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A STUDY ON THE INVESTMENT PORTFOLIO MANAGEMENT

Dikshita Deb
Department of Commerce
Guest Faculty in Rangapara College,
Assam, India

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Introduction:
Investment Portfolio Management emphasizes the importance of diversification through the portfolio. It often refers to investing money in financial securities such as bonds, common stocks, mutual funds and real assets. The possibility of variation in the actual return is known as investment risk, thus every investment involves a return & risk. The main objective of portfolio investment is to diversify the risk appetite and maximisation of return.

Investment:
Investment is the employment of funds in present with an expectation of earning an additional return in future. Financial Investment is the allocation of money to assets that are expected to yield some gain over a while. Investment is a monetary commitment. An investor expects to earn additional monetary value from the mode of investment which could be in the form of financial/physical assets. Investment has three attributes Risk, Return and Liquidity.

Portfolio Management:
The portfolio is a basket of financial assets that may contain Stocks, Bonds, Real estate, Money market instruments, Capital market instruments etc. An individual investor would not invest all his money in single security instead they invest in a bunch of securities, which would reduce a greater amount of risk. They select the best investment options as per one's income, age, time horizon & risk appetite. Investor not only plans their portfolio as per return profile but also manages their portfolio efficiently to earn the highest return at the lowest possible risk. This is called portfolio management. The purpose of Portfolio management is to put money into securities in such a way that maximizes returns and minimizes risks to achieve investment objectives.

Key words: Portfolio Investment, Diversification, Liquidity

CORRESPONDING AUTHOR:	RESEARCH ARTICLE
Dikshita Deb Department of Commerce Guest Faculty in Rangapara College, Assam India Email: ddeb692@gmail.com	
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Steps Involved in the Investment Portfolio Management Process

To create a good investment portfolio following steps to be followed carefully:

- Identification of objectives & constraints;
- Selection of the asset/security mix;
- Formulation of Portfolio Strategy;
- Security Analysis;
- Portfolio Execution;
- Portfolio Revision;
- Portfolio Evaluation.

Markowitz Model of Portfolio Theory: Harry Markowith has given us a theory for portfolio management which is also called Modern Portfolio Theory. According to him we should invest our money in different securities that should be negatively correlated, which means one sector is not affected by the changes in other sector. Hence, investor fell secure when one segment is facing any uncertainty that causes loss.

Importance of Investment Portfolio Management

Presented below some reasons why Portfolio Management is important in investment.

- **Growth in Income:** An ideal mix of fixed income security like debentures, fixed deposits or any other security, then in portfolio Investment investor should yield to receive steady current income, by way of dividend or interest.
- **Capital Appreciation:** Investors put their money in different baskets, they never deposit entire amount in a single basket. A balanced portfolio of investment should appreciate the value of security in order to protect the investor from any erosion in purchasing power due to inflation.
- **Liquidity:** The investment portfolio should ensure that there are enough funds available at short notice to take care of the investor's liquidity requirements. Investors create a portfolio that contain group of short run and long run securities, so that at the time of any emergency they can easily get the required funds.
- **Risk Diversification:** Diversified financial portfolio that is spread across in various securities. Portfolio management is designed to reduce the risk of investment & provide highest or optimum return on investment through investing in multiple securities. Diversification helps investors to protect their invested capital if one of its securities does not perform well.
- **Safety:** All the securities in a Portfolio doesn't affected by market volatility at a time. Portfolio secure from any uncertainties by saving a huge amount for future, in the long run portfolio avail funds for fulfilling or securing investors financial goals. Other considerations like income, growth etc. only comes into the picture after the safety of investment is ensured.
- **Reduce stress and offer peace of mind:** when investment has done in disciplined and regular manner on unrelated securities, investors need not to take any burden regarding the market volatility that may reduce the value of securities.

<u>Objectives of the Study</u>

- To understand the concept of portfolio management;
- To identify the factors that affecting the decision of portfolio investment;
- To analyse the impact of portfolio investment.

Review of Literature

Rashi Agarwal et al. (2022),analyse research paper on portfolio management give precise description about various approaches of portfolio management and role of portfolio management.Viktor et al (2019), describes optimization of investment portfolio management, maximum efficiency was obtained with restriction on the measure of risk, which specified in the form VaR indicator. Kalayci et al. (2019) study the results on the formation of an optimal securities portfolio based on algorithms. Calvo et al. (2018), propose investment portfolio based only on historical data, it propose the concept of value information. Level of risk outside the historical interval adjusted with the help of diversification restrictions.

Research Methodology

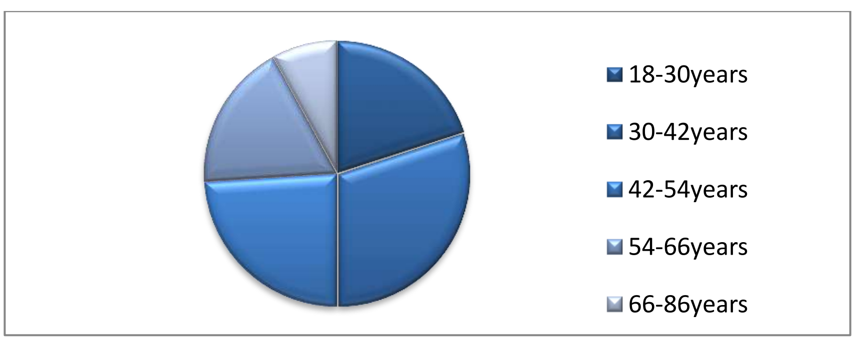
Research Design: - Descriptive Study;
Sampling Method: - Non Probability, Snowball Sampling;
Sample size: - The sample size is 30 respondents
Data Type- The data of this study is primary data which are collected by personally interacting with the respondents and also various information are collected by studying various journal and articles

Data collection tools/techniques: - Questionnaire was used as a tool for collection of data mainly as it gives chance for timely feedback from respondents. Moreover the respondents feel free to answer and disclose all the necessary information and details asked in the questionnaire when visited personally and also through telephonic conversations regarding the study.

Analysis and Interpretation

1.1 Age group of the respondents-

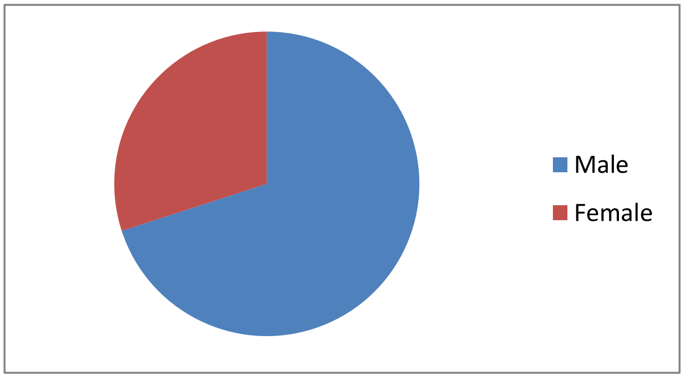
Age group (in years)	Number of respondents	Percentage(%)
18-30years	10	**20**
30-42years	15	**30**
42-54years	12	**24**
54-66years	9	**18**
66-86years	4	**8**



Interpretation:

Above data revealed that the respondents from the age group of 30-42years and 42- 54years have the most number of investment portfolios; which shows that majority i.e. 30% & 24 % of the individuals investors belong to these age groups as they have a stable income during this age.

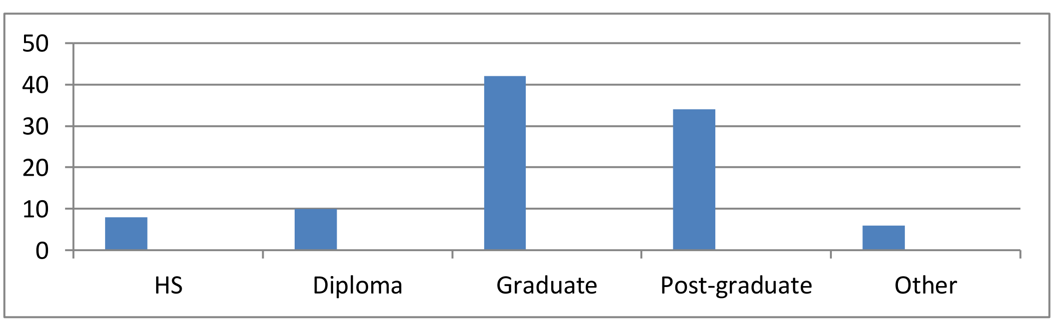
1.2 Gender of the respondents-



Interpretation- Above table revealed that 70% respondents are male and the rest 30% respondents are female, showing us the growth and advancement of women in each sector, even taking risks, saving and investing having acquired knowledge of the investment market, earning returns.

1.3 Education and qualification of the respondents-

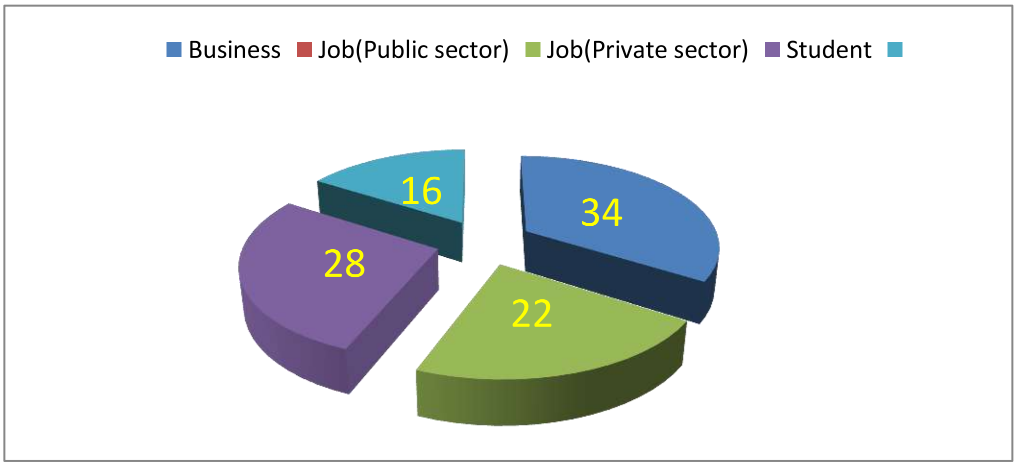
Qualification	No. of respondents	Percentage (%)
HS	4	**8**
Diploma	5	**10**
Graduate	21	**42**
Post-graduate	17	**34**
Other	3	**6**



Interpretation- Analyzing the above data from the table and diagram, it has shown that most of the investors are either graduate or post-graduate. Hence, it can be interpreted that some basic qualification is required even for a layman to start investing and understand the market in which he or she is investing.

1.4 Occupation of the respondents-

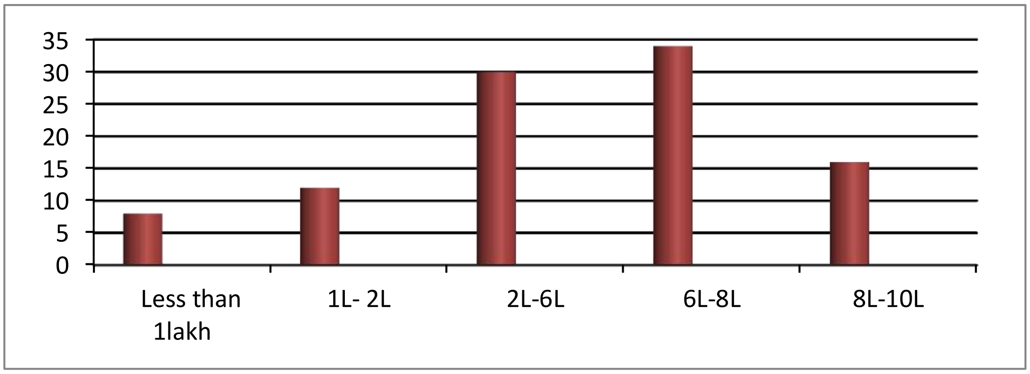
Occupation Of The Respondents	Number Of Respondents	Percentage (%)
Business	17	**34**
Job(Public sector)	11	**22**
Job(Private sector)	14	**28**
Student	8	**16**



Interpretation- Above table & diagram revealed that majority 34% respondents are doing business. 22 % involved in public sector and 28 % in private sector remaining 16 % are student who was doing part-time jobs.

1.5 Annual income of the respondents:-

Annual income	Number of Respondents	Percentage (%)
Less than 1lakh	4	**8**
1L- 2L	6	**12**
2L-6L	15	**30**
6L-8L	17	**34**
8L-10L	8	**16**

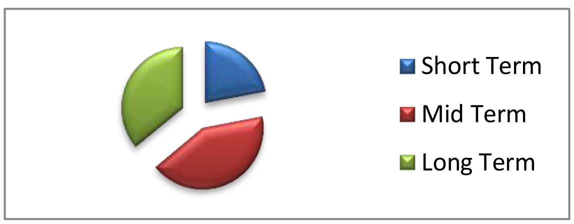


Interpretation:-

So from the above diagram we can interpret that majority i.e. 34% & 30% of respondents falling under the **6lacs-8lacs** and **2lacs-6lacs** income category. So, we can say that people from every income classes invest their earnings in different avenues in order to generate additional incomes.

1.6 For how long have the respondents been investing-

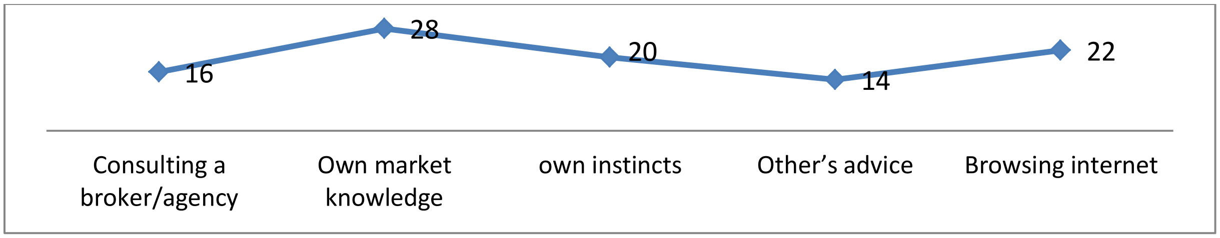
Time period	Number of respondents	Percentage (%)
Short Term	11	**22**
Mid Term	18	**26**
Long Term	21	**42**



Interpretation:- According to the above data most i.e. 42% of respondent prefer long term investment, as in the long term the rate of return is also high.

1.7 Most preferable mode of taking decisions regarding portfolio investment:-

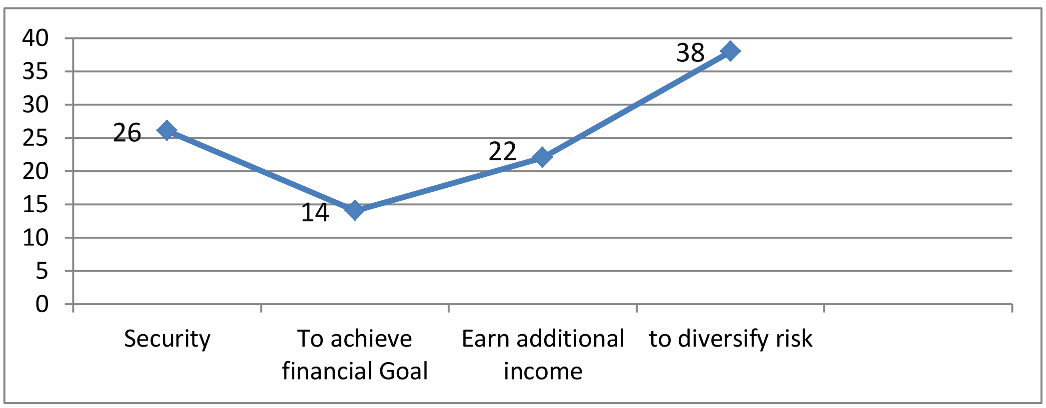
Modes of investing	No of respondents	Percentage (%)
Consulting a broker/agency	8	**16**
Own market knowledge	14	**28**
Own instincts	10	**20**
Other's advice	7	**14**
Browsing internet	11	**22**



<u>Interpretation</u>:- The above figure shows that majority i.e. 28% of the respondents have done investment on the basis of their own market knowledge and 22% through browsing internet as in this study most of the respondents are qualified and they study all the possible factors before going for any kind of investment.

1.8 Objectives of the respondents while investing in different avenues and create portfolio-

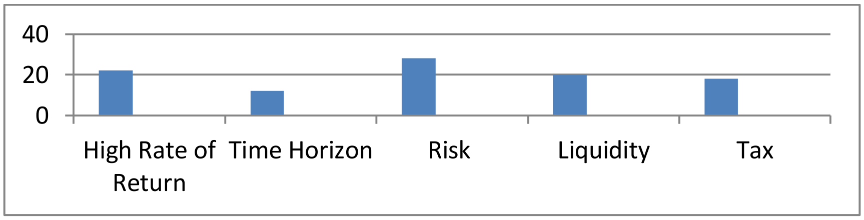
Motive of Investment	No of respondents	Percentage (%)
Security	**13**	**26**
To achieve financial Goal	**7**	**14**
Earn additional income	**11**	**22**
To diversify the risk	**19**	**38**



<u>Interpretation</u>:- the above figure shows that majority i.e.38% of respondents main motive behind creating investment portfolio is they want to diversify the risk by investing in different instruments.

1.9 What are the factors that influence investors investment decision-

Factors	No of respondents	Percentage (%)
High Rate of Return	11	22
Time Horizon	6	12
Risk	14	28
Liquidity	10	20
Tax	9	18



Interpretation:- the above figure shows that majority i.e. 28% of investors consider the risk factor that involved in investment before taking any decision.

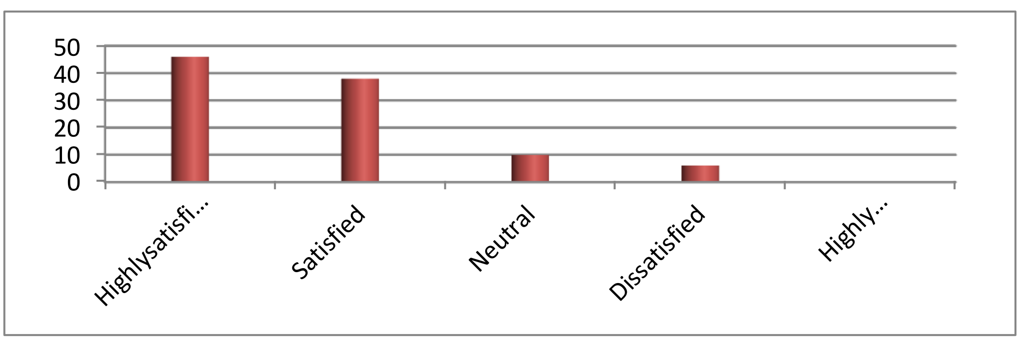
1.10 Shifting the investment from one security to the another-

It has found that 60% of the total respondents have shifted from investing in one security to the another and the remaining 40% have not shifted to any other investments. 20% among them (the respondents who have not shifted) are new investors and have started investing recently.Some of the reasons stated by the 60% of the respondents for their shifting were as follows-

- They were facing losses and not getting required returns.
- They had received better deals from other sources.
- There were rumours about the company being frauds or winding up of firm.
- Some of the securities had greater risks so shifting was necessary to avoid losses and the fear of losing the invested money. Etc.

1.11 Satisfaction level of the respondents by their return in investment-

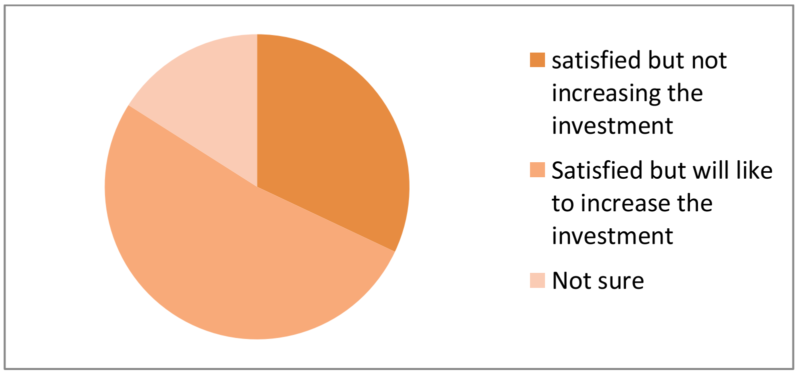
Satisfaction level	**No. of respondent**	**Percentage (%)**
Highly satisfied	23	**46**
Satisfied	19	**38**
Neutral	5	**10**
Dissatisfied	3	**6**
Highly dissatisfied	Nil	**-**



Interpretation:-Above data clearly shows that majority the respondents are highly satisfied with their investment decisions as the received adequate return.

1.12 Satisfied or willing to increase the investment in the portfolio-

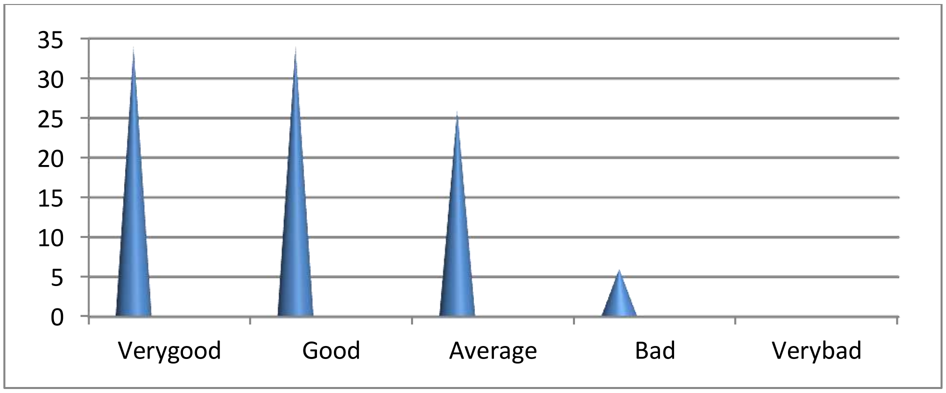
Satisfaction of respondents	No. of respondents	Percentage (%)
Satisfied but not Increasing the investment	16	**32**
Satisfied but will like to increase the investment	26	**52**
Not sure	8	**16**



Interpretation:- Majority i.e. 52% investors wants to add more securities in their portfolio, 32 % investors don't want to add more securities in their portfolio, they are satisfied with their current return. Respondents accepted that if their portfolio consist higher no. of securities then they also got higher return.

1.13 Respondent's experience with the investment-

Experience of the respondents	No. of Respondents	Percentage (%)
Very good	17	**34**
Good	17	**34**
Average	13	**26**
Bad	3	6
Very bad	Nil	-



Interpretation:- Above table revealed that 34% & 32% of the respondents has very good, good & average experience with their investment decisions.

Findings and Suggestions of the Study

The major findings of the study based on the primary data which are collected through the field visit are explained below:

- In my study, the majority i.e. 30% of respondents who has portfolio investment belong to the 30-42 years of age group, as they have a stable source of income in that age group. In this study, we have portfolio investors from every age group including some students.
- Nowadays both males and females irrespective of gender discrimination do some investments which shows that gender differentiation is getting decrease day-by-day. It has been seen that most of the investors are graduate and post-graduate and have knowledge regarding different investment avenues, which means it requires some basic knowledge to create an ideal portfolio.
- In my study most of the investors are doing business, 22% of investors are in the public sector & 28% are in the private sector remaining 16% are students who do some part-time jobs. The majority of investments are done by the respondents who have 6L-8L & 2L-6L annual income.
- The data collected from the respondents shows us that their portfolios contain a mix of various securities. The portfolios consisted of investments in real estate, gold, mutual funds, bonds, fixed deposits, shares, debentures, and stocks. The respondents are well aware of not investing in a particular type of security but making it diversified so that the risk is less and high returns are gained.
- It has been found that investors prefer to invest in long-term investment policies & they create portfolios with the help of different sources like Consulting a broker/agency, Own market knowledge, listening own instincts, and Other's advice & Browsing the internet, from these sources investors depends more on own market knowledge and browsing internet while creating portfolio investment.
- Some motives for making a portfolio by the investors are: to secure the future from any uncertainties, to achieve some financial goal, to earn additional income, and to diversify the risk. According to the above interpretations, the majority i.e. 38% of investors want to create an investment portfolio as portfolio investment diversifies the risk. This diversification

ensures regular returns and capital appreciation at reduced risk as all the eggs are not put in one basket.

- It has been found that investors consider various factors before creating portfolio investment in any avenue such as Risk factors, Liquidity, Rate of Return, Tax, Time Horizon etc. The respondents have surely received benefits after investing for which they are highly satisfied, satisfied or neutral with their higher returns that appreciate capital but some are dissatisfied as they have securities which positively correlated in their portfolio.
- It has been found that the returns were increased and the risk was also increased after shifting, but still, it was fruitful. Although, the risk has increased favourable outcome was not received. So sometimes things can turn in favour during investments and sometimes things do not go as expected. Here only constant factor is the risk factor which increases or decreases according to time and situations but never goes away completely in any condition.
- 52% of the respondents say that they are satisfied & will surely like to increase their investment to gain extra return and earn more. 32% of investors believe that it's difficult to have an idea of what the future beholds and have not given any thought about increasing their investment or adding securities to their portfolio, they are happy with their current portfolio. The remaining 16% were not sure what they will do.
- Moreover, the respondents' experience was very good with their investment portfolio decisions but some investors had negative experiences because they create portfolios without proper planning. The respondents have had experiences which very good and also average depending on the number of returns and profits earned or gained by them. But surely they all have received some benefits at times for which their experience was not very bad.

Viewpoints-

So the suggestions and viewpoints which we would like to discuss for investment portfolio management are as follows-

- Investors should always employ funds in those securities which are not influenced by the same factor. Investors should invest in unrelated assets. In this study some investors create their portfolio in an unplanned manner, as a result, their portfolio consists of securities that are of the same nature which increases risk and reduces their return hence they are unsatisfied with their return.
- There is a huge impact of portfolio management on investors; a portfolio consisting of a large no of securities will always bring a superior return than a portfolio consisting of a small number of securities because a portfolio consisting large no of securities is more diversified. Through portfolio, investors can mitigate risk, secure the future from uncertainties, achieve financial goals, plan for retirement, fund for child's education/marriage and also provide liquidity by investing in a mix of long-term and short-term security.
- Investors should collect information before investing in any organization through business bulletins, journals, financial reports, visiting the official website etc. which help in predicting the potential future growth of the security.
- Investors shouldn't frequently shift from one security to another, they should have some patience to receive adequate returns. But if they see the organization has no chance to regain its market position and growth and is continuously suffering from losses, then it is safe to shift to another investment.

Conclusion–

From the above, it can be understood that Portfolio Management is a dynamic concept that requires continuous and systematic analysis, judgments and operations. Behind an ideal portfolio investors should take decisions regarding what kind of securities should include in their portfolio & proportion of their securities. Investing in a Portfolio helps to balance the mix of returns and losses incurred from investment for example if there is loss incurred from investing in a security of the portfolio it can be balanced if another security of the portfolio helps earn adequate returns so there is no way for suffering loss. Nowadays due to the rise in the market prices of securities, there is a scope for investors to gain high returns from their investment. Investing in a Portfolio is very common as people are very well aware of the risk factor though investing in a portfolio helps individuals to diversify the risk and gain returns from different investment opportunities in different sectors of the market.

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