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STUDY ON RISK PERCEPTION AND PORTFOLIO MANAGEMENT OF EQUITY SHARE HOLDERS

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Abstract: Investing in banking sectors should be according to Risk return and past data analysis and ratios which ensures the return on investment. Moreover, if an investor is investing in different sectors then it is also necessary to create portfolio as per Interest of investing in share market. By this research we have researched that if investor is investing in whether public or private banking sector then on which basis they should invest and in which bank. And as per secondary data how portfolio is created to invest in different segment.

Without portfolio management, investor may face losses in different segment.

There is a process of portfolio management. Additionally there are EPS, Standard deviation which shows we should invest or not.

I. INTRODUCTION

Risk Perception is customized perfect that individuals hold about highlights and the seriousness of a risk. Risk recognition examinations the assessments of individuals when they are approached to assess dangerous or unsafe exercises, substances, and innovations (Slovic 1987). Risk perception involves peoples' beliefs, attitudes, judgments, and feelings as well as their values—both social and cultural—and dispositions. It plays a noticeable role in people groups' decision making procedure and accordingly for the situation with the choice to put resources into value shares. Risk takes on many forms but is broadly categorized as a chance wherein an outcome or investment's actual return will differ from the expected outcome or return.

Various variants of risks are typically estimated by ascertaining the standard deviation of the verifiable returns or normal returns of a particular speculation. A basic thought in fund is the connection among risk and return. As risk is directly relative to restore, the more risk a bank takes, it can hope to get more cash-flow.

OBJECTIVES OF THE STUDY

1. To find out the risk perception of equity investors.
2. To bring out the importance of portfolio management of equity investors.
3. To know about the investors knowledge and experience of investing in equities.

SCOPE OF THE STUDY

1. It relates to investment in equities.
2. Understanding of customer/ investors the equities.
3. It also help us to know the portfolio management of equity investors.

Literature Review

1. Relationship between risk perception and employee investment behavior

Robert S Harris, Felici C marston (1992)

This research represents estimation of shareholders require for rate of return and risk premium which are derived using forward looking analyst growth and forecasts. Researchers examined the efficacy of using such an expectational approach as an alternative to the use of historic averages.

2. Facts and values in risk management

Frank B. Cross, 1998

Risk is defined as a complex mélange of facts, values and fears. The implication of risk perception are explored. Popular assessment of risk are tainted by misinformation and unreliable. While subjective considerations, known as values, play a role in public perception of risk. Strict probabilistic risk measures generally provide superior guide for government regulatory policy.

3. The role of risk perception for risk management

Ortwin Renn 1998

This research states that the constructivist and the realistic perspective, miss the point, as risks are always mental representation of threats that are capable of claiming real losses. In times in which risk management has been under serious pressure to demonstrate effectiveness and cost efficiency. Technical assessment provide the best estimate for judging the average probability of an adverse effect linked to an activity. Public preferences are needed to design resilient strategies for coping with remaining uncertainties.

4. Corporate risk management as a lever for shareholder value creation

Sohnke m Bartan, 2000

Financial risk which consist unexpected changes of foreign exchange rates, interest rates and commodity prices that affect firm value in many direct and indirect ways. This research indicates that because of realistic capital market imperfections, like agency costs, taxes and increasing cost of external financing, risk management on firm level represents a means to increase firm value to the benefits of equity shareholders

5. Risk Management in Banking Sector

Author(s): Vyas, Madhuri; Singh, Sachin 2011

This paper describes the key building blocks that need to be in place before the vicious cycle of risk can be broken. It is a summary of the key risks faced by the banking sector. The central idea behind this research paper is that why risk management is needed. It outlines some of the theoretical underpinnings of contemporary bank risk management, with an emphasis on market and credit risks. Banks are often smug about their management of risk. Smugness may well be justified for market and credit risks, but banks can learn much from industry about managing operational risk Banks have been involved in a process of upgrading their risk management capabilities. In doing so, the most important part of upgrading has been the development of the methodologies, with introduction of more rigorous control practices, in measuring and managing risk. However, the by far the biggest risk faced by the banks today, remains to be the credit risk, a risk evolved through the dealings of the banks with their customers or counterparties. In order to manage operational risk, industry has evolved enterprise risk/reward management systems which coordinate an internal market for risk with variations to capital charges. Industry has at least three lessons to teach banks - use activity-based costing variances to quantify operational risk; link operational risk to external prices via an enterprise risk/reward management system; and establish measures to govern an enterprise risk/reward unit.

6. Ranjit Singh, Amalesh Bhowal 2012

To ascertain the influence of four elements of marketing mix on the risk perception of employees in shareholders. It was found that out of four marketing mix the product and price driven measure of risk perception do not influence the overall risk perception in equity shareholders. In respects of equity shareholders of banking sectors; all the four elements that is product, price, place and promotion influence the overall risk perception.

7. Investment analysis and portfolio management

Prasanna Chandra, 2017

This research focuses the essence of modern developments and provides a guided tour of world of investment. It shows framework for portfolio management in a proper manner and covers all the techniques used by professionals for analyzing and valuing investment alternative and portfolio management to increase return on investment.

Theory

TYPES OF RISKS IN THE BANKING SECTOR

Banking Sector is associated with the following Risks

1. Liquidity Risk
2. Interest Rate Risk
3. Market Risk
4. Credit or Default Risk
5. Operational Risk

Risk takes on numerous structures yet is extensively ordered as an opportunity wherein a result or investment genuine return will vary from the normal result or return. Whenever an organization makes any decision related to investments they try to find out the number of financial risk attached with it. Financial risks can be in the form of high inflation, recession, volatility in capital markets, bankruptcy etc. The quantum of such risks depends on the type of financial instruments in which an organization or an individual invests.

Risk management in Banking Sector

Practice of Risk Management in Banks is newer in Indian banks but due to the growing competition, increased volatility and fluctuations of markets the risk management model has gained importance. Due to the practice of risk management, it has resulted in the increased efficiency in governing Indian banks and has also increased the practice of corporate governance. The essential feature of risk management model is to minimize or reduce the risks of the products and services which are offered by the banks therefore, in order to mitigate the internal & external risks there is a need of efficient risk management framework.

Portfolio Management

Portfolio management is defined as an art and study of settling on choice the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. It concerns the constructions and maintenance of a collection of investment. It is investment of assets in various protections in which the all-out risk of the portfolio is limited, while anticipating most extreme come back from it. It principally includes diminishing danger as opposed to expanding return. Return is clearly significant however, and a definitive target of portfolio director is to accomplish a picked degree of return by bringing about the least conceivable risk.

Portfolio means a combination of financial assets and physical assets. The financial assets are shares, debentures and other securities while physical assets include gold, silver, real estates, rare collections, etc.

Determinants of risk attitudes of individual investors are of great interest in a growing area of Finance known as behavioral finance. Behavioral science focuses on the individual qualities, Mental or something else, that shape basic money related and speculation

rehearses. In contrast to customary suppositions of anticipated utility boost with sane speculators in proficient markets, social money accept individuals are ordinary.

Investment portfolio composing securities that yield a maximum return for given levels of risk or minimum risk for given levels of returns are termed as “efficient portfolio”.

The investors, through portfolio management, attempt to maximize their expected return consistent with individually acceptable portfolio risk.

How to Manage Portfolio of Equity share

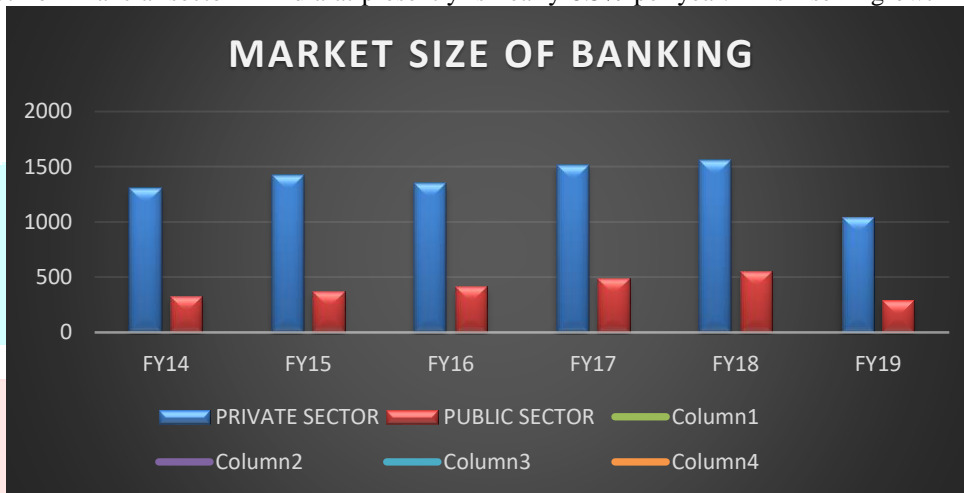
Portfolio management involves complex process which the following steps to be followed carefully.

1. Identification of objectives and constraints.
2. Selection of the asset mix.
3. Formulation of portfolio strategy
4. Security analysis
5. Portfolio execution
6. Portfolio revision
7. Portfolio evaluation.

Today risk management is practiced by many organizations or entities in order to curb the risk which they can face it in near future. Whenever an organization makes any decision related to investments they try to find out the number of financial risk attached with it. Monetary risk can be as high expansion, downturn, instability in capital business sectors, liquidation and so on. The quantum of such dangers relies upon the sort of monetary instruments where an association or an individual contributes.

Growth of banking sectors

The growth of financial sector in India at presently is nearly 8.5% per year. This rise in growth rate suggests the growth of the



economy.

The above chart shows that from FY14 to FY18 there is growth of private sector banks. No doubt Public sector bank's growth is always high but as percentage of growth of private sector banks increases; there is no growth of public sector banks in same proportion to private sector bank.

Effect of investing in banking sector in economy

Banks fulfil several key functions in the **economy**. They improve the allocation of scarce capital by extending credit to where it is most productive, as well as allowing households to plan their consumption over time through saving and borrowing (Allen and Gale 2000)

Shareholders of SBI and HDFC Bank

STATE BANK OF INDIA SHARE HOLDINGS

Description	Percent of Share (%)
Promoters	57.64
Mutual Funds/Uti	13.18
Fi/Banks/Insurance	11.35
Non-Institution	9.55
Government	0.2
	0

HDFC BANK LTD SHARE HOLDINGS

Description	Percent of Share (%)
Promoters	26.1
Non-Institution	14.76
Mutual Funds/Uti	14.04
Fi/Banks/Insurance	3.86
Government	0.25
FII	0

Equations

The expected rate of return of the portfolio can be calculated in some alternative ways. The Markowitz focus was on the end-of-period wealth (terminal value) and using these expected end-of-period values for each security in the portfolio the expected end-of-period return for the whole portfolio can be calculated. But the portfolio really is the set of the securities thus the expected rate of return of a portfolio should depend on the expected rates of return of each security included in the portfolio (as was presented in Chapter 2, formula 2.4).

This alternative method for calculating the expected rate of return on the portfolio ($E(r)_p$) is the weighted average of the expected returns on its component securities:

$$n E(r)_p = \sum_{i=1}^n w_i * E_i(r) = E_1(r) + w_2 * E_2(r) + \dots + w_n * E_n(r),$$

(3.1) $i=1$ here w_i - the proportion of the portfolio's initial value invested in security i ; $E_i(r)$ - the expected rate of return of security i ; n - the number of securities in the portfolio. Because a portfolio's expected return is a weighted average of the expected returns of its securities, the contribution of each security to the portfolio's expected rate of return depends on its expected return and its proportional share from the initial portfolio's market value (weight).

I. RESEARCH METHODOLOGY

In research methodology we will examine the risk perception equity shareholders of banking sector of India and their portfolio management for the same. Here, we would gather data of equity shares of banking sector and how investors manage the risk and portfolio to invest in different portfolios of the equity shares of the bank. Then we would conclude how private and public sector banks are performing and also we would know that how investors are managing risk.

3.1 Population and Sample

Population of the research will be investors who are investing in banking sectors of Gujarat.

Sample of research will be 50 investors who are investing in banking sectors of Vadodara.

3.2 Data and Sources of Data

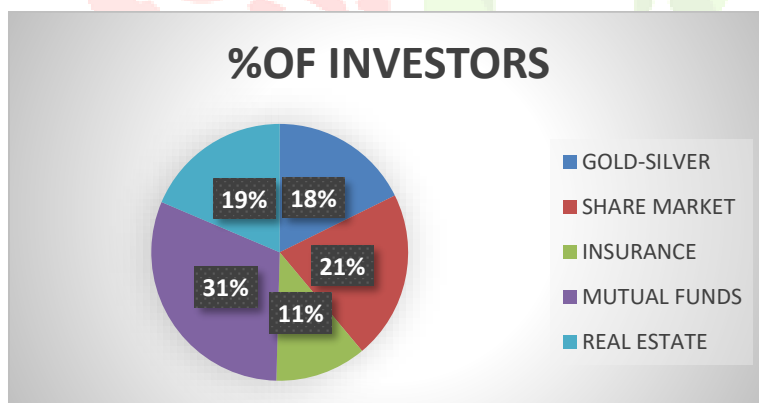
There are two types of data:

1. Primary data: primary data can be collected by making questionnaire and observing data from them.
2. Secondary data: The secondary data related to portfolio management collected through the NSE website. The secondary data will be collected by reference books or company website and various financial websites.

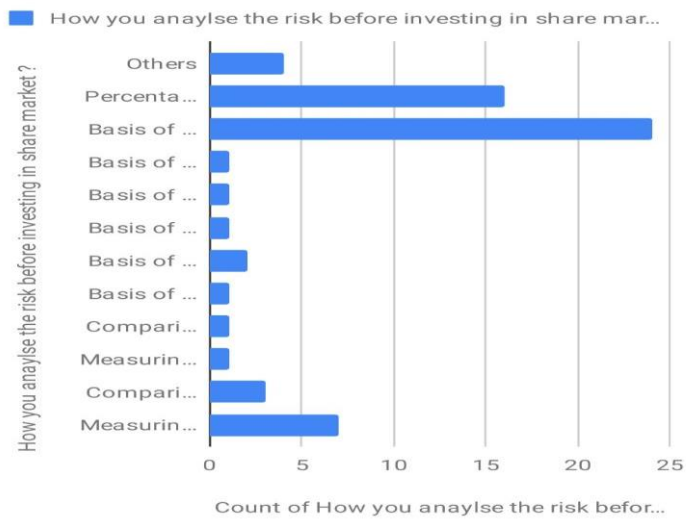
RESEARCH DESIGN

Here, secondary data of growth of equity shareholders of private and public banking sector of India has been used. And there will be questionnaire for investors to examine to know the perception of investors who are investing in banks.

Findings of primary data

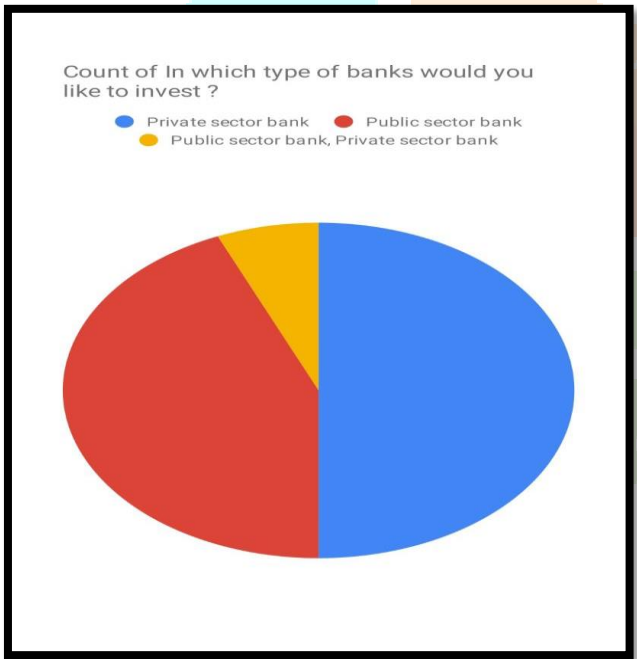
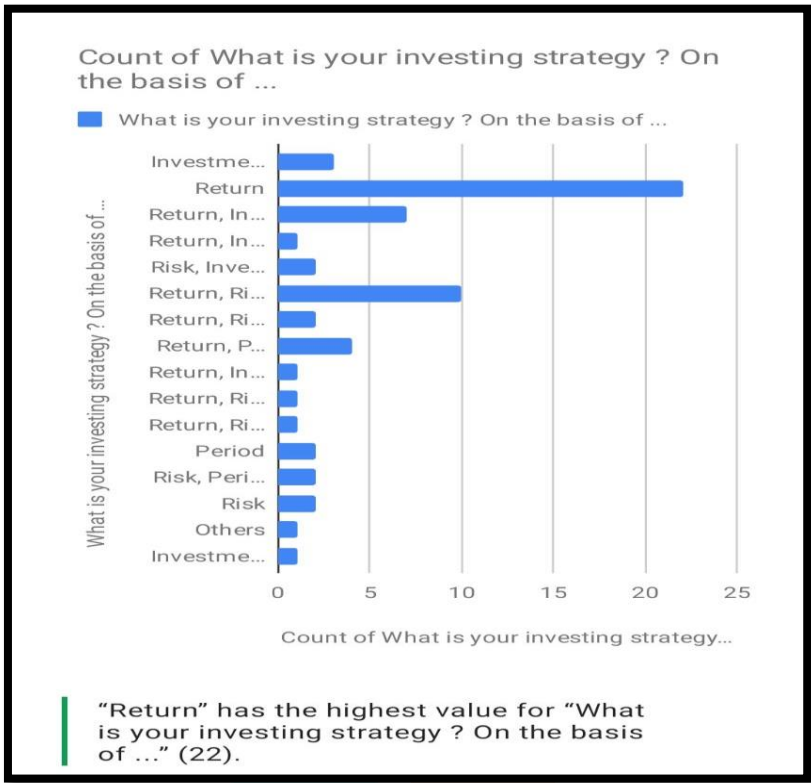


Count of How you analyse the risk before investing in share market ?

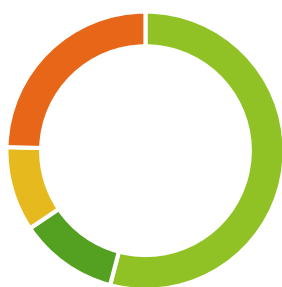


“Basis of past data” has the highest value for “How you analyse the risk before investing in share market ?” (24).



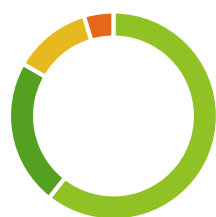


PRIVATE SECTOR



- HDFC BANK
- AXIS BANK
- KOTAK MAHINDRA
- ICICI BANK

PUBLIC SECTOR



- SBI
- BOB
- CANARA BANK
- BOI

Conclusion of research

- Mostly investors invest their money for long term as it gives good return and they invest for long term as it gives good amount of return and low risk.
- Equity Share investors invest according to return, risk and on the basis of past data.
- In private banking sectors people invest money on the basis of better performance, net margin ratio. For example HDFC Bank.
- In public banking sector shareholders invest money according to gained and maintained share in last decade and valuation low .For example SBI bank