



## **Performance of Private Mutual Funds in India**

### **(Comparison of AUM between Mutual Fund Industry and Private Mutual Funds)**

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**ABSTRACT:** Mutual fund is one of the best investment options among various available investment options. It is also attracting the rural people in recent years. Investors usually perceive that all capital market investment avenues are risky. Based on objectives and risk bearing capacities, investors go for different investment alternatives. Among the various investment possibilities, mutual fund seems to be viable for all kind of investors as it is considered to be a safer mode of investment. After the entry of private sectors and liberalization large number of private mutual funds is operated in the Indian financial market. This study is an attempt to understand the performance of the private mutual funds over last five year. This study also tries to find the correlation between private mutual funds and mutual fund industry. Top five private mutual funds are taken for sampling and it is analyzed that the private funds after having enough potential private funds have seen loss during the year 2011-12, even when industry have attained growth.

**Keywords:** Asset under management, financial market, investment options etc

## **I. INTRODUCTION**

Large numbers of mutual funds are operated in Indian financial market. After the entry of private sector funds and globalization number of joint ventures took place in Indian mutual fund industry. It results an increase in percentage of investment in mutual fund.

A Mutual fund is an investment vehicle for investors who pool their savings for investing in diversified portfolio of securities with the aim of attractive yields and appreciation in their values. As per Mutual Fund book published by Investment Company Institute of U.S. "A mutual fund is a financial service organization that receives money from shareholders, invest it, earns return on it, attempt to make it grow and agrees to pay the shareholder cash on demand for the current value of his investment." The investment managers of the funds manage the savings in such a way that the risk is minimized and steady return is insured.

Securities and Exchange Board of India (Mutual Fund) regulations, 1996 define mutual funds as "a fund established in the form of trust to raise money through the sale of units to the public or a section of public under one and more schemes for investing in securities, including money market instruments." So, a mutual fund is a special type of institution, a trust or an investment company which acts as an investment intermediary and channelizes the savings of large number of people to the corporate securities in such a way that investors get steady returns, capital appreciation and a low risk.

## **II. OBJECTIVE OF STUDY**

1. To study and understand the private mutual fund in India.
2. To study the performance of private mutual funds in India.
3. To examine the potential and utility of private mutual funds in India.

## **III. REVIEW OF LITERATURE**

P. Hanumantha Rao and Vijay Kumar Mishra (2007) studied the mutual fund as a resource moralizer in financial market and conclude that AUM as a percentage of household financial assets starts to increase. At present, India has a GDP of around \$3,000 on a per capita basis and the AUM as a percentage of household financial asset is under 4%. This is undoubtedly very low as compared to other countries. As India's GDP is expected to maintain its growth rate, households will surely be holding more assets through mutual fund than ever before. During last few years, India's position as a market having potential for long-term growth has really been noteworthy as the Indian economy

is being ranked among the top 10 globally (in terms of GDP), and as the fourth-largest [in terms of purchasing power parity (PPP)]. Another good thing to note about Indian mutual funds industry is that it has grown at a rapid pace of 16.4% during the last 8 years as compared to global growth rate of 13% during the same period.

Dr. S. Poornima and Theivanayaki M (2012) found that Mutual fund towers over the other investment alternatives. Investors usually get confusion while investing as he has plenty of opportunities like stock market, mutual fund, provident fund, real estates, etc. the mutual fund is proved to be a safer mode of investment and has been giving good returns compared to other investments and it is highly cost efficient and very easy to invest in, however it has got same kind of risk like direct capital market.

Therefore investors have to think and choose the best alternative of investment. In case of mutual funds, the scheme which matches the need and objective of investors is very much essential to think. Longer the term of investment in mutual fund will give higher the return.

#### IV. RESEARCH METHODOLOGY

In this study analyzing the potential of mutual funds primary data has been collected from various sections of persons. For measuring the performance of private mutual funds five major private mutual funds are taken for study. These funds are

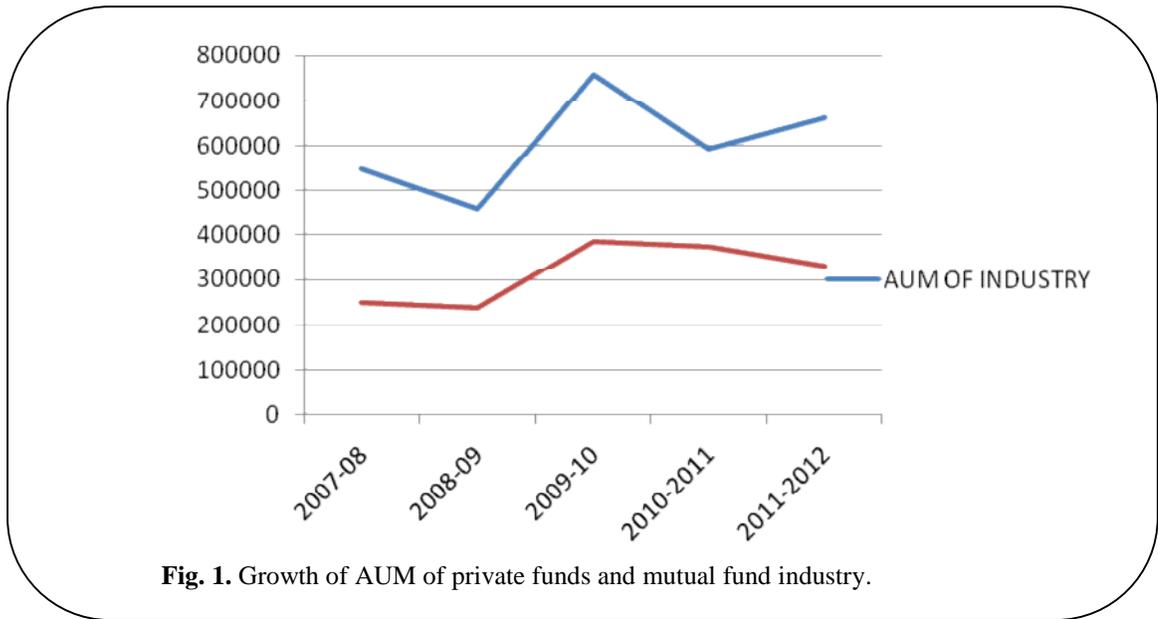
- a)HDFC Mutual Fund
- b)Reliance Mutual Fund
- c)Franklin Templeton Mutual Fund
- d)ICICI Prudential Mutual fund
- e)Birla Sun Life Mutual fund

Performances of above five Mutual funds are measured for the period of five years that is for the year 2007 to 2012 as shown in table 1 & 2 and Fig.1., 2. Asset under management (AUM) of the fund houses is a good indicator of the performance of the funds. So AUM for five years of the above funds will be analyzed.

AUM of the observation period of fund houses indicates the performance of the mutual funds in the mutual fund industry. Since only five major private mutual funds are taken for study purpose so the results are not much accurate but as these funds contribute major part of assets under management among all private mutual fund so the analysis is assumed to give a correct picture of performance of private sectors funds.

**Table 1. Assets under Management of Private Mutual Funds for Five Years.**

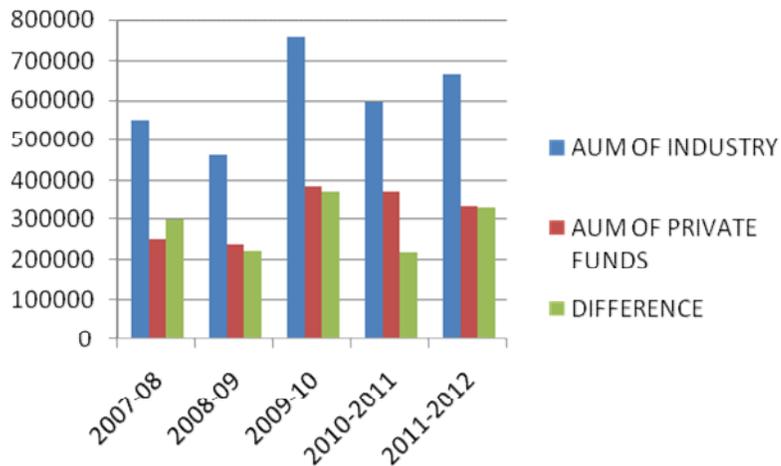
S. No	Fund House	Assets Under Management (AUM) Rs. (In Cr.)				
		2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
1	HDFC Mutual Fund	43,763	51,421	94,796	87,282	89,879
2	Reliance Mutual Fund	77,210	77,168	1,17,249	1,11,577	78,112
3	Franklin Templeton Mutual Fund	29,604	19,308	32,342	37,883	34,493
4	ICICI Prudential Mutual fund	64,045	47,516	78,372	73,466	68,719
5	Birla Sun Life Mutual fund	35,931	42,516	62,595	63,693	61,143
Total		2,50,553	2,37,929	3,85,354	3,73,901	3,32,346
Total AUM of Industry Rs. (In Cr.)		5,49,873	4,60,573	7,58,584	5,95,084	6,61,437



**Fig. 1.** Growth of AUM of private funds and mutual fund industry.

**Table 2. Comparisons of Assets under Management between Mutual Fund Industry and Private Mutual Funds.**

S. No.	Year	Assets Under Management (AUM) Rs (in Cr.)		Difference In AUM Rs.(in Cr.)
		Mutual Fund Industry	Private Mutual Fund	
1	2007-08	5,49,873	2,50,553	2,99,320
2	2008-09	4,60,573	2,37,929	2,22,644
3	2009-10	7,58,584	3,85,354	3,73,230
4	2010-11	5,95,084	3,73,901	2,21,183
5	2011-12	6,61,437	3,32,346	3,29,091



**Fig. 2.**

### V. LATEST TREND IN COUNTRY

Due to the continuous global and local issues, stock market is continuously facing uncertainty, it is also affecting the mutual fund industry of India and experts are finding it difficult to see the real bottom for the market now. They expect further correction going ahead. It is also expected that yields will continue to remain volatile given the increased worries of Syrian attack.

## VI. FINDINGS

This study shows the performance of private mutual funds (top five) along with their correlation with the performance of mutual fund industry. The analysis indicates that the correlation is positive in most cases. When mutual fund industry shows growth private mutual funds also show growth except for the year 2011-12. In this year private funds show fall while the industry shows growth. The results show that private mutual funds had maximum growth during the year 2010-11, when the difference was small. The analysis also predicts that due to loss in the AUM customer loses their trust on private fund houses. From primary data it has been concluded that investors are not interested to invest in mutual funds, the reason being that in last few years performance of mutual fund industry was not up to the expectations of the customers and may be rated as poor. In this situation it is become very difficult for private funds to stand in the market.

## VII. CONCLUSION

Mutual funds are one of the best investment options but it is not usually preferred and the reason behind this is the uncertainty in return. Private mutual funds have quite potential but they are not still penetrating in the market. They have to provide satisfactory services to their customers to retain them, and also launch such funds which ensure the growth of money invested by the investors. Various policies and regulatory initiatives have been taken by SEBI for the benefits of the investors and increase the performance of mutual funds. For example SEBI has mandated that during advertisements standard warning should be recited in proper manner so that it can be understood by the investors properly. The regulations made by the SEBI will be proved helpful for increasing the performance of private mutual funds and regain the investor's faith.

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