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A Comparative Study On Leading Mutual Funds Asset Management Firms

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ABSTRACT

An asset management firm is an investment services organisation that is fundamentally involved in the business of purchasing and selling equity and other financial securities for its customers in return for a charge or commission. This business segment operates under close government regulations that aim to secure the investing public. An asset management firms may not open for business without filing for proper enrolments and acquiring certain memberships.

An asset management firms may concentrate on different investment services and customers. It must also be able to provide extensive variety of security information to customers for investment research and trade selections. As per Section 65(93) of Finance Act, 1994 "Stock-broker" means a person, who has either made an application for registration or is registered as an equity broker, in accordance with the rules and directions made under the Securities and Exchange Board of India Act, 1992. A retail brokerage firm serves only individual investors, whereas an institutional brokerage firm has the capacity to handle large order flows from institutional investors such as mutual funds. The focus of the research isto study the investor's perception regarding investment in mutual fund market and to analyse the

investor's behaviour toward market trend on his investment. To do the comparison of asset management firms in terms of service provided by them to the investors.

Keywords : Asset Management firm, Investor, Equity market, Securities

INTRODUCTION

Mutual fund is the pool of the money, based on the trust who invests the savings of a number of investors who shares a common financial goal, like the capital appreciation and dividend earning. The money thus collect is then invested in capital market instruments such as shares, debenture, and foreign market. Investors invest money and get the units as per the unit value which we called as NAV (net assets value). Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified portfolio management, good research team, professionally managed Indian stock as well as the foreign market, the main aim of the fund manager is to taking the scrip that have under value and future will rising, then fund manager sell out the stock. Fund manager concentration on risk – return trade off, where minimize the risk and maximize the return through diversification of the portfolio. The most common features of the mutual fund unit are low cost. The below I mention the how the transactions will done or working with mutual fund.

ORIGIN OF MUTUAL FUND IN INDIA

The history of mutual funds dates backs to 19th century when it was introduced in Europe, in particular, Great Britain. Robert Fleming set up in 1968 the first investment trust called Foreign and Colonial Investment Trust which promised to manage the finances of the moneyed classes of Scotland by spreading the investment over a number of different stocks. This investment trust and other investments trusts which were subsequently set up in Britain and the US, resembled today's close – ended mutual funds. The first mutual in the U.S., Massachusetts investor's Trust, was set up in March 1924. This was the open – ended mutual fund.

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The mutual funds market crash in 1929, the Great Depression, and the outbreak of the Second World War slackened the pace of mutual fund industry, innovations in products and services increased the popularity of mutual funds in the 1990s and 1960s. The first international stock mutual fund was introduced in the U.S. in 1940. In 1976, the first tax – exempt municipal bond funds emerged and in 1979, the first money market mutual funds were created. The latest additions are the international bond fund in 1986 and arm funds in 1990.

This industry witnessed substantial growth in the eighties and nineties when there was a significant increase in the number of mutual funds, schemes, assets, and shareholders. In the US, the mutual fund industry registered a ten – fold growth the eighties. Since 1996, mutual fund assets have exceeded bank deposits. The mutual fund industry and the banking industry virtually rival each other in size.

LITERATURE REVIEW

• Smith and Tito (2011) reviewed three widely used composite measures of investment performance and examined their inter-relationships and put forward another alternative measure which was then compared empirically. While ranking the funds on the basis of ex-post-performance, the alternative measure produced little difference in performance. In contrast, when performance comparisons were made with the market, their conclusions differed significantly. In view of this, the alternative measure suggested by them was referred to as the modified Jensen measure.

• Fama (2012) developed methods to distinguish between observed return due to the ability to pick up the best securities at a given level of risk from that of predictions of price movements• in the market. He introduced a multi-period model allowing evaluation on a period-by-period basis and also on a cumulative basis. He was of the opinion that, return on a portfolio constitutes of return for security selection and return for bearing risk. His contributions combined the concepts from modern of portfolio selection and capital market equilibrium with more traditional concepts of good portfolio management.

• A study by Kauffman et al. carried out in 2000 indicated that, due to the intensive essence of information, most traditional form of stock trading market players will eventually move towards leveraging IT in order to operate their businesses in an Internet-based trading

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manner. This in turn brings about many potential benefits for the users i.e. the investors, such as faster trading speeds, better information transparency, and much lower operating costs (George, 2000).

• A business that wants to succeed in today's global competitive market, where customers are empowered and brand loyalty erosion is increasing, will have to move to customer relationship management (CRM).

• Many researchers have proposed a virtuous chain of effects from improved customer satisfaction to profits. In particular, satisfaction is thought to improve share-of spending, which in turn leads to higher customer revenue and customer profitability. Keiningham ET. el. (2005) found that a simplistic focus on improving customer satisfaction for all customers in order to improve share-of-wallet and customer revenue does not seem to represent the best management approach to maximize overall firm profitability. In fact, it could actually result in a negative return on investment.

RESEARCH OBJECTIVES

1. To study the comparison of asset management firms in terms of service provided by them to the investors
2. To know investor's behavior toward market trend on investment.

RESEACH METHODOLOGY

<u>DATA COLLECTION</u>

(1)Primary Source of Data: -

The primary source of data is being collected by preparing a Questionnaire & it is collected by interviewing the investors.

(2)Secondary Source of Data: -

Firms' website, Books, Websites, etc

<u>POPULATION</u>

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Sample Size :- 100 (50 for Sharekhan and 50 for Religare)

SAMPLING METHOD

Sampling Method: - Convenience Sampling.

SAMPLING FRAME

Sampling Area: Ahmedabad City.

Research Instrument: - Structured Questionnaire.

DATA ANALYSIS

	RELIGARE SECURITIES	**SHAREKHAN**
Background		
Year of Incorporation	1994	2000
Website	http://www.religareonline.com	http://www.sharekhan.com
Phone	011-3912 5000	022-61150000
Exchanges enabled	NSE, BSE, MCX-SX, MCX & NCDEX	NSE, BSE, MCX-SX, MCX & NCDEX
Demat (NSDL/CDSL)	NSDL/CDSL	NSDL & CDSL
Financial Health		
Profit after Tax FY 14/15	- Rs 39.8 Crores	Rs 87.5 Crores
Profit after Tax FY 15/16	Rs 187 Crores	Rs 107 Crores
Profit after Tax FY 16/17	Rs 25.9 Crores	Rs 9.05 crores
Profit after Tax FY 17/18	Rs 17.9 Crores	Rs 13 Crores
Debt FY 14/15	Rs 562 Crores	Rs 335.1 Crores

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Debt FY 15/16	Rs 308 Crores	Rs 335.1 Crores
Debt FY 16/17	Rs 385 Crores	0
Debt FY 17/18	Rs 639 Crores	0
Profit to Equity(%) FY 14/15	5.96	19.86
Profit to Equity(%) FY 15/16	-3.03	16.04
Profit to Equity(%) FY 16/17	4.27	17
Profit to Equity(%) FY 17/18	4	19
Balance Sheet Size FY 14/15	Rs 1770 Crores	Rs 1689 Crores
Balance Sheet Size FY 15/16	Rs 1630 Crores	Rs 1636 Crores
Balance Sheet Size FY 16/17	Rs 1469 Crores	Rs 1303 Crores
Balance Sheet Size FY 17/18	Rs 1647 Crores	Rs 1559 Crores
Brokerage		
Equity	0.05% for Intraday & 0.5% for Delivery - Negotiable	0.03% for Intraday & 0.3% for Delivery - Negotiable
Equity Futures	0.05% of Turnover - Negotiable	0.03% of Turnover - Negotiable
Equity Options	Rs 70/lot - Negotiable	Rs 50/lot - Negotiable
Currency Futures	0.05% of Turnover - Negotiable	0.03% of Turnover- Negotiable
Currency Options	Rs 30/lot - Negotiable	Rs 20/lot- Negotiable
Commodity	0.05% of Turnover - Negotiable	0.03% of Turnover- Negotiable
Account Opening Costs		
Trading only	NA	NA

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Trading & Demat	Rs 500	Rs 500 which will be adjusted with brokerage
Commodity	Rs 300	Nil
Account Opening Costs Rating	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
Transparency & other costs		
Equity	0.00325% of Turnover	0.00325% of Turnover
Futures	0.004% of Turnover	0.0021% of Turnover
Options	0.06% of Premium Turnover	0.055% of Premium Turnover
Commodities	0.0035% of Turnover	0.0027% of Turnover
AMC charge	Rs 250	Rs 400/year
DP Transaction Charge	Rs 30 or 0.03% whichever is higher	Rs 30 or 0.03% whichever is higher
Offline order placing Charge	Nil	Nil
Charting		
Intraday	10 Days	30 Days
End of Day	5 Years	10 Years
Coding/Backtesting	Y	Y
Reporting	Y	Y
Online Trade Reports	Y	Y
Online PNL Reports	Y	Y
Online Contract Notes	Y	Y
Margins		
Equity	Upto 10 times Intraday, Upto4 times delivery @interest	Upto 10 Times for Intraday & 5 Times for Delivery(Interest charged)
Equity Futures	Upto 3 times for Intraday	Upto 2 times for Intraday

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Equity Options	Buying no Leverage, shorting upto 3 times for Intraday	No Leverage
Currency Futures	Upto 2 times for Intraday	No Leverage
Currency Options	Buying no Leverage, shorting upto 2 times for Intraday	No Leverage
Commodity	Upto 3 times for Intraday	Upto 2 times for Intraday
Support & Tools		
Research & Tips	Y	Y
Brokerage Calculator	Y	Y
Margin Calculator	Y	Y
Bracket orders & Trailing Stoploss	Y	Y
Training & Education	Y	Y
Convenience		
3 in 1 Account	Y	Y
Instant Fund withdrawal	Y	Y
Relationship Managers	Y	Y

QUESTIONNAIRE ANALYSIS

1.Which type of investment would you prefer to invest?

VARIABLE	**FREQUENCY**	**%**
Debenture	8	8%
Equity	26	26%
Preference share	15	15%
Derivative	8	8%
Government securities	21	21%
Commodity market	2	2%
Mutual fund	18	18%

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Others	2	2%
TOTAL	**100**	**100%**

From the above table it can be concluded that there are 8% of the total respondents are prefer to invest in debenture, 26% in equity, 15% in preference share, 8% in derivatives, 21% in government securities, 2% in commodity market, 18% in mutual fund and 2% in other

2.What is your perception regarding investment in mutual funds?

VARIABLE	**FREQUENCY**	**%**
To earn huge profit	24	24%
To gain knowledge	16	16%
To maintain security	37	37%
For the sake of investment	22	22%
Other purposes	1	1%
TOTAL	**100**	**100%**

From the above table it can be concluded that there are 24% of the total respondents are investing in mutual funds market because of huge profit, 16% to gain knowledge, 37% to maintain the security, 22% for the sake of investment and 1% for other purposes

3.What are the factors to which you give priority when you invest in mutual funds?

VARIABLE	**FREQUENCY**	**%**
Safety	17	17%
Higher Return	24	24%
Liquidity	32	32%
Less Risk Marketability	27	27%

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TOTAL	**100**	**100%**

From the above table it can be concluded that there are 17% of the total respondents doing investment because of safety, 24% for the higher return, 32% for the liquidity and 27% for the less risk marketability

4.How you long have you been investing in mutual funds?

VARIABLE	**FREQUENCY**	**%**
Less than 1 month	34	34%
1 to 3 month	26	26%
More than 3 month	40	40%
TOTAL	**100**	**100%**

From the above table it can be concluded that there are 34% of the total respondents investing less than 1 month, 26% for 1 to 3 months and 40% for more than 3 months.

5.What is your considering factor for choosing a broking firm?

VARIABLE	**FREQUENCY**	**%**
Efficiency	24	24%
Broking Charge	17	17%
Schemes	26	26%
Use of Technology	28	28%
Other	5	5%
TOTAL	**100**	**100%**

From the above table it can be concluded that there are 24% of the total respondents choosing brokerage firms based on its efficiency, 17% based on their broking charge, 26% based on schemes, 28% based on use of technology and 5% based on other

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6.How many broking firms do you know?

VARIABLE	**FREQUENCY**	**%**
Sharekhan	78	78%
Religer	54	54%
Motilal Oswal	39	39%
Edelweiss	27	27%
Others	5	5%
TOTAL	**100**	**100%**

From the above table it can be concluded that there are 78% of the total respondents aware about the Sharekhan, 27% about the religare, 19% about the Motilal Oshwal, 13% Edleweiss and 3% others

7.Are you aware about the mutual fund market trend?

VARIABLE	**FREQUENCY**	**%**
Yes	82	82%
No	18	18%
TOTAL	**100**	**100%**

From the above table it can be concluded that there are 82% of the total respondents are aware about the market trend while 18% of the total respondents not aware about the market trend.

Ho: There is no significance difference in satisfaction level of clients from Sharekhan and clients from Religare.

H1: There is a significance difference in satisfaction level of clients from Sharekhan and clients from Religare

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CROSS TABULATION

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.186E2[a]	16	.000
Likelihood Ratio	79.785	16	.000
Linear-by-Linear Association	39.978	1	.000
N of Valid Cases	50		

a. 22 cells (88.0%) have expected count less than 5. The minimum expected count is .12.

INTERPRETATION

✓ From the above chi-Square cross tabulation analysis the null (H0) hypothesis is rejected. Here, we can say that alternative hypothesis (H1) is accepted because of P value of alternative hypothesis is higher than 0.05 that is 0.12.

✓ There is a significance difference in satisfaction level of clients from Sharekhan and clients from Religare

CONCLUSION

Each of these asset management houses has its own pros and cons. They are liked and loathed by investors for different reasons. First of all talking about Religare, this financial company is preferred by mutual funds marketplayers for its economic brokerage rates, online terminal as well as customized services. On the other hand it suffers from drawbacks such as low awareness among investors, insufficient infrastructure and lack of coordination among its branches. Talking about Sharekhan, it is one of the most well-known players in this segment and boasts of high clientele because of its good and regular research tips, tie-ups with almost all major banks (10 banks to be precise) as well as competent Relationship Managers. But the only stain on its name is because of the fact that it doesn't care much for its small customers who are not even provided an R.M. Also their terminal charges are also quiet high as compared to that of its competitors.

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