

A STUDY ON RISK PERCEPTION AND PORTFOLIO MANAGEMENT OF EQUITY INVESTORS: TATA MOTORS

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ABSTRACT

Risk perception plays a crucial role in shaping investment decisions and portfolio management strategies among equity investors. The present study investigates the relationship between risk perception and portfolio management practices among investors with specific reference to Tata Motors. The research aims to understand how demographic factors, investment objectives, risk tolerance levels, and market conditions influence investor behaviour and portfolio decisions. A descriptive research design was adopted, and primary data were collected from 100 respondents through a structured questionnaire. Secondary data were obtained from journals, reports, books, and company publications. The findings indicate that most investors exhibit a medium level of risk tolerance and prefer diversified portfolios to balance risk and return. The study further reveals that demographic characteristics such as age, income, educational qualification, and investment experience significantly affect investors' risk perception. Investors with higher financial knowledge and experience demonstrate greater confidence in managing market volatility and investment uncertainty. The research also highlights that regular portfolio monitoring and rebalancing contribute positively to investment performance and risk management. Tata Motors, being one of India's leading automobile manufacturers, attracts investors due to its strong market presence, technological innovation, and growth prospects in the electric vehicle segment. However, market fluctuations, economic uncertainty, and industry competition continue to influence investor sentiment and portfolio decisions. The study concludes that understanding investor risk perception is essential for developing effective portfolio management strategies that maximize returns while minimizing potential losses. The findings provide useful insights for investors, financial advisors, and portfolio managers in designing investment plans that align with individual risk preferences and financial objectives.

Keywords: Risk Perception, Portfolio Management, Equity Investors, Tata Motors, Investment Behaviour, Risk Tolerance, Diversification, Portfolio Rebalancing, Financial Decision-Making, Equity Investment.

I. INTRODUCTION

The equity market plays a vital role in the economic development of a nation by facilitating capital formation and providing investment opportunities for individuals and institutions. Equity investment represents ownership in a company and offers investors the potential for capital appreciation and dividend income. However, equity investments are exposed to various forms of risk, including market risk, economic uncertainty, industry fluctuations, and company-specific factors. Risk perception refers to the way investors interpret and evaluate these

uncertainties while making investment decisions. Investors often differ in their perception of risk due to variations in financial knowledge, experience, demographic characteristics, and behavioural tendencies. Understanding risk perception is important because it influences investment choices, asset allocation, diversification strategies, and portfolio performance. Behavioural finance theories suggest that emotions and cognitive biases significantly affect investor decision-making processes and often lead to irrational investment behaviour [1]. Modern Portfolio Theory emphasizes the importance of diversification in reducing unsystematic risk and optimizing returns [2]. Studies have shown that investor risk perception is influenced by market volatility [3], economic conditions [4], financial literacy [5], behavioural biases [6], demographic characteristics [7], investment experience [8], investor sentiment [9], risk tolerance [10], portfolio diversification [11], market expectations [12], inflation [13], interest rates [14], company performance [15], investment horizon [16].

Portfolio management refers to the systematic process of selecting, monitoring, and adjusting investment assets to achieve specific financial objectives while maintaining an acceptable level of risk. Effective portfolio management enables investors to balance risk and return according to their financial goals and preferences. Tata Motors, one of India's leading automobile manufacturers, has attracted substantial investor attention due to its diversified product portfolio, strong market position, and increasing focus on electric vehicles. Investors evaluate various factors such as financial performance, growth opportunities, technological innovation, and market competitiveness before investing in Tata Motors. The dynamic nature of the automotive industry creates both opportunities and risks for investors. Therefore, understanding how investors perceive these risks and manage their portfolios is essential. Previous studies have emphasized the importance of diversification [17], asset allocation [18], portfolio rebalancing [19], market information [20], financial planning [21], investor confidence [22], investment awareness [23], behavioural finance [24], risk-return trade-offs [25], stock market performance [26], wealth creation objectives [27], investment monitoring [28], portfolio optimization [29], and long-term investment strategies [30]. Hence, this study examines the risk perception and portfolio management practices of equity investors with special reference to Tata Motors.

II. LITERATURE REVIEW

Several researchers have examined the influence of risk perception on investment decisions and portfolio management behaviour. Markowitz introduced the concept of portfolio diversification and emphasized the relationship between risk and return in investment management [1]. Sharpe developed the Capital Asset Pricing Model and highlighted systematic risk as a key determinant of investment returns [2]. Kahneman and Tversky proposed Prospect Theory, explaining how investors make decisions under uncertainty and often exhibit loss aversion [3]. Barberis and Thaler explored behavioural finance concepts and demonstrated the impact of psychological biases on investment decisions [4]. Choudhury and Ghosh investigated the influence of macroeconomic variables on investor risk perception [5]. Tharwat examined market sentiment and its role in shaping investment behaviour [6]. Pompian discussed behavioural biases affecting portfolio decisions [7]. Shefrin emphasized emotional influences on risk assessment [8]. Statman highlighted investor irrationality and behavioural patterns [9]. Baker and Nofsinger examined investor psychology and market behaviour [10]. Research studies also revealed that financial literacy [11], demographic factors [12], investment experience [13], income

levels [14], education [15], and age [16] significantly affect investors' perception of risk and investment preferences.

Further studies have focused on portfolio management strategies and their effectiveness in enhancing investment outcomes. Elton and Gruber emphasized diversification as an essential tool for risk reduction [17]. Bodie, Kane, and Marcus highlighted strategic asset allocation in portfolio construction [18]. Fabozzi discussed modern portfolio management techniques [19]. Fama explained market efficiency and investment performance [20]. Jensen evaluated portfolio manager effectiveness in generating abnormal returns [21]. Malkiel emphasized passive investment strategies and long-term wealth creation [22]. Grinblatt and Titman examined active portfolio management practices [23]. Black and Litterman proposed advanced asset allocation models [24]. Damodaran discussed valuation-based portfolio decisions [25]. Jagannathan and Ma highlighted portfolio optimization techniques [26]. Recent studies reported that portfolio monitoring [27], portfolio rebalancing [28], risk management practices [29], and investment planning [30] significantly contribute to improved portfolio performance and investor satisfaction. These studies collectively indicate that investor risk perception and portfolio management are closely interconnected and play a crucial role in achieving investment objectives.

III. RESEARCH METHODOLOGY

The present study adopts a descriptive research design to examine the risk perception and portfolio management practices of equity investors with reference to Tata Motors. The research primarily focuses on identifying the factors influencing investor risk perception and understanding how these factors affect portfolio management decisions. Both primary and secondary data sources were utilized to achieve the objectives of the study. Primary data were collected through a structured questionnaire administered to investors using Google Forms. The questionnaire included questions related to demographic characteristics, investment preferences, risk tolerance, portfolio allocation, monitoring frequency, and investment objectives. A total of 100 valid responses were obtained and used for analysis. Secondary data were collected from academic journals, books, research articles, company reports, financial websites, and published literature relevant to risk perception and portfolio management.

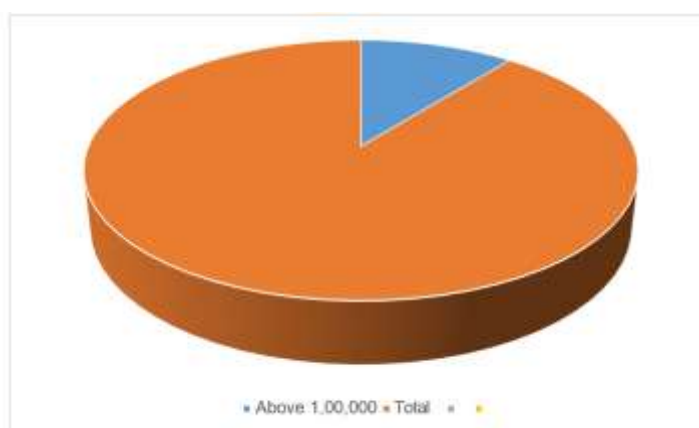
The study employed a convenience sampling technique due to ease of accessibility and time constraints. The sample consisted of equity investors from different age groups, educational backgrounds, income levels, and investment experiences. Descriptive statistical tools such as frequency distributions, percentages, tables, and charts were used to analyse the collected data. The analysis focused on understanding investor behaviour, risk tolerance levels, portfolio diversification practices, and investment monitoring habits. The findings were interpreted to identify patterns and relationships among variables. The study provides valuable insights into investor perceptions and portfolio management strategies associated with Tata Motors while acknowledging limitations such as sample size constraints and respondent subjectivity.

IV. RESULTS & DISCUSSION

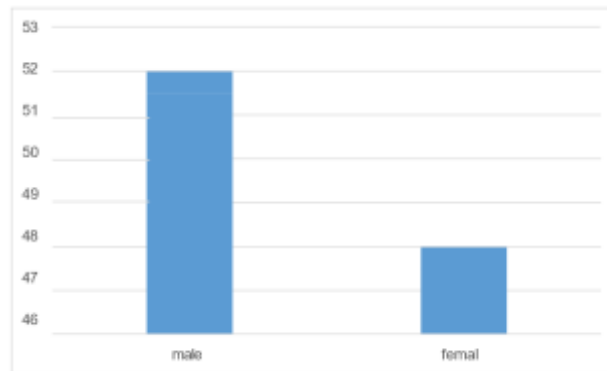
The analysis of the collected data indicates that a majority of investors belong to the younger age category and possess moderate investment experience. Most respondents exhibit a medium level of risk tolerance, suggesting

a preference for balanced investment strategies that offer reasonable returns while minimizing excessive risk. The findings reveal that income levels, educational qualifications, and investment objectives significantly influence risk perception. Investors with higher education and greater financial knowledge demonstrate increased confidence in handling market fluctuations and are more willing to invest in equity markets. Furthermore, diversification emerges as a common risk management strategy adopted by investors to reduce portfolio volatility and enhance stability.

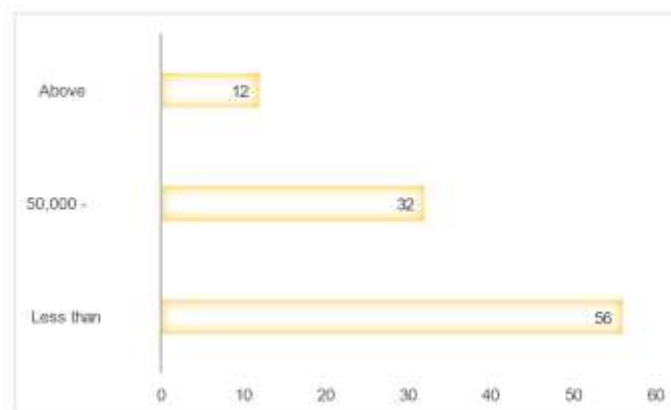
Age Group	Frequency (Count)
21-30 years	37
31-40 years	28
41-50 years	22
Above 50 years	13
Total	100



SI NO	GENDER	RESPONSE
1	MALE	52
2	FEMALE	48
	TOTAL	100

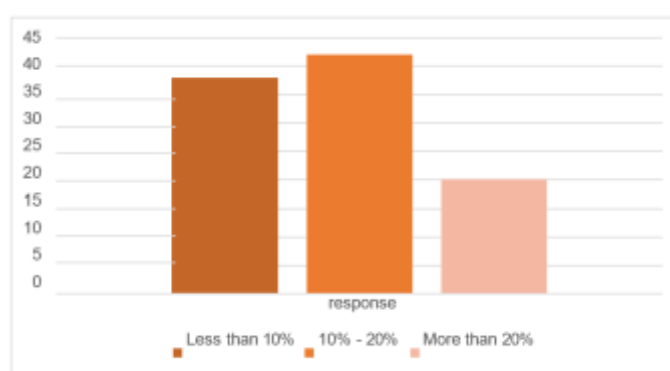


Income Range	response
Less than 50,000	56
50,000 - 1,00,000	32
Above 1,00,000	12
Total	100

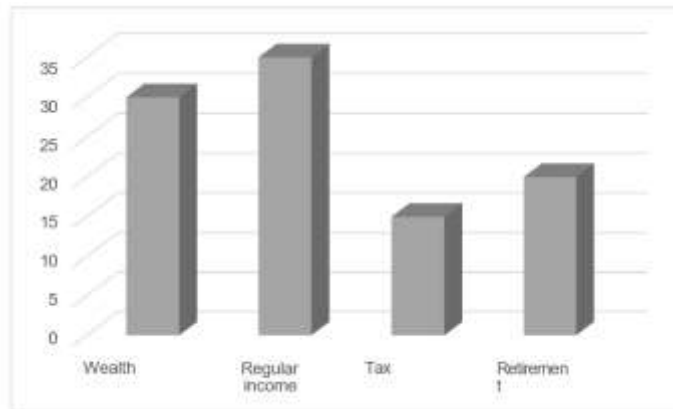


The study also indicates that regular portfolio monitoring and periodic rebalancing contribute positively to investment decision-making. A substantial proportion of respondents review their portfolios monthly and allocate between 10% and 20% of their income toward investments. Wealth creation and regular income generation are identified as the primary investment objectives. Investors perceive Tata Motors as a promising investment due to its strong market position, technological advancements, and growing electric vehicle segment. However, concerns regarding market uncertainty, economic fluctuations, and industry competition continue to influence investment decisions. The findings support behavioural finance theories suggesting that investor emotions, market sentiment, and perceived risk significantly affect portfolio management strategies. Overall, effective portfolio management combined with informed risk assessment enables investors to achieve better financial outcomes and long-term wealth creation.

Allocation Percentage	Response
Less than 10%	38
10% - 20%	42
More than 20%	20
Total	100

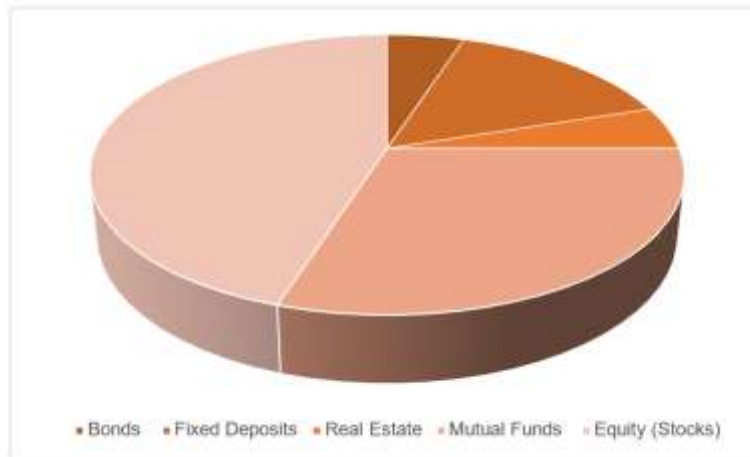


Investment Objective	Response
Wealth creation	30
Regular income (dividends)	35
Tax savings	15
Retirement planning	20
Total	100



Monitoring Frequency	Response
Daily	25
Weekly	30
Monthly	40
Quarterly	5
Total	100

Rebalancing Frequency	response
Monthly	22
Quarterly	19
Annually	28
Never	8
Total	100



V. CONCLUSION

The study concludes that risk perception is a critical determinant of investment behaviour and portfolio management among equity investors. Investors evaluate various factors such as market conditions, financial goals, demographic characteristics, investment experience, and behavioural influences while making portfolio decisions. The findings indicate that most investors maintain a moderate risk tolerance and prefer diversified portfolios to achieve an optimal balance between risk and return. Portfolio diversification, regular monitoring, and periodic rebalancing were found to be essential practices for minimizing investment risk and improving portfolio performance. The study also highlights that educational qualifications and financial literacy play a significant role in enhancing investors' ability to understand and manage investment risks effectively. Tata Motors continues to attract investor interest due to its strong market presence, innovation capabilities, and growth opportunities in the electric vehicle sector. Nevertheless, external factors such as economic uncertainty, market volatility, and competitive pressures continue to shape investor perceptions and investment decisions. The research emphasizes the importance of aligning investment strategies with individual risk preferences and financial objectives. Financial advisors and portfolio managers should focus on investor education and personalized investment planning to improve decision-making and investment outcomes. Overall, a comprehensive understanding of risk perception and effective portfolio management can help investors achieve sustainable returns, reduce investment uncertainty, and enhance long-term financial stability.

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