

INVESTORS BEHAVIOUR IN VARIOUS INVESTMENT AVENUES – A STUDY

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Abstract

This study deals with the behaviour of the investor to identify the better investment avenues available in India. The investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment portfolio that will help them to achieve their financial goals within a particular period of time. By increasing personal wealth, investing can contribute to higher, overall economic growth and prosperity. The process of investing helps companies where they can raise their capital through financial markets. Specific types of investments provide other benefits for the investor, corporate as well as the society. The Indian investors are very much aware about the concept of portfolio allotments and risk and return of the investment. The mantra of the investment is “Prevention is better than Cure” which is expected with more income but less risk.

Key words: Investment Strategy, Investment Portfolio, Risk and Return.

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INTRODUCTION

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings.

Investment benefits both economy and the society. It is an outgrowth of economic development and the maturation of modern capitalism. For the economy as a whole, aggregate investment sanctioned in the current period is a major factor in determining aggregate demand and, hence, the level of employment. In the long term, current investment determines the economy's future productive capacity and, ultimately, a growth in the standard of living. By increasing personal wealth, investing can contribute to higher overall economic growth and prosperity. The process of investing helps to create financial markets where companies can raise capital. This too, contributes to greater economic growth and prosperity. Specific types of investments provide other benefits to society as well.

INVESTOR

An **investor** is who makes an investment into one or more categories of assets-equity, debt securities, real estate, currency, commodity, derivatives such as put and call options, etc. with the objective of making a profit.

INVESTMENT

Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving a loan or keeping funds in a bank account with the aim of generating future returns. Various investment options are available, offering, differing risk-reward trade offs. An understanding of the core concepts and a thorough analysis of the options can help an investor create a portfolio that maximizes returns while minimizing risk exposure.

INVESTMENT OBJECTIVES

The main investment objectives are increasing the rate and reducing the risk. Other objectives like safety, liquidity and hedge against inflation can be considered as subsidiary objectives.

RETURN

Investors always expect a good rate of return from their investments. Rate of return could be defined as the total income the investor receives during the holding period stated as a percentage of the purchasing price at the beginning of the holding period.

$$\text{Return} = \frac{\text{End period value} - \text{Beginning period value} + \text{Dividend}}{\text{Beginning period value}} \times 100$$

RISK

Risk of holding securities is related with the probability of actual return becoming less than the expected return. The word risk is synonymous with the phrase variability of return.

LIQUIDITY

Marketability of the investment provides liquidity to the investment. The liquidity depends upon the marketing and trading facility.

HEDGE AGAINST INFLATION

Since there is inflation in almost all the economy, the rate of return should ensure a cover against the inflation. The return rate should be higher than the rate of inflation; otherwise the investor will have loss in real terms. Growth stocks would appreciate in their values overtime and provide a protection against inflation. The return thus earned should assure the safety of the principal amount, regular flow of income and be a hedge against inflation.

SAFETY:

The selected investment avenue should be under the legal and regulatory framework. If it is not under the legal framework, it is difficult to represent the grievances, if any. Approval of the law itself adds a flavour of safety.

Various Investment options in India

- ✓ Savings Bank Account
- ✓ Money Market Funds (also known as liquid funds)
- ✓ Bank Fixed Deposit (Bank FDs)
- ✓ Post Office Savings Schemes (POSS)
- ✓ Public Provident Fund (PPF)
- ✓ Company Fixed Deposits (FDs)
- ✓ Bonds and Debentures
- ✓ Mutual Funds
- ✓ Life Insurance Policies
- ✓ Equity Shares
- ✓ Gold
- ✓ New Pension Scheme
- ✓ Real Estate
- ✓ Government Securities

OBJECTIVES OF THE STUDY

- To study the various alternatives of investment which are available in the market.
- To study the investors preference towards the investment.
- To find out how investors are motivated to invest in various financial instruments.

- To identify the objective of savings.

REVIEW OF LITERATURE

Every individual investor must follow three principles of investing: using a long-term investing approach, following the right strategy to maximize the return on investment and proper allocation of investible funds. While applying these three principles, an individual investor has to confront his/her demographics, lifestyle and investment psychology. Whether the investor's age or occupation or family income has a role of play in making choice of investment avenues? Is the investor choice affected by his overconfidence, reference group and framing of the available alternatives? The knowledge of all these aspects is imperative for all progressive investors, researchers, financial consultants, academicians, students and the marketer of the financial product. (Dr. (Mrs.) Sushant Nagpal, 2007, **Psychology of Investments and Investor's Preferences**)

In this paper he discusses the basic of investment and need for investment. Investment benefits both economy and the society. It is an outgrowth of economic development and the maturation of modern capitalism. For the economy as a whole, aggregate investment sanctioned in the current period is a major factor in determining aggregate demand and, hence, the level of employment. In the long term, current investment determines the economy's future productive capacity and, ultimately, a growth in the standard of living. By increasing personal wealth, investing can contribute to higher overall economic growth and prosperity. (Dr.A.P.Dash, Sr.Faculty, PMI, **Basics Of investment**)

Indian investor today have to endure a sluggish economy, the steep market declines prompted by deteriorating revenues, alarming reports of scandals ranging from illegal corporate accounting practices like that of Satyam to insider trading to make investment decisions. Stock market's performance is not simply the result of intelligible characteristics but also due to the emotions that are still baffling to the analysts. Despite loads of information bombarding from all directions, it is not the cold calculations of financial wizards, or company's performance or widely accepted criterion of stock performance but the investor's irrational emotions like

overconfidence, fear, risk aversion, etc., seem to decisively drive and dictate the fortunes of the market. (Ms.M.Kothai Nayaki & Mrs.P.Prema, A Study on Indian Individual Investors' Behavior.)

Investments are made with an avowed objective of maximising wealth. Investors need to make rational decisions for maximising their returns based on the information available by taking judgements free from emotions. Investors' behaviour is characterised by over excitement and overreaction in both rising and falling stock markets. Most of the investments and financial theories (Steinbacher, 2008) are based on the idea that everyone takes careful account of all available information before making investment decision. This research is conducted to analyse the factors influencing the behaviour of investors in capital market. Empirical evidence suggests that demographic factors influence the investors' investment decisions. This research article also investigates how investor interprets and acts on various capital market information to make informed investment decisions. (V. Shanmugasundaram and V. Balakrishnan, 2011, Investment decision-making – A Behavioural Approach)

RESEARCH METHODOLOGY

RESEARCH DESIGN:

A Research design is purely and simply the framework of plan for a study that guides the collection and analysis of data. The study is intended to find the investors preference towards various investment avenues. The study design is **Descriptive** in nature.

Descriptive Research is a fact-finding investigation with adequate interpretation. It is the simplest type of research and is more specific. Mainly designed to gather descriptive information and provides information for formulating more sophisticated studies.

SAMPLING DESIGN:

Selection of the sample size: 100

SAMPLING METHODS

Convenience method of sampling is used to collect the data from the respondents. Researchers or field workers have the freedom to choose whomever they find, thus the name “convenience”.

DATA COLLECTION

Primary data – collected through Structured Questionnaire.

Secondary data – Earlier records from journals, magazines and other sources.

STATISTICAL TOOLS USED FOR ANALYSIS

- Percentage analysis
- Chi-square test
- Bar chart
- Correlation Analysis

LIMITATIONS OF THE STUDY

- The lack of knowledge of customers about the instruments can be major limitation.
- The information can be biased due to use of questionnaire.
- The Researcher can concentrate only in Indian Investors.

DATA ANALYSIS AND INTREPRETATION

Age wise Classification of Respondents

Age	No. of Respondents	Percentage
20-30	76	76%
31-40	16	16%

41-50	4	4%
50 and above	4	4%
Total	100	100%

Inference:

The above analysis shows that 76% of respondents are in the age group of 20-30, 16% of respondents are in the age group of 31-40, 4% of respondents are in the age group of 41-50, 4% of respondents are in the age group of 50 and above.

Sex wise Classification of Respondents

Gender	No. of Respondents	Percentage
Male	48	48%
Female	52	52%
Total	100	100%

Inference:

The above analysis shows that 48% of respondents are male, and 52% of respondents are female.

Education wise Classification of Respondents

Education	No. of Respondents	Percentage
Postgraduate	53	53%
Graduate	40	40%
Non graduate	7	7%
Others	0	0%
Total	100	100%

Inference:

The above analysis shows that 53% of respondents are postgraduate, 40% of respondents are graduate, and 7% of respondents are non graduate.

Occupation wise Classification of Respondents

Occupation	No. of Respondents	Percentage
Salaried	84	84%
Self Employed Professional	8	8%
Self Employed Non Professional	0	0%
Retired	4	4%
Others	4	4%
Total	100	100%

Inference:

The above analysis shows that 84% of the respondents are salaried, 8% of respondents are self employed, 4% of respondents are retired, and 4% of respondents are others.

Income wise Classification of Respondents

Income	No. of Respondents	Percentage
Upto Rs 20,000	64	64%
Rs 20,001-40,000	28	28%
Rs 40,001-60,000	0	0%
Above Rs 60,000	8	8%
Total	100	100%

Inference:

The above analysis shows that 64% of the respondents had a monthly income of Rs.20000, 28% of the respondents had a monthly income of Rs.20001-40000, and 8% of the respondents had a monthly income of above Rs.60000.

Investment Experience wise Classification of Respondents

Investment Experience	No. of Respondents	Percentage
Beginning	24	24%
Moderate	52	52%
Knowledgeable	20	20%
Experienced	4	4%
Total	100	100%

Inference:

The above analysis shows that 24% of respondents are in beginning (no investment experience), 52% of respondents are in moderate (comfortable with fixed deposits, chit funds, post office), 20% of respondents are in knowledgeable (has brought or sold individual shares of stock or bonds), and 4% of the respondents are in experienced stage (frequently trade in stocks, commodities, options and futures).

Saving Percentage wise Classification of Respondents

Saving Percentage	No. of Respondents	Percentage
0-10%	36	36%
10-20%	32	32%
20-30%	24	24%
30% above	8	8%
Total	100	100%

Inference:

The above analysis shows that 36% of the respondents are saving 0-10% of their monthly income, 32% of respondents are saving 10-20% of their monthly income, 24% of the respondents are at 20-30% of their monthly income and 8% of the respondents are at 30% above of their monthly income.

Investment Savings wise Classification of Respondents

Investment Savings	No. of Respondents	Percentage
Yes	76	76%
No	24	24%
Total	100	100%

Inference:

The above analysis shows that 76% of respondents having the habit of savings and 24% of respondents don't having the habit of savings.

Avenues	Preferred	Rank	Not Preferred
Banks	80%	1	20%
Mutual Funds	70%	2	30%
Gold	65%	3	35%
Post Office	62%	4	38%
Insurance	58%	5	42%
Real Estate	54%	6	46%
Equities	44%	7	56%
Govt. Securities	38%	8	62%

Inference:

The above table shows that majority of the respondents prefer traditional investment method which is banking sector for their savings, 70% of the respondents prefer Mutual Fund for their investment is the newly originated concept of investment yields a maximum benefit to the

investor followed by Gold, Post office, Insurance and Real Estate. Only 44% of the respondents prefer Equities for their investment and 38% of the respondents prefer Government securities for their investment.

Investment Time Wise Classification of Respondents

Investment Time	No. of Respondents	Percentage
Monthly	48	48%
Quarterly	24	24%
Half Yearly	12	12%
Yearly	16	16%
Total	100	100%

Inference:

The above analysis shows that 48% of the respondents are investing monthly, 24% of respondents are investing quarterly, 12% of the respondents investing half yearly, and 16% of respondents investing yearly.

Investment Source Wise Classification of Respondents

Source of Investment	No. of Respondents	Percentage
Newspaper	16	16%
News Channels	8	8%
Books	8	8%
Internet	24	24%

Family & Friends	36	36%
Magazines	0	0%
Advisors	4	4%
Financial Planners	4	4%
Total	100	100%

Inference:

The above analysis shows that 16% of respondents got the information of investment from newspaper, 8% of respondents got the information of investment from news channels, 8% of respondents got the information of investment from books, 24% of respondents got the information of investment from investment is internet, 36% of respondents got the information of investment from family & friends, 4% of respondents source of investment is advisors, 4% of respondents got the information of investment from financial planners.

Savings Objective Wise Classification of Respondents

Savings Objective	No. of Respondents	Percentage
Children's Education	28	28%
Retirement	12	12%
Home Purchase	48	48%
Children's Marriage	12	12%
Total	100	100%

Inference:

The above analysis shows that 28% of respondents invest their money for children's education, 12% of respondents for retirement, 48% of respondents for home purchase, and 12% of respondents for children's marriage.

Investment Objective Wise Classification of Respondents

Investment Objective	No. of Respondents	Percentage
Income & Capital Preservation	20	20%
Long term growth	24	24%
Growth & Income	32	32%
Short term growth	24	24%
Total	100	100%

Inference:

The above analysis shows that 20% of respondents had an investment objective of income & capital, 24% respondents had an investment objective of long term growth, 32% of respondents had an investment objective of growth & income, and 24% of respondents had an investment objective of short term growth.

Investment Purpose Wise Classification of Respondents

Purpose of Investment	No. of Respondents	Percentage
Wealth Creation	24	24%
Tax Saving	16	16%
Earn Returns	8	8%
Future Expenses	52	52%
Total	100	100%

Inference:

The above analysis shows that 24% of respondents having a purpose of investment of wealth creation, 16% of respondents having a purpose of investment of tax savings, 8% of respondents

having a purpose of investment of earning returns, and 52% of respondents having a purpose of investment of future expenses.

Budget Wise Classification of Respondents

Formal Budget	No. of Respondents	Percentage
Yes	76	76%
No	24	24%
Total	100	100%

Inference:

The above analysis shows that 76% of respondents having formal budget and 24% of respondents don't having formal family budget.

Factor Wise Classification of Respondents

Factor	No. of Respondents	Percentage
Safety & Principal	72	72%
Low Risk	16	16%
High Returns	8	8%
Maturity Period	0	0%
Liquidity	4	4%
Total	100	100%

Inference:

The above analysis shows that 72% of respondents giving importance to factor of safety & principal, 16% of respondents giving importance to factor of low risk, 8% of respondents giving importance to factor of high returns, 4% of respondents giving importance to factor of liquidity.

Investment Growth Wise Classification of Respondents

Rate of Investment to Grow	No. of Respondents	Percentage
Steadily	36	36%
At an Average Rate	44	44%
Fast	20	20%
Total	100	100%

Inference:

The above analysis shows that 36% of respondents want the investment to grow steadily, 36% of respondents want the investment to grow at an average rate, 20% of respondents want the investment to grow fast.

Investment Monitor Wise Classification of Respondents

Monitor your Investment	No. of Respondents	Percentage
Daily	16	16%
Monthly	64	64%
Occasionally	20	20%
Total	100	100%

Inference:

The above analysis shows that 16% of respondents are monitoring investment daily, 64% of respondents are monitoring investment monthly and 20% of respondents are monitoring investment occasionally.

Investment Decision Wise Classification of Respondents

Decision to Investment	No. of Respondents	Percentage
Past Performance	24	24%
Economic Scenario	44	44%
Industry Analysis	16	16%
Company Analysis	16	16%
Total	100	100%

Inference:

The above analysis shows that 24% of respondents are having an investment decision depends on past performance, 44% of respondents are having an investment decision depends on economic scenario, 16% of respondents are having an investment decision depends on industry analysis, 16% of respondents are having an investment decision depends on company analysis.

Investment Time Wise Classification of Respondents

Time	No. of Respondents	Percentage
Less than 6 months	28	28%
6 months-1 years	20	20%
1-3 years	36	36%
More than 3 years	16	16%
Total	100	100%

Inference:

The above analysis shows that 28% of respondents are choosing investment time period of less than 6 months, 20% of respondents are choosing investment time period of 6 months-1years, 36% of respondents are choosing investment time period of 1-3years, and 16% of respondents are choosing investment time period of more than 3years.

CHI-SQUARE TEST

The Relationship between Age and Income

Setting of Hypothesis:

Null Hypothesis H₀: There is no association between Age and income.

Alternate Hypothesis H₁: There is an association between Age and income.

Chi-Square test of the Relationship between Age and Income

particulars	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	81.403 (a)	6	.001
Likelihood Ratio	54.606	6	.000
Linear-by-Linear Association	34.263	1	.000
N of Valid Cases	100		

Result

Since the chi square value is less than the significant value ($0.001 < 0.01$). We accept the alternative hypothesis and reject the null hypothesis.

Significant at 1% level.

Therefore we conclude that there is association between age and income.

The Relationship between Income and Investment your Saving.

Setting of Hypothesis:

Null Hypothesis: There is no association between income and investment your saving.

Alternate Hypothesis : There is an association between income and investment your saving.

Chi-Square test of relationship between Income and Investment your savings

Particulars	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	5.797(b)	1	.008
Likelihood Ratio	8.633	1	.003
Fisher's Exact Test			
Linear-by-Linear Association	5.739	1	.017
N of Valid Cases	100		

Result

Since the chi square value is less than the significant value ($0.008 < 0.05$). We accept the alternative hypothesis and reject the null hypothesis.

Significant at 5% level.

Therefore we conclude that there is association between income and investment your saving.

The Relationship between Bank and Post Office

Setting of Hypothesis:

Null Hypothesis : There is no association between Bank and Post office

Alternate Hypothesis : There is an association between Bank and Post office

Chi-Square test of relationship between Bank and Post office

Particulars	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.568(b)	1	.002
Likelihood Ratio	6.595	1	.003
Fisher's Exact Test			
Linear-by-Linear Association	6.238	1	.020
N of Valid Cases	100		

Result:

Since the chi square value is less than the significant value ($0.002 < 0.01$).

We accept the alternative hypothesis and reject the null hypothesis.

Significant at 1% level.

Therefore we conclude that there is association between Bank and Post office.

The Relationship between Mutual Funds and Savings**Setting of Hypothesis:**

Null Hypothesis: There is no association between Mutual Funds and Savings.

Alternate Hypothesis : There is an association between Mutual Funds and Savings.

Chi-Square tests of relationship between Mutual Funds and Savings

Particulars	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.036(a)	3	.001
Likelihood Ratio	29.845	3	.000
Linear-by-Linear Association	11.824	1	.001
N of Valid Cases	100		

Result:

Since the chi square value is less than the significant value ($0.001 < 0.01$). We accept the alternative hypothesis and reject the null hypothesis.

Significant at 1% level.

Therefore we conclude that there is association between Mutual Funds and Savings.

The Relationship between Purpose and Factor

Setting of Hypothesis:

Null Hypothesis : There is no association between Purpose and factor.

Alternate

Hypothesis : There is an association between Purpose and factor.

Chi-Square tests relationship between Purpose and factor

Particulars	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	66.186(a)	9	.001
Likelihood Ratio	45.561	9	.000
Linear-by-Linear Association	1.296	1	.255
N of Valid Cases	100		

Result:

Since the chi square value is less than the significant value ($0.001 < 0.01$). We accept the alternative hypothesis and reject the null hypothesis.

Significant at 1% level.

Therefore we conclude that there is association between Purpose and factor

Correlation Test

Particulars		Age	Income	LEVEL OF Risk	Factor
Age	Pearson Correlation	1			
		100			
Income	Pearson Correlation	.588(**)	1		
		.000	100		
Level	Pearson	.088	.314(**)	1	

of risk	Correlation	.384	.001		
		100	100	100	
Factor	Pearson Correlation	.553(**)	.336(**)	.114	1
		.000	.001	.257	
		100	100	100	100

** Correlation is significant at the 0.01 level (2-tailed).

Interpretation:

The above table show that correlated between the variable age, income, level of risk, and factor.

- ✓ Income is highly correlated with Age.
- ✓ Factor is highly correlated with Age

Then, others are positively correlated with variables.

FINDINGS

- The study reveals that female investors dominate the investment market in India.
- Most of the investors possess higher education like graduation and above.
- Majority of the active and regular investors belong to accountancy and related employment, non-financial management and some other occupations are very few.
- Most investors choosing two or more sources of information to make investment decisions. Most of the investors discuss with their family and friends before making an investment decision.

- Percentage of income that they invest depends on their annual income.
- The investor's decisions are based on their own initiative.
- The investment habit was noted in a majority of the people who participated in the study.
- Most investors prefer to park their fund in avenues like Bank, Life insurance, Mutual Funds and Gold.
- Most of the investors are financial illiterates.
- Increase in age decrease the risk tolerance level.
- Women are attracted towards investing gold than any other investment avenue.
- From Correlation test, it was found there exist a positive correlation between Age and Income.

SUGGESTIONS:

- Investors should make the investment with proper planning keeping in mind their investment objectives.
- Investors should also consults the brokers or agents to seek information and advice but their decision should not merely be based on agents advice rather the decision should be based on their careful investigation.
- The investors should select a particular investment option on basis of their need and risk tolerance.
- The investors should diversify their investment portfolio in order to reduce the risk.
- The investors should continuously monitor their investments.
- The companies should provide all relevant information to the investors.

CONCLUSION

This study confirms the earlier findings with regard to the relationship between age and income level of the individual investors. The present study has important implications for investment manager. As it has come out with certain important facets of an individual investor. The individual investors still prefer to invest in financial product which give risk free returns.

Large numbers of portfolio is not good for healthy investment. The Indian investors are very much aware about the concept of portfolio allotments and risk and return of the investment. In India, purchase of gold and land are the two most ideal form of investment. Its carry good return and appreciation. This confirms that that Indian investors even if they are high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design product which can cater to the investors who are low risk tolerant. Women are the deciding factor of the family. They followed the mantras “Prevention is better than Cure”. They expect more income but less risk.

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