

## A STUDY ON INVESTMENT DECISION BASED ON PORTFOLIO MANAGEMENT

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### **Abstract:**

Investment Management involves correct decision-making. As referred to earlier any investment is risky and as such investment decision is difficult to make. Investment decision is based on availability of money and information on the economy, industry and company and the share prices ruling and expectations of the market and of the companies in question.

Portfolio management concerns the construction & maintenance of a collection of investment. **It primarily involves reducing risks rather than increasing return.** Return is obviously important though the ultimate objective of portfolio manager has to get good return to achieve a chosen level of return by immunizing the risk

**KEYWORDS:** Decision, Investment, Portfolio, Securities etc

### **INTRODUCTION**

Investment management refers to the handling of financial assets and other investments—not only buying and selling them. Management includes devising a short- or long-term strategy for acquiring and disposing of portfolio holdings. It can also include banking, budgeting, and tax services and duties, as well.

There are two major types of investments: publicly traded securities (stocks) and fixed income products, including bonds.

Investment managers typically manage endowments for educational institutions or pension funds for corporations on behalf of employees. However, many mutual funds and brokerage firms offer investment management services more accessible to individual investors.

## PROCESS OF INVESTMENT MANAGEMENT:

1. Investing in an asset, security, or project requires a lot of patience; ideally, the decision-making process should be analytical. Following is a five-step process decision-making process that guides investors:
2. **Analyze Financial Position:** For financial management, one has to understand the company or individual's current financial condition.
3. **Define Investment Objective:** Then, investors must set up an investment objective—whether to invest short-term or long-term. They should also be aware of their **risk appetite** (level of risk they desire to take).
4. **Asset Allocation:** Based on the objective, investors must **allocate assets** into stocks, debentures, bonds, **real estate**, options, and **commodities**.
5. **Select Investment Products:** After narrowing down on a particular **asset class**, investors must further select a particular asset or security. Alternatively, this could be a basket of assets that fit the requirements.
6. **Monitor and Due Diligence:** **Portfolio managers** keep an eye on the performance of each investment and monitor the returns. In case of poor performance, they must take prompt action.

## FACTORS AFFECTING INVESTMENT DECISION

1. **Investment Objective:** The purpose behind an investment determines the short-term or long-term fund allocation. It is the starting point of the decision-making process.
2. **Return on Investment:** Managers prioritize positive returns—they try to employ limited funds in a profitable asset or security.
3. **Return Frequency:** The number of periodic returns an investment offer is crucial. Financial management is based on financial needs; investors choose between investments that yield monthly, quarterly, semi-annual, or annual returns.
4. **Risk Involved:** An investment may possess high, medium, or low risk, and the risk appetite of every investor and company is different. Therefore, every investment requires a risk analysis.

5. **.Tax Benefit:** Tax liability associated with a particular asset or security is another crucial deciding factor. Investors tend to avoid investment opportunities that are taxed heavily.
6. **Safety:** An asset or security offered by a company that adheres to regulatory frameworks and has a transparent financial disclosure is considered safe. Government-backed assets are considered the most secure.

### OBJECTIVES OF THE STUDY

- To study the Role of Investment through Portfolio Management of Selected companies in India.
- To Study the factors Impact to make proper investment decisions of Selected Companies in India
- To analysis of the risk and return characteristics of stocks Selected Companies in India.

### RESEARCH METHODOLOGY

- Research design or research methodology is the procedure of collecting, analyzing and interpreting the data to diagnose the problem and react to the opportunity in such a way where the costs can be minimized and the desired level of accuracy can be achieved to arrive at a particular conclusion.
- The methodology used in the study for the completion of the project and the fulfillment of the project objectives, is as follows:
- Market prices of the companies have been taken for the years of different dates, there by dividing the companies into 5 sectors.
- A final portfolio is made at the end of the year to know the changes (increase/decrease) in the portfolio at the end of the year.
- **Sources of the data:**
- **Primary data:**
- The primary data information is gathered from Sharekhan fin polis by interviewing Sharekhan executives.
- **Secondary data:**

- The secondary data is collected from various financial books, magazines and from stock lists of various newspapers and Sharekhan as part of the training class undertaken for project.

**DATA ANALYSIS AND INTER PRETATIONS:**

• Date	Airtel	Hero Honda	ICICI	BHEL	Acc cements	Bajaj auto	HDFC	HINDAL Co	Dr. Reddys
4/06/2022	2,614.25	1,713.30	878.9	634.05	913.95	1,732.40	751.7	925.85	693.6
5/06/2022	2,620.00	1,715.60	887.55	649	901.4	1,736.50	750.9	940.25	704.8
6/06/2022	2,584.60	1,695.85	895.15	641.95	905	1,713.05	733.8	935.75	693.15
7/06/2022	2,525.25	1,653.35	885.25	649.4	910.5	1,683.55	714.65	922.65	677.55
8/06/2022	2,464.45	1,646.95	873.8	650.25	911.6	1,654.70	700.5	923.5	669.1
11/06/2022	2,488.55	1,674.75	869	648.45	914.3	1,668.55	714.25	950.2	662.2
12/06/2022	2,587.45	1,654.60	842.2	626.25	898.95	1,698.10	749.1	927.25	694.55
13/06/2022	2,686.25	1,637.15	839.9	639.8	946.65	1,712.25	788.25	919.85	715.5
14/06/2022	2,689.10	1,628.30	835.6	646.95	952.05	1,703.95	782.2	922.35	741.3
15/06/2022	2,675.40	1,623.15	841.15	645.25	980.6	1,726.05	791.8	908.25	734.7
18/06/2022	2,679.20	1,694.70	863.35	637.6	983.25	1,736.75	799.6	919.25	747.5
19/06/2022	2,636.45	1,671.45	863.4	637.75	952.85	1,778.15	780.6	919.75	737.45
20/06/2022	2,652.90	1,678.55	877.15	653.65	952.85	1,820.20	778.65	927.7	725.4
21/06/2022	2,621.20	1,646.80	853.35	648.3	937.4	1,799.15	770.4	905.1	709.15
22/06/2022	2,573.05	1,642.25	840.65	624.5	918.5	1,792.75	755.1	900.2	699.9
25/06/2022	2,537.85	1,618.00	831.6	610.5	905.15	1,731.85	755.75	900.9	694.7
27/06/2022	2,498.40	1,549.35	790.2	558.7	881.1	1,672.70	743.5	860.15	654.5
28/06/2022	2,494.35	1,537.50	788.65	585.55	868.55	1,678.90	740.4	880.15	672.95
29/06/2022	2,476.70	1,558.70	830.4	569	870.75	1,773.10	735.45	899.5	647.4

**CALCULATION OF STANDARD DEVIATION  
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Date	SHAREPRICE[x]	DEVIATION[D <sub>x</sub> =x-X]	SQUARE DEVIATION[D <sub>x</sub> ] <sup>2</sup>
4/06/2022	2,614.25	29.76	885.66
5/06/2022	2,620.00	35.51	1260.96
6/06/2022	2,584.60	0.11	0.01
7/06/2022	2,525.25	-59.24	3509.38
8/06/2022	2,464.45	-120.04	14409.60
11/06/2022	2,488.55	-95.94	9204.48
12/06/2022	2,587.45	2.96	8.76
13/06/2022	2,686.25	101.76	10355.10
14/06/2022	2,689.10	104.61	10943.25
15/06/2022	2,675.40	90.91	8264.63
18/06/2022	2,679.20	94.71	8969.98
19/06/2022	2,636.45	51.96	2699.84
20/06/2022	2,652.90	68.41	4679.93
21/06/2022	2,621.20	36.71	1347.62
22/06/2022	2,573.05	-11.44	130.87
25/06/2022	2,537.85	-46.64	2175.29
27/06/2022	2,498.40	-86.09	7411.49
28/06/2022	2,494.35	-90.14	8125.22
29/06/2022	2,476.70	-107.79	11618.68
	ΣX =49,105.40		Σdx <sup>2</sup> =106000.76

**Table 4.2**

$$X = \Sigma x / N$$

Where X= mean of the data ,

Σx = sum of variables,

N = no of observations

$$= 49105.40/19$$

$$= 2584.49$$

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$$\text{Standard Deviation} = \sqrt{\Sigma dx^2 / N}$$

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$$= \sqrt{106000.76/19}$$

$$= 74.69$$

## FINDINGS

- The investor can recognize and analyze the risk and return of the shares by using this analysis.
- The above table shows that the construction of optimal portfolio from BSE SENSEX scripts.

The analytical part of the study reveals the following:

- As far as the average returns of the selected companies are concerned Airtel, Hero Honda & Bajaj auto is performing well whereas Dr.Reddys and BHEL's average returns for the study period is poor.
- As far the risk of the selected companies is concerned Airtel risk is very high. At the same time its returns are also high. Similar is with Bajaj auto & Hero Honda.

## SUGGESTIONS

- Select your investments on economic grounds. Public knowledge is no advantage.
- Before buying a security, it's better to find out everything one can about the company, its management and competitors, its earnings and possibilities for growth.
- Investing rules to be remembered.
- Don't buy too many different securities. Better have only a few investments that can be watched.
- Buy stocks in companies with potential for surprises.

## CONCLUSION

When compared to other portfolios, portfolio gives the maximum return with 12 scripts.

- Most people agree that holding two stocks is less risky than holding one stock. Further investing in one sector also proves to be risky.

- For a given level of risk investor always prefers high return. Put simply, all investors want maximized returns with minimum risk, which can be made easy through Portfolio management.

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