Digital evolution

Can technology be the propelling factor for the industry?

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It’s been a quarter century since private mutual funds made their debut in India. I, too, completed 25 years in the industry this year, and have seen it evolve through the ups and downs.

What an exciting journey it has been!

The one thing that has remained constant over the years, apart from the proverbial change, is growth. The industry has taken many challenges in its stride, achieved new milestones and kept growing, ably supported by evolving and timely regulatory changes.

Yet, to paraphrase the redoubtable Robert Frost, we have miles to go.

Given the under-penetration – measured in relation to household savings in mutual funds – growth is a given, and the future of the industry is extremely promising.

Over the past few years, the industry has been lapping up digital technology to bring in efficiencies of time and costs in transaction processing and customer servicing.

As newer technologies evolve, the industry will have to be nimble-footed to keep adopting and adapting to leverage them and increase penetration.

Pertinently, the industry has established high credibility in managing a large and ever-increasing pool of money with great responsibility through robust risk management processes.

Industry initiatives such as the ‘Mutual Funds Sahi Hai’ campaign, sharp focus on digitalisation, and increasing financialisation of savings and assets will go a long way in ensuring that the industry continues to grow at a substantially faster clip than India’s GDP.
Message from AMFI

India's mutual funds industry has grown by leaps and bounds in the 25 years since private players made an entry.

From a handful of asset management companies then to 43 now, the industry has seen a healthy proliferation of fund management capacity.

AMFI has been ably supporting the industry over the past two decades, facilitating the adoption of uniform best practices, and by being the voice of the industry at various forums and also the flag bearer of investor interest.

While assets under management have been growing well, the penetration of mutual funds continues to be in single digit. Low awareness levels and preference for traditional investment options are the key reasons why less than 2% of India's population invests in mutual funds.

This is the context in which AMFI, under the guidance of the Securities and Exchange Board India, launched the ‘Mutual Funds Sahi Hai’ investor awareness media campaign last year.

The campaign has seen excellent initial success and nudged over 5 million savers towards mutual funds.

We want to build on this base, and ensure that the momentum and faith of the investors in mutual funds continues over the longer term.

This fact book has been compiled by AMFI and CRISIL jointly, and offers insights into the key trends of the industry. We are grateful to the CRISIL team for their help and support in preparing this fact book.

We welcome your comments or suggestions to improve the same in the coming years.
In the past decade through fiscal 2018, India’s mutual fund industry has grown at twice the pace of its global peers.

The ratio of the industry’s assets under management (AUM) to bank deposits has grown from 13% as of March 2016 to 22% as of March 2018.

Monthly SIP contributions and accounts have trebled in the past two years, which suggests more people are following the disciplined investment approach that the mutual funds industry has been advocating for long.

Good part is, this growth has not been just an urban phenomena. Assets under management from cities beyond the top 15 (B15) have grown at 32% annualised since 2014.

Encouraged by the regulator, the industry has also been adopting best practices, and improving transparencies such as through re-categorisation of schemes, daily disclosure on total expense ratio, and uniform and timely publication of data.

That said, individual participation remains concentrated in equity funds, though debt-oriented funds are also attractive and efficient, allowing investments across the rating spectrum. Their importance as a source of funding can’t be overstated, especially because CRISIL’s estimates show India needs to spend Rs 56 trillion to build out infrastructure in the five fiscals to 2023.

Another salutary development is increasing digitalisation and technology adoption enhancing investor convenience. The government and the regulator have played a part in this, especially through their financial inclusion efforts.

Consequently, money entering mutual fund schemes through the digital route has multiplied from ~0.5% of gross inflows two years back to ~10% in June 2018.

I believe technology will continue to play a major role in the industry’s growth and improve investor access to the capital market.

CRISIL has had the privilege of being associated with India’s mutual fund industry and the capital market for over 3 decades now. Our analytics and solutions, including the CRISIL Mutual Fund Ranking and benchmarks for the debt markets, are widely followed and are a critical input to decision making.

We are honoured to partner with AMFI again for the second annual edition of the industry fact book. I hope, the sweep of insights here will be useful to all stakeholders.
"Naye zamane ka investment option."

MUTUAL FUNDS Sahi Hai

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  a Mutual Fund distributor or an investment advisor today
Follow Mutual Funds Sahi Hai on:  

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Industry evolution

1963
Formation of the
Unit Trust of India

1964
Launch of the maiden
scheme of UTI-Unit Scheme

1987
Entry of public sector funds
SBI Mutual Fund was first one followed by Canbank Mutual Fund

1993
Emergence of private sector funds Franklin Templeton (erstwhile Kothari Pioneer) was the first of its kind

1993–2003
Robust growth and revised MF regulation from SEBI in 1996, entry of foreign funds, several mergers and acquisitions

2009
Removal of the entry load

2012
Single plan structure for mutual fund schemes
Cash investment allowed in mutual funds
Fungibility of total expense ratio (TER) allowed
Portion of TER to be used for investor education
Entire exit load to be credited to the scheme
Launch of Rajiv Gandhi Equity Savings Scheme (RGESS)

2013
Reduction in Securities Transaction Tax (STT) for equity funds
Uniform Dividend Distribution Tax (DDT) of 25% on all debt mutual funds
Product labelling
Introduction of direct plans

2014
Changed the definition of ‘long term’ for debt mutual funds to 36 months from 12 months for LTCG
Tax exemption limit for investment in financial instruments under Section 80C raised to Rs 1.5 lakh from Rs 1 lakh

2015
Launch of MF Utility (MFU) - Digital aggregator platform by the industry, for the industry
SEBI asked fund houses to shift from colour coding to Riskometer which classified schemes based on the risk profile
EPFO started investing in the equity market via Exchange Traded fund (ETF)
SEBI allowed gold ETFs to invest up to 20% of their assets in the government’s Gold Monetisation Scheme

2016
SEBI tightened norms for mutual fund investment in corporate bonds
Allowed investment advisors to use the infrastructure of the stock exchanges for sale and purchase of mutual fund units
Provided easy entry to the foreign fund managers keen to enter India
SEBI allowed mutual funds to invest in REITs and InvITs
Allowed investment up to Rs 50,000 per mutual fund per financial year through digital wallets
Instant access facility to the liquid funds investors (via online mode) of up to Rs 50,000 or 90% of the folio value, whichever is lower
Government discontinued the tax benefits of RGESS
SEBI asked fund houses to benchmark returns of equity schemes against a total return index (TRI)
SEBI introduced categorisation and rationalisation of mutual fund schemes making it simpler for investor to understand
LTCG of 10% without indexation introduced for equity-oriented funds for investment horizon of > 1 year, subject to capital gains of over Rs 1 lakh per assessee per year. Dividend plans of equity-oriented funds subject to a DDT of 10%, deducted at source
Mutual fund houses asked to disclose TER for all schemes under a separate head on their websites on a daily basis
SEBI further redefined the scope for T15/B15 cities to T30/B30 and push for higher penetration
2009
Removal of the entry load

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- Product labelling
- Introduction of direct plans

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- Provided easy entry to the foreign fund managers keen to enter India

2013
- Formation of the Unit Trust of India

2013
- Launch of Rajiv Gandhi Equity Savings Scheme (RGESS)
“You need to be patient with Mutual Fund investments.”

MUTUAL FUNDS Sahi Hai

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- Visit your nearest Mutual Fund office, or contact a Mutual Fund distributor or an investment advisor today

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The evolving landscape
Indian mutual funds making their mark globally and domestically

Assets under management (AUM) of the Indian mutual fund industry are a proverbial drop in the ocean compared with developed markets and the world. However, its share has surged over the past decade – to nearly double compared with the world and major regions (Americas and Europe), and also significantly within the Asia-Pacific region.

Share of Indian MF industry compared with the world and major regions

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>0.33%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Americas</td>
<td>0.67%</td>
<td>1.20%</td>
</tr>
<tr>
<td>Europe</td>
<td>0.83%</td>
<td>1.65%</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>3.02%</td>
<td>4.37%</td>
</tr>
</tbody>
</table>

The rise in the industry’s share has come on the back of robust growth in industry assets, supported by an expanding domestic economy, robust inflows, and increased participation, especially by individual investors. The biggest spur has come from higher financial savings and growing awareness of such products among investors.

Over the past 10 years, the Indian mutual fund industry has grown at an annualised 12.5%\(^1\) – more than double the rate of growth clocked by the world and developed regions (Americas and Europe). Asia-Pacific, of which India is a part, has grown at just over 8% over this period.

\(^1\)Based on data from IIFA
Growth of Indian MF assets versus the world and major regions

This growth rate has also turned the fortunes of the mutual fund industry in the domestic financial market, boosting its presence among financial investments. The industry, though, is dwarfed by banks and insurance, which benefit from a long history.

As per data analysed, the share of mutual funds has increased in the last three years to 14% of the financial savings/assets in India even as the share of banks – which have traditionally got the bulk of financial investments – has fallen to 65%, as of March 2018, from 71% in March 2016.

Share of mutual funds vs banks and insurance in financial investments of India

Bank data represented by time and demand deposits
Life insurance and mutual funds represented by their aggregate assets at that specific point in time
Source: Reserve Bank of India (RBI), Life Insurance Council, Insurance Regulatory and Development Authority of India (IRDAI), AMFI
More importantly, mutual funds’ clout in the capital markets – both equity and debt – has increased. Indeed, mutual funds have emerged as the stabilising agent in the market against global risks, especially hot flows of foreign portfolio investors (FPIs).

As per data analysed on money flowing into the capital markets as part of portfolio investment strategy (excludes long-term strategic investments), mutual funds’ share of equity markets has increased from just about 8.5% as of March 2014 to 18.4% as of March 2018, while that of FPIs has fallen from 61.8% to 56.4% of the market capitalisation during the same period.

In the overall debt market, while mutual funds still play a minority share compared with banks and insurance companies, which by mandate invest a significant portion of their money in G-secs, in the corporate debt market, their share is the highest at 34.9%.

The emergence of mutual funds as a strong player in financial markets bodes well for both investors and the markets. To investors, it affords the scope to move away from traditional instruments and benefit from the capital markets, and thereby from India’s growth story over the long term. The influx of sticky money from individual investors, in turn, helps in development and deepening of the financial markets, while also offering corporates alternative funding arrangements.

Source: National Securities Depository Limited (NSDL), RBI
Mutual funds includes MFs, alternative investment funds, and portfolio managers
FPIs includes foreign institutional investors (FIIs), sub-accounts, qualified foreign investors (QFIs), and foreign depositories
Others includes brokers, corporates, depository receipts, foreign currency convertible bonds (FCCBs), Hindu undivided families (HUFs), non-resident Indians (NRIs), overseas corporate bodies (OCBs), partnership firms, and trusts
Strategic investments (FDI, Foreign venture capital investments) have been excluded
Developing debt market an opportunity for mutual fund investors

The equity markets may have hogged the limelight of late, but there is also a large parallel market of fixed income securities that has logged a healthy 13% annualised growth in the past five years. Thus, aside from equity, investors have an opportunity to partake of growth in the debt market too.

That said, most investors might not have the wherewithal to tap the debt market on their own, given the complexities and ticket sizes involved. For such investors, mutual funds – which invest across the product and rating spectrum in the market, and are also professionally managed – are a good option.

Market developing, but still skewed towards G-secs and top-rated papers

The Indian debt market has shown impressive growth in all dimensions, backed by a) regulatory reforms, b) improved demand-supply dynamics, c) robust growth of economy, and d) channelling of money from pension funds, insurance and mutual funds.

This is corroborated by growth of corporate bond issuances, which almost doubled from ~Rs 3.5 trillion in fiscal 2013 to ~Rs 6.6 trillion in fiscal 2018. The number of issuers and the amount mobilised, too, have increased at a decent pace. Even secondary market trading of corporate bonds has seen a healthy growth of ~17.8% CAGR in the last five years.

However, the market remains marginal compared with developed ones such as the US in terms of penetration and liquidity, and banks are still the primary source of funding for Indian corporates.
Key metrics of Indian debt market versus global

<table>
<thead>
<tr>
<th>Country</th>
<th>Penetration (Outstanding/GDP) as of March 2018</th>
<th>Ratio (Bonds/G-Sec) as of March 2018</th>
<th>Trading ratio (Trading to Amount Outstanding) as of March 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>G-Secs</td>
<td>Corporate bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>83%</td>
<td>123%</td>
<td>1.48</td>
</tr>
<tr>
<td>China</td>
<td>49%</td>
<td>19%</td>
<td>0.38</td>
</tr>
<tr>
<td>South Korea</td>
<td>52%</td>
<td>73%</td>
<td>1.39</td>
</tr>
<tr>
<td>India</td>
<td>41%</td>
<td>21%</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Data for USA pertains to December 2017
Source: SIFMA, ADBOnline, SEBI

Further, the market is skewed towards top-rated papers within the corporate bond segment, i.e. ‘AAA’ equivalent and ‘AA’ equivalent, with almost 90% issuances by top-rated issuers. In the secondary market, too, ~94% of the trades are in top-rated papers.

Rating-wise breakup of issuances

<table>
<thead>
<tr>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA and equivalent</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>AA and equivalent</td>
<td>28%</td>
<td>23%</td>
<td>26%</td>
<td>23%</td>
<td>28%</td>
</tr>
<tr>
<td>A and equivalent and below</td>
<td>64%</td>
<td>70%</td>
<td>65%</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Prime database, CRISIL Research

Rating-wise breakup of trades

Source: NSE, BSE, CRISIL Research
Mutual funds an able ally to funding and investment

An analysis by CRISIL shows India Inc would need a whopping Rs 56 trillion investment across infrastructure and industrial sectors in the coming five years. Infrastructure-related sectors have the highest share in this, at 83%, led by power, roads and railways. In the industrials space, oil & gas, automobiles and cement sector are the top sectors.

With lending by the banking sector riddled with worries over non-performing assets (NPAs), corporates will need to shift to the bond market to mobilise their funding requirements.

Recent regulatory measures from the Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) are expected to facilitate this shift. And being the largest investor in this space, mutual funds will play a key role in funding India Inc in years to come.

Distribution of investment needs of India Inc.

Mutual funds invest across the credit rating spectrum, and hence will also help deepen the corporate debt market, which is currently skewed towards top-rated papers. Data shows mutual funds have increased their exposure to securities rated below ‘AAA’ equivalent from 16% in 2013 to 25% in 2018.

Thus, mutual funds act as an efficient medium between corporates and investors, who have varying risk appetites.
Mutual funds broadening the credit spectrum for investments

Rs billion

<table>
<thead>
<tr>
<th>Period</th>
<th>AAA and equivalent</th>
<th>AA and equivalent</th>
<th>A and equivalent and below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-13</td>
<td>3,696</td>
<td>667</td>
<td>2,197</td>
</tr>
<tr>
<td>Mar-14</td>
<td>4,583</td>
<td>722</td>
<td>2,888</td>
</tr>
<tr>
<td>Mar-15</td>
<td>4,665</td>
<td>960</td>
<td>2,087</td>
</tr>
<tr>
<td>Mar-16</td>
<td>5,412</td>
<td>1,069</td>
<td>1,611</td>
</tr>
<tr>
<td>Mar-17</td>
<td>6,946</td>
<td>1,744</td>
<td>2,739</td>
</tr>
<tr>
<td>Mar-18</td>
<td>8,125</td>
<td>2,181</td>
<td>3,082</td>
</tr>
</tbody>
</table>

Data pertains to monthly portfolios disclosed by the asset management companies
Source: CRISIL research

Asset allocation of MF debt investments

Rs billion

<table>
<thead>
<tr>
<th>Period</th>
<th>NCD &amp; Bonds</th>
<th>CP</th>
<th>CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-13</td>
<td>2,197</td>
<td>615</td>
<td>1,804</td>
</tr>
<tr>
<td>Mar-14</td>
<td>2,888</td>
<td>775</td>
<td>1,774</td>
</tr>
<tr>
<td>Mar-15</td>
<td>2,087</td>
<td>1,255</td>
<td>2,586</td>
</tr>
<tr>
<td>Mar-16</td>
<td>1,611</td>
<td>1,846</td>
<td>3,414</td>
</tr>
<tr>
<td>Mar-17</td>
<td>933</td>
<td>5,546</td>
<td>6,255</td>
</tr>
<tr>
<td>Mar-18</td>
<td>1,505</td>
<td>3,082</td>
<td>6,255</td>
</tr>
</tbody>
</table>

Data pertains to monthly portfolios disclosed by the asset management companies
Source: CRISIL research
Reclassification of schemes to benefit both industry and investors

While mutual funds have grown and are an important investment vehicle, the sheer number of funds and the lack of demarcation between fund categories often made it challenging for investors to decide which funds to invest in and how much.

In order to bring in uniformity and rationalise the mutual fund categories, SEBI has come out with a new classification for open-ended schemes.

Objectively defined categories

The new classification defines the categories well and has ushered in uniformity within the mutual fund industry. Now, open-ended mutual fund schemes have been classified under five broad groups: equity, debt, hybrid, solution-oriented, and others (index, exchange-traded funds or ETFs and fund of funds).

Further, there are 10 categories under equity funds, 16 under debt funds, six under hybrid funds and two each under the solution-oriented and other funds groups, specifying the exact asset and risk allocation and norms for each scheme type. The segregation has been done majorly based on portfolio characteristics such as market capitalisation for equity, duration and credit for debt, and asset allocation for hybrid funds.

Classification criteria as per new categorisation

<table>
<thead>
<tr>
<th>Classification criteria</th>
<th>Equity</th>
<th>Debt</th>
<th>Hybrid</th>
<th>Solution oriented</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalisation</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment strategy</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Specific objective</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macaulay duration</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit quality</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Asset allocation</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Specific investors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Index/ETF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>FoF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: SEBI, CRISIL Research

Additionally, the regulator has clamped down on the number of funds in a single category. Fund houses can now have only one scheme of each type, except in the case of index funds, ETFs, fund of funds and sectoral and thematic funds.
Global precedence

The European Fund and Asset Management Association (EFAMA) established the European Fund Classification (EFC) immediately after the 2008 financial crisis, to bring in greater transparency in fund categorisation across Europe.

In addition to transparency, two key principles for rationalisation of fund categories by EFAMA are investor protection and independence. While rationalisation is achieved by clearly defining categories, thus helping investors in their buying decision, independence is addressed by identifying a neutral classification administrator to monitor the classification and compliance of each fund.

The classification administrator, especially, assumes importance in a region made up of different countries that have their own sets of rules and regulation, but working under the broad ambit of fund management.

According to EFC, the investment fund universe is split into five main categories: equity, bond, multi-asset, money market, and absolute return innovative strategies or ARIS, funds. The classification criteria are as follows.

**Fund classification criteria at asset class level as per EFC**

<table>
<thead>
<tr>
<th>Classification criteria</th>
<th>Asset class level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Equity</td>
</tr>
<tr>
<td>Country/Region</td>
<td>✓</td>
</tr>
<tr>
<td>Sector</td>
<td>✓</td>
</tr>
<tr>
<td>Market capitalisation</td>
<td>✓</td>
</tr>
<tr>
<td>Currency exposure</td>
<td>✓</td>
</tr>
<tr>
<td>Credit quality</td>
<td>✓</td>
</tr>
<tr>
<td>Interest rate exposure</td>
<td>✓</td>
</tr>
<tr>
<td>Emerging market exposure</td>
<td>✓</td>
</tr>
<tr>
<td>Asset allocation</td>
<td></td>
</tr>
<tr>
<td>Structural characteristics</td>
<td>✓</td>
</tr>
</tbody>
</table>

ARIS funds are classified into seven high level categories based on the strategies offered.

The mutual fund industry in India has been quick to adopt the best practice introduced by SEBI. Many schemes have been merged, renamed and recategorised to align with the market regulator’s circular.

A CRISIL analysis shows around 4.8% of the open-ended schemes across asset management companies (AMCs) – accounting for 4.2% of the total open-ended AUM – have been merged. The proportion of schemes that have seen changes in the way they were being managed is, however, higher at 15.5%, accounting for about 17.3% of the total open-ended AUM.
All schemes whose new categorisation has been publicly disclosed have been considered
Data pertains to Month end AUM as on March 2018
Total might not add up to 100% due to rounding off
Source: CRISIL Research
What it means for the industry and investors?

The recategorisation exercise has the investors at heart, though it also benefits the industry.

For investors, it simplifies the fund selection and investment process by introducing better nomenclature and clear-cut demarcation between different categories. Since funds in the same category will play along the same asset allocation pattern, there is a common platform to judge the performance of funds before making investment decisions.

Investors should, however, note that there could be volatility or realignment of schemes they are currently invested in. Rather than panic, they should check if the reclassified schemes in their portfolio are aligned to their investment goals and risk-return expectations and decide accordingly.

For the industry, on the other hand, the results of peer group comparison will be more transparent, ensuring greater surety when undertaking comparisons. It also gives clarity and a level of comfort to the asset managers to follow a set of guidelines in identifying securities.

Additionally, it sets the practice of managing the portfolio and generating alpha based on not just market capitalisation but also differentiated stock selection and individual capability.
SIPs proliferating fast

A big positive for the industry in recent years has been a large-scale adoption of systematic investment plans (SIPs) by investors, especially individual ones. This is evident from the fact that in the year ended March 2018, 47% of the record 16 million individual folios added were SIP accounts.

On aggregate, the number of SIP accounts has more than doubled in the past two years, crossing the 21 million mark. In terms of quantum, too, the monthly SIP contribution has more than doubled in the past two years. In all, SIPs have contributed Rs 1.11 trillion inflows in the past two years, equivalent to 38% of the total equity flows (including ELSS and other ETFs).

SIP contribution and number of accounts on steady uptrend

Source: AMFI

SIP it for long to derive optimum returns

Time is money, goes an old adage. SIPs are a case in point -- given enough time to grow, these investments can grow to unimaginable levels. It therefore makes sense to give SIPs the time they deserve.

Investments over the long term also map with the demographic dividend (young populace) that can afford to have a long gestation period on investments.
Wealth creation

An analysis of SIP investments across equity categories shows how time can be decisive in wealth creation. An investment of Rs 5,000 per month in CRISIL-AMFI Equity Fund Performance Index for the past 15 years would have yielded Rs 33.65 lakh – nearly four times the total investment of Rs 9 lakh.

As evident from the chart, the value of an investment grows with an increase in tenure, benefitting from the compounding effect.

Increase in investment horizon boosts wealth creation

CRISIL-AMFI Equity Fund performance index used to showcase growth in investments
Data as on March 28, 2018
Source: CRISIL Research

Get more systematic

While SIP as a concept has become quite popular in the country, the industry also provides more such systematic features for investors that they can use as part of their overall portfolio investments and financial planning. Let us look at these in brief.
Flexible SIP

It is widely known that SIP negates the risk of market timing, which benefits the investor, especially when the underlying market declines as it allows him to garner more units for the same amount of investment. What if there were a feature that allows investors to benefit more from such declines, by investing more and garnering even more units without the need for additional paperwork or formalities? Flexible SIP offers just such an option. Here, the investor pre-decides a monthly SIP amount, just like in a conventional SIP. However, in case the market falls in a particular month, under flexible SIP, the amount invested for that particular month increases using a formula pre-defined by the fund house. The investor can put an upper limit to this amount to his desired level.

Top-up SIP

Most of us have little money to spare at the beginning of our career, but our ability to invest increases as life progresses. Top-up SIP allows investors to use this increase in their ability to invest to their benefit and thus provides higher impetus to their investments over the long term. Under top-up SIP, an investor has an option to increase the amount of the SIP contribution by a fixed amount at pre-defined intervals. It also allows one to invest in the same scheme without starting a new SIP, thus avoiding the confusion of managing multiple SIPS.

Systematic transfer plan

While SIP allows investments to prosper over the long term, it is also important to hedge our portfolio risks as we near the goal. For instance, if one has been investing for retirement through SIP, his retirement kitty can be affected in case markets turn volatile during vesting period.

One can safeguard against this risk by transferring the investments in equity mutual funds to debt- or money market-oriented mutual funds. The systematic transfer plan (STP) facility will transfer your money in equity-oriented mutual funds to debt-oriented mutual funds in a systematic and phased manner.

The other way of using this facility is by transferring money from debt-oriented mutual funds to an equity-oriented mutual fund. This can be used by investors who have lump-sum money in their hands but do not want to time the equity market -- they would thus invest in a debt-oriented mutual fund and then systematically transfer it to an equity-oriented mutual fund, thus enjoying the original benefit of SIP.

Systematic withdrawal plan

Systematic withdrawal plan (SWP) is one of the ways to achieve regular cash flows through mutual funds. Here, one invests a lump-sum amount in a particular scheme and specifies a certain fixed amount he needs as a monthly inflow from the invested corpus. Accordingly, units equivalent to the specified amount are redeemed on a particular date and paid out to the investor. While dividend plans also offer regular payout in the form of dividends, that amount is subject to distributable surplus of the scheme, which is market dependent. Hence, SWP can be a useful option for those striving for a regular payout from their mutual fund investments.
An inclusive wealth creation opportunity

Mutual funds have emerged as a tool that allows all types of investors, across risk profile and return horizon, to participate in the financial markets and generate market-linked returns. Let us look at their category-wise performance.

**Equity funds a long-term investment opportunity**

Despite the recent volatility seen by the Indian equity markets, equity mutual funds remain an attractive investment opportunity over the long term to generate wealth for investors. An investment of Rs 10,000 made in equity mutual funds (represented by CRISIL-AMFI Equity Fund Performance Index) would have grown 29.2 times compared with 10.8 times, 11 times and 14.9 times by S&P BSE SENSEX (Total returns index or TRI), Nifty 50 (TRI) and Nifty 500 (TRI), respectively, since the turn of the millennium.

**Growth of Rs 10,000 in equity mutual funds versus benchmarks**

![Chart showing growth comparison](chart.png)

<table>
<thead>
<tr>
<th>Category/Index</th>
<th>CRISIL-AMFI Equity Fund Performance Index</th>
<th>S&amp;P BSE SENSEX (TRI)</th>
<th>Nifty 50 (TRI)</th>
<th>Nifty 500 (TRI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of Rs 10,000 since June 30, 1999</td>
<td>291,595</td>
<td>108,090</td>
<td>110,361</td>
<td>148,633</td>
</tr>
</tbody>
</table>

Please refer to annexure for detailed definition of CRISIL-AMFI Equity Fund Performance Index

Source: CRISIL Research, BSE, NSE
Outperformance seen across market capitalisation categories

Equity fund indices across market capitalisation have shown better performance than their respective benchmarks over longer timeframes. This further highlights the fact that patience is rewarded when it comes to investing, while also presenting investors with myriad options within the category to invest as per their risk-return profile.

A look at how major fund indices have performed in different timeframes compared with benchmarks:

<table>
<thead>
<tr>
<th>Index</th>
<th>3-years</th>
<th>5-years</th>
<th>7-years</th>
<th>10-years</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRISIL – AMFI Large Cap Fund Performance Index</td>
<td>7.62%</td>
<td>14.96%</td>
<td>10.60%</td>
<td>10.60%</td>
</tr>
<tr>
<td>CRISIL – AMFI Diversified Equity Fund Performance Index</td>
<td>8.57%</td>
<td>17.15%</td>
<td>11.78%</td>
<td>11.25%</td>
</tr>
<tr>
<td>CRISIL – AMFI Small &amp; Midcap Fund Performance Index</td>
<td>12.45%</td>
<td>23.74%</td>
<td>17.89%</td>
<td>14.78%</td>
</tr>
<tr>
<td>CRISIL – AMFI ELSS Fund Performance Index</td>
<td>8.41%</td>
<td>18.24%</td>
<td>12.98%</td>
<td>11.95%</td>
</tr>
<tr>
<td>S&amp;P BSE SENSEX (TRI)</td>
<td>7.14%</td>
<td>13.48%</td>
<td>9.47%</td>
<td>9.32%</td>
</tr>
<tr>
<td>Nifty 50 (TRI)</td>
<td>7.38%</td>
<td>13.63%</td>
<td>9.54%</td>
<td>9.18%</td>
</tr>
<tr>
<td>S&amp;P BSE 500 (TRI)</td>
<td>9.99%</td>
<td>16.40%</td>
<td>11.19%</td>
<td>10.19%</td>
</tr>
<tr>
<td>Nifty 500 (TRI)</td>
<td>9.83%</td>
<td>16.31%</td>
<td>11.11%</td>
<td>10.11%</td>
</tr>
<tr>
<td>S&amp;P BSE MidCap (TRI)</td>
<td>16.07%</td>
<td>22.69%</td>
<td>14.38%</td>
<td>11.09%</td>
</tr>
<tr>
<td>Nifty Midcap 100 (TRI)</td>
<td>14.39%</td>
<td>21.96%</td>
<td>14.39%</td>
<td>13.17%</td>
</tr>
</tbody>
</table>

Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices.
Data as on March 28, 2018
Annualised returns
Source: CRISIL Research, BSE, NSE

Sectoral funds continue to fare better than benchmarks

Sectoral/thematic funds invest in a few selected sectors or themes as defined in their scheme objectives. In order to analyse the performance of such funds, asset-weighted indices were constructed since the inception of the first fund in the category or for the past 10 years, whichever is later.

Infrastructure funds’ index has been constructed since the inception of the benchmark Nifty Infrastructure.

A performance analysis shows sector-based equity funds, too, outperform for a majority of the timeframes.
Hybrid funds offer an asset allocation opportunity

Diversification is an important virtue of financial planning, especially across asset classes, and hybrid funds do just that, giving investors an opportunity to invest across asset classes, equity and debt being the primary ones.

Growth of Rs 10,000 in hybrid mutual funds versus benchmarks

Data as on March 28, 2018
Annualised returns
Source: CRISIL Research, NSE

Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices
Data since inception of CRISIL Hybrid 35+65 – Aggressive Index and CRISIL Hybrid 85+15 – Conservative Index, i.e. March 31, 2002
Source: CRISIL Research
Debt funds an alternative to traditional fixed-income instruments

Debt funds can be a good choice for risk-averse investors interested in generating returns through investment in fixed-income instruments.

Besides lower risk compared with equity funds, debt funds have an edge over traditional avenues such as bank fixed deposits in post-tax returns as these provide indexation benefit for a holding period of over three years.

An analysis of returns from bank fixed deposits, the CRISIL-AMFI Income Fund Performance Index, and the CRISIL-AMFI Gilt Fund Performance Index over the last 15 years shows that on a post-tax basis both the CRISIL-AMFI indices outperform the returns generated by investing in a three-year fixed deposit.

<table>
<thead>
<tr>
<th>Annuised returns (15-year)</th>
<th>CRISIL – AMFI Income Fund Performance Index</th>
<th>CRISIL – AMFI Gilt Fund Performance Index</th>
<th>3-year FD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax</td>
<td>7.27%</td>
<td>6.93%</td>
<td>7.78%</td>
</tr>
<tr>
<td>Post-tax</td>
<td>6.99%</td>
<td>6.63%</td>
<td>5.57%</td>
</tr>
</tbody>
</table>

Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices.

Returns from 3-year Fixed Deposit has been calculated by considering the simple average of FD rates of top 3 (by total deposits) public and private sector banks on a continuous basis for buckets of three years for the last 15 years.

Highest tax bracket of 30% is assumed.

Source: CRISIL Research

Growth of Rs 10,000 in long-term debt funds versus benchmarks

<table>
<thead>
<tr>
<th>Category/Index</th>
<th>CRISIL-AMFI Income Fund Performance Index</th>
<th>CRISIL Composite Bond Fund Index</th>
<th>CRISIL-AMFI Gilt Fund Performance Index</th>
<th>CRISIL Dynamic Gilt Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of Rs 10,000 since March 31, 2002</td>
<td>32,145</td>
<td>29,632</td>
<td>31,129</td>
<td>31,846</td>
</tr>
</tbody>
</table>

Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices.

Source: CRISIL Research
Growth of Rs 10,000 in short-term debt funds versus benchmark

<table>
<thead>
<tr>
<th>Category/Index</th>
<th>CRISIL-AMFI Short Term Debt Fund Performance Index</th>
<th>CRISIL Short Term Bond Fund Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of Rs 10,000 since April 01, 2002</td>
<td>32,428</td>
<td>30,551</td>
</tr>
</tbody>
</table>

Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices
Source: CRISIL Research

Market phase analysis – CRISIL-AMFI debt fund performance indices

Income, gilt and short term debt funds represented by CRISIL - AMFI Income Fund Performance Index, CRISIL - AMFI Gilt Fund Performance Index and CRISIL - AMFI Short Term Debt Fund Performance Index respectively
CRISIL-AMFI Short Term Debt Fund Performance Index is available from April 2002 (inception)
Banks' effective fixed deposit rates represented by 3 Year and 1 Year FD Rates, for period less than a year, 1 Year FD Rate has been considered
Returns for market phase of more than one year are annualised
*Absolute returns
Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices
Source: CRISIL Research
Short maturity debt funds an alternative to park liquid cash

Savings bank accounts are the simplest and most widely used option for saving money by retail investors. Mutual funds offer a better choice to investors in this regard in the form of liquid funds and ultra-short duration funds. Mutual funds can give better returns than the 3.5% currently offered by most banks on savings bank accounts.

Funds with less than one-year duration outperform Savings Bank Rate Index

<table>
<thead>
<tr>
<th>Category</th>
<th>1-year</th>
<th>3-years</th>
<th>5-years</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRISIL – AMFI Liquid Fund Performance Index</td>
<td>6.67%</td>
<td>7.37%</td>
<td>8.08%</td>
</tr>
<tr>
<td>CRISIL – AMFI Ultra Short Fund Performance Index</td>
<td>6.81%</td>
<td>7.87%</td>
<td>8.42%</td>
</tr>
<tr>
<td>Savings Bank Rate Index</td>
<td>3.66%</td>
<td>3.90%</td>
<td>3.94%</td>
</tr>
</tbody>
</table>

Savings Bank Rate Index has been constructed using the average savings rate of top 3 (by total deposits) public and private sector banks. Please refer to annexure for detailed definition of CRISIL-AMFI Fund Performance Indices and Savings Bank Rate Index. Data as on March 28, 2018. Returns for period more than one year are annualised. Source: CRISIL Research.
“Not all funds invest in the stock market.”

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Other industry trends
Other industry trends

Debt dominates, but equity catching up in assets and inflows

As the mutual fund industry AUM scaled another peak – of Rs 21 trillion as of fiscal 2018 – debt funds (including liquid funds) continued to dominate with 53% share of the total assets. However, assets of equity funds grew the fastest for any asset class in the past five years – at a CAGR of 36% since March 2013 – taking their share of the industry assets to 39% from 25%.

Category-wise AUM Growth

Increase in equity assets backed by strong inflows

Gains in equity fund AUM is made more special by the fact that it is backed not just by mark-to-market gains in the underlying market, but also by healthy growth in inflows. In fiscal 2018, net flows in equity funds (including other ETFs) jumped to Rs 1.95 trillion, double that seen the previous fiscal.
Net flows in debt funds driven by interest rate movements

Debt funds have also seen a progressive rise in assets, backed by mark-to-market gains and inflows. However, investor interest has waxed and waned based on movement in the underlying interest rate. For instance, in fiscal 2017, when interest rates ebbed, debt funds saw a spurt in investor interest. However, in fiscal 2018, which saw a sharp spike in yields, debt funds logged negative flows for the first time since fiscal 2013.

Net flows in debt funds

Data considered is the month-end AUM
Data for net flows pertains to total net flow for the fiscal
Debt funds also includes infrastructure debt funds
Source: AMFI, CRISIL Research
Individual investors gaining momentum

Healthy returns on investments and increasing awareness among the masses have boosted participation of individual investors (retail and HNI) in mutual funds.

As on March 31, 2018, the industry had roughly 71 million individual folios, of which 67 million were retail folios. The surge in interest of retail investors is reflected in the fact that more than 16 million retail folios were added just last year -- equal to those added in the three years preceding that.

Given this, the industry, which traditionally tilted towards institutional investors (corporates, banks/financial institutions and FIIs/FPIs), is shifting towards individual investors (retail and HNI). Last fiscal, individual investors surpassed their institutional counterpart in asset share, led by a sharp 34% on-year increase in their assets, compared with only 9% for institutional investors.

Assets of individual investors has grown faster

Data considered is the month-end AUM
Source: AMFI
This increase in individual assets is also reflected in the ticket size of their investments, which has grown four-fold in the last ten years.

Ticket size of individual investors has quadrupled in a decade

Average ticket size of households in the US is $120,000* while in India it is just $2,541 (Rs 165,247)

Individual investors favour equity funds and regular plans, while institutional ones prefer debt and direct plans

Asset-wise distribution reveals that, individual investors have 55% of their investments in equity compared with 17% for institutional investors.

Also, institutional investors have 68% investments through direct plans, compared with 14% for individual investors.
Data considered is the monthly average AUM as of March 2018
Equity funds also includes ELSS and other ETFs
Debt funds also includes gilt funds and infrastructure debt funds
Others includes gold ETFs and fund of funds investing overseas
Source: AMFI
Contribution from B15 cities increasing

The share of assets from beyond top 15 (B15) cities in the total AUM pie has increased continuously from 16%, as of March 2014, to 19%, as of March 2018.

32% CAGR of B15 assets in four years against 25% of T15 assets

Data considered is the monthly average AUM composition of T15 and B15 as of March 2018
Source: AMFI

This could be attributed partly to SEBI's earlier directive allowing AMCs to charge additional expense of up to 30 basis points (bps) in B15 locations. The market regulator tweaked this in February 2018, allowing AMCs to charge this additional 30 bps in beyond top 30 (B30) cities, instead of B15. The 'Mutual Funds Sahi Hai' campaign by AMFI has also increased awareness in the hinterland.

Share of individual investors' AUM from B15 cities on the rise

Individual investors' AUM from B15 cities has seen a growth of 39% in the past four years while that from T15 cities has posted 29% growth over the same period

Data considered is the monthly average AUM composition of T15 and B15 as of March 2018
Source: AMFI
The mutual fund industry remains concentrated in a few states and union territories. Though the share of the top five states has slightly reduced, they still make up a huge piece of the total AUM pie at 70%. That said, Maharashtra has seen a significant fall in its share from 47% in March 2014 to 41% in March 2018.

### Top five states in mutual fund investment

<table>
<thead>
<tr>
<th>State</th>
<th>Mar-14</th>
<th>Mar-15</th>
<th>Mar-16</th>
<th>Mar-17</th>
<th>Mar-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>47%</td>
<td>44%</td>
<td>44%</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>New Delhi</td>
<td>8%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Karnataka</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Gujarat</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>West Bengal</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72%</td>
<td>71%</td>
<td>72%</td>
<td>71%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Source: AMFI

West Bengal had the highest allocation to debt funds and Gujarat to equity, while Maharashtra had a balanced allocation.

Data considered is the monthly average AUM as of March 2018
Equity funds also includes ELSS and other ETFs
Debt funds also includes gilt funds and infrastructure debt funds
Others includes gold ETFs and fund of funds investing overseas
Green colour denotes top five states by assets
Numbers below 0.05% have not been shown on the map
Source: AMFI
Passive funds gaining popularity

The domestic mutual fund industry is dominated by actively managed funds. As of March 2018, Indian mutual fund industry had only 4% of its assets in passive funds. However, the growth in assets of passive funds has been impressive, with an increase of more than 19 times in the past 10 years at a CAGR of 34%. Investment by the Employees' Provident Fund Organisation (EPFO) in passive funds is a major reason for such growth and equity exchange traded funds (ETFs) have been the biggest beneficiaries of the move.

Active funds still hold sway

Among passive funds, equity ETFs dominate

Data considered is the month-end AUM
Passive funds include index funds and ETFs
Source: AMFI

Data considered is the month-end AUM
Index funds
Gold ETFs
Liquid ETFs
Debt ETFs
Equity ETFs
Source: AMFI, CRISIL Research

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Digital, the new propellant

Technology is playing a pivotal role across various spheres of life today, and the finance sector is at the forefront of this revolution. With the government aiming to reduce paperwork, especially in terms of financial transactions, digital payments as a sector has boomed in recent years.

In the two years ended March 2018, the volume of digital payments via mobile increased over 100% on an annualised basis. While payments through Immediate Payment Service (IMPS) grew 106%, mobile wallets and mobile banking volumes increased over 120% each.

In comparison, the volume of payments through both debit and credit cards – the more mature digital payment systems – logged 15% annual growth.

Digital payments have found favour

![Graph showing the growth of digital payments](source: RBI)

Mutual funds and technology

The mutual fund industry has adopted technology across its processes, be it in fund management, transaction processing or customer servicing. It has also fervently adopted technology in transactions across the payment spectrum.
Mutual funds have adopted digital technology across the payment spectrum

Within the payment spectrum, the Unified Payments Interface (UPI) has been progressively adopted by many fund houses to facilitate payment transactions seamlessly and reduce turnaround time. UPI interface can reduce the transaction time (including allotment of unit) for investor to one day compared with 2-3 days in case of conventional internet banking.

The industry has also been adopting newly available facilities and options, a recent development being the migration from Electronic Clearing Service (ECS) to a more advanced and efficient clearing platform called National Automated Clearing House (NACH).

Investors can now use the one-time mandate (OTM-NACH) facility to eliminate the operational hassles arising out of ECS mandate for subsequent investments. As a result, the SIP registration mandate, which usually took 15-20 days in case of ECS, has been cut to 5-10 days by OTM-NACH.

Further, adoption of AADHAR for e-KYC has proved to be a game changer for online investing, enabling the country to take a giant leap, and changing the economics of providing financial services to the masses.

Adoption of digital payments paying rich dividends

Adoption of digital payments has paid rich dividends, which can be seen in the rapid influx of digital money into the industry. The share of gross inflows through digital modes has grown from just about 0.5% two years back to more than 6% in March 2018. As of June 2018, gross inflows through digital modes had jumped to nearly 10%.
Digital payments' share of overall inflows has surged

A closer look reveals adoption of digital payments is higher for T15 cities compared with their B15 peers. Similarly, institutional investors show greater adoption compared with individual investors.

Adoption of digital payments higher for T15 investors

Source: AMFI
Institutional investors take the lead in digital payment

Among the factors driving this is growing availability of information, awareness and penetration of the industry across geography/investor segments. Given the pace of development of the digital space, it is expected that even the laggards would catch up in the years to come.

The government, too, has played a significant role in digitisation through extensive efforts at financial inclusion — spreading financial awareness to the remotest parts of the country and bridging the geographical divide.

The government and the regulators have also taken several initiatives to boost the fintech ecosystem and provide startups with new opportunities to launch competitive products. The introduction of payments banks and small finance banks has improved financial inclusion.

Clearly, the role of technology can only get bigger from here. Hence, the digital mode is the way forward for the industry, intermediaries and investors. Adoption will be a win-win for all — it will help boost the industry’s penetration, provide it an effective medium to improve efficiency and reduce costs, and pass on these benefits to investors, drawing them in.
Brief on current and new technology that would impact the mutual fund ecosphere

Online platforms for investors
These are online platforms created by AMCs, RTAs, industry associations such as AMFI (MF Utility) and distributors and stock exchanges that allow investors to transact online in mutual funds.

Big data analytics
Data is king, and big data analytics allows mutual funds to analyse statistically the actions of investors, and helps them glean better insights on the investors.

E-commerce platforms
If allowed, investors would be able to buy mutual fund products through such e-commerce platforms, thus enhancing the reach of the product across the country.

Robo advisory
As per the CFA Fintech Investment Survey of 2016, the asset management industry would be the most impacted by financial automated advice tools. Robo advisory firms do just that by creating automated programmes that dispense financial planning advice to investors.

Social media
The asset management industry, too, has accepted social media holistically to create awareness of its products and services, as well as to service clients and capture investor needs.
MF Utility a digital enabler

MF Utility (MFU) is a technological platform promoted by the Indian mutual fund industry under the aegis of AMFI. It is a digital aggregator and enabler with shared infrastructure aimed at providing convenience to all stakeholders, operational efficiency, and reduction in the industry's transaction processing cost.

The MFU acts as a single point of service for distributors and investors to invest in schemes of various mutual funds. Distributors and investors enjoy the convenience of submitting transactions in a single place irrespective of the mutual fund they transact. This saves a lot of time, effort and cost to the distributor.

Being an initiative of the industry, built for the industry, MFU has the potential to become the single largest aggregator for the industry.

The simplicity in submission of transactions through this facility has led to an increase in its popularity. It has more than 330,000 common account numbers (CANs), covering about 2 million folios, more than 800 CANs being opened every day (of which more than 80% are opened by distributors for their clients) and around Rs 180 billion worth of transactions put through the system every day. On average, close to 1,000 SIPs are registered through MFU daily.

Being a 24/7 online system, about 12% of the transactions received are from B30 locations and this share is increasing. The total AUM of CANs is over Rs 1 trillion. Over the last two years, it has grown about five times in volume.

With the industry’s increased focus on digitalisation, MFU could soon be one of the biggest aggregators.
‘Mutual Funds Sahi Hai’ successfully spreading awareness across India

A major factor for the Indian mutual fund industry's growth in recent years has been growing awareness of the product among investors, a chunk of credit for which goes to AMFI's investor awareness programme ‘Mutual Funds Sahi Hai’. Launched in March 2017, under the guidance of SEBI, the campaign has emerged as a mouthpiece for spreading awareness and busting myths around the industry.

Creating awareness through conversations

AMFI's Mutual Funds Sahi Hai campaign is aimed at making mutual funds less intimidating and part of everyday conversation and bringing them into the consideration set of savers and investors, who have traditionally shown a preference for bank deposits and physical assets.

The campaign strives to reach the common man and is being run in eight languages across different media platforms. The campaign reaches out to the masses through traditional (TV, Print, Radio, Out of home etc.), digital as well as innovative media such as jingles in Mumbai locals, integration with web series and branding long distance trains.

Further, as part of the campaign, AMFI has a microsite, www.mutualfundssahi.com, available in English and Hindi, where investors can find detailed information about mutual funds and also locate their nearest mutual fund office and mutual fund distributors.

The way forward

The campaign has hit the ground running. Increase in awareness has helped the industry add more than 5 million new investors between March 2017 and June 2018.

Other data statistics too vouch for the campaign’s success. Compared with March 2017, the average AUM, as on June 2018, was up 28%, while retail AUM was up 39%. The total number of folios saw a growth of 35%, while the monthly SIP contribution jumped 74%.

<table>
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<tr>
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<th>March 2017</th>
<th>June 2018</th>
<th>Growth</th>
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<tbody>
<tr>
<td>Average AUM (Rs trillion)</td>
<td>18.31</td>
<td>23.40</td>
<td>28%</td>
</tr>
<tr>
<td>Retail AUM (Rs trillion)</td>
<td>3.96</td>
<td>5.52</td>
<td>39%</td>
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<td>Folios (million)</td>
<td>55.40</td>
<td>74.62</td>
<td>35%</td>
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<td>SIP monthly contribution (Rs billion)</td>
<td>43.35</td>
<td>75.54</td>
<td>74%</td>
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<tr>
<td>No. of unique investors (basis PAN) (million)</td>
<td>11.98</td>
<td>17.13</td>
<td>43%</td>
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Source: AMFI
With the success of the mass media campaign, the focus has now turned to on-ground outreach programmes.

AMFI has tied up with a leading media house to launch ‘Jan Nivesh’. An initiative to educate, inspire and encourage Indians to change their financial habits and create wealth smartly by investing regularly in mutual funds, Jan Nivesh aims to make every citizen an equal participant in India’s economic growth story. Along with millions of TV viewers, the Jan Nivesh initiative will also reach out to over 50,000 people on-ground through over 200 events in over 100 cities and towns.

AMFI will also very soon launch the next leg of the mass media campaign. In the upcoming campaign, which continues under the ‘Mutual Funds Sahi Hai’ banner, AMFI’s objective is to reach out to the savers who still prefer bank deposits and introduce them to fixed income funds. The campaign will also communicate to the investor the nuances of mutual fund investing, while extolling the benefits of being invested for longer term, especially when markets are volatile.

There is a long way to go, considering only 1.5% of Indian population invests in mutual funds.
### Annexure

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Index</th>
<th>Inception date</th>
<th>Definition</th>
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<tbody>
<tr>
<td>1</td>
<td>CRISIL-AMFI Equity Fund Performance Index</td>
<td>1-Apr-97</td>
<td>CRISIL-AMFI Equity Fund Performance Index seeks to track the performance of the equity funds. The index consists of mutual fund schemes from diversified equity, large cap equity and small and mid-cap equity categories.</td>
</tr>
<tr>
<td>2</td>
<td>CRISIL-AMFI Large Cap Fund Performance Index</td>
<td>1-Apr-00</td>
<td>CRISIL-AMFI Large Cap Fund Performance Index seeks to track the performance of the large cap equity schemes.</td>
</tr>
<tr>
<td>3</td>
<td>CRISIL-AMFI Small &amp; Midcap Fund Performance Index</td>
<td>1-Oct-04</td>
<td>CRISIL-AMFI Small &amp; Midcap Fund Performance Index seeks to track the performance of the small &amp; midcap equity schemes.</td>
</tr>
<tr>
<td>4</td>
<td>CRISIL-AMFI Diversified Equity Fund Performance Index</td>
<td>1-Apr-00</td>
<td>CRISIL-AMFI Diversified Equity Fund Performance Index seeks to track the performance of the diversified equity schemes.</td>
</tr>
<tr>
<td>5</td>
<td>CRISIL-AMFI ELSS Fund Performance Index</td>
<td>1-Jun-01</td>
<td>CRISIL-AMFI ELSS Fund Performance Index seeks to track the performance of the Equity Linked Saving Scheme (ELSS)</td>
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<td>6</td>
<td>CRISIL-AMFI Balanced Fund Performance Index</td>
<td>1-Apr-00</td>
<td>CRISIL-AMFI Balanced Fund Performance Index seeks to track the performance of the balanced funds.</td>
</tr>
<tr>
<td>7</td>
<td>CRISIL-AMFI MIP Fund Performance Index</td>
<td>1-Jan-02</td>
<td>CRISIL-AMFI MIP Fund Performance Index seeks to track the performance of the Monthly Income Plan (MIP) funds.</td>
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<td>8</td>
<td>CRISIL-AMFI Income Fund Performance Index</td>
<td>1-Apr-00</td>
<td>CRISIL-AMFI Income Fund Performance Index seeks to track the performance of the income funds.</td>
</tr>
<tr>
<td>9</td>
<td>CRISIL-AMFI Gilt Fund Performance Index</td>
<td>1-Apr-00</td>
<td>CRISIL-AMFI Gilt Fund Performance Index seeks to track the performance of the gilt funds.</td>
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<tr>
<td>10</td>
<td>CRISIL-AMFI Short Term Debt Fund Performance Index</td>
<td>1-Apr-02</td>
<td>CRISIL-AMFI Short Term Debt Fund Performance Index seeks to track the performance of the short-term debt funds.</td>
</tr>
<tr>
<td>11</td>
<td>CRISIL-AMFI Liquid Fund Performance Index</td>
<td>1-Apr-00</td>
<td>CRISIL-AMFI Liquid Fund Performance Index seeks to track the performance of the liquid funds.</td>
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<tr>
<td>12</td>
<td>CRISIL-AMFI Ultra Short Fund Performance Index</td>
<td>1-Apr-07</td>
<td>CRISIL-AMFI Ultra Short Fund Performance Index seeks to track the performance of the ultra-short funds.</td>
</tr>
</tbody>
</table>
| 13    | Savings Bank Rate Index                  | 1-Apr-00       | Savings Bank Rate Index has been constructed using the following savings rate for the given periods:  
April 2000 to February 2003: 4.00%  
March 2003 to April 2011: 3.5%  
May 2011 to November 2011: 4.00%  
December 01, 2011 to till date: average savings rate of top 3 (by total deposits) public and private sector banks.                     |
About CRISIL Limited
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