A STUDY ON INVESTMENT PORTFOLIO OF INVESTORS AND RISK TOLERANCE OF INVESTORS IN SELECT INVESTMENT AVENUE WITH REFERENCE TO CHENNAI.

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1. INTRODUCTION

The global investment landscape has changed dramatically with the rapid in the investment sector. Investor Vigilance is regarded as essential milestone for long term sustainability. Every investor runs investor marathon, dreaming to beat the market and being super investors. Investors spend an inordinate amount of time and resources in this endeavor. Fluctuations have become the "Hallmark of the investment market".Consequently, many fall an easy prey to the magic bullets and the secret formulae offered by financial agents pushing their products. Investors constantly seek to their portfolio asset - picking abilities, so they can become wealthy quickly.

In this search, investors are whipsawed by contradictions and anomalies. In one corner of the investment town square, stands one investor, yelling to buy business with solid cash flows and liquid assets. In another corner, another investment expert cautions the investor that this approach worked only in the old world and not in the new to world of technology. In yet another corner stands a silver tongued salesperson with vivid charts and presents evidence of his capacity to get the investors in and out of markets at the exactly the right time. 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 avenues.

2. REVIEW OF LITRATURE:

Horvath and Zuckerman (1993) suggested that one biological, demographic and socio – economic characteristics, together with his / her psychological makeup affects one's risk tolerance level.

Yang and Qiu, (2005) says that risk determines the rate of return that the investors are likely to receive. Indeed most economic decisions are driven by primitive individual utility functions, including particular preference for risk.

Mittra (1995) discussed factors that were related to individuals risk to tolerance, which includes years until retirement, knowledge sophistication, income and net worth.

Wallach and Kogan (1961) are generally considered to be the firm researchers to study the relationship between risk tolerance and age. Their early experimental research used choice dilemmas which indicated that older individuals were less risk tolerance than younger individuals.

Heaton and Lucas (2000) report positive relation between investor age and the percentage of equities in portfolios, but when people retire, they reduce the weight of equities.

Barber and Odean (2001) also report that women show less confidence than men in areas related to investment. Barber and Odean (2001) find "that men trade 45 percent more than women. Trading reduces men's net returns by 2.65 percentage points a year as opposed to 1.72 percentage points for women." They propose that investors who tend to trade excessively take more risk and make poor investment decisions.

3. OBJECTIVES OF THE STUDY:

1) To study the investment portfolio of investors.
2) To study the risk tolerance of investors and its influence on awareness and satisfaction.

4. NEED FOR THE STUDY:

Investment portfolio management service include elements of financial statement analysis, asset selection, plan implementation and monitoring of investment **(Richard Adams (2005)).**Investment portfolio management comes under remit of financial service 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. Firstly, investors make rational decision and secondly investors are unbiased in their predictions about future returns of the stock.

5. RESEARCH METHODOLOGY:

(i) Questionnaire Design:

The data was collected by means of three sectioned questionnaire. The investors profile is dealt in section I. Section II enumerates the investors portfolio management Section III deals with risk tolerance of the invetors in various investment avenues.

(ii) Data Collection Procedure:

The data collection started with segregating the region of study via into North chennai,South chennai, East chennai and West chennai. This was done to insure better region coverage and to receive quality data from sample with diverse characteristics.

(iii) Sample Size :

A sample size of 200 respondents was taken for the study on a random sampling basis. Among the 200 respondents only 183 respondents reverted back the filled in questionnaire. The study covers investors from selected parts of Chennai city.

6. DATA ANALYSIS:

Primary data was collected through a formal questionnaire administered to the respondents to identify the awareness, involvement, and evaluation of the investment portfolio. The reference of secondary data are made from published works like books, journals, reports, magazines, dailies and also through websites. The data is analyzed through statistical package for social science (SPSS).

7. RESULTS AND DISCUSSION

1) Investment Objectives of the Investors:

Frequency of Investment Objectives

Variable	Frequency	Valid Percent
Capital conservation	254	53.6
Modest income, no risk	268	60.2
Modest income, Capital Growth	194	38.8
Substantial income, Modest Risk	234	46.8
No investment Income, Modest Capital Growth	152	30.4
No investment Income, Aggressive Growth	201	50.8

In view of the Percentage table enumerated above, it is found that greater percentage is held up for the objective: Modest income and no risk of capital. The percentage amounts to 60.2%. This objective helps investors to protect their income and to keep their wealth.

2) Investment Portfolio factors of Investors:

Frequency of Investment Portfolio Factors

Variable	Frequency	Valid Percent
Liquidity	132	26.4
Low Risk	36	7.2
Company Reputation	43	8.6
High Returns	289	57.8

High returns is the factors which drives majority of investment as has been expressed by 57.8% of the investors. This is as expected, since any investment is made with an anticipated return. It is also natural for any investor to expect the maximum return possible. Liquidity is also a significant factor and 26.4% of the investors base their favour on those products which offer better liquidity.

Company reputation does not seem to be a major factor and this can be attributed to the fact that few products are backed by Government's participation. Comparatively, Low risk is not identified as the first factor to be considered for investing. This is evident in the low percentage of 7.2% of investors opting for this factor.

ANALYSIS PERTAINING TO RISK TOLERANCE OF INVESTORS:

1) Investment Leverage of Investors:

Investment Leverage

Variable	Frequency	Valid Percent
Yes	294	58.8
No	206	41.2
Total	500	100.0

Majority of the investors i.e. 58.8% confirmed that they were willing to take risk by making investment where they could possibly lose more than they invested.

2) Investment Return Scenarios' Preference :

Investment Return Scenarios

Variable	Frequency	Valid Percent
Between a loss of 2% and a gain of 13%	162	32.4
Between a loss of 26% and a gain of 46%	91	18.2
Between a loss of 12% and a gain of 28%	87	17.4
Between a loss of 50% and a gain of 100%	160	32.0

Significantly, there were a near – equal number of investors falling under two opposite ends of the investment spectrum. An investor willing to accept a "Loss of 2% and a gain of 13%" is more seen as a conservative investor, as he is concerned more about keeping the losses to the minimum. In the study , 32.4% of the investors were under this category. On the other hand, an investor willing to accept a " Loss of 50% and a gain of 100%' is an aggressive investor as he risks losing even 50% of his investment. In the study, 32% of the investors fell under this category.

3) Risk reward perspective of Investors:

Risk Rewards Perspective

Variable	Frequency	Valid Percent
High Risk and greater reward	237	47.4
Low Risk and Moderate Reward	222	44.4
Moderate Risk and Low Performance Level	226	45.2
No Risk and Low return	255	51.0

It is not uncommon to find an investor with a greater risk appetite and thereby greater reward expectations, as to find an investor with lower risk and lower reward expectation. Both ends exist and this market dynamics determine the success of investment products, to some extent.

Instead of investors identifying and fitting themselves into any of the available Risk – reward combination, it appeared better to allow the investors to rank the risk – reward combination in their order of preference. Nearly 51% of the respondents were towards a portfolio which offered "No Risk and Low return", not to forget the fact that 47.4% of respondents preferred a portfolio with "High Risk and Greater reward".

4) Investment Portfolio Assets of Investors:

Investment Portfolio Assets

Variable	Frequency	Valid Percent
Some High Risk investment	207	41.1
Most Low Risk Investment	258	51.6
Most High Risk Investment	270	54.0
Some Medium risk Investment	223	44.4

The same approach of allowing the investors to rank the risk nature of assets in their order of preference rather than fitting themselves to any of the class was followed here. A significant chunk (54%) of the investors admitted that they prefer an investment portfolio with 'Most High Risk Investments'. An almost equal proportion (51.6%) admitted their preference to portfolio consisting of 'Most Low Risk investments'. This fact confirms that respondents with different set of Risk preferences were participants of this study.

5) T – Test for Risk to Tolerance of Investors:

Risk tolerance is identified as a factor which determines the appropriate composition of assets in a portfolio which is optimal in terms of risk and relative to the needs of the individual investors. Everyday investment make decisions about risk based upon a myriad of considerations. The risk tolerance criterion is presented in the hypothetical t-test analysis through the One Sample Statistics.

One-Sample statistics for Risk Tolerance

Variables	N	Mean	Std.Deviation	Std.error Mean
LIC	**500**	**1.9500**	**.79547**	**.03557**
MF	**500**	**3.8900**	**.35518**	**.01588**
PPF	**500**	**2.0000**	**.71345**	**.03191**
FD	**500**	**1.9960**	**.70780**	**.03165**
NSC	**500**	**2.1340**	**.73288**	**.03278**

The mean wise comparison is found suitable to compare all the given five values pertaining to risk tolerance limits of the five investment avenues .The comparative t-test is applied and the following results are presented.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std Error Mean	T-Value
Pair 1	LIC	1.95	500	0.79547	0.03557	-45.978
	MF	3089	500	0.35518	0.01588	
Pair 2	LIC	1.95	500	0.79547	0.03557	-1.32
	PPF	2	500	0.71345	0.03191	
Pair 3	LIC	1.95	500	0.79547	0.03557	-1.076
	FD	1.996	500	0.7078	0.03165	
Pair 4	LIC	1.95	500	0.79547	0.03557	-40511
	NSC	20134	500	0.73288	0.03278	
Pair 5	LIC	3.89	500	0.35518	0.01588	50.978
	PPF	2	500	0.71345	0.03191	
Pair 6	MF	3.89	500	0.35518	0.01588	49.766
	FD	1.996	500	0.7078	0.03165	
Pair 7	MF	3.89	500	0.35518	0.01588	46.603
	NSC	2.134	500	0.73288	0.03278	
Pair 8	PPF	2	500	0.71345	0.03191	0.106
	FD	1.996	500	0.7078	0.03165	
Pair 9	PPF	2	500	0.71345	0.03191	-3.662
	NSC	2.134	500	0.73288	0.03278	
Pair 10	FD	1.996	500	0.7078	0.03165	-3.567
	NSC	2.134	500	0.73288	0.03278	

From the above table it is found that the mean value of LIC is 1.95 and that pf MF is 3.89. The researcher assigned numerical values for the risk tolerance limit's in the following sequence viz., 1-No risk,2-Low risk, 3-Medium risk, 4- High risk,5- Very high risk

Therefore comparing the mean values it is found that LIC posses Low Risk in comparison with MF's. The value (-45.978) is statistically significant at 5% level. It can be conducted that on comparing LIC & MF ,investor's feel that LIC risk tolerance varies from No risk to Low risk tolerance. But the risk tolerance of investors' for MF's varies from High risk to Very High risk tolerance.

From the pair 2 result values, it si found that there is no significant difference between LIC and PPF because of the t-value (-1.320).This implies that Risk tolerance of investors on LIC and PPF is one and the same. It ranges from No risk to Low risk. Therefore PPF investmentpossess No risk to Low risk tolerance of investors.

Analysis of the Pair 3 values state that that there lies no significant difference between LIC and FD's. The t-value was found to be -1.320.Therefore it is evident that the risk tolerancesof both the investors are identical. Thus their risk tolerance varies from No risk to Low risk.

Mean scores of the fourth pair viz., LIC and NSC was found to be 1.95 and 2.13 respectively. The t-value - 4.511 is statistically significant at 5% level. LIC's risk tolerance varies from No risk to Low risk .NSC investors risk tolerance varies from Low risk to Medium risk.

On comparison of the mean values between MF (Mean =3.89) & PPF (Mean =2.0),it is evident that MF holds high risk tolerance. 5% statistical significance is identified in the t-value 50.978.It is concluded

that Risk tolerance of mutual funds varies from Medium risk to High risk. The Risk tolerance of PPF, vests from Low risk to Medium risk.

In pair 6, the mean value of MF is analysed as 3.89 and the mean value of FD is estimated at 1.99. The values prove that they are significant at 5% which is evident from the t-value 49.766. MF's risk tolerance varies from Medium risk to High risk. FD investors risk tolerances varies from Low risk to Medium risk.

In the 7th pair the comparison is made between MF (Mean = 3.89) and LIC (Mean = 2.13). Thus MF's risk tolerance varies from Medium risk to High risk tolerance .LIC's tolerance limit varies from Low risk to Medium risk. Thus they are significant at 5%(t=46.6).

Notable significant difference is not identified between PPF (Mean= 2.0) and FD (Mean=1.00) because of the t-value (0.916).Thus the tolerance limits remains the same. Thus these investors possess No risk to Low risk tolerance.

PPF and NSC mean scores for the 9th pair is 2.0 and 2.13 respectively. Tolerance varies from No to Low for PPF investors whereas it stretches from Low to medium for NSC investors (t= 3.662).

Mean value for FD is 1.99 and that of NSC is 2.13 .The t-value is found to be (-3.567) .This value is statistically significant at 5% level. Thus FD's risk tolerance varies from No risk to Low risk. But the investors' of NSC is identified as ranging from Low risk to Medium risk.

8. SUMMARY OF FINDING:

(1) FINDINGS PERTAINING TO PORTFOLIO OF INVESTORS:

- Modest income with no risk is the oft preferred objective of investors. Out of all the various avenues in the investment arena fixed deposits occupies the prime place in all the investors' portfolio.
- Majority of the investors of the sample unit opine that High returns is the major determining factor to invest in any financial asset. A well performing asset is identified only by the exaggerated returns that investors reap.

(2) FINDINGS PERTAINING TO RISK TOLERANCE OF INVESTORS:

- Investors leverage was found to be higher. This reveals that investors are more willing to invest in risky assets.
- Investors were found to be positive in their risk taking abilities.
- Risk and rewards are often inversely proportional, and they are the major driving factor with any investment decisions. Investors choose high risk for greater rewards.
- Investors ranked the High risk investments as the oft preferred avenue for investing in financial assets. In anticipation of the greater rewards that these assets would fetch, investors tolerate the risk that is inherent in risky assets. This reveals that investors are more willing to invest in risky assets.

(3) SUGGESTION:

1. 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.

2. 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.

9. CONCULSION:

At the end of the journey it is found that the determinants of savings in India are identical with the rest of the world. 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. An investor might have high income, be well educated, salaried and independent, yet they are conservative in investing. As such, 'Play Safe' is the strategy that drives the individual investors.