

Preface

The mutual fund industry has established itself globally. The size of the industry in terms of number of funds is the largest in Europe, while United States ranks at the top in terms of volume of Assets under Management. Driven mainly by a favourable global business environment, the industry in the recent past could register for itself spectacular growth as total profits in both the developed and the emerging markets in the world could reach unprecedented heights.

From economic perspective, the mutual funds industry serves as an important intermediary in the savings-investment channel and so is rightly seen today as a crucial source of economic growth. As per reports released by World Bank, the assets under management of the mutual fund industry currently accounts for a significant proportion of the GDP especially in the developed-country markets. The industry, as is claimed, offers attractive returns to shareholders, which are often decisively higher than the returns offered by the banking and other financial sectors. The numerous shifts that have taken place within and around the mutual funds industry (which include, among others, the shifts in flows from traditional mutual funds to alternative products and from stellar growth of ETF products, and also the rise of direct-to-consumer distribution channels) together with the ongoing technological advances (more particularly, digital distribution, mobile telephony, social media, big data, analytics, cloud computing, block chain, FinTech and robo-advisors, to mention a few) have brought in for the asset management industry a paradigm-shift and are shaping now the direction and the growth of the industry across the globe.

The Indian mutual funds industry too could register for itself a modest growth as is evident from its having more than 17 trillion of assets (in Rupee terms) under management. This signifies nearly a five-fold increase within a span of

less than 10 years. This current size of the industry needs to be weighed against the fact that industry's journey was started with the formation of Unit Trust of India which could have its first sale recorded only in July 1964. Not less than 40 asset management companies are currently operating in the country that together offer more than a thousand schemes spread across 5.2 crores of investor accounts.

However, despite growth, the mutual funds industry's penetration levels in India still appear unimpressive when compared with the attained levels in the developed economies of the globe. Investors' contribution towards mutual funds has consistently remained skewed towards the investments coming from the corporate sector; the investments by the retail investors have lagged far behind. The focus of the industry has been by and large on the investors in metros and other cities; while the inclusion of the population in the countryside in MF schemes remained throughout rather a remote proposition. This certainly is indicative of the less-than optimal actualisation of the growth-potential of the industry in this country. A more serious concern, of course, has been the industry's ability or initiative in coming closer to the investors, particularly, in the matter of maintenance of transparency of operations and in promoting an unhindered framework/channel of information-flow. Knowingly, in an ideal state of affairs it is normal that investors would base their investment-decisions on informed choices. To put it differently, when things are normal and ideal, the volume of investment to be garnered by firms in the Mutual Funds industry would crucially depend not only on the firms' specific records of performance or of profits, but also on their ability to fulfil the information-needs of investors *via* their maintenance of timely and fair disclosure practices. The question that arises in the given context is how far the Indian Mutual Funds industry could ensure so far fair and timely disclosure practices? As within the framework of a regulatory environment, disclosures are governed by statutory disclosure requirements, one also needs to know how the firms in Indian mutual funds industry have responded to the statutory disclosure requirements? Further, as information routinely released via disclosures promote both investors' awareness and investors' confidence,

and as the major players in the industry (i.e., the firms with superior performance and larger market-shares) are expected to play a greater role in this respect, the question whether performance had any visible impact on disclosures and *vice-versa* needs also to be examined.

It is against the above backdrop that the idea of undertaking the present study came up. The aim of the study naturally has been on examination of the trends of growth and performance of the mutual funds industry in India and on assessing the real-life response of the firms in the industry to the statutory disclosure-requirements.

The submission of this thesis marks the culmination of a journey that was filled with many enriching experiences.

First and foremost, I sincerely remember Late Professor R. K. Raul who initiated me to this project. The memories of his warm and affectionate suggestions were throughout with me as I was pursuing this project and preparing this dissertation. I wish his soul to rest in peace.

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precious time spending hours while throwing light on various aspects of the disclosure practices of the firms in the MF industry.

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For any error that remains, I alone remain responsible.

Dated, Silchar
The 18th April, 2017

(Amit Kumar Das)

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List of Abbreviations

AAUM	Average Asset under Management
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
APT	Arbitrage Pricing Model
ASSOCHAM	Associated Chambers of Commerce and Industry of India
AUM	Asset under Management
BoB	Bank of Baroda
BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CAPM	Capital Asset Pricing Model
CII	Confederation of Indian Industry
CRISIL	Credit Rating and Information Services India Limited
CRL	Characteristic Regression Line
CRSP	Centre for Research in Security Prices
ELSS	Equity Linked Savings Scheme
ETFs	Exchange Traded Funds
FII	Foreign Institutional Investors
FMP	Fixed Maturity Plan
FoF	Fund of Funds
FY	Financial Year
GDP	Gross Domestic Product
GIC	General Insurance Corporation of India
HNI	High Net Worth Individuals
IAC	Investor Advisory Committee

IAP	Investor Awareness Programmes
ICI	Investment Company Institute
ICC	Indian Chamber of Commerce
IFAs	Independent Financial Advisors
KIM	Key Information Memorandum
LIC	Life Insurance Corporation of India
MFs	Mutual Funds
MIP	Monthly Income Plan
mn.	Million
NAV	Net Asset Value
NFO	New Fund Offer
NYSE	New York Stock Exchange
PHPS	Perspective Historical Per Unit Statistics
PNB	Punjab National Bank
PWC	Price Waterhouse Cooper
RBI	Reserve Bank of India
SAI	Statement of Additional Information
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SID	Scheme Information Document
SWF	Sovereign Wealth Fund
TER	Total Expense Ratio
UITs	Unit Investment Trusts
USD	US Dollar
UTI	Unit Trust of India

Declaration

I hereby declare that this thesis entitled “Mutual Funds in India: Performance and Disclosure Practices” is my own work and it neither contains any material which has been accepted for the award of a degree or diploma by any other university or institute of higher learning nor contains any material previously published or written by another person except where due acknowledgement has been made in the text.

Silchar,
The 18th day of April, 2017

(Amit Kumar Das)