

KNOWLEDGE OF PORTFOLIO MANAGEMENT AMONG HOUSEHOLDS OF SHIVALIK HILLS

Dr Gulshan Kumar Dhiman

Associate Professor

Govt. College Dhaliara(Kangra)H.P.

ABSTRACT:-

Portfolio construction refers to the allocation of among a variety of financial assets open for investment. The objective of a fair portfolio is to elaborate the principles in which the risk can be minimized subject to a desired level of return on the portfolio or maximize the return, subject to the constraint of a tolerable level of risk. Thus the basic objective of portfolio management is to maximize yield and minimize risk. However the other ancillary objectives are; regular or stable income appreciation of capital, safety of investment, minimize of tax liabilities etc, In the present study an attempt has been made to analyse about the awareness among the households of Shivalik Hills regarding portfolio management and risk reduction techniques.

Key Words:- portfolio management, standard deviation. Chi square. Liquidity,Risk and return.

INTRODUCTION

A portfolio of an individual or a company is the holding of securities and investment in financial preferences and decision of the holders regarding risk and return. The investor has to set out his priorities of investment keeping the motives in mind. All the investors like capital appreciation, income, liquidity and marketability and safety or security. From point of view of these investors motives a sound portfolio is to be needed and portfolio construction is essential to attract the saving of investors.

Portfolio construction refers to the allocation of among a variety of financial assets open for investment. The objective of a fair portfolio is to elaborate the principles in which the risk can be minimized subject to a desired level of return on the portfolio or maximize the return, subject to the constraint of a tolerable level of risk. Thus the basic objective of portfolio management is to maximize yield and minimize risk. However the other ancillary objectives are; regular or stable income appreciation of capital, safety of investment, minimize of tax liabilities etc, in pursuit these objectives, an investor has to set out all the various alternative along with their projected return and risk and choose only those investment which satisfy the requirements of the individual investor and cater to his preferences.

RESEARCH METHODOLOGY:-

The present research work has been formulated on the basis of first hand information from the households residing in Shivalik Hills, having different demographic variables such as income, sex, educational qualification and occupation etc. The present study is expected to provide various beneficial guidelines to the policy makers to mobilize the savings of the households in mutual funds..

Null Hypothesis; There is no relationship between demographic variables and awareness among investors with respect to portfolio management.

Alternate Hypothesis:- There is significant relationship between demographic variables and awareness among investors with respect to portfolio management.

In the present study, multi stage sampling has been used. At the first stage, the study area has been divided into different districts namely lower parts of districts Kangra, Sirmour, Solan, Mandi and entire districts Una, Hamirpur and Bilaspur. Out of these districts, three districts namely Kangra, Hamirpur and Una have been selected keeping in view their representation to Shivalik Hills of Himachal Pradesh on the basis of demographic features and industrial zones of the state. At the second stage, from each selected district, three tehsils i.e. one most developed, one moderately developed and one less developed have been selected. Thus, the total number of tehsils are $3 \times 3 = 9$.

At the third stage, two village panchayat have been selected randomly from each tehsil. This way the present study has been conducted in $9 \times 2 = 18$ village panchayats. At fourth stage, 30 households have been selected from each village panchayat using judgment sampling keeping in view various demographic characteristics of the population. Thus, the sample constitute 540 (18×30) respondents.

. Primary data have mainly been collected with the help of questionnaire/ schedule. It has been prepared to get information from the people living in the study area.

To study the awareness among households of Shivalik Hills of Himachal Pradesh about portfolio management, the question were asked relating to Portfolio management for their investment. The forthcoming tables show the Portfolio management while making investment decision on the basis of investment age, district, education level, primary occupation and annual income.

Keeping in view the nature of study, the data collected have been analyzed and interpreted with the help of the following methods:

1. Mathematical Methods
2. Statistical Methods
3. Diagrammatic and Graphic Methods

RESULTS:-

1.1 Age-wise Awareness among Investors about Portfolio Management:

Age is the prime factor in determining the investment level Table 1.1 and figure 1.1 reveal age-wise knowledge of respondents regarding portfolio management.

Table 1.1: Age wise Awareness among investors about Portfolio Management

Age	Awareness about Portfolio Management		Total
	Yes	No	
Age below 35	59 (42.4%)	80 (57.6%)	139 (100%)
Age 36-50	48 (22.2%)	168 (77.8%)	216 (100%)
Above 50	34 (18.4%)	151 (81.6%)	185 (100%)
Total	141 (26.1%)	399 (73.9%)	540 (100%)

$$\chi^2 = 68.587, p < 0.001$$

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Data with regard to age-wise knowledge of respondents regarding portfolio management shows that young generation (below 35 years) is more aware about portfolio management than the middle age i.e. 36-50 years and higher age (above 50 years), this can be verified from the fact that 42.4 percent followed by 22.2 percent and 18.4 percent respondents of young, middle and higher age respectively know about the portfolio management. Thus it can be concluded that respondent in the age group below 35 years have significantly more knowledge about portfolio management. It has been supported by χ^2 test as calculated value of χ^2 is more than the table value at 1 percent significance.

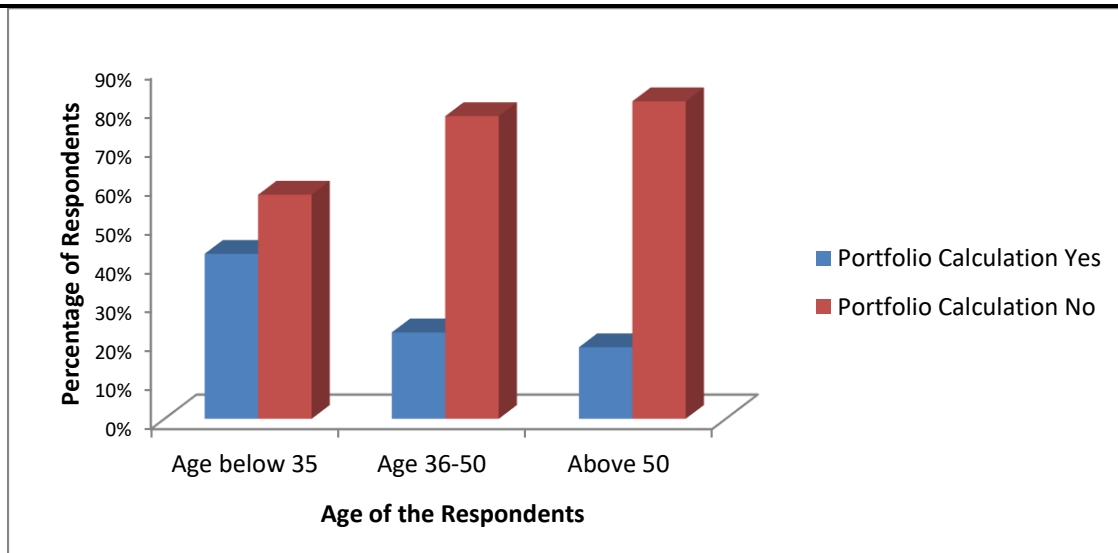


Fig. 1.1: Age-Wise Awareness among investors about Portfolio Management

1.2 District-wise Awareness among Investors about Portfolio Management:

Here an attempt has been made to analyse the district-wise awareness among investors regarding knowledge of portfolio management. Table 1.2 and figure 1.2 have presented district wise knowledge regarding Portfolio Management of investors.

Table 1.2: District-Wise Awareness among Investors about Portfolio Management

District	Awareness about Portfolio Management		Total
	Yes	No	
Kangra	31 (17.2%)	149 (82.8%)	180 (100%)
Hamirpur	17 (9.4%)	163 (90.6%)	180 (100%)
Una	93 (51.7%)	87 (48.3%)	180 (100%)
Total	141 (26.1%)	399 (73.9%)	540 (100%)

$$\chi^2 = 68.587, p < 0.001$$

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

District-wise distribution regarding awareness of portfolio management among investors reveals that a good percentage (51.7 percent) in Una district have the knowledge of portfolio management, in comparison to Hamirpur district (9.4 percent) and Kangra district (17.2 percent).

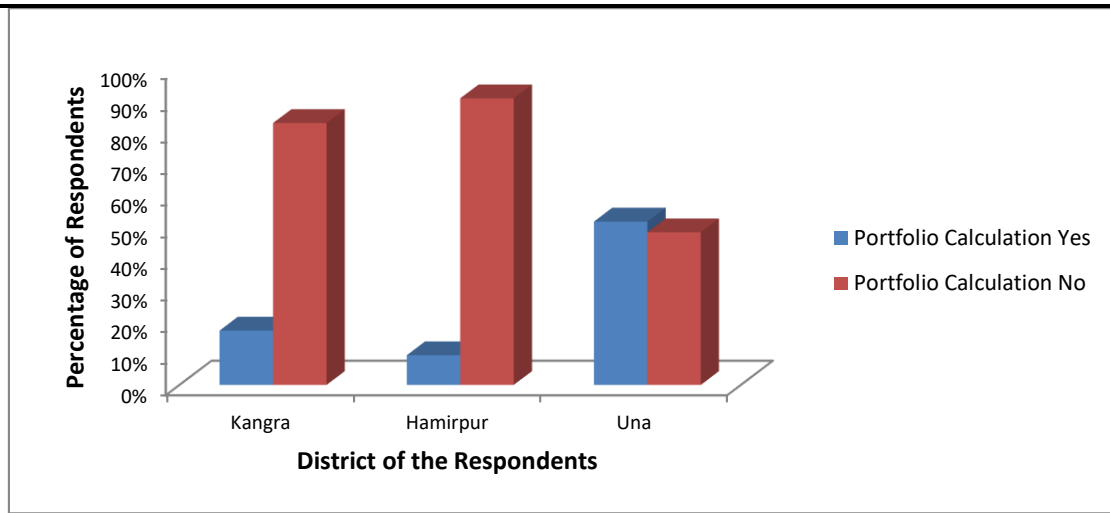


Fig. 1.2: District-wise Awareness among Investors about Portfolio Management

It can be said that respondent of Una district are more aware about portfolio management as compare to Hamirpur and Kangra districts. On apply χ^2 test, its calculated value of χ^2 (94.219) is greater than the table value at one percent level of significance which further supports above analysis statistically.

1.3 Education-wise Awareness among Investors about Portfolio Management:

The table 1.3 and figure 1.3 depict education-wise knowledge of respondents about Portfolio management. Analysis of table indicates that 44.6 percent, 35.5 percent, 15.2 percent and 9.4 percent post graduate, graduate, 10+2 and matric and below respondents have the knowledge of portfolio management, it can be observed that educated persons area well aware about the portfolio management as compare to less educated persons. On applying χ^2 test, the calculated value of χ^2 (56.996) is more than the table value at 1 percent level of significance, which rejects null hypothesis.

1.3 Education-wise Awareness among investors about Portfolio Management

Qualifications	Awareness about Portfolio Management		Total
	Yes	No	
Matric and below	11 (9.4%)	106 (90.6%)	117 (100%)
10+2	23 (15.2%)	128 (84.8%)	151 (100%)
Graduate	49 (35.5%)	89 (64.5%)	138 (100%)
PG/Proff.	58 (44.6%)	72 (55.4%)	130 (100%)
Any Others	0 (0.0%)	4 (100.0%)	4 (100%)
Total	141 (26.1%)	399 (73.9%)	540 (100%)

$\chi^2 = 56.996, p < 0.001$

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

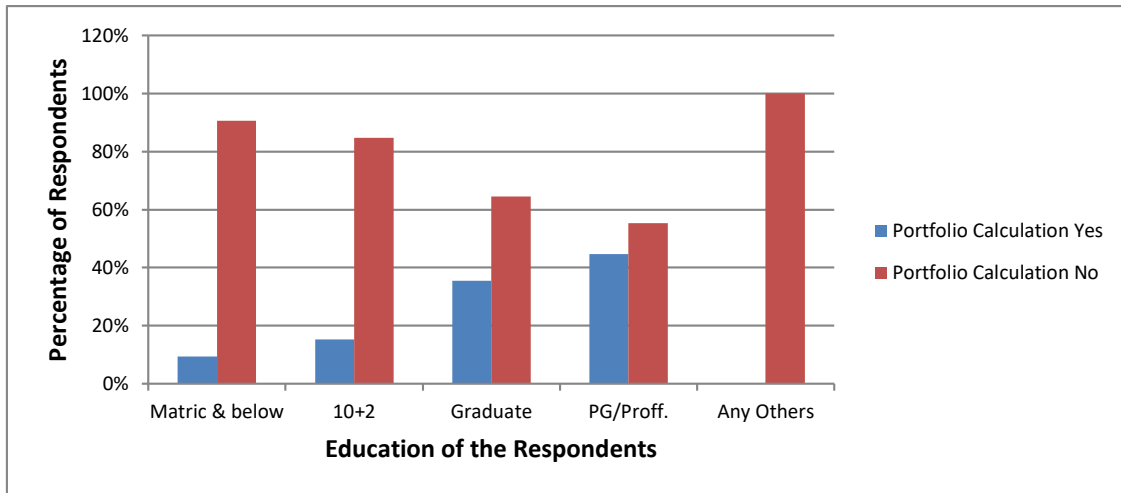


Fig. 1.3: Education-Wise Awareness among investors about Portfolio Management

Thus, it may be concluded that there is significant relationship between educational level of investors and knowledge of portfolio management.

1.4 Primary occupation-wise Awareness among investors about Portfolio management:

Occupation is mainly concerned with the task any-one who deposes their maximum time for his earnings. The primary occupation-wise knowledge about Portfolio management by the investors of Shivalik Hills has been discussed in table 1.4 and figure 1.4.

Table 1.4: Primary Occupation and knowledge of Portfolio Management

Primary Occupation	Awareness about Portfolio Management		Total
	Yes	No	
Agriculture/Horticulture	5 (6.0%)	78 (94.0%)	83 (100%)
Business	59 (31.7%)	127 (68.3%)	186 (100%)
Service	76 (34.5%)	144 (65.5%)	220 (100%)
Rural Artisan	0 (0.0%)	11 (100.0%)	11 (100%)
Labour	1 (2.5%)	39 (97.5%)	40 (100%)
Total	141 (26.1%)	399 (73.9%)	540 (100%)

$\chi^2 = 68.587, p < 0.001$

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Table 1.4 reveals that 34.5 percent, 31.7 percent, 6.0 percent and 2.5 percent of the investors whose primary occupation is service, business, agriculture and labour respectively have

the knowledge of portfolio management. It is pertinent to mention here that respondents whose primary occupation is rural artisan are completely ignorant about portfolio management.

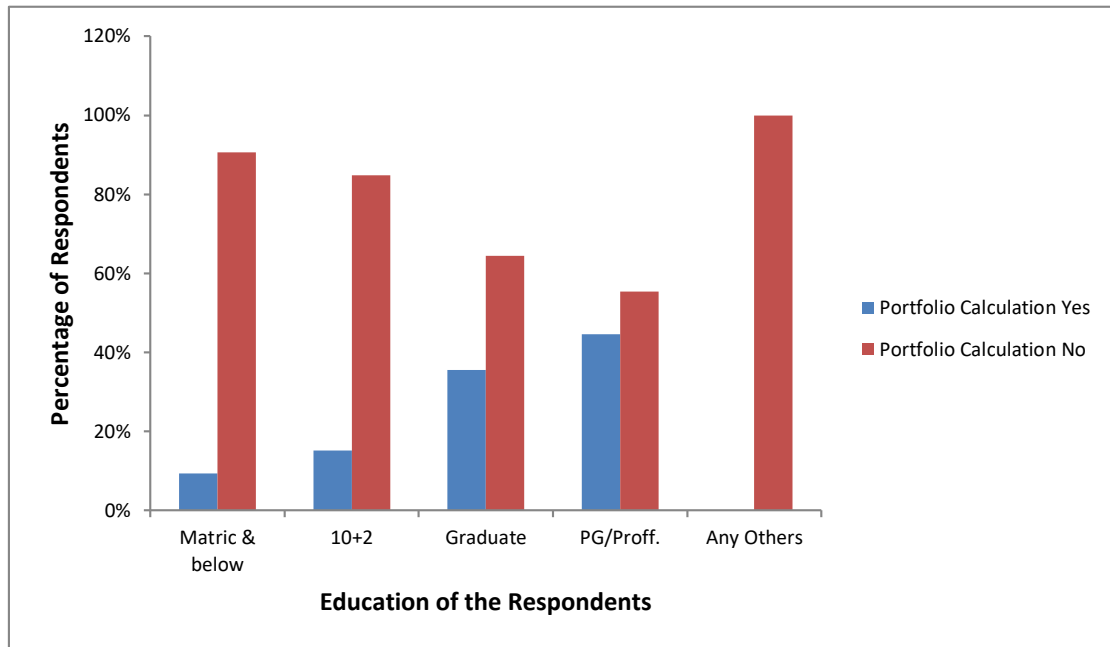


Fig. 1.4: Primary occupation-wise Awareness among investors about Portfolio management

It can be concluded that person having service and business as primary occupation are well aware about Portfolio management as compare to the investors engaged in agriculture and labour. On applying χ^2 test the calculated value of χ^2 is greater than the table value at 1 percent level of significance, which shows the significant relationship between primary occupation and knowledge of portfolio management.

1.5 Annual income-wise Awareness among investors about Portfolio Management:

Income plays an important role in the saving and investment pattern of the investors. Table 1.5 and figure 1.5 reveals the income-wise distribution about knowledge of portfolio management.

Table 1.5: Annual income-wise Awareness among investors about Portfolio Management

Annual Income	Awareness about Portfolio Management		Total
	Yes	No	
Below 1 Lac	6 (5.7%)	100 (94.3%)	106 (100%)
1-3 Lac	58 (27.2%)	155 (72.8%)	213 (100%)
3-5 Lac	14 (12.1%)	102 (87.9%)	116 (100%)
5-10 Lac	20 (51.3%)	19 (48.7%)	39 (100%)
Above 10 Lac	43 (65.2%)	23 (34.8%)	66 (100%)
Total	141 (26.1%)	399 (73.9%)	540 (100%)

$\chi^2 = 99.919, p < 0.001$

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Data with regard to income wise distribution of respondents about knowledge of portfolio management shows that investors of higher annual income are more aware about portfolio management as compare to low income investors.

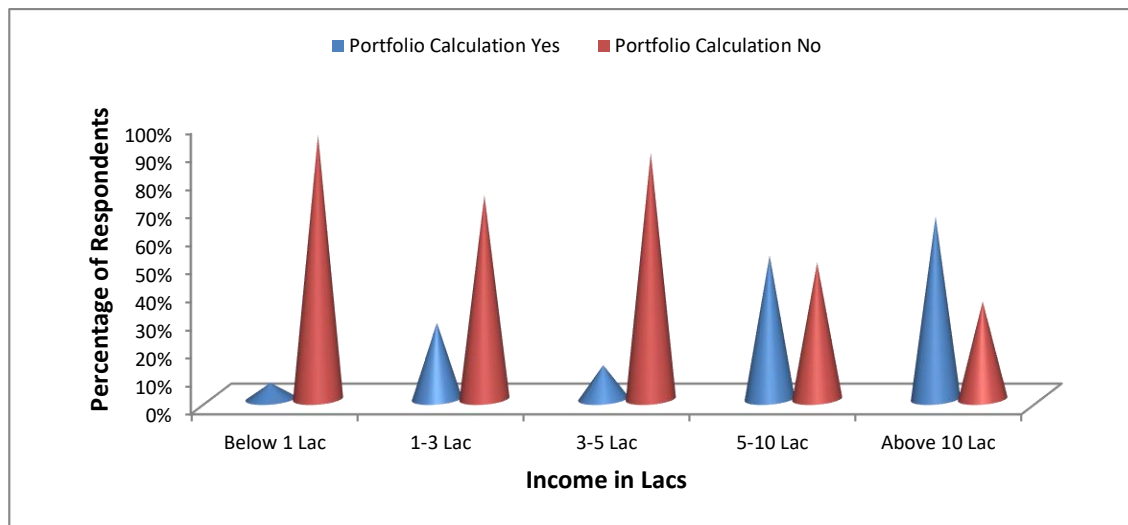


Fig. 1.5: Annual Income-wise Awareness among Investors about Portfolio Management

It is clear from the table that 65.2 percent, 51.3 percent and 12.1 percent, 27.2 percent and 5.7 percent of respondents having income above 10 lac, 5-10 lac, 3-5 lac, 1-3 lac and below 1 lac respectively have the knowledge of portfolio management, which clearly shows that higher income investors have the knowledge of portfolio management while low income investors are less aware about it. It has been supported by the χ^2 test as the calculated value of χ^2 (99.919) is more than the table value of 1 percent of significance, which rejects null hypothesis.

Age seems to be very important in portfolio management. Thus is because a healthy percentage (42.4%) of respondents below 35 years of age group claimed to possess thorough knowledge about portfolio management. The percentage happened to be significantly low (22.2%) and (18.4%) from 36-50 age group respondents and respondents above 50 years of age. However, respondents of Una district possessing knowledge about portfolio management (51.7%) have significantly outnumbered the respondents of Kangra district (17.2%) and Una district (9.4%). Further, educated persons. Serviceman and businessmen possessing knowledge of portfolio management have significantly outnumbered all other occupational categories. Higher income investors are well aware about portfolio management while low income investors are less aware about it.

References:-

1. Datta, D. (1976), 'Optimism and Investment Behavior', Dattad.21@sify.com
2. Choudhary, et. al (1979), 'Pattern of Saving and Investment in India since 1950-51', 974Margin, Vol. 12, No.1, October, pp.41-49.
3. Balachandran, Jalaja (1985), 'Capital Market: Developing Indian Potential', The Economic Times, Monday, Feb., 7, p.5.
4. Shefrin and Statman (1985), 'Behaviour Finance: Insight into Irrational Minds and Markets', Economic and Political Weekly, Vol. XXII, No. 17, March, pp. 533-541.
5. Gupta, L.C. (1987), 'Shareholders Survey: Geographic Distribution', Sterling Publication, Delhi.
6. Joshi, N.C. (1990), 'Protecting Interest of Investors', Financial Express, June 5, p.7.
7. Barua, S.K. and G. Srinivasan (1991), 'Experiment on Individual Investment Decision Making Process', Sankhya: The Indian Journal of Statistics, Vol. 53, Series-B, Pt. I, pp. 74-88.
8. Vasanthi, M. (1994), "Impact of Saving Behaviour of Households", The Indian Economic Journal, Dynaram Electronics and Computers, Bangalore, July-Sept., pp. 63-74.
9. Dhawan, S.S. and S.S. Yadav (1995), 'Private Fixed Capital Formation in Agriculture: Some aspects of Indian Farmers' Investment Behaviour', Economic and Political Weekly, Vol. XXX No. 39, Sept., 30 pp .A-103-109.
10. Yadav, R.A. and Biswadip Mishra (1995), 'Investment Patterns of Household Sector in Financial Assets – An empirical investigation', Management Journal of Commerce, Vol. 56,
11. Paul (1997), 'The Relevance of Theoretical Criteria in the Selection of Investment Plans', The Indian Journal of Commerce, Vol. 56, No.1, January-March, pp. 15-25.
12. Paul, Parthapratim (1998), Foreign Portfolio Investment in Indian Equity Markets-Has the Economy Benefited?' Economic and Political Weekly, Vol. XXXIII No. 11, March 14-20, pp. 589-597.
13. Shamugham, R. (1998), 'Factor Influencing the Investment Decisions,' Economic and Political Weekly, Vol. XXIX, No. 30, December 17-21, pp. 2215-2217.
14. Subrahmanyam, Ganti and S. Sundraranjan (1998), 'The Three- Gap Theory of Investment and Growth', in Indian Economic Review, Vol. XXXIII, No. 1.

15. Jacobs, A.L. (2000), 'Mutual Funds Investment', www.woopidoo.com/articles/
16. Michael (2000), 'Investing in Stocks', The Indian Journal of Economics, No. 241, Vol. LXI, p. 234-41.
17. Rajeshwari, T.S. and Rama Moorthy (2001), 'Conceptual Awareness and Performance Perception of Mutual Funds Among Potential Retail Investors – A Prognostic Approach', The Indian journal of Commerce, Vol. 54, No. 4, October-December, pp. 35-43.
18. Singh Y.P. and Vanita (2002), 'Mutual Fund Investors Perceptions and Preferences', The Indian journal of Commerce, Vol.55, No.1, July-September, pp.8-20.
19. Qamar, Furqan (2003), "Saving Behaviour and Investment Preferences Among Average Urban Household", The Indian Journal of Commerce, Vol. 56, No1, January-March, pp. 36-49.
20. Singh, S.K. (2004), 'Foreign Potfolio Investment in India, 'The Indian Journal of Commerce, Vol.54, No.4 October-December, pp. 120-131.
21. Mangala, Deepa and R.K. Mittal (2005), 'Anomalous Price Behaviour – A Evidence of Monthly Effect in Indian Stock Market,' The Indian Journal of Commerce, Vol. 58, No.2, April-June, pp. 65-70.
22. Khedekar (2007), 'Investing Strategies,' The Indian Journal of Commerce, Vol. 58, No.3, July-September, pp. 204-212.
23. Yamini, Shruti and Deokar, Bipan, (2012), "*Declining Household Savings*", Economic and Political Weekly, Vol. XLVII, No. 50. Dec 15, 2012, PP 75-77
24. Li Whalley and Zhao (2013), "*Housing Price and Household Saving Rates: Evidence from China*", *Journal of Chinese economic and business studies*, Vol. 11, No 3. pp 197-217.
25. Belke, Dregar and Ochmann (2014), 'Do wealthier households save more? The impact of the demographic factor' Springer-Verlag Berlin Heidelberg 2014.
26. Laszlo Konya (2014), "*saving and investment rates in the BRICS countries*", the journal of international trade and economic development, published online 22 may, 2014. <http://dx.doi.org/10.1080/09638199.2014.920401>