Abstract:
Profitable employments of spare funds generate income not for the saver but also have a positive impact on country’s economy, thus having two fold benefits. Despite the vast research on mutual funds, little is known is about mutual funds in Pakistan. The overall image that emerges from literature is that Islamic mutual funds are not flourishing in Pakistan. This is a comparative study that aims to study risk and return of mutual funds in Pakistan for the period of FY 2007 to FY 2012. This research investigated the performance of mutual funds on the basis of net asset values of conventional and Islamic funds with the help of Sharpe ratio, Jensen alpha and Treynor ratio. Results showed that in year 2008, 2010, 2011 and 2012 Conventional funds pay more return than Islamic funds and in period under analysis conventional funds are paying more returns in Pakistan than Islamic. Although growth of Islamic funds is not as high as conventional but one of their behaviors was seen in study that they are having hedging in time of crisis. So their inclusion in portfolio in time of crisis can be a good strategy.

Key words: conventional fund, Net asset value, Islamic funds.
INTRODUCTION:

Mutual funds are a sort of indirect investment. In this investment capital is gathered from different resources and then put into various securities. The thing that makes this investment different from other investment is presence of professionals for the management of funds. Investors gain returns in form of dividends, interest, capital gain or loss or net asset values (Mears, 2000). Initially mutual funds were introduced in Europe by a Dutch Merchant in 1774. In London was introduced in 1868 by Foreign & Colonial Government Trust now a day’s known as foreign & Colonial Investment Trust and in 1890s in United States (Rouwenhorst, 2004). Funds gain fame during 1920s. In the start most of funds were close ended (a type of fund that initially offered to public and then traded in secondary market between different traders) with fixed number of shares. First open ended (a sort of fund whose subscription and redemption is done on continual basis) mutual fund was introduced in 1924 by Massachusetts investor Trust; currently part of MFS Family of Fund. However, initially, close ended was preferred mean of investment. After the crash of stock market in 1929, for safeguarding investors, congress passed few acts like securities act of 1933 that bound all fund offering companies to register with Securities and Exchange Commission and issue prospectus for investors (Fink, 2008). These efforts bring back confidence of investors on stock market and this sector begins to flourish. Being a safe and reliable source of investment its equity kept on increasing with the passage of time.
Figure I: Global Mutual Fund Industry

Mutual funds in Pakistan were introduced in 1962, under the umbrella of National Investment Unit Trust (NIT). In line of it Investment Corporation of Pakistan was established in 1966. This offers a number of close ended mutual funds. Initially funds were offered by both public and private sector but in 70’s with the nationalization government role becomes more dominant in the management of funds (shah & Hijazi, 2005). But now picture has been changed completely. Private players are more in number than public and the mutual fund market. Securities exchange commission of Pakistan (SECP) is working as regulatory body and Mutual Fund Association of Pakistan (MUFAP) as representative of mutual funds in Pakistan, (Gohar, 2011). The presence of these two has increased investor’s confidence a lot.

Figure II-Industry Growth Source: MUFAP
Demand of mutual funds is increasing globally as other nations have increased the use of debt and equity securities rather than bank loans for financial use. Being such a strong market globally it does not have a strong market in Pakistan. Saving ratio in Pakistan in 2010-11 was 13.8%, (Pakistan Economic Survey, 2010-11) this ratio can be increased and the economy of Pakistan can also prosper by using new avenues of investments. An estimated 72 percent of people living in Muslim-majority countries do not use formal financial services (Honohon, 2007). So this gap can be filled by offering Islamic financing.

The market of Islamic finance is gaining wider acceptance in international arena especially in Islamic world due to shariah compliance services. Islamic financing was started to attract Gulf investors but it sooner spread in other regions of the world as well. The factors that make Islamic mutual fund different from conventional funds is the presence of shariah board for issuing fatwa related to permissibility of fund structure and investment, shariah compliant investment must adhere principles of accounting and auditing organization for Islamic finance (AAOIFI) that at first stage remove industries that involve non-shariah compliance industries and at second level remove companies with financial ratios exceeding acceptable level, shariah audit, custody of assets according to shariah principles, purification of income through donations and in case of failed trade interest is not charged (E&Y, IFIR, 2008).

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Global Islamic Fund Management Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated AuM (US$b)</th>
<th>Number of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>34.1</td>
<td>30</td>
</tr>
<tr>
<td>2006</td>
<td>36.1</td>
<td>20</td>
</tr>
<tr>
<td>2007</td>
<td>44.2</td>
<td>10</td>
</tr>
<tr>
<td>2008</td>
<td>44.4</td>
<td>9</td>
</tr>
<tr>
<td>2009</td>
<td>49.9</td>
<td>8</td>
</tr>
<tr>
<td>2010</td>
<td>58</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Eurekahedge, Zawya, Ernst & Young analysis

Figure III: Global Islamic Fund Industry
Islamic mutual funds do not have strong market in Pakistan in comparison of other Islamic countries. Islamic mutual funds were introduced in Pakistan in 1995 by al Meezan investment management limited. Financial system based on Islamic laws is spreading with a very high rate around the world. Globally in 2010, Islamic funds industry reaches to US$58 billion (Young, 2011). This industry continue to grow as its universe of Islamic fund managers is in excess of US$500 billion and keeps on growing at the rate of 10-15% annually. Estimated Islamic Finance is US$ 1,033 billion in that Islamic assets managed is US$321 billion with 31% growth rate from that Islamic fund represent only 5.6% of the total Islamic financial services industry (Young, 2011). In case of Pakistan’s Islamic mutual fund’s net assets in second quarter of fiscal year 2012 were Rs. 47.812billion (Mughal, 2012), this is too low in comparison of other Islamic countries.

Study of mutual funds is very important for the investors and research scholars. Most of the developed nations has strong base of equity financing. Some researchers directly link its growth with development of country. So in this situation it becomes necessary to work on this sector and measure its performance. There is wide literature available from other countries but unfortunately very little is known about Pakistani mutual funds. So I aim to address different dimensions of mutual funds in Pakistan.

**Objective:** To measure the performance of mutual funds in Pakistan on the basis of NAVs.

**Hypothesis:** Conventional funds pay more return than Islamic funds

**LITERATURE REVIEW**

Investors always pursue the mean of investment that turn out to be better return. From the commencement of funds it has been an area of research for decision makers, researchers and investors. In the light of my research problem I have reviewed research journals, annual reports, periodicals, thesis reports, economic surveys, and newspapers. The reviewed literature reveal mix trend of mutual funds around the world but one thing was clear from researcher at
different times that mutual fund industry flourishes with the growth of economy. The more country will be developed the more will be strong base of mutual fund in that industry.

Zafar et.al (2012) measured the performance of Indian mutual fund industry and found that this sector is having growing trend in India. Policies and regulations by government can strengthen this sector a lot. Jank (2011) worked to find out that macroeconomic news effect on market returns and flow of equity funds. He found that mutual funds flows predict real economy and these flows can be explained with the help of default spread, relative T-Bill rate and consumption-wealth ratio. Prince et.al, (2010) analyze small cap growth stock sector of mutual fund industry against risk free and market return. In this study expected and actual returns were compared that showed that some funds had more return than expected and diversification is a good strategy for risk minimizing. Bishop et.al, (2007) in their study compared commercial bank funds and non-bank equity funds and find out that returns on both sorts of equities have not any significant difference. Walter et.al, (2006) inspect the asset management industry of china, Indonesia, Korea Malaysia Singapore, Philippines and Thailand. They found that fund management industry is very small in these countries but it have higher growth rate and this can more increase by using professional management of financial wealth. For the period of 1999-2005, Ferreira et.al, (2006) aims to study the behavior of mutual fund around the world, for this purpose they took sample of 10,508 open ended equities from 19 countries. For analysis purpose different models were employed. Results reveal that in domestic and international markets fund size is positively related with performance. Fund age is negatively related with performance, younger funds, in abroad give better returns. Fee has positive link with performance. Single manager’s work is better than in team management. Management tenure id is positively linked. Country and financial development, familiarity and strong legal system also has positive link with performance. Khorana et.al, (2008) studied the mutual fund in 18 countries those make 86% of world sale. By studying management fees, total expense ratio and estimated total shareholding costs revealed that fee changes cross country by considering
funds, sponsor and national variables. They also find out that larger funds have minimal cost and those are having higher cost that are being sold in more than one country and developed countries have lower cost as compared to developing countries. Khorana et.al, (2005) tried to explain size of mutual funds of 56 countries. Their study reveal that mutual funds industry is larger in countries those are having stronger law and regulation, educated population and trading cost is minimal. In other words it can be said that these are successful in developed countries rather in developing countries. Klapper et.al, (2004) in their study found that mutual funds showed tremendous growth in most of the countries, chiefly in Asia, during 1990’s. In Anglo-American countries equity funds showed growth while bonds funds in continental Europe and middle income countries. Main determinants of mutual fund development were found to be capital market development and financial system orientation. Chen et.al, (2004) investigated the consequence of scale of fund on the performance in money management industry. They found that size of fund does not effect on return of funds but liquidity and diseconomies of organizations. Bauer et.al, (2002) by using international database took data of Germany, UK, and USA’s ethical funds. After analyzing with multi factor carhart (1997) model they concluded that there is little difference between returns of these two fund classes. Latzko (2002) in his study Mutual Fund Expenses: An Econometric Investigation took sample of 600 mutual funds and find out that the average mutual fund has cost economies of scale while larger funds experience diseconomies of scale. From all cost specifically distribution cost showed diseconomies of scale. Kaminsky et.al, (2001) analyzed behavior of mutual funds during crisis of 1990’s. By working on emerging markets they concluded that flows are not consistent during crisis and withdrawal was high. Kuhle et.al, (2000) took sample of 8100 funds and compared on the basis of load and no-load and analyzed by using descriptive statistics. 12 months, 5 and 10 year returns were evaluated for the period of 1993-97. Results showed that in short run no-load underperformed and in long run both fund class has equal return. Kaminsky et.al, (2000) found that main factor that effect on investment decision is not economic condition but liquidity.
Although so many studies are not available in case of Pakistan. But the available work can somehow show the state of Pakistani mutual fund industry. Ali et.al, (2012) studied the fifteen mutual funds for the period of 2005 to 2009 and found that the performance of mutual funds is not up to the mark in Pakistan. Zaheer et.al, (2011) analyzed the performance of mutual funds in Pakistan. In it they find out the difference in returns of Islamic and Non-Islamic mutual funds as well as the difference between open ended and close ended funds. This research proceeds further with the aim of finding any consistency in the performance of the two funds over the past three years by employing panel regression models using Gretel. Considering Pakistan as an under-developed economy, the set of variables selected for analysis are those, which affect the fund performance significantly (positively or negatively) in economic conditions of Pakistan. The analyses showed that persistence exists in conventional funds and not in Islamic funds. It was revealed that liquidity and lagged return are the significant variables in fixed and random affects models. Aamir et.al, (2011) for the period of 2001-08 judge the health of mutual funds on KSE by employing index, market capitalization, trades and paid up capital. In their work they compared mutual fund sector with KSE 100 index. End results signify that sector of mutual fund is flourishing on KSE but still there is room for development. Gohar et.al, (2011) analyzed different classes of mutual funds in Pakistan. Their work reveals that equity funds performed well than income funds. In the same study also found that within equity funds broker backed securities outperform than institutional funds and from income funds institutional funds work better than broker backed securities. Nazir et.al, (2010) worked for the period of 2005-09 on 13 equity fund family and find out that asset turnover, family proportion, and expense ratio are directly linked with the growth of mutual funds and management fee and risk adjusted returns inversely. Afza et.al, (2009) evaluated the performance of Pakistani mutual funds for the period of 1999-2006 while using Sharpe ratio with the help of pooled time-series and cross-sectional data and focusing on different fund attributes. The results indicate that among various funds attributes lagged return, and liquidity had significant impact on fund
performance. Shah et.al, (2005) analyzed mutual fund industry in Pakistan with the help of performance measuring indices. They found that this industry is having very little share in total market but is in growing state, some funds were under-performance due to lack of diversification but overall this sector’s position was satisfactory.

There is a rich data available on mutual funds. Around the world a great interest is seen in mutual funds. Study of non-islamic and Islamic world indicates the difference in objectives of investors. The motive of investors from non-islamic world is to gain more returns while investors from Islamic countries are more interested in shariah compliant investment and pursuing the means for betterment of Islamic mutual fund market. Overall from discussed literature following points can be derived:

- Mutual funds and economy have a link.
- Strong regulatory policies from the authorities have positive impact on mutual fund growth.
- Returns of bank and non-bank funds have not any significant difference.
- Liquidity has a direct impact on the investment of mutual funds.
- Islamic fund industry is flourishing.
- Market of mutual fund is stronger in developed countries.

The gap that I found in literature on Pakistan that little work is done from researchers if we compare it with other countries. Work done is limited to limited time frame or is done on sample. So there is a dying need for a work that will cover population instead of sample for having true picture of Pakistani mutual fund industry.

**METHODOLOGY**

This study analyzed all available mutual funds in Pakistan on the basis of net asset values (NAVs) that are offered by asset management companies. These were divided then into Islamic and conventional class. Furthermore Karachi stock exchange (KSE) served as market
and 12 month Treasury bill rates as risk free rate. This study covered period of six years, starting from FY 2007 to FY 2012. The following table shows number of mutual funds used in analysis.

### Table-1-Number of Mutual Funds in Analysis Period

<table>
<thead>
<tr>
<th>S #</th>
<th>Fund Class</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Close-Islamic</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Close-conventional</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>Open Islamic</td>
<td>8</td>
<td>15</td>
<td>19</td>
<td>28</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>Open conventional</td>
<td>36</td>
<td>48</td>
<td>62</td>
<td>77</td>
<td>88</td>
<td>104</td>
</tr>
<tr>
<td>5</td>
<td>Asset Management Companies</td>
<td>29</td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>26</td>
<td>26</td>
</tr>
</tbody>
</table>

Data was collected using secondary and tertiary sources. Net asset values (NAVs) of all mutual funds were gathered from official website of mutual fund association of Pakistan (MUFAP). Closing prices of KSE 100 index from finance.yahoo and t-bill rates from official website of state bank. For analysis purpose following inferential tests was employed:

- Sharpe Ratio
- Treynor Ratio
- Jensen Alpha.

**Sharpe measure:** A ratio developed by Nobel laureate William F. Sharpe in 1966 to measure the risk-adjusted performance. It is Measurement of the performance of an investment, computed by dividing the excess return by the amount of risk taken to generate the excess. It focuses on the use of the ratio for making decisions (Sharpe, Fall 1994). The Sharpe ratio formula is:

\[
\text{Sharpe ratio} = \frac{r_p - r_f}{\sigma} \quad \text{(Eq. III-1)}
\]

Where,

- \(r_p = \) portfolio return,
- \(r_f = \) risk free rate,
- \(\sigma = \) standard deviation.
**Treynor Measure:** Also known as reward to volatility ratio. Jack L. Treynor introduces a composite measure of portfolio performance that includes risk as well (French, 2002).

\[
\text{Treynor Measure} = \frac{r_p - r_f}{\beta} \tag{Eq. III-2}
\]

Where,

\[
r_p = \text{portfolio return},
\]
\[
r_f = \text{risk free rate},
\]
\[
\beta = \text{beta}.
\]

**Jenson differential measure or Jensen Alpha:** Jensen (1967) derived a risk-adjusted measure of portfolio performance that estimates how much a manager's forecasting ability contributes to the fund's returns. This is based on capital asset pricing theory and security market line. This ratio helps in evaluating performance of security (Jensen, 1967). Its formula is as follows:

\[
\alpha = r_p - \left[ r_f + \beta_p (r_m - r_f) \right] \tag{Eq. III-3}
\]

Where,

\[
r_p = \text{expected total portfolio return},
\]
\[
r_f = \text{risk free rate},
\]
\[
\beta_p = \text{beta of the portfolio},
\]
\[
r_m = \text{expected market return}.
\]

Sharpe ratio is used to find out the excess return over risk free investment. If its value is positive or in other words more than zero that means investment is good, higher the value more feasible investment will be. In the same way, Treynor and jenson alpha is used to measure the systematic risk. Treynor ratio gives actual value of return while jenson alpha gives the value of expected return. If treynor's value is higher than jenson alpha then the state of security is good and for both ratios positive value is favorable (ALPTEKIN, 2009).
Data Analysis:

After computing ratios on year basis aggregate value is taken for all fund classes as per division in light of objective. The onward section discuss the performance of mutual funds on yearly basis, as this study covers span of six years so results of each year is analyzed separately than in the last aggregate performance is analyzed.

July 2006- June 2007

For the period of July 2006- June 2007 condition of Islamic funds was not good. All ratios of Islamic close ended funds showed negative trend. Although actual return was less than expected but was in negative trend. Same behavior was seen in Islamic open ended funds, some of the funds were having more risk than expected, few showed positive attitude but were very few. Same attitude was seen in conventional funds, only two funds had positive return while expected one was negative but overall return of conventional open and close was not good.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Islamic Fund Close Ended</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>-0.64954</td>
</tr>
<tr>
<td>Treynor Ratio</td>
<td>-0.00105</td>
</tr>
<tr>
<td>Jensen Alpha</td>
<td>-0.00647</td>
</tr>
</tbody>
</table>

Figure IV: Mutual Fund Analysis in FY 07

In this year none of the firm outperformed. Numbers of Islamic funds were very low in comparison of conventional funds. Aggregate total risk of conventional funds are more than islamic and actual risk of conventional funds was more than expected while in case of islamic
actual return was more than expected This shows that islamic funds are at better position than conventional ones in year 2007.

**July 2007- June 2008**

In FY 2008 year funds return position is not better than last year, they do not have outstanding returns but its position overall is encouraging. There was increase number of funds offered by asset management companies. There was not any substantial increase in their returns but Increase in number of funds shows increase in confidence of people upon funds that shows positive sign for the equity market of Pakistan.

![Figure V: Mutual Fund Analysis in FY 08](image)

For many funds expected return was negative but they turn out with positive returns. Aggregate total risk for islamic funds is less than conventional but is in negative while expected returns for islamic funds is less than actual and conventional funds were having positive returns of funds. So, overall position of conventional funds is better than Islamic in this year.

**July 2008- June 2009**

In FY 2009 condition of funds was worse than last two years none of the fund showed positive growth. Islamic funds overall showed negative trend, only few conventional funds showed good Treynor ratio, means they stand good in comparison of market. But there return overall were not good.
Collective risk for conventional is high then Islamic and actual risk was more than expected so overall this market showed negative attitude. None had better performance than other. So both fund classes do not perform well.

**July 2009- June 2010**

This year condition of funds was better than last year. In year 2010 Islamic funds showed negative return while actual risk was less than expected, only one fund showed positive return. Same was seen in conventional funds actual risk more than expected but few turn out to be pretty good in terms of its return especially KASB Cash fund that was having greatest return then other funds. But overall negative trend was observed. Equity market of Pakistan showed less negativity in relation to previous years. None of the firm outperformed.
Overall conventional market was more risky than Islamic in 2010. Greatest volatile was seen in money market funds. In this year condition of Islamic was good overall but few of conventional turn out to be pretty well. So, cumulative condition of Islamic was stable and less risky than conventional this year.

**July 2010- June 2011**

In year 2011 condition of Islamic mutual funds was better than previous years. There was less risks in comparison of last years. Many of funds illustrate positive returns while actual risk was less than expected so it shows growth in market in year 2011. In case of conventional funds open ended showed mix trend, few of them turn out to be pretty well but few of them had more risk than expected and conventional close ended had good position this year, especially First Capital Mutual Fund and Pak Oman advantage fund had pretty well return.
On cumulatively none of the firm outperformed but over all their return in comparison of market is good that means funds perform better in market. Islamic funds also showed sign of growth that shows they are having strong bases. Number of offered fund increase as well that is good for equity market’s future. Few funds of Meezan perform better and from conventional side NBP Fullerton Asset Management Limited’s performance was better than other asset management companies.

**July 2011- June 2012**

In year 2012 fund’s performance was good then other years under analysis. This was the only year in which most of the funds had positive return and were at good standing positions both Islamic and conventional. From side few showed negative behavior and from conventional funds few turn out with negative return but total return of all the funds was positive showing a sign of hope for the market of mutual fund. If we look at particular asset Management Company than AKD Investment Company showed highest return and other’s return were fairly good as well.
Figure IX: Mutual Fund Analysis in FY 12

On aggregate level returns of conventional was higher than Islamic this year. Actual return of Islamic was less than expected and actual return of conventional was more than expectations. So, overall conventional funds showed more growth than Islamic in 2011.

Period from 2007 to 2012 is not sufficient period for providing any conclusive evidence about the performance of mutual funds in Pakistan. However in this period under study, it is clear that mutual fund’s performance is not good in comparison of market. No signal firm outperformed, both Islamic and conventional do not perform up to the mark. Year to year analysis reveal that return in 2007 was more than 2008 only actual return of conventional funds was good in 2008 than 2007. Condition of total market was bad in year 2008 and 2009; worse cases were observed in 2009. In 2010, conditions start to stabilize. If we compare 2010 and 2009 than we come to know that condition of Islamic funds is better in 2010 than 2009 but total risk was more in 2009 but actual was more in 2010. Comparison of 2011 and 2010 reveal that returns in 2011 were higher than 2010. In year 2012 condition of mutual fund industry was pretty well than other years showing sign of growth. The comparison reveals that worse condition of
fund market was seen in year 2008 and 2009 and good was seen in 2012. Many of the finds were having negative return but this negative trend tends to minimize after 2009 with the passage of time and in 2012 there was positive return in mutual funds. Large number of funds was launch during period under study that is showing sign of hope for investors. If we compare Islamic returns with conventional returns than we came to know that more volatility in returns come from conventional than Islamic. This brings more return than Islamic. Islamic funds were having stable return. So for having more return conventional is suitable. This can be so cause in analysis period growth was seen in money market funds. Their returns tend to increase with passage of time and conventional funds are having many money market funds. So, null hypothesis approved.

**Conclusion and Recommendations:**

The problematic state that which fund class has more net asset value (NAV) Islamic or conventional? For addressing this question, on the basis of daily NAVs comparison of performance of Islamic and Conventional funds has been made with the help of performance measuring ratio i.e. Sharpe, Treynor and jenson alpha ratios. The applications of these ratios showed that conventional funds have turned out to be better performing in terms of their returns. So in Pakistani mutual fund market conventional funds are better performing. The reason behind this observable fact is that conventional funds are more in numbers then Islamic. Analysis reveals that number of funds increase from 2007 to 2012 but their growth did not. Worse condition was observed in year 2008 and 2009 then risk tends to minimize and in year 2012 higher return than previous years was detected. In other words it can be said that in year 2007 returns were higher than 2008, 2009 was having more less return than 2008, after 2010 growth was observed and this trend was continued in year 2011 and 2012. The study is consistent in results with the yearly analysis of mutual fund association of Pakistan. Its statistics provide same results (MUFAP Quarterly News Letter, 2012). The returns of Islamic funds was found stable than conventional. This can be because there are few businesses that fulfill Islamic
criteria so these funds cannot be invested in all businesses, having less diversification lead
stable returns in Islamic funds.

The wise allocation of spare financial resources is directly link with the development of
economy. To mobilize savings normally two means exists in any financial system one credit
based second capital market. Both means play crucial rule in development of country. But the
shift from credit based economy to capital market give dynamic means of channelizing idle
resources and better return than banks.

The scope of capital market especially mutual funds depends upon basic economic
structure and regulation structure of the country. In Pakistan due to religious reasons many
people prefer Islamic financial products as Honohon (2007) has proved in his work that about
72% people in Islamic countries do not use conventional products due to religious reasons, they
prefer to stay poor but do not use conventional products. Government and other regulatory
bodies need to take corrective measures for the strengthening this sector. Capital market in
Pakistan is not so establish like other countries. The reason behind this practice is lack of
proper knowledge on investor’s side. They clearly do not know the difference in returns gained
from banks and from capital market. So, regulatory bodies need to educate investors properly.
Although many fund classes are working in Pakistan but these are low in comparison to other
countries. So there is room for increasing investment options. Reduction in overall managing
cost can increase attractiveness of this sector. Lastly most important right policies,
transparency, protection of investor’s right can bring a boom in this sector. In mutual fund
industry there is a chain of organizations those need to bring clearness in their working for
gaining investor’s trust.

So it can be concluded that Pakistan’s mutual fund has potential to grow and it can be
a source of increment in GDP. Just it needs strong policies like implemented in other countries.
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