



A STUDY ON GROWTH OF INDIAN MUTUAL FUND INDUSTRY

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ABSTRACT

Mutual funds have become one of the most widely used financial investment tools in recent years. As a rapidly expanding segment of the Indian financial market, the mutual fund industry offers a diverse range of investment schemes designed to match the varying risk tolerance and return expectations of different investors. Mutual funds provide an accessible platform for small and medium-sized investors to engage in the modern financial system by purchasing units in a professionally managed fund. A mutual fund operates as a trust that pools the savings of numerous investors who share a common financial objective. These pooled funds are invested in equities, debt instruments, money market securities, or a combination of these asset classes. Each investor, referred to as a unit holder, owns a proportionate share of the fund's portfolio based on their contribution and the fund's net asset value (NAV). The returns—whether in the form of income, capital gains, or losses are distributed among unit holders in proportion to their holdings, after deducting applicable fees, expenses, and taxes.

Keywords: Debt securities, money market instruments, risk, return, portfolio.

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1. INTRODUCTION

The Indian mutual fund industry has experienced remarkable growth in recent years, driven by strong stock market performance, moderate inflation, and attractive interest rates. The change in government in 2014 brought a renewed sense of optimism among investors, leading to a surge in capital market activity. This momentum was reflected in the mutual fund industry as well. Between during the year 2012 to 2023, the industry's Assets under Management (AUM) grew significantly—from ₹67.09 lakh crore to ₹182.96 lakh crore—achieving a Compound Annual Growth Rate (CAGR) of 22.21%. FY 2017 was a standout year, with AUM witnessing an impressive growth of 35.17%. According to data from the Association of Mutual Funds in India (AMFI), the AUM increased from ₹13.53 lakh crore in March 2016 to ₹18.29 lakh crore in March 2019. Despite the relatively low mutual fund penetration in India—around 6% of GDP as per Paul (2022)—the market remains highly concentrated. Out of the 44 Asset Management Companies (AMCs) currently operating, a significant portion of the industry's AUM is managed by just five major players. ICICI Prudential, HDFC, Reliance (now Nippon India), Aditya Birla Sun Life, and SBI Mutual Fund collectively account for approximately 57% of the total AUM, highlighting the dominance of a few key firms in the sector.

1.1. Mutual Fund Industry Overview (As of 31st March 2023)

The following table presents the Assets under Management (AUM) of major mutual fund houses in India, as reported by the Association of Mutual Funds in India (AMFI):

Table-1: Asset under Management

Rank	Fund House	AUM (₹ in Lakh)	Percentage (%)
1	ICICI Prudential Mutual Fund	24,29,61,30.61	13.28
2	HDFC Mutual Fund	23,71,77,61.00	12.96
3	Reliance Mutual Fund	21,08,90,63.82	11.53
4	Birla Sun Life Mutual Fund	19,50,49,00.94	10.66
5	SBI Mutual Fund	15,70,25,27.68	8.58
	Others	78,64,79,65.78	42.99
	Total	1,82,95,83,49.83	100.00

Source: www.sebi.gov.in

Table-2: Status of Mutual Funds for the Period April 2019 March 2023 (in crores)

	Public sector MFs	Private Sector MFs	UTI	Grand Total
Mobilization of Funds	1,11,26,276.54 (80.82)	1,115,222.72 (8.10)	1523455.80 (11.06)	13765555.06 (100)
Repurchase Amount	11034883.03 (68.11)	1100496.85 (8.07)	1496084.65 (10.97)	13631374.5 3(100)
Net Inflow/outflow (-) of Funds	9139351 (68.11)	15415.88 (11.48)	27371.15 (20.32)	134180.53 (100)
Cumulative Position of Net Assets	1022032.97 (82.90)	94878.92 (7.70)	115911.63 (9.40)	1232823.5 (100)

Source: www.sebi.gov.in

From the above table it shows the cumulative position of net assets to stand as: UTI 115911.63 (9.40) private sector 94878.92 (7.70) and public sector 1022032.97 (82.90).

2. LITERATURE REVIEW

Several researchers have explored investor behavior and the performance of mutual fund schemes in India and globally. The following review highlights some of the key studies that provide insights into the functioning and effectiveness of the mutual fund industry.

Deepak Agrawal (2011) Agrawal's study examined the evolution of the Indian capital market post-liberalization in 1992, emphasizing the role of mutual funds in channeling global capital flows into emerging markets like India. His analysis covered both fund-level and investor-level data. Key findings include: Mutual fund performance is significantly influenced by investor saving and investment habits. Fund manager traits—such as confidence, loyalty, and performance-based rewards—also impact overall fund performance.

Prajapati, K. P. & Patel, M. K. (2012) This study evaluated the performance of 28 equity-diversified mutual fund schemes over the period from January 2007 to June 2011, using various risk-return metrics including Treynor's Ratio, Sharpe's Ratio, Jensen's Alpha, and Fama's Measure. Major findings include: Approximately 60% of the schemes outperformed their benchmark indices. Better-performing funds exhibited higher overall risk but were less sensitive to market fluctuations. Most funds were well-diversified, reducing unsystematic risk. Around 58% of the funds displayed strong stock selection capabilities.

Bansal and Yash (2014) conducted a comparative study on the performance evaluation of large-cap equity and debt mutual fund schemes. The research employed financial metrics such as standard deviation, Sharpe ratio, beta, alpha, R-squared, and Treynor ratio to analyze the returns and volatility of selected schemes. Their findings indicated that the **UTI Opportunities Fund** emerged as the top-performing equity mutual fund, exhibiting the lowest standard deviation and beta, alongside the highest alpha, Sharpe ratio, and Treynor ratio. In contrast, the **UTI Short Term Income Fund** underperformed in the debt category, with the highest beta and lowest Sharpe ratio. The study provides valuable insights for both investors and asset management companies in evaluating portfolio performance.

Renu Gosh (2014) evaluated mutual fund performance using various risk-return measures, including Treynor's ratio, Sharpe's ratio, Jensen's alpha, and Fama's measure. The study analyzed daily NAV data of nine mutual fund schemes—comprising public-sector, private-sector, and foreign-sponsored funds—over the period from January 1, 2010, to December 31, 2013. The results indicated that **foreign-sponsored private mutual funds** consistently outperformed both public and domestic private mutual fund schemes.

Busse, Goyal, and Wahal (2014) explored the performance of active retail mutual funds and institutional products investing in global equity markets during the period 1991 to 2009. Using global and regional factor models, the study found limited evidence of positive alpha in the aggregate or on average. Although a few funds in the upper tail of the distribution showed large alphas, further analysis suggested that these results were likely due to **random chance rather than genuine skill**. Additionally, persistence tests revealed minimal evidence of sustained superior performance.

Bhutada et al. (2015) conducted a comparative analysis of mutual fund schemes from **Kotak Mutual Fund** and **HDFC Mutual Fund**. Their findings revealed that Kotak's schemes were more effective in the large-cap equity segment, while HDFC's schemes excelled in the mid-cap equity segment. Both fund houses demonstrated competent management in the debt segment. Among the schemes analyzed, **Kotak Select Focus** was identified as the best performer in large-cap equity, **HDFC Mid-Cap Opportunities Fund** in the mid-cap segment, and **HDFC Balanced Fund** in the balanced category.

Bhagyasree and Kishori (2019) assessed the performance of open-ended, growth-oriented equity schemes in a transitional economy, covering the period from April 2011 to March 2015. The study utilized daily NAV data and applied Sharpe ratio, Treynor ratio, and Jensen's alpha to evaluate the performance of selected schemes, using the BSE Sensex as a market benchmark. The findings aimed to support investors in making more informed

investment decisions based on historical performance metrics. The analysis indicated that **14 out of 30 mutual fund schemes** outperformed their respective benchmark returns. Some schemes, however, underperformed due to **diversification issues**. The **Sharpe Ratio** was positive for all schemes, implying that they generated returns higher than the risk-free rate. Additionally, **Jensen's Alpha** was positive for **19 out of the 30 schemes**, suggesting that a majority of the funds delivered superior risk-adjusted performance.

3. RATIONALE OF THE STUDY

India is among the **top seven largest economies in the world**, with a **high savings rate** compared to many other countries. To drive economic development, it is not only essential to increase the savings rate but also to enhance the **investment patterns** of these savings. Direct investments in equity markets are considered risky, making **mutual funds a preferred investment channel** for mobilizing and allocating household savings. While the mutual fund industry in India has witnessed substantial growth in recent years, the **conversion rate of household savings into mutual fund investments remains low**. This can be attributed to a **lack of awareness** among the general public regarding mutual funds, their various schemes, and their associated benefits.

With the **emergence of multiple companies offering a wide array of schemes**, many investors struggle to choose the most suitable option. This study aims to address that gap by providing insights that can help **potential investors make informed decisions**. It also serves as a valuable resource for **researchers, policymakers, academicians, and asset management professionals**. Despite numerous studies evaluating mutual fund performance, there remains a lack of focused research on the specific schemes selected in this study. Hence, this research seeks to highlight the performance of these chosen schemes to support **retail investors in making better investment choices**.

4. OBJECTIVE OF THE STUDY

1. To analyze the performance of selected equity mutual fund schemes based on risk and return parameters.
2. To study total net resource mobilization by public sector , private sector and UTI mutual fund through growth index.

5. HYPOTHESIS OF THE STUDY

- **H₀₁:** There is **no significant difference** in the average returns of large-cap mutual fund schemes in India.

Profile of Selected Mutual Funds:

For the purpose of performance evaluation, five leading mutual fund companies have been selected based on their market share in the Indian mutual fund industry. The selected fund houses are:

1. ICICI Prudential Mutual Fund
2. HDFC Mutual Fund
3. Reliance Mutual Fund
4. Birla Sun Life Mutual Fund
5. SBI Mutual Fund

This research analyzes the performance of 15 mutual fund schemes selected from the top five mutual fund companies in India. The focus is on **Large Cap funds with a Growth option**, and the evaluation period spans **April 2019 to March 2023**. The study uses standard performance evaluation metrics to assess the risk-return profile of each selected scheme.

Selected Schemes – Large Cap Funds:

Large Cap funds primarily invest in companies with high market capitalization, known for their stability and lower investment risk compared to mid or small-cap companies. One Large Cap scheme from each of the top five fund houses has been selected for the study:

1. ICICI Prudential Top 100
2. HDFC Top 200
3. Reliance Top 200
4. Birla Sun Life Top 100
5. SBI Magnum Blue Chip

6. RESEARCH GAP

Most of the researchers reveals that relating to growth of mutual funds but they Rely on limited statistical tools or apply only one or two methods for mutual fund performance analysis, and they Focus on comparisons within a single company or between public and private sector funds and Analyzed individual fund segments without providing broader category-level comparisons and also Often highlight only the advantages or disadvantages of specific funds,

lacking a comprehensive, comparative approach. This research fills the identified gap by comparing similar open-ended growth schemes—specifically within the Large Cap category—across top-performing fund houses. It employs a range of statistical and ratio-based performance measures to provide a more in-depth and comparative analysis.

7. PERFORMANCE ANALYSIS OF LARGE CAP FUNDS

The evaluation includes analysis of returns, standard deviation (risk), beta, and coefficient of determination (R^2) for each of the selected Large Cap schemes. Results are compared against the **benchmark index – S&P BSE 100** over the 10-year period. The findings indicate that all five schemes demonstrate competitive performance, supporting their potential suitability for investment consideration.

Table-3: Schemes analysis (APRIL2019 TO MARCH 2023)

S. No.	Schemes	Scheme Return	Scheme Risk	Beta	R Square
1	ICICITop100	1.1810	6.0112	0.615	0.926
2	HDFCTop200	1.2551	6.5281	0.832	0.912
3	RelianceTop200	1.5182	6.4290	0.950	0.985
4	BirlaTop100	1.3501	6.1290	0.825	0.960
5	SBI Blue Chip	1.1320	6.6703	0.820	0.938

The above table shows that most of the schemes are showing positive returns than the benchmark and also maximum schemes are facing more risk. the higher the returns of the above table is Reliance top 200 scheme (1.5182) and minimum returns were received by SBI Blue Chip (1.1320) which indicated that these schemes have performed well diversification.

Table-4: Ranking For Selected schemes

Sl. No.	Schemes	Sharpe Measure	Ranks	Treynor Measure	Ranks	Jenson Alpha	Ranks
1	ICICITop100	0.0841	3	0.5896	3	0.2110	4
2	HDFCTop200	0.0989	1	0.7120	1	0.3782	1
3	RelianceTop200	0.0798	4	0.5321	4	0.2518	3
4	BirlaTop100	0.0948	2	0.6330	2	0.2689	2
5	SBI Blue Chip	0.0793	5	0.5081	5	0.1756	5

The above table shows that as per Sharpe ratio HDFC Top 200 (0.0989) got the first rank with highest positive returns and this was followed by Birla top 100 (0.0948) and the least performance by SBI Blue chip (0.0793). as per Treynor HDFC Top 200 (0.7120) got the first rank with highest positive returns and this was followed by Birla top 100 (0.6330) and the least performance by SBI Blue chip (0.5081)

8. SUGGESTIONS

This study has given some suggestions for creating awareness about the mutual fund investment and schemes so that mutual fund investors may get information that helps out in their investment decision. Intermediaries providing consultancy, they would understand the need of investors and suggest plan accordingly. These are as follows:

- ❖ Most of the investors are not aware of dealing in Mutual Fund. Investors interested to invest in MF schemes should be given some basic knowledge about operations of Funds. Investors should also be aware to frame their investment objectives and know how to diversify the risk in their portfolios.
- ❖ Government and Mutual Fund organizations should also take some initiative to motivate women investors by educating them and providing extra benefits to them in all types of investments.
- ❖ It is also suggested the AMC's should come up with some focused investment solutions for focused group of investors. Where they can manage investments taking risk and can get better returns beating inflation.
- ❖ Government and investment companies should take initiative to come forward with full support for the investors in terms of investors' awareness, advisory services, participation of investor in portfolio design& management, ensure full disclosure of related information to the investors.
- ❖ Proper consultancy should be given to the investors after identifying their needs & make them understand terms, conditions and operations of different schemes. Information should be published in investor friendly language and style, effective grievance system, education on investors' right and more control on asset management companies should be there. So that more investors could step forward which will ultimately leads to the development of economy.

9. CONCLUSION

This study highlights that mutual funds are a preferred investment option among respondents, particularly middle-income individuals. They are seen as offering attractive returns with relatively low risk, making them a popular choice for long-term financial growth. Insights from intermediaries reveal that mutual funds are considered safe, with minimal risk and optimized returns. However, it is crucial for investors to have a strong understanding of mutual fund products, the companies involved, and advice from credible experts, as misleading advertisements can often influence investment decisions. While some investors switch between funds to take advantage of changing market conditions, 64% prefer to invest in existing funds. They base their decisions on past performance and perceive new fund offerings as riskier and potentially costlier, which can impact overall returns. To build investor confidence, mutual fund companies should offer comprehensive advisory services, involve investors in portfolio planning, and ensure transparent communication of all relevant information. Clear, accessible language should be used in all investor communications, and efforts should be made to educate investors about investment risks and strategies. Furthermore, the government and regulatory bodies should enhance legal protections for investors and consider increasing tax incentives to promote mutual fund investments. Strengthening these areas will help create a more secure, informed, and investor-friendly mutual fund environment. Proper and effective grievance system, right of investor education, and more control on asset management companies should be there.

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