who founded the fund.

Fig: 2: Organisation of a Mutual Fund



Source: Edufund research team organisational structure.

Mutual funds need to be sponsored by an individual, a group of individuals, or an organization. The sponsors also select the Trustees who will manage the mutual funds.

In addition, sponsors or trustees select AMC, and an agreement is made with them about financial management. In actuality, sponsors also promote mutual fund AMC's. The transfer agent maintains track of who owns what and makes the required modifications when investors purchase or sell units. The custodian is the

owner of the securities that the fund has purchased. We will discuss each institution and its role in the mutual fund industry.

Table -1 Mutual Funds Mobilized Net Resources

Year	UTI	Bank Related MF	FI related MF	Private sector MF	Total
2006-07	73.26	30.33	42.26	794.77	940.62

Source: UTI and Respective Mutual Funds.

Table 2: Amount Mobilised by MFs (Rs. Crore)

Years	Mutual Funds			
	Public	Pvt	UTI	Total
1996-97	151	346	9,600	10,097
1997-98	332	1,974	9,100	11,406
1998-99	335	1453	2,738	-950
199-00	701	14,669	4,548	18,516

Source: SEBI

Table- 3 Funds Mobilised and Total Assets- Private & Public for 2022-2023

Mobilisation of Funds	Private Sector Mutual Funds	Public Sector Mutual Funds	Grand Total
	A	B	A+B
Mobilisation of Funds	5,97,909	2,19,135	8,17,044

Source: SEBI

In the financial year 2022-23, the net value of resource mobilization through mutual funds in India was 2.54 trillion, the highest since financial year 2020. Mutual funds play an important role in mobilizing savings and investing them in the capital market.

Limitations of the Study:

This research study has following limitations:

1. This projects is depends on secondary information.
2. The present study considers the data collected after money market mutual fund act.
3. The industry study has only been conducted from 2006 to 2018–19, based on the data that is available, but the performance analysis of sample schemes covers the years 2006–09 to 2019–20.

The outcome of the Research:

Mutual funds play a crucial role as intermediaries in the Indian financial system; they facilitate the discovery of the resources that the funds mobilized during the research phase and where the vast bulk of the resources mobilized over the previous fifteen years have come from.

Conclusion:

It is determined that the introduction of new products, a thorough regulatory framework, favorable tax laws, and an increase in household savings are the primary causes of the remarkable performance and growth.

The mutual fund business ought to draw in more investors, individuals, corporations, and other stakeholders in order to mobilize resources.

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