



An Analytical study on Investment Pattern of Fund Categories of Mutual Funds in India

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Abstract:

This study focuses on understanding the investment pattern (trend) of investor groups among different fund categories. It will assist investors to take investment decision so as to invest in which Mutual funds category. Further it will facilitate the investors to establish relation between trends in investment of Mutual fund by Investment group. This study reveals that corporate investor group has highly invested in debt funds while retail investor group has more inclination towards equity and balanced schemes. It will also be useful to asset management companies who will prepare or modify their mutual fund schemes as per the investment trends of the investor groups.

Keywords: *Investment Group, Investment Pattern, Mutual Funds Category*

1. Introduction

The economy like India will make its path for next few years very successfully. The fundamentals of the Indian economy are relatively strong. The purchasing power of consumer has also increased unbelievably. Mutual funds are going to be key resource Mobilizer for Indian financial system over the next few years. Folios means the numbers assigned to individual investor accounts. Where an investor can have more than one folios. As per Securities and Exchanges Board of India's (SEBI), India's market regulator, on total investor accounts with 44 fund houses, the number of folios cut down to approximately 3.95 crore at the end of 2013-14, from 4.28 crore in the last fiscal (2012-13)—a decline of 33 lakh new investor accounts. By the end of 2008- 09 the Mutual Fund sector held 4.75 crore folios, whereas in the year 2009-10 an increase was witnessed of 3.66 lakh new investors account to 4.8 crore. By the year 2013-14, loss was observed in Mutual Funds which accounted for about 33 lakh investor's folios. This was mainly due to volatility in equity market. In the past five financial years till 2013-14, the Mutual Fund industry had lost more than 88 lakh investor accounts.

2. Literature Review

Rao, D.N. & Rao, S.B. (2009), Corporates are the overwhelming financial specialist group in the Mutual Funds of India and they represent right around 48.00% of the aggregate speculation in the industry. The second predominant group in the industry is the Retail investors' group which represents very nearly 24.00% of the aggregate venture (AUM) in the business, while they represent 98.00% of the 48 million speculators in the business. The third predominant group in the industry is the High Net worth Individuals group and they represent right around 16% of the aggregate speculation (AUM) in the industry. The fourth prevailing group in the industry is the Banks/Financial Institutions and they represent very nearly 11.00% of the aggregate venture (AUM) in the industry. He, Jia et al (2002) studied the types of institutions have evident Trading motives with respect to portfolio revelation. The study discloses that banks, life Insurance companies, mutual funds, and investment advisors have same

trading strategies. Whereby they sell more weak performing stocks in fourth quarter as compared to the year's first three quarters. However this trading attitude is more prominent in financial institutions whose stocks on an average have not performed up to the mark in the financial market.

Kamesaka et al (2003) contemplated the investment patterns and execution of foreign financial specialists, singular speculators, and five sorts of institutional speculators. The study presumed that foreign financial specialists performed well, while singular speculators performed inadequately over the example period. O' Neal (2004) discovered an in number of connection between buy rates and reclamation rates showing a noteworthy demographic of fast fund merchants who rebuff poor execution with higher recoveries. Further, over the example period, index funds showed lower recovery rates than that of effectively managed funds. Bortolotti et al (2009) analyzed the investment patterns and execution of 32 sovereign wealth funds between Jan 1986 and Sep 2008. The study found that SWFs have lost over \$66 billion on their stock speculations alone through March 2009 proposing that SWFs don't make esteem.

3. Research Methodology

Investor groups;

Fund Classifications:

- Liquid/ Money Market
- Gilt Fund
- Debt Oriented
- Equity Oriented
- Balanced
- Gold Exchanged Traded Funds
- Exchange Traded Funds(Other than Gold)
- Fund of Funds

TYPES OF INVESTOR GROUP
Corporate Investor Group
Banks/FIs Investor Group
FII's Investor Group
HNI Investor Group
Retail Investor Group

4. Research Objective

1. To study fund category wise investment trends:
2. To study investor group wise, investment trends in various fund categories:
3. To study fund wise investment pattern trend of the investor groups as per AMFI
4. To study relationship of trend of investment in fund categories among investor groups

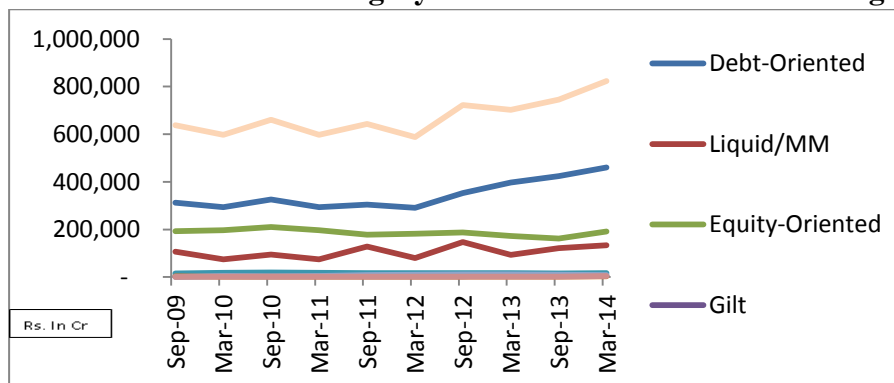
Time Period: For the study purpose we have taken data from April 2009 to March 2014 bio annual data which is provided by AMFI.

Data Sources: This research study is based on secondary sources. Data has been collected from the website of Association of Mutual funds in India.

5. Data Analysis and Interpretation

Below graph represents the fund category wise trend of investments made during the last 5 years.

Graph 1: Overall and Fund category wise trend in investments during 5 years

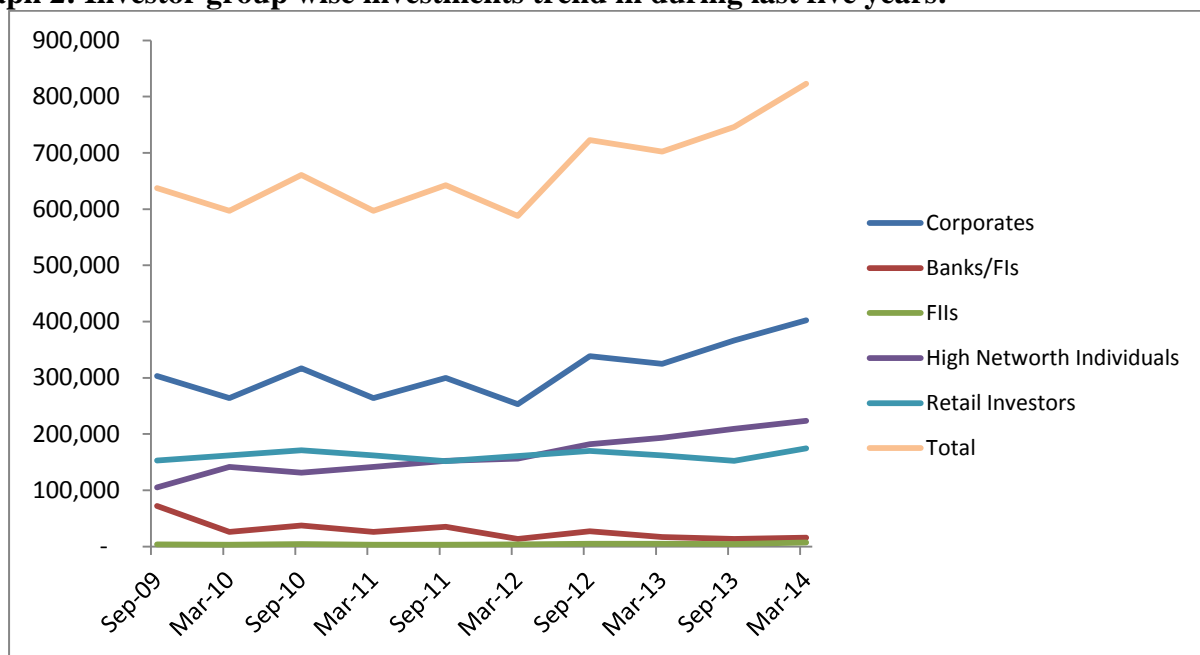


This graph shows that overall investment trends in last five years. The chart highlights the Debt oriented fund which has grabbed the highest investment as compare to other funds. ETF and balanced funds have not shown up any much momentum, they did not exert a pull on more investors. Equity funds also could not impress more investor in past years whereas previously equity funds were at the first choice of investors.

Analysis for Objective 2

The below graph is representation of second objective where we have tried to studying investor group wise investment trends in India in the last 5 years.

Graph 2: Investor group wise investments trend in during last five years:



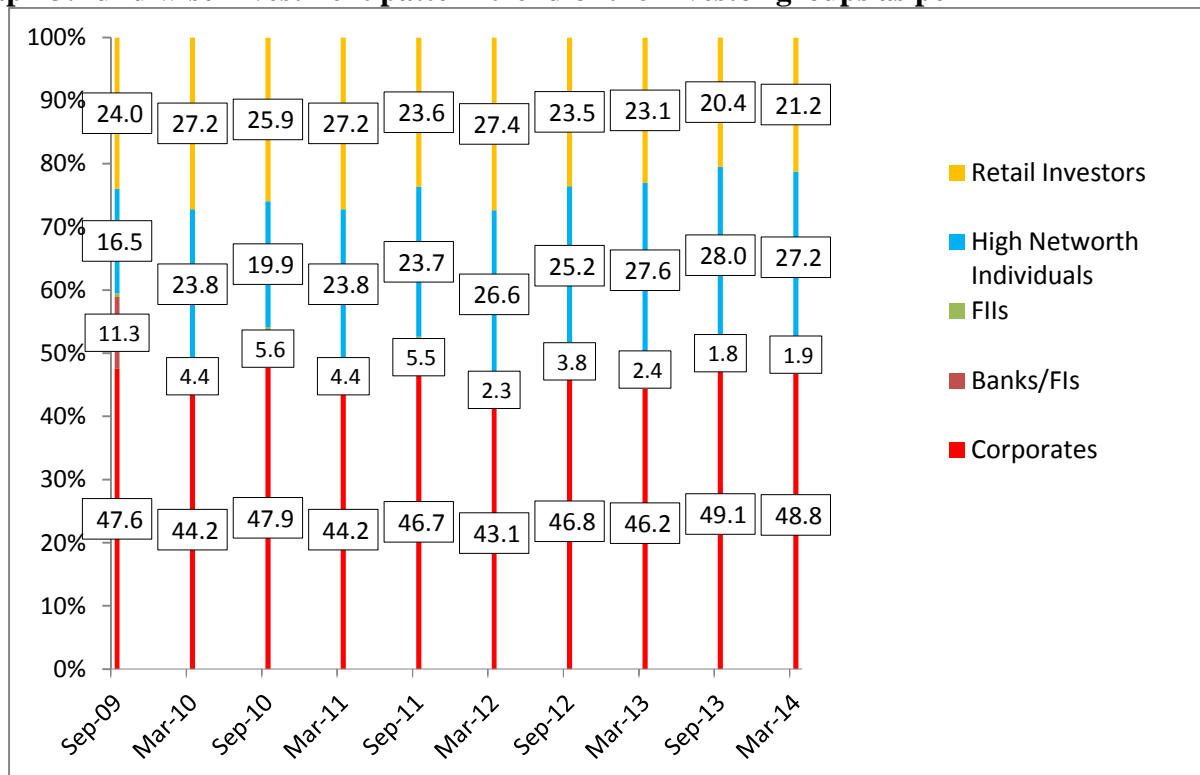
This graph indicates overall and investor group wise trend in investment during a period of years from April 2009 to March 2014. Corporate have been major investor among all the other investor groups. Also it can be seen as trend line of overall investment has impact of investments made by corporate. Both the trend lines behave very similar over the five years.

In case of corporate investors, it can be seen as before March 2013, in all the years, first half of the year investment increases and in the second half investment decreases. In Absolute value, the investment by retail investors have not increases significantly. Similar investments have been consistently made by retail investors over the period of five years. In case of High Net worth individual investors, September 2010 increasing trend can be seen year by year. In case of Banks and Financial Institute investors, the interest for increase in investments in mutual fund is not seen. In each year, the Investments by FII is not much in the overall investments in a year and also investment by FII is not much fluctuating. From the year 2009, the absolute value of investment for any year has not changed much in case of FII.

Analysis for Objective 3

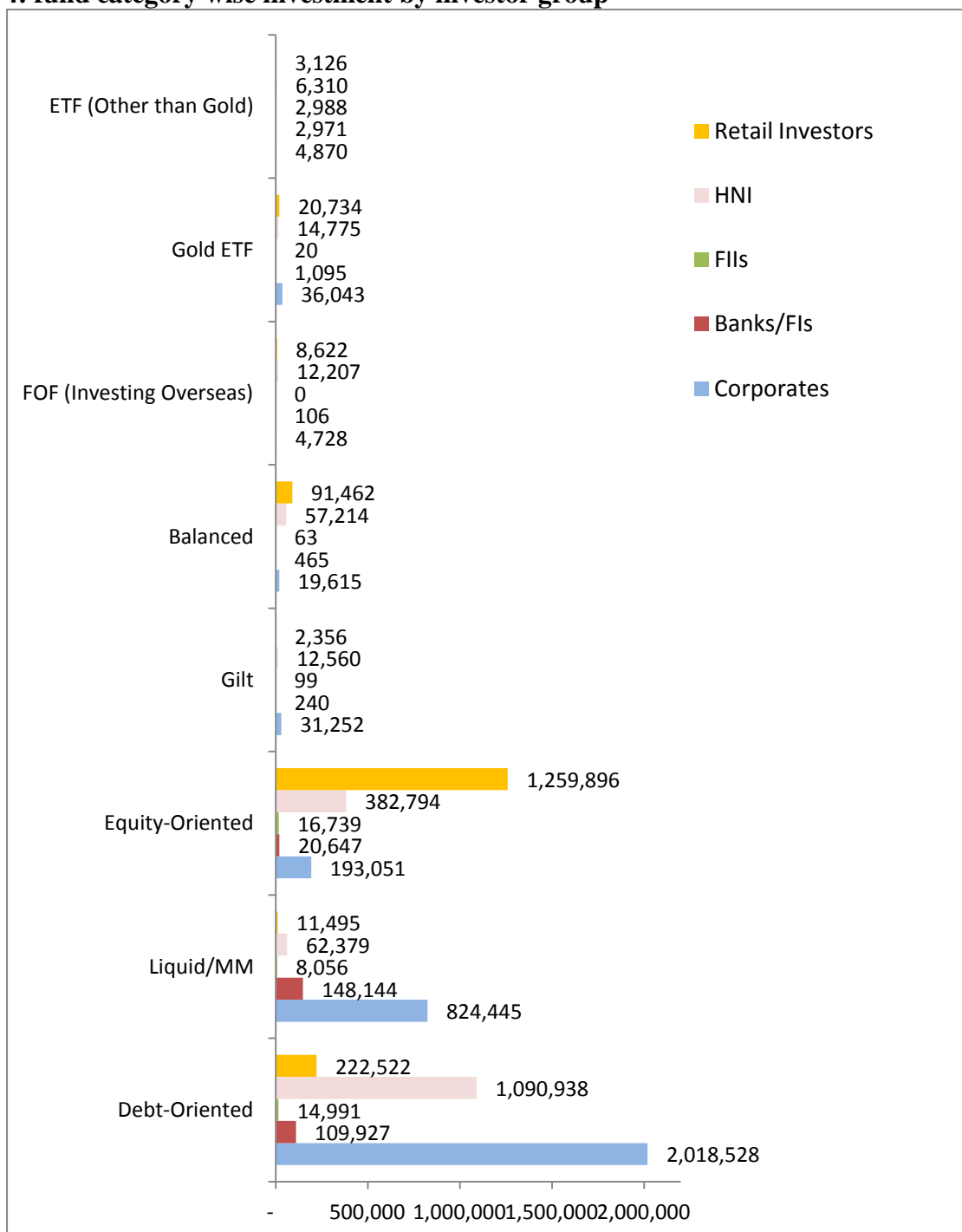
The below chart is representation of third objective where we have attempted to explore fund category wise investment trend by various investor groups over the period of 5 years.

Graph 3: fund wise investment pattern trend of the investor groups as per AMFI



The above graph indicates the percentage investment of the total investment made by an investor group for a period of time. Corporate category investors have been contributing maximum in each of the year. Corporate invests in the range of 43% to 49% in each of the year. Investment contribution in mutual funds, bank and financial institutes has reduced significantly over the period of time. In September 2009, Banks and FI's contribution was 11.3% and which reduced to mere 1.9% in March 2014. In case of Retail Investors the trend of percentage contribution is not fluctuating significantly. It ranges in between 21% to 27%. In case of High Net worth individual, percentage contribution has increased by approx. 11%. During September 2009 it was 16.5% which increased to 27.2% in March 2014.

Graph 4: fund category wise investment by investor group



This indicates the fund category wise investment made in mutual fund by each of the investor group. In terms of absolute value, corporate investors are major contributor. Though corporate investor’s major focus has been Debt oriented and Liquid/Money Market type of funds. In both these type of funds, Corporate are the tope investors. In Case of Equity Oriented funds and balanced fund, Retail investors are the top investor. Banks and Financial institutes have invested maximum in Liquid/Money Market schemes followed by Debt Oriented

Analysis for Objective 4

The below section represents the fund category wise trend , to know how various investor groups have invested over the period of last five years and its co relationship of investment trend within a same fund category by two or more investment groups. Various hypotheses have been developed and

the same are tested to check if there are similarities in the investment patterns among the five investor groups.

Graph 5: relationship of investment trend of investor groups and fund categories

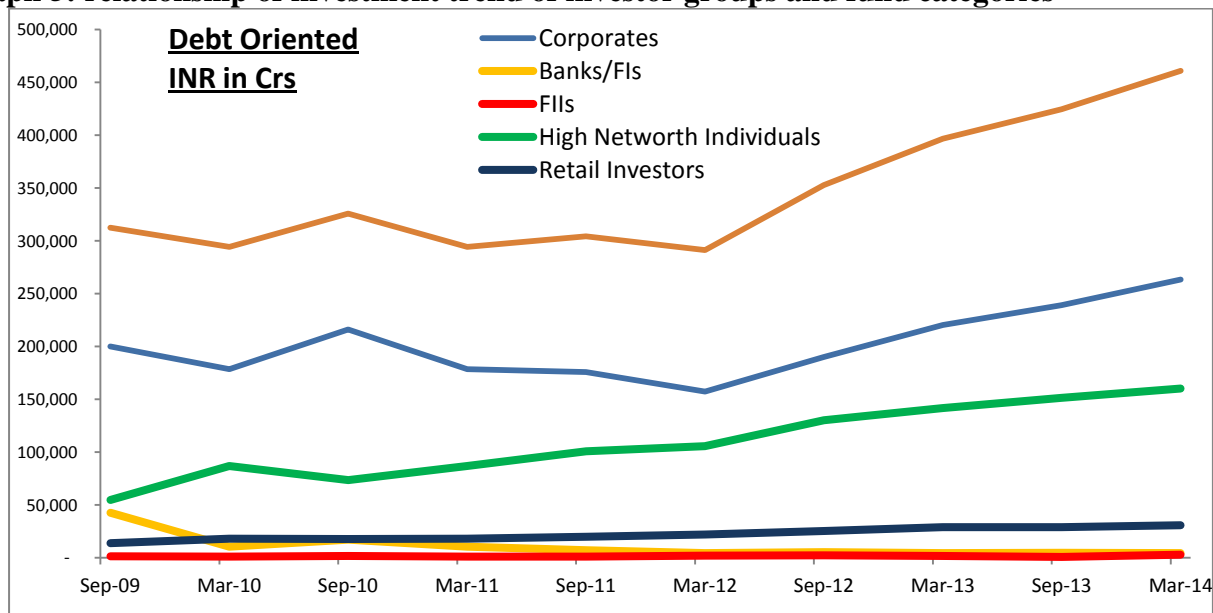


Table No. 1 Co relationship between various investor groups in Debt Orientated funds

Debt-Oriented					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	-0.07	0.33	0.58	0.63	0.92
Banks/FIs		-0.22	-0.75	-0.70	-0.34
FIIs			0.42	0.46	0.43
High Net worth Individuals				0.99	0.84
Retail Investors					0.87

Graph No.5 Indicates the trend of investment by investor groups in Debt Oriented funds over a period of five years starting from April 2009 to March 2014. The table 1 Indicates the correlations of investment pattern between two investor groups and correlation between a investor group with the overall investment happened in the five years period starting from April 2009 to March 2014 in Debt Oriented Schemes. From the graph no 5 we can clearly see as total investment trend in Debt Oriented fund and Investment made by corporate been very similar in these 5 years. Also the table indicates high correlation, upto 0.92, between the trend of investment made by corporate and overall investment made in the Debt Oriented scheme. The trend followed by Bank/FI is negatively correlated with all the other investor groups. The trend of investment among High Net worth Individual and Retail investor is highly co related i.e. 0.99.

Graph 5.1: Investor group wise investment trend in Liquid/MM fund

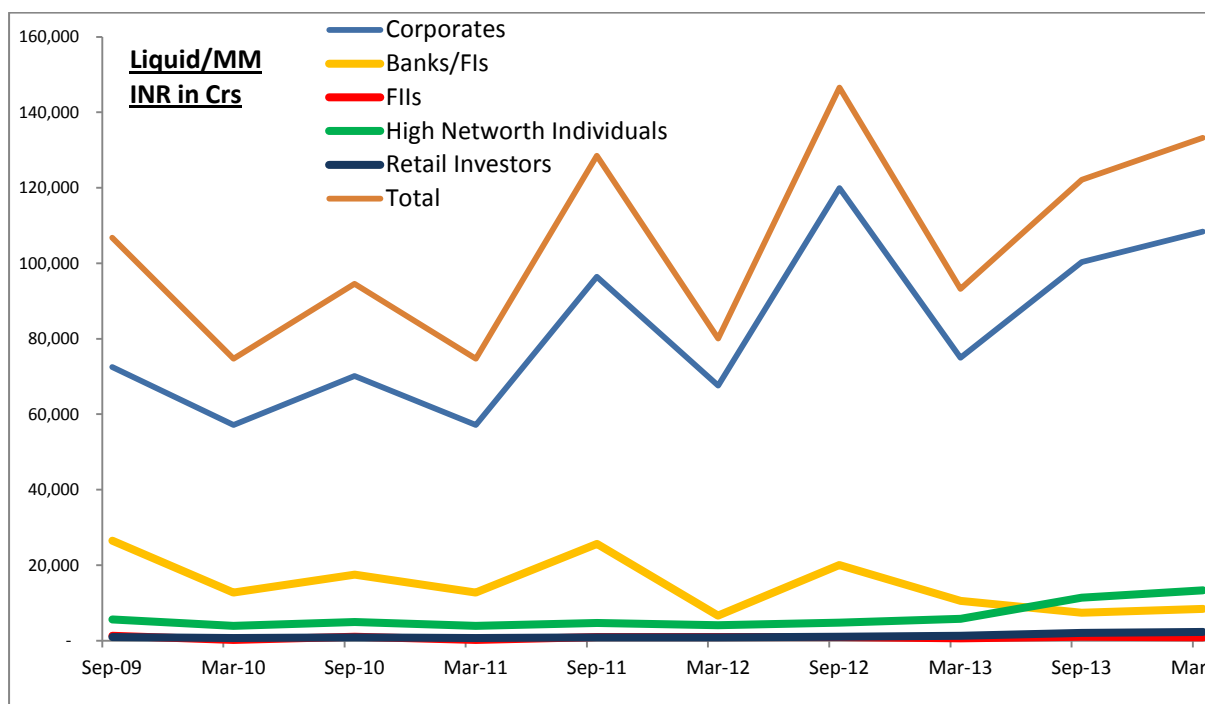


Table No. 2 Co relationship between various investor groups in Liquid/MM funds

Liquid/MM					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	0.11	0.49	0.57	0.60	0.97
Banks/FIs		0.39	-0.41	-0.47	0.31
FIIs			0.29	0.29	0.59
High Net worth Individuals				0.99	0.52
Retail Investors					0.53

Graph No.5.1 Indicates the trend of investment by investor groups in Liquid/MM funds over a period of five years starting from April 2009 to March 2014. The table 2 indicates the correlations of investment pattern between two investor groups and correlation between an investor groups with the overall investment happened in the five years period starting from April 2009 to March 2014 in Liquid/MM Schemes. The trend of investments by corporate group in the five years is very similar to overall investment happened in the liquid/MM schemes. Also the correlation between corporate investment and overall investment in the Liquid/MM scheme has been very positive i.e. 0.97. The trend of investment among High NetworthIndividual and Retail investor is also highly co related i.e. 0.99. As compare to other investor groups, Investment pattern of Bank/FIs has been less correlated with the total investment trend in the scheme.

Graph 5.2 Investor group wise investment trend in Equity oriented fund

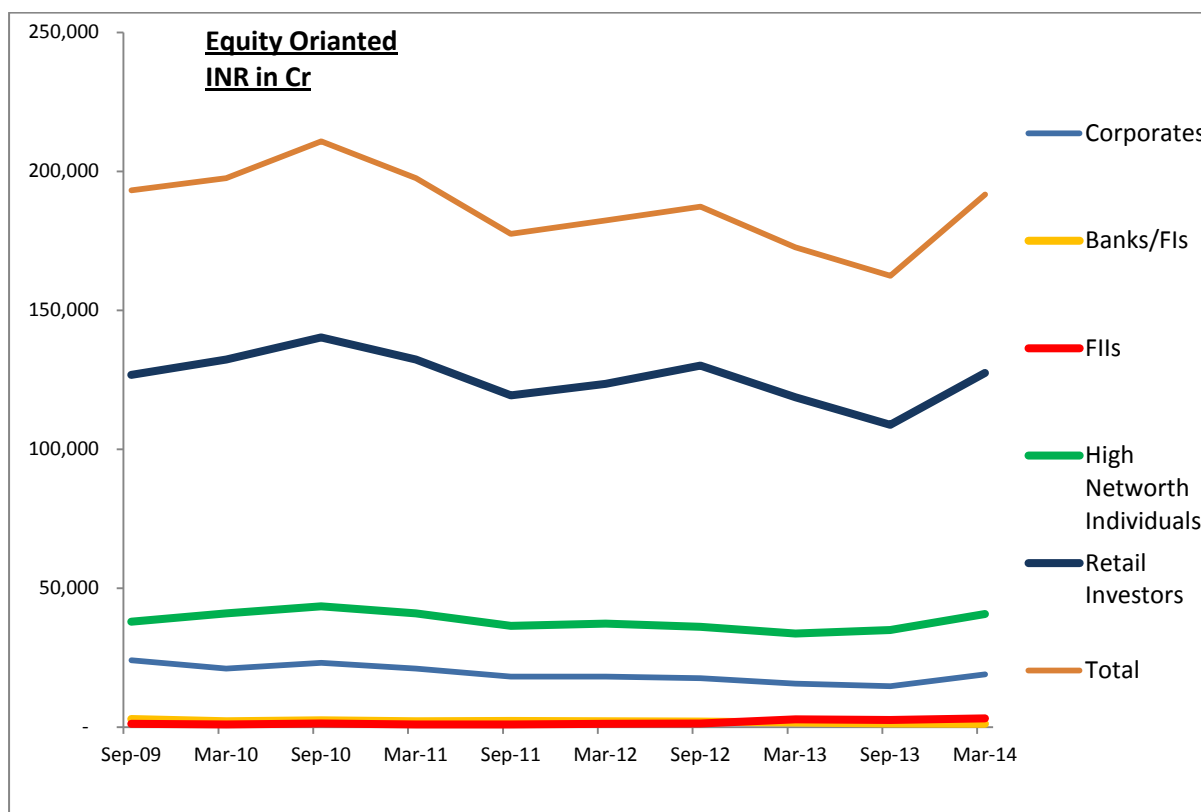


Table No. 3 Co relationship between various investor groups in Equity Oriented funds

Equity-Oriented					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	0.78	0.56	0.77	0.78	0.88
Banks/FIs		0.80	0.30	0.52	0.55
FIIs			-0.32	-0.48	-0.46
High Net worth Individuals				0.83	0.91
Retail Investors					0.98

Graph No.5.2 Indicates the trend of investment by investor groups in Equity Oriented funds over a period of five years starting from April 2009 to March 2014. The table 3 indicates the correlations of investment pattern between two investor groups and correlation between a investor group with the overall investment happened in the five years period starting from April 2009 to March 2014 in Equity Oriented Schemes. The trend of investments by retail investors in the five years is very similar to overall investment happened in the Equity Oriented schemes. Also the correlation between corporate investment and overall investment in the Liquid/MM scheme has been very positive i.e. 0.98. The trend of investment among High Net worth Individual is also highly co related i.e 0.91. As compare to other investor groups, Investment pattern of FIIs has been less correlated with the total investment trend in the scheme. It is negative correlated (-0.46).

Graph 5.3: Investor group wise investment trend in Gilt fund

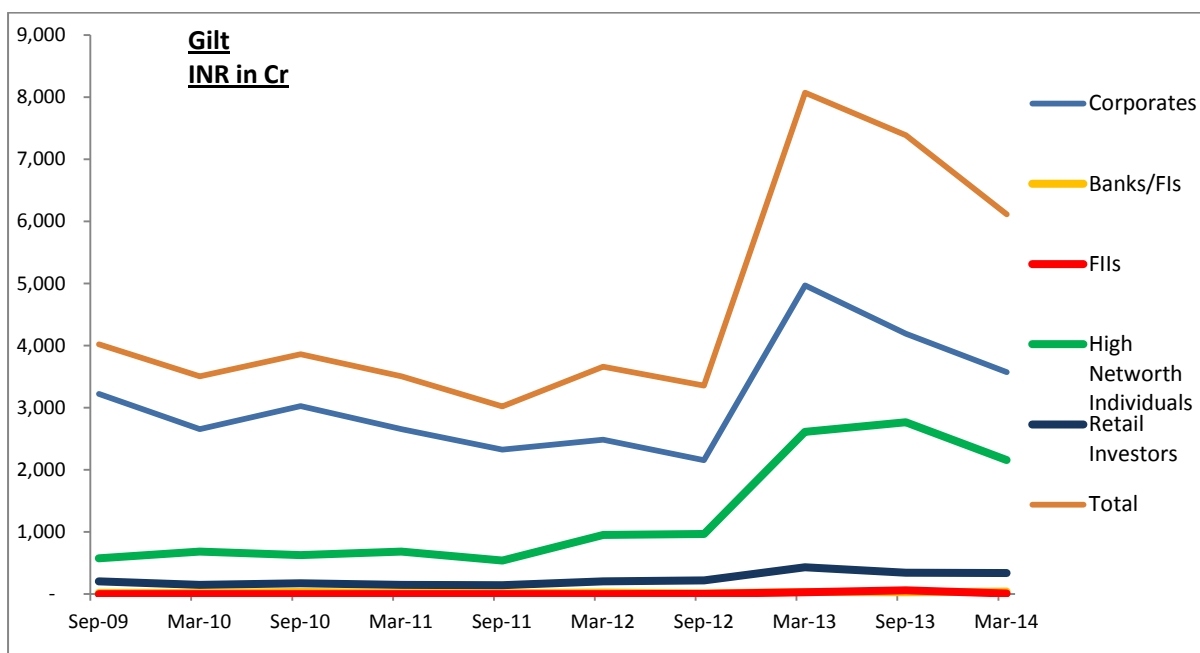


Table No. 4 Co relationship between various investor groups in Gilt funds

Gilt					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	0.73	0.77	0.85	0.90	0.96
Banks/FIs		0.46	0.70	0.70	0.74
FIIs			0.87	0.74	0.85
High Net worth Individuals				0.95	0.96
Retail Investors					0.96

Graph No.5.3 indicates the trend of investment by investor groups in Gilt funds over a period of five years starting from April 2009 to March 2014. Table no 4. indicates the correlations of investment pattern between two investor groups and correlation between a investor group with the overall investment happened in the five years period starting from April 2009 to March 2014 in Gilt fundSchemes.Since overall investment in the Gilt fund is very minimal, still all the investor groups have invested in Gilt funds. The trend of investments by corporate and High Network Individual, in the five years is very similar to overall investment happened in the Gilt Fund schemes. Apart from investment trend between Bank and FII, all the correlation between two investment group and between investment group and overall investment is more than 0.70.

Graph 5.4: Investor group wise investment trend in balanced fund

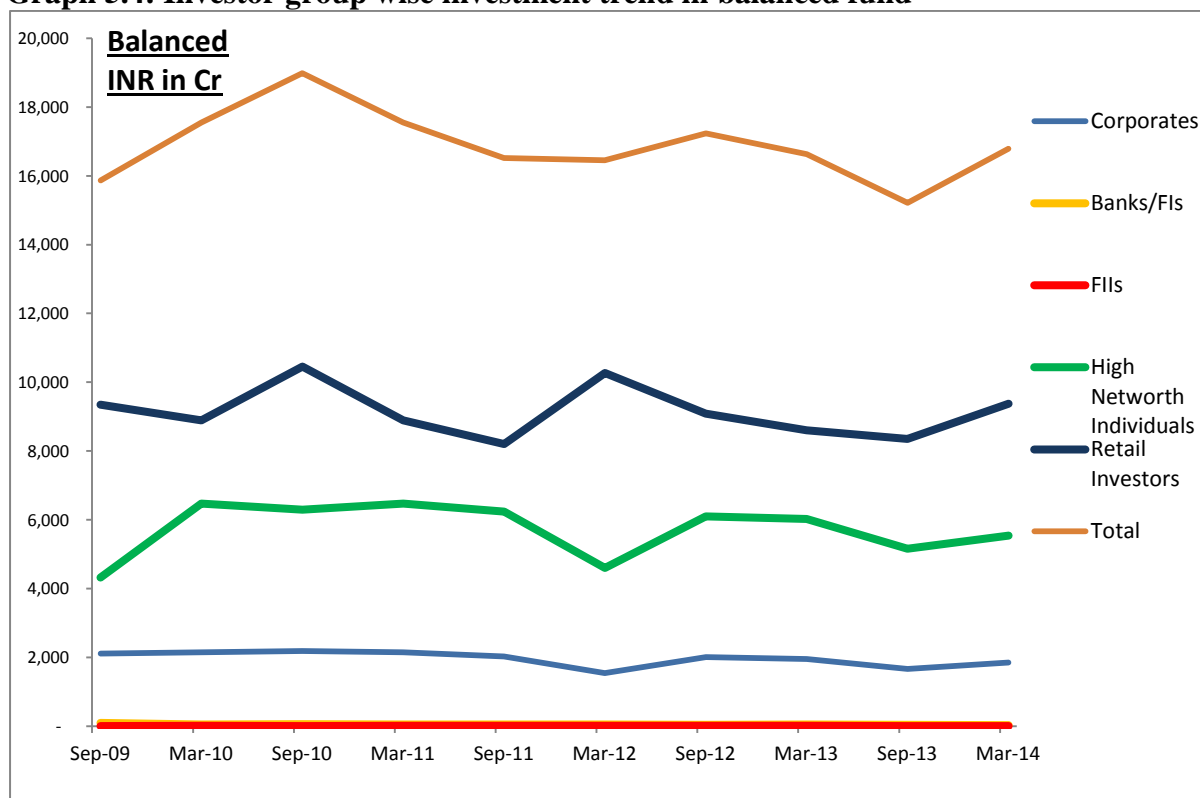


Table No.5 Co relationship between various investor groups in balanced funds

Balanced					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporates	0.37	0.00	0.59	-0.07	0.61
Banks/FIs		-	-0.49	0.26	-0.09
FIIs			0.57	-0.22	0.26
High Networth Individuals				-0.28	0.68
Retail Investors					0.50

Graph No.5.4 indicates the trend of investment by investor groups in Balance funds over a period of five years starting from April 2009 to March 2014. The table no.5 indicates the correlations of investment pattern between two investor groups and correlation between an investor groups with the overall investment happened in the five years period starting from April 2009 to March 2014 in Balance fund Schemes. In case of Balance fund Schemes, no significant investment trend of correlations can be seen between two investor groups or between an investor group and overall investment in the fund scheme. Corporate has been the major investor followed by HNI investors. Correlation of investment trend of corporate and HNI with overall investment in the scheme is 0.61 and 0.68 respectively

Graph 5.5: Investor group wise investment trend in FOF (Investing Overseas)

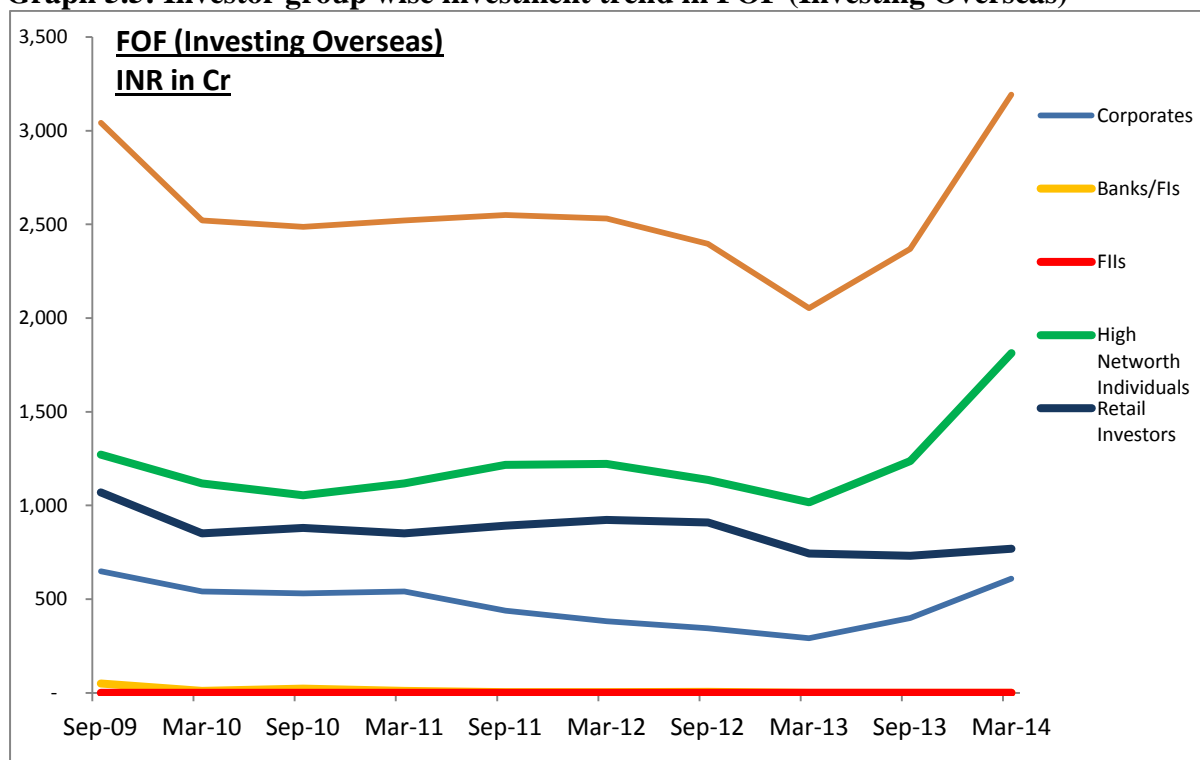


Table No.6 Co relationship between various investor groups in FOF (Investing Overseas)

FOF (Investing Overseas)					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	0.62	0.64	0.47	0.40	0.84
Banks/FIs		0.61	-0.11	0.79	0.44
FIIs			-0.33	0.37	0.14
High Net worth Individuals				-0.13	0.81
Retail Investors					0.40

Graph No. 5.5 Indicates the trend of investment by investor groups in FOF over a period of five years starting from April 2009 to March 2014. The table no.6 indicates the correlations of investment pattern between two investor groups and correlation between an investor group with the overall investment happened in the five years period starting from April 2009 to March 2014 in FOF Schemes. In case of FOF schemes, no significant investment trend of correlations can be seen between two investor groups or between an investor group and overall investment in the fund scheme. Corporate has been the major investor followed by HNI investors. Correlation of investment trend of corporate and HNI with overall investment in the scheme is 0.84 and 0.81 respectively.

Graph 5.6: Investor group wise investment trend in Gold ETF

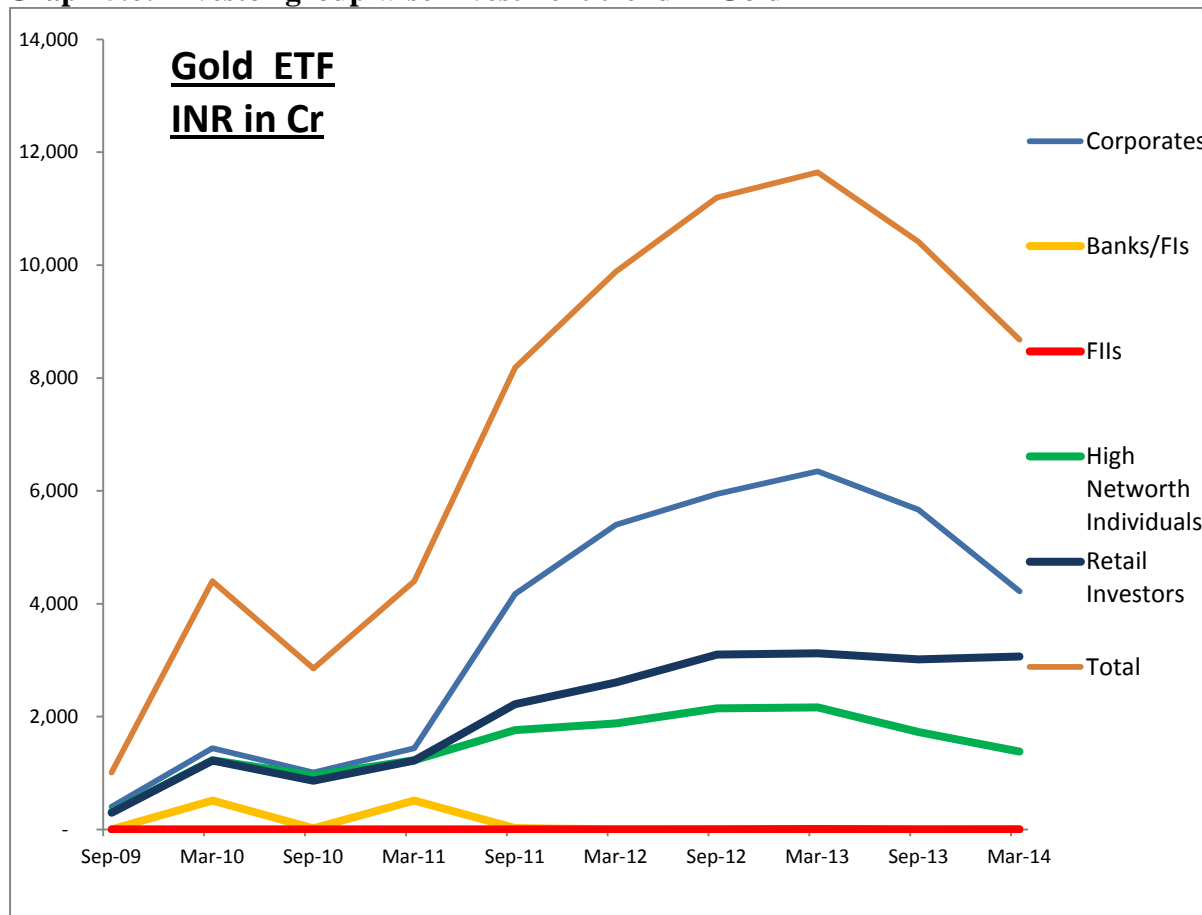


Table No.7 Co relationship between various investor groups in Gold ETF funds

Gold ETF					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	-0.50	0.71	0.92	0.96	0.99
Banks/FIs		-	-0.22	-0.42	-0.40
FIIs			0.67	0.77	0.74
High Net worth Individuals				0.88	0.95
Retail Investors					0.98

Graph No. 5.6 indicates the trend of investment by investor groups in Gold ETF schemes over a period of five years starting from April 2009 to March 2014. The table 7 indicates the correlations of investment pattern between two investor groups and correlation between a investor group with the overall investment happened in the five years period starting from April 2009 to March 2014 in Gold ETF schemes. In case of Gold ETF schemes, apart from Banks/FIs, investment trend correlations between total investment in the scheme and investment by all the other investment groups is positive. In case of Corporate, HNI and Retail investors it is highly positive as 0.99, 0.95 and 0.98 respectively. In case of Bank/FI's investment trend with overall investment trend, it is negative (-0.4).

Graph 5.7: Investor group wise investment trend in ETF (Other than Gold)

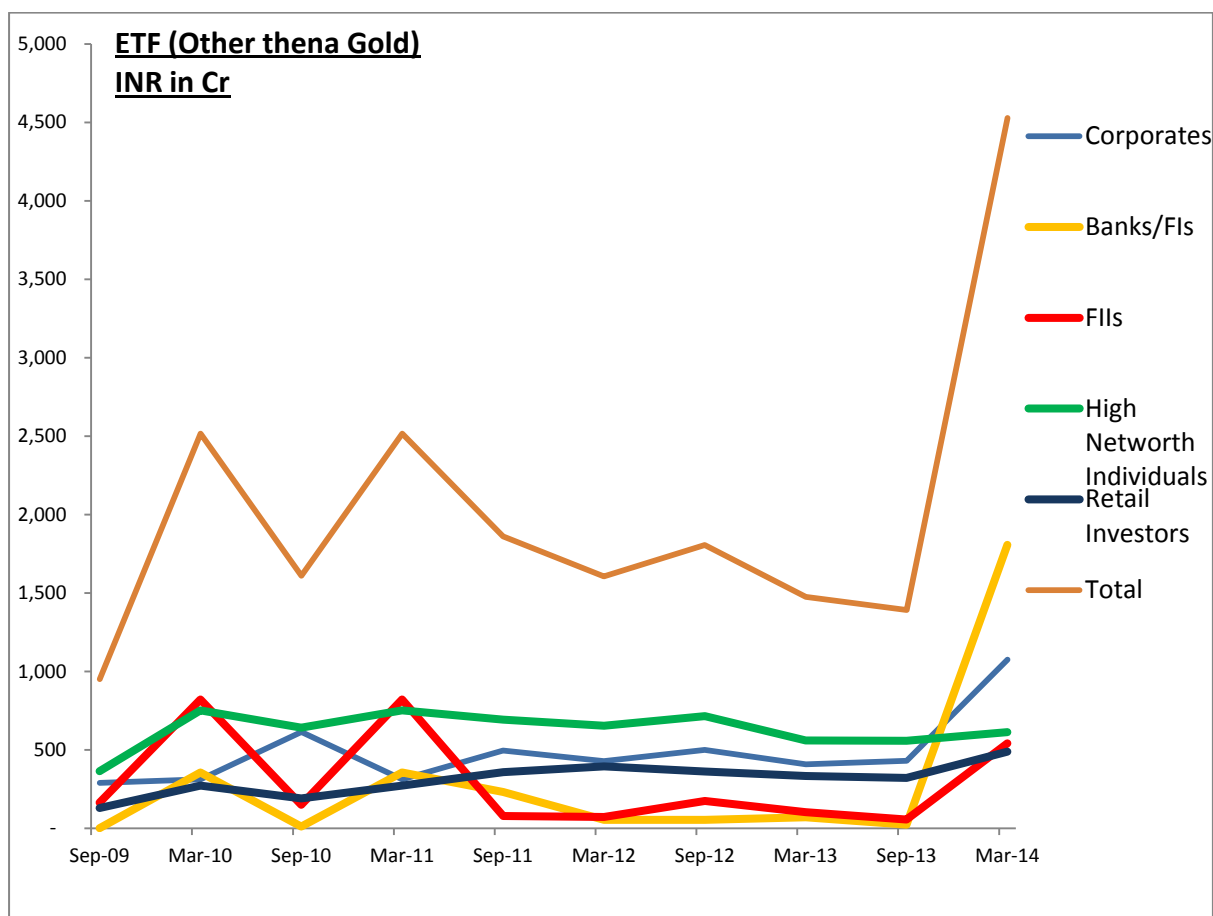


Table No.8 Co relationship between various investor groups in ETF (Other than Gold) funds

ETF (Other than Gold)					
Investor Group	Banks/FIs	FIIs	High Net worth Individuals	Retail Investors	Total
Corporate	0.82	0.01	0.04	0.63	0.75
Banks/FIs		0.47	0.12	0.61	0.96
FIIs			0.49	0.01	0.63
High Net worth Individuals				0.38	0.38
Retail Investors					0.63

Graph No.5.7 indicates the trend of investment by investor groups in ETF schemes (Other than Gold) over a period of five years starting from April 2009 to March 2014. The table 8 indicates the correlations of investment pattern between two investor groups and correlation between a investor group with the overall investment happened in the five years period starting from April 2009 to March 2014 in ETF schemes (Other than Gold). The trend of investments by Banks/FIs, in the five years is very similar to overall investment happened in the Gilt Fund schemes. The correlation between the investment made by Banks/FIs and total investment is 0.96.

6. Limitation and scope for further research

This study is limited to five years time period which can not disclose unambiguous depiction for future investment trend. There is mammoth scope to unite this study with primary data.

7. Conclusion

In many years from 2009 to 2014, the total investment in the first half has increased and reverse trend been seen in second half. Investment trend of HNI and corporate group is similar to overall investment trend in five years. Investment pattern of HNI investor group and retail investor group is highly correlated with equity funds. Bank/FI's is negatively correlated with all other investment groups. To add on FI's has been negatively correlated with equity funds. In case of Balanced funds and FOF funds no significant correlation of investment trend between two investment groups. In Gold ETF apart from BANK/FI's there is correlation between investment trend and other investment group.

Corporate investors' major focus has been on debt oriented funds and liquid /MM funds. However, Retail investor group has been more attracted in Equity oriented and balanced funds while Bank/FI's has invested more in liquid /MM funds.

Corporates have been major player among the other investor groups. Retail and HNI investor group has followed the corporate investment trend, While FII was not much fluctuating in that period of time.

Corporates group has contributing maximum investment it ranges from 43% to 49% in each year from 2009 to 2014. Retail investors group has invested nearly between 21% to 27%. This has followed by the HNI with approximately 11%. Furthermore Bank/FI's contribution ranges in 17% to 27%.

There is highly correlation in debt oriented funds and corporate investor group. Debt oriented funds has increase number of folios. Gilt funds has negligible investment, still all five investor groups has invested in this category of mutual fund.

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