CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSIONS

The survey of Management of Portfolio by investors was conducted in Mumbai. The findings of the survey have been presented in this chapter. A variety of investment avenues has been covered including shares, debentures, bonds, government securities, insurance policies, mutual funds, various types of fixed deposits, post office saving schemes, gold/silver and real estate. The researcher has made an attempt to study the Management of Portfolio by Individual investors and their investment preferences for various investment avenues.

The study of individual investors preferences for investment avenues was conducted for Mumbai city, as the individual investors share is overwhelmingly large in the country’s savings. The purpose of the study was to know objectively the nature, scope and competitive superiority and effectiveness of different types of Investment avenues and to examine as to how investors behave while investing their hard-earned money through these instruments in the present investment climate and how they create their Portfolio.

A variety of investment avenues has been covered including shares, debentures, bonds, government securities, insurance policies, mutual funds, various types of fixed deposits, post office saving schemes, gold/silver and real estate for the purpose. A broad findings and conclusions of the study together with suggestions as remedial measures to overcome the existing deficiencies are presented below:
5.1 FINDINGS

The study was conducted with the help of primary data which was collected from the respondents with the help of a Questionnaire. The detailed data analysis was made and the findings were drawn in the tabular format. The following are the main Findings.

1) It was found that most of the investors in Mumbai are highly educated.
2) It was found that on an average investors in Mumbai saves around 27% of their household income.
3) It was found that on an average investors in Mumbai invests around 26% of their income.
4) It was found that 47% investors are long term investors and remaining investors are medium term and short term investors.
5) It was found that 46% investors plan their investments by self study followed by advice from friends or Relatives.
6) It was found that 40% of the investors invest for different purposes while 20% of the investors invest for Tax savings and 16% of them invest for regular return.
7) It was found that 26% of the investors had considered relatives and friends as a source of information about investment and investment avenues followed by newspaper or magazines (26%).
8) From the analysis it was found that, mentioned below are six investment avenues which were preferred to the ratio of rest. viz. life insurance policy followed by real estate, gold and silver, mutual funds and bank fixed deposits and shares as a part of investment portfolio.
9) It was found that 31% of the investors had mostly use life insurance as an instrument to save tax followed by PPF (19%), housing loan (18%) and fixed deposits and mutual funds (11%).
10) It was found that 35% of the Tax saving investors mostly prefers PPF followed by 31% for buying a house and 20% for life insurance.
11) It was found that 41% of the investors have strong knowledge of investment while 35% of them have some reasonable knowledge of investment.
12) It was found that investors has on an average experience of 6 years.
13) It was found that 50% of the investors were satisfied with their investments but not very satisfied.
14) Through the overall analysis of collected data it was found that majority of investors are fully aware regarding investment avenues like life insurance, bank deposits, mutual funds, post office saving schemes, PPF, real estate and gold and silver. Also it was found that investors are partially aware of shares and debentures/bonds.
15) It was found that 64% of the investors faced difficulties in differentiating various investment avenues.
16) It was found that 26% of the investors had invested in money back policy followed by whole life insurance (23%) and endowment policy (15%).
17) It was found that 28% of the investors had preference to annuity / pension plan for future investment in insurance products followed by term insurance (20%) and money back policy (13%).
18) It was found that 24% of the investors had invested in equity mutual fund schemes, followed by balanced fund and ELSS of mutual funds.
19) It was found that 86% of the investors give preference to SIP over one time investment.
20) It was found that the investor’s portfolio consists of Real estate investments and 54% of the investors had invested in residential property followed by commercial property.
21) It was found that 38% of the investors prefer real estate investment as a part of their investment portfolio because of capital growth followed by higher returns (37%).
22) It was found that 63% of the investors prefer bank fixed deposit for future investment followed by company fixed deposit (28%).
23) It was found that 64% of the investors were aware about portfolio management concept.
24) It was found that 48% of the investors in Mumbai face “lack of time” as a problem for designing their portfolio followed by lack of knowledge (25%).
25) It was found that 30% of the investors considered Regular returns as most important factor before selecting any investment avenues for creating their investment portfolio followed by factors like safety of principle and steady growth.

26) It was found that 43% of the investors decide their investments depending upon various factors like past performance, industry analysis, company analysis, credit rating, economic scenario. Also it was found that 22% of investors decide their investments based on some other factors.

27) It was found that on an average 17% of investor’s portfolio in Mumbai had exposure to equity market investments.

28) It was found that 82% of the investors in Mumbai had not taken portfolio management service for creating their investment portfolio.

29) It was found that 41% of the investors in Mumbai had not given preference for opting PMS in near future for investing their hard earned money followed by opinion “can’t say” (37%) i.e. may or may not opt for the PMS.

30) It was found that on an average 16% of investor’s portfolio belong to riskier asset class.

31) It was found that 51% of the investors in Mumbai were moderate risk taker followed by risk averse (26%) investors.

32) It was found that 39% of the investors in Mumbai had considered Gold and Silver as their liquid investment i.e. easily convertible in cash followed by bank deposits.

33) It was found that 20% of the investors considered inflation as the risk involved in their investment portfolio followed by fluctuation in interest rates and fall in Indexes.
5.2 SUGGESTIONS

The findings of the study will have some implications. The study has a direct bearing on the market for financial products such as shares, debentures, mutual funds, life insurance, post office saving schemes, fixed deposits and also real estate and gold/silver. Therefore, it is of special interest to policy makers and regulatory authorities concerned with financial market. The regulatory bodies can safeguard the interest of the new investors on the basis of the pattern of investing. The following suggestions may be worth considering in this respect:

1. It is suggested to the investors that instead of keeping long term investment time horizon, their time horizon should depend on their objectives and type of Investment Avenue.

2. Instead of making wrong decisions regarding investment it is advisable that investors should take help of financial planner.

3. Insurance is assurance and not investment so it is suggested to the investors instead of buying high premium charging policies they should invest in pure protection plans as premium is less and the surplus could be invested elsewhere and return can be earned.

4. From the observations it has been suggested that investors are doing their investments at the last movements and many a time it was found that they are doing wrong investments. So instead of last time rush investors must plan for their investments from the starting of the financial year.

5. It has been revealed that investors has invested in PPF, so it can be suggested to the investors that they should continue with their PPF after maturity by extending it till their retirement to get maximum from the PPF as it offers compounding interest and the whole amount received is tax exempted.

6. Now a days the return on various investments are based on market scenario, so it is advisable to the investors that they should keep on upgrading themselves with new guidelines and changes in terms and conditions. Not only the investment avenues were they have invested but overall investment avenues
they should be aware of so that they can make necessary diversification for keeping their portfolio profitable.

7. It is suggested to the investors that irrespective of their awareness regarding Investment Avenue they should select appropriate investment avenue which is suitable for them.

8. While investing in any kind of real estate property it is suggested to the investors that before investing they must do required due diligence, specially while investing in N.A. plots.

9. SEBI has made the changes in the rules for portfolio management service providers and users, as the minimum amount required for PMS service is high and fees are also quite higher as compared to previous rules. Therefore, it is suggested to the authorities to reframe the rules regarding PMS so that more investors will opt for the service.

10. It is suggested to the investors that at-least the equity portion of their portfolio must be reviewed regularly so that if stock is not performing then necessary diversification can be made.

11. It is advisable to the investors that they should keep some part of their savings in terms of cash and remaining should be invested. Though study revealed that gold and silver and fixed deposits are considered as liquid investments but investors at the time of liquidation do not get the exact value appreciation rather there are some charges which are levied and it reduces the returns on the investments. So some amount of cash should be kept aside for emergency purpose instead of liquidating the long term investments.

12. As it has been observed that recession and inflation has impacted on investment returns it is advisable to the investors that they should not get panic and depending on market they should not withdraw their existing investments except shares and mutual funds.

13. It has also observed from the study that most of the individual investors in Mumbai are highly educated and they consider “own study and observations” as an important factor for their investment decisions. In this respect, the authorities may be well advised to take the steps to introduce investor education programs
from time to time in order to strengthen the knowledge and skill of these investors and protect their interest in investing and managing their investment portfolios profitability.

14. The present study also reveals that investors have preferences for Mutual funds SIP for future investment. It can be suggested to the asset management companies that they should make more efforts to improve the NAV of the funds.

15. The study revealed that the debentures are less popular in Indian capital market. They are not really investor-friendly. Therefore, in addition to equity shares, the debt market should also be developed.

16. The most important outcome and suggestion to the investors is that not only in physical form but now they can invest in Gold and Silver with variety of instruments (i.e. Gold ETF, Gold fund etc.) which will give the same returns and at the same time risk of loss is minimized.
5.3 CONCLUSIONS

From the detailed analysis and hypothesis testing following conclusions were drawn:

1. From the study it is concluded that most of the investors in Mumbai were highly educated and therefore, they considered ‘own study and observation’ as an important factor for their investment decisions.
2. Though the investors are highly educated it was revealed that investors faced difficulties in differentiating various investment avenues also they lack in knowledge and skills of investing.
3. It is revealed that investors consider relatives and friends as reliable source for information about investment and investment avenues followed by newspaper / magazines.
4. It is concluded that large portion of investor’s portfolio belongs to safe investment avenues.
5. It is concluded that investors prefer safe and secured investment avenues to save tax and also they give preference to investment avenues which will help them to get dual benefit like Real estate/ buying a house against loan.
6. It can be concluded that investors are not strongly agreeing regarding knowledge in the field of investments.
7. It is concluded that still the investors in Mumbai are not properly aware regarding new investment instruments (Derivatives and commodities) and their benefits.
8. Considering current scenario of real estate market it is concluded that every investor must have real estate as a part of their portfolio.
9. It has been observed that the investors are investing in residential property along with commercial property because it acts as extra income source.
10. It is concluded that investors still prefer banks over other kinds of fixed deposits.
11. Considering past, present and future prospects of Gold and silver it is concluded that every investor must have precious metals as a part of their portfolio.
12. It can be concluded from the study that though most of the investors are aware of portfolio management concept, they have not taken PMS for creating their portfolio also they had not shown positive response for the PMS service in future as PMS is costly and it is restricted to equities only. It was also found that the investors those who have opted for PMS don’t want to continue with the PMS. It can be concluded that investors are not interested in PMS Service.

13. It can be concluded that most of the investors are not regular traders and they follow simply the buy and hold strategy.

14. It is concluded that most of the investors in Mumbai are moderate risk taker.

15. The investors in Mumbai had been facing various risks in their investments like Depression phase in market, fall in Sensex/ Nifty, Inflation, Fluctuations in Interest rates, Global Turnaround and Recession. It can be concluded that inflation period has impact on the savings as it increase the expenses and also affects the overall economy/market. Thus, inflation acts as risk involved in investment portfolio.

The study of management of portfolio is based on hypothesis that there is a significant difference in investment portfolio of investors in Mumbai. The portfolio is tested according to the sex, age, education, occupation and income level of the investors. The study revealed that Investors in Mumbai invest in their portfolio irrespective of their Gender, Age and Education. However the investment portfolio of investors in Mumbai differs on the basis of their occupation and level of income.