A STUDY ON LITERATURE REVIEW OF AWARENESS AND INVESTMENT BEHAVIOR OF INVESTORS TOWARDS RISK & PORTFOLIO MANAGEMENT

Neeta Shinde
Assistant Professor
neetas.shinde80@gmail.com

Dr. Devyani Ingale
Associated Professor
devyani.ingale.rmdssoms@sinhgad.edu

ABSTRACT
Investors are investing their earnings with different aims and goals such as returns, security, appreciation, Income stability. Investments are made from investor's savings. While investing money in different sectors of investment what type of perception investors followed towards risk & portfolio management. This research is based on literature review of investors' perception towards risk & portfolio management, how to take the decisions while creating an individual portfolio, how to manage it in different risky situations and how to diversify that risk, now a days, every category of people investing their money in different investment sectors and all sorts of fields. With the fast development in the Security market and investment sector in the recent past, presently, every individual aim is to be financially independent, strong & secure their future with sufficient funds. This study considered only employees of government and private sector organizations and their payment scale category. To achieve an important objective of every retail investor is to select the suitable investment options out of various financial products available in the market with risk factors associated with the better returns respective to liquidity and safety of principal. With this all criteria and principles, how investors are able to create their portfolio objectives with guaranteed returns and how to bear risk & increase their risk appetite capacity according to their priority in needs and also manage it with respect to the market economic conditions and the risk securities that exist in the market.
Key words: risk perception, portfolio management, investment avenues, Investment awareness

Introduction

Investors are of three types, some are risk seekers, Risk averse and risk neutral. This is all about the behavioral finance or judgmental condition of individual investors, this all also studies or depends on some economics of decision making and utility theory. For understand and know the behavior of investors, first must learn, or study some economics behavioral theory such as modern behavioral finance theory and neo classical theory.
Portfolio management is nothing but creating, selecting and measuring risk in investment avenues to meet retail investor's short term, mid-term and long-term financial goals and risk tolerance capacity factor of an investor. Creating and managing an investment portfolio by any financial infrastructure industries is as critical and difficult as market risk. Portfolio Asset management can be created with various investment options and avenues to minimize the risk level associated with returns and how to measure it and get a high return out of it.

Risk Management and diversification of risk consider Speculations, awareness of requisite liquidity and collateral worth, surety in income, monitoring capital growth, Tax benefits and exemptions, and purchasing power stability and tuck away ability.

Financial Market risk is one of the chances that the weightage of an investment avenue always follows the increasing and decreasing trend of the stock market. Market risk, inflation risk and Interest rate and inflation risk are the risk that the value of an investment will get reduced when interest rates increase and vice versa. Inflation risk is one of the influential factors that the value of an investment fluctuates because of the country's economic condition. Credit risk mainly focuses on whether a bond issuer or borrower can repay a bond debt or interest on time or once it matures.

In a technique of diversified portfolio options, the assets do not associate with each other. When the responsiveness of one variable depends on another variable, then their value fluctuates. It tries to minimize risk involved in investment products because, no matter what the country's economy reflects, some financial asset investments will give benefits that can be identified and also losses observable which relate to the other assets. Risk can reduce or increase due to many technical tools but there is a probability to disturb the entire portfolio by one single transaction. A diversified portfolio is the best technical tool to defend against a financial crisis.

Research Gap

The aim of this study is to collect data from secondary sources related to behavioral finance and its impact on investment decision making. Many researchers have observed the impact of the decision-making process and investment in the security market with high returns with less risk and security in the market. But no one has given exact ideas or strong parameters that every investor has to follow or consider before investing their earnings into an investment sector, no one has analyzed which statistical tool should apply for anticipation of future risk and uncertainties. How would they get updated with the different strategies and planning? So this research is trying to find out the parameters which are useful for retail investors for better returns.

Literature Review

There are some research papers about the topic in the literature. Abramov (2015) focused on how effectively traditional approach throw the impact on portfolio management This article mainly focused on those investors who have believed in long term investments, investments in communal bonds or a guaranteed returns are more profitable in terms of higher chances of assurance and risk return ratio than investments in equity markets, retail investors mainly concentrate on investments in guaranteed returns instruments, including corporates bonds, commercial bonds to maintain a stable risk–return ratio for a creating individual portfolio, with this retail investors needs to increase the investment in low risk financial securities options during the process of asset allocation.

Boevi (2020) conducted on Diversification which is one of the important technical tools and techniques of investment decision-making under risk and future uncertainty which actually exists in portfolio management. This Study meet the objective to rectify the error by reviewing the concept of portfolio management theory. Main aim of this study is to focus on the few asset diversification principles such as study of large numbers of investors, correlation association, capital asset pricing model, risk contribution and interest rate parity, diversification principles and how it applies in measuring risk.

Caesar (2016) identified that, an international portfolio diversification is the main source of world welfare gain, to analyze the effectiveness of gain from trade and the productivity through international level, International factor movements is important diversification. With the empirical and Conceptual argument with reference to the International Investment Diversification shown towards Individual and Corporate Investors. In this research they analyzed benefits like Risk and return, financial market structure, Diversification, study of International Venture Capitalist, Culture integration, and Micro and Macro finance.

Delfin (2020) finds out that In creating and maintaining portfolio safely, diversified options are applied highly, that portfolio transactions relate with fundamental damage and that rebalancing is done through diversification tools which depend on the initial network balancing. Study also said that large diversification benefit is achieved through network configuration, rebalancing but significant that makes the network configuration risky in front of unselective stocks.

Gangwani & Mazyad, (2020) conducted on working women from government sectors and private sectors in India who want to be financially independent & also want security by investing their savings into financial investment avenues to handle critical situations in their lives. Do working women have awareness about risk & portfolio management? This research enlightens that despite awareness and knowledge of the financial sector and its management among working women, only 33% can believe and take their own investment decisions, compared with 64% men employees. Of these, only 30% did their own charge, while most were spoken to by their spouses, family members or parents. And this research found that the main head of the family may be bread earners and that husbands played a vital role (40%) than parents or other family members, out of that (27%) is encouraging women to take decisions related to their investments and spending's, savings.

Ibrahim & Tayfun (2016) say basic and advanced financial literacy awareness in students is a relationship. Macro and microeconomics activities and decision-making processes are important to have knowledge of savings, investing's, consumption to understand the financial products and concepts and build the ability and capacity to analyze the risk and inviting opportunities.

Jayeola (2017) studied how Diversification strategy options will affect investors' portfolio to improve their portfolio. Main purpose of this research is to Annalise the relation of less risk with high return of portfolio. It is an opportunity by which retail investors can improve from a micro level firm to macro level firm. To analyze procedures for creating effective or smart portfolios for rational investors and to exhibit the maximum gain by diversification of which assets are included in the portfolio.

Jastina (2012) studied employees' investment from their savings is reviewed mainly on the relationship between risk and return on their investment portfolio options, higher the risk, higher the return and vice versa. While investing Pension funds in different options of investment avenues, some important point taking into consideration that, to find the alternative options that lead to maximize returns with minimum risk, that increase the effectiveness of an investment decision, with this it helps to find out that portfolio diversification positive effect with minimizing risk which involved in creating portfolio and it also helps to increase the performance of selected investments.

Lokovic (2018) studied efficient comparative analysis of diversifications of investments, guaranteed and nonguaranteed investment avenues in portfolio and testing rationality of the international markets diversification tool of investments. Through this study, it also gets some valuable inputs by international diversification of investments analysis. Many financial market securities in a portfolio will get increased as long as its marginal benefits, and to decrease investment risk marginal costs should exceed its limit, with respect to increasing portfolio asset management costs.

Marylin (2011) identified some risks which involve creating a portfolio of investments with respective risks struggling by the Mauritian banks that are inflation risk, market risk, and credit risk. The Mauritian banks have taken help of diversification of portfolio tools to efficiently manage risk throughout. After using a diversification tool by Mauritian Banks the results indicate that tool has successfully shown the result to minimize the risk.

Malik & Saini (2013) suggested that an investor should have scientific and analytical skills before investing his savings into different risky Financial avenues available in the market. An Investor should be rational and have an emotional perspective. An investor must invest his savings into guaranteed and non-guaranteed financial securities and create his portfolio with a technical and analytical analysis knowledge. Investors also have knowledge of Portfolio management theory and principles before investing and creating his own portfolio.

Naveenan (2019) studied past data has collected and compared to analyze risk and return involved in portfolio investment through measurement of standard deviation of risk and returns involved in equity portfolio and it is an evaluation of returns achieved through few statistical tool such as Standard Deviation, correlation regression and risk analysis observed by using Standard Deviation of returns, Beta and Sharpe's Ratio.

Olaleye (2011) overviewed various options available in the market for investors to diversify their real estate portfolio. In real estate property portfolio diversification and its performance analysis within real estate portfolio diversification were observed with different technical tools with how to measure risk and minimize it.

Shukla (2016) studied surveyed that Women in India, mainly working women of north Gujarat region, are now actively involved in investing her savings in financial market securities with scientific and technological skill & becoming financially independent. Now Indian scenario has changed, women has started getting knowledge of various parameters before investing their surplus money such as degree of their risk tolerance level rather that influencing of family members and close friends and now started to get exposure to new and modern innovative investment avenues. This study observed that there is no significant relationship between knowledge related to the stock market and creating investment but there is also a significant relationship between Age and earnings.

Critical Evaluation: - The body of the review containing

In this research study few literature review have been taken related to how to manage risk in investment sector and create investors portfolio, for this purpose awareness or financial literacy is playing major role or not, some research in this regard conducted to see perception and awareness of various available market securities has built the capacity and willingness of working retail investors to save, spend and invest their savings for higher, regular and secure returns. Some research has highlighted the choices of investors and awareness towards the various investment alternatives avenues, at which and how much investors are going to invest their savings out of the best and promising alternatives options of investment criteria available in the market and investors should aware about the rates and ratio of investments, returns with risk factor of the best alternatives investments options in the market. To know the reality or fact of investors, whether they are fully aware about the interest rates ratio and inflation trend, what is currently affecting the respective alternatives in the market for Investing in various types of alternatives. It is an interesting act to make each and every individuals throughout their life with irrespective to their financial background and their different category of income slab rate, and the investors who are having extra sources of income which is over and above of their needs to invest in the other form of investment options, few literature review said few factors like Demographic factors, Economic factors, Social factors, Organizational factors influences investment decisions of retail investors, some research have done on opinion of salaried women how they are investing their savings in investment sectors, With a changing era and new trend, women has started actively investing their surplus or extra money, by knowing the ups and downs , crises and uncertainties of the market, whether it all depends upon the various parameters such as degree of their risk tolerance level, influence or backup of close family members and friends and trying to dare to get exposed to modern and innovative investment avenues, so some research study has been focused on the analysis of investment preference of working women and influential factors affect their investment decision. Age, knowledge, tolerance level and income were found to be directly correlated with their investment pattern.

There is no positive association or there exists a positive association between social and financial factors like age, income, marital status, qualification, occupation and awareness of investment avenues and their benefits literacy of working women towards various investment options.

In some papers heuristic factors like representativeness, anchoring and availability bias which are most important affecting the investment decisions.

Some researchers surveyed that investors follow two types of approaches in constructing the portfolio of securities e.g. traditional approach & Markowitz efficient frontier approach.

Conclusion

By comparing some review and research papers this study concluded that the diversification tool for risk management is used by many investors for managing and creating portfolios. Higher the risk higher the returns, portfolio diversification has immense and positive impact on reduction of risk and an increase in performance of Trust and faith of investors investments. For evaluating the risk and return on equity portfolios, investors should have knowledge to compare data through Beta and Standard Deviation techniques so that they can find out how much risk is associated with investment decisions and available securities. Sharpe's Ratio also can be used to analyze the behavior of investor's perception and their awareness. When the point comes about investors' awareness and knowledge they should also get educated about economic theory and behavioral theory analysis, each and every investor knows what utility & neo classical theory suggests before or while investing their hard-core money into the security market. To get marginal benefits from various securities in a portfolio or it should be increased in the form of reduced investment risk. Few research also analyzed that for retail investors should invest in guaranteed returns like investments in corporate sector, bonds are more profitable than equity securities and other security options in terms of the risk–return ratio, in short there is significance exists between awareness and investment behavior towards portfolio and risk management, some investors are risk taker, risk averse & risk neutral according to the appetite and tolerance level of risk capacity in the market investors change their behavior & investing habits, but definitely there is positive significance is exist of some factors like Demographic factors, Economic factors, Social factors, Organizational factors influences investment decisions of retail investors.

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