

Hinterland drives MF asset growth

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The ₹18-lakh crore mutual fund (MF) industry is seeing encouraging growth from the hinterlands. Despite low financial literacy, several smaller cities and towns have bettered the overall industry growth rate during 2016-17.

Sources attribute the growth in smaller cities to a continuous rise in awareness programmes and investor education. They add given the unattractiveness of other financial avenues like bank deposits, investors are increasingly shifting towards MFs. States like Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh, Assam, and Jammu and Kashmir reported asset growth of 50-70 per cent, albeit on a low base. In comparison, overall industry assets grew 37 per cent during 2016-17.

"People in these regions are fast realising the importance of investments in MFs. Wealth creation has a universal appeal, and MFs are a superior product," says Sundeep Sikka, chief executive officer of Reliance Nippon Mutual Fund.

Incentives for distributors in B-15 cities have provided a push for MF penetration in smaller towns and cities. Several road shows have been conducted in the past few years by various fund houses to create awareness about MFs.

"Many factors have contributed in bringing more inflows and participation from these states. Other investment avenues, such as bank deposits, are losing their attractiveness," says A Balasubramanian, CEO of Birla Sun Life Mutual Fund.

Sikka says the industry has barely scratched the surface when it comes to tapping non-metro cities. "If one removes corporate money and compares only the retail inflow, smaller cities will outnumber the big cities and metros," he adds.

The total average assets under management of the MF industry stood at ₹18.57 lakh crore in March, up 37 per cent from a year ago. The number of systematic investment plans (SIPs) is 13.5 million, contributing nearly ₹4,400 crore a month. Account numbers have crossed 50 million.

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HIGHEST GROWTH IN MF ASSETS

| States | Average AUM (₹ crore) | Growth (%)* |
|-------------------|-----------------------|-------------|
| Lakshadweep | 6 | 246.0 |
| Sikkim | 977 | 233.3 |
| Andaman & Nicobar | 124 | 135.7 |
| Tripura | 865 | 106.1 |
| Himachal Pradesh | 2,400 | 96.6 |
| Meghalaya | 1,313 | 92.9 |
| Jharkhand | 10,749 | 69.7 |
| Assam | 6,109 | 60.2 |
| Madhya Pradesh | 16,735 | 58.6 |
| Jammu Kashmir | 1,516 | 57.7 |
| Chhattisgarh | 7,094 | 57.1 |
| Uttarakhand | 4,750 | 54.9 |
| Bihar | 9,757 | 51.4 |
| All India | 18,57,806 | 37.1 |

* Compared with March, 2016; all figures as on March, 2017
 Source : Association of Mutual Funds in India (Amfi)