

# Behaviour of Investors towards Asset Management Companies of India

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**Abstract:** Asset management professionals performing services for their clients is to maximise returns while minimising risk for their clients. An in-depth study shows “How investors choose their best asset management companies”, thereby getting the best investment opportunities in the ever-changing environment for futuristic needs. The ultimate outcome of their investment is to make profitable investments. Source of information getting under survey methods for different types of investors for different asset management companies in India. Choosing the right choice of investment in asset management companies is purely based on investor behavioural decisions. Using survey methods, data is collected from 400 investors under different investor categories, like conservative, moderate, aggressive.

The main aim of the presenting paper is to find out the investors' behaviour in asset management companies. Used survey methods, for measuring the various phenomena. analysed the collected data effectively and efficiently to draw the sound outcomes. However, a number of statistical techniques such as, Correlation, Reliability Statistics and ANOVA is used for analysing the predominant factors responsible for investment in asset management companies.

**Keywords:** Market risk and Return, Investor psychology, personal finance, financial planning, Environmental Factors, Risk Diversification etc.

## 1. INTRODUCTION

Investors have a philosophy stating that “A person contributes capital towards an asset with the expectation that the value of that asset will be higher when it comes time to sell or liquate the asset”. Further, the paper describes how investors choose their AMC companies for selecting the right investment opportunities and fulfilling their financial needs in the future. Similarly, AMC companies understand their investors' behaviour and identify their needs and work to accomplish the financial goals.

Investors have categorised into three types:

### **Conservative Investors:**

Typically invest in securities and fixed income securities, that are less risky. Their portfolio has less of an equity component and more on debt securities.

### **Moderate Investors:**

Their investment mainly consists of Mutual funds, bonds, fundamentally strong companies, equity shares etc. They try to balance their risk and return more judiciously than the two other types of investors.

### **Aggressive Investors:**

They take a high risk on investment in order to obtain high returns. They follow market movements. Their portfolio consists of speculative equity shares and have less of debt component. The ability to take risk largely depends on Requirement for income and knowledge about risk Past experience with investing etc

Asset Management companies or Mutual fund companies mean an institution that manages clients' investments. These clients can be individuals, businesses (or) institutions. an asset management company pools money from its

clients and invests it in various asset classes such as stock, bonds and real estate, Securities, Gold, Commodity etc, to generate returns for various portfolios across capital market.

#### **How do Asset Management Companies Work:**

Asset management companies pooled investors' money and put a wide range of portfolio investments under different sectors into capital markets. These companies are built and administered by mutual funds, index funds, exchange traded funds, provide access to bond markets, real estate and private equity and more, which they can manage in centralised portfolios.

Because they have a larger pool of resources than the individual investor could access on their own, AMC's provide investors with more diversification and investing options. Buying for so many clients allow AMC's to practice economies of scale, often getting a discount on their purchases.

Pooling assets and paying out proportional returns also allows investors to avoid the minimum investment requirements often required when purchasing securities on their own, as well as the ability to invest in a larger assortment of securities with a smaller amount of investment funds.

#### **Purpose of an Asset Management Companies:**

Asset management firms provide the service of buying and selling assets on behalf of their clients. There are many types of asset managers, with some working for family offices and wealthy individuals and others working on behalf of major banks and institutional investors.

#### **Goals of an Asset Management Companies:**

The goal of asset management is to maximise the value of an investment portfolio over time while maintaining an acceptable level of risk, in order to improve operations and make the organisation more effective by considering the full investment and life cycle of assets.

#### **Challenges in Asset Management Companies:**

The challenges are driven by the needs for greater efficiency, investment diversification, regulatory demands and scalability. Growing private market allocations are increasingly challenging the operating models of asset managers and asset owners.

## **2. REVIEW OF LITERATURE**

Dr. M. Ramesh, Ms. V.V. Rupa Devi et.al 2022, Asset management companies provide a novel way of mobilizing small investors and allowing them to participate in the equity and other securities of industries in different sectors with low risk. Investors of all categories could choose to invest their own in multiple options but opt for mutual funds for the sole reason that all benefits come in a package

Neeraj Shukla, Shipra Shukla et.al 2021, Mutual Funds are very popular among investors. This can be a highly productive return and lower risk level. Besides, it provides an opportunity for low-income individuals to directly participate in the financial market through which they can increase their return at lower risk.

Soumya Guha Deb et.al 2019, Financial markets in emerging economies like India are not fully efficient in the short term and that past the performance of managed portfolios can have some useful information for investors, to assess the possible future performance. Consequently, we believe that has significant implications for all stakeholders in the mutual fund industry, for India in particular, and emerging markets in general.

Varun Sagar Singal<sup>1</sup> and Dr. Rishi Manrai et.al 2018, Investor behaviour is an important tool for making their investment decisions. Investors should understand the factors such as level of awareness and impact of the date of inception of the fund which play a significant role in guiding the investment decision making process of a retail investor. The retail investors are divided into various categories, so that the right product will be served to the right customer. Not all categories of investors take risk and there are some retail investors who prefer to take risk, while some other investors want security or post-retirement benefits, etc. The funds should make schemes which could suit investor needs.

Dr. Haşim bağıci et.al 2018, Investors' individual operations in financial markets decisions need to be well analysed and assessed on factors that influence when making investment decisions. Due to fluctuations in markets are not meaningful. Some of the factors which affect the investment for individual investors are personal, social situations, investment preferences and level of knowledge and a few general factors such as state policies, income levels, economic stability and experience. From a behavioural finance perspective, investors are not only influenced by economic and financial indicators while making their decisions. Investors, acting on the basis of past experiences, are influenced by some psychological factors according to the state of perception and shape.

Risk return and risk exposure to minimize that diversification are the most important variables in choosing investment instruments and individual sources of information come up with individual evaluations, analysis and reports.

R. Trivedi, P. K. Swain and H. Dash et.al 2017, Financial literacy among the people will definitely bring huge success to this industry. For that reason, the government is looking to provide financial studies at school level. Adults who are already mutual fund investors should not withdraw from them as they attain experience in the field. Furthermore, organizations have to boost themselves. Companies should educate the public about the benefits of mutual funds through advertisements, publicity campaigns and having stalling exhibitions. The District Adoption Program [DAP] and the Investor Awareness Program [IAP] done by each AMC are aimed at improving awareness about mutual funds in locations that have nil or minimal penetration of mutual funds.

Ayaluru Muralidhar Prasad et.al 2016, If the investor has a low risk profile and is ready to accept normal returns, it can be an option for tax savings only. moreover, funds are suitable for every type of investor and they choose the fund based on the investors' choice like risk and return.

Aratrika Deb et.al 2015, Investors are now investing their money in asset management companies, an increase across the globe. ASM companies in the global world, how to run businesses and how to deal with the unprecedented growth of asset management companies in the world economy. AMC are being constantly regulated by Sebi in order to prevent abuse of power and money in their hands. In order to carry out the business to abide by regulations and guidelines, it is mandatory on the part of their companies.

Ratheesh K Nair et.al 2014, Mutual funds are a powerful tool and financial product to mobilize scattered savings among investors and channelize these funds to their different sectors into the capital markets and, thereby, the country can develop economically.

Dr Vikas Choudhary, and Preeti Sehgal Chawla et.al.2014, The mutual fund is the most suitable investment option for the ordinary person as it offers to invest in a diversified, well-professionally managed basket of securities at a relatively low cost. And also, mutual fund companies or asset management companies give a wide choice of investment options for investors. Among a wide variety of funds with an equity diversified portfolio, it is considered as a substitute for direct stock market investment.

Zaheeruddin et.al 2013, Retail investors who make an investment in mutual funds are one of the best sources of investments in the capital markets of the country. If thoroughly assessed, it may give big returns with little savings

### 3. OBJECTIVES

To analyse the risk and return relationship of selected asset management companies in India

To find out an influence on investors' behaviour, they can choose their options for diversified portfolio investment as well as professionally managed ASM companies.

To analyse the factors of the environment which influence investors' behaviour

To find a choice of investment options for the future along with asset management companies.

Analysis and Interpretation

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.495	.633	6

**Summary Item Statistics**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	No of Items
Item Variances	3958.333	1250.000	12916.667	11666.667	10.333	21302083.333	6
Inter-Item Correlations	.224	-.866	1.000	1.866	-1.155	.362	6

**Scale Statistics**

Mean	Variance	Std. Deviation	No of Items
600.0000	40416.667	201.03897	6

**ANOVA**

		Sum of Squares	df	Mean Square	F	Sig
Between People		20208.333	3	6736.111		
Within People	Between Items	.000	5	.000	.000	1.000
	Residual	51041.667	15	3402.778		
	Total	51041.667	20	2552.083		
Total		71250.000	23	3097.826		
Grand Mean = 100.0000						

Interpretation:

Item variance represent the amount of variability or dispersion in response to individual items in a questionnaire or test. It tells you how many responses to each item vary from one respondent to another. The values are provided for each item are as follows:

Item 1: 3958.333

Item 2: 1250.000

Item 3: 12916.667

Item 4: 11666.667

Item 5: 10.333

Item 6: 21302083.333

Inter items correlations: Inter items correlations indicate the degree of association or relationship between different pairs of items in the assessment. These correlations can help assess the internal consistency or reliability of the test.

The values provided represent correlations between pairs of items, but it is unclear. If you need specific data, you would like to analyse it further. For instance, you could ask about the reliability of the test, the meaning of these correlations, or how to interpret these statistics in these contexts of a psychometric assessment.

**Correlations**

		Annual income	Hold to Invest in AMC	preferred Funds	Extent of Risk	Expected Returns	Types of Fund
Annual income	Pearson Correlation	1	1.000**	.866	-.052	.500	.000
	Sig. (2-tailed)		.000	.134	.948	.500	1.000
	N	4	4	4	4	4	4

Correlations							
		Annual income	Hold to Invest in AMC	preferred Funds	Extent of Risk	Expected Returns	Types of Fund
Hold to Invest in AMC	Pearson Correlation	1.000**	1	.866	-.052	.500	.000
	Sig. (2-tailed)	.000		.134	.948	.500	1.000
	N	4	4	4	4	4	4
Preferred Funds	Pearson Correlation	.866	.866	1	.359	.866	-.500
	Sig.(2-tailed)	.134	.134		.641	.134	.500
	N	4	4	4	4	4	4
Extent of Risk	Pearson Correlation	-.052	-.052	.359	1	.674	-.808
	Sig.(2-tailed)	.948	.948	.641		.326	.192
	N	4	4	4	4	4	4
Expected Returns	Pearson Correlation	.500	.500	.866	.674	1	-.866
	Sig.(2-tailed)	.500	.500	.134	.326		.134
	N	4	4	4	4	4	4
Types of Funds	Pearson Correlation	.000	.000	-.500	-.808	-.866	1
	Sig.(2-tailed)	1.000	1.000	.500	.192	.134	
	N	4	4	4	4	4	4

\*\* . Correlation is significant at the 0.01 level (2-tailed).

To provide a table of values and it appears to be related to a Financial or investment decision making context. Each row and column seem to represent different variables or aspects of investment decision making. Here's a breakdown of the information.

#### Variables:

**Annual income:** This could be the annual income of an individual or entity making investment decisions.

**Hold to invest in AMC:** This variable seems to be related to the decision to invest in an Asset management company (AMC). The values provided suggest different levels of willingness to invest in AMC.

**Preferred funds:** This variable may represent a preference for certain types of funds for investment.

**Extent of Risk:** This appears to represent the level of risk tolerance or willingness to take risk in investments.

**Expected Returns:** This variable could represent the expected returns on investment.

Types of funds: It seems to represent different types or categories of Investment funds.

#### Values:

The values provided in the table seem to represent either correlation or some form of relationships between these variables. The numbers appear to range from -1 to 1, which is typical of correlation coefficients. Here's how you can interpret some of the values:

The values of 1.000\*\*\* likely represents a perfect correlation or relationship between the variable and itself.

Values like .866, .641, etc represent positive correlations, including that as one variable increases, the other tends to increase as well.

Values like -.052, -.808, etc., represent negative correlations, indicating that as one variable increases, the other tends to decrease.

Values near zero, such as .000 or .134, suggest little to no correlation between the variables.

#### 4. OUTCOME OF THE STUDY

The above outcome of the study has shown the investor behaviour of asset management companies. Normally, investors have different mindsets for investing their money in AMC companies. Selected investors are with different schemes or funds in selected AMC as recommended by AMC distributors or others sources of information.

Normally, investors expect less risk or moderate risk in selected funds with greater returns in future. Generally, they are not aware of the stock markets and risk mitigation concepts and diversification techniques also Fund managers have taken responsible their investors pooling money have invested their moneys in securities markets with holds in some periods. Based on the market situation, fund managers have selected avenues for investing their money.

At the end of the results, whether AMC managers or fund managers are fulfilling the investor's objectives, we say that there is a good AMC company. Unfortunately, has selected AMC have not met their investors objectives, investors can diverse their investment on some other ways or another AMC companies.

Moderate investors mostly like to invest their money in AMC companies. Selected AMC companies have invested their money in moderate investors based upon Asset Manager reputations and continuously to monitor the performance of the company.

Finally, we have suggested that those companies have different kinds of schemes, excellent professional management, and maintain their good performance, so often that companies have gained more new investors and also existing investors are retained. They never divergence for some other investment options.

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