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SMALL AND MEDIUM INVESTORS' PERCEPTION ON SELECTION OF INVESTMENT PORTFOLIO

Rumana Kousar MD
Dept. of Management Studies,NIMRA College of Engg & Tech., Vijayawada.

Abstract
The concept of investment portfolio management is rapidly climbing domestic as well as global political agendas. In an environment of escalating competitive pressures, investors have identified that only a structured well diversified portfolio would offer stability in the market. Thus even in the absence of any legal binding the concept is catching on worldwide. The template argument is that to be successful, an investor has to begin with an investment philosophy. The Investment philosophy should therefore be consistent at its core. It should also match both the market and investors' individual characteristics

Key Words: Investors, Perception, Investment Portfolio.

Introduction

Investor's vigilance is regarded as the essential milestone for long-term sustainability. Every investor runs the investment marathon, dreaming to beat the market and being super investors. Investors spend an inordinate amount of time and resources in this endeavor. Investors constantly seek the key to their portfolio asset-picking abilities, so that they can become wealthy quickly. In one corner of the investment town square, stands one advisor, yelling to buy businesses with solid cash flows and liquid assets. In another corner, another investment expert cautions the investors that this approach worked only in the old world and not in the new world of technology. It is not surprising that facing this dissonance of claims and counterclaims, investors end up more confused than ever. Moreover the economy is also fuelled by knowledge and ideas which relentlessly marches on with globalization, expanding the horizons of investment avenues. The expanded horizon has certainly created anxieties and uncertainties among investors who have to make decision about the right investment avenue. Thus, in this incessant and persistent race, the availability of various investment assets induces the investors to trump the marketplace by a wide margin. In the upshot, investors try to invest sensibly to ensure stability. In such a relentless marathon, where market swings are erratic – investors can remain stable only by effective management of the assets. Although bargains galore exist, investors try to snap up financial assets at fire sales price. In order to ride out the period of uncertainty, an all-weather diversified mix of financial assets is preferred by investors. This is recognized as Investment Portfolio Management. Investment Portfolio Management has become an established means for managing investments. It is gaining strength as a way for savers to invest over the next decade. It provides a better understanding of markets and greater technological capacity for sophisticated investing. Thus Portfolio management becomes the order of the day to every investor. The concept of investment portfolio management is rapidly climbing domestic as well as global political agendas. In an environment of escalating competitive pressures, investors have identified that only a structured well diversified portfolio would offer stability in the market. Thus, even in the absence of any legal binding the concept is catching on worldwide. The template argument is that to be successful, an investor has to begin with an investment philosophy. The Investment philosophy should therefore be consistent at its core. It should also match both the market and investors' individual characteristics.

Objectives of the Study

- ✓ To know the influence of demographic profile of investors on selection of portfolio investment portfolio in Andhra Pradesh.

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- ✓ To study the investors' perception and selection of investment portfolio in Andhra Pradesh.
- ✓ To know the factors influencing investors' satisfaction towards investment portfolio in Andhra Pradesh.
- ✓ To examine the risk tolerance of small investors and its influence on perception and selection of small investors in Andhra Pradesh.
- ✓ To offer suggestions to estimate investment portfolio to the prospective investors in Andhra Pradesh.

Methodology of the Study

This study is conducted using both analytical and descriptive type of methodology. The study primarily depends on primary and secondary data. Primary data was collected through a formal questionnaire administered to the respondents to identify the awareness, involvement, and evaluation of the investment portfolios. Reliance was also placed on the secondary data made available on the subject and also the research of similar studies conducted in the same area. The references of secondary data were also made from published works like books, journals, reports, magazines, dailies and also through various websites. The data collected from both the sources were scrutinized, edited and tabulated. The data is analyzed using statistical package for social sciences (SPSS) and other computer packages. The statistical tools that were used in this study are Parametric t-test, One-way analysis of variance, Factor analysis, K-means cluster analysis, Multiple discriminant analysis and non-parametric chi-square analysis. The data was collected by well-structured questionnaire. The questionnaire with a covering letter was personally administered to each and every respondent. As such, the data collection segregated on the basis of region ensured that the random sample has quality sample data to arrive at meaningful conclusions. A sample size of 600 respondents was taken for the study on a random sampling basis. Among the 600 respondents to whom it was administered only 506 respondents reverted back the filled in questionnaire. Out of this only 500 of them were found to be suitable for analysis and study. The study covers investors from selected parts in Vijayawada and Guntur. Hence, the exact sample of the study is 500.

Conclusion and suggestions of the study

Income is the prime determining factor for every human being. Thus portfolio management dominates the agenda of every human being who invests. Therefore, investors are called to adhere to the principles of active portfolio management. The returns of an active portfolio management strategy are driven by the investment universe and the investment strategy. Investors prefer to make investments in assets that are risk free. From the analysis it is found that the leverage of the investors is higher. Investors ranked the risk nature of the assets as the most preferred avenue for investing. This reveals that investors are more willing to invest in risky assets. Also, the study confirms the earlier findings with regard to the relationship between demographic factors and risk tolerant level of individual investors. To conclude, building an optimal investment portfolio is indeed rewarding and exciting, but involves a great deal of risk and calls for scientific knowledge as well artistic skill. This study would help investors to understand the risk-reward profile of major investment products and step into the magical maze of investment world with courage and confidence.

a. Company reputation was found to be one of the factors that significantly influence investment decision. Hence, the investors should spend some time to understand about the company's reputation before betting on them. This is more important in the case of Mutual funds, where the profile of the fund manager and the background of the company can have significant impact on the returns.

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b. Investors should subscribe to different alerts to ensure that they track their investments better. With the advent of technology and proliferation of channels, investors are presented with a wide variety of options to subscribe to alerts. E-mail has been found to be the most preferred form of alert, as they are more reliable and fast thereby helping investors to achieve their investment goals. Investors should subscribe to e-mail alerts to keep better track on the investments and their schedule.
c. One of the significant concerns among the Mutual fund investors is the fee that is charged as part of the scheme. Despite the efforts taken by SEBI to improve the transparency of Mutual funds, the list of associated fees still remains a mystery. Mutual fund investors were found to exhibit moderate awareness on the fee charges and knowledge about the various schemes, their features and their performance. Investors should make use of all the available channels, to understand the scheme and the associated fees better.
d. Public provident Fund has emerged as a forerunner among various investment products, in their role as a Tax benefit product. When there are numerous products available in the market to qualify for tax rebate, PPF has more acceptance among investors due to its inherent advantage and a tax free return. Investors of any age group, income, educational background should consider PPF as one of the components in their portfolio.
e. Risk and the associated rewards are seen as a major driving factor with any investment decisions. Investors should take some time to understand their risk-taking ability and convince themselves of their risk propensity, before landing into any investment decision.
f. Out of all the various avenues in the investment arena, fixed deposits occupy the prime place in all the investors' portfolio. Considering the competitive rates offered by Banks, investors should consider fixed deposits as part of their portfolio.

Scope for further research

The study can be extended to identify investor's behavior specifically in mutual funds arena by selecting products under the various mutual fund types. The investment behavior of investors can be best understood, if the scope is extended beyond the five products that were selected for this study. Specifically, products in the capital market arena viz. Bonds, Debentures, Stocks and Commercial papers can be of interest. Capital markets and investments in such products are driven by wide variety of factors. A study on these factors can unearth significant insights, to gain broader and deeper understanding of investor's behavior.

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