

Indian Mutual Fund Industry Flows Dynamics March 2026

Markets fell sharply but the structural signals beneath the surface tell a more compelling story.

TOTAL MF AUM

₹73.73L Cr

↓10.1% MoM | ↑12.2% YoY

SIP CONTRIBUTION

₹32,087 Cr

All-time high | ↑23.8% YoY

EQUITY NET INFLOWS

₹40,450 Cr

61st consecutive positive month

MARKETS FELL, BUT FLOWS HELD

The Macro Backdrop - Retail India Bought the Dip

Equity Flows: Strongest in Months

Despite the downturn, retail participation surged, a clear signal of behavioural maturity in the Indian investor base.

₹40,450 Cr

Equity MF net inflows - 1.5x February

₹32,087 Cr

SIP contributions - all-time high, ↑23.8% YoY

9.72 Crore

Active SIP accounts - up 3.0% MoM

27.39 Crore

Total folios - 33.63L net new in March

Nifty 50 closed at 22,331 (↓11.3% MoM); Sensex at 71,948 (↓11.5% MoM), the fourth straight month of decline. The trigger: US-Israel-Iran conflict escalated from Feb 28, with Iran intensifying control of the Strait of Hormuz.

- Brent crude crossed \$100/barrel
- India's 10-year G-sec yield hit 7.02%, highest since Jan 2025
- Rupee hit fresh all-time lows
- Total MF AUM decline driven by MTM losses + record debt outflows

Our read: The market fall was sharp but externally driven. The fact that equity inflows accelerated in this environment is a structurally significant factor that shows the resilience.

DII Support:

₹1,42,960 crore bought, nearly 4x February's ₹38,266 crore, more than absorbing FII sales of ₹1,17,775 crore

WHERE THE EQUITY MONEY WENT

Equity Category Flows - Flexi-Cap Dominates

FLEXI-CAP

₹10,054 Cr

8th consecutive month as top category

SMALL-CAP

₹6,264 Cr

Strong retail conviction in growth

MID-CAP

₹6,064 Cr

Consistent institutional interest

Key Factor

Flexi + Small + Mid =

~55%

of total equity inflows

Retail conviction remains concentrated in growth-oriented, diversified strategies despite the broader market correction.

THE STRESS POINTS

Debt & Hybrid Under Pressure

Debt Funds: Record Outflows

-₹2,94,987 Cr net outflows (record)

Debt AUM fell 15.0% MoM to ₹16.52 lakh crore. Driven by advance tax redemptions, geopolitical risk premium, and rising yields - 10Y G-sec yield moved from 6.70% to 7.02%.

LIQUID FUNDS

-₹1,34,988 Cr

Institutional cash
mgmt at quarter-end

OVERNIGHT FUNDS

-₹40,228 Cr

Advance tax
obligations

LOW-DURATION

-₹25,227 Cr

Yield sensitivity +
geopolitical risk

Hybrid: Arbitrage Drove the Damage

-₹16,538 Cr

Net hybrid outflows overall

-₹21,114 Cr

Arbitrage funds alone - institutional year-end

+₹5,213 Cr

Multi-asset allocation - 55th consecutive positive month

Note:

Debt outflows are largely technical - driven by the tax calendar. March debt numbers are consistently negative every year.

What This Means for Market Investors

Retail Liquidity Is Deepening, Not Retreating

SIP at ₹32,087 crore all-time high during a market correction signals behavioural maturity. This is the same pool of capital that eventually stabilize market structure. The pipeline for investor base is growing.

DII Absorption Is a Structural Stabiliser

DIIs buying ₹1.43 lakh crore in a single month, overwhelmingly MF-driven, confirms that domestic equity markets now have a genuine shock absorber. This reduces panic-driven exit cycles in mid/small cap.

The SIF Category Is Gaining Traction

SIF AUM: ₹10,620 crore (↑9.4% MoM, ↑117% since Dec 2025). Hybrid strategies dominate at ₹8,147 crore. This is the SEBI-designed bridge between MF and PMS/AIF - its growth trajectory directly impacts the inclusion of investor base that was earlier untouched under the fund management industry.

Portfolio Positioning:

Geopolitical stress in oil and bonds is a near-term headwind for rate-sensitive sectors (NBFCs, real estate debt). We remain selective on duration and prefer equity-oriented structures with compressed entry valuations given the 4-month market correction.

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