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FACTORS INFLUENCING ON INVESTORS' PERCEPTION AND SATISFACTION ON SELECTION OF INVESTMENT PORTFOLIO IN ANDHRA PRADESH

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Abstract
In India, financial markets provide a variety of assets to investors. Moreover, the complexity of the size of the financial markets by and large demands the employment of professional fund managers. In this scenario, the role of watchful investors assumes a special significance. Investors are thus called upon to devise well defined plans and goals, otherwise termed as Investment Portfolio Management. This would assist the investors to manage their portfolios in such a way that they are able to achieve their financial goals easily. Investment Portfolio Management should therefore be directed at crafting and honing investment markets so that investors are assured of their expected returns. Such management of investments would provide an embarking platform to investors in the financial world.

Key Words: Investors, Perception, Satisfaction.

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.

Need And Significance of the Study

Investment portfolio management comes under the remit of financial services and creates billions of revenue. To achieve the desired return within the specified period, it is very essential for investors to have a management of their portfolios. This is the prime need of the hour. Traditional finance theory is basically based on two assumptions. Firstly, investors' make rational decisions; and secondly investors are unbiased in their predictions about future returns of the stock. However financial economist have now realized that the long held assumptions of traditional finance theory are wrong and found that investors can be irrational and make predictable errors about the return on investment in their financial savings. Investor's portfolio is composed of diverse types of assets. Investors would prefer more return to less and would prefer less risk to more. Investors must take account of the interplay between asset returns when evaluating the risk of the portfolio. It is designed to bridge the gap between the theoretical knowledge obtained from the course and contemporary real business world. This study is thus an attempt to know the profile of the investor, the characteristics of the investors so as to know their preference with respect to their investments. The study also tries to unravel the influence of demographic factors on risk tolerance level of the investor. With the range of products available in the market and the efforts being taken by

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investment firms to market their products, investors are often perplexed about the investment options. Not much attention is paid to understand the awareness level of each of the investment products and the associated services among investors.

Review of Literature

The earliest portfolio theory can be traced to **Markowitz (1952)**, who presents the famous mean-variance analysis. In that model, the individual makes investment decisions by balancing the expected return (mean) of financial investment and the riskiness (variance) of the return on each asset. The permanent income hypothesis was developed by **Milton Friedman.** The hypothesis states that the investment patterns of consumers are determined not by current income but by their long-run income expectations (**Friedman, 1957**). For example, young people at the beginning of their work lives, or before completing their education, expect low incomes. When they obtain education and work experience, their incomes are expected to rise until their income eventually levels out or decreases at their retirement. The theory states that people make investment decisions based on their long-run expectations of future flows of income. **Tobin (1958)** further illustrates that risky assets comprise different proportions of a household portfolio. It further proposes that more risk adverse investors should hold a greater proportion of their portfolio in risky assets. On a different perspective, **Lydall (**1958**) and Pesek (**1963**)** found that wealth and not income had a significant effect on investment of individual investors.

Objectives of the Study

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

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. A preliminary investigation was undertaken by surveying 75 investors through random sampling method to identify the demographic profile of investors, their risk tolerance, investor's awareness and satisfaction. 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.

Findings of the Study

- The majority of the investors receive investment alerts through e-mails. The best preferred channel of distribution to investors and the source of information to investors are through e-channels.
- Investors were found to be positive in their risk taking abilities.
- Risk and reward are often inversely proportional, and they are the major driving factor with any investment decisions. Investors choose high risk for greater rewards.
- The considerations of risk aid investors in making the right decision. The ability to stay in the market even in risky situations develops the risk tolerance capability of investors. Risk tolerance capability, for the other investors are considerably found to be in low profile. The reason can be attributed to the fact that these assets are non-speculative in nature. Thereby the risk profile for these assets also remains low.
- The first investment character as per the research instrument is the time factor involved in reviewing the investments. This plays a major role in determining the risk tolerant capability of investors. In the select investment assets it is found that life insurance investors who track their portfolios annually hold high risk tolerance.

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- In the investment portfolio review life insurance has a significant influence on risk tolerance attitude of investors. Thus time factor in reviewing investments plays a major role on risk tolerance.
- The present study in an attempt to investigate the dominant investment alerts finds that out of all alerts, E-mail alert is much preferred as they are more reliable and fast which helps investors to achieve their investment goals. Thereby their risk tolerant level also soars high.
- As far as the informational source is concerned, Public Provident Fund investors top the list to rely on e-channels for receiving updates. Although they have access to some information through brokers or from investment services, investors prefer it a good option to be aware of the information that is being reported through e-channels.
- It is also evident that 24% of dynamic investors of Life Insurance are consistent in their investments of Fixed deposits. The analysis revealed that there is no association between the different perceptions of LIC and FD investors.
- Thus low income saving investors of all the five financial assets tends to be more risk tolerant. On the other hand, the satisfaction criterion is higher for the high income savers than the low savers. Ingenious.
- Thus it is concluded that the demographic profile of the investors has a significant bearing on risk tolerance and their satisfaction criterion.

Suggestions of the Study

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.

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 component 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. Often, the risk and rewards are directly proportional and this can be taken as a thumb rule for any investment decision.

f. Out of all the various avenues in the investment arena, Fixed deposits occupies 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. Fixed deposits are a good avenue for anyone planning to park their funds in safety for a period of time.

Conclusions

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. Hence, the associated benchmarks in portfolio management should be followed, if not risk and performance measurement would turn ambiguous. 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. An investor considering investment in any financial assets is faced with the dilemma of choosing from among a large number of securities. They are utterly left baffled on the process of allocating funds over group of securities.

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Again investors are faced with problems of deciding which securities to hold and how much to invest in each, as the risk return characteristics of individual securities change. 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.

Scope for Further Research

The study can be extended to identify investor's behaviour specifically in mutual funds arena by selecting products under the various mutual fund types. The investment behaviour 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 behaviour.

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