

A STUDY ON ROLE OF AMC IN INVESTMENT DECISIONS

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ABSTRACT

In making investment decisions, the investors need support of others in the selection of various investment alternatives. In this regard, AMC plays an important role and suggest the investor about profitable investments and also managing investor's portfolio. The present study focuses on the role and responsibilities of AMC, how they manage funds in most efficient manner. Every Asset management Company will have fund managers who manage the investor's funds in the form of investment in various financial instruments. Fund managers mostly invest in debt instruments and mutual funds to maximize their profits. The present study helps the investors to understand investment environment.

Key Words: *Asset Management Company, Investor, Profitability, Fund Managers, Investment Decisions.*

I. INTRODUCTION

In the financial industry, an asset management company (AMC) is a firm that invests on its clients' behalf in a pooled fund of money. The funds are used to finance a diverse range of investments across a broad range of asset classes. Investment companies are referred to by a variety of different names, including money managers and money management organisations. Investing in mutual funds is a kind of trust that pools the money of a group of people who have similar financial objectives. Capital market instruments such as stocks, bonds, and other assets are purchased using the cash raised and then invested in the capital market. Individual investors often lack the expertise and resources required to earn consistently strong investment returns over an extended period of time. Therefore, many investors place their confidence in asset management organisations to invest their money on behalf of the investors.

Asset management organisations are often made up of a group of financial professionals that have a wide variety of market expertise within their ranks. Because they have a large amount of pooled resources, they have the ability to generate returns for investors via diversification and intricate investment approaches.

Customers of asset management companies (AMCs) are often charged a fee based on a percentage of the total assets under management (AUM). The total amount of capital given by investors is referred to as the AUM (total amount of money).

Hedge funds are notorious for collecting hefty fees, which may reach as high as 20 percent in certain cases. Hedge funds, on the other hand, generate profits via the use of more unusual and aggressive investment strategies than traditional financial institutions.

In proportion to the amount of units held by unit holders, the income earned by these assets, as well as any capital gains, are divided to them. As a consequence, a mutual fund is the greatest investment for the typical individual since it

enables them to invest in a diversified, professionally managed basket of assets at a fair cost while also providing tax advantages.

II. PROBLEM STATEMENT

The fund's portfolio is primarily dependent on research and analysis of asset class performance, as well as on the performance of individual assets. Investment decisions are made based on the fund's objectives by fund managers after experts have examined market, microeconomic, and macroeconomic aspects and submitted their conclusions to the management.

An AMC often employs a team of researchers and analysts who provide regular updates to the fund's management on new market developments and trends. On the basis of these outcomes and the fund's investment objectives, the fund manager determines which securities to buy or sell and when to do so. This is the method through which a firm develops a portfolio, which is highly relied on the expertise and competency of the fund manager.

III. NEED & IMPORTANCE OF THE STUDY

Corporate entities that receive money from individual and institutional investors and invest it in a range of assets are known as asset management firms (AMCs). The money is invested in capital assets, such as stocks, real estate, bonds, and other comparable assets, among other things. To handle investments, asset management businesses employ professionals known as fund managers, while a research team is tasked with identifying the most relevant stocks. Investment opportunities that are compatible with the fund's objectives are selected by the fund's management. Investing in bonds and government securities, for example, may help to ensure the long-term security of an investment while also generating a regular return. An equity fund is a kind of investment that mainly invests in business stock in order to maximise profits for investors.

IV. SCOPE OF THE STUDY

The scope of the study is limited to open-ended equity plans from three asset management Companies (Reliance Capital, Franklin Templeton, and HDFC Mutual Funds). Using various metrics like as returns, service, and customer happiness, each scheme is evaluated in relation to the others.

V. REVIEW OF LITERATURE

Caterina Camus, Riccardo Brancaleon (2003) specifically, the paper describes a prototype software package that allows users to create patent collections and then organise and automatically update them in order to better manage the intellectual assets of their companies. Its technologies assist in the monitoring of technological trends as well as the execution of competitive intelligence strategies. It enables a decision-maker to evaluate the facts and develop a strategic plan that is successful.

Schuman and Alan (2005) In part because of its inherent complexity, asset management is often one of the last options for maximising cost savings in a competitive global economy, which is especially true in many developing countries.

Asset management must consider the stages of commissioning, operation, and end-of-life of physical assets before beginning a design and implementation project in the process industry. In contrast, current asset management systems

expose inefficiencies when it comes to tackling life cycle costs and other aspects of sustainable development in a comprehensive manner. It is necessary to establish an asset life cycle management (ALCM) model for assets in the process sector in order to address these inefficiencies. This model combines the ideas of general project management frameworks and systems engineering with the principles of operational dependability.

Alexander Kouzmin (2001) Knowledge has grown into one of the most important, if not the most important, intangible assets for businesses in terms of gaining a competitive advantage. These findings are in spite of widespread and especially severe economic and cognitive discounting of information as an important component of production, which mostly overlooks the fact that knowledge is generated and managed by people in their social environments. Intellectual abilities, as well as developments in knowledge and information, have taken centre stage in the context of globalising information economy.

Banu Geanina Silviana (2019) identified a major problem that businesses must handle is the accurate and efficient identification, classification, and treatment of intangible assets. It is particularly true in the case of intellectual property assets, which need specialised expertise as well as deployment of available resources. In order to develop a dynamic process flow capable of gathering and preserving value from intellectual assets via management process documentation, analysis, simulation, and evaluation, a standard syntax and a Business Process Modeling (BPM) tool are used in conjunction with a BPM tool.

VI. OBJECTIVES OF THE STUDY

The primary objective of the study is to analyze the role of AMCs in fund management. The secondary objectives are:

1. To create awareness about AMCs and Investment avenues.
2. To evaluate the performance of various AMCs in terms of returns, service and investor's satisfaction.
3. To recommend profitable investments on the basis of AMCs' performance.

VII. HYPOTHESES FOR THE STUDY

H1: There is no association between the type of investment and the annual management fee.

H2 There is no significant link between fund manager performance and AMC.

H3 There is no significant association between AMC performance and Individual fund performance.

RESEARCH METHODOLOGY: The present study is exploratory in nature. The data collection based on both primary and secondary sources. A structured questionnaire used to collect primary data. A simple random sampling techniques used. A sample of 100 respondents chosen for the study. The Sample unit consists of active participants in Mutual funds. The secondary data collected from newspapers, books, magazines, company records, and the internet, among other sources. Correlation Analysis, Standard deviation and simple average used for the study.

LIMITATIONS OF THE STUDY

1. Despite the fact that everyone used to be really helpful, unable to get all of the information from the concerned authorities to preserve the company's trade secrets.
2. It is difficult to fulfil all of the company's responsibilities.
3. Time is a major constraint in the study. i.e., 45 days duration is not sufficient enough to cover entire population.
4. Only Open ended Mutual Funds were selected for the Analysis.

VIII. RESULT ANALYSIS:

1. Investment Decision & Age group:

Response	Respondents	%
20-35	10	10%
36-45	40	40%
46-55	28	28%
56 above	22	22%
Interpretation	From the above chart, most of the investors belongs to 36 to 45 years age group considered as most active participants in Mutual Funds.	

2. Investment Decision and Occupation:

Response	Respondents	%
Private job	54	54%
Govt.job	22	22%
Business	10	10%
House wife	12	12%
Retired	2	2%
Interpretation	From the above chart, it is clear that majority 54% of the investors belongs to private jobs.	

3. Investment Decision and Annual income:

Response	Respondents	%
Less than 1.5 lakhs	33	33%
1.5 lakhs-2.5 lakhs	27	27%
3.5 lakhs-5 lakhs	22	22%
5 lakh above	18	18%
Total	100	100%
Interpretation	From the above analysis, 33% respondents under income group Less than 1.5	

	lakhs invested in mutual funds.
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4. **Percentage of Investment Responses:**

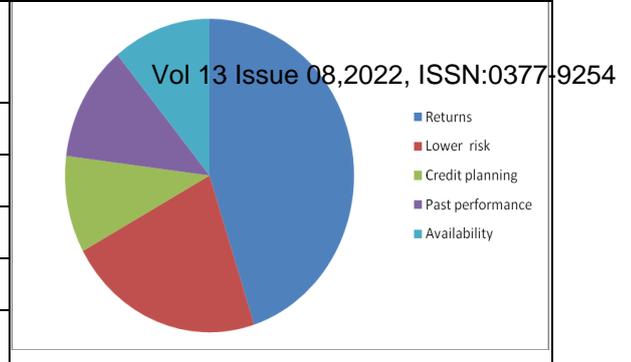
Response	Respondents	%
5 %-10 %	72	72%
11%-20%	14	14%
21%-50%	2	2%
50% and above	12	12%
Interpretation	The above chart depicts that 72% of the respondents shown positive response towards various Investment avenues.	

5. **Investment Objectives and Investment Decisions:**

Response	Respondents	%
Returns	23	23%
Lower Risk	15	15%
Credit Rating	8	8%
Company	22	22%
Lock in Period	32	32%
Interpretation	The above chart and table shows that most of the investors i.e., 32% prefer investment holding period as their investment objective. About 23% of the investors invest to acquire returns	

6. Reason for preferring Mutual Funds

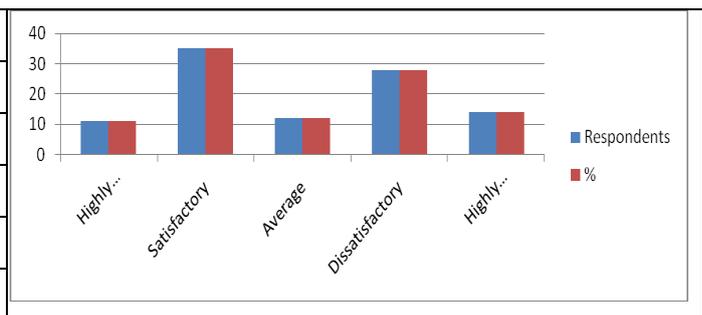
Response	Respondent's Preferences	%
Journal of Engineering Sciences		
Returns	45	45
Lower risk	22	22
Credit planning	10	10
Past performance	12	12
Availability	11	11



Interpretation From the analysis it is clear that about 45% of the respondents prefer mutual funds only to maximise returns, about 22% of the investors shown interest due to low risk.

7. How do you rate the services provided by the Asset Management Company (AMC)?

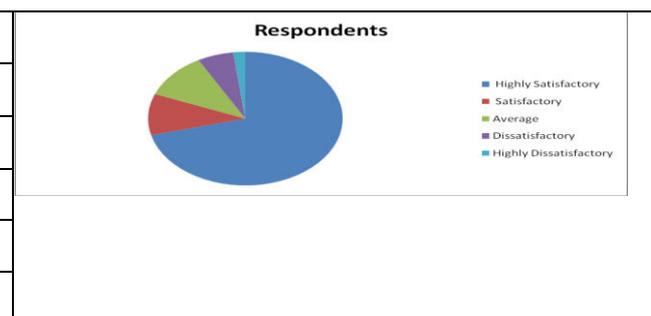
Response	Respondents	%
Highly Satisfactory	11	11
Satisfactory	35	35
Average	12	12
Dissatisfactory	28	28
Highly Dissatisfactory	14	14



Interpretation From the analysis, only 11% of the investors highly satisfied with the services of AMC, 35% of them expressed their satisfaction and 28% of them dissatisfied with AMC services. The reason is that sometimes due to high volatility, economic and political factors influence the investment decisions. As a result the AMC may not support to the investors in timely actions.

8. How do you feel about transaction charges charged by the Asset Management Company (AMC)?

Response	Respondents	%
Highly Satisfactory	71	71
Satisfactory	10	10
Average	11	11
Dissatisfactory	6	6
Highly Dissatisfactory	2	2



Interpretation The above diagram reveals that the transaction charges of mutual funds very low in comparison to that of other investment avenues. Due to lower transaction charges about 71% of the respondents highly satisfied.

9. Is your AMC providing any investment advices on mutual funds?

Response	Respondents	%
Highly Satisfactory	35	35
Satisfactory	27	27
Average	12	12
Dissatisfactory	14	14
Highly Dissatisfactory	12	12
Interpretation	From the above analysis it is clear that investors seek valuable advices from the AMCs towards investment in mutual funds. More than 35% of the respondents happy highly satisfied by the AMC advices.	

10 Do you feel comfortable with software provided by the AMC for the mutual fund transaction?

Response	Respondents	%
Highly Satisfactory	11	11
Satisfactory	15	15
Average	54	54
Dissatisfactory	18	18
Highly Dissatisfactory	2	2
Interpretation	The analysis about the use of sophisticated technology by the AMC, 54% of the respondents not comfortable due to lack of technical knowledge	

IX. OBSERVATIONS

1. From the above analysis out of 105 nearly 89.5% of respondents belongs to 20-30yrs of age shown interest towards mutual funds from above graph reveals that majority of responses belongs to private sector having interest in mutual funds and AMC's
2. From the above analysis it is clear that above 45.3% falls under 1.5 to 2.5 lakhs income group willing to invest in mutual funds maximum majority of responses from the above data it is clear i.e., 5% to 10% of invested in the investment group out of 105 members 65 members are showing interest
3. The above diagrams depicts that a majority proportion of respondents spend only 5%-10% of income their on investments avenues.

4. From the above analysis it is understood that majority of responses is i.e, (51.4%) 54 responses are shown interest to long term investment the above pie chart clearly indicate that most of the responses 39% 41 out of 105 are invested in the equity based schemes it is clearly understood from the above diagram that most of the responses 47 out of 105 members preferred open ended schemes
5. In the open ended schemes any time we can enter and exit from the investment without any restrictions because there is no entry and exist barriers out of 105 responses (68.9%) 73members most of them are planning to reinvest in mutual fund schemes
6. Out of 105 responses (39.6%)42 members are satisfied for rating the services provided by the Asset Management Company out of 105 responses (42.5%)45 are satisfied for the transaction charges charged by the Asset Management Company (AMC)
7. Out of 105 responses (44.3%)47 members are satisfied with AMC investment advices on mutual funds.
8. Out of 105 responses (41.5%) 44are satisfied with software provided by the AMC for the mutual fund transaction.
9. Out of 105 responses (41.5%)44 are satisfied with the information availability in AMC website /office about mutual funds

X. FINDINGS

1. It is observed that the age group of 20 to 35 years shown more interest towards open-ended mutual funds.
2. 54% of the investors who belongs to private sector interested to invest in mutual funds.
3. There is no impact of income on investment decisions. Irrespective of their level of income, 33% respondents shown interest in mutual funds.
4. 72% of the respondents shown positive response towards various Investment avenues.
5. The investment objectives differ from person to person based on their risk tolerance levels. It is observed that 32% prefer investment holding period as their investment objective. About 23% of the investors invest to acquire returns.
6. In general, investors risk averse in nature. Based on risk and return investors tend to invest. 45% of the respondents prefer mutual funds only to maximise returns, about 22% of the investors shown interest due to low risk.
7. It is necessary to get supportive services from the AMC to the investors so that it will be helpful to assess profitable and non-profitable investment avenues. The reason is that sometimes due to high volatility, economic and political factors influence the investment decisions. As a result the AMC may not support to the investors in timely actions.
8. In terms of transaction charges, AMCs provide lower transaction charges in comparison of other investment avenues. Due to lower transaction charges about 71% of the respondents highly satisfied.

9. Every investor expects returns on investment through valuable advices from the AMCs. More than 35% of the respondents highly satisfied with AMC advices.
10. Majority of the investors expressed discomfort with technology adopted by the AMC. Lack of technical knowledge is the main reason.

XI. SUGGESTIONS/RECOMMENDATIONS:

- To create awareness about the role of AMCs, schemes of Mutual funds the company should organize awareness programmes.
- Provide necessary training to the fund managers to support investors in providing profitable mutual fund schemes.
- It is essential to strengthen cordial relationships with investors for business development.
- None of those who answered the survey invested their money in different investment ventures.
- It will be possible for the company to deliver online services to retail investors as a consequence of its presence on the internet.
- Most of the people continue to prefer to invest in post office plans and fixed deposits, in order to attract the investors, it is necessary to provide qualitative services by the AMC.

XII. CONCLUSION

Everyone needs wealth for different purposes. The basic idea behind this study is to provide necessary inputs such as Investment Avenues, Holding period, Risk-return parameters, role of AMCs in fund management etc. With this information the investors can make wise decisions towards various investment alternatives based on their investment objectives and risk tolerance levels.

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