IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON INVESTORS BEHAVOUR ON PORTFOLIO CONSTRUCTION

[1]Dr. Mayur Rao,[2]Hiral Jaiswal, [3]Mihir Jethwani

[1]Associated Head, [2]Student, [3]Student
[1]Parul Institute of Management and Research,
[1]Parul University, Vadodara, Gujarat

Abstract: This paper is based on the portfolio construction and know the risk capacity of the investors. The portfolio construction theory is widely used for how investors can construct investment portfolio to maximum expected returns and minimize risk. A portfolio construction practice includes implementing an asset allocation strategy, by this balancing investment risk and return by adjusting the percentage of a portfolio allocation to assets class. Asset allocation is devised based on an investor's risk tolerance, investment goals and investment timeframe.

Design/methodology/Approach: - The chosen approach is an online survey (by making google form).

Keywords**: -** Risk capacity, Performance evaluation, Portfolio construction.

I. INTRODUCTION

Portfolio construction is a process of selecting securities optimally by taking minimum risk to achieve maximum returns. The portfolio consists of various securities such as bonds, stocks, and money market instruments.

WHAT IS PORTFOLIO CONSTRUCTION?

To plan for the portfolio investment, you must take an in-depth look at all current assets, investments, and debts if any. Now, you can define your financial goals for the short and long terms. To establish a risk-return profile, you have to decide on the extent of risk and volatility you are willing to take, and what returns you want to generate. Now, the benchmarks can be set in place to track portfolio performance. With a risk-return profile in place, the next step is to create an asset allocation strategy that is diversified and structured for maximum returns. Now, adjust the plan to consider significant life changes, like buying a home or retiring. The investor has to choose whether to opt active management, which might include professionally managed mutual funds, or passive management, which might consist of ETFs that track specific indexes. Once a portfolio is in place, it is crucial to monitor the investment and ideally revaluate goals annually, making changes as needed.

WHAT IS THE CURRENT SITUATION?

Portfolio analysis has been the latest trend in the field where investment opportunities are identified, portfolios are aligned with investment objectives, and portfolio risk and performance are monitored. The technology lets investment managers filter information quickly, take advantage of statistical arbitrage opportunities, and deal with inefficiencies, such as transaction costs incurred during trading and tax consequences of investment decisions.

Role of portfolio

Portfolio managers are investment decision-makers. They devise and implement investment strategies and processes to meet client goals and constraints, construct and manage portfolios, make decisions on what and when to buy and sell investments.

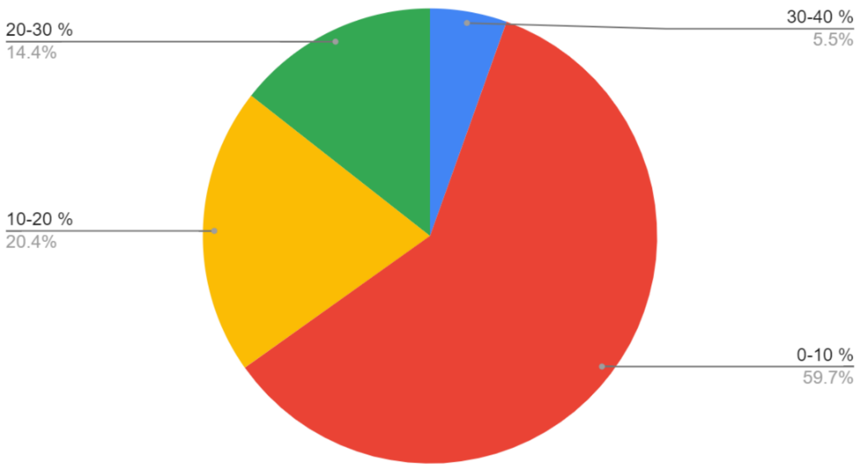
1. RESEARCH METHODOLOGY

The research methodology defines what the activity of research is, how to proceed, how to measure progress, and what constitutes success. It provides us an advancement of wealth of human knowledge, tools of the trade to carry out research, tools to look at things in life objectively; develops a critical and scientific attitude, disciplined thinking to observe objectively (scientific deduction and inductive thinking); skills of research particularly in the 'age of information'. Also, it defines the way in which the data are collected in a research project. In this paper it presents one components of the research methodology from a real project; the theoretical design and framework respectively.

1. **Data: -** Primary data is source from which the researcher collects the data. It is a first-hand data, which is used directly for the analysis purposes. Primary data always gives a researcher a fairer picture. In the present study primary data has been collected using questionnaires. For the purpose of collecting the same, 200 respondents have been randomly selected. Even the response of the respondents was taken into consideration. In this study, primary data plays a vital role for analysis, interpretation, conclusion and suggestions.
2. **Questionnaire: -** A structured questionnaire was prepared by the researcher to gather the primary data for the traders. The primary information from the traders was collected through the questionnaire which was circulated by the online mode. It was circulated to the individuals at large. The questionnaire could reach large number of traders online and they answered to all the questions patiently. The questionnaire was designed to understand personal profile of the traders such as age, category of investor, income range, occupation details etc. The questionnaire further focused on seeking portfolio related information like selections of avenues, the need for the same, purpose of investment and any strategies adopted for the same, the risk-taking capacity of investors, Growth of portfolio management.
3. **Area of Study: -** The present study is confined to the investors
4. **Sample Design: -** By adopting convenient sampling
5. **Framework of Analysis: -** The collected data have been analysed by making use of Factor analysis.

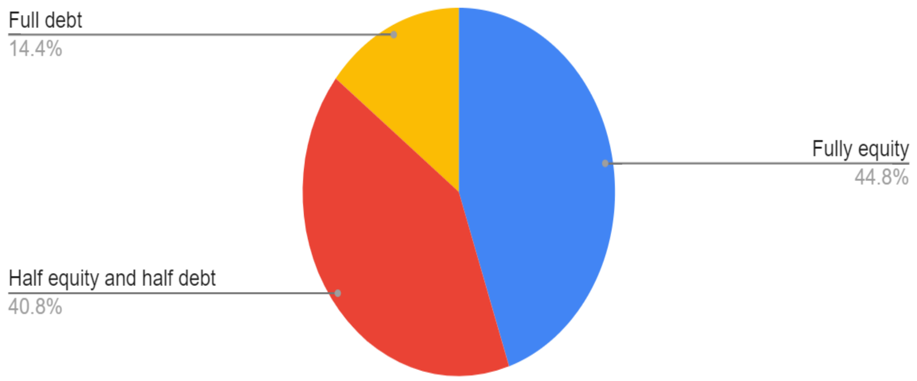
2. Data Analysis and Interpretation

1. How much percentage you save from your salary ?



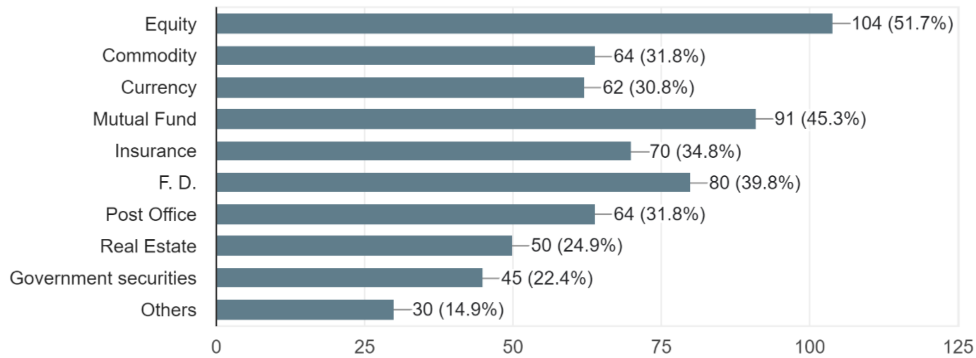
We have taken 200 responses. Responses are divided into four categories, from where it was observed that 59.7% respondent are save their salary 0-10%. And make investments from it.

2. What kind of portfolio you prefer



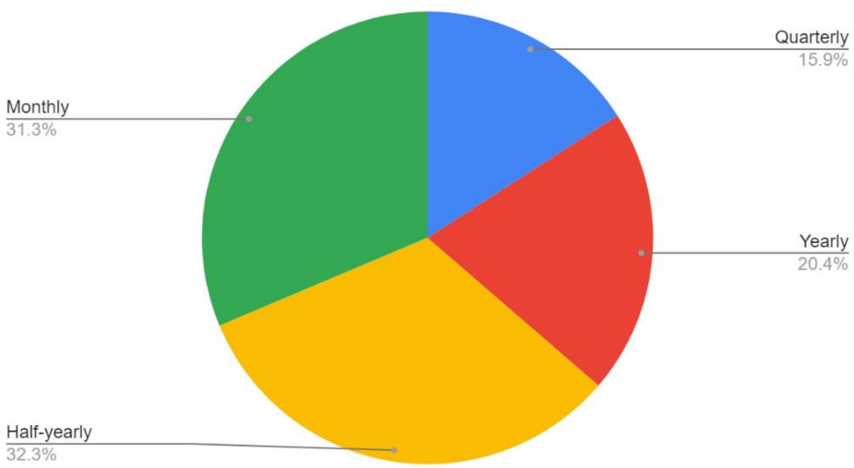
As we can see in the above pie chart that 44.8% respondent are interested investing in equity. And 40.8% are interested investing in both half equity and half debt depend on their risk-taking capacity.

3. In which avenues do you invest ?



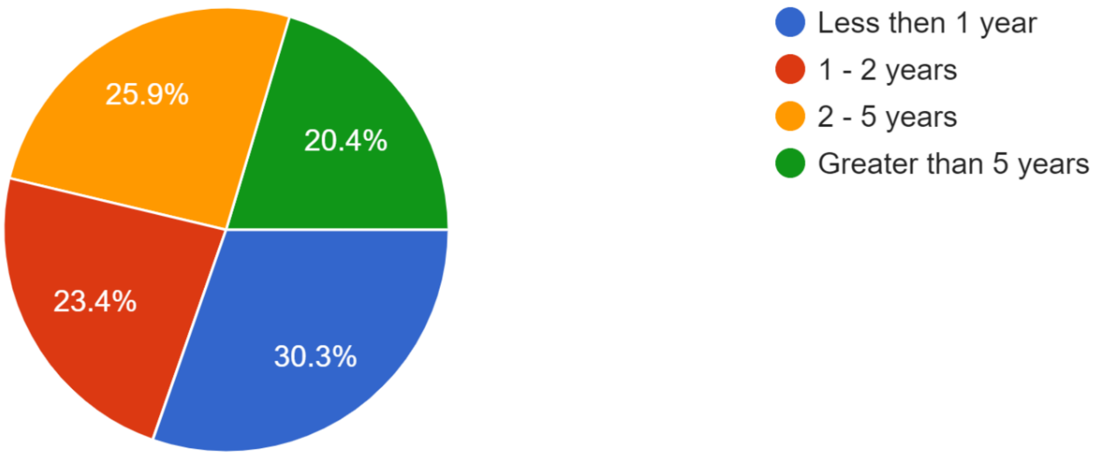
From this analysis, it observes that the huge number of respondents have chosen Equity more than 50% i.e., 51.7%. From this we come to know that investors are more inserted in taking more risk and more interest.

4. How many times you invest in……



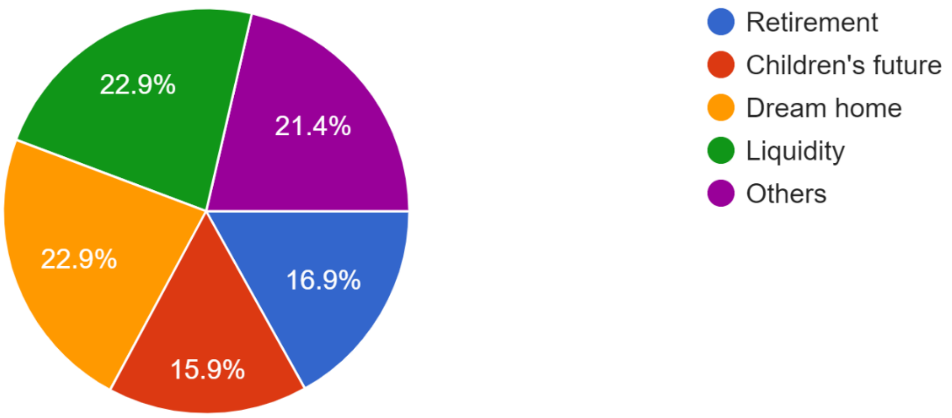
As we see in question second and third more respondents have selected equity. So, monthly investment is done in equity. There is huge number of respondents with 31.3% as monthly.

5. What is your time duration of investment



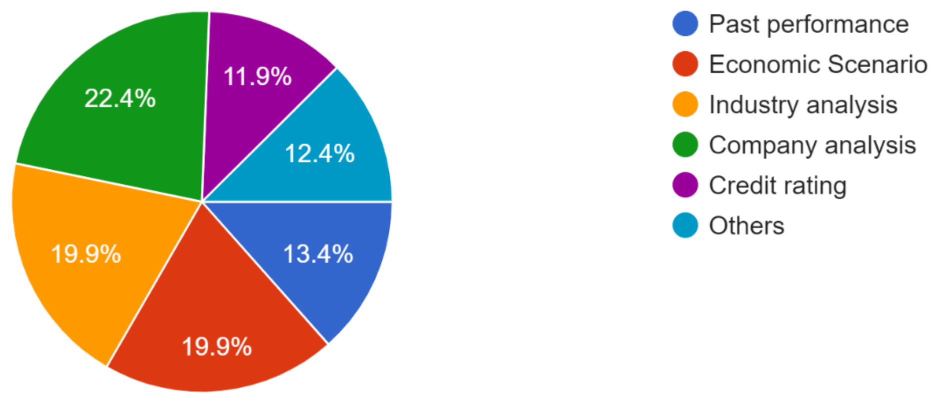
From this analysis the huge number of respondents are 30.3% invest less then 1 years. Because from my survey a greater number of investors has invest in equity. In equity monthly investment is necessary and less then 1 year of investment is necessary.

6. What is your purpose for investment



From this analysis huge number of respondents are 22.9% is liquidity and dream home. 21.4% are others 16.9% is for retirement and 15.9% for children's future. We can see that more priority respondents have chosen dream home and liquidity.

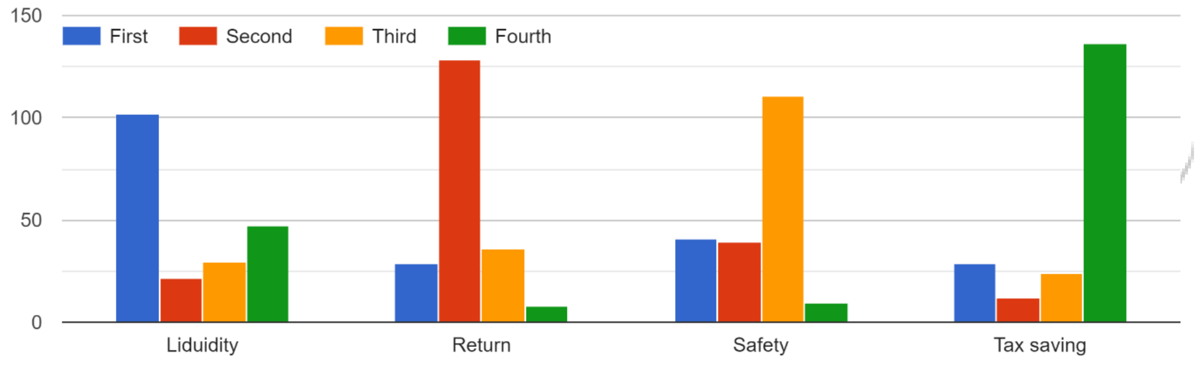
7. How you construct your portfolio



From this analysis a greater number of respondents are invest and construct their portfolio from company analysis is 22.4%.

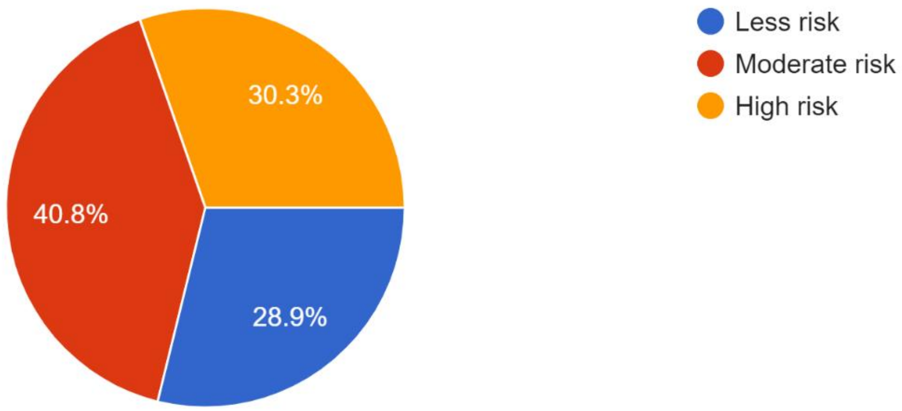
8. Which factors influence your investment decision for portfolio?

(Rank in order of priority to 1st to 4th)



From this analysis tax saving and return is highest priority for investment.

9. What level of risk you ready to undertake for your portfolio?



More investors are interested to take Moderate risk. High percentage is observed in case of Moderate risk 55 per cent. For moderate and low risk only 30.3 percent and 28.9 per cent is observed. High risk will lead to high profit.

Result and Finding

In my research investors have choose moderate risk. By choosing moderate risk for their investment time horizon is more. And gets some amount continuously of investment as per their avenue.

Investor invest their money because they can save from tax. Tax saving is the biggest reason for investment. In this research we can see diversity of avenues. Because investor can balance the risk if their portfolio is diversified.

Conclusion

When the investor is investing for a lifelong goal, the portfolio planning process never stops. With advance in time, there may be changes in the goals. Events such as job change, childbirth, divorce, death, or shrinking time horizons may require adjustments to their portfolio plans. As changes occur, or as market/economic conditions dictate, the portfolio planning process begins afresh.

REFERENCES

[1] Mustafa N. Gultekin, Thomas D. Shohfi and John B. Guerard Jr.:-The construction of Efficient Portfolio: A verification of risk models for investment making.

[2] Dr. Simranjeet Kaur Sandhar, Dr. Neetika Jain, Ruchi Kushwah:- Optimal Portfolio construction: A Case study of NSE.

[3] Mahabub Basha Shaik: - An empirical study on construction portfolio with reference to BSE.

[4] Michael P. Haydock: - Portfolio Construction: The efficient diversification of marketing investments.

[5] Stefan Colza Lee and William Eid Junior: - Portfolio construction and risk management: theory versus practice.