

SIP inflows up 48% till October

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The money coming into mutual fund (MF) schemes through systematic investment plans (SIPs) has seen a 48 per cent jump this financial year. In the first seven months of 2017-18, nearly ₹35,000 crore has come through SIPs, at an average of ₹5,000 crore a month. In comparison, ₹23,584 crore had come in — at an average of ₹3,370 crore a month — in the corresponding period of 2016-17.

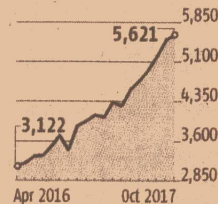
Flows through the SIP route, where an investor commits a fixed sum every month, have seen a drastic improvement over the years. Following the 2008 global financial crisis, monthly flows through the SIP route had dropped to as low as ₹800 crore.

High inflows through the SIP route are seen as a game changer for the ₹21-lakh crore MF industry, as such money is not only sticky, but also consistent.

Fund executives estimate inflows through this route to be near ₹7,000 crore a month by the end of 2017-18.

GALLOPING AHEAD

Month-wise MF inflows through SIPs (₹ crore)



Source : Association of Mutual Funds in India (Amfi)

“Under-penetration of equity investing that existed among Indian savers for all these years is now beginning to catch up. Mutual fund as a vehicle for savings is gaining confidence of investors,” said A Balasubramanian, chief executive officer (CEO), Aditya Birla Sun Life Mutual Fund.

Currently, there are 17.3 million SIP accounts, mostly in the equity segment. Against perceptions that MF is a niche and urban product, the participation from India's hinterlands is remarkably visible. Fund houses understand the potential of smaller towns and cities and are

taking aggressive steps to bring in more investors into MFs.

“There is a structural change happening in the sector with majority of investors opting for SIPs against lump-sum investments. I strongly believe it is the outcome of the sector's continuous and collective efforts to reach out to investors through financial education programmes. I would not be surprised, if investments in mutual funds become part of every Indian's monthly wallet. We need to aim for 100 million SIPs in the coming year,” said Sundeep Sikka, CEO, Reliance Nippon Life Mutual Fund.

Other factors, besides financial literacy, contributing to higher flows are the declining deposit rates on traditional investment avenues such as bank deposits, real estate and gold.

“We have reached the inflection point where mutual funds have become an investment vehicle of choice for individual investors. Having said that, this is just the beginning and we will see exponential growth in the next few years,” said G Pradeepkumar, CEO, Union Mutual Fund.