

# 2017: Record year for domestic MF industry

Acceptance of mutual funds as investment vehicle rises significantly

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 Mumbai, 18 December

India's mutual fund (MF) sector witnessed an incredible journey in 2017. The sector, crowded with more than 40 players, added as many assets in a single year as it could manage during the first two decades of its existence.

The year saw the sector break previous records it had set during the 2006-07 bull run. Total assets under management (AUM) hit historic highs, investor count climbed new peaks and inflows through the systematic investment plan (SIP) route saw huge improvement.

Total AUM rose 40 per cent or ₹6.3 lakh crore, to ₹23 lakh crore at the end of November. The accelerated pace of asset growth saw the industry surpass its own projection of reaching ₹20 lakh crore AUM by 2020.

Sundeep Sikka, chief executive officer (CEO) at Reliance Nippon Life Mutual Fund, said, "There is no doubt that acceptance of mutual funds as an investment vehicle has certainly increased among investors. Further, with typical investment avenues like gold and real estate not having a bright outlook amid declining deposit rates in banks' fixed deposits, more and more investors are opting and enquiring about mutual funds, which is quite a positive sign for the sector's growth."

In all, inflows to the industry has been to the tune of over ₹4



lakh crore — a massive sum when seen in the time span of just a year. Of this, equity schemes alone cornered a little over a third — a significant trend. Amid this, what is more encouraging was the fact that participation in balanced funds was at an all-time high, with investors pumping in more than ₹76,000 crore till November. Preference for balanced funds clearly suggests a rise in maturity of investors' behaviour when it comes to asset allocation.

A Balasubramanian, CEO at Aditya Birla Sun Life Mutual Fund, said, "The industry is going through a golden phase. Collective efforts by all stakeholders — AMCs (asset man-

agement companies), distributors and the regulator, have helped the sector shape and go on a growth path. However, though the participation is on the rise from across the country, we still have a long way to go. Penetration of mutual fund products continues to be poor at less than five per cent."

A general good mood in the economy and recent reforms taken up by the government are being seen as aiding the growth of the sector. Further, a robust stock market has continued to attract investors to MFs' folds.

The rising monthly SIP book presents an encouraging picture for the sector. From less than ₹1,000 crore a month a few years ago, the SIP flows have almost

neared ₹6,000 crore. Thus far in 2017, over ₹53,000 crore of money has flowed in through the SIP mode; most of it is in equity. With this pace of growth, the sector hopes SIP monthly flows to touch ₹10,000 crore by the end of 2018.

Currently, overall equity assets stand at about ₹8.4 lakh crore — constituting more than 36 per cent of the total AUM. The total number of investors' accounts is 65 million, of which equity accounts make up nearly 48 million. The sector now projects a fivefold rise in asset size by 2025 and the number of investors' accounts nearly doubling.

## TRACKING ROBUST FLOWS

Journey of India's MF industry in 2017

(₹ crore)	Inflow into equity* MFs	Total inflow into MFs	Inflows into balanced MFs	SIP inflows	Total industry AUM#
January	4,880	53,817	3,304	4,095	17,37,087
February	6,462	30,273	4,562	4,050	17,89,047
March	8,216	-54,883	5,952	4,335	17,54,619
April	9,429	1,50,703	8,842	4,269	19,26,302
May	10,739	-40,711	7,663	4,584	19,03,975
June	8,164	-16,592	7,458	4,744	18,96,291
July	12,727	63,504	7,864	4,947	19,96,905
August	20,362	61,701	8,783	5,206	20,59,289
September	18,936	-16,604	8,141	5,516	20,40,301
October	16,002	51,148	5,897	5,621	21,41,346
November	20,308	1,26,172	7,614	5,893	22,79,032
<b>Total</b>	<b>1,36,225</b>	<b>4,08,528</b>	<b>76,080</b>	<b>53,260</b>	

\* Includes EISS, #month-end

Source : Association of Mutual Funds in India