



A STUDY ON INVESTORS PREFERENCE TOWARDS VARIOUS INVESTMENT AVENUES

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ABSTRACT Investment is a purchase of a financial product or other item of value with an expectation of favorable future returns. Investing is a serious subject that can have a major impact on investor's future well-being. Investors have a lot of investment avenues to park their savings. The risk and returns available from each of these investment avenues differ from one avenue to another. The objectives of the study are to identify the investors' preference towards various investment alternatives and to know the risk tolerance level and returns associated with each investment avenues. The sample size is 60 selected by random sampling method. The study identifies low risk avenues were selected by most of the investors for sacrificing their money and the returns were low as such. The risks return trade off works. The major suggestions was that Instead of making wrong decisions regarding investment it is advisable that investors should take help of financial planner. 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.

KEYWORDS : Investment, Risk, Return, Satisfaction

INTRODUCTION

In this modern era, money plays an important role in one's life. In order to overcome the problems in future they have to invest their money. Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands, Safety of money, Liquidity, the available avenues for investment, various financial institutions, etc. Investment is a purchase of a financial product or other item of value with an expectation of favorable future returns. Investing is a serious subject that can have a major impact on investor's future well-being. Investors have a lot of investment avenues to park their savings. The risk and returns available from each of these investment avenues differ from one avenue to another.

Even if the individual does not select specific assets such as stock, investments are still made through participation in pension plan, and employee saving programmed or through purchase of life insurance or a home. In India, many investment avenues are available where some are marketable and liquid while others are non-marketable and some of them are highly risky while others are almost riskless. The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected. Even though the knowledge to the investors in the Derivative segment is not adequate, they tend to take decisions with the help of the brokers or through their friends and were trying to invest in this market. This study was undertaken to find out the awareness level of various capital market instruments and also to find out their risk preference in various segments. This Study Intends 1) to find out the preference level of investors on various Capital Market instruments 2) to find out the type of risk which are considered by the investors 3) to find out the ways through which the investors on various minimizes their risk 4) to find out the preferences of Investors in derivatives market

The Different investment avenues are;

1 Save risk avenues

a) Savings Account:

Saving accounts are a type of deposit account kept by banks that pay interest. They let a person keep some of their money in the bank for immediate use. They also earn money through interest. Having a savings account in a bank allows a person to have money available for an emergency.

b) Bank Fixed Deposit:

A fixed deposit (FD) is a financial instrument provided by banks which provides investors with a higher rate of interest than a regular savings account, until the given maturity date. ... Term deposits in India and Pakistan is used to denote a larger class of investments with varying levels of liquidity.

2 Moderate Risk Avenues

a) Mutual Funds

A mutual fund is a kind of investment that uses money from many investors to invest in stocks, bonds or other types of investment. A fund manager (or "portfolio manager") decides how to invest the money, and for this he is paid a fee, which comes from the money in the fund.

b) Debentures

In corporate finance a debenture is a medium to long-term debt instrument used by large companies to borrow money, at a fixed rate of interest. The legal term "debenture" originally referred to a document that either creates a debt or acknowledges it, but in some countries the term is now used interchangeably with bond, loan stock or note. A debenture is thus like a certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest and although the money raised by the debentures becomes a part of the company's capital structure, it does not become share capital. Senior debentures get paid before subordinate debentures, and there are varying rates of risk and payoff for these categories.

c) Bonds

A bond is a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used by companies, municipalities, states and sovereign governments to raise money and finance a variety of projects and activities. Owners of bonds are debt holders, or creditors, of the issuer.

3 High Risk Avenues

a) Equity Share Market

Equity shares are the main source of finance of a firm. It is issued to the general public. Equity shareholders do not enjoy any preferential rights with regard to repayment of capital and dividend. They are entitled to residual income of the company, but they enjoy the right to control the affairs of the business and all the shareholders collectively are the owners of the company. They are permanent in nature. Equity shareholders are the actual owners of the company and they bear the highest risk. Equity shares are transferable, i.e. ownership of equity shares can be transferred with or without consideration to other person. Dividend payable to equity shareholders is an appropriation of profit. Equity shareholders do not get fixed rate of dividend. Equity shareholders have the right to control the affairs of the company

b) Commodity Market

A commodity market is a market that trades in primary economic sector rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee, cocoa and sugar. Hard commodities are mined, such as gold and oil. Investors access about 50 major commodity markets worldwide with purely financial transactions increasingly outnumbering physical trades in which goods are delivered.

c) Foreign exchange Market

The foreign exchange market is the market in which participants are able to buy, sell, exchange and speculate on currencies. Foreign exchange markets are made up of banks, commercial companies, central banks, investment management firms, hedge funds, and retail brokers and investors. The foreign exchange market is considered the largest financial market in the world.

d) Futures

A futures contract is a contract between two parties where both parties agree to buy and sell a particular asset of specific quantity and at a predetermined price, at a specified date in future. The payment and delivery of the asset is made on the future date termed as delivery date. The buyer in the futures contract is known as to hold a long position or simply long.

1.2 OBJECTIVES

- To identify the investors' preference towards various investment alternatives
- To know the risk and returns associated with each investment avenues
- To identify level of satisfaction with investment objective

1.3 STATEMENT OF THE PROBLEM

In the dynamic and competitive environment, marketing of financial services and other investment avenues are to be understood for purpose of realizing the attitude of the investors. Though a variety of investment options are available, majority of them still depend on the banking system to invest their savings using the surplus liquidity on the banking system. Banks have reduced the interest payable on deposits .there is a steady decline in the interest rates offered by the banks in spite of huge cry raised but retired people and depositors. Hence it

DATA ANALYSIS AND INTERPRETATION

Table: 3.1 LEVEL OF RISK ASSOCIATED WITH INVESTMENTS

LEVEL OF RISK	EQUITY SHARES		DEBENTURES		MUTUAL FUNDS		FIXED DEPOSITS		FUTURE		REAL ESTATES		GOLD	
	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
VERY HIGH	15	25	8	13.3	15	25	-	-	25	41.6	13	22	-	-
HIGH	20	33	10	16.6	15	25	10	17	15	25	22	37	10	17
NORMAL	15	25	32	53.3	12	20	15	25	18	30	17	28.3	10	17
LOW	10	17	7	12	12	20	30	50	2	3.3	5	8.3	25	41.6
VERY LOW	-	-	3	5	6	10	5	8.3	-	-	3	5	15	25
TOTAL	60	100	60	100	60	100	60	100	60	100	60	100	60	100

Table: 3.2 LEVEL OF RETURN ASSOCIATED WITH INVESTMENTS

LEVEL OF RETURN	EQUITY SHARES		DEBENTURES		MUTUAL FUNDS		FIXED DEPOSITS		FUTURE		REAL ESTATES		GOLD	
	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
HIGH VERY	10	16.6	8	13.3	15	25	-	-	25	10	13	22	-	-
HIGH	25	10	10	16.6	15	25	10	17	18	30	22	37	5	8.3
NORMAL	15	25	30	50	12	20	30	50	15	25	17	28.3	10	17
LOW	5	8.5	9	15	8	13.3	15	25	2	3.3	5	8.3	20	33.3
VERY LOW	5	8.3	3	5	10	17	10	17	-	-	5	8.3	25	41.6
TOTAL	60	100	60	100	60	100	60	100	60	100	60	100	60	100

Table: 3.3 LEVEL OF SATISFACTION WITH INVESTMENT OBJECTIVE

INVESTMENT OBJECTIVE	LEVEL OF SATISFACTION									
	DIVIDEND		CAPITAL GAIN		CAPITAL APPRECIATION		TAX BENIFTS		SAFETY	
	NO	%	NO	%	NO	%	NO	%	NO	%
HIGHLY SATISFIED	10	17	10	17	22	37	10	17	15	25
SATISFIED	15	25	20	33	13	22	25	41.6	20	33
NEUTRAL	20	33	18	30	17	28	15	25	14	23
DISSATISFIED	10	17	5	8.3	5	8.3	5	8.3	8	13
HIGLY DISSATISFIED	5	8.3%	7	12%	3	5%	5	8.3%	3	5%

FINDINGS

From the above table it is clear that 33%of the respondents have said equity shares have high risk, 25% of the respondents have said equity shares has very high risk .53% of the respondents have mentioned debentures have normal risk,17% of the respondents have said debentures have high risk , and only 5 % have said they have very low riskOut of 60 respondents; 37% of them have said real estate have high risk.42%of the respondents have said gold investment is associated with low high and none of them mentioned that gold investment is associated with very high risk.

would be more useful to study the various other options available for getting better returns on ones' hard-earned saving from the organized system. So, in the present study an attempt has been made by the researcher to know, how far investors are aware of various investment avenues and investors attitude towards investments.

1.4 RESEARCH METHODOLOGY

The study is based on both primary and secondary data. However as the study is primarily evaluative in nature and mainly deals with psychology and behavior of the investors, primary data provides information and foundation for the present study. The primary data is collected through questionnaires. The questionnaires are designed keeping in the view the objectives of the present research work and it is pre-tested by means of a pilot study. The secondary data gathered from the reports, books, journals, periodicals, daily magazines and websites.

Sample Size : 60
Sampling Method : RANDOM SAMPLING
Tools for Analysis : PERCENTAGE, CHART

1.5 LIMITATIONS OF STUDY

- The results obtained are location specific as the data has been collected from the respondents which are confined to a particular location.
- Wide range of data cannot be collected as the scope of the study is small.
- Few of the respondents are not willing to express their opinion and views on their investments and have expressed common view on investment practices.
- All the short- comings in secondary data will be reflected in the end result of the study.

I. 25% of the respondents stated Equity shares gives a normal level of returns, 17% of the respondents said equity share gives very high level of returns and only 8.3% of the respondents have said that equity share gives very low level of returns. Out of 60 respondents 50 % of them stated that debentures give a normal level of returnsOut of 60 respondents 33.33% are neither satisfied nor dissatisfied with the investment objective – dividend their satisfaction level is neutral.32 % of the respondents are satisfied with wit capital gains from investments. only 5% of the respondents are highly dissatisfied with the objective of safety, 33.33% of them are satisfied with safety.

CONCLUSIONS

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. Considering current scenario of real estate market it is concluded that every investor must have real estate as a part of their portfolio. It has been observed that the investors are investing in residential property along with commercial property because it acts as extra income source. It is concluded that investors still prefer banks over other kinds of fixed deposit. 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.

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. also that investors are not interested in PMS Service

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