

Portfolio Management Strategies Among Nse Listed Mutual Fund Companies

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Abstract

How efficiently a company uses its assets to produce revenues from its principal business model is a key component of its financial performance. You can use this phrase to compare similar businesses in the same industry or across industries and sectors as a whole (Fama, 1992), and it's also used as a broad measure of a company's overall financial health over a certain period of time. The company's financial health can be used as a lens through which to assess its objectives and formulate strategies for growth. When talking about managing money, you can't avoid talking about portfolio management, which is the process of selecting which assets to hold in a portfolio in light of the owner's objectives and the market environment. Assets to buy, quantities to buy, timing of purchases, and sales are all part of the selection process. Not all investors have the same level of comfort with uncertainty. Mutual funds use specialised methods to get the most out of their investments. The predicted return on the portfolio and the accompanying risk are always taken into account when making such choices.

Key-Words: Financial Management, Portfolio Management, Economic Conditions, Economic Growth and Development.

Introduction and Problem Discussion

An investing strategy is a plan that an investor follows in order to determine which investments to include in their portfolio. Different people have different reasons for wanting to create

money, which means they need to use diverse methods to do so. This service aims to provide anonymous investors with the assistance of knowledgeable investment portfolio managers. In some cases, you'll have to weigh the potential benefits against the costs. It illustrates how a

diversified portfolio may minimise investment risk while maximising reward. It discusses the varying investment choices that individuals make and drills down into the specific risks that investors face. The process of building, selecting, modifying, and assessing a portfolio is also dissected in great detail. For efficient and effective portfolio design, this demonstrates many approaches to security analysis and theories of portfolio management. Diversification is a risk management and investing technique that includes holding a portfolio.

Investment firms rely heavily on their investments to generate revenue. The ability of the fund to provide promised retirement benefits or to accumulate enough for an appropriate income replacement depends crucially on the investment performance of the fund's assets. A manager's investment strategy is the method by which he or she evaluates and trades equities. There is a significant lack of competent portfolio managers all across the world. Managing a portfolio entails selecting assets for the portfolio in light of the investor's objectives and the market environment. Assets to buy, quantities to buy, timing of purchases, and sales are all part of the selection process. Not all investors have the same level of comfort with uncertainty. Mutual funds use specialised methods to get the most out of their investments. The predicted return on the portfolio and the accompanying risk are always taken into account when making such choices. It is common practise to evaluate investment portfolios by contrasting their predicted returns. The investor's specific objectives and situation also need to be taken into account.

A company's financial stability depends on the quality of its investment portfolio and credit management. The practise of managing and controlling the risks inherent in the management process is known as investment portfolio management. Everyone needs a long-term and short-term financial plan to help them make sound decisions about their money. Diversification is a risk management and investing technique that includes holding a portfolio. There has been a lot written on the portfolio choice dilemma and the best way to

allocate capital when faced with a number of different investment opportunities. According to Tornell (2010), real sector enterprises in developing nations may opt to invest in more liquid reversible assets in the financial sectors, which give comparable or greater rates of return on investments, rather than on irreversible permanent assets, due to the portfolio uncertain environment. Evaluating portfolio management entails looking at how risks are identified and mitigated within the investment process as a whole. The evaluation centres on the steps taken by management to foresee potential problems. Hence the researcher desires to know the answer for following research questions:

1. How far the portfolio management strategies influence on financial performance of Mutual Fund Companies.

Literature reviews

Project portfolio management's impact on Nigerian companies' bottom lines was studied by Okechukwu and Elizabeth Uzoamaka in 2017. The goals of this study were to regulate the impact efficient project portfolio management has on market share, determine the impact efficient project portfolio management has on lower pricing, and evaluate the impact efficient project portfolio management has on capital growth among businesses in Enugu, Nigeria. Market share for companies in Enugu was found to be highly affected by project portfolio management. The author argued that a company's productivity may be improved through better portfolio management. It was suggested that the project's management at each organisation take this as a mission to pursue continuous improvement.

The factors that attract FPI to developing Asian economies were spelled out by Agarwal (2018). Statistically significant predictors of foreign portfolio investment (FPI) were identified using regression analysis to be the real exchange rate, inflation rate, host capital market split, and indicators of economic movement in the global stock market capitalization. Inflation rate was found to have a negative relationship, while the other three factors all had positive

relationships. There was no statistically significant connection between the variables of commerce, FDI, and the current account.

Objective of the Study

- 1) To determine the effects of portfolio management strategies on financial performance of investment companies.

Hypothesis

Based on the above objective, the present study attempts to test the following hypothesis:

H₀: There is no impact of portfolio management strategies on financial performance of mutual fund companies.

Research Design

The research is analytical and empirical in nature, drawing from secondary sources.

Secondary sources such as the CMIE Database, the NSE website and the websites of the various Companies are mined for this research. The remaining necessary information was collected from a wide range of resources, including books, journals, websites, and periodicals. The research is based on secondary data gathered for the years 2012-13 through 2021-22.

Sampling Design

The study comprises secondary data of 10 investment companies in India based on the standings in the NSE during the study period. The companies are Reliance Capital Services, Religare Enterprises, Tata Investment Corporation, State Bank of India, HDFC Bank, ICICI Bank, Religare Enterprise, HDFC AMC, Axis Bank and Bajaj Auto.

Risk – Return Analysis

Table 1 : Annual and Average Returns

Companies	Return (R_p)	Risk (σ_p)	Beta (β_p)
AXIS BANK	4.22	0.04	0.02
BAJAJ AUTO	4.66	0.02	0.11
HDFC AMC	4.82	0.47	0.04
HDFC BANK	10.21	0.19	0.02
ICICI BANK	6.24	0.52	0.05
MAX FINANCIAL	4.27	0.66	0.03
RELIANCE CAPITAL	15.98	0.15	0.03
RELIGARE ENTERPRISES	5.69	0.06	0.01
STATE BANK OF INDIA	9.95	1.02	0.00
TATA INV CORP	5.42	0.44	0.05
Average	6.24	0.42	0.03

Source: Audited annual reports of selected companies

It is inferred from table that the risk – return analysis of selected Investment companies in India during the period from 2012-2013 to 2021-2022 using standard deviation and beta analysis.

The average standard deviation of Indian Investment Companies is 0.42, having the return of 6.24 and the beta of 0.03. The Reliance Capital

has the highest return of 15.98, followed by HDFC bank of 10.21.

Sharpe Ratio

Table 2: Sharpe Ratio

Companies	Sharpe ratio	Rank
AXIS BANK	3.96	9
BAJAJ AUTO	3.71	10
HDFC AMC	4.59	5
HDFC BANK	4.22	6
ICICI BANK	4.87	4
MAX FINANCIAL	4.16	7
RELIANCE CAPITAL	5.12	1
RELIGARE ENTERPRISES	4.96	3
STATE BANK OF INDIA	5.02	2
TATA INV CORP	4.08	8

Source: Audited annual reports of selected companies

Table 2 depicts the Sharpe ratio of the mutual fund companies in India during the study period from 2012-2013 to 2021-2022. It is clear from the table that Reliance Capital has the highest ratio of 5.12, followed by State Bank of India of

5.02. Hence, it is conferred that the return of a fund compensates the investor for the risk taken, since higher the Sharpe ratio better is the performance of the fund.

Treynor Ratio

Table 3: Treynor Ratio

Companies	Treynor's ratio	Rank
AXIS BANK	10.69	7
BAJAJ AUTO	11.66	3
HDFC AMC	10.87	6
HDFC BANK	10.11	9
ICICI BANK	11.38	4

PUNJAB NATIONAL BANK	11.06	5
RELIANCE CAPITAL	12.09	1
RELIGARE ENTERPRISES	10.32	8
STATE BANK OF INDIA	12.05	2
TATA INV CORP	9.97	10

Source: Audited annual reports of selected companies

It is inferred from the table denotes Treynor ratio of the mutual fund companies in India during the study period from 2012-2013 to 2021-2022. The Reliance Capital has the highest ratio of 12.09, followed by state bank of India of 12.05. Hence, it

is conferred that there are returns earned by the selected companies in excess to the risk free rate of return, for each unit of market risk assumed, since higher the Treynor ratio better is the performance of the fund.

Analysis of Portfolio Selection

Table 4: Jensen Measure

Companies	Jensen's Alpha	Rank
AXIS BANK	8.29	6
BAJAJ AUTO	10.98	2
HDFC AMC	6.21	8
HDFC BANK	5.97	10
ICICI BANK	9.25	3
PUNJAB NATIONAL BANK	7.02	7
RELIANCE CAPITAL	15.69	1
RELIGARE ENTERPRISES	9.03	4
STATE BANK OF INDIA	8.88	5
TAT INV CORP	6.01	9

Source: Audited annual reports of selected companies

It is depicted from table 4, the Jensen measure of the mutual fund companies in India during the study period from 2012-2013 to 2021-2022. The Reliance Capital has the highest ratio of 15.69, followed by Bajaj auto 10.98, and all the Investment Companies with positive Jensen measure but HDFC bank shows the negative

Jensen measure. Hence it denotes the better predictive ability of managers in portfolio selection.

Impact of Portfolio Selection of Financial Performance

H₀: There is no impact of portfolio management strategies on financial performance of mutual fund companies.

Table 5: Annual and Average Returns

Companies	DW Stat	R ²	F	P	Remark
AXIS BANK	1.08	0.42	23.55	0.00	H ₀ Rejected
BAJAJ AUTO	1.51	0.39	0.01	0.01	H ₀ Rejected
HDFC AMC	1.12	0.52	45.14	0.02	H ₀ Rejected
HDFC BANK	1.52	0.46	2.55	0.03	H ₀ Rejected
ICICI BANK	1.03	0.49	8.74	0.00	H ₀ Rejected
MAX FINANCIAL	1.31	0.29	5.85	0.01	H ₀ Rejected
RELIANCE CAPITAL	1.15	0.38	18.12	0.01	H ₀ Rejected
RELIGARE ENTERPRISES	1.25	0.26	19.02	0.05	H ₀ Rejected
STATE BANK OF INDIA	1.36	0.43	7.71	0.01	H ₀ Rejected
TATA INV CORP	1.12	0.40	6.02	0.01	H ₀ Rejected

Source: Audited annual reports of selected companies

The table above shows the regression analysis between portfolio management strategies and financial performance of selected mutual fund companies. The analysis shows R² values of all the companies and that denotes a significant contribution in financial performance provided by portfolio management strategies that they are following. The F-statistic is significant indicating the hypothesized relationship between the variables is validated. The values of Durbin-Watson statistic indicate that the model is not suffering from auto correlation problem. The calculated F value is significant for all the companies and hence, the null hypothesis is rejected and concluded that there is a significant impact of portfolio management strategies on financial performance of mutual fund companies.

Conclusion

The term "portfolio management" has become common parlance, and the practise itself is widespread in India. The current research shed light on the many facets of mutual fund companies' portfolio management strategies and the proportionate impact they have on the companies' bottom lines. Companies will often employ the services of professional portfolio managers to design investment portfolios with the best potential risk-return profiles for each individual investor. Because of this dramatic shift in the business landscape, mutual funds, investment consultants, and major brokers have begun engaging in professional portfolio management supported by sound research.

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