

# A STUDY ON INVESTOR'S PERCEPTION AND ATTITUDE TOWARDS INVESTMENT AVENUES

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## **Abstract**

*Investors have different investment avenues to employ their funds. The risk and returns of these investment alternatives differ from one Investment avenue to another. The investor wants more returns with lesser risk. The required level of return and risk tolerance decide the choice of investment avenues by the investors. In the present scenario there is wide variety of investment alternatives for the investors to choose. This study was conducted to know the awareness and their investing habits of people towards different investment avenues. It takes into consideration various factors that influence and induce people to make investments in a particular investment scheme. The study was conducted in Malappuram district. Convenience sampling technique is used for collecting the data from different investors. Questionnaire is used as data collection tool. The sample size was 50 which comprise of students, salaried employees, business people and Professionals in Malappuram district. Result of the study shows that high return, less risky and liquidity as a powerful factor of influencing investment decision.*

## **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. 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. 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. The different investment avenues are Safe/Low Risk Avenues, Savings Account, Bank Fixed Deposits, Public Provident fund, Government Securities, etc. Mutual Funds, Life Insurance, Debentures, Bonds, Equity Share Market, Commodity Market, FOREX Market, Real Estate, Gold/Silver, Chit Funds..etc. The individual investor should not always follow the majority. They should try to search about his investments before investing. The investors should focus on safe investment avenues. The people should develop the habit of making investment at any stage of life. Saving money is an old method so the people should invest their money in order to get maximum returns. The investors should have full knowledge

of the investment options in order to avoid any loss in future. The investor should be alert what, where, why, when and how to make investment in different investment options.

## STATEMENT OF THE PROBLEM

Investment means putting the saved money in various products in order to earn returns and increase the wealth. Investment improves the financial well-being by making the money to work for the investor. 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. After reviewing the various literature, there is no attempt is made to extract the important underlying factors of investment, their relative importance and their relationship with demographic variables. Majority of the studies prove contradictory results of investor's perception towards various investment avenues. The present study takes care of these research gap. The study attempts to know the awareness, perception and analyze the significance of demographic factors that influence the investor's decision towards making investments. This study try to find out the significance of demographic factors of population such as gender, age, education, occupation, income, savings etc in investors' awareness towards various investment avenues. This study also attempts to understand the investors' opinion regarding various investment avenues.

## OBJECTIVES OF THE STUDY

- To check the awareness of investors towards various investment avenues.
- To understand the investors' opinion regarding different investment avenues.
- To identify the factors influencing the selection of a particular investment avenue.

## HYPOTHESIS

**H01:** There is no significant difference in the awareness level and selected demographic variables of the respondents.

**H02:** There is no significant difference between awareness of respondents and various investment avenues.

**H03:** There is no significant difference in the opinion of investment avenues and demographic profile of the respondents

## SCOPE OF THE STUDY

This study is conducted based on 50 samples of investors from Malappuram district. It covers investors in various investment avenues such as bank deposits, post office deposits, real estate, mutual fund, share market, insurance, gold, KSFE and private chit/curie. This study aims to know the awareness level of investor's regarding all these investment avenues. Also made an attempt to understand their opinion regarding all these investment avenues.

## SIGNIFICANCE OF THE STUDY

The world has witnessed increased interdependence in the last two decades due to globalization. The capital is flowing from one place to another within country and over the boundaries of the nation. People have large number of investment avenues in India and outside India. New investment avenues are arising day by day. The investors should aware about the investment avenues and think wisely before investing in those investment avenues. So it is significant to study the awareness level of investors towards various investment avenues and their perception towards those avenues.

## RESEARCH METHEDOLOGY

The study is based on descriptive in nature and focus on all those individuals who invest and intend to invest in financial instruments near future. The study mainly assesses the level of awareness, to know the perceived opinion and to measure the attitude of individual investors toward financial instruments. Convenience sampling technique is used for collecting the data from different investors. Questionnaire is used as data collection tool. The sample size was 50 which comprise of students, salaried employees, business people and Professionals in Malappuram district. For conceptual clarity, secondary data gathered from books, journals, websites etc. Statistical tools like t-test, ANOVA, and Weighted mean are used for analysis of the data.

## LITERATURE REVIEWS

**Madhumathi.R (1998)** in her study entitled “Risk Perception of Individual Investors and its Impact on their Investment Decisions” examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company’s performance as a basic factor to take investment decisions. They also depend on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions and industrial positions.

**V.K. Somasundaram(1999)** in his research work titled “A Study on the Savings and Investment Pattern of Salaried Class in Coimbatore District” made an attempt to analyze the savings and investment pattern of salaried class investors. An in-depth analysis is done to identify the level of awareness, attitude, factors which influence the investors to save and invest, average savings of investors, pattern of savings, conversion of savings into investments, investment preference etc.

**Dr. V. L. Shobhana and J. Jayalakshmi (2006)** in their study titled “Investors Awareness and Preferences – A Study” has examined the level of investor awareness regarding investment options and investment risks. The analysis revealed that the investment in real estate is preferred by a majority of the respondents. The second most preferred investment is bank deposits. Awareness about investment options and risks are high among aged, highly educated and those who are professionals by occupation. Demographic variables such as age and education do not have significant influence over investor’s awareness whereas difference in occupational status leads to difference in the awareness level of Investors.

**Vanish Kumar Singh (2006)** the study entitled "Investment Pattern of People" has been undertaken with the objective, to analyze the investment pattern of people. He concluded that all the age groups give more important to invest in equity & except people those who are above 50 give important to insurance, fixed deposits and tax saving benefits. Generally those investors, who are invested in equity, are personally follow the stock market frequently i.e. in daily basis. But those who are invested in mutual funds are watch stock market weekly or fortnightly. Major investors are more aware about various investment avenues and the risk associated with that. But many investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, and post office savings etc.

**Sudalaimuthu and Senthil Kumar (2008)** has the study entitled "Investor's perception towards mutual funds investments" has been undertaken with the objective to understand perception towards mutual fund investments has been analyzed effectively taking into account the investors reference towards the mutual fund sector, scheme type, purchase of mutual fund units, level of risks undertaken by investors. The study has made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection. An important element in the success of a marketing strategy is the ability to fulfill investor expectation. The result of these studies through satisfactory on the investor's perception about the mutual funds and the factors determining their investment decisions and preferences. The study will be useful to the mutual fund industry to understand the investor's perception towards mutual funds investments and the study would also be informative to the investors.

**Manish Mittal and Vyas (2008)** Investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors.

**Arul Stephan and Dr.V.Darling Selvi (2009)** in their article entitled "Investment Avenues for Senior Citizens" stated that it is necessary on the part of the elders to find a definite source of income for themselves. A definite idea about investment will provide senior citizens a steady income which helps them in the phase of rising cost in future. Hence, it is the need of the hour for the elders to think and act wisely in their investment decision. As all the investments are not equally good, awareness of various schemes and the privileges of the aged will help them to select the best suitable investment avenue.

**P. Neelakantan et.al (2011)** in their article entitled “Impact of Risk analysis in selection of investment avenues- A study on Debt Market Investors” suggested that investment in Debt Market instruments as become an imperative choice of the investors with the objectives of return optimization. Uncertainty of expected returns is a vital part of the investment option in debt market. Variations in the anticipated returns and actual returns lead to the possible consequences of the decision related to selection of debt market investment vehicle.

**K. Jothilingam and Dr. K.V. Kannan(2013)** has made a study titled “Investors Attitude Towards Investment Avenues – A Study In Namakkal District” And made an attempt find out the main objective of the investors in Namakkal District towards making investments and to assess the investors’ attitude towards the investment avenues. The demographic variables and objectives of the investors have been obtained from the respondents and the relationship between these variables and objectives has been computed. From the results observed in this study, it is concluded that investors prefer less-risky investment avenues like gold, mutual funds and bank deposits. This could probably because of their tendency to avoid high risks. However, if the high risk investment avenues are designed with higher returns in a organized manner, the investors would come forward to prefer those avenues.

**Dr. E.Apparao and Prof. N. Kishore Babu (2015)** in their article “A survey on Investors Perception towards Investment Avenues in Godavari Districts of Andhra Pradesh” has made an investigation which include awareness of investment avenues, investment pattern, the most preferred objectives of investors, and investment evaluation. The study found that majority of respondents aware of all the savings schemes like national savings certificates, indira vikas patra/ kisan vikas patra, postal savings schemes, mutual funds, insurance schemes, chits, bank fixed deposits, company fixed deposits, shares, bonds and debentures, government securities, real estate etc., besides that all these schemes have been adopted by the respondents except national savings certificates, indira vikas patra/ kisan vikas patra, chits, company fixed deposits and government securities.

**Murlidhar.A and Lokhande** has made a study titled “a study of investment avenues and patterns of savings and investment by rural investors”. The study attempted to find out the awareness level of rural investors about various investment avenues, their preferences and considerations for investing money. The study was conducted in selected rural villages in Maharashtra. The study disclosed that there was no significant difference in awareness level of rural male and female investors and people wish to park money in safe options like bank, gold etc.

## FINDING OF THE STUDY

The following are the key findings of the study;

### Section-1:-Awareness of Respondents towards Investment Avenues.

The study has been made to find out the awareness level of investors towards investment avenues. The investment avenues considered are bank deposit, post office deposit, share market, insurance, real estate, gold, mutual fund, KSFE and private chits/kuris

- ✓ Most of the investors are aware about the different investment avenues because its mean value of awareness level towards investment avenues is 3.0067 **(Mean)**
- ✓ There is a significant difference in the awareness of male and female towards investment avenues ie awareness of male investors are different from female investors towards various investment schemes.**(Independent sample t test)**
- ✓ There is a significant difference in the awareness level of male and female investors towards bank deposit, post office deposit, share market investment, insurance, real estate, mutual fund and private chit whereas There is no significant difference in the awareness level of male and female in the case of gold and KSFE, awareness of male and female are same. **(Independent sample t test)**
- ✓ Education of respondents positively affects the awareness of investment avenues. **(ANOVA)**
- ✓ There is no significant difference in awareness level of different occupation status respondents towards investment avenues. **(ANOVA)**

### Section -2:- Opinion of Respondents about various Investment Avenues

The study is made an attempt to analyze the opinion of investors regarding different investment avenues on the basis of variables such as transparency, risk, return, safety, convenience, accessibility, liquidity and tax benefit. It reveals that;

- ✓ Most of the respondent's opinion that bank deposit and investment in gold is more transparent and post office deposit, insurance and mutual fund investment can enjoy tax benefit.**(Mean score)**
- ✓ The opinion regarding real estate and share market provide high return in the form of capital appreciation But its associated risk is very high.**(Mean score)**
- ✓ Opinion of male respondents are different from female respondents towards investment avenues**(Independent t test)**
- ✓ Opinion of respondents about investment scheme are not different on the basis of income group**(One way ANOVA)**

### Section 3:- Factors Influencing Selection of a particular Investment Avenue

Here an attempt is made to find out the powerful factor which influence the selection of a particular investment avenue. High return, less risk, Transparency, Safety, Liquidity, Convenience, Tax benefit, Compulsion from others are used as variables. Weighted rank mean is used for this purpose.

- ✓ Return from the investment is the most important factor which influences the selection of a particular investment avenue followed by Risk associated with the investment avenue.**(Weighted Mean)**
- ✓ Compulsion from others is the least important factor which influences the selection of a particular investment avenue. **(Weighted Mean)**

## SUGGESTIONS

The following are the important suggestions of the study;

- Some business people know the awareness about investment avenues but most of the respondents they don't have sufficient knowledge. Financial institutions should create awareness about available avenues for investment and have to tell the people what is the meaning of risk and how it could be mitigated.
- Government should stress the financial institutions to conduct investor guidance workshops about available avenues for investment.
- There is a need for financial literacy and instilling confidence among investors.
- The investors who want to avoid risk should invest in treasury notes or high rated municipal bonds and debentures etc
- Investors must invest in different avenues rather than investing in one, in order to mitigate the risk associated with one avenue.

## CONCLUSION

The study concludes that investment done in various investment avenues with the expectation of capital appreciation and short and long term earnings. The basic idea of all students, employees, professionals and businessmen in this study is to utilize the surplus money in favorable plans so that the money will be rolled back as well as it will give high returns also. People are thinking of high return, less risky and liquidity as a powerful factor of influencing investment decision. Most of the people opinion that bank deposit is transparent. They opinion that post office deposit, insurance and mutual fund investment can enjoy tax benefit. They believe that investment in gold is more transparent, liquid and convenient for investment. In the view of respondents share market provide high return but risk associated is very high. The individual investor still prefers to invest in financial products which give risk free returns. This confirms that Indian investors even if they are of high income, well educated, salaried are conservative investors prefer to play safe.

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