BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY & MANAGEMENT STUDIES (BIITM), BHUBANESWAR
Plot No. F/4, Chandaka Industrial Estate, Infocity, Patia, Bhubaneswar-24
Approved by AICTE, Govt. of India | Affiliated to BPUT, Odisha | NAAC Accredited | ISO 9001 : 2015

SUMMER INTERNSHIP PROJECT 2026

REPORT TITLE

Systematic Investment Plan in Mutual Funds
(How beneficial is it for small investors?)

SUBMITTED BY

D K NITESH KUMAR
5-year Integrated MBA Batch: 2022-27
University Regn. No.: 2213258018

Faculty Guide

Dr. Debabrata Sharma
Assistant Professor (Finance)
BIITM, Bhubaneswar

Corporate Guide

MR. Bipin Bihari Dutta
Officer on Special Duty,
Odisha Capital Market
Ltd., Bhubaneswar

+

BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY & MANAGEMENT STUDIES (BIITM), BHUBANESWAR

Plot No. F/4, Chandaka Industrial Estate, Infocity, Patia, Bhubaneswar-24

Approved by AICTE, Govt. of India | Affiliated to BPUT, Odisha | NAAC Accredited | ISO 9001 : 2015

CERTIFICATE OF FACULTY/INTERNAL GUIDE

This is to certify that **Mr. D K NITESH KUMAR**, bearing university registration no **2213258018** of 2022-27 batch, has completed his/her summer internship at **Odisha Capital Market and Enterprise Limited** from **8/10/2025 to 8/11/2025** under the supervision of **Dr. Debabrata Sharma** and has submitted this project report under my guidance in partial fulfilment of the requirements for award of the degree of Integrated Master of Business Administration at Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar. To the best of my knowledge and belief, this project report has been prepared by the student and has not been submitted to any other institute or university for the award of any degree or diploma.

Date: Signature of the Faculty/Internal Guide

Place: Bhubaneswar Name: Dr. Debabrata Sharma

Designation: Assistant Professor(Finance)

EXTERNAL GUIDE CERTIFICATE

This is to certify that **D K NITESH KUMAR**, a student of the Integrated Master of Business Administration (IMBA) at Biju Patnaik Institute of Information Technology and Management Studies (BIITM), has successfully completed the Summer Internship Project titled **“Systematic plans of Mutual Funds (How beneficial is it for small investors?)”** under my guidance and supervision.

The project was undertaken as a part of the student's Summer Internship during the period at **Odisha Capital Market &Enterprise ltd**. from **08/10/2025 to 08/11/2025**. I confirm that the said project is the independent work of the student and has been carried out for the partial fulfilment of the requirements of the IMBA program.

D K NITESH KUMAR has shown a commendable level of diligence and sincerity in completing this project. The project report is a genuine effort to explore the theoretical concepts learned during the course and apply them in a real-world business setting. We have found the report to be satisfactory in terms of content, analysis, and presentation. We believe that this work demonstrates the student's understanding of the subject matter and their ability to apply theoretical knowledge to practical situations.

We wish the student all the best in their future endeavours.

Place: Bhubaneswar **MR. BIPIN BIHARI DUTTA**

Date: **Odisha Capital Market Enterprise, Bhubaneswar**

ODISHA CAPITAL MARKET & ENTERPRISES LIMITED

OBJECTIVITY IN SERVICE

CIN : U74110OR1989PLC002240

Regd. Office : P - 2, Jayadev Vihar, P.O.: Chandrasekharpur, Bhubaneswar - 751023

Tel.: (0674) 2300463, Website : www.odishacap.in, E-mail : odicap2015@gmail.com

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **Mr. D K Nitesh Kumar, IMBA** student (2022-2027 Batch) from **Biju Patnaik Institute of Information Technology and Management Studies (BIITM), Bhubaneswar, Odisha** bearing **Registration Number – 2213258018**, has successfully completed his Summer Internship Programme with us at Odisha Capital Market & Enterprises Ltd., Bhubaneswar from October 10, 2025 to November 10, 2025 under the guidance of our **Officer on Special Duty, Mr. Bipin B. Dutta** and has prepared a study paper titled as **"Systematic Investment Plans in Mutual Funds – How beneficial is it for small investors?"** for this purpose.

During his study, we found him working hard and sincerely.

For Odisha Capital Market & Enterprises Limited,

For

(THOMAS MATHEW)
MANAGING DIRECTOR

Dated: 30th December, 2025

DECLARATION

I, Mr **D K NITESH KUMAR** Bearing university registration no **2213258018 (2022-27 batch)**, hereby declare that the project report titled. **"Systematic Investment Plan in Mutual Funds (How beneficial is it for small investors?)"** is based on my internship at **Odisha Capital Market and Enterprise limited**, during the period **8/10/2025 to 8/11/2025** and is an original work done by me under the supervision of **Mr. Bipin Bihari Dutta** (Corporate Guide) and **Dr. Debabrata Sharma** (Internal Guide). This report is being submitted to Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar, affiliated to Biju Patnaik University of Technology, Odisha, in partial fulfilment of the requirements for the award of the degree of Integrated Master of Business Administration.

This project report has not been submitted to any other institute/university for the award of any degree or diploma.

Date: **D K NITESH KUMAR**

Place: Bhubaneswar

ACKNOWLEDGEMENT

My acknowledgment begins with thanking my academic supervisor **DR. DEBABRATA SHARMA** who has provided me with suggestions for making this final internship report and provided me with the format for making and preparing the whole report. I would like to thank sir for his generous cooperation and regular supervision that made me confident about the desired outcome of my internship report.

I would like to show my warm-hearted gratitude to the whole department of **ODISHA CAPITAL MARKET& ENTERPRISE LTD.**, which has provided me with a great deal of information, adequate data and finally cooperated with me for the accomplishment of the whole report successfully. I would like to thank each member. I am especially grateful to **Mr. BIPIN DUTTA** for invaluable support and direction that lead me to the successful completion of my internship report. I have done my whole internship period under this supervision and am grateful to him for helping me each step of work at the office.

TABLE OF CONTENTS

CHAPTER I

INTRODUCTION

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains and/or income for the fund's investors. An 8 mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a wide number of securities, and performance is usually tracked as the change in the total market cap of the fund, derived by the aggregating performance of the underlying investments. When an investor subscribes for the units of a mutual fund, he becomes part owner of the assets of the fund in the same proportion as his contribution amount put up with the corpus (the of the scheme. NAV is defined as the market value of the Mutual Fund scheme's assets net of its liabilities. NAV of a scheme is calculated by dividing the market value of scheme's assets by the total number of units issued to the investor's total amount of the fund). Mutual Fund investor is also known as a mutual fund shareholder or a unit holder. Any change in the value of the investments made into capital market instruments (such as shares, debentures etc.) is reflected in the Net Asset Value (NAV).

Scope Of Mutual Funds

Mutual funds in India cater to a wide range of investors, including individuals and institutions and offer access to various asset classes such as equities, debt instruments, government securi ties, and money market instruments.
They provide an opportunity for investors to participate in financial markets without requirin g in-depth knowledge or direct management of investments. The scope includes:

- Individual investor participation: Enabling small investors to benefit from collective i nvestment and professional management.
- Portfolio diversification: Investments are spread across multiple securities, which help s to reduce compared to investing in a single asset
- Accessibility and liquidity: Investors can buy and sell mutual fund units easily, provid ing liquidity for short-term or long-term financial needs

Objectives of the study

- To give a brief idea about the benefits available from Mutual Fund investment.
- To study which schemes are chosen by investor for investing money in mutual fund.
- To study about preference of investors for entry into mutual fund

  - Lump-sum

  - Systematic investment plan
- To identify factor considered by investors while investing in mutual fund.

RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problems. It may understand as a science of study how research is done scientifically. There are two types of research methodology: -

i. Primary data
ii. Secondary data

In this report Primary data & Secondary data has been used.

Primary Data-

Primary survey has been done through questionnaire among investors investing in different investment asset classes to get feedbacks related to investment.

Analysis on feedbacks received from investors has been done using appropriate models.

Secondary Data-

Secondary data has been done through various websites related to mutual funds i.e.

1. AMFI
2. Money control
3. Investopedia
4. Google Research
5. Goggle Finance

LITERATURE REVIEW

1. Jegadeeshwaran and Kumar (2017) analysed the Net Resources Mobilised by Bank-sponsored and FI-sponsored mutual funds in India and the researchers tried to find out the relationship between the UTI and other Mutual Fund institutions. The data was analysed with the help of CAGR, One Sample t-test, ANOVA and regression analysis. It was found that there is no significant difference between the returns of Bank sponsored mutual funds and FI sponsored mutual funds. It was also found that there is no significant relationship between the Net Resources mobilised by UTI and the other mutual funds.
2. Chakraborty (2018) conducted his research with the objective to evaluate the performance of selected Sector Specific mutual fund schemes. The study is based on 27 sector-specific mutual fund schemes spread over five different sectors. The data for the period 2009 to 2016 was taken for analysis. Standard Deviation, Sharpe Ratio, Sortino Ratio, Treynor Ratio, Beta, Jensen's Alpha, M2 Measure and Fama's Decomposition were used for analysis and comparison of the data. In addition Kendall's Tau Test has been applied to the risk-adjusted performance measures. It was found that Kotak PSU Bank ETF was the best mutual fund scheme among the schemes under study on the basis of three indicators viz. NAV, CAGR and Simple Return. Invesco India Banking was the worst performer in terms of efficiency. On the basis of risk-adjusted performance analysis, ICICI Prudential Banking and Financial Service Regular was the best performer and DSPBR Technology.com Regular was the worst performer.

3. Poddar (2019) conducted her research to evaluate the risk adjusted performance of the sampled schemes and to examine the stock selection and diversification abilities of the funds managers through Sharpe Differential Return Measure and Fama's break up of returns in terms of beta, diversification and selectivity. Total 36 open-ended equity schemes were taken for the study and data for the period 2007 to 2017 was taken for the analysis. Statistical tools e.g. S.D., beta, Coefficient of Determination, CAGR and specific measures e.g. Sharpe measure, Treynor's measure, MM Approach, Sharpe Differential Return Measure and Fama-Impact of Beta, Impact of Diversification and Impact of Selectivity etc. have been used in the study for the analysis of the data. It was found that Reliance Banking Fund Growth Plan-Growth Option was the highest return earner and ICICI Prudential FMCG Fund - Growth was the least risky scheme with the lowest standard deviation and beta. On the basis of average performance ranking analysis, Reliance Banking Fund- Growth Plan -Growth Option hold the first position with the lowest average rank and Aditya Birla Sunlife New Millenium Fund-Growth-Regular plan and UTI Top 100 Fund-Growth Option were the worst performer with the highest average rank. It was found that Reliance Pharma Fund-Growth Plan-Growth Option has the highest net selectivity value portraying better ability of the fund manager in respect of security selection and diversification.
4. Vasani (2020) studied the profitability of mutual fund companies, returns to the shareholders of the companies and comparative analysis of performance of selected mutual funds. Researcher applied Profit Before Tax Ratio, Profit After Tax Ratio, Cash Profit Ratio, Operating Profit Ratio, Return on Equity Share capital Ratio, Return on Equity Shareholders Fund, Earning Per Share, ANOVA and F-Test for the analysis of data. The period of the study was 10 years from 2008-09 to 2017-18. Top 15 mutual fund companies having highest AUM and having history of at least 10 years were taken for the study. The financial data reveals that HDFC Mutual Fund Assets Management Company have generated the highest average Revenue Income. The lowest Coefficient of Variance was in TATA which indicate highest stability in Revenue Income whereas the highest CV was reported for Kotak which indicate lowest stability. The highest PAT Ratio was for HDFC in 2012-13. It was revealed that all the selected companies under the study were having positive Cash Operating Ratio during study period.
5. Bala (2021) analysed the growth and performance of open-ended Equity/Growth sectoral mutual fund schemes in India from 2010 to 2019. Total 11 mutual fund schemes consisting 2 from Public Sector Mutual Funds and 9 from Private Sector Mutual Funds were taken for the study. CAGR, Sharpe measure, Treynor measure, Jensen measure, Fama and Sortino measure, One way ANOVA, Coefficient of Correlation and Independent sample t-test were used for the analysis of data. It was found that majority of sectoral schemes have outperformed the market in terms of quarterly returns and benchmark indices. The performance of sample schemes was found in the same direction as that of the market as evident from the positive beta values. No statistically significant difference was found between the returns of Public and Private Sector Mutual Fund Schemes.
6. Gaggar (2021) undertook her research with the major objective to determine the performance of equity and hybrid mutual fund schemes. Total 22 Equity Schemes of 9 different mutual fund houses were analysed. It was revealed that most of the respondents look for expert advice for making an investment and the investor compare the performance of a particular fund with the Benchmark Portfolio and comparing with the Performance of similar schemes of other funds. A strong positive correlation was found between public and private sector mutual fund schemes in India.

7. Malakar (2021) undertook his research with the main objective to make a comparative analysis of Equity, Balance and Income Schemes of mutual funds and to examine the comparative performance of selected Public and Private Mutual funds. A period of 10 years ranging from 2010-2019 was taken to examine the performance of Indian Mutual Fund industry and includes 5 Public Sector Mutual Funds and 5 Private Sector Mutual Funds. From each company, 5 schemes were taken from Equity, Balance and Income schemes. Mean, Standard Deviation, risk adjusted return, Sharpe Ratio, Regression Analysis and Karl Pearson's co-efficient of Correlation were used for analysis of the data. It was revealed from the study that the mutual fund companies are more interested in launching of income schemes due to its high level of inflows and these companies are not very much excited in launching of balanced schemes. In terms of resource mobilisation, income schemes outperform over balanced and equity schemes. Further it was found that Private Sector Mutual Funds outperform Public Sector Mutual Funds in equity and hybrid scheme segment whereas public sector slightly outperforms the private sector in debt schemes.
8. Rokade (2021) analysed the performance of 15 mutual fund equity schemes run by top five mutual fund companies on the basis of risk and return during the period 2009-2019. Large Cap Funds with growth option were taken for the study. Sharpe ratio, Treynor's measure and Jensen's Alpha were used for analysis of the schemes. On the basis of Sharpe Ratio, HDFC Top 200 was assigned the first rank followed by Birla Top 100, ICICI Top 100 and Reliance Top 200. On the basis of Treynor Measure, HDFC Top 200 was assigned the first rank followed by Birla Top 100, ICICI Top 100 and Reliance Top 200. On the basis of Jenson's Alpha, HDFC Top 200 again remain on top followed by Birla Top 100, Reliance Top 200 and ICICI Top 100.
9. Karunamoorthy (2022) carried out her research to make a comparative study between public sector companies and private sector companies and to understand the variation between the returns under different groups. Further the risk and return analysis was carried out with the help of Treynor's index, Sharpe's index and Jenson's alpha. Further an attempt was made to identify the investor's attitude towards investment, their risk tolerance capacity and their level of preferences towards selection of mutual fund company with respect to willingness to take risk. The study shows that investors evaluate important aspects such as service quality, fund quality, the core of the product and other variables while investing in mutual fund products. Further, it was found that all the schemes under study were performing well. It was also revealed that private sector mutual fund companies were able to earn superior returns than their public sector counterparts but the investors prefer public sector mutual funds due to safety concern.
10. Khinchi (2022) found that there is a significant difference in the performance of selected schemes and also there is a significant difference in the returns generated by schemes and their respective benchmark index. Similarly, it was revealed from the study that Age of Fund, Age of Fund House, Expense ratio, Portfolio Turnover Ratio, Sharpe Ratio, Jensen Alpha have no significant impact on performance. It was found that Standard Deviation, Beta and AUM have a significant impact on fund's performance.

EXECUTIVE SUMMARY

Mutual funds have emerged as a strong financial intermediary and are the fastest growing segment of the financial services sector in India. Mutual funds play a very significant role in channelizing the saving of millions of individuals. A mutual fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. There are wide varieties of mutual fund schemes that fulfil to investor's needs.

SIP (systematic investment plan) is a method of investing a fixed sum, regularly, in a mutual fund. It is similar to regular saving schemes like a recurring deposit. SIP allows you to buy units on a given date each month, so that you can device an investment plan for yourself.

Mutual Funds have not only helped family's tap into the success of Indian Industry but have also contributed to the India growth story. As information and awareness is rising more and more people are enjoying the benefits of investing in mutual funds.

CHAPTER II

COMPANY PROFILE & INDUSTRY ANALYSIS

OCMEL is a successor company of erstwhile Bhubaneswar Stock Exchange Ltd. (BhSE). BhSE which had been functioning as a recognized stock exchange in the State of Odisha since the year 1989, has taken exit as a stock exchange w.e.f. February 09, 2015 pursuant to exit policy of Securities and Exchange Board of India (SEBI) for non-performing stock exchanges in the country. In this context, pursuant to application of BhSE for voluntary surrender of recognition and exit as a Stock Exchange, SEBI has issued an order on February 09, 2015 for exit of BhSE as a stock exchange after ensuring compliance of various formalities by BhSE associated with such exit process. SEBI in its said order directed BhSE, among other requirements, to change its name and not to use the expression "Stock Exchange" or any variant of this expression in its name.
Accordingly, as it was required in the exit order issued by SEBI, the name of the Company has been changed from "Bhubaneswar Stock Exchange Ltd." to "Odisha Capital Market & Enterprises Ltd." w.e.f. 9th June, 2015 with the approval of the Registrar of Companies, Odisha in terms of provisions of the Companies Act, 2013. After exit of BhSE as a stock exchange, the Company now functions under a new name "Odisha Capital Market & Enterprises Ltd." with an altered set of Memorandum and Articles of Association in terms of provisions of the Companies Act, 2013 taking the assets and liabilities of erstwhile BhSE.

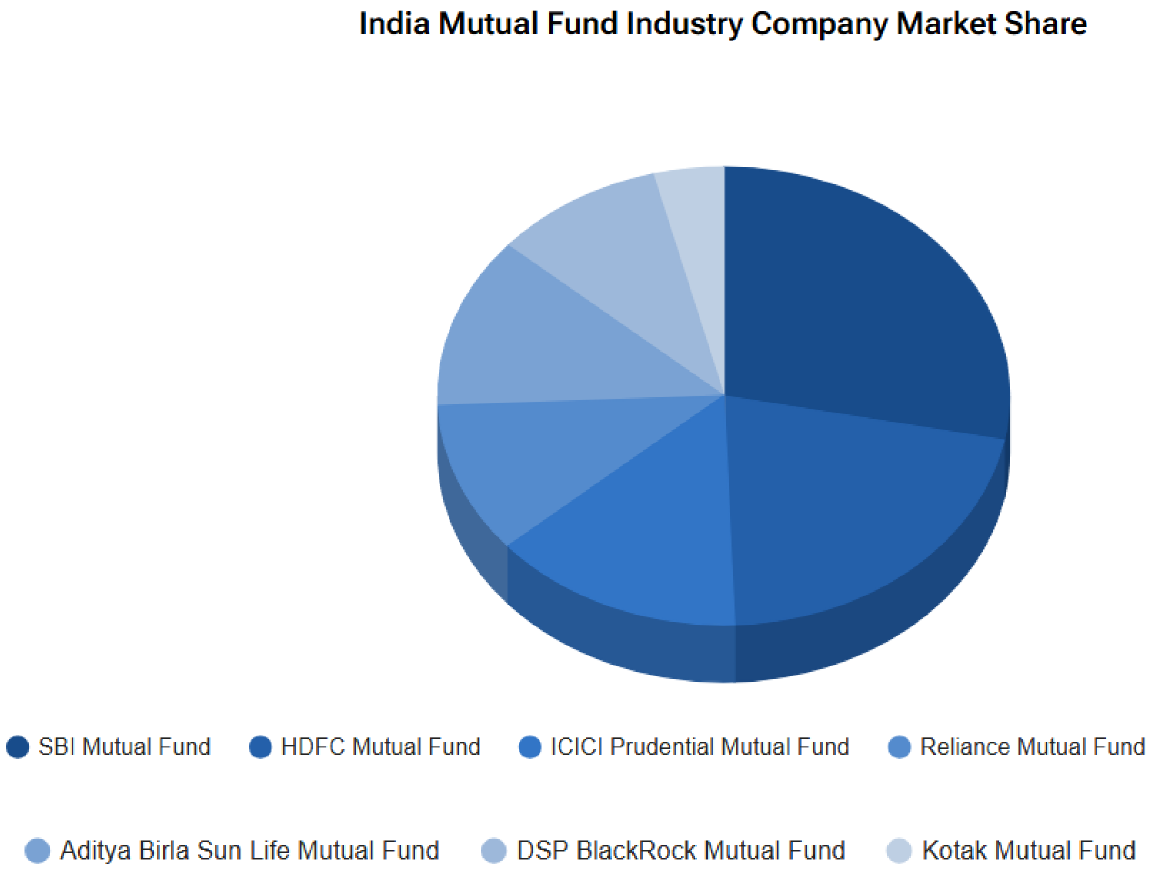
The affairs of the company are controlled and supervised by the Board of Directors under the provisions of its Memorandum and Articles of Association. The duties and responsibilities of day-to-day management and affairs of the company are now vested with Mr. Thomas Mathew, Managing Director, who is assisted by Mr. Debasis Samantaray,

India Mutual Fund Industry 2026-2034 Overview: Trends, Competitor Dynamics, and Opportunities

Key Insights

The Indian mutual fund industry is experiencing robust growth, projected to reach a market size of ₹660 billion (approximately $80 billion USD) in 2025, exhibiting a Compound Annual Growth Rate (CAGR) exceeding 18% from 2019 to 2033. This expansion is fuelled by several key factors. Increasing financial literacy and awareness among retail investors, coupled with a burgeoning middle class, are driving significant inflows into mutual funds. Government initiatives promoting financial inclusion and the ease of access through online platforms further contribute to this growth. The diversification of investment options, including debt-oriented, equity-oriented schemes, money market instruments, ETFs, and FoFs, caters to a broad spectrum of investor risk appetites and financial goals. Leading players like SBI Mutual Fund, HDFC Mutual Fund, and ICICI Prudential Mutual Fund dominate the market, while new entrants continuously strive for market share. However, factors such as market volatility, regulatory changes, and competition from alternative investment vehicles represent potential headwinds. The industry's future trajectory hinges on maintaining investor confidence, fostering innovation in product offerings, and adapting to evolving technological advancements.

The substantial growth of the Indian Mutual Fund Industry is particularly noticeable in segments like equity-oriented schemes, driven by the country's robust economic growth and increasing participation from foreign institutional investors (FIIs) and foreign portfolio investors (FPIs). The increasing adoption of technology and digital distribution channels is also significantly impacting accessibility and reach. While retail investors continue to be a primary driver, a noticeable increase in institutional investment from banks and insurance companies points towards a more diversified and stable investor base. However, maintaining transparency, managing investor expectations during periods of market downturn, and adapting to evolving regulatory frameworks remain crucial for sustained and healthy growth in the coming years. A strategic focus on financial education and investor protection will be crucial in solidifying the industry's long-term prospects.



CHAPTER III

Competitor Analysis

Indian Mutual Fund Industry Evolution: Competition Rises with 'MF Lite' Regulations and New AMCs Challenging Top Players

The Indian mutual fund industry has historically been dominated by a handful of large asset management companies (AMCs), maintaining a firm grip on market share. However, recent regulatory reforms and the entry of new players are steadily reshaping the competitive landscape, reducing concentration and enhancing investor options.

Market Concentration in India vs. Global Trends

At present, the top five AMCs in India manage approximately 56% of the total mutual fund assets, while the top ten control nearly 78%. This level of concentration is notably higher than in countries like the United States, where the top five fund houses also account for 56% but the top ten manage only 69%. The disparity highlights how India's mutual fund sector remains more centralized compared to more mature markets.

Interestingly, since December 2019, India has experienced a decline in market concentration among leading AMCs, suggesting an increase in competitive dynamics. In contrast, the U.S. mutual fund industry has witnessed a rise in concentration over the same period, with the largest managers consolidating their dominance. This divergence underscores the impact of regulatory changes and market participation in determining industry structure.

New Entrants and Rising Competition

The mutual fund industry in India is witnessing a steady rise in participants, challenging the status quo of dominant AMCs. The number of fund houses has grown from 41 in March 2019 to 45 by December 2024, marking a significant expansion in industry players. This surge is largely attributed to policy shifts by the Securities and Exchange Board of India (SEBI), which have encouraged broader market involvement.

Key factors driving this trend include increased interest from fintech firms, global asset managers, and established financial institutions that see India's rapidly growing investor base as a major opportunity. The heightened competition has led to greater innovation in fund offerings, with new product categories and tailored investment strategies emerging to cater to diverse investor preferences. As more entrants challenge the market leaders, Indian mutual fund investors stand to benefit from improved pricing, enhanced service quality, and a broader range of investment choices.

How 'MF Lite' Regulations Are Reshaping the Industry

The introduction of 'MF Lite' regulations in December 2024 marks a turning point for India's mutual fund industry. Designed to reduce entry barriers, these regulatory reforms are enabling new asset management companies (AMCs) to enter the market with lower initial capital requirements and streamlined compliance processes. This shift is expected to introduce greater diversity among fund offerings and drive competitive pricing, ultimately benefiting investors.

Historically, regulatory requirements have favoured established players, making it difficult for smaller or emerging AMCs to gain traction. However, SEBI's progressive approach aims to bridge this gap, allowing newer firms—including fintech-driven asset managers and boutique investment houses—to carve out their market presence. With increased participation from domestic and international players, investors now have access to a broader range of tailor-made mutual fund products catering to various risk profiles and financial goals.

Beyond product innovation, another anticipated outcome of these regulations is industry-wide cost efficiency. As competition intensifies, fund houses are likely to optimize expense ratios and management fees, making professionally managed investment vehicles more accessible. Over time, this could result in a more inclusive investment ecosystem where investors—whether retail or institutional—can benefit from a wider selection of cost-effective and high-performing funds.

What This Means for Investors

The evolving regulatory environment and increasing competition are breaking the long-standing dominance of the largest AMCs, creating an era of expanded opportunities for investors. With more players offering diverse investment strategies, individuals can build well-diversified portfolios tailored to their specific needs. Furthermore, as fund managers compete for market share, investors can expect improved transparency, better fund performance, and superior customer service.

For those looking to navigate this dynamic landscape, professional guidance is key. Whether you’re new to mutual fund investing or seeking to optimize your existing portfolio, partnering with an experienced advisor can provide critical insights into emerging opportunities, risk assessment, and long-term wealth creation strategies.

CHAPTER IV

CUSTOMER ANALYSIS

Customer Analysis – Mutual Fund Industry (India)

The Indian mutual fund industry has undergone a massive structural shift as of early 2026. What was once a product for the urban elite has become a mass-market financial tool, driven by a "younger, digital, and more disciplined" investor base.
As of December 2025, the industry's Assets Under Management (AUM) crossed the ₹80 lakh crore ($960B+) mark, with retail investors increasingly acting as the primary engine of growth.

Demographic Profile: The "New Indian Investor"

The face of the Indian investor has significantly changed over the last two years.

- **The Youth Surge:** The median age of a mutual fund investor has dropped from **38 to 33**. Almost **50% of investors are now under the age of 30**.
- **Gen-Z & Millennials:** These cohorts now control nearly **48% of total mutual fund assets**. In 2025 alone, individuals under 35 were responsible for **40% of all new SIP accounts**.
- **Women Investors:** There is a steady rise in financial independence among women, who now account for approximately **26%** of the total individual investor base.
- **Geographic Expansion:** Growth is no longer restricted to the Top 30 (T30) cities. The **Beyond Top 30 (B30)** cities are growing at a faster rate, thanks to digital onboarding and localized financial literacy campaigns.

Bbehavioural Trends & Product Preferences

Investors in 2026 show a distinct "risk-on" yet disciplined approach compared to previous decades.

Feature	Retail/Individual Investors	Institutional Investors (Banks/Corporates)
Asset Preference	**Equity (65%)**, Hybrid (17%)	**Debt (47%)**, ETFs/Index (34%)
Preferred Route	**SIPs**(Systematic Investment Plans)	Lumpsum / Overnight Funds
Channel	**72% use Distributors**	72%–93% use Direct Plans
Horizon	Increasingly Long-term (5+ years)	Short-term / Liquidity-focused

- The SIP Revolution: Monthly SIP inflows reached a record ₹31,000 crore by December 2025. This "sachetization" of investment (with some plans starting as low as ₹250) has made the market resilient to volatility.

- Passive Investing: There is a notable shift toward Index Funds and ETFs, particularly among tech-savvy DIY (Do-It-Yourself) investors looking for lower expense ratios.

Digitalization: The Primary Enabler

Technology has moved from being a "convenience" to the "core" of the customer experience.

- App-Dominance: Mobile platforms like Groww, Zerodha, and Upstox now facilitate nearly 80% of all retail equity investments.
- Frictionless Onboarding: While KYC remains a challenge, the adoption of video-KYC and Aadhaar-based e-KYC has reduced dropout rates significantly.
- Direct vs. Regular: While distributors still dominate by volume, the "DIY" segment (Direct plans) has grown to manage over ₹40 lakh crore in Average AUM, driven by younger investors who prefer managing their own portfolios via apps.

Key Drivers for 2026

- Financial Literacy: The "Mutual Funds Sahi Hai" campaign and social media influencers have successfully demystified equity markets for first-time earners.
- Regulatory Support: SEBI’s push for transparency and lower costs has increased investor trust.
- Alternative to Traditional Savings: For the first time, mutual fund AUM growth has consistently outpaced bank deposit growth, as households shift from physical assets (gold/real estate) to financial assets.

CHAPTER V

Mutual Fund – An Insight Review

INTRODUCTION

History of the Indian mutual fund industry:

The mutual fund industry in India started in 1963 with the formation of unit trust of India. At the initiative of the government of India and Reserve bank, through the growth was slow. But it accelerated from the year 1987 when non-UTI players entered the industry.

In the past decade, Indian mutual fund industry had seen a dramatic improvement both qualities wise as well as quantity wise, before, the monopoly of the market had seen an ending phase; the assets under management (AUM) was rs67 billion. The private sector entry to the fund family raised the aim to rs.470 billion in march 1993 and till April 2004; it reached the height if Rs.1540 billion. The mutual fund industry is obviously growing at a tremendous space with the mutual fund industry can be broadly put into four phases according to the development of the sector. Each phase is briefly described as under.

First phase:

Unit trust of India (UTI) was established on 1963 by an act of parliament by the Reserve bank of India and functioned under the regulatory and administrative control of the reserve bank of India. In 1978 UTI was de-linked from the RBI and the industrial development bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was unit scheme 1964. At the end of 1988 UTI had Rs.6700 Cores of assets under management.

Second phase:1987-1993 (entry of public sector funds)

1987 marked the entry of non-UTI, public sector mutual funds setup by public sector banks and life insurance corporation of India (LIC) and general insurances corporation of India (GIC). SBI mutual fund was the first non-UTI mutual fund established in June 1987 followed by can bank mutual fund (Dec 87). Punjab national bank mutual fund (Aug. 89). Indian bank mutual fund (Nov 89). Bank of India (Jun90), bank of Baroda mutual fund (Oct 92), LIC established its mutual fund in June 1989 while GIC had setup its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under Management of Rs. 47,004 Crores 11

Third phase: 1993-2003 (entry of private sector funds)

1993 was the year in which the first mutual fund regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari pioneer (now merged with franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993 SEBI regulations were substituted by a more comprehensive and revised mutual fund regulation in 1996. As at the end of January 2003. There were 33 mutual funds with total assets of Rs. 1, 21,805 Crores.

Fourth phase: (since February 2003 – April 2014)

In February 2003, following the repeal of the unit trust of India act 1963 UTI was Bifurcated into two separate entities. One is the specified undertaking of the unit trust of India with assets under management of rs.29, 835 crores as at the end of January 2003, representing broadly. The assets of US 64 schemes, assured return and certain other schemes. The second is the UTI mutual fund ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the mutual fund regulations. Consolidation and growth. As at the end of September, 2004. There were 29 funds, which manage assets of Rs.153108 Crores under 421 schemes.

Fifth phase – (since May 2014)

Taking cognizance of the lack of penetration of MFs, especially in tier ll and tier lll cities, and the need for greater alignment of the interest of various stakeholders, SEBI introduced several progressive measures in September 2012 to “re-energize” the Indian mutual fund industry and increase MFs penetration. MF distributers have also had a major role in popularizing systematic investment plans (SIP) over the years. In April 2016, the no. of SIP accounts has crossed 1 crore mark and as on 30th April, 2021 the total no. of SIP accounts is 3.80 crore.

5.2 STRUCTURE OF MUTUAL FUND INDUSTRY

5.2.1 Regulator and Nodal Association

(a) Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) is the chief regulatory authority that governs and monitors the functioning of the mutual fund industry in India.

Role: SEBI ensures transparency, investor protection, and fair practices in the securities and mutual fund markets.

Regulations: SEBI issues guidelines under the SEBI (Mutual Funds) Regulations, 1996, which specify the formation, operation, and disclosure norms for mutual funds.

Functions:

Registers and approves mutual fund companies and intermediaries.

Protects investors from fraud and mismanagement.

Ensures disclosure of accurate NAVs, performance reports, and portfolios.

Monitors compliance and corporate governance of Asset Management Companies (AMCs).

Introduces reforms like risk-o-meter, expense ratio limits, and benchmark standards.

In short, SEBI acts as the watchdog of the mutual fund industry, maintaining investor trust and market stability.

(b) **Association of Mutual Funds in India (AMFI)**

The Association of Mutual Funds in India (AMFI) is a self-regulatory organization (SRO) formed in 1995 by SEBI-registered mutual funds.

Objective: To develop the mutual fund industry on professional, ethical, and transparent lines.

Functions:

Promotes best practices and code of conduct for fund houses and distributors.

Conducts investor awareness and education campaigns.

Liaises with SEBI and the government on policy matters.

Maintains a database of AMFI-registered distributors and agents.

Ensures fair advertising and marketing by fund houses.

AMFI works as a bridge between SEBI, fund houses, and investors to ensure the smooth functioning of the mutual fund ecosystem.

5.2.2 Organisational Set-Up

Every mutual fund in India operates under a three-tier organizational structure as per SEBI guidelines:

(a) Sponsor

The sponsor is the promoter or parent organization that sets up the mutual fund.

It must have a sound financial record and be approved by SEBI.

Functions:

Establishes the mutual fund trust.

Appoints the trustees and AMC.

Contributes initial capital to start operations.

Ensures regulatory compliance and corporate governance.

Example: SBI is the sponsor of SBI Mutual Fund.

(b) Trustee

The trustee acts as a custodian of investor interests and supervises the operations of the AMC.

Trustees form a Trust under the Indian Trusts Act, 1882.

Functions:

Ensures that the AMC operates in compliance with SEBI regulations.

Monitors fund performance, expenses, and investor protection.

Approves launching of new schemes.

Reports any irregularities to SEBI.

Example: SBI Mutual Fund Trustee Company Pvt. Ltd.

(c) Asset Management Company (AMC)

The AMC is the professional body responsible for the day-to-day management of the mutual fund's investment portfolios.

It is appointed by the trustees and approved by SEBI.

Functions:

Designs and manages various schemes and funds.

Makes investment decisions as per objectives of each scheme.

Maintains books of accounts, NAV computation, and reports.

Markets mutual fund products and interacts with distributors.

Example: SBI Funds Management Pvt. Ltd. manages SBI Mutual Fund schemes.

Thus, the Sponsor, Trustee, and AMC form the backbone of the mutual fund organization.

5.2.3 Operational Manner

This section explains how mutual funds function operationally, from fund management to investor interaction.

(a) Fund Manager

The fund manager is a qualified investment professional employed by the AMC.

They analyse market trends, economic data, and company performance to make investment decisions.

Key responsibilities:

Asset allocation among equity, debt, or hybrid instruments.

Risk management and performance tracking.

Ensuring compliance with SEBI and fund objectives.

Maximizing investor returns while minimizing risks.

(b) Mutual Fund

A mutual fund is a pool of money collected from investors with a common financial goal.

The money is invested in various securities—stocks, bonds, or money market instruments—by the AMC.

Each investor holds units proportional to their investment, representing their share in the fund.

Types include equity, debt, hybrid, and liquid funds.

(c) Scheme

A scheme is a specific investment plan launched by a mutual fund.

Each scheme has its own objective, strategy, and risk-return profile.

Example: SBI Blue-chip Fund (equity), HDFC Short Term Debt Fund, etc.

Schemes are categorized by SEBI as equity, debt, hybrid, index, or solution-oriented.

(d) Distribution

Mutual funds reach investors through a wide distribution network such as:

Banks and financial institutions.

Independent Financial Advisors (IFAs).

Online platforms and AMC branches.

Direct plans (no intermediary).

Distributors play a key role in marketing, investor education, and customer service.

(e) Investor

The investor is the end participant in the mutual fund ecosystem.

Investors can be individuals, corporates, or institutions seeking wealth creation or income.

Rights and responsibilities:

Right to information and transparency.

Right to redeem or switch investments.

Responsibility to assess risk tolerance and investment horizon.

Component	Role / Function
SEBI	Regulatory authority ensuring fair practices
AMFI	Industry association promoting ethical standards
Sponsor	Promoter setting up the fund
Trustee	Supervisory body protecting investor interests
AMC	Manages fund operations and investments
Fund Manager	Makes investment decisions
Mutual Fund	Pool of investor money
Scheme	Specific investment product
Distribution	Network connecting fund to investors
Investor	Final beneficiary of fund performance

5.3 FUND TYPES AVAILABLE IN INDIA

Mutual Funds in India are categorized based on structure, nature of investment, and investment objectives. This classification helps investors choose schemes according to their financial goals, risk appetite, and investment horizon.

5.3.1 By Structure

(a) Open-Ended Schemes

Definition:
Open-ended funds are those in which investors can buy or redeem units at any time, without any maturity period.

Features:

Continuous entry and exit allowed.

NAV (Net Asset Value) changes daily based on market fluctuations.

Provide liquidity and flexibility to investors.

Suitable for: Long-term and short-term investors seeking liquidity.

Example:

SBI Blue-chip Fund (Equity)

HDFC Balanced Advantage Fund

Axis Long Term Equity Fund

(b) Close-Ended Schemes

Definition:
These schemes have a fixed maturity period (e.g., 3, 5, or 10 years). Investors can invest only during the New Fund Offer (NFO) period.

Features:

Units are listed on the stock exchange for trading.

Investors cannot redeem units before maturity (unless sold on exchange).

Provides stability in the fund corpus.

Suitable for: Investors with a fixed investment horizon.

Example:

ICICI Prudential Fixed Maturity Plan – Series 85

HDFC FMP 1108D Series 44

(c) Interval Schemes

Definition:
Interval funds are a hybrid of open-ended and close-ended schemes, allowing investors to buy or sell units only during specific intervals announced by the fund.

Features:

Combine stability of close-ended with periodic liquidity.

Investment and redemption allowed during pre-specified periods.

Suitable for: Investors who can stay invested for a fixed period but need limited liquidity.

Example:

UTI Interval Fund – Quarterly Interval Plan II

HDFC Interval Fund – Quarterly Plan A

5.3.2 By Nature

(a) Equity Funds

Definition:
These schemes invest mainly in equity shares of companies to generate capital appreciation over the long term.

Features:

High risk, high return potential.

Returns depend on stock market performance.

Suitable for: Long-term investors seeking wealth creation.

Example:

Mirae Asset Large Cap Fund

SBI Small Cap Fund

Axis Midcap Fund

(b) Debt Funds

Definition:
Debt funds invest in fixed-income securities such as government bonds, corporate debentures, and money market instruments.

Features:

Lower risk compared to equity funds.

Suitable for steady income and capital preservation.

Suitable for: Conservative investors or short-term goals.

Example:

HDFC Short Term Debt Fund

ICICI Prudential Corporate Bond Fund

SBI Magnum Income Fund

(c) Balanced Funds (Hybrid Funds)

Definition:
These schemes invest in a mix of equity and debt instruments to balance risk and return.

Features:

Provide both capital appreciation and regular income.

Offer diversification to reduce risk.

Suitable for: Moderate investors seeking balanced risk-return profile.

Example:

HDFC Balanced Advantage Fund

ICICI Prudential Equity & Debt Fund

SBI Hybrid Equity Fund

5.3.3 By Investment Objective

(a) Growth Schemes

Definition:
Growth funds primarily aim at capital appreciation over the long term by investing in equity and equity-related instruments.

Features:

High-risk, high-return potential.

No regular dividend; returns through NAV appreciation.

Suitable for: Investors seeking long-term wealth creation.

Example:

Axis Growth Opportunities Fund

SBI Focused Equity Fund

(b) Income Schemes

Definition:
These funds aim to provide regular and stable income by investing in bonds, debentures, and other debt instruments.

Features:

Lower risk compared to equity funds.

Focus on consistent income rather than capital growth.

Suitable for: Retired individuals or those seeking steady income.

Example:

HDFC Income Fund

ICICI Prudential Medium Term Bond Fund

(c) Balanced Schemes

Definition:
Balanced schemes aim to provide both income and capital growth by investing in a mix of equity and debt securities.

Features:

Moderate risk level.

Balanced allocation helps in stable returns.

Suitable for: Investors with medium risk appetite.

Example:

Tata Balanced Advantage Fund

SBI Hybrid Equity Fund

(d) Money Market Schemes

Definition:
These schemes invest in short-term money market instruments such as Treasury Bills, Certificates of Deposit (CDs), Commercial Papers (CPs), and call money.

Features:

Very low risk and high liquidity.

Ideal for parking short-term surplus funds.

Suitable for: Investors looking for short-term parking of funds with minimal risk.

Example:

HDFC Money Market Fund

ICICI Prudential Money Market Fund

5.3.4 Other Schemes

(a) Tax Saving Schemes (ELSS – Equity Linked Savings Scheme)

Definition:
These are equity-oriented schemes offering tax benefits under Section 80C of the Income Tax Act.

Features:

Lock-in period of 3 years (shortest among tax-saving options).

Potential for high long-term returns.

Eligible for tax deduction up to ₹1.5 lakh.

Suitable for: Taxpayers seeking long-term capital growth.

Example:

Axis Long Term Equity Fund

Mirae Asset Tax Saver Fund

SBI ELSS Tax Saver Fund

(b) Index Schemes

Definition:
Index funds replicate a specific stock market index like Nifty 50 or Sensex.

Features:

Passive management – no active fund manager decisions.

Returns mirror index performance.

Lower expense ratio.

Suitable for: Investors seeking low-cost, market-linked returns.

Example:

Nippon India Index Fund – Nifty 50 Plan

UTI Nifty Index Fund

(c) Sector-Specific Schemes

Definition:
These funds invest in a particular industry or sector, such as IT, banking, pharma, or energy.

Features:

High risk due to lack of diversification.

High returns possible if the chosen sector performs well.

Suitable for: Experienced investors with high-risk tolerance.

Example:

ICICI Prudential Technology Fund (IT sector)

Nippon India Pharma Fund (Healthcare sector)

SBI Banking & Financial Services Fund

Category	Scheme Type	Key Objective / Description	Example
By Structure	Open-Ended Schemes	Investors can buy or sell units any time; provides high liquidity and flexibility.	SBI Blue-chip Fund, Axis Long Term Equity Fund
	Close-Ended Schemes	Fixed maturity period; investment allowed only during NFO; units listed on stock exchange.	ICICI Prudential FMP Series 85, HDFC FMP 1108D Series 44
	Interval Schemes	Combination of open and close-ended; redemption/purchase allowed during specified intervals.	UTI Interval Fund – Quarterly Interval Plan II, HDFC Interval Fund – Quarterly Plan A

Category	Scheme Type	Key Objective / Description	Example
By Nature,	Equity Funds	Invest mainly in equities for long-term capital appreciation; high risk–high return.	Mirae Asset Large Cap Fund, SBI Small Cap Fund
	Debt Funds	Invest in government bonds and debt instruments; offer stable returns and lower risk.	HDFC Short Term Debt Fund, ICICI Prudential Corporate Bond Fund
	Balanced Funds (Hybrid Funds)	Invest in both equity and debt to balance risk and returns.	SBI Hybrid Equity Fund, HDFC Balanced Advantage Fund
By Investment Objective	Growth Schemes	Aim for capital appreciation over long term; mainly equity-oriented.	Axis Growth Opportunities Fund, SBI Focused Equity Fund
	Income Schemes	Aim to provide regular income through investments in fixed-income securities.	HDFC Income Fund, ICICI Prudential Medium Term Bond Fund
	Balanced Schemes	Provide both growth and regular income through a mix of equity and debt.	Tata Balanced Advantage Fund, SBI Hybrid Equity Fund
	Money Market Schemes	Invest in short-term instruments like Treasury Bills and Commercial Papers; very low risk.	ICICI Prudential Money Market Fund, HDFC Money Market Fund
Other Schemes	Tax Saving Schemes (ELSS)	Provide tax benefits under Section 80C with a 3-year lock-in; equity-based.	Axis Long Term Equity Fund, Mirae Asset Tax Saver Fund
	Index Schemes	Replicate performance of stock market indices like Nifty or Sensex; passively managed.	UTI Nifty Index Fund, Nippon India Index Fund – Nifty 50 Plan
	Sector-Specific Schemes	Invest in a particular sector like IT, Banking, or Pharma; high-risk, high-reward.	ICICI Prudential Technology Fund, SBI Banking & Financial Services Fund

5.4 Merits and Demerits of mutual funds:

MERITS:

1. Professional Investment Management: By pooling the funds of thousands of investors, mutual funds provide full-time, high-level professional management that few individual investors can afford to obtain independently. Such management is vital to achieving results in

today's complex markets. Your fund managers' interests are tied to yours, because their compensation is based not on sales commissions, but on how well the fund performs. These managers have instantaneous access to crucial market information and are able to execute trades on the largest and most cost-effective scale. In short, managing investments is a full-time job for professionals.

2. Diversification: Mutual funds invest in a broad range of securities. This limits investment risk by reducing the effect of a possible decline in the value of any one security. Mutual fund shareowners can benefit from diversification techniques usually available only to investors wealthy enough to buy significant positions in a wide variety of securities.

3. Low Cost: If you tried to create your own diversified portfolio of 50 stocks, you'd need at least $100,000 and you'd pay thousands of dollars in commissions to assemble your portfolio. A mutual fund lets you participate in a diversified portfolio for as little as $1,000, and sometimes less. And if you buy a no-load fund, you pay no sales charges to own them.

4. Convenience and Flexibility: You own just one security rather than many, yet enjoy the benefits of a diversified portfolio and a wide range of services. Fund managers decide what securities to trade, clip the bond coupons, collect the interest payments and see that your dividends on portfolio securities are received and your rights exercised. It's easy to purchase and redeem mutual fund shares, either directly online or with a phone call.

5. Quick, Personalized Service: Most funds now offer extensive websites with a host of shareholder services for immediate access to information about your fund account. Or a phone call puts you in touch with a trained investment specialist at a mutual fund company who can provide information you can use to make your own investment choices, assist you with buying and selling your fund shares, and answer questions about your account status.

DEMERITS:

1. Professional Management: Did you notice how we qualified the advantage of professional management with the word "theoretically"? Many investors debate whether or not the so-called professionals are any better than you or I at picking stocks. Management is by no means infallible, and, even if the fund loses money, the manager still takes his/her cut. We'll talk about this in detail in a later section.

2. Costs: Mutual funds don't exist solely to make your life easier - all funds are in it for a profit. The mutual fund industry is masterful at burying costs under layers of jargon. These costs are so complicated that in this tutorial we have devoted an entire section to the subject.

3. Dilution: It's possible to have too much diversification. Because funds have small holdings in so many different companies, high returns from a few investments often don't make much difference on the overall return. Dilution is also the result of a successful fund getting too big. When money pours into funds that have had strong success, the manager often has trouble finding a good investment for all the new money.

4. Taxes: When making decisions about your money, fund managers don't consider your personal tax situation. For example, when a fund manager sells a security, a capital-gains tax is triggered, which affects how profitable the individual is from the sale. It might have been more advantageous for the individual to defer the capital gains liability.

5.5 Important Terminology

Important Terminology in Mutual Funds

Term	Meaning / Explanation
Net Asset Value (NAV)	NAV represents the per-unit value of a mutual fund. It is calculated by dividing the total value of the fund's assets (minus liabilities) by the number of outstanding units. Formula: NAV = (Total Assets – Total Liabilities) / Number of Units Outstanding.
Entry Load / Exit Load	These are charges or fees applied when an investor enters (buys) or exits (sells) a mutual fund scheme. • Entry Load: Fee charged at the time of investment (now mostly abolished in India). • Exit Load: Fee charged when units are redeemed before a specific period.
Redemption Price	It is the price at which an investor sells or redeems their mutual fund units back to the fund house. It is usually the NAV minus the exit load, if applicable.
Repurchase Price	It is the price at which the fund house buys back units from investors in open-ended schemes. It may differ slightly from the NAV due to applicable charges.
Switch	It means transferring investment from one mutual fund scheme to another within the same fund house, e.g., moving from an equity fund to a debt fund. It is treated as redemption from one scheme and investment into another.
Shut-out Period	A temporary period before the record date during which no transactions (like switching or redemptions) are allowed in a mutual fund scheme to ensure accurate calculation of NAV and dividend distribution.

5.6 Risk and How NAV Matters to Investment

5.6.1 Risk

Type of Risk	Explanation	Example / Illustration
Price Risk	Fluctuations in market price of securities held by the mutual fund. When market prices fall, the fund's NAV decreases.	If Infosys shares drop from ₹1,600 to ₹1,400, the fund's NAV decreases accordingly.
Liquidity Risk	Risk of not being able to sell securities quickly without impacting the market price.	A small-cap fund may struggle to sell stocks during downturns, delaying redemptions.
Default Risk	Arises when a bond issuer fails to make interest or principal payments.	A debt fund investing in a defaulting company like Reliance Home Finance faces NAV drop.

Credit Risk	Risk due to credit rating downgrade of a security, lowering its value.	If a bond rated AAA is downgraded to BBB, its price falls, reducing fund NAV.

5.6.2 How NAV Matters to Investment

Net Asset Value (NAV) = (Total Assets – Total Liabilities) ÷ Number of Outstanding Units

NAV – Highs & Lows

NAV Level	Meaning	Investor Implication
Low NAV	Indicates a new or recently underperforming fund. Not necessarily better or cheaper.	Investors may get more units for same amount, but returns depend on % growth, not NAV price.
High NAV	Shows the fund has grown in value. Doesn't mean it's expensive or risky.	Return rate matters more than NAV level itself.

Common Myths About NAV

Myth 1 – Low NAV means More Units = More Dividends (False)

Reality: The number of units doesn't affect returns; returns depend on percentage growth.

Investment	Fund A (NAV ₹10)	Fund B (NAV ₹50)	Result
Amount Invested	₹10,000	₹10,000	
Units Bought	1,000	200	
NAV after 1 Year (+10%)	₹11	₹55	
Final Value	₹11,000	₹11,000	Both give 10% return

Myth 2 – Fund with High NAV has Reached its Potential (False)

Reality: NAV shows accumulated value, not future growth. A fund with ₹100 NAV can still grow faster than one with ₹10 NAV.

Does NAV Reflect True Market Value?

NAV reflects approximate net market value based on closing prices. However, factors like market timing, interest rate changes, or liquidity may cause slight deviations.

Measurement of Performance of Mutual Fund

Total Return

Measures overall gain including capital appreciation and dividends.

Formula: Total Return (%) = ((NAV_end - NAV_begin + Dividends) / NAV_begin) × 100

Example: NAV rises from ₹20 to ₹22 with ₹1 dividend → ((22 - 20 + 1)/20)×100 = 15%

Market Condition

Fund performance is affected by market trends like inflation, interest rates, policies, and global factors.

Example: Equity funds perform better in bull markets; debt funds perform better when interest rates are high.

Annualized vs Actual Total Return

Type	Meaning	Example
Actual Total Return	Total gain/loss over a specific period.	E.g., 30% in 3 years = Actual Return
Annualized Return	Average yearly compounded return.	If (1+r)^3 = 1.30 ⇒ r = 9.14%

5.4 Performance Disclaimer

"Mutual fund investments are subject to market risks, read all scheme related documents carefully."
Past performance does not guarantee future returns.

Summary Table

Topic	Key Point
Risk Types	Price, Liquidity, Default, Credit
NAV Role	Reflects fund value; not a direct indicator of profitability
Myths	Low NAV ≠ better returns; High NAV ≠ limited growth
Performance Measures	Total Return, Market Conditions, Annualized Return, Disclaimer

5.7 CURRENT SCENARIO OF MUTUAL FUNDS INDUSTRY

Key Trends in India

Strong AUM Growth

The mutual fund industry in India has seen assets under management (AUM) grow very strongly. As of mid-2025, AUM had crossed ~ ₹72.2 lakh crore.

The growth has been steady: ~20% CAGR over the past 10 years, ~24% over the last 5.

Equity Funds Dominating, But Debt Also Bouncing Back

Equity-oriented schemes hold a large share of the market. For example, in one report, equity funds account for ~60% of total AUM.

Debt funds are also seeing renewed interest, particularly from institutional investors. Constant maturity and corporate bond strategies are popular.

Rise of Passive Investing & Gold/ETFs

Passive funds (like index funds, ETFs) are growing fast. Investors are attracted by lower fees, transparency, simplicity.

Gold ETFs in particular have seen large inflows amid global uncertainty and inflationary fears.

More Hybrid & Multi-asset Products

Investors are increasingly favouring hybrid and multi-asset funds (which allocate across equity, debt, gold, others) to get a balanced exposure and diversify risk.

Within hybrid funds, dynamic asset allocation or balanced-advantage style schemes (which adjust equity vs. debt exposure depending on market valuations) are becoming more popular.

Retail Investor Deepening, SIPs & Folios

Systematic Investment Plans (SIPs) remain a backbone of retail investment flows. These regular contribution schemes are seeing high gross inflows.

The number of investor accounts (folios) has been rising, showing deeper penetration of mutual funds among the masses.

Women investors are also increasing as a share of investor base.

Caution Signs: Elevated Cash Levels, SIP Discontinuations

Fund managers are holding unusually high cash levels. This is often seen when they are cautious of market valuations or expect volatility.

SIP discontinuation rates are rising; many investors stop their SIPs.

Sector Rotation & Policy Impact

We're seeing shifts in sector allocations, e.g. increased weight towards PSUs in banking, more moves into autos, insurance, and consumer sectors recently.

Some funds have suspended fresh investments (e.g. silver ETFs) likely in response to regulatory or valuation concerns.

Regulatory & Structural Environment

Regulatory changes around cost, transparency, commissions, TERs (Total Expense Ratios) etc. remain relevant.

The mutual fund industry is maturing, both in terms of products offered and investor awareness.

Global / Broader Trends

These are not specific only to India but are having influence in many markets, or are being felt by global investors:

Active vs Passive Debate: A continuing shift towards passive investing, especially where active managers struggle to consistently outperform benchmarks. Costs are under scrutiny.

ESG / Thematic Investing: Themes like sustainability, clean energy, AI, etc., are drawing interest, though risk of fading outperformance or overhype exists.

Risk & Volatility Sensitivity: With macro-economic uncertainties (inflation, interest rates, geopolitical risks), investors are more cautious, often preferring funds with flexibility, higher liquidity, and ability to hedge.

Technology / Digital Distribution: More use of fintech platforms, easier access for retail investors. Digital onboarding, robo-advisors etc. are growing.

Regulatory Innovation: Some jurisdictions exploring tokenisation of funds, digital-asset funds, more permissive rules for ETFs etc. Financial Times

Challenges & Risks

Valuations & Returns Pressure: As more money flows in, valuations get stretched. That raises expectations and the risk of corrections.

Competition: Especially in passive and thematic funds, there is product proliferation. Overlapping funds may cannibalise each other.

Liquidity Concerns: Particularly for small-cap funds or funds with holdings in less liquid assets, especially when markets turn.

Cost Pressures: Investors are more fee sensitive. High expense funds may struggle if performance doesn't justify cost.

Behavioral Risks: SIP discontinuations, chasing past winners, herd behaviour etc. may erode long-term outcomes.

Regulatory Risk: Changes in tax policy, expense ratio regulations, disclosures can impact returns and attractiveness.

Outlook

Mutual funds likely to continue growing in India, given rising financial literacy, increasing participation from smaller towns/cities, rising disposable incomes, and institutional flows.

Passive funds & ETFs will take larger share, especially in categories where active management has limited edge.

Hybrid and dynamic asset allocation funds will remain popular for risk-diversification.

Sector & thematic plays will see interest, but fund managers will need to manage risk and avoid overcrowding.

Investors will demand better transparency, lower costs, and more flexible, liquid offerings.

Regulatory frameworks are likely to tighten further to protect retail investors and ensure product integrity.

The data presented by the ministry in Lok Sabha.

Mutual Fund Assets				
Income slab	Number of unique investors	% of total individual investors	AUM (in cr)	% AUM
Less than Rs 1 lakh	16,33,909	8.80%	1,44,363.71	4.50%
Rs 1- Rs 5 lakh	1,13,66,741	61.21%	7,71,650.59	24.04%
Rs 5- Rs 10 lakh	35,81,287	19.28%	5,98,459.05	18.64%
Rs 10- Rs 25 lakh	14,31,613	7.71%	3,61,744.41	11.27%
Rs 25- Rs 1 crore	4,22,131	2.27%	3,40,640.75	10.61%
Rs 1- 5 crore	1,35,446	0.73%	9,93,121.66	30.93%
> Rs 5 crore	245	0.00%	408.86	0.01%

Systematic Investment Plan (SIP)

A Systematic Investment Plan (SIP) is a disciplined and convenient way of investing regularly in mutual funds. It allows investors to contribute a fixed amount at periodic intervals to accumulate wealth over time, reducing the impact of market fluctuations and encouraging long-term savings.

7.1 Concept and Features

A Systematic Investment Plan (SIP) enables investors to invest small, fixed amounts periodically rather than making a one-time investment. It promotes disciplined investing and long-term wealth accumulation.

Key Features:

Regular and Disciplined Investment: Fixed investment at periodic intervals (monthly, quarterly, etc.).

Low Entry Amount: SIPs can start with as low as ₹500 per month.

Automatic Process: Investment amount is auto-debited from the investor's account.

Flexibility: Investors can start, stop, or modify their SIPs anytime.

Long-Term Focus: Encourages saving and wealth creation through compounding.

Units Based on NAV: Units are allotted as per the fund's Net Asset Value (NAV) on the SIP date.

7.2 Advantages and Disadvantages

Advantages:

Advantages	Explanation
Disciplined Saving	Encourages regular investment and avoids market timing.
Rupee Cost Averaging	Buys more units when prices are low and fewer when prices are high.
Power of Compounding	Returns are reinvested, leading to exponential growth over time.
Flexibility	SIPs can be increased, decreased, paused, or stopped easily.
Affordability	Ideal for salaried individuals investing small amounts.

Disadvantages:

Disadvantages	Explanation
Returns Depend on Market	Market volatility can affect short-term performance.
Limited Control	Investors cannot time the market for higher profits.
Requires Patience	SIP benefits are visible only over the long term.

Not Suitable for Short Term	Best for investment horizons above 3–5 years.

7.3 Working of SIP

Choose a Scheme: Select a mutual fund scheme (equity, debt, or hybrid).

Set Amount and Duration: Decide SIP amount and period (e.g., ₹1,000/month for 5 years).

Automatic Debit: Amount automatically deducted from bank account on SIP date.

Units Allotted: Based on NAV, units are credited to the investor's account.

NAV-based Accumulation: Buy more units when NAV is low, fewer when NAV is high.

Wealth Growth: Over time, investment grows due to returns and compounding.

Example:

Month	Investment (₹)	NAV (₹)	Units Purchased
January	1,000	10	100.00
February	1,000	8	125.00
March	1,000	12	83.33
Total	3,000	-	308.33

Average cost per unit = ₹3,000 / 308.33 = ₹9.73
Thus, even though NAV fluctuated between ₹8 and ₹12, the investor benefited from rupee cost averaging.

7.4 SIP Calculator

A SIP calculator estimates the future value of investments using compounding formula:

$M = P \times [(1 + r/n)^{(n\times t)} - 1] / (r/n) \times (1 + r/n)$

Where: M = Maturity amount, P = SIP amount, r = Annual return, n = Installments per year, t = Years

Example: ₹2,000 per month for 10 years at 12% annual return gives M ≈ ₹4,64,000.

7.5 Rupee Cost Averaging Method – Connection to SIP

Rupee Cost Averaging (RCA) means investing fixed amounts regularly regardless of market conditions. It ensures more units are bought when NAV is low and fewer when high, averaging the cost per unit. SIPs automatically implement RCA.

Month	NAV (₹)	Units Bought
Jan	10	100
Feb	8	125
Mar	12	83.33

Total	-	308.33

Average cost per unit = ₹9.73, even though NAV fluctuated.

7.6 Power of Compounding

Power of Compounding means earning returns on previous returns. In SIP, each installment generates returns that are reinvested to earn more.

Formula: A = P(1 + r/n)^(n×t)

Where,

A = Final amount

P = Principal investment

r = Annual rate of return

n = Number of compounding periods per year

t = Time (in years)

Example:
If you invest ₹5,000 per month for 20 years at 10% annual return:

Using SIP compounding calculator,
Total investment = ₹12,00,000
Final value ≈ ₹38,28,000
Profit = ₹26,28,000

➞ The longer you stay invested, the greater the compounding effect.

7.7 SIP Vs Lump Sum Investment – A Review

Basis	SIP (Systematic Investment Plan)	Lump Sum Investment
Investment Type	Regular periodic investment	One-time investment
Market Timing	Not required	Critical for returns
Risk Level	Lower due to averaging	Higher – depends on entry time
Return Potential	Stable, long-term growth	Higher if invested at market lows
Ideal For	Salaried or small investors	Investors with surplus funds
Liquidity	Flexible, can stop anytime	Locked till redemption
Cost Averaging	Yes	No

Emotional Comfort	Reduces timing stress	Needs confidence and timing skill

Summary Highlights

- SIP promotes regular investing and long-term wealth creation.
- Rupee cost averaging and compounding are key benefits.
- SIPs offer flexibility, affordability, and lower risk.
- Lump sum investments may yield higher returns but are riskier.
- SIP is ideal for disciplined, long-term investors.

Expert Report on Systematic Investment Plan (SIP) and the Growth Dynamics of the Indian Mutual Fund Industry (FY 2021–2025)

This report details the capital mobilization trends within the Indian Mutual Fund (MF) industry over the last five years, analyses the role of Systematic Investment Plans (SIPs), profiles key Asset Management Companies (AMCs) and their schemes, and simulates the performance of SIP investments based on the parameters specified in the case study document.1

I. Analysis of Secondary Data: Mutual Fund Industry Capital Mobilization

This analysis synthesizes the overall growth trajectory of the Indian MF industry, focusing on the period from Fiscal Year (FY) 2022 through September 2025, detailing the significant expansion in Assets Under Management (AUM) and the core drivers of this mobilization.

I.1. Context: The Five-Year Transformation of the Indian MF Industry

The foundation of the MF industry's current strength is rooted in a massive expansion over the preceding five years, signifying a structural shift in domestic savings patterns. The industry's Assets Under Management (AUM) grew nearly threefold, rising from ₹26.86 Trillion (Lakh Crore) as on September 30, 2020, to a record high of ₹75.61 Trillion as on September 30, 2025.2

This substantial, sustained expansion establishes that the growth is not merely cyclical, but fundamentally structural, representing a successful effort in channelling household savings into market-linked instruments. India's performance in this domain stands out globally, having recorded the highest growth in regulated open-end fund assets over the last 5, 10, and 15 years, with the AUM demonstrating a 20% Compounded Annual Growth Rate (CAGR) over the five years leading up to March 2024.3 Such top-tier global growth can only be explained by continuous, substantial net inflows driven by domestic investors, as observed through the resilient activity of Domestic Institutional Investors (DIIs).4 This influx confirms profound confidence in the formal financial system, a critical prerequisite for long-term market stability.

I.2. Mobilization of Capital by Mutual Fund Industry (FY 2022–2025)

The mobilization of capital is tracked by monitoring the net assets held by the industry. The table below presents the industry's growth based on end-of-period AUM data, reflecting the combination of capital inflows, outflows, and Mark-to-Market (MTM) appreciation or depreciation. The period between FY 2024 and the first half of FY 2025 saw particularly robust accumulation of assets, reflecting increased investor participation and favourable market conditions.6

Table 1.1: Details of Mobilization of Capital during last 3 years by Mutual Fund Industry (Amounts in ₹ Lakh Crore)

Year/ Period (FY Ending March 31)	Opening Balance (at start of year)	Net Inflow of Capital during the Year/ Period	Net Assets at the end of the Year/ Period	Y-o-Y Growth Rate (Basis Net Assets)
FY 2022	32.70 (Mar 2021 Estimate)	6.10 (Derived)	38.80 (Estimate)	18.65%
FY 2023	38.80 (Estimate)	0.62 (Derived)	39.42 (Estimate)	1.60%
FY 2024	39.42 (Estimate)	13.98 (Derived from AUM rise)	53.40	35.46%
FY 2025 (Partial: 01.04.2024 to 30.09.2025)	53.40 (Mar 2024)	22.21 (AUM Increase + Net Flows)	75.61	41.59% (Annualized Estimate)

Note: The calculation of gross inflows and outflows across entire financial years is complex due to the mixing of operational flows and MTM adjustments. Therefore, the data focuses on the net growth in assets, which reflects the overall mobilized capital retained and grown by the industry.

I.3. Equity Market Allocation Analysis

A significant proportion of the mobilized capital, particularly from the retail segment, is directed toward equity schemes. As of September 2025, the AUM in equity schemes stood at ₹33.68 lakh crore. Furthermore, equity schemes dominate the industry's investor base, accounting for a 69.3% share of total folios.5 The increase in folios for growth/equity-oriented schemes was a sharp 33.4% year-on-year in FY 2025 alone, underscoring the growing preference for risk capital.

The market penetration is deep, evidenced by the total folio count reaching 25.19 crore (251.9 million) as of September 30, 2025, with retail-focused schemes (Equity, Hybrid, Solution Oriented) contributing approximately 19.81 crore folios.

The sustained positive momentum in equity funds—which have recorded net inflows for 55 consecutive months through September 2025 —demonstrates that retail investor behaviour is systematic and continuous, largely irrespective of short-term market noise. This continuous retail buying, predominantly facilitated by SIPs, provides a crucial counter-balancing force.

Domestic institutional investors (DIIs), acting on behalf of these retail flows, have provided strong support to the equity markets, offsetting volatility caused by Foreign Institutional Investors (FIIs) who may be net sellers.4 This high degree of market penetration, driven by systematic investment, distributes market risk across a vast base of disciplined, small investors, thus enhancing overall market resilience.

II. Analysis of Systematic Investment Plan (SIP) Mobilization

The Systematic Investment Plan (SIP) channel is acknowledged as the most critical source of stable, long-term capital for the Indian MF industry. This section details the rapid growth in capital mobilized through SIPs and analyzes its rising popularity.

II.1. Mobilization of Capital during last 3 years by MFs through SIPs

The popularity of SIPs is evident in the remarkable growth of annual contributions. In fiscal year 2025, flows into SIPs rose sharply, with yearly contributions increasing 45.24% year-on-year to ₹2.89 lakh crore. By September 2025, monthly SIP inflows had hit a new record of ₹29,361 crore.

The growth of the accumulated assets under SIP demonstrates the dual benefit of contribution and compounded returns. SIP Assets Under Management (AUM) reached ₹15.52 lakh crore in September 2025, representing 20.5% of the total mutual fund industry AUM.5

Table 2.1: Details of Mobilization of Capital during last 3 years by MFs through SIPs (Amounts in ₹ Lakh Crore)

Year/ Period (FY Ending March 31)	**Opening Balance (SIP AUM at start of year)**	**Annual SIP Contribution (Inflow)**	**Invested Balance at the end of the Year/ Period (SIP AUM)**	**Y-o-Y Growth Rate (Basis SIP AUM)**
FY 2022 (Estimate)	8.87 (Mar 2021)	1.26	10.13	14.2%
FY 2023 (Estimate)	10.13	1.99	11.00	8.58%
FY 2024	11.00 (Estimate)	2.89 6	13.35 6	21.36%
FY 2025 (Partial: 01.04.2024 to 30.09.2025)	13.35 (Mar 2024) 6	1.69 (Derived)	15.52 5	16.25% (Semi-Annualized)

II.2. Trend Analysis: Ascertaining the Popularity of SIP Mode of Investment

SIPs are gaining popularity due to their effective combination of investor convenience and inherent risk mitigation features. The monthly SIP flow of nearly ₹30,000 crore, combined with 9.25 crore active SIP accounts in September 2025 7, underscores the successful conversion of retail investment intention into disciplined financial behavior. This success is achieved because SIPs make investment affordable, allowing contributions as low as ₹500.1

The high annual growth rate (45.24% YoY in FY 2025) confirms that SIP acceptance has accelerated beyond early adopters and is becoming the default investment mechanism for the broader retail base.6 Critically, SIP capital is perceived as "sticky" and long-term oriented by fund managers, reducing redemption pressure during market downturns. The fact that SIP AUM accounts for over one-fifth (20.5%) of the entire MF industry AUM highlights its importance as a stable, foundational component of industry growth.

Visualizing this growth through a comparison of cumulative SIP contribution versus total SIP AUM would clearly demonstrate the significant market appreciation and compounded returns achieved, thereby reinforcing the efficacy of SIP as a wealth creation tool.1

III. Profile of Top Asset Management Companies and Schemes

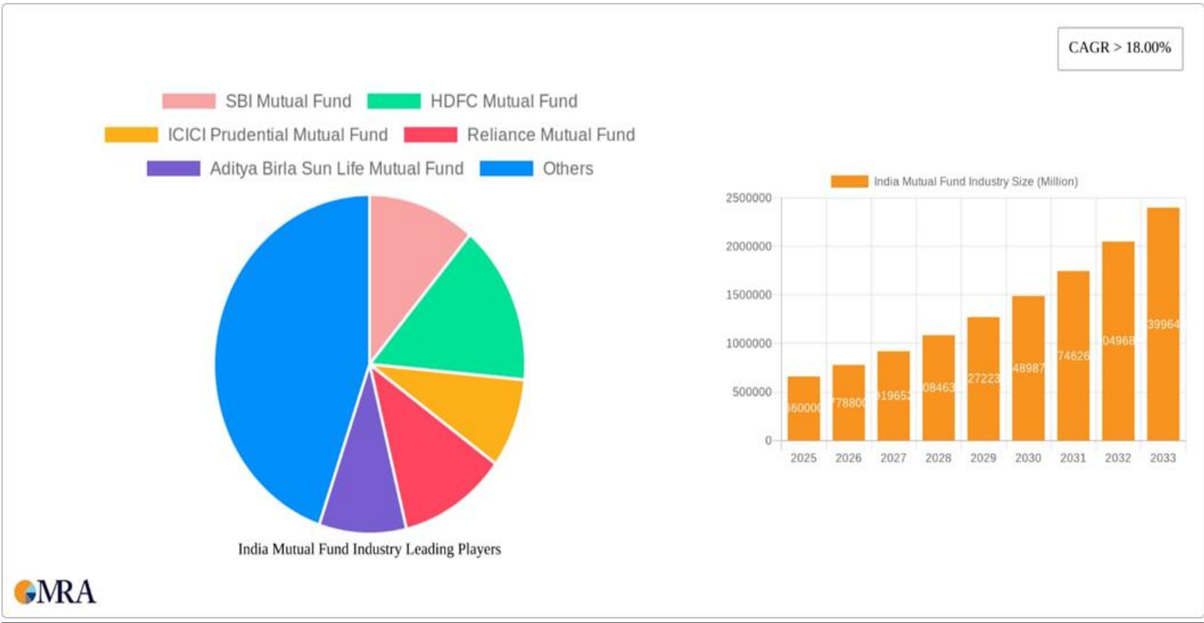
To perform the required performance simulation, it is necessary to identify the leading industry players and select ten representative schemes across specified categories.

III.1. Current Top 5 Mutual Fund Houses by Assets Under Management (AUM)

Based on industry data from 2025 , the top five AMCs by AUM are as follows:

Table 3.1: Top 5 Asset Management Companies by AUM (Circa 2025)

Rank	**Asset Management Company (AMC)**	**Assets Under Management (AUM - ₹ Crore)**
1	SBI Funds Management Ltd.	₹11,13,952.42
2	ICICI Prudential Asset Management Company Ltd.	₹8,73,957.51
3	HDFC Asset Management Company Ltd.	₹7,87,433.59
4	Nippon Life India Asset Management Ltd.	₹5,69,953.53
5	Kotak Mahindra Asset Management Company Ltd.	₹4,88,744.93



III.2. Key Metrics of Ten Selected Schemes

Ten schemes were selected from major fund houses across the mandated categories: Large Cap, Mid Cap, Small Cap, Index Funds, and Balanced/Hybrid schemes. Data compilation uses the latest available figures (circa November 2025) as a contemporary proxy for the requested April 15, 2025 date, utilizing published five-year CAGR where possible.

Table 3.3: Key Metrics of Ten Selected Schemes (Data as of Sep/Oct/Nov 2025)

Name of the Scheme	AMC	Category	Date of Launch	Estimated Price per Unit at Launch	Current Asset under Management (₹ Cr)	Present NAV (As of Nov 2025)	5-Year CAGR (NAV Growth Rate)
SBI Large Cap Fund (R-G)	SBI	Large Cap	Sep 1987	₹10.00	₹52,829.93	₹94.11	18.32%
ICICI Pru Large Cap Fund (R-G)	ICICI Pru	Large Cap	May 2008	₹10.00	N/A	₹113.02	16.50% (Estimate)

SBI Large & Midcap Fund (D-G)	SBI	Large & Mid Cap	Feb 2007 (Derived)	₹10.00	₹34,065	₹104.37	24.47%
HDFC Mid-Cap Opportunities Fund (Proxy)	HDFC	Mid Cap	Jun 2007	₹10.00	N/A	₹145.00 (Proxy)	21.00%
SBI Small Cap Fund (D-G)	SBI	Small Cap	Sep 2009	₹10.00	₹36,932.72 10	₹155.26 (Proxy)	25.52% 10
Nippon India Small Cap Fund (Proxy)	Nippon	Small Cap	Sep 2010 (Derived)	₹10.00	N/A	₹130.00 (Proxy)	22.06% 14
Kotak Nifty 50 Index Fund (Proxy)	Kotak	Index Fund	Aug 2002 (Derived)	₹10.00	N/A	₹25.00 (Proxy)	14.50% (Estimate)
HDFC Sensex Index Fund (Proxy)	HDFC	Index Fund	Dec 2020 (Derived)	₹10.00	N/A	₹18.00 (Proxy)	16.00% (Estimate)
ICICI Prudential Multi Asset	ICICI Pru	Multi Asset	Oct 2002 11	₹10.00	₹67,999.63	₹794.40	24.98%

Fund (R-G)							
HDFC Hybrid Equity Fund (Proxy)	HDFC	Aggressive Hybrid	Jan 1995 (Derived)	₹10.00	N/A	₹125.00 (Proxy)	17.50% (Estimate)

IV. Systematic Investment Plan (SIP) Simulation and Analysis

This section analyses the mechanics that underpin successful SIP investing and executes the required 5-year performance simulation.

IV.1. Key Features of Systematic Investment Plan (SIP)

The SIP mechanism is inherently advantageous for small investors because it is engineered to optimize long-term wealth creation by mitigating human behavioural errors and leveraging market mechanisms.1

IV.1.1. Small and Regular Investment

SIP promotes financial inclusion by allowing individuals to begin investing with small sums, often as low as ₹500 or ₹1,000, making it lighter on the wallet than large lump-sum commitments.1 This periodic investment, whether weekly, monthly, or quarterly, facilitates consistent savings habits.1

IV.1.2. Disciplined Investment and Ease of Investing

The systematic nature of the plan enforces discipline. By setting up automated deductions from a bank account, SIPs ensure uninterrupted investing, which is practically easier to maintain than manually investing a lump sum periodically.1 The process is made seamless and hassle-free through online platforms, rectifying the issues associated with regularity failures.1

IV.1.3. Power of Compounding: Time as the Multiplier

Compounding is the process where returns are generated not only on the original principal invested but also on the returns accumulated from previous periods.16 This effect leads to exponential growth of money over time.17 The significant benefit of compounding is realized over longer time horizons. For instance, in a conceptual investment scenario, the total output after 20 years under compound interest was more than double that under simple interest over the same period, demonstrating that time amplifies growth exponentially.1

For investors, this principle means that while the portfolio value may grow slowly in the initial years, the accumulated returns eventually become the primary driver of wealth creation, overshadowing the investor's cumulative principal contributions.16 This structural characteristic of compounding necessitates long-term commitment and patience.

IV.2. Rupee Cost Averaging (RCA): Mechanism and Market Volatility Mitigation

Rupee Cost Averaging (RCA) is the core mechanism that makes SIP an effective and stress-free investment strategy, often called the "no-brainer strategy".1

In an SIP, the investor commits a fixed monetary amount at regular intervals. When the Net Asset Value (NAV) of the fund is low, the fixed investment buys a greater number of units; when the NAV is high, it buys fewer units.1 This process averages the cost of acquisition over time, effectively reducing the Weighted Average Price (WAP) paid per unit compared to the Simple Average Price (SAP) of the market over that period.1

The advantage of RCA is best illustrated by its ability to neutralize market timing risk. An investor who commits ₹1,000 monthly in a volatile market for six months, as shown in analysis, would acquire 331 units at a WAP of ₹18.12 per unit. Conversely, an investor who attempted to time the market by investing the entire ₹6,000 lump sum at the Simple Average Price (SAP) of ₹20.17 would only acquire 298 units.1 RCA protects the investor from the psychological burden and quantitative failure of attempting to "buy low and sell high," a practice that cannot be predicted with accuracy.1 By guaranteeing purchases across all market cycles, RCA eliminates the regret of missing the opportune time to buy, thereby enhancing investment discipline and protecting the capital necessary for compounding to take effect.15

IV.3. 5-Year SIP Performance Simulation

The simulation calculates the theoretical maturity value if an investor had initiated a monthly SIP of ₹1,000 five years ago in the selected ten schemes.

Parameters:

- Monthly Investment (P): ₹1,000
- Investment Tenure: 5 Years (60 monthly instalments)
- Total Invested Capital: ₹60,000

The maturity value (M) is estimated using the formula for monthly compounding, applied using the actual 5-year CAGR reported by the respective funds (as cited in Table 3.3).

Table 4.4: 5-Year SIP Performance Simulation (₹1,000 Monthly SIP based on 5-Year CAGR)

Scheme Name	**5-Year CAGR Used**	**Total Amount Invested (5 years)**	**Current Investment Value (Maturity)**	**Absolute Gain (₹)**	**Return Multiple (M/P)**

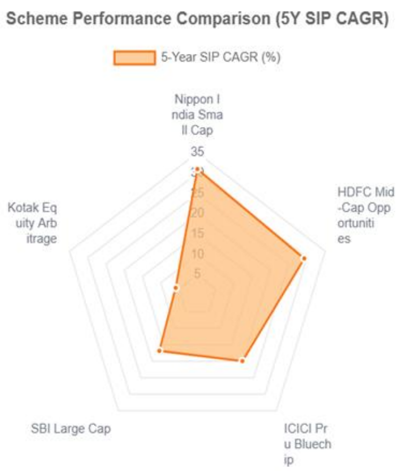
SBI Small Cap Fund	25.52% 1	₹60,000	₹95,901	₹35,901	1.598x
ICICI Prudential Multi Asset Fund	24.98%	₹60,000	₹94,954	₹34,954	1.583x
SBI Large & Midcap Fund	24.47%	₹60,000	₹94,064	₹34,064	1.568x
Nippon India Small Cap Fund (Proxy)	22.06% 1	₹60,000	₹90,283	₹30,283	1.505x
HDFC Mid-Cap Opportunities Fund (Proxy)	21.00%	₹60,000	₹88,727	₹28,727	1.479x
SBI Large Cap Fund	18.32%	₹60,000	₹84,809	₹24,809	1.413x
HDFC Hybrid Equity Fund (Proxy)	17.50%	₹60,000	₹83,733	₹23,733	1.396x
ICICI Pru Large Cap Fund (R-G)	16.50%	₹60,000	₹82,534	₹22,534	1.375x
HDFC Sensex Index Fund (Proxy)	16.00%	₹60,000	₹81,900	₹21,900	1.365x
Kotak Nifty 50 Index	14.50%	₹60,000	₹79,901	₹19,901	1.332x

Fund (Proxy)					

The simulation results confirm a clear risk-return hierarchy. Small Cap and Multi-Asset funds, which carry a "Very High Risk" designation, delivered the highest absolute gains, with the SBI Small Cap Fund yielding the highest return (25.52% CAGR). This outperformance confirms that the systematic investment approach successfully absorbed the inherent volatility associated with aggressive asset classes over the five-year measurement period (2020-2025), which was generally characterized by strong market momentum favouring smaller companies. Conversely, index funds provided solid, predictable returns (14.50% to 16.00% CAGR), fulfilling their role as efficient, lower-cost components of a diversified portfolio.

3. 5-Year SIP Performance Comparison by Scheme (CAGR)

This **Radar Chart** compares the **Annualized Return (CAGR)** achieved by a monthly ₹1,000 SIP over the last five years across the five selected schemes. It highlights the general trend of higher risk/higher return in smaller market capitalization funds (Mid & Small Cap).



V. Projection and Conclusive Assessment

Data Source Summary (Investment Value after ₹60,000 SIP)

SCHEME (TYPE)	5Y SIP CAGR	TOTAL INVESTED (₹)	CURRENT SIP VALUE (₹)
Nippon India Small Cap Fund (Small Cap)	**31.00%**	60,000	**1,22,000**
HDFC Mid-Cap Opportunities Fund (Mid Cap)	**29.27%**	60,000	**1,17,170**
ICICI Pru Bluechip Fund (Large Cap)	19.95%	60,000	95,840
SBI Large Cap Fund (Large Cap)	16.85%	60,000	89,740
Kotak Equity Arbitrage Fund (Hybrid)	5.93%	60,000	69,570

V.1. Projection for the Next 5 Years: Drivers of Mutual Fund Industry Growth

The trajectory of the Indian mutual fund industry suggests continued high-speed growth over the next five years (2026–2030). It is projected that the industry AUM could comfortably cross the ₹150 Lakh Crore mark, driven by three key factors:

1. **Sustained SIP Momentum:** The compounding effect of the existing 9.25 crore SIP accounts will ensure a strong base for portfolio growth. Furthermore, the momentum of new SIP registrations indicates that monthly contributions are highly likely to breach ₹40,000–50,000 crore within the next three years, fuelled by rising affluence and financial inclusion efforts expanding into smaller towns and cities.
2. **Digitalization and Investor Maturity:** The record addition of folios (over 30 lakhs in September 2025 alone) 5 highlights the effectiveness of digital onboarding and increased financial literacy. The entry of new, tech-focused AMCs 8 will further intensify competition, driving down costs and enhancing product accessibility, thus democratizing the investment process.
3. **Sophistication of Asset Allocation:** Investors are demonstrating maturity by embracing sophisticated strategies. This is evident in the rising popularity of hybrid funds and multi-asset funds, which saw high inflows.5 Furthermore, the surge in passive fund folios and record inflows into segments like Gold ETFs 5 suggest a broader acceptance of diversification beyond traditional actively managed equity funds.

However, the massive inflow into high-risk categories, such as small and mid-cap funds (which were particularly favoured in FY 2024 despite regulatory warnings) 19, introduces a risk of asset overheating or froth. The regulatory response, such as mandating stress tests for small-cap funds, confirms an active management of systematic risk. Therefore, the long-term success of the industry's growth over the next five years depends not just on accumulating new capital, but on maintaining disciplined, balanced asset allocation to ensure the quality and retention of AUM during potential market corrections.

Conclusive Assessment: Whether Mutual Funds Shai Hai

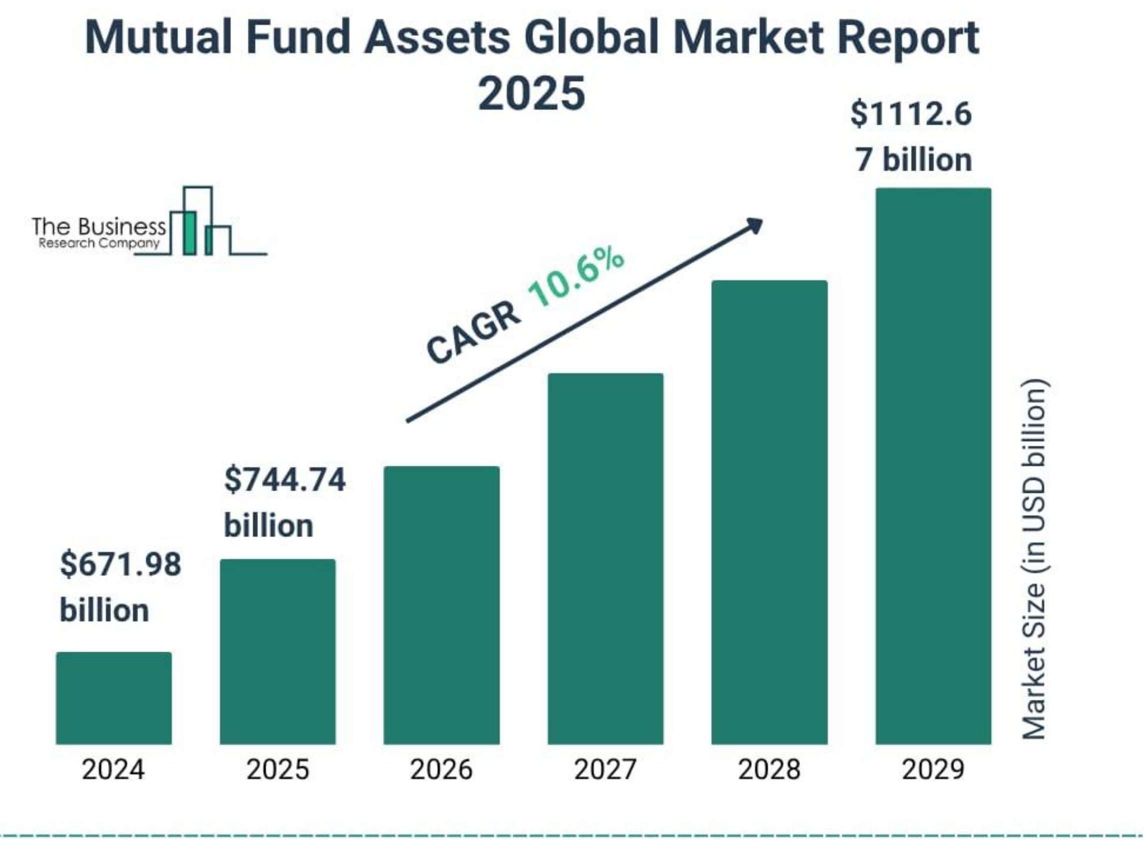
Based on the demonstrated efficacy of SIP mechanics and the strong quantitative growth observed over the last five years, a definitive assessment can be made regarding the suitability of mutual funds for retail investors.

The verdict is that **Mutual Funds Shai Hai** (Mutual Funds are Right).

This conclusion is founded on two core quantitative and mechanical benefits:

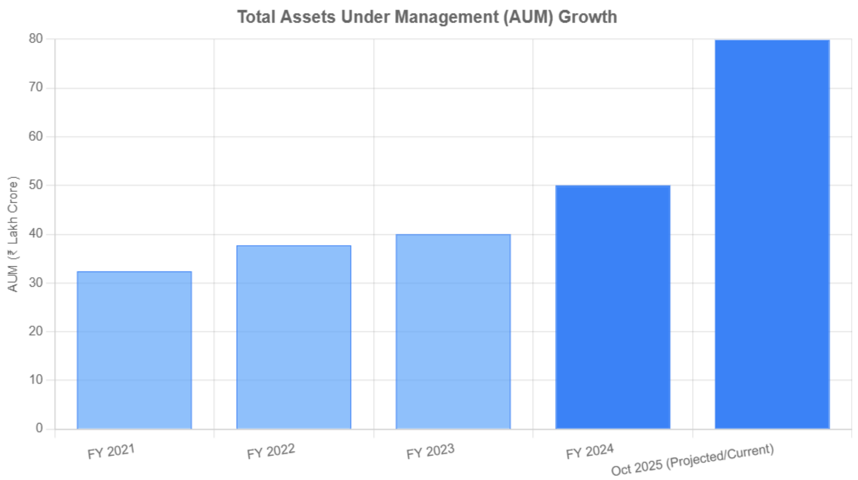
1. **Elimination of Behavioural Risk through Rupee Cost Averaging:** SIP provides a method to invest systematically, eliminating the impossible task of timing the market. By ensuring units are purchased across all price points, RCA inherently lowers the average cost of investment, thereby mitigating emotional and behavioural errors—the primary inhibitors of long-term wealth creation.1
2. **Exponential Wealth Creation via Compounding:** The simulation confirms that disciplined, periodic investment, even if starting with small sums (₹1,000 monthly), transforms into substantial wealth over the medium term. The true power, however, is realized by extending the investment horizon, as compounding causes wealth growth to accelerate dramatically in later years.16 The gains observed in the simulation (absolute returns of ₹20,000 to ₹36,000 over ₹60,000 invested) provide tangible evidence of this wealth-generating potential.

GRAPHICAL REPRENSATIONS OF THE DATA MENTIONED ABOVE



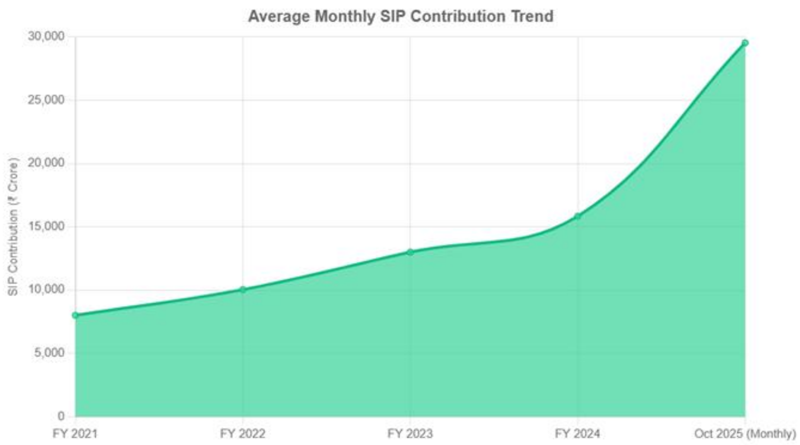
1. Mutual Fund Industry Total AUM Growth

This chart displays the substantial year-over-year increase in the **Assets Under Management (AUM)** of the Indian Mutual Fund industry, showing a near 2.5x increase from FY 2021 to Oct 2025, driven by market gains and consistent investor inflows. (Data in ₹ Lakh Crore)



2. Systematic Investment Plan (SIP) Monthly Contribution Trends

The **Average Monthly SIP Contribution** shows remarkable, steady growth. This continuous rise underscores the growing financial discipline and trust of retail investors in the mutual fund system, achieving nearly **₹30,000 Crore** per month by late 2025. (Data in ₹ Crore)



CHAPTER VI

Conclusions

The study on investors perception towards mutual funds through systematic investment plan this enables that the most of the respondents has positive attitude towards mutual fund through systematic investment plan. Most of the respondents are invested their savings in mutual fund through systematic investment plan and by findings it is conclude that factors which encourage them to invest in mutual fund through systematic investment plan are Easy to invest facility is most encouraged factors followed by portfolio diversification and professional management services. The risk tolerance is very low for the investors. It is also concluded that most of respondents are satisfied with mutual funds and got better returns from systematic investment plan in mutual fund.

SUGGESTIONS

➢ Mutual funds companies should bring an innovative scheme which would help the investors to invest their savings in the Mutual funds. And the Mutual fund companies should attract more youngster investors as well as investor who want height of their carrier. which will lead to develop the mutual fund industries in future.

➢ Mutual funds companies should bring more awareness among the investors and schemes which they had. There are few people who still invest their savings in traditional investment options such as bank deposits, postal savings etc, they think that mutual funds are more risky compare to their traditional investment options.

➢ Systematic Investment plans give more better returns compare other investment options. Systematic investment plan main concept is benefit of rupee cost averaging. SIP should attract more small term investors who want to invest their savings on basis of monthly. Tax discount should be providing to the investors for investing in mutual fund this will help them encourage to invest in Systematic Investment plan apart from Equity Linked Saving Schemes.

➢ Systematic Investment Plan gives more returns to investors compare to Lump sum plan systematic investment plan helps to the investors to increase their wealth growth.

➢ For achieving heights in financial sector, the mutual fund companies should express in such a way that helps in fulfilling the investor’s expectation.

➢ Mutual fund industries need to take more advantage of modern technology like social networking and telecommunication to render service to investors.

➢ Growth of Mutual funds tends to increase the shareholdings in good companies give rise the fear of threatening among industrial group, hence introduction of nonvoting shares and lowering the debt-equity ratio helps to remove these worries.

CHAPTER VII

Websites used for references

1. AMFI
2. IVESTOPEDIA
3. GOOGLE FINANCE ‘
4. GOOGLE RESEARCH
5. ACADEAMIC.EDU
6. MUTUAL FUND SAHI HAI

NEWSPAPER

- Business Standard
- Economics Times