

Resource Mobilisation & Portfolio Management Strategies of Investment Companies: A Review Paper

Sweta Gaur^{1*} and Veeralakshmi²

¹Research Scholar, Department of Management Studies, UTU, Dehradun, Uttarakhand, India.

²Associate Professor, HOD, DOMS, COER School of Management, Roorkee, Uttarakhand, India.

*Corresponding Author

Abstract: There are different strategies that companies derive to attract the customer. Especially the investment companies define strategies to create potential investors and retain the existing customers. Mutual fund companies or asset management companies particularly need to strategies their needs with multi-folded criteria. Like transparency, liquidity, safety and hedge against inflation and market risk. This review paper hovers around the literature studies that help in setting a foundation to understand the resource mobilisation and understanding of portfolio management.

Keywords: Investment companies, Mutual funds, Resource mobilisation, Strategies.

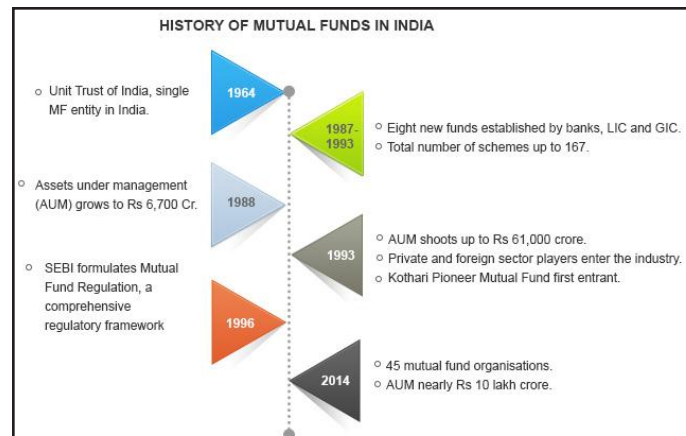
I. INTRODUCTION

A mutual fund is a professionally-managed investment trust which is run by an asset management company that gets together a group of people and invests their money in stocks, bonds and other financial securities. The profit which we received from the investment is disseminated among the contributors, who are called as unit holders. Mutual funds are based on the principle of "Trusteeship", which means working on behalf of somebody else for the benefit of interested party and providing a security of fund to such party. In recent times, the concept of mutual funds gained momentum because of the increasing complications of capital market. It is challenging for an individual investor to make and manage his own portfolio of investment due to the lack of knowledge, expertise and experience about stock market. Mutual funds offer the benefit of divergence to unit holders as a result of which risk of investment gets reduced/minimised.

A. Mutual Funds Benefits:

- Diversification
- Professional management
- Low cost
- Transparency
- Liquidity
- Choice of schemes
- Government regulation

- Return potential
- Tax benefits
- Convenience



Source: AMFI.ac.in

Fig. 1

II. LITERATURE REVIEW

Akula et.al (2017) this research paper is to analyse the growth of mutual fund industry and to advise the effective strategies for the future growth of this industry. Authors examines the growth trend from March 2013-March 2017. Impressive growth is recorded in the mutual fund industry in India during this past five years. The assets under management were increased by 2.5 times within a period of 5 years. There are various reasons for this growth. This paper also describes the strategies to improve the growth of this industry. Tom Jacob et.al (2016) covers the performance of the mutual fund industry for the last fifteen years - from the 2000 to 2015. The motive of this paper is to analyse the current scenario of the Indian Mutual Fund industry, and also it is concerned with the analysis of institution wise resource mobilization, scheme wise and category wise performance of Asset under Management and holding of unit patterns Indian Mutual fund Industry. Besides these, it analyses the correlation between the net sales and net purchases of mutual funds. The research is based on the data

that is collected by public sources. The important factors are in the growth in the mutual fund industry are raising household savings from individual houses, norms from government, tax saving with new products., introduction. It has been concluding that Attracting young and urban as well as the rural investors to this industry will help to develop the growth potential. For this purpose various issues like low level of customer awareness, inadequate funds or distributors to retail investors, limited innovation in products, multiple regulatory frameworks, unwillingness to undertaken even insignificant risk, limited focus of public sector network on distribution of mutual funds etc. should be minimised. The rise in the income level of individuals, the increasing number of households, urbanization, enhanced financial literacy etc. is likely to be instrumental in recent trend. These all factors points towards the future growth of mutual fund industry in India. Rehmani et.al (2016) specifies the trends of the industry. This makes a comparative analysis of resources mobilized by the industry in both before and after liberalization. The research is based on secondary data which is analytical and descriptive in nature. Pre liberalization period has been taken in this study from 1974-75 to 1992-93 while Post-Liberalization period covers 1993-94 to 2013-14. It is found in this study that the performance of mutual fund industry in terms of resource mobilization in pre-reform period was insignificant. However, it has been clearly observed that the sign of resource mobilization is seen in banks and financial institutions sectors since 1987 as it is called as the first phase of the reforms. Nonetheless, the meaningful result is found in post liberalization period as the entry of private and foreign players in this industry permitted. This led to progress in overall resource mobilization. Ashraf (2016) aims at studying different attributes in investment of non-life insurance industry; he has covered five years data and analyzed using regression techniques. This paper identified lower risks in such types of investment. Ramanet.al (2016) focuses on the preference of investment avenues of retail investors and also the factors influencing them. The study mainly focuses on the investors' risk appetite and the determinants on deciding for investment. It focuses on the pattern of investment of retail investors with special importance on mutual fund industry. In this research paper 100 respondents was given a structured questionnaires having objectives of the study. Selection of sample based on convenience sampling techniques. Software Package for Social Sciences (SPSS) has been used to analyse the data collected. The objectives have been examined with the help of Descriptive Statistics, Chi-Square and Kruskal Wallis-H Test. It re-affirms the fact that the age group of an investor determines his risk appetite and ultimately, his choice of investment. Vijaya et.al (2015) reveals that MF played an important part while mobilizing and allocating the funds. This industry has become an important source of fund generation in the financial system. The study is based on secondary data. This paper has used central tendency measures to prove the growth of funds and its mobilization. This study has bring out development in hybrid, balanced and equity based schemes. At last this paper used comparison between players and proved UTI is the biggest

player. Arathy et.al (2015) has studied people their aversion for mutual funds. She has identified the areas of improvement like marketing of funds, introduction of diversification in schemes and she also proposes new techniques in the industry. It is based on primary data. The major factors influencing the investment decision of retail investors are tax benefits, high return, price and capital appreciation etc. Ramanujam et.al (2015) analysed the growth of mutual funds for the period i.e. March 2004 to March 2014. Growth of Indian mutual funds is assessed by the parameters:

1. Growth of Asset under Management
2. Asset under Management Institution wise
3. Sector wise mutual fund sales
4. Sector wise mutual fund redemption
5. Scheme wise resource mobilization by mutual fund and
6. Total Number of Schemes.

This paper is descriptive in nature. This paper has used published data. Analysis of the paper is done using AUM, it can be concluded that the asset under management shown a growth of Rs. 9, 05,120. The asset under management of all the sectors, mutual fund sales, mutual fund redemption, and scheme wise resource mobilization, total number of schemes has been increased from the year 2004 to 2014. Zabiulla (2014). This paper examine the selection of stock and reveals that, Indian fund managers follow an active portfolio strategy. It also studies strategies related to timing of the funds. Secondly the impact of assets size and market capitalisation of equity funds on stock-selection and market-timing performance of fund managers. This paper is based on the secondary data. In this paper, portfolio strategies of fund managers were examined in the Indian context by using a sample of 220 equity funds. The study used the Treynor and Mazuy model and the Henriksson and Merton model in their unconditional and conditional versions. The impact of asset size and market capitalisation was also studied. Devi (2014) analyzes the investment strategies of non-bank finance companies (NBFCs) which are providing the financial services. The study is empirical and descriptive in nature. Sumana et. al. (2014) mainly focuses on the performance evaluation of active mutual fund. This paper analyses risk adjusted returns of mutual funds and also absolute returns. The study focuses on finding the performance of selected actively managed mutual funds using different performance measures like Sharpe's, Jensen's Alpha and Information ratio. The sample selected for the study is ten Large Capitalization Mutual funds in India. The period of study is three years (2010-13). The analysis was on the basis of quarterly, half yearly, yearly returns for each mutual fund. This study found that performance of the funds primarily depends on the measure selected for analysis. There were no funds which had common ranks with respect to different performance measures used. Many of the actively managed funds have not been able to outperform their respective levels in the period of study. The frequency of measurement shows an important role in performance analysis. Anitha et.al (2014) attempts to know the preferences and examine the

significance of demographic factors that affect the investor's decision towards making investments. The hypotheses have been developed considering its relevancy to the research objectives. Risk perception and risk propensity are considered as two intermediaries. Individuals' risk preferences are taken as an intervening variable between demographic factors and risk perception. Data were classified; tabulated and tested by the use of Hypothesis and Pearson's Chi-square technique. It concludes that age factor and gender factor decides risk temperament. Goel et.al (2014) focus on 5 sections. In the 1st portion, discusses the conceptual framework. In the 2nd part, industries growth is discussed. In the 3rd, trends are analysed. Then, they have discussed the challenges, and at last future prospects have been covered. Singh et.al (2014) The paper on UTI MF and its investment and performance strategies. Descriptive strategies are used. In this research paper Then, they on Declining Trend in Mutual Fund Performance took place & Suggested the Strategies for making it Investor Friendly (A Case Study of UTI Mutual Fund) contributes to the facts of the detecting the motives behind increasing the investor base and concurrently found out the reasons for decline in mutual funds performance and how to overcome them. MS Excel & chi-square test is used. Kandpal et.al (2014) made an effort to examine the schemes that are based on equity, eighteen schemes for a period of five years have analyzed with a risk free rate of 5.5%. In order to give an increased return on household's investors and allocation in different sectors, an investment MF option has increased greatly. Investment in Mutual fund is restricted to Tier 1 and Tier 2 cities whereas the rural and semi urban communities. One of the reasons in rural and semi urban areas is less information of the funds. Kumar et.al (2014) reveals that participation of small scale investors in stock market is through MF. It has become an important vehicle for people who have less knowledge or no knowledge on this industry. This paper also discusses sample studied on Punjab state. Bhatt et.al (2014) studies MF and its relation between investment patterns in India. This study identified samples on the basis of equity funds. Selected funds is evaluated using AROR, SD, R/R, SR, TR and JR. Secondary source is used in this paper. This study clearly shows that the schemes have shown very close average monthly returns whether they are growth fund or Dividend funds. One more finding of this study is that there is no significant difference in monthly return of the various schemes. If any investor wants to make investment in mutual funds then he or she must to make investment at right time. The statistical tests also support these findings. But the study was carried over a one year period; the period itself is a short span for any detailed analysis. Sample size is also too small to carry out any strong recommendation. However the findings of the study have to be taken with some care, as market was generally good during study period. There is need to carry out a further study in more inclusive manner to cover all other issues in mutual funds industry. Jani et.al (2013) analyses total funds mobilized under assets management and GDP in India. Coefficient Kendall's tau b and spearman's rho correlation were used, the period was selected from 1998-99 to 2009-10. Kendall's tau b correlation coefficient was found

+0.848, which is significant 1% confidence level. In similar way spearman's rho correlation coefficient was found +0.944, indicates significant relationship between GDP of the country and AUM mobilized by mutual fund companies. Both figure indicates that, there is very strong positive relationship between AUM mobilized by mutual fund and GDP growth of the India. MiliKar et.al (2013) This paper has used debt segment of MF to understand market capture. A comparison is done on the basis of others segment of investment. This paper also tries to understand factors of risk and customer choice. Joshi (2013) studies investor's view about the investment preference and motivational factors with reference to mutual funds. The research is descriptive. The target population will be individual investor. The survey was based on convenience sampling having 100 investors as sample size. The research identified the consumers' preference for various mutual funds and the main reasons for investment in mutual fund schemes. The study will also try to find out various factors that investor choose before selecting a mutual fund company. Overall, the study focused on the behavior of individual investors and hence form a part of behavioral finance area. Naila Iqbal (2013) focused mainly on the market penetration, indicating different sale strategies to understand penetration of MF industry. Mutual Funds is an urban phenomenon have started penetrating the rural market through its New range of products, New strategies for Rural Market-Penetration and with New awareness programmes. Gross Mobilisation of resources of mutual funds industry during 2009-10 was at Rs.1,00,19,022 crore, and AUM was around 07 lakh crores, which indicated the total size of this important industry and its importance as a means of investment. Malik et.al (2013) focused on the importance of portfolio management. While investing in mutual fund investors should have the knowledge of portfolio that he is choosing. It deals with the theory and practice of optimum combining securities into portfolio. An investor who understands the principles and analytical aspects of portfolio management has a better chance of success. This paper have describes the two approaches of portfolio management i.e. Traditional approach & Markowitz efficient frontier approach. It is concluded that the investors prefers avoidance of risk, continuance income and high return. Kandpal et.al (2013) focused on the use of marketing strategies for Mutual Fund Industry in India. The competitive landscape of the Mutual fund industry has a tremendous advancement recently. Mutual Fund houses offer a different product compete with one another either by satisfying different economic functions or by introducing a low-cost or a differentiated product. Mutual funds in India have restricted its reach to urban areas leaving vast saving potentials in rural areas untapped. The main reason for restriction of mutual fund investment in Top cities or urban areas is the lack of awareness level in the rural and semi urban areas. Mutual funds in India have an important role to play in educating investors (particularly those in rural and semi-urban areas) about the advantages of investment in Mutual funds. A marketing plan for Mutual funds services need to stress the firms-product-customer relationship. From August 2009, the abolition of entry load

criticized by some brought benefits to investors. The financial institutions have a crucial role to play as they have to extend their financial services beyond core banking activities and extend it to selling and providing awareness campaign about financial products like mutual funds, insurance, stocks and derivative products. Zafar et.al (2013) attempts to analyze the investor preference, influencing factor and awareness in the selected city by using Chi - Square Test on nine most trusted mutual funds irrespective of their size; they are Reliance AMC, ICICI Prudential AMC, Franklin Templeton, UTI AMC, HDFC AMC, Birla Sunlife AMC, Kotak AMC, JM Finance AMC, and SBI AMC. The research is descriptive and exploratory in nature. This paper aims to know that a strong point of developing economy is to understand changing role of stock market and its performance. Kale et.al (2013) presents an overview of the mutual fund industry in India and the reasons for its poor penetration, which includes lack of objective research. The papers described above evaluate MF performance on the basis of their abnormal returns relative to some benchmark return-generating process. Bodla (2012) discussed about the empirical assessment of the performance of mutual fund managers in terms of "market timing" and "selectivity". This study covers the performance of 27 Equity Mutual Funds. The reference period for the study is from January 2002 to June 2010. Several empirical studies concerning the market timing and selectivity skills of mutual fund managers are reviewed in this section. The data used in this study are weekly returns for each fund, calculated from the daily net asset value (NAV). All the mutual fund data in this study are obtained from the data base and website of the Association of Indian Mutual Funds, Blue chip India and individual Mutual Funds web site. The study also concluded a negative association between the market timing and stock selectivity of funds. Poojara et.al (2012) reflects the growth of Mutual funds in Pre-Liberalization Era, Post-Liberalization Era, Net resources mobilization by Mutual Funds during 1970-71 to 1992-93 and Net resource mobilization by different private sector Mutual Funds. It also brings to a close interpretation and concluded the innovative financial product like Mutual Fund is an important intermediary in mobilization of funds in Indian Financial Market. Vyas Ravi (2012) focused on number of factors that highlights investors' perception about mutual funds. It was found that mutual funds were not popular among the investors, still investors trust on traditional mode and Systematic Investment Plan based investment. Data taken for the research is primary as well as secondary. Survey research is being conducted. Statistical tools as Chi-square test, Pearson Correlation, mean and median are used. Vijay et.al (2007) aimed to make a critical study of the role performed by mutual funds as a financial service in Indian financial market. Vikas et. al focused on equity schemes performance that is based on fund manager ability to strategies market timings and position of investment. The study which is based on the Jensen Measure and Treynor-Mazuy Model, evaluates which equity fund entails selectivity and market timing over a period of 10 years.

III. CONCLUSION

In the above literature review it is evident that the resource mobilisation and portfolio strategies are derived by demand and supply for the mutual fund. These strategies are derived by the market on the basis of active strategy with respect to components which are called as market timers. Selectivity of funds is based on superior performance of stock by analysing different factors.

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