A Study of Investors' Perception about Portfolio Management with reference to South Guajarat

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Abstract:

This paper deals with perception about portfolio management in surat city investors. For the research work use primary data collection by using questioner method from surat city investor. In this research we find out which are the basic expectation of investor and which factor they are consider before investment and how the factor are related to each other by using statistics method. Different analyses have shown that all factor have some relationship with each other's and show different investor have different investor risk taking capacity according to income and saving Patten.

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Introduction: -

In today market where stock market is to much volatile at that time to design a proper portfolio is to much necessary but before design a any portfolio first we have to identify the perception about the portfolio in investor mind. The reason behind it if investor does not know the meaning of portfolio than they can't design proper portfolio. Today setting financial goals is also become tougher. People do not have any specific financial goals so they can't invest their saving in to appropriate portfolios. Apart from this, awareness about the investment avenues and also a right time for the purchase and sell are also not known to them. There is a lack of knowledge of risk return trade off. Investors do not read any financial magazine, financial report, news papers by which they get the knowledge about investment option.

Today's situation are like just Professional investor will make more money & less loss than, who let their heart rule. Their head eliminate all emotions for decision making. Decision should be based on actual movement of share price measured both in money & percentage term.

Portfolio:-

"Portfolio means combined holding of many kinds of financial securities i.e. shares, debentures, government bonds, units and other financial assets."* The term investment portfolio refers to the various assets of an investor which are to be considered as a unit. It is not merely a collection of unrelated assets but a carefully blended asset combination within a unified framework. It is necessary for investors to take all decisions as regards their wealth position in a context of portfolio. Making a portfolio means putting ones eggs in different baskets with varying element of risk and return. The object of portfolio is to reduce risk by diversification and maximise gains.

Thus, portfolio is a combination of various instruments of investment. It is also a combination of securities with different risk-return characteristics. A portfolio is built up out of the wealth or income of the investor over a period of time with a view to manage the risk-return preferences. The analysis of risk-return characteristics of individual securities in the portfolio is made from time to time and changed that may take place in combination with other securities are adjusted accordingly. The object of portfolio is to reduce risk by diversification and maximize gains.

The "**Investor**" can be an individual, a government, or a corporation. Similarly, this definition includes all types of investments, including investments by corporations in plant and equipment and investments by individuals in stocks, bonds, commodities, or real estate. This text emphasizes investments by individual investors. In all cases, the investor is trading a known rupee amount today for some expected future stream of payments that will be greater than the current outlay.

Investment Objectives

Investing is a wide spread practice and many have made their fortunes in the process. The starting point in this process is to determine the characteristics of the various investments and then matching them with the individuals need and preferences. All personal investing is designed in order to achieve certain objectives. These objectives may be tangible such as buying a car, house etc. and intangible objectives such as social status, security etc. similarly; these objectives may be classified as financial or personal objectives. Financial objectives are safety, profitability, and liquidity. Personal or individual objectives may be related to personal characteristics of individuals such as family commitments, status, dependents, educational requirements, income, consumption and provision for retirement etc.

Elements of investments are Risk and Return relationship, Time, Liquidity, Tax savings. Diversification of funds is an important principle of investment for earning higher rate of interest.

Statement of the Problem:-

Many people consider investing to be a scary activity. They are confused by the Excess wealth and rise of investment alternatives, nervous by the fluctuations in financial prices, overwhelmed by the presence of strong and great institutional investors, confounded by unusual instruments and complicated investment strategies, confused by the particulars of the tax system, and frustrated by the financial scams that periodically rock the market. Common problems faced by the individual investors while thinking of investment are, Lack of awareness and knowledge, Blind faith, Lack of Financial Inclusion, Traditional thinking, Emotional attachment to money, Fear of loss and many more.

Investor's education is a task which is performed by the financial service providers and regulatory bodies. But all the people are not aware of how and when these guidelines are being communicated. There are various TV shows, investments web sites, wealth management firms, news papers, magazines, journals are available, which provide guidelines on investment of hard earn money. Still many people are not putting their funds in proper investment avenues.

Investors are saver but all savers can't be good investors. Saving are sometime autonomous, income or capital appreciation. Savers come from all classes except in the population who are below the poverty line. The growth of urbanization and literacy has activated the cult of investment. So before few years ago basic formula for investors is

Investment = Income – Expenditure

But nowadays basic formula has change for the investors;

Income – Investment = Expenditure

but still the problem is not solved for the investor. The main problem for the investor is where they have to invest the money so they get maximum return at minimum level of the risk.

This study will help the investor to get the knowledge about portfolio management and basic perception about investor in Indian market. It also help the economic development of nation as more investors will be ready to investment in to finance market.

3. Review of Literature:-

Charls Schwab-" (2000) revealed very practical, authoritative and easy-to-follow tips and suggestions for good investment in the stock market. According to him growth is the heart of successful investment. He suggested that before investing, one should be clear about the goal.. He opined that the biggest risk is not in investing but in doing nothing and watching inflation eating away the savings. Avery useful suggestion of the author is not to draw upon the income from investment but to reinvest it. Alow risk approach will yield low return. So the author urged the investor to be aggressive, subject to his personal limits.

Ajay Jaiswal (2001) evaluated the implications of 'Equity Risk Premium'. He opined that investors look for a certain level of return for assuming the 'risk of equities volatile return'. This level can be measured through the equity risk premium. Equity risk premium is the sum of the dividend yield and earnings growth less current bond annual yield. He observed that the risk premium rose very sharply towards the end of the last decade. The expectations of the earnings growth had moved up dramatically since 1998. But in the last year we saw a fall of the long-term growth expectations. He opined that a downturn is associated with a fall in the profitability of the corporate sector. He argued that the equity investments are not for the weak hearted, as the equity holders cannot escape the impact of the movements in the capital market. We are headed for a period of lower returns to the investors. He concluded that the scaling down of the return expectations would reduce the chances of wild swings. And this would be better for the health of the bruised equity investors.

Mitra.S.K. (2000) commented on the increasing volatility ofthe bourses, which forces an investor to shift away from the equity market. He observed that analysts profess to the investors the virtue of long-term time horizon for the equity investment. But sharp volatility has become a feature of the capital market worldwide, resulting in frequent, sharp, downward corrections. In this scenario it is proving difficult to convince the investors to think long-term.

He opined that the risk of obsolescence and failure have increased enormously in the highly valued economy companies, resulting in huge loss on investments. Investors with long outlook are real losers in this new paradigm of stock market gambles. He argued that, in this scenario, investors are shifting away from the equity market to cash and debt. Long-term vision in the equity investments has given way to short term trading.

Kar Pratip, Natarajan I and Singh J P in their research paper "Survey of Indian Investors" published in SEBI-NCAER June 2000 concluded that the households investment in shares, debentures and mutual funds was below 10% and the equity investor households portfolio was of relatively small value and undiversified. Further they found that one set of households, in spite of their lower income and lower penetration level of consumer durables, were in the securities market, while another set of household with higher income and higher penetration level of consumer durables did not have investment in securities market.

Lalitha and M. Surekha in their article "Retail Investor in Indian Capital Market : Profile, Pattern of Investment and Profitability" published in The Indian journal of commerce, July-September 2008 concluded that the retail investor is here to stay and the capital markets may well emerge as strong contenders for traditional investment avenues like bank/post office deposits. They also focused on investor's education and investment decision of retail investors.

Research Methodology

Primary Objective:-

The main objective of the research is to know about the customer's perception in term of portfolio management in the context of different factor consider for portfolio and there relationship to each other.

Secondary Objectives:-

1) To identify a sense of general awareness about investment portfolio management.
2) To evolutes the investor perception in term of different financial instrument are available in Indian market.
3) To study the risk and return pattern of investor.
4) To identify the major types of investment avenues available in India and how one can invest in it, to earn maximum return and minimize risk.

This research is done in the following manner. Initially I will collect basic details about investors like age, income, risk level etc.... and their investment in past and present. How, why and where people invest their hard earn money, and How investment portfolio is constructed. In this research primary and secondary data will be collected from selected city of south Gujarat region with the help of Stratified random sampling method.

Research Design:

The research design is the conceptual structure within research is conduct in this research design includes an outline of what the research will do and its implication to the final analysis of the data. In this research descriptive research design study will be use.

Sample Size & Respondent

For this research work my respondents are investor in Indian stock market in Surat and sample size is 191 by using Stratified Random sampling .

Data Collection Tools

For primary data collection questionnaire is used. While required secondary data will be taken from related magazine and web sites.

Data Analysis

The correlations between the variables in your model are provided in the table labelled Correlations. Check that your independent variables show at least some relationship with your dependent.

Factors Affecting Investment

	Perceived Risk	Perceived Return	Company Image	Profile of Company	Words of Mouth	Advise of Expert	Future Financial Planning	Peers Opinion
Perceived Risk	**1**							
Perceived Return	.353**	1						
Company Image	.450**	.463**	1					
Profile of Company	.576**	.416**	.484**	1				
Words of Mouth	.451**	.402**	.353**	.486**	1			
Advise of Expert	.280**	.473**	.464**	.345**	.347**	1		
Future Financial Planning	.229**	.435**	.263**	.285**	.306**	.480**	1	
Peers Opinion	.440**	.333**	.303**	.461**	.369**	.215**	.262**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Ho: Investment Patterns Variances of two groups are equal.
H1: Investment Patterns Variances of two groups are unequal.

F-value is .595 and its associated significance (3.059) is greater than 0.05, we fail to reject the null hypothesis and say that the variance are equal for all Income group.

ANOVA

Investment Patterns

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1135.682	4	283.921	3.343	.000a
Within Groups	2067.880	221	9.357		
Total	3203.562	225			

F-value is the ratio between-groups mean squares and within-group mean square. The F-ratio equals 3.343 and its associated p-value (sig.) is reported as .000. It indicates the probability of observed value happening by chance. The result shows that the difference between means of all Income group of investors is significant. Thus, we reject null hypothesis and say that there is difference in Investment patterns of investors across Income groups.

Ho: There is no difference in Investment pattern of investors belonging to its Family Size

Table No. Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
.401[a]	.161	.145	5.96215

The test if Homogeneity of Variance table reports the Levene's statistics along which its significant level. Levene's test is used to examine the quality of variance. The null and alternative hypothesis for Levelen's test for Equality of Variance as follows;

Ho: Family Size Variances of two groups are equal.

H1: Family Variances of two groups are unequal.

Since the F-value is .401 and its associated significance (.596) is greater than 0.05, we fail to reject the null hypothesis and say that the variance are equal for all Family Size group.

ANOVA

Investment Patterns

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1504.027	4	376.007	10.578	.000[a]
Within Groups	7855.938	221	35.547		
Total	9359.965	225			

F-value is the ratio between-groups mean squares and within-group mean square. The F-ratio equals 1.578 and its associated p-value (sig.) is reported as .000. It indicates the probability of observed value happening by chance. The result shows that the difference between means of all Family Size group of investors is significant. Thus, we reject null hypothesis and say that there is difference in Investment patterns of investors across Family Size groups.

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