Equity's 4-year rally sees more Indians adopting SIP culture

By Prashant Mahesh

Mumbai: Four years is an awfully long time these days in the world of politics, competitive sport, or corporate enterprise. It's wrong to expect, therefore, that the world of investing would be markedly different.

The Covid-induced lockdowns, which spared millions of ordinary officegoers the daily commute and spawned a loyal army of equity investors, appear to have drastically altered the asset-class mix of household savings in India.

Equity is now the visibly dominant category in pooled funds, garnering a three-fifths share of the money mobilised by mutual funds, as stocks became the preferred bet for the ordinary saver seeking to beat a sticky inflation gauge.

Franklin Templeton data showed the share of equity assets as a percentage of total mutual fund assets climbed to 60% in April, from 39.2% in December 2020. The total AUM of mutual funds surged to ₹57.26 lakh crore in the same period, from ₹31.02 lakh crore.

Fund houses believe one big reason for this move is the strong rally in the past four years, where markets have yet to see a significant correction. From the period December 2020 to April 2024, the benchmark Nifty 50 gained 72%, Nifty Midcap 150 rose 151%, while the Nifty Small cap 250 rose 178%.

This sharp rise increased investor interest in equity mutual funds.

"Investor composition in the overall pie has changed with individual investors now owning 60% of the industry assets. They are using mutual funds to allocate to equity, which in turn is driving up the share of these assets," said Swarup Mohanty, vice-chairman and CEO of Mirae Asset Investment Managers.

Financial planners point out that the SIP culture which has caught on in the recent past is also adding to the rise in equity assets.

"SIPs have found favour with investors with many of them using this to increase allocation, stagger allocation to equity and meet long-term goals," said Vishal Dhawan, founder of Plan Ahead Wealth Managers.

Contribution through SIPs increased from ₹1 lakh crore in 2019-20 to ₹1.99 lakh crore in 2023-24, leading to a higher share of equity assets.

Dhawan also believes there has been a trend where some investors are disposing of their physical assets and some part of that money is finding its way into equity mutual funds.

Financial planners also point out that the removal of indexation benefits from debt mutual funds took away the tax arbitrage of debt schemes, leading to lower flows into debt funds. "Lack of indexation benefit, need for stable fixed returns has led to investors moving some money to deposits and NCDs," said Nikhil Gupta, founder of Sage Capital.