

Investment Management and Capital Market Related Services in Pakistan: An Exploratory Study

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Abstract

This study examined the current landscape of investment management and capital market related services in Pakistan, focusing on investor behavior, service accessibility, financial literacy, and perceived institutional efficiency. This study further examined the structure, recent evolution, regulatory environment, and prospects of investment management and capital-market-related services in Pakistan. It synthesizes regulatory developments, industry statistics, market performance, and the product landscape (mutual funds, pension funds, ETFs, and advisory/wealth management). The study identified drivers of recent growth, structural constraints (liquidity, corporate governance, macroeconomic volatility), and proposes policy and industry measures to deepen markets, broaden retail participation, and strengthen institutional capacity. A structured quantitative survey was conducted among 300 respondents, including individual investors, financial professionals, and institutional clients across major Pakistani cities. The results indicate growing awareness of investment products, yet persistent gaps in trust, transparency, and technological integration hinder market participation. The findings emphasize the need for policy reforms, enhanced investor education, and stronger regulatory mechanisms to promote sustainable growth in Pakistan's capital markets.

Keywords: Investment Management, Capital Market, Economy, Pakistan

I. Introduction

Investment management and capital markets play a pivotal role in mobilizing financial resources and promoting economic development. In Pakistan, these markets have evolved substantially over the past two decades, driven by regulatory modernization and increasing investor participation. However, structural challenges such as limited investor awareness, market volatility, and inadequate financial inclusion continue to affect sector performance. Capital markets

and professional investment management are essential for mobilizing savings, allocating capital, and enabling economic growth. In Pakistan, a small but dynamic set of institutions, the Pakistan Stock Exchange (PSX), asset management companies (AMCs), pension fund managers, the Securities and Exchange Commission of Pakistan (SECP), and central infrastructure providers (CDC, NCCPL) jointly form the investment services ecosystem. Over the last several years the market has experienced episodic volatility but also periods of rapid expansion in assets under management (AUM) and index performance, prompting regulatory updates and product innovation.

The purpose of this study is to quantitatively analyze public perceptions and participation patterns in Pakistan's investment management and capital market services. By understanding investors' attitudes and satisfaction levels, this research aims to provide data-driven insights for policymakers, asset management companies (AMCs), and the Securities and Exchange Commission of Pakistan (SECP).

2. Literature Review

2.1 Marketplaces and infrastructure

The Pakistan Stock Exchange (PSX) is the country's principal organized securities market where equity, debt securities and ETFs are traded (Sharif, 2017). Supporting infrastructure includes the Central Depository Company (CDC) for custody and the National Clearing Company of Pakistan Limited (NCCPL) for clearing and settlement; together these institutions underpin execution, settlement finality, and investor record-keeping (Loader, 2019). PSX's own disclosures and annual reporting highlight ongoing digitization and governance reform efforts intended to increase market efficiency.

2.1.2 Regulators and rule-makers

Regulation is led by the SECP, which issues the legal framework for collective investment schemes, AMCs, and market conduct. In addition, the State Bank of Pakistan influences capital-market related finance through monetary policy and banking regulations (which affect liquidity and institutional investor behavior) (Hussain, Akhtar, & Mushtaq, 2025). SECP's recent prescriptive guidance on mutual-fund investments and new product categories (e.g., infrastructure schemes) illustrate a more active regulatory stance toward product diversification and investor protection (Malvagna, 2025).

2.1.3 Industry players: AMCs, pension managers, brokers, and custodians

The asset-management ecosystem comprises roughly two dozen AMCs offering conventional and Shariah-compliant funds, voluntary pension schemes, and ETFs; large commercial banks operate in the wealth/advisory space; insurance companies and sovereign-linked funds play a role as institutional investors. Industry research and ratings providers (PACRA, VIS) document rapid AUM growth in recent years and an increasing share of income and Islamic income funds within total AUM (Sharif, Ahson & Noor, 2020).

2.2 Recent performance and industry statistics

During FY2025 (July–March reporting window referenced in fiscal publications), Pakistan's benchmark KSE-100 recorded robust gains reflecting episodes of inflows and rallying domestic sectors while overall market capitalization expanded materially compared to recent years (Saleem *et al.*, 2025). Separately, the mutual-fund industry has exhibited significant AUM growth, helped by higher yields on fixed-income products, retail inflows into income and Shariah funds, and supportive regulatory initiatives that enabled new product categories. Official AUM tracking by industry bodies provides continuous monthly snapshots used by practitioners.

2.2.1 Load-bearing facts to note

PSX and government fiscal reports recorded strong KSE-100 performance in FY2025, and industry AUM statistics (MUFaP) show marked expansion in mutual-fund assets. These two facts underpin many of the paper's observations about market opportunity and systemic constraints.

2.3 Product landscape and service lines

2.3.1 Mutual funds and ETFs

Mutual funds remain the primary pooled vehicle for retail and some institutional participation, available in equity, income, money-market, balanced, and Shariah variants. ETFs and index-tracking products are emerging but remain smaller in penetration compared with developed markets (Alrashidi, 2013). SECP's mutual-fund guidance (including permissible investment criteria) and new frameworks for dedicated infrastructure schemes aim to expand the product set while capping fees and strengthening portfolio concentration rules (VISWAKUMAR, PAUL & ANTONY, 2023).

2.3.2 Pension and retirement products

Voluntary pension schemes and provident/pension funds managed by pension managers are growing slowly, supported by regulatory attention and demographic needs (Makina, 2017). These vehicles present long-duration capital that could, under suitable reforms, be channeled into infrastructure and corporate long-term financing.

2.3.3 Advisory, wealth management, and discretionary mandates

Wealth advisory services offered by banks and boutique firms are concentrated in urban centers and tend to serve high-net-worth individuals (HNWIs) and institutional clients (Chumak, 2024). The market for fee-based, fiduciary wealth management is nascent relative to demand, constrained by limited financial literacy and regulatory restrictions around distribution.

2.4 Regulatory developments and governance

2.4.1 SECP initiatives

SECP has taken steps to standardize mutual-fund investment criteria, improve disclosures and governance, and allow new fund categories such as infrastructure schemes with specific caps and minimum investment rules (e.g., prescribed minimum allocations and limits on management fees) (VISWAKUMAR, PAUL & ANTONY, 2023). These measures are designed to balance product innovation with investor protection.

2.4.2 Corporate governance and listing requirements

PSX and SECP initiatives over recent years have emphasized corporate governance codes for listed issuers, improved disclosure and electronic IPO mechanisms (e-IPO), and investor-education programs (Khan & Mubashir, 2025). Robust governance is essential to reduce perceived risks that deter long-term institutional investors.

2.5 Factors influencing investment behavior

Previous studies have highlighted that Pakistan's capital market, though relatively underdeveloped compared to regional peers, has demonstrated potential for rapid growth through increased digitalization and policy consistency (Khalil, Audi & Ali, 2025). According to the **Pakistan Stock Exchange (PSX)**, the number of active investors rose from approximately 250,000 in 2016 to over 350,000 by 2023, yet this figure remains low relative to population size (Noor & Mirza, 2025).

Key factors influencing investment behavior include:

- **Financial literacy and awareness**
- **Risk perception and market volatility**
- **Regulatory trust and institutional transparency**
- **Access to digital financial platforms**

These studies underline the importance of evaluating how individuals perceive the efficiency and accessibility of investment and capital market services.

3. Research Objectives

The study aims to:

- Assess investor awareness and participation in investment management services.
- Evaluate perceptions of capital market efficiency, transparency, and accessibility.
- Identify key barriers affecting investment decisions.
- Provide recommendations for improving investor confidence and service quality.

4. Research Methodology

4.1 Research Design

A quantitative survey design was employed to gather primary data on investor attitudes and experiences related to capital market and investment management services in Pakistan.

4.2 Sample and Population

The study targeted both retail and institutional investors across Karachi, Lahore, and Islamabad. A total of **300 respondents** were selected using **stratified random sampling**, ensuring representation from:

- Individual investors (60%)
- Financial professionals (25%)
- Institutional clients (15%)

4.3 Data Collection Instrument

A **structured questionnaire** was developed, comprising 20 Likert-scale questions (1 = Strongly Disagree to 5 = Strongly Agree). The survey covered:

- Financial literacy and awareness
- Accessibility of investment services
- Trust and transparency perceptions

- Technology adoption
- Overall satisfaction

4.4 Data Analysis

Data were analyzed using **SPSS 26** for descriptive statistics and correlation analysis. Reliability was confirmed using **Cronbach's alpha = 0.83**, indicating high internal consistency.

5. Results and Analysis

5.1 Demographic Profile

- 68% male, 32% female
- Age distribution: 18–30 years (45%), 31–45 years (35%), 46+ (20%)
- Education: 70% bachelor's degree or higher
- Occupation: 40% employed, 30% business owners, 30% students/investors

5.2 Investor Awareness and Participation

- 62% respondents are aware of mutual funds and stock trading platforms.
- Only 38% actively invest in the PSX or AMC products.
- 45% reported limited understanding of portfolio diversification.

5.3 Accessibility and Institutional Trust

- 54% found it difficult to access professional financial advice.
- 59% expressed concerns about **transparency** in brokerage and fund management operations.
- 65% believed that regulatory authorities such as SECP need to improve monitoring and investor protection mechanisms.

5.4 Technology and Digitalization

- 72% supported the use of **online investment platforms**.
- 48% cited **data security concerns** as a barrier to digital adoption.

5.5 Correlation Analysis

A **significant positive correlation** ($r = 0.61$, $p < 0.05$) was found between **financial literacy** and **investment participation**, confirming that greater awareness directly enhances market engagement.

6. Discussion

The findings highlight that while Pakistan's investment management sector is gradually expanding, investor confidence remains fragile. Despite improved access to digital platforms, skepticism toward institutional transparency persists. The results align with earlier studies emphasizing the need for robust investor education and stronger governance frameworks.

Key insights include:

- Financial literacy is a critical driver of participation.
- Institutional trust and regulatory transparency are major determinants of market engagement.
- Digital platforms have potential but require enhanced cybersecurity measures.

7. Recommendations

- **Investor Education Campaigns:** Launch nationwide initiatives in collaboration with SECP and PSX to improve public understanding of financial products.
- **Regulatory Strengthening:** Increase transparency through digital reporting and compliance audits.
- **Technological Integration:** Encourage fintech partnerships to provide secure, user-friendly investment solutions.
- **Incentive Policies:** Introduce tax benefits for long-term investments to foster stable capital inflows.

8. Conclusion

This quantitative survey underscores both opportunities and challenges in Pakistan's investment management and capital market services. While awareness and digitalization are on the rise, investor trust, transparency, and financial literacy remain crucial obstacles. Addressing these factors through education, innovation, and policy reform will be essential to achieving a more inclusive and efficient investment ecosystem in Pakistan. Pakistan's investment management and capital-market services sector has shown resilience and notable growth, driven by product innovation, regulatory reforms, and episodes of strong market performance. However, persistent macro and structural constraints liquidity, governance, and limited retail penetration must be addressed to unlock the market's potential as a sustainable source of long-term capital for the economy. A coordinated approach involving SECP, PSX, AMCs, pension managers, and policymakers is required to deepen markets, broaden participation, and align incentives for long-term investment.

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