A STUDY ON PORTFOLIO CONSTRUCTION OF CLIENT ACQUISITION OF MUTUAL FUNDS

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ABSTRACT:
India has a diversified financial sector having and ocean of financial services providing best investment options. The sector comprises of commercial banks, public banks and insurance companies standing right in front with best investment options for its customers. Investment is referred to as a concept of consumption in the form of an asset, a loan or a bank account to earn future returns etc. This concludes that the Indian investment industry is very huge and is riding high since the last few years. Mutual funds have expert management, diversification, and economies of scale, and liquidity as positives; on the other hand, they have high costs, managing a portfolio of funds, and dilution as negatives. In that, portfolio construction are the investor's underlying objectives, risk tolerance and timeframe for investing based on the different forms of mutual funds exist of an individual. According to the risk-return trade-off, if an investor is ready to incur a larger risk, he can expect to receive higher returns and vice versa if he invests in lower risk instruments.

Keywords: ***Mutual Funds, Financial Services, Commercial Banks, Insurance Companies, Investment Industry.***

INTRODUCTION

Portfolio construction is the process of determining how different asset classes, funds, and weightings affect one another, their performance and risk, and how decisions relate to an investor's goals. However, we are focusing on the portfolio construction of mutual schemes based on analysis in order to properly acquire clients

MUTUAL FUND

A mutual fund is a trust that pools the savings of a group of investors who all have the same financial goal. Mutual Funds can be invested in by anyone with an invisible surplus of as little as a few thousand rupees. These investors purchase units in a specific Mutual Fund scheme with a defined investment objective and strategy.

The fund manager in different types of securities then invests the money thus collected. Thus, a Mutual Fund is the most suitable investment for the common man it offers an opportune investing a diversified, professionally managed basket of securities at a relatively low cost.

In today's complex modern world, a mutual fund is the best investment instrument. It hires full-time employees who are professionally qualified and experienced to oversee each of these functions. Because the fund has such a vast pool of money, it can recruit such staff at a very minimal cost to each investment. The Mutual Fund vehicle, in fact, takes advantage of economies of scale in all three areas: research, investment, and transaction processing.

While the idea of individuals banding together to invest money collectively is not new, the Mutual Fund as it exists today is a 20th-century phenomenon. Mutual funds did not become popular until after World War II. There are thousands of firms worldwide offering tens of thousands of Mutual Funds with various investment objectives. Today, mutual funds manage nearly as much money as banks.

TYPES OF MUTUAL FUND SCHEMES

In India, there are many companies, both public and private that are engaged in the trading of Mutual Funds. Wide varieties of Mutual Fund Schemes exist to cater to the needs such as financial position, risk tolerance and return expectations etc. Investment can be made either in the debt Securities or equity. The table below gives an overview into the existing types of schemes in the Industry.

ACCORDING TO STRUCTURE

Open-Ended Funds:

An open-ended fund is one that accepts subscriptions at any time during the year. There is no set maturity for these. Investors can buy and sell units at prices that are based on the Net Asset Value (NAV). Liquidity is an essential element of open-ended programmes.

Closed-Ended Funds (CEFs):

A closed-end fund is a form of mutual fund that raises cash for its initial investments by selling a limited number of shares in a single initial public offering (IPO). Its shares can then be purchased and sold on a stock exchange, but no new shares or money will be produced or flow into the fund.

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Interval Funds

Interval funds are a hybrid of open-ended and closed-ended funds. They are available for sale or redemption at their NAV at predefined periods

ACCORDING TO INVESTMENT OBJECTIVE

Income Funds:

The goal of income funds is to provide investors with a consistent stream of income. Bonds, corporate debentures, and government securities are common investments in these types of funds. Income funds are good for securing cash and generating consistent income.

Balanced Funds:

Balanced funds are designed to deliver both growth and consistent income. Such plans distribute a portion of their earnings on a regular basis and invest in both stocks and fixed income securities in the proportions specified in their offer documents. When the stock market rises, the NAV of these schemes may not keep up, and when the market falls, the NAV of these schemes may not decline evenly. These investments are ideal for investors seeking a mix of income and moderate growth. Capital Protection and Fixed Maturity Plans, etc. are included.

Money Market Funds:

The main aim of money market funds is to provide easy liquidity, preservation of capital and moderate income. These funds often invest in secure short-term products such as Treasury bills, CDs, commercial paper, and interbank call money. Returns on these schemes may change based on market interest rates. These are perfect for business and individual investors looking for a short-term place to put their excess assets.

OTHER SCHEMES

Tax Saving Schemes:

These schemes provide tax rebates to investors under particular provisions of the Indian Income Tax Act, since the government provides tax benefits for investing in certain channels. Investments in inequity Linked Savings Schemes (ELSS) and Pension Schemes are tax deductible under Section 88 of the Income Tax Act of 1961. The Act also gives investors the opportunity to conserve capital gains.

Special Schemes Index Schemes

Index funds try to mirror the performance of a certain index, such as the BSE Sensex or the NSE 50, by investing in it.

Sector Specific Schemes

Sector funds invest solely in a certain sector or set of industries in various categories such as 'A' group shares or initial public offerings.

LITERATURE REVIEW

Mrs. P Alekhya (Oct 2012), "A Study On Performance Evaluation of Public and Private Sector Mutual Funds in India": By gathering and investing their money in various risk-return profile instruments, mutual funds offer families with a prepared choice for portfolio diversification as well as relative risk aversion. This assessment will aid in determining how effectively the core principle of "placing all your eggs in various baskets" behind mutual funds is working for investors. As a result, it's crucial to assess the mutual fund's performance in the new climate. The performance of an Indian mutual fund equity plan during a three-year period, from 2009 to 2011, was assessed in this research. To calculate the beta of a fund's vulnerability to market swings. Sharpe, Treynor, and Jensen proposed risk-adjusted theoretical parameters to evaluate mutual fund investment performance. Sharpes, Treynors, and Jensons performance measures were used to rank the funds.

Ms. Shalini Goyal, Ms. Dauly Bansal, (May-2013), "A Study On Mutual Funds in India": This essay focuses on the development of the mutual fund sector in India. Its beginnings, its growth and fall through the years, and an attempt to forecast what the future may contain for Mutual Fund Investors in the long run. This research looked at and compared the performance of several types of mutual funds in India, and found that equities funds outperformed income funds. This study also found that while equities fund managers have strong market timing abilities and institutional fund managers can time their investments, broker-operated funds do not. Furthermore, it has been demo-nstrated experimentally that fund managers can time their investments to market circumstances and have strong timing skill.

Ms. Shilpi Pala, Prof. Arti Chandani, (2014), "A Critical Analysis Of Selected Mutual Funds in India": Mutual funds collect funds from consumers and invest them in the stock and debt markets, allowing for portfolio diversification and relative risk aversion. Fixed-income funds are a type of mutual fund that invests in debt instruments that have been issued by enterprises, banks, or the government in India. In India, fixed-income funds are also known as debt funds or income funds.

The current study attempts to evaluate the performance of a few selected income or debt mutual funds schemes in India on the basis of their daily NAV using various statistical indicators.

Suresh A S, (Oct 2015), "Optimal Portfolio Construction: An Empirical Study On Selected Mutual Funds": The risk-return connection is an important factor to consider while making investing decisions. Despite the fact that

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studies have looked into the nature of the risk-return connection, investors always want to invest in a combination of funds that deliver the highest return with the lowest risk; therefore it is critical to build a portfolio that meets the investor's aims and objectives. The investor aims for the best possible return with the least amount of risk. There are some active investors out there. They conduct their own research and are aware of the aspects that may have an impact on their investments in the future. On the other hand, some investors are concerned and will only act if they perceive tangible benefits from the shift. Investors want a financial intermediary who can provide the necessary information and professional competence for successful investment as financial markets become more sophisticated and complex. An individual's or an organization's goal is to suit the needs of investors, maximising returns while reducing risk through proper diversification.

M. Guruprasad, (Feb 2019), "Mutual Fund Industry In India :- An Analytical Study Of Various Brands And Schemes – Study On Financial Performance And Customer Preference": This study makes an effort to comprehend the performance and preference of mutual fund products and services in India and analyses it from a marketing and financial point of view. As a result, the research analysis includes marketing research tools and methodologies to understand client preferences and financial analysis to understand the performance of various mutual funds. According to the results of the poll, people are becoming more aware of mutual funds over time. This is also supported by the industry's overall growth and the creation of a variety of programmes. Agents, family, and friends are among the persons who urge investors to invest in mutual funds.

RESEARCH METHODOLOGY

Research methodology is the unique strategies or techniques used to identify, choose, process, and analyse information approximately a subject. In a research paper, the technique section permits the reader to significantly examine a look at overall validity and reliability.

OBJECTIVE OF THE RESEARCH

➢To understand about the working of Mutual Funds.

➢To determine the level of public awareness of mutual funds.

➢To determine if retail investors prefer Mutual Funds to alternative Investment Schemes with an comparative analysis of various mutual fund schemes.

To construct an optimal mutual fund portfolio.

SOURCES FOR DATA COLLECTION METHOD WHICH WAS USED IN RESEARCH

By using primary source for data collection. Reason behind selecting this source is that the primary data is tailored specifically to meet the demands or requirements of a particular research. As our objective was to analyse the consumer satisfaction regarding Mutual Funds and that can be done easily by taking consumer's direct opinion. For that purpose, Questionnaire is the best way as the basic objective of questionnaire was to collect adequate information.

We have used online survey to carry out this research (through email and social media).

METHODOLOGY

• **Universe/Population:** The universe for the study comprised of the people who invest their money in Mutual Funds. The required data was collected from 85 people.

• **Sample & Sampling Units-** The sample was collected from those people who are investing in mutual funds for the purpose of achieving their financial goals and the sampling unit is the businessman, services and students. A Sampling unit is one of the units selected for the purpose of sampling. Each unit being regarded as individual and indivisible when the selection is made. So, the sampling unit here was that individuals who acted as an individual unit in the entire sample and who was approached for the research to be conducted.

• **Sample Size-** Sample size measures the number of individual samples measured or observations used in a survey or experiment. The sample size taken for this research is 85.

• **Sampling Technique Used:**
Random Sampling as the sampling technique. Random sampling is a part of the sampling technique in which each sample has an equal probability of being chosen and it is meant to be an unbiased representation of the total population.

DATA ANALYSIS & INTERPRETATION

Data Analysis design:
The study has used various statistical tools for the analysis of data. They are
• Percentage Analysis
• Pie charts.

Analysis & Interpretation:
This is the qualitative data presented in statistical form to simple the process of analysis. It consists of questions which are included in the survey.
The analysis for the data collected is presented as under-

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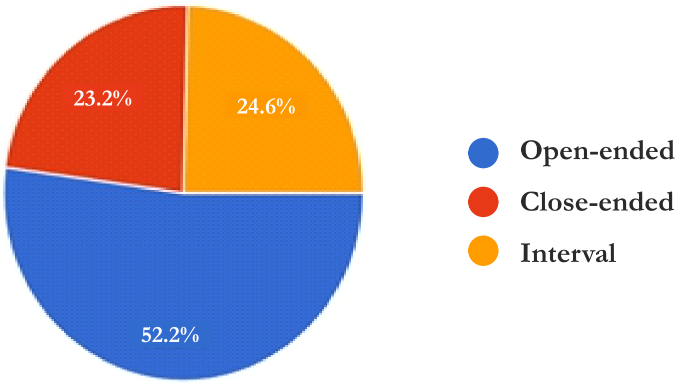
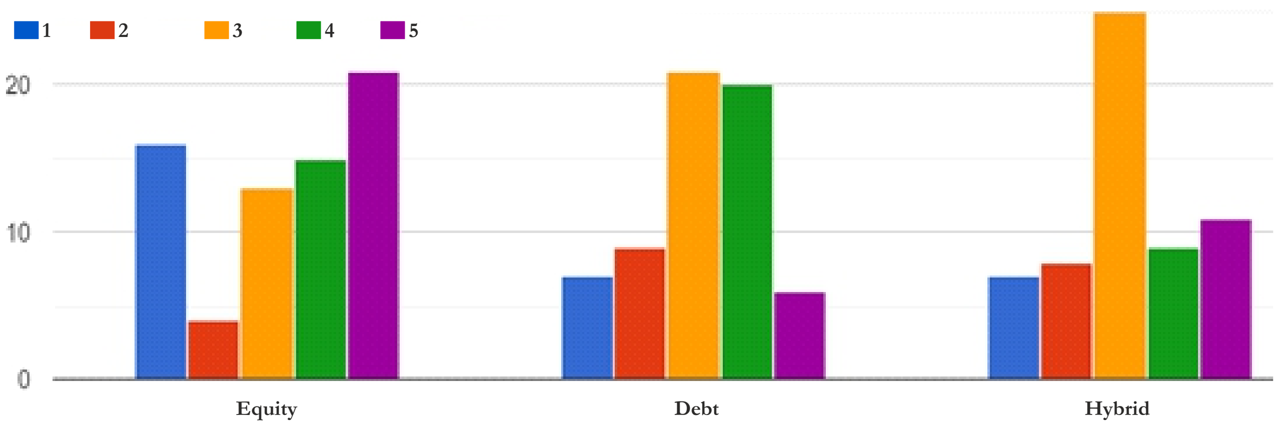
TYPE OF MUTUAL FUND SCHEMES' MOSTLY INVESTED.



Above pie chart shows Highest percentage of 52.2% in Open-ended then 23.2% Close-ended and lowest is scored by Interval with 24.6%. Therefore, no matter in which profession they are but they are more interested in open ended funds, as in open ended funds you can enter & exit at any time whenever they want & there is no more advantage that if people feels that the market is going down they can exit at any time. That's why people prefer that the most.

ANALYSIS OF THE ASSET CLASSES WHICH ARE MOSTLY INVESTED. RANKED ON A SCALE OF 1-5, WITH 1 BEING THE LOWEST & 5 BEING THE HIGHEST.



	1	2	3	4	5	Highest frequency
Equity	16	14	19	15	21	21
Debt	7	9	21	20	28	28
Hybrid	12	8	25	19	21	25
Mean	= =16+7+12/3 =11.67 or 12	=14+9+8/3 =10.33 or 10	=19+21+ 25/3 =21.67 or 22	=15+20+19/3= 18	=21+28+21/3 =23.33 or 23	
SD	=4.52	= 3.24	=3.08	=2.64	=4.06	

MODE: DEBT (THE VALUE AT WHICH THE FREQUENCY IS HIGHEST, THAT VALUE IS THE MODE).

$$\bar{X} = \frac{\sum x}{n}$$

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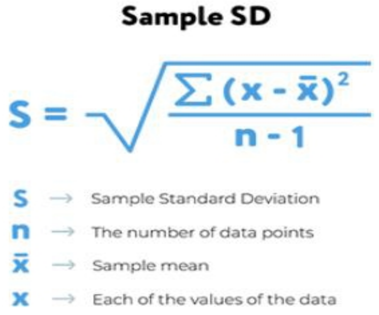
STANDARD DEVIATION



$$S1 = \sqrt{\frac{(16-12)^2+(7-12)^2+(12-12)^2}{(3-1)}} = 4.52$$

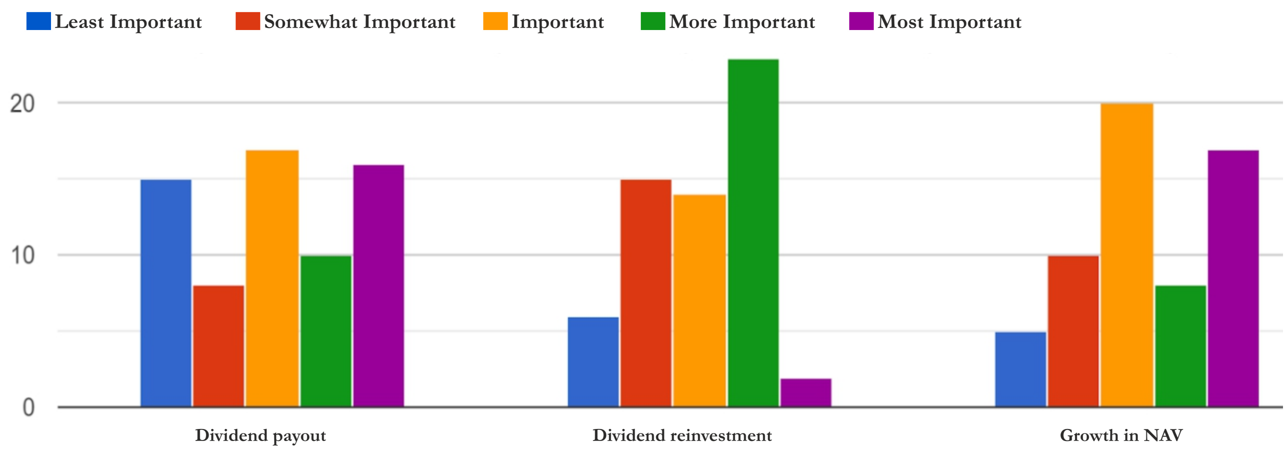
$$S2 = \sqrt{\frac{(14-10)^2+(9-10)^2+(8-10)^2}{(3-1)}} = 3.24$$

$$S3 = \sqrt{\frac{(19-22)^2+(21-22)^2+(25-22)^2}{(3-1)}} = 3.08$$

$$S4 = \sqrt{\frac{(15-8)^2+(20-18)^2+(19-18)^2}{(3-1)}} = 2.64$$

$$S5 = \sqrt{\frac{(21-23)^2+(28-23)^2+(21-23)^2}{(3-1)}} = 4.06$$

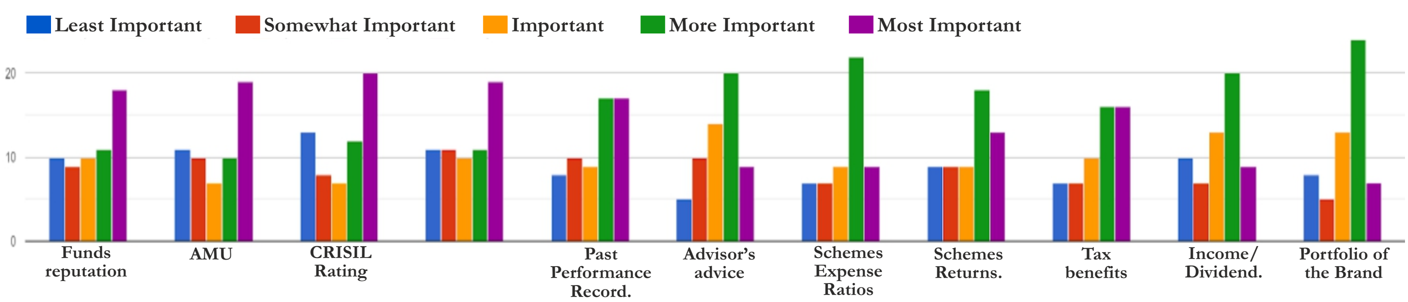
An asset class is a grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations. Mostly preferred asset class by investors are Equity, Debt & Hybrid funds. Highest rating are given to the Hybrid Funds as they give high returns to the investor. Hence, ratings are shown in above bar chart.



Funds are mostly chosen based on the Return factor. There are only three kind of Return methods among which the most preferable is Growth Plan are: Dividend Pay-out, Dividend Reinvestment & Growth in NAV. Dividend Pay-out refers to when a firm pays its shareholders through dividend distributions. Dividend Reinvestment: A hybrid investment approach known as a dividend reinvestment plan combines the benefits of dividend and growth investing. Growth in NAV: The value of a fund's assets less any obligations and costs is its net asset value. The price at which investors can purchase or sell units of the fund is represented by the NAV (on a per-share basis). The NAV rises as the value of the securities in the fund does.

Hence, ranking & ratings are shown in the above pie chart. Portfolio management is the tough task, not everyone does this it leads to much experience, expertise, etc. that why people prefer the advices or consultancy form others. Above pie chart shows this only that Advisor gets the highest with 40% then second highest is the Third party with 30% after that 20% with Self And lowest is achieved by Others with 10%.

FUNDS ARE SELECTED ON THE DIFFERENT BASIS AS PER DIFFERENT PERCEPTION OF INDIVIDUALS. SHOWN BY RANKING IN FIGURES BELOW.



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Before investing in the mutual funds, investors select funds on the basis of some points are: The Funds/Company reputation, AMU, CRISIL Rating, ET, Money Control, Value research, etc., Past Performance Record, Advisors Advice, Schemes Expense Ratios, Schemes Returns, Tax Benefits, Income/ Dividend, Portfolio of the brand, etc. Above bar graphs shows the rating of each option based on the criteria of scale least important, somewhat important, important, more important & most important.

CONCLUSIONS AND RECOMMENDATIONS

People used to hold money in the sense that they held it in cash or other safe locations for a long time, but today's population is more aware of the various investment options that are essential to the growth of their financial resources. Instead of choosing from a variety of investment options, salaried workers choose to put their money in a medium-risk choice that offers the highest returns for a reasonable level of risk. Pitching your desired service becomes much simpler if you are well-versed in your product, have solid communication skills, and the poise to listen to what your consumer has to say. In the first 10 minutes, a customer always expresses his desires; after that, she or he is often clueless. Your abilities will be put to use at that point. It all comes down to interpretation and comm-unication.

"MONEY NEVER GROWS ON ITS OWN, YOU SHALL HAVE TO INVEST AN INVEST WISELY TO MAKE IT GROW."

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