

India's mutual fund industry just beat FIIs in a historic first. Here's what changed

Nikhil Agarwal

Synopsis

India's mutual fund industry has overtaken foreign institutional investors in total assets under custody for the first time, marking a historic shift in market ownership. Strong SIP inflows and sustained domestic participation have driven the milestone, even as FII holdings declined amid continued selling and changing global investment trends.



Marking a major structural inversion in who controls India's investment industry, domestic [mutual fund assets under custody](#) have officially surpassed those of [foreign institutional investors](#) (FIIs) for the first time in history. The milestone was two years in the making as domestic money floods into equities even as foreign investors head for the exit.

According to the latest [NSDL data](#) as of June 2026, total mutual fund assets under custody (AUC), encompassing equity, debt, and exchange-traded funds (ETFs), surged to Rs 76.41 lakh crore. This edge-of-the-seat flip places domestic funds marginally ahead of FII assets, which stood at Rs 76.22 lakh

crore.

However, [domestic mutual funds](#) are still catching up in pure equity holdings. FII equity assets have fallen from a peak of around Rs 78 lakh crore in September 2024 to Rs 68.65 lakh crore in June 2026, a decline of roughly 12%. Mutual funds' equity assets, meanwhile, have surged 23.3% over the same stretch, climbing to Rs 54.50 lakh crore from Rs 44.20 lakh crore.

Also Read | [Is your SIP giving FIIs an easy exit? AMFI CEO says mutual funds will actually lure them back](#)

FIIs still hold the bigger equity pile of Rs 68.65 lakh crore against mutual funds' Rs 54.50 lakh crore but the gap has narrowed sharply, and the total-AUC crossover shows just how much ground domestic money has made up.

The shift is even more pronounced in ownership share of the market. In FY26, the share of domestic mutual funds climbed to yet another all-time high of 11.46% as on March 31, 2026, up from 11.10% as on December 31, 2025, marking the eleventh consecutive quarter of increase, according to PRIME Database.

FII share, meanwhile, slid to a 14-year low of 16.13% as on March 31, 2026, down from 16.60% in the previous quarter. That leaves the gap between the two at just 4.67 percentage points, down a sharp 83 basis points in a single quarter and nearly half of what it was two years ago, when the gap stood at 9.34 percent as on December 31, 2023. At its widest, in March 2015, the gap ran to 17.14 percentage points, with FIIs at 20.70% and mutual funds at a mere 3.56%.

Debt holdings show an even wider domestic tilt. Mutual funds' debt assets under custody stood at Rs 16.98 lakh crore, more than double the FII debt book of Rs 6.82 lakh crore across the general limit, VRR and FAR routes combined — underlining how much of India's fixed-income market is now anchored by domestic institutions rather than foreign capital.

Riding high on the success of SIP, the mutual fund industry has laid out an ambitious plan of Rs 150 lakh crore AUM by 2030.

"Today, our AUM-to-GDP ratio is around 20–21%. The global average is 65%, and in some developed economies it exceeds 100%. The scope for growth is enormous," [AMFI](#) CEO Venkat N Chalasani had told ET Markets recently in an interview.

On expanding the investor base, Chalasani said the industry is targeting a near-doubling of participation by the end of the decade. "We are currently at around 6.2–6.3 crore investors, and we are targeting 10 crore investors by 2030. The focus is not just on Tier 2 and Tier 3 cities — even within Tier 1 cities, there are major centres where investor additions are not happening yet. SEBI has also introduced incentivisation specifically for women investors, across all tiers," he said.

(Disclaimer: Recommendations, suggestions, views and opinions given by the experts are their own. These do not represent the views of The Economic Times)

Read More News on

(What's moving [Sensex](#) and [Nifty](#) Track [latest market news](#), [stock tips](#), [Budget 2025](#), [Share Market on Budget 2025](#) and [expert advice](#), on [ETMarkets](#). Also, ETMarkets.com is now on Telegram. For fastest news alerts on financial markets, investment strategies and stocks alerts, [subscribe to our Telegram feeds](#) .)

Subscribe to [ET Prime](#) and read the [Economic Times ePaper](#) Online.and [Sensex Today](#).

Top Trending Stocks: [SBI Share Price](#), [Axis Bank Share Price](#), [HDFC Bank Share Price](#), [Infosys Share Price](#), [Wipro Share Price](#), [NTPC Share Price](#)

...more