PERFORMANCE & GROWTH OF COMMERCIAL BANKS IN MUTUAL FUNDS INDUSTRY IN INDIAN ECONOMY

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Abstract:

The capability of business banks to supply proprietary investment trusts has expanded over recent years and therefore the mutual fund business has been a big growth space for banks. investment trust is professionally managed trust that pools the money of varied investors and additional invests them into completely different securities like shares, bonds and short-term securities like certificate of deposit, cash equivalent etc. In Republic of India the origin of Mutual Funds (MF) business is copied since the enactment of UTI (Unit Trust of India) Act- 1963. Indian investment trust business has fully grown tremendous over the last 3 decade once the entry of public sector banks, insurance firms, non-public and foreign players into the business. during this paper, I study the role of business bank and their performance in mutual funds business from 1997 to 2020. The study evaluates the performance of business banks to mobilization of mutual funds as per SEBI from1997 to 2020. I notice some proof that the industrial banks are having a large quantity of deposits lying with them. The results recommend that bank investors swear primarily on innocent space and that they need moderate profits and safety totheir investment. This result indicates that the mobilization of deposits from investors additional accumulated from 1997 to 2021 and industrial banks play major role for investment trust business during this decade. This finding suggests that industrial banks impact nice role for gathering saving (deposits) from investors as an investment trust. This paper aims to spot the performance of mobilization of mutual funds and role of business banks for gathering funds from public. And covering the history of investment trust evolution, their significance for the little capitalist and therefore the would like for study of mutual funds.

Keywords:

Commercial banks, Mutual funds, Investments, Mobilization.

1.Introduction

In the financial industry, most of the individuals used a word that is mutual funds.

investment trust thought was 1st utilized in Dutch republic within the year 1774 to the response to the monetary crisis in 1772-1773. And once mutual funds are introduced in USA with closed terminated mutual funds within the year 1890. The history of mutual funds in Republic of India is generally divided into completely different phases. Under the 1st portion, the investment trust company in Indiabegan in 1963 with the establishment of India's investor's portfolio, at the initiatives of the Government of India and India's banking company.

Secondary segment - 1987-1993 (Entry of Public Sector Funds), non-UTI, public sector mutual funds formed by government sector banks and the Indian Life Insurance Corporation (LIC) and the Indian General Insurance Corporation (GIC) were entered in 1987 (GIC). The primary non UTI investment trust developed in the Gregorian calendar month of 1987 was the SBI investment trust. Bank Investment Trust (1987), Full Service Geographic Area Bank Investment Trust (1989), Indian Bank Investment Trust (1989), Bank of the Republic of India (1990), Bank of Baroda Investment Trust (1992). In the Gregorian calendar month of 1989, LIC established its investment trust, while in December 1990, GIC established its investment trust. The investment trust company had assets at the top of 1993 below Rs. 47,004 management (Crores).

Third portion - 1993-2003 (Entry of personal sector funds) A replacements period began in the Indian investment trust company with the entry of private sector funds in 1993, offering a broader range of family interest to Investors in India. 1993 was also the year in which the main investment trust guidelines emerged into use, under which all mutual funds had to be registered and regulated, excluding UTI. The primary non-public sector investment trust listed in the Gregorian calendar month of 1993 was the former Kothari Pioneer (now merged with Franklin Templeton).

In 1996, additional detailed and updated investment trust regulations were replaced by the 1993 SEBI(Mutual Fund) rules. The company currently operates under the 1996 SEBI (Mutual Fund) rules.

There were 33 mutual funds of overall assets of Rs. 1,21,805 crores, as at the top of the Gregorian calendar period 2003. Just before to various mutual funds, the investment trust of the Government of India with Rs. 44,541 crores of assets under management was a medium.

Section Four - As of February 2003, UTI was split into two different bodies in

February 2003, following the abolition of the investment trust under the Republic of India Act 1963. One would be that the investment trust organization of the Republic of India with assets under management of Rs. 29,835 crores since at the top of the Gregorian calendar period 2003, generally reflecting the assets folks 64 theme, assured of different programmes coming and sure. The investment trust undertaking necessary by the Republic of India, operating below the associate degree administrator and below the standards regulations set by the Government of the Republic of India, does not revert below the compass of the regulations of the investment trust.

The second is that, provided by SBI, PNB, BOB and LIC, the UTI investment trust. It is registered with SEBI and operates under the guidelines of the investment trust. The investment trust enterprise has joined its present section of consolidation and development with the bifurcation of the former UTI that had in March 2000 quite Rs. 76,000 crores of assets under management and with the matching of a UTI investment trust, conforming to the SEBI investment trust laws, and with latest merger and acquisition dropping down among extremely separate non-public sector funds.

Following the world melt-down within the year 2009, securities markets everywhere the globe had tanked so was the case in Republic of India. Most investors UN agency had entered the capital market throughout the height, had lost cash and their religion in medium frequency product was agitated greatly. The ending of Entry Load by SEBI, let alone the after-effects of the world monetary crisis, gathered the adverse impact on the Indian medium frequency business, that struggled to recover and rework itself for over 2 years, in a trial to take care of its economic viability that is obvious from the sluggish growth in medium frequency business FTO between 2010 to 2013.

Mutual funds are monetary intermediaries' role for collect the savings (deposits) of investors and invest them in a very massive and well outlined portfolio of economic assets with a read to scale back risks and to maximize the financial gain and capital appreciation for distribution to the investors. Mutual Funds are formed as establishments for providing tiny capitalist with avenues of investment within the capital market

Mutual Funds came in India with the institution of investment trust of India (UTI) in 1963. The UTI was set to mobilize the savings of the community and channelize them into productive ventures. the expansion within the business of UTI, particularly throughout the eighties has been spectacular. With the read to produce a wider option to tiny capitalist, the Govt. of India amended Banking Regulation Act in 1987 to allow industrial banks to launch

mutual funds in India. Considering the very fact that the unit sector features a dominant share within the mixture web savings of the economy, banks in their look for mobilizing the community savings into productive avenues have found in mutual funds a remunerative chance. The depository financial institution of Republic of India (SBI) was the primary Bank to launch a investment trust known as SBI investment trust in Gregorian calendar month, 1987

After a quiet starting within the investment trust business lay dormant until 1987 primarily as a result of it absolutely was monopolized by one establishment i.e. UTI and therefore the word 'investment trust' had not very gained currency. But once the entry of 5 public sector banks and 2 insurance firms within the investment trust business since 1987 the state of affairs has undergone an exceptional modification and investment trust as a monetary instrument is turning into in style and awareness of investors towards this investment outlet is step by step increasing.

2. PURPOSE OF THE STUDY:

After existence of UTI the mutual funds industry are played a major role. And during this era industrial banks are shows additional curious about investment trust business. Once the modification of the bank regulation act in 1987 the industrial banks has emerged because the major contributions for mobilizing savings in investment trust business. It's been quite 3 decades since the industrial bank's deals with investment trust business. The target of business banks were their own customers and its reach to rural and concrete areas. They have to gather additional saving from customers. Public sector industrial banks like depository financial institution of India played tremendous role for gathering savings and growth of investment trust business. At the beginning they facing low savings however once a distinguished player in investment trust business. Thus, I study the performance of 'Commercial banks in Indian investment trust businesses.

3.OBJECTIVES:

1. We've see the state of affairs of deposits gathered by the industrial banks and the way the funds raised by the shoppers as a mutual funds schemes.

2. To compare the funds raised by the shoppers from different pattern of investors of mutual funds business in Republic of India.

3. To check the performance of business banks within the banking system in India.

4.SCOPE OF THE STUDY:

After existence of UTI in 1963 and the 'Banking regulations amendment act 1987' the commercial banks were permitted to enter in mutual funds business. SBI was the first bank to entered into this industry. Thus the study covers the period from 1997 to 2020. And its concentrate on for gathering savings from public. However, the industrial banks were contend a job for gathering funds. Comparison of deposits from industrial banks to different areas. The performance of total deposits mobilized by industrial banks and compared with different players in business like investment trust of Republic of India and personal sector mutual funds firms. For this comparison I take whole industries for study.

5.METHODOLOGY AND DATA SOURCES:

This study is based on secondary data only and it is an exploratory. the info revealed frequently by Securities and Exchange Board of Republic of India (SEBI) Reserve Bank of India (RBI), SBI and different industrial banks, and different distinguished organization and associations has been taken. Data concerning deposit mobilization of business banks has been collected from the Press Releases, Annual Reports and different periodicals and publications of the industrial banks engaged in investment trust business.

The monetary newspaper notably The Economic Times, the Business commonplace and therefore the bulletins, periodicals and different publications of varied investment trust associations has been consulted for the required knowledge and data

6.DATA ANALYSIS:

Table 1: Savings deposits with Scheduled Commercial Banks

DEPOSITS OF SCHEDULED COMMERCIAL BANKS								
(Amount in ₹ Billion) (No. of Accounts in Thousands)								
Year	**Deposits**							
	Rural		**Semi Urban**		**Urban**		**Metropolitan**	
	No. of Accounts	**Amount Outstanding**	**No. of Accounts**	**Amount Outstanding**	**No. of Accounts**	**Amount Outstanding**	**No. of Accounts**	**Amount Outstanding**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1996	112904	613.13	109416	831.87	88452	955.66	81238	1860.53
1997	116693	737.70	110129	980.45	88645	1125.78	81112	2161.64
1998	120060	867.06	110705	1156.44	88536	1348.97	80731	2592.21

1999	122660	1026.97	112376	1360.52	89533	1601.81	81339	2992.38
2000	125852	1205.39	114109	1619.72	89831	1889.63	83023	3499.45
2001	131723	1394.31	116400	1861.88	92769	2178.33	87137	4059.81
2002	133000	1594.23	117394	2149.90	94622	2554.78	94975	4935.01
2003	136733	1765.02	117537	2417.57	96099	2905.03	95711	5674.33
2004	138760	1950.82	120651	2682.17	99571	3302.96	98176	7176.79
2005	141908	2131.04	125198	2956.85	101376	3748.91	98310	8631.34
2006	139570	2260.61	121664	3022.13	106172	4308.13	117692	11320.87
2007	149663	2530.14	132808	3573.95	113422	5325.92	123306	14540.43
2008	168034	3034.23	148361	4302.80	128021	6576.99	137241	18585.44
2009	199695	3639.10	169725	5297.58	142272	8229.14	150611	22053.99
2010	224155	4203.38	189457	6140.47	152323	9449.92	168934	25816.52
2011	250254	4932.66	212043	7168.31	168037	11105.13	179796	30689.41
2012	283072	5731.86	239951	8425.45	180626	12725.92	199551	33899.21
2013	335347	6698.89	283990	9791.94	203091	14970.13	222677	38665.25
2014	406624	7871.51	340522	11410.77	231521	17140.10	248043	43134.83
2015	493970	9156.76	404661	13172.51	266228	19649.01	275033	47242.83
2016	576171	10089.41	470711	14772.12	297715	21505.76	301519	49628.02
2017	604231	11219.66	540510	17306.89	317461	22489.18	364447	56284.55
2018	642225	12097.86	568453	18513.68	327037	24374.97	373786	59357.98
2019	667460	13572.93	588847	20607.48	338747	26970.52	377664	65239.13
2020	704881	15054.54	616679	22689.68	350190	29694.73	397298	70047.60
Source	Basic Statistical Results in India of Scheduled Commercial Banks, DSIM.							

From the above table shows that commercial banks gathering vast amount of savings from investors. The rate of growth increased over two decades. In 1996 all the areas rural, urban, semi urban and metropolitan were increased hugely from 1996 to 2020. The savings lying with industrial banks in metropolitan is 70047 Billion and conjointly altogether the areas like rural, semi urban and concrete accumulated staggeringly. Now, we have seen amount of net resources mobilized by the MF.

Table 2: Gross Mobilization by Mutual Funds

TABLE 2 :MOBILIZED NET CAPITAL BY MUTUAL FUNDS					
					(₹ Billion)
Year	**UTI**	**Bank-sponsored mutual funds**	**FI-sponsored MF**	**Private sector MF**	**Total (2 to 5)**
1	**2**	**3**	**4**	**5**	**6**
1996-1997	-30.43	0.07	1.37	8.64	**-20.35**
1997-1998	28.75	2.37	2.04	7.49	**40.65**
1998-1999	1.70	-0.89	5.47	20.67	**26.95**
1999-2000	45.48	3.36	2.96	169.38	**221.18**
2000-2001	3.22	2.49	12.73	92.92	**111.36**
2001-2002	-72.84	8.63	4.06	161.34	**101.19**

2002-2003	-94.34	10.33	8.61	121.22	**45.82**
2003-2004	10.50	45.26	7.87	415.10	**478.73**
2004-2005	-24.67	7.06	-33.84	79.33	**27.88**
2005-2006	34.24	53.65	21.12	415.81	**524.82**
2006-2007	73.26	30.33	42.26	794.77	**940.62**
2007-2008	106.78	75.97	21.78	1382.24	**1586.77**
2008-2009	-41.12	44.89	59.54	-305.38	**-242.08**
2009-2010	156.53	98.55	48.71	479.68	**783.47**
2010-2011	-166.36	13.04	-169.88	-162.81	**-486.00**
2011-2012	-31.79	3.89	-30.98	-395.25	**-454.13**
2012-2013	46.29	67.08	22.41	652.84	**788.62**
2013-2014	4.01	48.45	25.72	467.61	**545.79**
2014-2015	-12.78	-7.00	-10.45	1059.03	**1028.80**
2015-2016	154.16	275.76	10.09	870.04	**1310.05**
2016-2017	201.46	448.50	64.34	2719.87	**3434.17**
2017-2018	-12.61	453.70	-44.70	2325.87	**2722.26**
2018-2019	-24.96	506.92	-31.81	646.88	**1097.02**
2019-2020	-77.17	709.58	-5.39	245.95	**872.97**
2020-2021 P	127.10	720.39	14.80	1279.03	**2141.32**

Notes : 1. That 2020-2021 data is provisional.
2. Data is the gross value of net sales under all national schemes for UTI. The July-June period is relevant to data between 1977-78 to 1990-91 for UTI. The 1996-97 data exclude re-investment sales. Net face value (excluding premium) sales statistics for 1993-1994, 1994-1995, 1996-1997, 1997-1998, 1998-1999, 1999-2000, 2000-2001 and 2001-2002 are ₹ 74.53 billion, ₹ 68 billion, ₹ 28.77 billion, ₹ 8.55 billion, ₹ 25.92 billion, ₹ 13 billion, ₹ 57.62 billion, ₹ 12.01 billion and ₹ 61.19 billion, respectively.
3. The UTI 2003-2004 data relates to the UTI Mutual Fund for the duration from 01 February 2003 to 31 March 2004, the first year of activity following the bifurcation of the former UTI into the UTI Mutual Fund and the Unit Trust of India Stated Undertaking. Subsequent annual details (from 2004-2005 onwards) relates only to the UTI Mutual Fund.

Source : UTI and Respective Mutual Funds.

From the above table we have to see that the commercial banks not have been increased steady, If When we compared to private sector mutual funds .in the year 1996-1997 to 2004- 2005 the growth is going up and down but after 2005-2006 to 2007-2008 the growth is increased gradually. But when we compared to private sector mutual funds is not good. When we have seen private sector mutual funds from1996-1997 to 2007-2008 the growth increased higher level but after 2008-2009 it not steady if going for up and down after it is moved to higher growth. But overly we are comparing to the unit trust of India and private sector mutual funds from 1996-1997 to 2017-2018 private sectors have the major part.

Now we have to observe aggregate deposits of NBFCs and RNBCs.

TABLE 3 : NBFCs AGGREGATE PUBLIC DEPOSITS

(Amount in ₹ Billion)

Year (End-March)	NBFCs		RNBCs		Total Public Deposits (C+F)
	Number of Reporting Companies	Public Deposits	Number of Reporting Companies	Public Deposits	
A	B	C	E	F	G
1997-1998	1420	135.72	9	102.49	**238.21**
1998-1999	1536	97.85	11	106.44	**204.28**
1999-2000	996	83.38	9	110.04	**193.43**
2000-2001	974	64.59	7	116.25	**180.85**
2001-2002	905	59.33	5	128.89	**188.21**
2002-2003	870	50.35	5	150.65	**201.00**
2003-2004	774	43.17	3	153.27	**196.44**
2004-2005	700	39.26	3	166.00	**205.26**
2005-2006	428	24.48	3	201.75	**226.22**
2006-2007	401	20.77	3	226.22	**246.99**
2007-2008	364	20.42	2	223.58	**244.00**
2008-2009	336	19.71	2	195.95	**215.65**
2009-2010	308	28.31	2	145.21	**173.52**
2010-2011	297	40.98	2	79.02	**120.02**
2011-2012	271	57.35	2	42.65	**100.01**
2012-2013	254	70.85	2	38.17	**109.02**
2013-2014	240	108.08	2	35.82	**143.90**
2014-2015	220	289.41	2	31.83	**321.23**
2015-2016	202	270.69	1	15.58	**286.27**
2016-2017	178	306.24	1	15.52	**321.76**
2017-2018	168	304.39	1	15.50	**319.89**
2018-2019	81	400.58	1	15.47	**416.05**
2019-2020	69	500.22	1	22	**500.44**
2020-2021 P	56	622.62	1	5	**622.67**

NBFC: Non-BankingFinancialCompany
RNBC: ResiduaryNon-BankingCompany P:Provisional

Note : 'NBFCs here include Deposit taking NBFCs-D, Mutual Benefit Financial Companies (MBFCs)/ Notified Nidhis, Mutual Benefit Companies (MBCs)/ Potential Nidhis, till 2004-2005 and only NBFCs-Dthereafter'.

Source : RBI

From the above table we understand that NBFC deposits from 1997 to 2008 decline gradually but after 2008 to 2021 Growth in higher level. In the point of RNBCs normally increased from 1997 to 2007 but after it will decline to lowest level in the year 2019. So here we observe that NBFCs playing major role.

7. CONCLUSION:

From the Above study I observed that the commercial banks having additional opportunities in mutual fund industry but it is not reached that level. But when we observe that 'private mutual funds' performed well in the mutual funds industry; growth level increased higher than the commercial banks. And they have huge customers in mutual funds industry al role. But commercial banks also play a crucial role in mutual fund industry and gathering deposits from customers.

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