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AN ANALYTICAL STUDY OF THE COMPOSITION OF PERSONAL PORTFOLIO
Executive Summary

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INTRODUCTION
Throughout an individual's life, he/she is bombarded with opportunities and alternatives. Decision making has to be made concerning education, career, family status, lifestyle, and finances. The decisions made by the individuals will be greatly affected by the personal financial situation. At the same time, the outcomes of one's decisions will have an impact on the personal finances of the individual. Financial insight into the principles and practices of contemporary personal financial management will allow one to make better decisions.

While money matters; however, people matter first. The amount of money is not nearly as important as what a person does with that money. Issues related to individual and household financial security and economic well-being have been of interest to researchers and policy makers for over a century. It is vital for the individual to develop a better understanding of the investment decision making that he/she has been making. It is a known fact that the economic well being of an individual leads to the economic well being of the economy.

With the increasing individual's wealth in India, it is considered an apt time to conduct a study on "An Analytical Study of the Composition of Personal Portfolio".

The study attempts to investigate and analyse the behavioural aspects of individual investments. Proper planning, selection and management of investments contribute towards financial well being of the individual. The underlying debate centers around the broad theme of the perceptions of factors underlying the investment decision making process of individuals.

Some of the pertinent questions that arise in this context are:
- What is the planning that is made before making investments?
- What are the factors that influence selection of investment?
- How should the investments be managed?
- Do planning, selection and management lead to financial well being of the individual?
- What are the problems that arise in the investment decision making process?

This study is an attempt to focus on these issues and elucidate on the responses from a sample of investors over their age. Several research studies have focused on the financial planning done by individual categorized on the basis of their risk attitude, lifestyles, geographic locations etc. There is no comprehensive study that has focused on the financial planning of individuals across their lifecycle.

NEED OF THE STUDY
Understanding financial behavior results in financial wellbeing of the individual. Literature on financial behavior is abysmally low especially in India. While there have been occasional papers in journals with respect to some of the aspects of investment decision making, there is no comprehensive study so far that deals in the planning, selection and management aspects of the individual decision making process spanning over his/her lifecycle with respect to investments. The present study attempts to fill the lacunae and will provide a deeper understanding of the behavioural aspects of the investment decision making with respect to individual's lifecycle. The study will be extremely useful to financial advisors, brokers, and Investment firms, who offer investment advice to investors and firms who sell instruments for investments as well as to every individual who makes investments at some point of time in his life.

The crux of the study is to examine the practices of the investors with respect to planning, selection and management of investments and to analyse whether these practices have resulted in the financial well being of the individuals.

OBJECTIVES OF THE STUDY
To understand conceptually, personal finance, the goals of personal finance, personal finance environment, determinants of personal finance and individual's financial planning process.
1. To analyse the perceptions of individuals about financial planning.
2. To understand the perceptions of individual investors with respect to selection of portfolio.

3. To identify the individual perceptions regarding management of investments.
4. To analyze the effect of perceived investment decision process on financial well being of the individual.
5. To identify the obstacles that affects the investment decision process.

STUDY PERIOD
Primary Data: This study covers a period of one year from 1st June 2011 to 1st June 2012.

Secondary data: The study period is from 1990 till the completion of thesis for tracing the investment alternatives available in the Indian financial markets and to record their trends. The study period is twenty years.

The choice of the period is the series of events that took place before this period such as the measures taken by the Govt. and SEBI to encourage retail investments in stock markets, the introduction of ETFs and SIPs etc. There have also been setbacks to the individual due to the global recession that took place in 2008.

Sample: A sample of investors of size 960 is selected from various sources comprising of banks, insurance agencies, stock brokers, personal contacts and referrals from twin cities of Hyderabad and Secunderabad. Stratified Random sampling method is employed wherein strata consists of age of investors.

Sources of data: Survey method is opted to collect the primary data from the respondents, where a structured questionnaire is used. For secondary data Journals, Periodicals and other published sources. This necessitated visits to the libraries of the Department of Business Management, Osmania University and Institute of Public Enterprise. Online Databases such as EBSCO, Proquest, and Emerald Insight also provided valuable information.

Tools and Techniques of analysis: Data has been classified using Tables and graphs. Percentage analysis has been used for analysis of data. The data collected from the survey was scored and entered in the computer for analysis by the SPSS (18.0) package. The primary statistical technique adopted to report data includes frequency distribution (percentages) and cross-tabulations or contingency tables. For preliminary results relating to the sample characteristics simple percentages are determined. For assessing the reliability of the responses given by the respondents. the Cronbach (1981) alpha coefficients for the total questionnaire and the five subscales are calculated and reported.

In the present study Chi Square (X^2) test, ANOVA, and Correlation techniques are applied.

Plan of the study

Chapter one focuses on formulation of the problem, with a statement of objectives, scope of the study, review of literature, and the research methodology along with an introduction at the beginning.
Second chapter provides an overview of the environment of personal finance as well as the theoretical and conceptual aspects of Personal finance.

Third chapter explores the profile of the respondents and the results of the reliability test conducted on the responses given by the sample respondents.

Fourth Chapter contains the perceptions of investors about financial planning, portfolio selection and portfolio management behaviour.

Fifth chapter consists of the perceptions of the respondents about financial well being, explores the relationship between investment decision process and financial well being over investor's lifecycle. Along with this investors' perceptions about obstacles.

Sixth chapter is reveals major finding, conclusions and suggestions.

FINDINGS OF THE STUDY
Investors' perceptions about planning

1. Based on the chi- square test it is concluded that there is statistically significant association between age of the investor and financial planning.
2. ANOVA test shows that there is difference in the perception about planning by different age group investors.

Investors' perceptions about portfolio selection

1. Based on the chi-square analysis it has been identified that there is statistical significant association between age of the investor and portfolio selection.
2. ANOVA test shows that there is significant difference in age groups in perceiving portfolio selection.

Investors' perceptions about portfolio management behaviour

1. Based on chi-square test it is noticed that there is significant association between age of the respondent and portfolio management.
2. On conducting ANOVA test it is identified that there is statistical significant difference in the perceptions about portfolio management by different age group investors.

Investors' perceptions about financial well being

1. On the basis of chi-square it is identified that there is significant association between age and financial well being of the individual.
2. It is also identified through ANOVA test that there is significant difference in age groups with respect to perceptions about financial well being of the investor.

Relation between investment decision process and financial well being over investor's life cycle

1. Correlation between planning and financial well being of different age group investors is significant and is strongly correlated.
2. Correlation between selection of portfolio and financial well being among different age group investors is significant and is strongly correlated.
3. Correlation between portfolio management behaviour and financial well being of the different age clustered investors is significant and strong except in case of 40-50 years age group investors where it is found that their management behaviour and financial well being levels are weakly correlated.

Investors' perceptions about obstacles during investment decision process

1. Based on chi-square test it is identified that there is significant association between age of the investor and obstacles during investment decision process.
2. Through ANOVA test it is identified that there is significant difference in age groups with respect to perceptions about obstacles during investment decision process.

CONCLUSIONS

After a thorough study on investment decision process and age of the investor, it can be concluded as follows,

Investor's age group 20-30 years

Investors of this age group are in their early stage of earnings. They do not prepare or estimate or have enough knowledge about total expenses and savings. They neither record what is invested nor assess for their emergencies. They do not know the amount of money to be saved. In other words proper planning is not done by this age group as they are inexperienced.

As far as selection of portfolio is concerned, they depend on foundational models as well as take professional advice and some take individual decisions. They are ready to borrow and invest. This category doesn't give any priority to time or risk but look for returns while making investment decisions.

As they are in their early stage of investments; they are in a confusion state about whether to make investments for long-term or for speculation and monitor investments. They rarely think of decreasing expenses. This group depends on advisors for support and prefers to makes investments in high risk- return assets.

Investor's age group 30-40 years

This group is in its early earnings, saving and investing stage. They are prepared for making savings and investments, prepare estimates, make records of their investments, compare planned with actual investments, asses amount of money needed in emergencies and they start enjoying financial planning.

With initial stage experience they start selecting portfolio based on investing models, credit rating grades, professional planner advice, time factor, risk and return. They invest in diversifying portfolios.

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They plan and invest according to their budgets, they are sure about their investments ie. to make investments for long term or for speculation. This group monitors investments to see if it is giving adequate returns. They try to decrease expenses and increase income. They enjoy investing. They are satisfied i.e. their level of satisfaction is high compared to other stages as they started planning, saving and investing for future needs. They develop money management skills in this stage.

Investor's age group 40-50 years

In this group investors continue to estimating expense, saving and investments. They have complete knowledge of expenses and investments as they have crossed first two stages and it is also evident from the observations. They do proper planning. This group doesn't borrow for investments. Diversification is the key for portfolio selection for this group, which they mastered from the earlier two stages.

As this group has through knowledge of investments tries to decrease expenses and increase income. They make investment in diversified portfolios and are able to manage portfolios properly. This group is satisfied but still wants to reach higher level of satisfaction.

Investor's age group: 50 years and above

They have enough experience, make proper planning, record what is invested and compare planned with actual invested. Most of their decisions are individual decisions. They rarely depend on any investment models. The portfolio of this age group consists of maximum safe mode assets (low risk) with regular income.

They are capable of managing their portfolios. There investments are planned in such a way so that they lead a smooth life after retirement. They do monitor investments and always adopt a long term strategy. They try to decrease their present expenses to increase their future incomes.

They are satisfied with the amount of money able to save, confident about saving for a comfortable retirement and money management skills. They are satisfied with the investments they make.

Finally it can be concluded that different investors in different age groups have different levels of planning, selection and management skills and hence the satisfaction levels.