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A Study On Importance Of Portfolio Management With Special Reference To Indian Stock Market

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I. Introduction

India is considered as one of the best destinations for investment. Indian stock markets are scaling towards new heights. Participation of individuals in stock markets are showing an upward trend.So, portfolio management is so crucial nowadays for investors those seeking maximum return. Portfolio management requires the ability to manage strengths and weaknesses, opportunities and threats across the vide variety of investments. The programme of portfolio management involves a series of activities which determines the risk to be taken by the investor and its rewards. The various theories of portfolio management havesubstantially contributed to the formulation and management of efficient portfolios. Portfolio management is the key area of capital market which involves a series of activities like security analysis, portfolio analysis, portfolio selection, portfolio revision and portfolio evaluation. Each and every stage of the portfolio management has its own significance. According to Shah (2020), effective portfolio management involves selecting the best combination of assets to maximize returns while minimizing risks. Gupta and Singh (2021) found that portfolio diversification in the Indian stock market has shown higher resilience during global economic downturns compared to other emerging markets.

Stages of Portfolio Management:
Portfolio management is a process consisiting many activities aimed at generating maximum return
Five statges in portfolio management are:
1. Security analysis
2. Portfolio analysis
3. Portfolio selection
4. Portfolio revision
5. Portfolio evaluation

II. Scope Of The Study

This study is an attempt to analyse the investor behaviour regarding portfolio management in the Indian stock market. An attempt is made to evaluate whether the investors are proactive rather than reactive in managing their portfolio to make the best out of their portfolio.

III. Significance Of The Study

This study is significant in the light that portfolio management is crucial for all type of investors to achieve their objectives. The stock market has always shown high volatility especially because of presence of Foreign Portfolio Investors (FPI). Recently because of Chinas stimulus package (Economic Times Oct 08 2024)FPIs withdrawnmoney from Indian stock market and it results of around 10% loss in the Indian stock market. The study is an attempt to evaluate how the investors managed their portfolio during the relevant period and the impact of such decisions on the performance of their portfolio.

Objectives of the Study
1. To Identify Factors Influencing investors for constructing Portfolio.
2. To Evaluate the factors influencing investors for portfolio revision
3. To Analyze the Key Principles of Portfolio Management

IV. Research Methodology

Population

The population of the study is investors in Kottayam district.

Sample Selection And Sampling Technique

A sample size of 120 respondents is selected and are drawn out from Kottayam district.Convenience sampling and snowball sampling is used as sampling technique.

Sources Of Data

The present study isused both primary data as well as secondary data.

Primary Data

Primary data have been collected through structured questionnaire.

Secondary Data

The secondary data in this study collected from Economic dailies,F, Economic magazines and also from various journals.

Analysis

Table

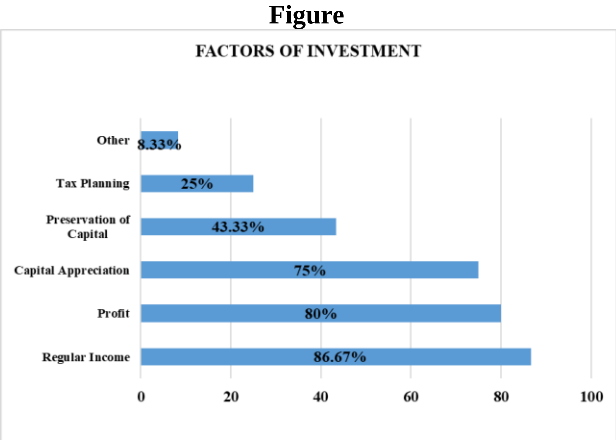
Factors Of Investment

FACTORS	RESPONDENTS	PERCENTAGE
Regular Income	104	86.67
Profit	96	80
Capital Appreciation	90	75
Tax Planning	30	25
Safety	52	43.33
Other	10	8.33

Source: Primary Data

The table represents the various objectives of the investors for committing investments. The aim for more than 85% percent of the respondents are regular return and more than 80% percent look for profit and more than 75% aim for capital appreciation. Around 25%r of the respondents undertakes investment for tax planning and 43.33 expect safety from their investment.

Figure



Table

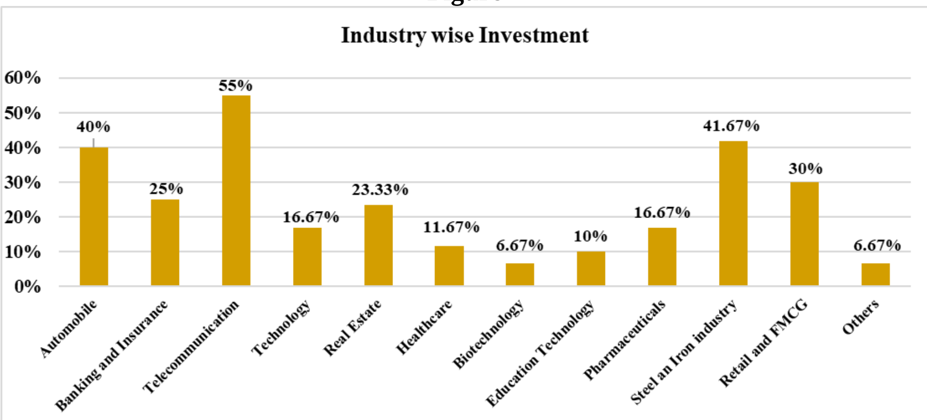
Industry Wise Investment

INDUSTRY	RESPONDENTS	PERCENTAGE
Automobile	48	40
Banking and Insurance	30	25
Telecommunication	66	55
Technology	20	16.67
Real Estate	28	23.33
Healthcare Industry	14	11.67
Biotechnology	8	6.67
Education Technology	12	10
Pharmaceuticals	20	16.67
Steel and Iron industry	50	41.67
Retail and FMCG	36	30
Others	8	6.67

Source: Primary Data

The above table explain the industry wise mixture of investor's portfolio. A big part of the respondents have invested in traditional industries much more than the modern industries. Traditional industries like steel and iron industry tops the priority of the investor.

Figure



Table

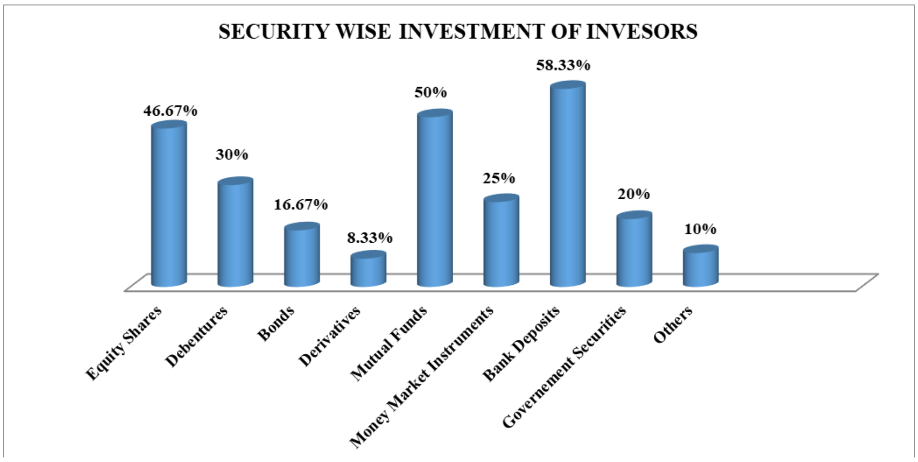
Security Wise Investment Of Investors

SECURITY	RESPONDENTS	PERCENTAGE
Equity Shares	56	46.67
Debentures	36	30
Bonds	20	16.67
Derivatives	10	8.33
Mutual Funds	60	50
Money Market Instruments	30	25
Bank Deposits	70	58.33
Government Securities	24	20
Others	12	10

Source: Primary Data

The above table explains that bank deposits is a crucial part of their portfolio for majority of investors may be because they prefer safety. Around 50 percent of the respondents invested in mutual funds and around by 4 percent in equity shares and they are assumed as risk takers.Only 8 percent investors prefer derivatives.

Figure



Table

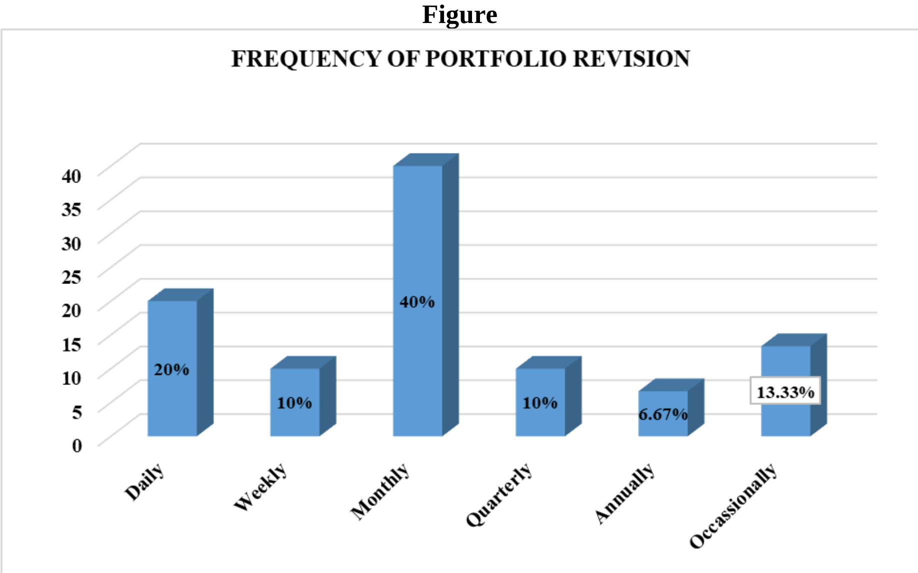
Frquency Of Portfolio Revision

TIME	RESPONDENTS	PERCENTAGE
Daily	24	20
Weekly	12	10
Monthly	48	40
Quarterly	12	10
Annually	8	6.67
No specific time	16	13.33
Total	120	100

Source: Primary Data

The above table explains all the investors are revising their portfolio and around 40 per cent of investors revise their portfolio monthly. Around 20 per cent of investors revise their portfolio daily assumed as day traderss

Figure



Table

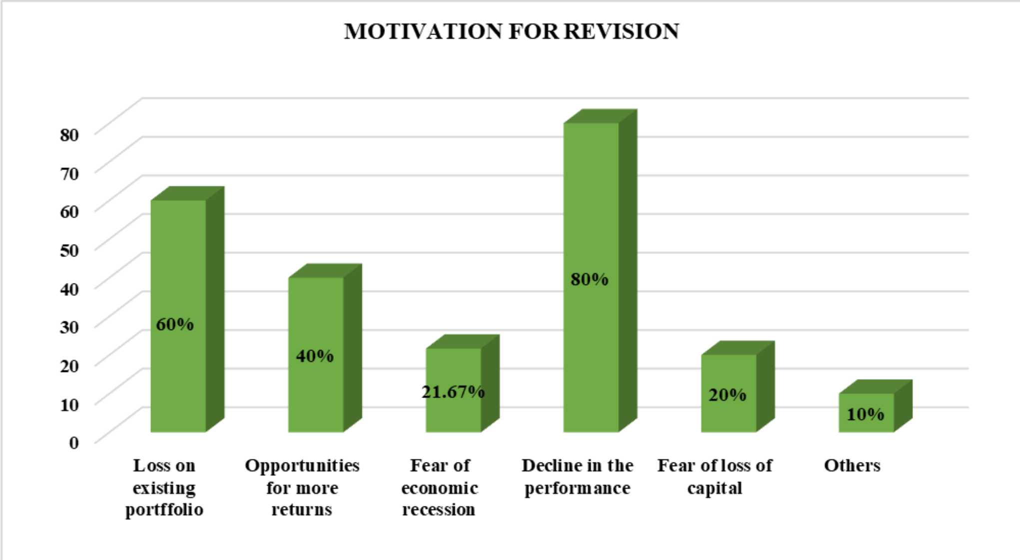
Motivation For Revision

MOTIVE	RESPONDENTS	PERCENTAGE
Loss on existing portfolio	72	60
Opportunities for more returns	48	40
Fear of economic recession	26	21.67
Decline in the industrial performance	96	80
Fear of loss of capital	24	20
Others	12	10

Source: Primary Data

The main reason for portfolio revision is loss in existing portfolio.Around 40 percent of the respondents have revised their portfolio on finding opportunities for more return. About 22 percent of the respondents reflect the fear of economic recession is a factor for portfolio revision.

Figure:



V. Findings

The present study is concerned with the portfolio management of investors and factors for portfolio revision.The following are the important findings of this study.

1. The main investment objective of majority of the investors is a combination of various factors like regular income,profit and capital appreciation rather than a single objective.
2. Still maximum number of investorsprefer traditional industry like steel and iron, real estate, retail and FMCG, Banking and Insurance etc. Investment insunrise and modern industry is comparatively less.
3. Still bank deposits form part of portfolio of majority of the respondents.Mutual funds and equity share also equally preferred by investors.Only limited number of investors ability to take higher riskinvest in derivatives.
4. Majority of Investors revise their portfolio within a year and a reasonable part follow passive revision strategy.
5. The main factor considered for portfolio revision is decline in the industrial performance and loss on existing portfolio. Investors experienced fear of capital loss and economic recession while some fund opportunities for more return.

VI. Conclusion

In summary, a disciplined approach to portfolio management, coupled with an understanding of market dynamics and investor preferences, can lead to improved investment outcomes and long-term wealth creation. This study shows that doing a strategic combination of asset classes, including equities, bonds, and alternative investments, can enhance portfolio performance under varying market conditions.

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