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Hit by Saradha, depositors turn to mutuals

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Abu Dhabi, May 10: Small investors, who were hit by chit fund scams in the eastern and northeastern states, have turned to mutual funds, leading to a 51 per cent rise in assets under management (AUM) from that region.

"AUM for the industry had grown 51 per cent, while we have grown 95 per cent in the last financial year," Sundeep Sikka, president and CEO of Reliance Capital Asset Management Ltd, told **The Telegraph**.

He said AUM of retail investors had grown to Rs 27,307 crore last fiscal from Rs 14,038 crore in 2013-14.

"Much of the growth we have witnessed is in the north-eastern states, including Nagaland and Tripura, and smaller states such as Himachal Pradesh, Goa and Union Territory of Chandigarh," Sikka said.

He said the growth in the eastern region could be attributed to the chit fund scams such as Saradha, which robbed retail investors of their hard-earned money.

Data indicated that the assets of ICICI Mutual Fund grew 80 per cent and Birla Sun Life 63 per cent during the last fiscal.

Portfolios under systematic investment plans (SIP) rose to 73.05 lakh at the end of March this year from 62.10 lakh a year ago, with aggregate investments in them growing to Rs 4,650 crore from Rs 1,540 crore.

A large number of these SIPs have come from smaller cities and towns. "SIPs among retail investors are showing considerable interest and growth prospects," Sikka said.

Mutual fund houses have been organising awareness programmes to reach out to retail investors and help them to participate in the domestic stock markets through their schemes.

Experts have attributed the inflows in the equity markets to the government's reform agenda, improved fundamentals of the economy and increased participation from retail investors.

A rally in the stock markets and increased participation from retail investors have also helped the mutual fund industry to get more investments through the SIP route.

Sikka said the growth in the sector was not yet proportionate to the size of the country's population.

"We have 97-crore telecom subscribers, 21-crore bank accounts and only 4-crore mutual fund portfolios. The mutual fund penetration will improve on the back of financial awareness and economic growth," he said.

An analysis of returns generated through SIPs indicated that an investment of Rs 10,000 for a period of 10 years (which is a total investment of Rs 12 lakh) created a wealth of Rs 52 lakh in Reliance Pharma fund, Rs 37 lakh in Reliance Equity Opportunity Fund, Rs 36 lakh in Reliance Banking Fund, Rs 30 lakh in Reliance Growth Fund and among others.

Funds houses are upbeat about overall inflows in equities and debt markets for this fiscal as well.

They have invested a net amount of Rs 40,722 crore in 2014-15, while they pulled out over Rs 14,000 crore in the preceding financial year, Sebi data showed.

The last fiscal witnessed a net inflow following outflows for five consecutive fiscals. Between 2009-10 and 2013-14, fund managers had cumulatively sold shares worth over Rs 68,000 crore. In 2008-09, they had bought shares worth Rs 6,985 crore.

Combined AUM stood at Rs 10,82,757 crore at the end of March 2015. The 44 fund houses together saw a growth of around 10 per cent in their asset base at Rs 11,86,364 crore at the end of April, according to data released by the Association of Mutual Funds in India.

Sikka said the industry expected AUM to reach Rs 20 lakh crore by 2018, two years ahead of the earlier projections.

SHIFT IN FOCUS

- **Number magic:** 51% rise in AUM of mutual funds from eastern and northeastern states
- **Reason:** Chit fund scams, which duped thousands of investors
- **Trend check:** SIPs have driven growth
- **Outlook:** AUM to reach Rs 20 lakh crore by 2018, two years ahead of earlier projections