

An Analysis of Portfolio Management Strategies with Special Reference to Larsen and Toubro Finance, Bangalore North

Author 1: Santhosh K

IV Sem MBA, RR Institute of Advanced Studies, RR Institutions

Bangalore University, Bangalore

Email ID: santhu200125@gmail.com,

Author 2: Shruthi Murthy

Assistance Professor, RR Institute of Advanced Studies, RR Institutions

Bangalore University, Bangalore

Email ID: shruthimurthy71@gmail.com,

Abstract

This study examines L&T Finance's portfolio management strategies in Bangalore North, emphasizing the company's focus on retail finance growth, digital transformation, and sustainability. Key pillars such as enhancing customer acquisition, optimizing credit risk models, and leveraging digital technologies are analyzed to understand their impact on regional financial inclusion. With retail disbursements exceeding ₹54,000 crore in FY24 and strong growth in urban and rural finance sectors, LTF's approach reflects a robust blend of innovation and market responsiveness. This research highlights how LTF's strategies in Bangalore North align with its broader organizational goals, contributing to consistent financial performance and sustainable stakeholder value creation.

1. Introduction

Larsen & Toubro Finance Limited (LTF), a prominent non-banking financial company (NBFC) in India, operates as part of Larsen & Toubro's financial services ecosystem. With a diversified portfolio spanning rural finance, farmer loans, urban finance, and SME lending, LTF focuses on a data-driven, customer-centric approach. Its "Lakshya 2026" strategy aims to transition from a product-centric model to one emphasizing digital transformation and sustainability, enhancing portfolio management and customer engagement.

In Bangalore North, a rapidly urbanizing area, LTF tailors its strategies to meet diverse customer needs through advanced credit underwriting, digital innovations, and market expansion efforts. By balancing profitability with financial inclusivity, the company strengthens its foothold in this dynamic region, fostering growth and accessibility.

Keywords: *Portfolio Management, Investment Strategies, Corporate Strategy, Risk Management, Geographical Diversification.*

2. RESEARCH METHODOLOGY:

QUALITATIVE METHODOLOGY:

Qualitative methodology for a comprehensive analysis on the financial performance and business strategy of Larsen and Toubro finance would involve a systematic approach to gather, analyse, and interpret data. Below is a suggested outline for the qualitative methodology.

The primary data was collected by preparing interview schedule made with officials to particular aspects of the research study.

DATA COLLECTION:

PRIMARY DATA:

The primary data was collected by preparing interview schedule made with officials to particular aspects of the research study and survey based on questionnaires.

SECONDARY DATA:

The secondary data is the data obtained from published sources such as organizational literature, journals brochures, manuals and various text books about the study. Both internal and externally, data are gathered. Data from within the information comes from annual reports, which include information like financial performance.

Objectives of The Study:

- 1) Assess L&T Finance's portfolio management strategies in meeting investment goals.
- 2) Examine the alignment of these strategies with market conditions and economic trends.
- 3) Compare L&T Finance's portfolio performance against industry benchmarks and competitors.

3. Review of Literature

1. Frank J. Fabozzi (2012): Fabozzi's work addresses various investment management techniques, including asset allocation and portfolio performance metrics. The book's focus on practical applications helps in assessing how L&T Finance's systems line up with industry best practices and hypothetical ideas.
2. Samuel C. Weaver and J. Fred Weston (2001): This book explores strategic financial management from a corporate finance perspective, including portfolio management and strategic alignment. It provides tools for analyzing how L&T Finance's strategies fit within broader financial management principles furthermore, adjust to changing economic situations.
3. Stephen H. Penman (2013): Penman's text offers methodologies for analyzing financial statements and valuing securities, crucial for evaluating portfolio performance. This resource aids in understanding how L&T Finance's financial reports reflect its portfolio management strategies and overall effectiveness.
4. James A. Clunie (2010): This handbook discusses contemporary applications of Markowitz's portfolio theory, including practical techniques for portfolio construction. It is relevant for understanding how L&T Finance implements theoretical concepts in practice to optimize its investment portfolios.
5. Stephen G. Ryan and Sean D. Carr (2015): Ryan and Carr examine the efficiency and performance of financial institutions, providing comparative insights into industry practices. This resource helps in evaluating L&T Finance's portfolio management strategies in the context of institutional performance and regulatory environments.

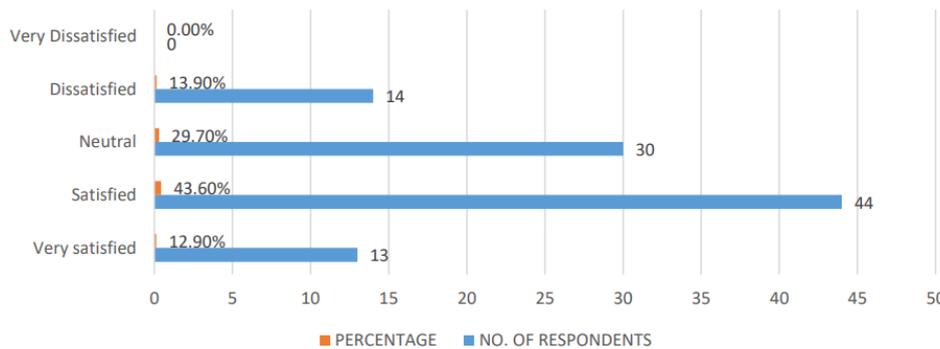
DATA ANALYSIS AND INTERPRETATION

Applying statistical methods for quantitative data and thematic analysis for qualitative inputs to evaluate outcomes. A thematic analysis was conducted for qualitative data, and descriptive statistics were used for quantitative data.

4.1 RATE YOUR SATISFACTION WITH THE EASE OF ACCESSING L&T FINANCE’S SERVICES.

| OPTIONS | NO. OF RESPONDENTS | PERCENTAGE |
|-------------------|--------------------|------------|
| Very satisfied | 13 | 12.9% |
| Satisfied | 44 | 43.6% |
| Neutral | 30 | 29.7% |
| Dissatisfied | 14 | 13.9% |
| Very Dissatisfied | 0 | 0.0% |

Analysis: The majority of respondents (56.5%) are either satisfied or neutral with the ease of accessing L&T Finance’s services.

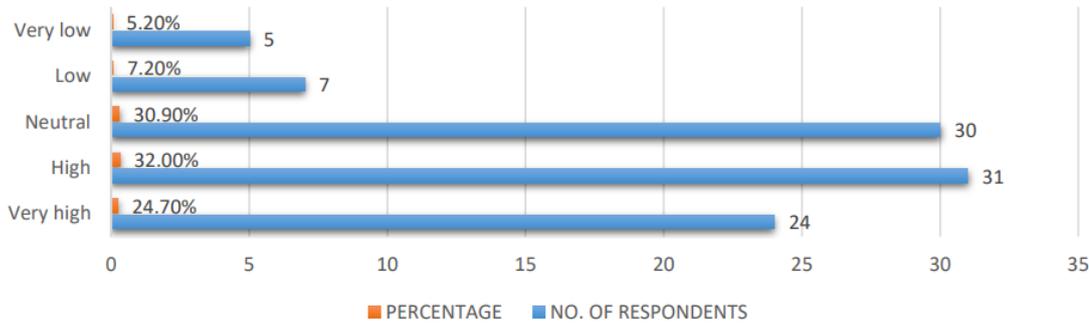


Interpretation: Most users are content with the accessibility of L&T Finance services, with a small percentage expressing dissatisfaction.

4.2 LIKELIHOOD OF CONTINUING TO USE L&T FINANCE’S SERVICES IN THE FUTURE IS:

| OPTIONS | NO. OF RESPONDENTS | PERCENTAGE |
|-----------|--------------------|------------|
| Very high | 24 | 24.7% |
| High | 31 | 32.0% |
| Neutral | 30 | 30.9% |
| Low | 7 | 7.2% |
| Very low | 5 | 5.2% |

Analysis: 56.7% of respondents rated the service level as very high or high, while 43.9% expressed neutral or lower satisfaction with the service level.



Interpretation: The majority of users feel the service level meets their expectations, but there remains a notable portion who are either indifferent or dissatisfied, indicating potential areas for improvement in service delivery.

4.3 SATISFIED ARE YOU WITH THE SERVICES OFFERED BY LARSEN AND TOUBRO FINANCE.

Statistical Calculation:

| OPTIONS | NO. OF RESPONDENTS | PERCENTAGE |
|-------------------|--------------------|------------|
| Very satisfied | 12 | 11.9% |
| Satisfied | 41 | 40.6% |
| Neutral | 39 | 38.6% |
| Dissatisfied | 7 | 6.9% |
| Very Dissatisfied | 2 | 2.0% |

ANALYSIS:

The above data reflects the satisfaction levels of Respondents regarding a particular service or experience. A large proportion of Respondents, 40.6%, feel satisfied, which suggests that many people had a positive experience. The second largest group, 38.6%, are neutral, indicating that a significant number neither had strong positive nor negative feelings. The number of those who are very satisfied is relatively small at 11.9%, while 6.9% are dissatisfied, and only 2.0% are very dissatisfied.

To perform a Chi-square test, we first need to set up the observed and expected frequencies, calculate the Chi-square statistic, and then compare it to the critical value or use a p-value for the conclusion.

Step 1: Organize the data into observed frequencies

Here are the observed frequencies (O):

| Options | Observed Frequency (O) |
|-------------------|------------------------|
| Very satisfied | 12 |
| Satisfied | 41 |
| Neutral | 39 |
| Dissatisfied | 7 |
| Very Dissatisfied | 2 |

Step 2: Calculate the expected frequencies (E)

For the Chi-square test, we calculate the expected frequencies assuming that there is no significant difference between the groups. The expected frequency for each category can be calculated using:

$$E = \frac{\text{Total Respondents}}{\text{Number of Categories}}$$

Total respondents = 12 + 41 + 39 + 7 + 2 = 101 respondents

Number of categories = 5 (Very satisfied, Satisfied, Neutral, Dissatisfied, Very Dissatisfied)

$$E = \frac{101}{5} = 20.2$$

So, the expected frequency for each category is 20.2.

Step 3: Calculate the Chi-square statistic

The formula for the Chi-square statistic is:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Now we calculate the difference between the observed and expected values for each category, square it, and then divide by the expected value.

Let's compute it:

$$\chi^2 = \frac{(12 - 20.2)^2}{20.2} + \frac{(41 - 20.2)^2}{20.2} + \frac{(39 - 20.2)^2}{20.2} + \frac{(7 - 20.2)^2}{20.2} + \frac{(2 - 20.2)^2}{20.2}$$

The Chi-square statistic is approximately 67.27.

Step 4: Determine the degrees of freedom (df)

The degrees of freedom for the Chi-square test is calculated as:

$df = \text{Number of categories} - 1 = 5$

$5 - 1 = 4$

Step 5: Compare the Chi-square statistic with the critical value

To determine whether the result is statistically significant, we compare the calculated Chi-square statistic (67.27) with the critical value from the Chi-square distribution table for 4 degrees of freedom at a 0.05 significance level.

The critical value for $df = 4$ and $\alpha = 0.05$ is approximately **9.488**.

Since the calculated Chi-square statistic (67.27) is much greater than the critical value (9.488), we can reject the null hypothesis. This indicates that there is a significant difference between the observed and expected frequencies, meaning the distribution of satisfaction levels is not uniform across the categories.

4. Findings:

1. L&T Finance prioritizes growth, income generation, and capital preservation through effective portfolio management and financial inclusion.
2. While many are satisfied, neutral responses highlight areas for improvement, like tailored services and streamlined loan approvals.
3. The minimum value in the satisfaction data is in the "Very Dissatisfied" category, with 2 respondents (2.0%). A chi-square test could assess if this observed frequency significantly differs from the expected distribution.

5. Suggestions:

1. Improving the functionality and user-friendliness of digital platforms can cater to customer preferences for managing financial portfolios efficiently.
2. Converting neutral respondents into satisfied customers by identifying and addressing their specific needs and concerns can lead to higher satisfaction rates.
3. Reducing the time taken for loan approvals and enhancing the overall user experience can improve customer satisfaction and encourage continued use of L&T Finance's services.

Conclusion

Larsen & Toubro Finance's portfolio management strategies demonstrate a commitment to innovation, sustainability, and adaptability, aligning seamlessly with its broader corporate ethos. The company's diversified approach, spanning rural finance, housing loans, infrastructure development, and investment management, highlights its ability to cater to a wide array of customer needs. By leveraging advanced risk management practices such as diversification and hedging, L&T Finance effectively mitigates market volatility, ensuring the stability and resilience of its investment portfolio. The emphasis on digital transformation further enhances customer accessibility and operational efficiency, solidifying its reputation as a forward-thinking financial institution.

While the majority of respondents express satisfaction with L&T Finance's services, areas for improvement remain. Specifically, addressing neutral customer sentiments and streamlining processes like loan approvals can enhance user engagement and satisfaction. The integration of emerging technologies and adherence to global sustainability goals position the company for sustained growth in competitive markets. By continuing to prioritize customer-centric innovations and aligning strategies with market trends, L&T Finance is poised to achieve its long-term objectives while delivering value to stakeholders.

6. Bibliography and Websites

- 1) Fabozzi, F. J. (2012). *Investment Management*. Pearson.
 - 2) Weaver, S. C., & Weston, J. F. (2001). *Strategic Financial Management*. McGraw-Hill.
 - 3) Penman, S. H. (2013). *Financial Statement Analysis and Security Valuation*. McGraw-Hill.
 - 4) Hull, J. C. (2018). *Risk Management and Financial Institutions*. Wiley.
 - 5) Clunie, J. A. (2010). *Handbook of Portfolio Management*. Wiley.
- <http://www.larsentoubro.com/corporate/careers/learning-development/>
 - L&T Corporate (larsentoubro.com)
 - About L&T Finance (lts.com)
 - https://en.wikipedia.org/wiki/Larsen_%26_Toubro