



Mutual fund industry in India: An empirical analysis of AUM growth, investor participation and scheme performance

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Abstract

The mutual fund industry has become an important part of India's financial system. Mutual funds collect money from many investors and invest it in different securities. This study looks at the growth of the Indian mutual fund industry during 2018–2026 ^[1, 21], mainly focusing on Assets under Management (AUM), investor participation and mutual fund scheme performance. Investor participation is studied through mutual fund folios and Systematic Investment Plan (SIP) accounts and contributions. Scheme performance is considered through returns, NAV, risk, benchmark performance and expense ratio. This study is based on secondary data collected from sources such as the Association of Mutual Funds in India (AMFI), Securities and Exchange Board of India (SEBI), mutual fund reports and published research studies (AMFI, 2026; SEBI, 2026) ^[1]. The analysis shows that the industry's AUM increased from approximately ₹21.36 lakh crore in March 2018 to ₹73.73 lakh crore in March 2026 (AMFI, 2026). During the same period, mutual fund folios and SIP participation also increased. The study shows that increasing investor participation, SIP adoption, digital access, market development and financial awareness supported the growth of the industry. It also highlights that investors should consider risk, returns, and expense ratio and benchmark performance instead of depending only on past returns.

Keywords: Mutual funds, AUM, investor participation, SIP, NAV, returns, risk, expense ratio, scheme performance, India

Introduction

The financial system plays an important role in mobilizing savings and directing them towards productive investment. Financial institutions, financial markets and financial services help individuals and organizations save, invest and manage financial risks.

Mutual funds are an important investment and wealth-management product within the financial system. They collect money from many investors and invest the pooled money in diversified securities. This provides investors with diversification and professional fund management.

Many Investors → Pooled Money → Investment in Securities → Returns to Investors

The Indian mutual fund industry has developed considerably over the years. The period 2018–2026 ^[1] is important for understanding this growth because it includes changes in AUM, investor participation, SIP growth and the impact of the COVID-19 period followed by market recovery.

During this period, the industry's AUM increased substantially. The number of mutual fund folios and SIP accounts also increased, showing wider participation of investors. However, an increase in AUM does not necessarily mean that all mutual fund schemes performed equally well. AUM can increase due to new investments, SIP contributions, market appreciation or a combination of these factors.

Therefore, this study focuses on three main areas: AUM growth, investor participation and mutual fund scheme performance. It aims to provide an integrated view of the growth and development of the Indian mutual fund industry during 2018–2026 ^[1, 21].

Background of the study

1. Concept of Mutual Funds

A mutual fund is an investment vehicle that collects money from a large number of investors and invests the pooled amount in different securities.

According to uploaded study material, mutual funds:

- Pool money from many investors.
- Invest pooled money in diversified securities.
- Generate returns according to investment performance.
- Provide an investment option for investors who may not directly manage a diversified portfolio.

Diversification helps reduce dependence on performance of a single security.

2. Mutual Funds and Wealth Management

Mutual funds form part of investment and wealth-management services offered within the financial system. Study material identifies investment and wealth-management activities such as mutual funds, bonds, government securities, fixed deposits, pension products and tax planning.

Therefore, mutual funds have become an important avenue through which households can participate in financial markets.

3. Role of SEBI

SEBI is major regulatory authority for India's securities and capital markets. Responsibilities include investor protection, regulation of intermediaries, disclosure requirements and orderly development of securities markets.

Regulation important in mutual funds because investors depend on transparency regarding scheme objectives, risks, portfolio holdings, expenses and performance.

4. Importance of 2018–2026 Period

The period selected includes:

- COVID-19 market disruption
- Market recovery
- Growth in retail investment
- Expansion of SIPs
- Increased financialisation of household savings
- Increased digital access to mutual fund products
- Strong growth in industry AUM

Thus, 2020–2026 provides an appropriate period for examining changing structure of Indian mutual fund industry.

Review of literature

The Indian mutual fund industry has grown significantly. Recent studies examined SIP growth, AUM, investor participation, investor preferences and mutual fund performance.

Kushwaha examined India's mutual fund landscape with a focus on SIP contributions and AUM, providing insights into the changing structure and growth of the industry (Kushwaha, 2026)^[3].

Mukkawar, Bhavsar, Suryavanshi, Yadav and Moholkar studied the impact of mutual fund investments among young investors and discussed investor participation and investment behaviour (Mukkawar *et al.*, 2026)^[5].

Kushwaha conducted an empirical analysis of emerging trends in the Indian mutual fund industry, focusing on asset dynamics and investor segmentation. The study used secondary data to examine the growth of mutual fund assets and the changing participation of different investor segments. The findings provided insights into the major trends influencing the Indian mutual fund industry (Kushwaha, 2025)^[6].

Kushwaha and Chaudhary examined the increasing participation of women investors in the Indian mutual fund industry. The study focused on gender-based investor participation and highlighted the growing contribution of women to the expansion of the mutual fund market in India (Kushwaha & Chaudhary, 2025)^[7].

Leka and Sahu evaluated the performance of selected mutual fund schemes belonging to large-cap, mid-cap and small-cap categories during 2021–2023. The study used risk-adjusted performance measures such as the Sharpe Ratio and Treynor Ratio to compare the performance of selected schemes (Leka & Sahu, 2025)^[8].

Kavya and Prakash examined the growth and dynamics of the Indian mutual fund industry with a focus on investor preferences and investment strategies. The study discussed the expansion of AUM and highlighted investor preferences, regulatory changes and market conditions as important factors affecting industry growth (Kavya & Prakash, 2024)^[9].

Manglani and Priya studied the growth potential of the Indian mutual fund industry. The study discussed the increasing role of mutual funds in financial markets and their contribution to individual wealth creation. It also highlighted the availability of different mutual fund schemes for investors (Manglani & Priya, 2024)^[10].

Goel and Kumar examined whether 2014^[11] represented a turning point in the Indian mutual fund industry. Using structural break analysis, the study identified changes in the growth pattern of the industry and found stronger growth after 2014, supported by consistent inflows from individual investors (Goel & Kumar, 2024)^[12].

Kumar and Singh examined risk-adjusted performance and performance persistence in the Indian mutual fund industry during the post-subprime crisis period. The study analysed daily NAV data of 180 equity mutual funds over a ten-year period and applied different risk-adjusted performance models to evaluate fund performance (Kumar & Singh, 2024)^[12].

Aggarwal conducted an empirical study on investors' preferences towards mutual fund investments through the SIP mode. The study examined the increasing importance of SIPs and discussed factors such as financial awareness, savings culture, legislation and investor preferences influencing SIP investment (Aggarwal, 2024)^[14].

Shaw and Samanta analysed performance persistence in Indian mutual funds using the Hurst Exponent. The study examined NAV data of 33 equity-oriented growth-based mutual funds and investigated the presence of long-term memory and persistence in mutual fund returns (Shaw & Samanta, 2024)^[13].

The study examined the Indian mutual fund industry using an empirical approach based on secondary data. It discussed the growth and development of the industry, the role of SEBI's regulatory measures and resource mobilization through mutual funds. The study provided an overview of the development and structure of the Indian mutual fund industry (Nldimsr Innovision *et al.*, 2022)^[15].

Rokade examined the growth of mutual funds in India and discussed mutual funds as an important investment option for investors. The study highlighted the availability of different schemes according to investors' risk and return requirements and the increasing participation of small and medium investors (Rokade, 2021)^[16].

Garg and Shobhit examined the impact of reclassification on the growth of the mutual fund industry in India. The study highlighted the importance of regulatory changes and scheme reclassification in shaping the development and growth of the mutual fund industry (Garg & Shobhit, 2021)^[17].

Kumar examined the growth and penetration of the Indian mutual fund industry over the period covered in the study. The study discussed mutual funds as an investment mechanism through which investors pool their money and examined the development and penetration of the industry in India (Kumar, 2019)^[18].

Deb examined the persistence in the performance of actively managed equity mutual funds in India. The study considered different fund characteristics and market-related factors while analysing whether past fund performance could persist over time (Deb, 2019)^[19].

Garg and Shobhit examined the growth of mutual funds in India in the context of recent socio-economic developments. The study discussed the changing environment of the Indian economy and its relationship with the growth and development of the mutual fund industry (Garg & Shobhit, 2018)^[20].

Gopalakrishnan and Ramakrishna examined whether mutual fund schemes that performed well in the past continued to perform well in the future. The study focused on

performance persistence and evaluated whether past winners could repeat their performance (Gopalakrishnan & Ramakrishna, 2018) ^[21].

Amudha examined investors' preferences and satisfaction towards investment in SIPs of mutual fund schemes in Erode District of Tamil Nadu. The study focused on investor preferences and satisfaction with SIP-based mutual fund investment (Amudha, 2018) ^[22].

Goel and Mani examined the prediction of future mutual fund performance based on past performance. The study focused on the relationship between historical performance and future performance and provided insights into the usefulness of past performance for evaluating mutual funds (Goel & Mani, 2018) ^[23].

Research Gap

Review of the above studies identifies several research gaps.

- Much existing literature focuses on industry growth, AUM, asset dynamics, investor segmentation and regulatory changes.
- Another group focuses on investor participation and preferences, including young investors, women investors, SIP adoption, awareness and preferences.
- Several studies examine scheme performance, risk-adjusted returns and performance persistence using measures such as Sharpe, Treynor, Jensen's Alpha and Hurst Exponent.
- These dimensions are generally examined separately.
- Comparatively less integrated research simultaneously considers AUM growth, investor participation, SIP expansion, scheme performance, risk, returns and expense ratio within one recent study period.
- There is limited integrated evidence covering the COVID-19 period and the subsequent recovery and expansion.

Research Objectives

1. To analyse AUM growth of the Indian mutual fund industry.
2. To examine investor participation including mutual fund folios and SIP.
3. To evaluate the performance of selected mutual fund schemes using relevant return and risk measures.
4. To examine the relationship between AUM growth and investor participation in the Indian mutual fund industry.
5. To analyse important scheme-level factors such as risk, returns and expense ratio and their relevance to mutual fund performance.

Research Questions / Hypotheses

Research Questions

RQ1: How has the AUM of the Indian mutual fund industry changed during 2018–2026 ^[1, 21]?

RQ2: How has investor participation changed during the study period?

RQ3: How has SIP participation contributed to the growth of the mutual fund industry?

RQ4: How do selected mutual fund schemes differ in terms of return and risk?

RQ5: What relationship exists between investor participation and AUM growth?

Hypotheses

H₀1: There is no significant relationship between investor participation and mutual fund AUM growth.

H₁1: There is a significant relationship between investor participation and mutual fund AUM growth.

H₀2: There is no significant relationship between SIP growth and mutual fund AUM.

H₁2: There is a significant relationship between SIP growth and mutual fund AUM.

H₀3: There is no significant difference in the performance of selected mutual fund categories.

H₁3: There is a significant difference in the performance of selected mutual fund categories.

Research Methodology

1. Research Design

This study adopts a descriptive and analytical research design to examine the Indian mutual fund industry during 2018–2026 ^[1, 21]. It is based on secondary data collected from sources such as AMFI and SEBI. The study analyses AUM growth, investor participation, SIP growth, and selected mutual fund scheme performance using appropriate statistical and financial measures.

2. Data Type

The study uses secondary data collected from reliable sources such as AMFI, SEBI and mutual fund reports. The data includes AUM, investor participation, SIP growth, returns and risk for the period 2018 ^[20]–2026.

3. Data Sources

The major sources of secondary information include:

- Association of Mutual Funds in India (AMFI)
- Securities and Exchange Board of India (SEBI)
- Reserve Bank of India (RBI), wherever relevant
- NSE and BSE benchmark data
- Mutual fund annual reports
- Mutual fund factsheets
- Government publications
- Economic Survey
- Academic journals
- Published research papers
- Financial-market reports

SEBI publishes mutual fund statistics covering schemes, folios, mobilization, redemptions, net flows and net AUM.

4. Study Period

The study covers the period from 2018 to 2026. The period is selected to examine the growth and development of the Indian mutual fund industry over recent years, including changes in AUM, investor participation, SIP growth and scheme performance.

Data Analysis and Interpretation

1. AUM Growth

Table 1: Mutual Fund Industry AUM

Year	AUM (₹ lakh crore)	Growth (%)
Mar-18	21.36	-
Mar-19	23.8	11.42
Mar-20	22.26	-6.47
Mar-21	31.43	41.19
Mar-22	37.57	19.54
Mar-23	39.42	4.92
Mar-24	53.4	35.46
Mar-25	65.74	23.11
Mar-26	73.73	12.15

Source: AMFI industry statistics.

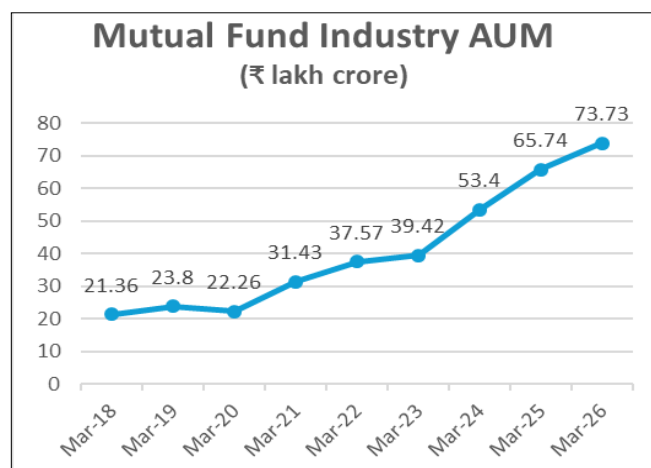


Fig 1: Growth in Mutual Fund AUM (2018-2026) ^[1, 20]

The AUM of the Indian mutual fund industry increased from ₹21.36 lakh crore in March 2018 ^[21] to ₹73.73 lakh crore in March 2026, showing strong overall growth. The highest annual growth was 41.19% in March 2021, while AUM declined by 6.47% in March 2020. After 2020, AUM continued to grow and reached ₹73.73 lakh crore by March 2026, indicating sustained expansion of the mutual fund industry.

2. Investor Participation – Folios

Table 2: Mutual Fund Folios

Year	Folios (Crore)	Growth (%)
Mar-18	7.13	-
Mar-19	8.21	15.15
Mar-20	8.97	9.26
Mar-21	10.88	21.29
Mar-22	14.17	30.24
Mar-23	14.57	2.82
Mar-24	17.79	22.10
Mar-25	23.15	30.13
Mar-26	27.39	18.36

Source: AMFI industry statistics.

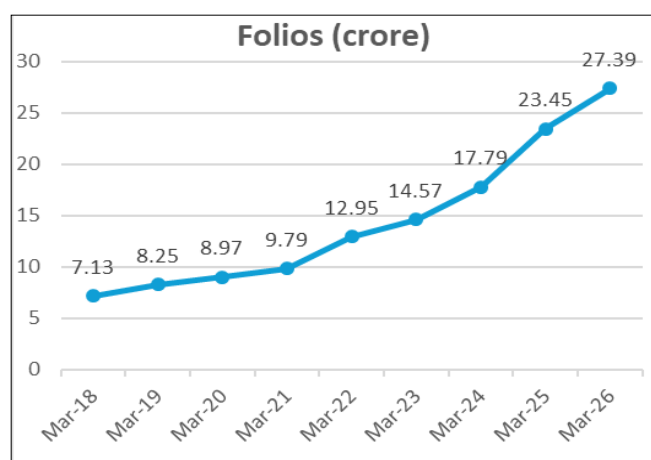


Fig 2: Growth in Mutual Fund Folios (2018-2026) ^[1, 20]

Mutual fund folios increased from 7.13 crore in March 2018 to 27.39 crore in March 2026, representing substantial expansion in investor participation. The growth was particularly strong in the post-COVID period.

3. SIP Contribution

Table 3: Annual SIP Contribution

Financial Year	SIP Contribution (₹ crore)	Growth (%)
FY 2017-18	67,190	-
FY 2018-19	93,366	38.96
FY 2019-20	1,00,084	7.20
FY 2020-21	96,080	-4.00
FY 2021-22	1,39,275	44.96
FY 2022-23	1,55,972	11.99
FY 2023-24	1,99,219	27.73
FY 2024-25	2,89,352	45.24
FY 2025-26	3,49,589	20.82

Source: AMFI Month-wise SIP contribution.

SIP contribution increased substantially over the period. A decline of about 4% was recorded in FY 2020–21, followed by strong recovery. The highest growth shown in the table was 45.24% in FY 2024 ^[9]–25.

4. SIP AUM

Table 4: SIP AUM

Year	SIP AUM (₹ lakh crore)	Share of Total AUM (%)
Mar-18	1.99	9.32
Mar-19	2.69	11.30
Mar-20	3.12	14.01
Mar-21	4.92	15.65
Mar-22	6.15	16.37
Mar-23	7.52	19.08
Mar-24	9.46	17.72
Mar-25	12.43	18.91
Mar-26	15.11	20.49

Source: AMFI industry statistics.

SIP AUM increased from ₹1.99 lakh crore in March 2018 to ₹15.11 lakh crore in March 2026. Its share of total AUM also increased, indicating the growing importance of SIP-based investment.

5. Risk Analysis

Risk is an important factor in evaluating mutual fund performance. Standard deviation measures the fluctuation in returns, while beta indicates the sensitivity of a fund to market movements.

A higher level of risk may lead to greater fluctuations in returns. Therefore, investors should consider risk along with expected return while evaluating mutual fund schemes.

Sharpe Ratio

The Sharpe Ratio evaluates risk-adjusted performance by measuring the excess return earned for a given level of risk. A higher Sharpe Ratio generally indicates better risk-adjusted performance. The measure helps in comparing mutual fund schemes by considering both return and risk.

Expense Ratio

Expense ratio represents the expenses charged for managing a mutual fund scheme.

Higher expenses can reduce the returns received by investors. Therefore, expense ratio should be considered along with returns, risk and the investment objective of the scheme. A lower expense ratio can help investors retain a greater portion of investment returns.

6. Relationship between AUM and Investor Participation

The data indicates that AUM and investor participation both increased during the study period. Growth in folios and SIP participation occurred alongside expansion in AUM.

However, aggregate trends alone do not establish a statistically significant relationship or causation. AUM can increase because of new investments, SIP contributions, market appreciation or a combination of these factors.

Findings

This study found that the Indian mutual fund industry showed strong growth during 2018–2026^[1, 20]. AUM increased from approximately ₹21.36 lakh crore in March 2018 to ₹73.73 lakh crore in March 2026, with an approximate CAGR of 22.1%. Mutual fund folios also increased from 7.13 crore to 27.39 crore, showing a significant rise in investor participation.

SIP participation also increased during the period. SIP accounts grew from 3.12 crore to 10.45 crore, and annual SIP contributions increased considerably. This shows that SIP became an important channel for retail investors. Equity-oriented schemes also formed a major part of the industry's AUM

Discussion

The Indian mutual fund industry expanded during 2018–2026^[1, 21], with AUM growth accompanied by increases in mutual fund folios and SIP accounts.

The literature suggests that awareness; risk perception and investor preferences influence mutual fund investment behaviour. SIP provides a systematic and disciplined approach to investing.

Scheme-level analysis indicates that different schemes can show different levels of return and risk. Therefore, overall industry growth does not mean that all schemes or investors experience the same performance.

AUM can rise because of new money, increased investment, SIP contributions and security-price appreciation. Conversely, AUM can decline because of market-price movements even when investor participation continues to rise. The increasing participation of retail investors highlights the importance of financial literacy and transparent communication regarding risk, returns, expenses and investment objectives.

Conclusion

This study examined the Indian mutual fund industry during 2018–2026^[1, 21], focusing on AUM, investor participation and scheme performance.

AUM increased from approximately ₹21.36 lakh crore in March 2018 to ₹73.73 lakh crore in March 2026, while mutual fund folios and SIP participation also increased. This shows strong growth in investor participation and the growing importance of SIP among retail investors.

However, industry growth does not mean that all mutual fund schemes performed equally. Investors should consider return, risk, expense ratio, benchmark performance and investment objectives before selecting a scheme.

Overall, this study shows that increasing investor participation and SIP activity supported the growth of the Indian mutual fund industry during 2018–2026^[1, 21].

Suggestions / Implications Investors

- Avoid relying solely on recent returns.
- Compare long-term returns with benchmarks.
- Consider risk along with return.
- Examine expense ratios.
- Understand the investment objective.
- Use SIP for disciplined long-term investing where appropriate.
- Avoid excessive switching based on short-term market movements.

Mutual Fund Companies

- Improve investor education and simple, transparent disclosures.
- Clearly communicate scheme risks.
- Focus on cost efficiency and digital accessibility.
- Build long-term investor relationships and communicate scheme suitability.

Regulators

- Continue investor protection, transparency and disclosure standards.
- Promote financial literacy and regulation of intermediaries.
- Prevent misleading performance communication and conduct awareness programmes.

Limitations

- The study is based on secondary data and does not include a primary survey.
- AUM is affected by both fund flows and market valuation.
- The COVID-19 period represents an unusual market environment.
- Different mutual fund categories have different objectives and risk characteristics.
- Annual observations are limited for advanced statistical analysis.
- Scheme performance can change over time.
- Past performance does not guarantee future performance.
- Expense ratio alone cannot explain differences in performance.
- Correlation does not imply causation.
- The selected indicators do not capture all factors affecting mutual fund investment.
- Investor behavior cannot be completely captured through aggregate folio and SIP statistics.

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