A STUDY ON MUTUAL FUND INVESTMENT AND ITS IMPACT ON ASSET UNDER MANAGEMENT

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ABSTRACT

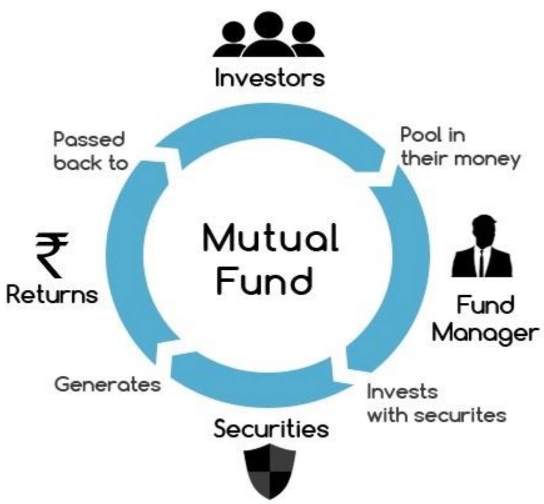
Among numerous investment modes, mutual fund is the most suitable opportunity to the layman to hope for more returns from their investment when related to other primitive source of investments. Mutual funds are excellent method of investment. But due to Unawareness Indian household invest their saving with traditional source of investment at very low rate of return. This study focused on analysis of quarterly mutual fund investment and its impact on asset under management from the year 2000 to 2018 After comparing the Asset Under Management of 2018 with 19 years back in 2000 it was found that its totally different there is 26.27 times increase in Asset Under Management of mutual fund houses as it was 90,587 Cr in year 2000 and in 2018 it was 23,79,584 crores and from 2014 strong inflow in AUM of mutual funds company due to demonetization and Goods and Services Tax and linking to PAN and AADHAR card with bank account. And also, government had launched the first Equity-based Exchange traded Fund (EQUITY ETS) in 2014, which has good success rate.

Key words: Mutual Funds; Rate of Return; Households Saving; Awareness; Mobilization of saving; Asset under management.

Introduction

Financial systems are playing very important role in the economy of any country, so, is true with India. There are majorly three players in financial system: Government, Corporate and Households but both government and corporate sector are Deficit Generating Unit as their expenditure is grater then revenue. Only household in financial sector are surplus generating unit because their revenue is always more than expenditure. So, they have more saving with them. This study is based on allocation of funds from surplus creating unit to deficit generating unit which is called financial system. There are four way to transfer funds from surplus creating units to deficit generating unit i.e. financial market, financial instrument, financial institution and financial service. Financial Market is the best way to investment for higher return on households' surplus funds. To Invest in Financial Market for higher return, investors should have Proper knowledge about the market, along with knowledge investor must be having skills related to market and most important is time. So, due to these factors most of investors avoids to make investments in financial markets. But, because mutual funds are professionally accomplished investment which pools capital from households with surplus fund those who want to invest in financial market and then mutual fund houses invest investors fund into capital market and whatever profit or loss is realized from portfolio investment distributed to investors (Singhal T., 2015).

Mutual fund houses which are managed by Asset Management Company generally act as a medium for investors and capital market. So, every company who is registered under Initial Public Offering (IPO) have their mutual fund houses which are managed by asset management company with various plan and scheme so investors those who do not want to invest directly can opt for mutual fund houses. Every mutual fund house has their fund manager who manage all Asset Under Management Funds and all about portfolio investment. All these activities of mutual fund houses are supervised by the trusty under the guidance of Security and Exchange Board of India (SEBI). Mutual funds mobilize the funds of small investor. When household invest in stock market it gives more return but also more risk because stock market keep on fluctuating so better option is mutual funds to reduce risk like direct stock market. To have the proper understandings of the mutual fund cycle the following model has been made.



There are various types of mutual fund investment schemes viz; open ended and close ended. The difference among the both depends on the flexibility of sale and purchase of securities. Open-ended funds buy and let stockholders to enter and exit as per their own willingness and these funds do not have fixed maturity period and close-ended mutual fund investment scheme used for long term investment which have time restrictions for maturity period. In this type of investment neither investors can enter, nor investors can exit till the term of the scheme of the fund. So, investors who want to invest for short term will go to open ended mutual fund and investors who want to invest for long term and want higher rate of return invest for long period opt for close-ended mutual fund. Mutual fund investment gives compounded annually return on investment and compound interest is eighth wonder of the world so as much investor give time and patience to mutual fund it will give the higher rate of return on investment. Mutual Funds investment are also called sacrificing and futuristic which means to sacrificing todays expanses in order to get higher return in future on saving invested into Mutual Funds (Pandow B. 2017). There are different growth phases in mutual fund markets in India, the study has tried to find the different phases in mutual fund markets in India.

Different Growth Phases in Mutual Funds Market in India

Phase 1: In (1964-1987) firstly, mutual fund introduced in India by single Mutual fund house "Unit Trust of India" (UTI), there was no option of close ended mutual fund only open ended was there in first phase of mutual fund in India.

Phase 2: In (1987-1992) second phase of mutual fund, Public sector companies State Bank of India (SBI) and Canara Bank entered in mutual fund market.

Phase 3: In (1992-1996) third phase of mutual fund in India government allowed private sector companies to enter in Mutual fund market as there were limited Public companies in Mutual fund market.

Phase 4: In (1996-1999) fourth phase of mutual fund focus on growth and development of Mutual funds and Rules of Security and Exchange Board of India (SEBI).

Phase 5: In (2000-2004) fifth phase of mutual fund in India in which Large industry were entered in market for the growth of Mutual Fund in India.

Phase 6: From sixth phase (2004) onwards mutual fund industry in India started growing and shown tremendous growth in Asset Under Management of Mutual Fund Houses.

Review of Literature

Various numbers of studies and research have been conducted on the investor's behavior and opinions towards the mutual funds and other avenue. Goel S. (2013) has been analyzed that investors judge mutual funds schemes for investment on the basic of their structure, size, performance, status and professional expertise. Therefore, mutual funds company should emphasis strong point of their scheme and they must be made aware about the benefit and other type of scheme through Data Envelopment Analysis DEA, and Logistics Regression Analysis. Agrawal G and Jain M. (2013) has concluded in their study, Preference of investors towards mutual funds compared to other various investment avenue, that more investors were aware about Banks and Life Insurance Corporations investment avenue only. More than 80 percent of the investors are aware about Mutual fund investments. Singal V. and Manrai R. (2018) studied mutual fund affected by factors, integrates construct from the factor affecting investment in mutual funds into an insightful investment model for adoption. The result of study indicate that investors perception imparts a very vital role in the investment decision making process. Prasanna S. and Raj Kumar (2014) has studied the mutual fund investment perception through both Primary as well as secondary data collection methodology were used in this study of knowledge and awareness among investors. Graduate respondent was chosen for survey in their study and they conclude that the general knowledge and awareness among the individual investor are so good because there is insight among the investors that mutual funds give supplementary return with less risk compared to other avenue. This is the most remarkable factor for the reception and growth of mutual funds investment by Indian Investors. Singhal T. (2015) analyzed in study of switching behavior of investors from fixed deposit to another avenue. Both Primary as well as secondary data were for the study. Principal component analysis and Chi Square are the tools used by researcher for the study. Study concludes that, Investors are switching in mutual funds markets for the higher rate of return. Interest Rates, Location, Advertisement, Reputation, income level and service quality are the Factors for switching investors from one to another investment avenues. Gandhi R. and Perumal R. (2016) analyzed investment decision making of investors towards mutual funds due to performance of bank mutual funds scheme by using basic statistical tools to analyze the mutual funds schemes of selected financial institutions. The study concludes that among open-ended the Canara Robeca Equity Tax saver schemes is performed well in a specific scheme in banking sector. Where as HDFC presented tax saver scheme which has a lowered the variance and standard deviation and that is less risky among banking tax saving schemes. Muthalif R. and Munivel K. studied the consumers awareness and awareness towards mutual funds. Both type of data primary as well as secondary data were taken for the study through chi-Square, ANOVA and cluster analysis and other statistical methodology used for the study. Study concluded that respondent's level of consciousness about the mutual funds products shows that 23.4 percent, 40.8 percent, 30.7 percent are just aware, more aware and most aware groups respectively. Amarjeet (2014), thrown light on study of Liquidity level and Return on investment of Fixed Deposit and Mutual Funds. The study concludes, investors belonging to average middle class and upper middle class can take more risk and should invest in mutual funds and investors with low income should opt for fixed deposit. Which shows that mutual fund is riskier but give high return on investment compared to fixed deposit. Kapoor P. and Goel S (2013) studied the awareness, Preference and attitude of investors towards mutual fund. Primary data has been collected from employees of different organizations. Study concluded, that investors must be cautious in choosing the schemes, sectors and performance of various assets management companies. Mutual fund industry which has enormous growth, if better controlled by market regulators, the resources can be better allocated in an emerging mare economy. Palla V., Turaga N. and Bandaru S. has analyzed investors Preference towards mutual fund sectors through primary and secondary data collected. study showed, investors are influenced by socio-economic factors other than gender. Income scheme was liked by Younger age, living in rural area with low income and lower education investors. Investors belong to higher income group and salaried person of semi-urban respondent were mostly liked he growth scheme. Balanced scheme was liked by Middle class respondent and younger age. Respondents from Higher education and Middle-income group mostly liked sectoral schemes. Mittal P. and Singh S., examined behavior of investors towards Indian Mutual funds, which depicted that majority of (57%) investors prefer to invest in saving account and (53%) invest in Mutual Funds out of which only 38% investors took help of brokers & agents and rest 28% investors invest in Mutual Fund as per suggestion and information received from friends and relatives. Anand R. (2017) has thrown light on study of various mutual funds scheme and Financial Planning by retail investors in India, which showed that mutual funds as an Investment option have displayed tremendous growth when markets are optimistic. Performance of mutual funds is much better than traditional investment options in the long term. Indhumathi G. and Alamelu K. (2017) investigated the Perception of investors towards Mutual Funds. Data analyzed by using Descriptive Statistics. Study concludes, investors have positive approach towards mutual fund investment due to which mutual fund is in a growing stage. Patel N. (2018), studied association between mutual funds and Fixed deposit by secondary data collected from journals, articles, magazine and newspapers. By using descriptive and analytical method, Study concludes, mutual fund investment is much better then fixed deposit. Mutual fund gives adjusted inflation return and also both Rate of Return and Risk in mutual fund is higher than Fixed Deposit. And after demonetization investment in mutual funds increased as banks reduced the rate of interest on fixed deposit. Kaur J. and Arora N. (2018), studied the investors preference of investors on mutual fund as an investment. Study was based on primary data collected and study concludes, investment made by most of the investors is in mutual funds and because of higher return investors prefer to invest the amount in growth fund schemes. Salunkhe H. (2017) studied the Mutual fund growth in India. Study was based on secondary data collected and concludes that, from last many year's investment in mutual fund is tremendously increased due to Demonetization and implication of Goods and Services Tax. Baral P and Das K (2016) concluded in study that, growth in Mutual Fund industry in India, which shows that mutual fund plays a significant role to play in financial development of Indian economy. According to study 82 percent of household's savings mobilizes into mutual fund which shows Private sector in mutual funds have recorded an increase compared to public sectors. Akula R. and Reddy M. (2017) analyzed the mutual funds in India through secondary source of data and study concluded that Mutual funds industry faced lots of challenges over past years and also got various opportunities which shows that mutual fund in India will be growing in Future. Pandow B. (2017), studied performance and growth trend of mutual funds industry in India, study concludes that tremendous growth has been recorded in mutual fund Industry. In between sometimes there were fluctuation and up-down in industry but overall growth has been recorded in mutual funds industry.

Objectives of Study

The main aim and objective of the study is to analyze the growth trends which deems fit the impact of mutual fund investment and its impact on asset under management

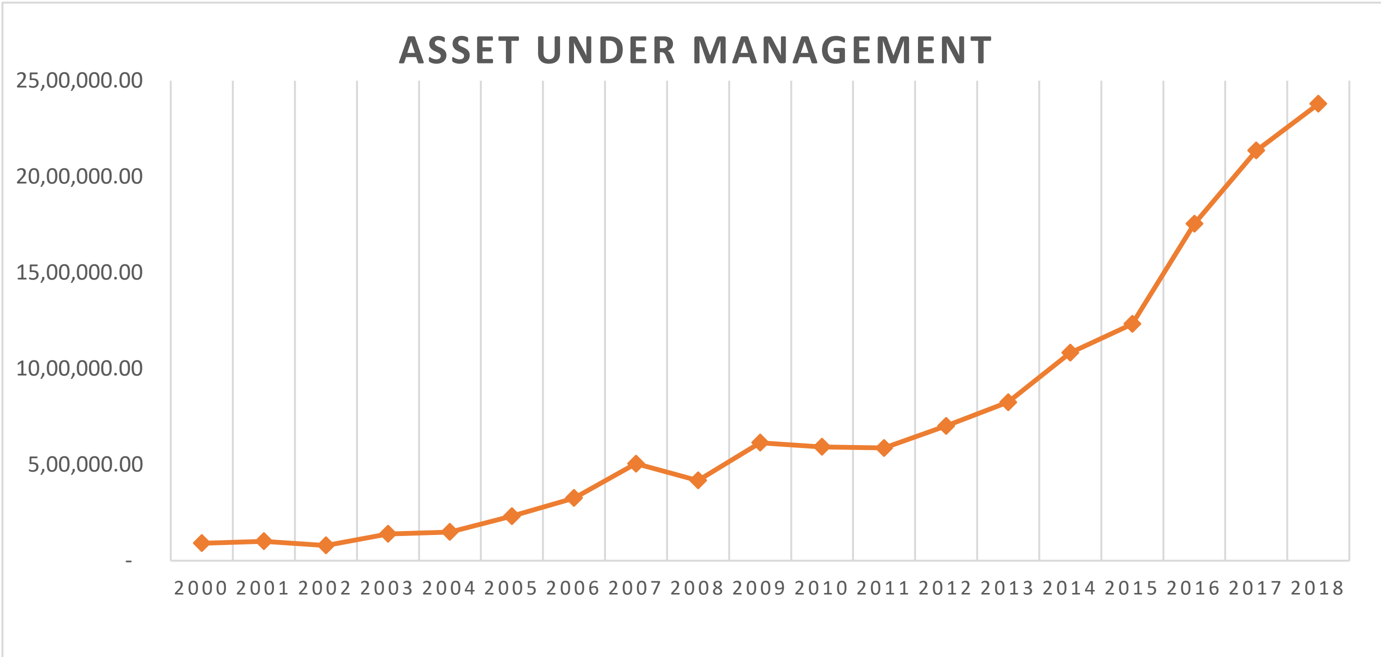
Data and Methodology

The study is purely based on the Secondary data which has been obtained from Association of Mutual Fund of India (AMFI) from period April 2000 to March (Quarter wise). Trend Analysis and Growth rates have been calculated to study the impact of mutual fund investment and its impact on asset under management

Results and Discussion

The data has been collected form secondary source the benchmark for the data is Association of Mutual Fund of India (AMFI). The time period of the has been taken quarterly from year 2000-2026, were 2000-2018 data are collected from the Association of Mutual Fund of India rest of 2019-2026 (see appendix) data are forecasted based on the previous year data. The quarterly data given a clear insight about the fluctuating by the Asset Under Management. The data has clearly showed the trend structure of Asset Under Management. To begin with quarter 2 (Rs. 97462Cr) to Quarter 1 (107728) in year 2000. It has been observed that the decline in Quarter 2 as compare to Quarter 1. If we consider the percentage data so the quarter 2 data show -9.53, so it is clearly negative difference between both quarters according to the Association of Mutual Fund of India (AMFI). As earlier time in quarter 3 data shoes that the fluctuation 1.91 and in quarter 4 it is -8.80 so in quarter 3 it is going positive but in certain time it is going to the negative so we can say that the data is much more fluctuating. Now continue with 2001 in quarter 1 (97953) or in quarter 4 (100594), there is not much fluctuation between these two amounts but if we consider the all quarter the total fluctuation in quarter 1 is 8.13 compared to the last quarter of 2000. In quarter 2 it goes to -6.27 in quarter 3 it is 10.90 or in quarter 4 it is -1.21 so there is lots of fluctuation happed in between this four quarter. If we compare quarter 4 of 2001 to quarter 4 of 2000 so the total fluctuation is 11.05%. In 2002 quarter 1 data shows that the fluctuation 0.11 so it is not so much high compared to the last quarter of the 2001 but in second quarter of the 2002 it is 6.18 and in third quarter it is 14.66 or in last quarter it is -35.18 so in first three quarters it is gradually increasing but at the end of the year it is going very low(negative). If we compare quarter 4 of 2002 to the quarter 4 of 2001 it is change in the percentage around -21.06 from 11.05 so we can say that it is going very down due to 4th quarter of 2002.In 2003 the first quarter shows that the percentage change in this quarter is 31.84 and in fourth quarter -35.18 so it is increase very rapidly so throughout the year it is change in second quarter change will be 16.24 and in 15.04 so it is reducing but not so much and we compare with quarter 4 it is -0.34 so the difference is very high. In 2004 first quarter percentage shows that the 11.62 and it is directly change to the -1.76 so it is very large change in single quarter after second quarter in third quarter the percentage is goes down more than it is -1.68 and in fourth quarter it slightly going up by -0.65% so in this year we can say that the fluctuation will be more in term of the investing in the mutual fund. In between 2000-2004 many large industries are introduced in Mutual fund market due to this there was increase in total AUM (Asset under management) but very slow. Due to this reason the rate will increase gradually 55.04 in 2005, 40.77 in 2006, and in 54.77 in 2007, so Then in 2008 market goes negative and reduced by -17.39 and major private sector mutual fund industries were lost their 30% share value. Due to slow down in India as well as global slow down. Again, market came in momentum in 2009 AUM of mutual industries increase by 47.13 from negative -17.39 but due to 2008 event as we discussed above market not able to recover last year loss due to slow economic growth in 2008. Again, slow growth from 2010 due to higher inflation, physical deficit and difference in current account balance. Due to entire reasons India's mutual fund industries again entered negative zone that is -3.54 in 2010 and -0.85 in 2011. From 2012 mutual fund market start rising, share price were increase investors started showing positive response. So, in 2012 the total AUM increased by 19.54 % from -0.85 in 2011, and this trend was continued to 2013 and again market is increased by 17.65.

Fig1 Trend Analysis in Asset Under Management from 2000-2018



Source: Association of Mutual Fund of India, Calculated by the Author

In 2014 increase was very highly rapidly from 17.65 to 31.21 in 2014. The reason for this high increase in market was Due to change in government and Change in various government polies and introduced in mutual fund market like government had launch the first Equity-based Exchange traded Fund (EQUITY ETS) which has good success rate. So, Awareness and government stability leads to attract the investors and mobilize the household savings into mutual fund market. Same increasing trend in AUM continued in 2015 also with 13.86. and increasing trend was continued till 2018 but due to demonetization in November,2016 there was high increase in AUM of mutual fund houses more than expected rate. Because households and all other surplus generating unit were not able to hide black money due demonetization and strict step taken by the government on unauthorized fund. So, household/investor with surplus fund with them were searching for safe and legal investment in order to be safe from blacklist by government. As government linked household's AADHAR and PAN card to the bank accounts. In order to regulate the transaction and control on black money. So mutual fund was one of the safe and legal investment according to investors. This step taken by government lead to higher increased in mutual fund Asset Under Management to 42.33. there was high rate in second quarter of 2016, 14.44 due to the demonetization. And in November 2017 again one step taken by Government of India in economy was implementation of Goods and Services Tax (GST). Due to change in tax scheme by government households and investors have to must pay fairly Tax and then cannot hide the tax. Then due to this step taken by government there were increase in mutual fund investment. Mutual fund was giving various scheme like tax saving scheme so households can save their tax so, after this household with their fund were coming to the mutual fund houses as a safe investment. This led to increase in Asset Under Management of mutual fund houses by 21.74%. again, positive increase trend in mutual fund was followed in 2018 that is 11.40% but less as compared to previous year because in 2018 second quarter Indian Annual budget presented by Indian government introduced first time Long Term capital Gain that is called LTCG on Equity due to this there is negative trend in second quarter of 2018 by -3.59%.

Conclusion

After analyzed the data of last 19 year . Mutual fund shows positive result and increase tremendously Indian household showing their positive interest and response in mutual fund investment. After comparing the Asset Under Management of 2018 with 19 years back in 2000 it was found that its totally different there is 26.27 times increase in Asset Under Management of mutual fund houses as it was 90,587 Cr in year 2000 and in 2018 it was 23,79,584 Cr. and from 2014 strong inflow in AUM of mutual funds company due to demonetization and Goods and Services Tax and linking to PAN and AADHAR card with bank account. And also, government had launched the first Equity-based Exchange traded Fund (EQUITY ETS) in 2014, which has good success rate So, household started investing more in mutual fund all this step taken by government leads to increase awareness and education of capital market among households. And also, private sector played an important role for the growth of mutual fund market in India. The mobilization of household saving into mutual fund investment in India increased during the study period. Which shows that future of mutual fund house in India is bright and will grow day by day in future.

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APPENDIX

Table No 1: Data on Asset Under Management (In Crore)

YEAR	Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4
2000	107,728.00	97,462.00	99,326.00	90,587.00
2001	97,953.00	91,811.00	101,822.00	100,594.00
2002	100,703.00	106,929.00	122,600.00	79,464.00
2003	104,762.00	121,778.00	140,093.00	139,616.00
2004	155,845.00	153,108.00	150,537.00	149,554.00
2005	164,546.00	201,669.00	199,248.00	231,862.00
2006	265,534.00	291,206.00	323,598.00	326,388.00
2007	400,842.00	476,989.00	549,936.00	505,152.00
2008	521,899.00	483,279.00	413,365.00	417,300.00
2009	582,679.00	627,999.00	665,146.00	613,979.00
2010	630,185.00	657,313.00	626,314.00	592,250.00
2011	673,176.00	641,937.00	611,402.00	587,217.00
2012	688,825.00	720,113.00	759,995.00	701,443.00
2013	811,481.00	745,969.00	825,840.00	825,240.00
2014	974,715.00	959,415.00	1,051,343.00	1,082,757.00
2015	1,173,294.00	1,187,313.00	1,274,835.00	1,232,824.00
2016	1,380,747.00	1,580,076.00	1,646,337.00	1,754,619.00
2017	1,896,291.00	2,040,301.00	2,126,665.00	2,136,036.00
2018	2,286,401.00	2,204,423.00	2,285,912.00	2,379,584.00

Source: Association of Mutual Fund of India, Calculated by the Author

Table No 2: Quarterly Percentage Change in Asset Under Management

Year	Percentage change quarter 1	Percentage change quarter 2	Percentage change quarter 3	Percentage change quarter 4	Yearly change
2000	0.00	-9.53	1.91	-8.80	0.00
2001	8.13	-6.27	10.90	-1.21	11.05
2002	0.11	6.18	14.66	-35.18	-21.01
2003	31.84	16.24	15.04	-0.34	75.70
2004	11.62	-1.76	-1.68	-0.65	7.12
2005	10.02	22.56	-1.20	16.37	55.04
2006	14.52	9.67	11.12	0.86	40.77
2007	22.81	19.00	15.29	-8.14	54.77
2008	3.32	-7.40	-14.47	0.95	-17.39
2009	39.63	7.78	5.92	-7.69	47.13
2010	2.64	4.30	-4.72	-5.44	-3.54
2011	13.66	-4.64	-4.76	-3.96	-0.85
2012	17.30	4.54	5.54	-7.70	19.45
2013	15.69	-8.07	10.71	-0.07	17.65
2014	18.11	-1.57	9.58	2.99	31.21
2015	8.36	1.19	7.37	-3.30	13.86
2016	12.00	14.44	4.19	6.58	42.33
2017	8.07	7.59	4.23	0.44	21.74
2018	7.04	-3.59	3.70	4.10	11.40

Source: Association of Mutual Fund of India, Calculated by the Author