



“A STUDY OF INTEREST RATES PATTERNS AND ITS IMPACT ON INVESTMENT PERSONALITY OF AN INDIVIDUAL: EVIDENCE FROM EXPERIMENTS IN INDIA”

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ABSTRACT

In India, usually all investment avenues professed risky by the investors. The main features of investments are security of principal amount, liquidity, income stability, approval and easy transferability. Investment avenues are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on. The required level of returns and the risk tolerance decided the choice of the investor. The investment may be differ choices from national savings certificates, provident fund, mutual fund schemes, insurance schemes, chit funds, bank fixed deposits, and company fixed deposits, company shares, bonds /debentures, government securities, postal savings schemes and real estate.

It would be concluded that in this fast affecting world, we save get extra money. Added risk directs to more profit. For the example total liquidity, income stability a variety as shares, bank companies, gold and silver, real estate, life insurance postal etc., but, most of the people preferred bank deposit by the cause of more respondents invested for purchasing home and long-term growth but, most of the investors could not aware to investing their money in mutual funds and shares. More of debate and confusions in the investment pattern, investment avenues. Therefore, in this paper, the researcher wants to check the earlier research work based on investors among the investment avenues to get an idea about the investment pattern.

KEYWORDS : Interest Rates, Investment Avenues, Investment Patterns & Decision Criterion.

1. Introduction:

The financial system has more dynamic than the real system as it has always reacted to the needs of the economy to help to complete its goals. In the present financial system, there are so many investment avenues to choose, today in financial market it has involved for anyone to decide about these avenues. A financial market is the vertebrae of an economic scheme. It helps the allotment of share capital crosswise in the productive sectors of the economy. This allocation of capital helps to keep up strong weather for savings and investment. Some of these investment avenues offer attractive returns but with high risks, some propose lower returns with very low risks. An overall analysis of these investment avenues with risk and return trade is present in this article. An investment is can describe as perfect investment, if it satisfies all the needs of all investors. Therefore, the starting point of searching of any perfect investment must look at through the investor needs. If all those needs are meets by the investment, then that investment termed the perfect investment. The most investors and advisors use a big deal of time thoughtful qualities of the thousands of investments offered in India. According to economics, investment is the utilization of resources in order to increase income or production output in the future. Investment means putting your money to work to earn more money. Done wisely, it can help you to meet your financial goals. Investing even a small amount can produce considerable rewards over the long term, especially if you do it regularly. But you need to make decision about how much you want to invest and where to invest it.

2. Review of Literature:

2.1 Investment & Trading Pattern of Individuals Dealing in Stock Market, Dr. Kaushal Bhatt

In above paper Author is trying to focus on the patterns of investors. They want more safety and reliability. Current trend and easy access is not affected the investor as much as safety and reliability. For this Most of the earning people invest their income up to different level in any sector, so investment company have also very much scope of gaining business. Equity market is also popular among investors due to higher return, but due to uncertainty and lack of proper knowledge investors do not invest in that sector. But investors who have proper knowledge and willingness to take risk up to some

extent are investing in Equity market. Bank's interest rate is also decreasing since last few years so, investors move towards other avenues like mutual fund, bond, equity market and others like land, gold, building etc.

2.2 Perception of Investors towards the Investment Pattern on Different Investment Avenues - A Review, Manikandan A

In said article author is focusing on the choice of Investors towards the Bank Fixed Deposit rather than new investments avenues like Mutual Fund & stock market but most of the investors are to preferred bank deposit because more respondents invested for purchasing home and long-term growth but, most of the investors could not aware of investing their money in mutual funds. Therefore, mutual funds will give more compliment and awareness it will help to invest their money in the mutual funds and the capital market.

2.3 Study on Investment Preference and behavior of Individual Investors in Coimbatore City, K. Parimalakanthi and Dr.M. Ashok Kumar

This paper aims to find the behavior of individual investors of Coimbatore city vis-a-vis available investment avenues in the Indian financial markets. The major factors behind an investment are the safety of principal amount, liquidity, income stability, and appreciation. A variety of investment avenues are available such as Savings a/c, FD a/c, Government Securities, Corporate Bonds, Insurance policies, Real estates, Commodities, Shares and MFs, Chit Funds and Gold and Silver. All the investors invest their surplus money in the above mentioned avenues depending on their risk taking attitude. "No pain, no gain" it is the golden principle of investment management.

2.4 Investments patterns and awareness of salaried class investors in Tiruvannamalai district of Tamilnadu, Dr. K. Krishnamurthy

Investment patterns highlight that certain factors like education level, age of investors, number of family members etc make significant impact while deciding on the avenues for investment. The present paper is based on primary sources of data which are collected by distribution of a close ended questionnaire. The data

has been analyzed using chi-square test. The research shows that majority of the respondents are saving money as Bank deposits for the safety of an unpredictable future. This article highlights investment pattern and awareness of salaried class investors in Tiruvannamalai district of Tamilnadu.

2.5 Investment awareness among Indian working women with reference to Pune Region, Prof. Priya Vasagadekar

This Research paper highlighted on the term "Education" that transforms the ability of women for getting jobs and it will turn into the financial literacy. It has become the present day need for working women in India to increase their wealth. As most of the women are low in financial literacy, it becomes hardly possible for them to manage their portfolios on their own. Also the risk bearing capacity of working women in India is low. This is due to lack of sound financial knowledge.

2.6 Study of Investment behavior of Middle income group towards different kinds of Investment Avenues, Megha Goyal

In the said paper author is trying to show how the income class looks for safest or less risky investment avenue because of their small saving and prefers to make investments according to their risk bearing capacity. Thus, they preferred fixed deposits with banks and post office, public provident fund and life insurance policies etc. But they are not enough satisfied with their investment decision in such avenues due to low return for e.g. 4% interest rate on saving account. Because of low returns on these investments, they are not able to cope with their future needs. So government and policy maker should make policies, according their investment behavior and needs.

3. Objectives of Study:

The Main objectives of the research paper are as:

- 1) To study the investment preferences among people.
- 2) To know behavior and perception of investor towards different investment instruments.

4. Scope of Study:

- The research involves all income group people of Nasik.
- All the different occupations are covered under this study.

5. Significance of Study:

- This research is helpful to know the taste of masses and turn it towards best available investment avenue.
- Different age group people would get benefit by this research.

6. Hypothesis:

- 1) There is no significant relationship between the income level & awareness of the Investment.
- 2) Interest rates affects on the patterns of Investments of an Individual.

7. Research Methodology:

Research methodology for the proposed research is as following:

Type of Research:

This research is descriptive in nature.

Definition of the Population:

The study relates to the investment patterns of included both groups engaged in either service or business.

Sample Size:

The sample size of 100 respondents was taken for the research work among in Nasik.

Sampling Procedure:

The sampling procedure followed in this study is non-probability convenient sampling

Primary Data:

A structured questionnaire was prepared and the primary data were collected through survey method.

Secondary Data: Research Journals, Research Papers, Working Papers etc

Analysis of Data:

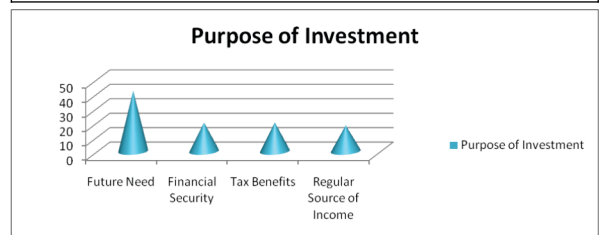
In order to analyze the collected data, simple percentage and statistical tools were used. It states the frequency and percentage of the respondents' profile, attitude and opinion regarding different variables. The analysis of data collection is completed and presented systematically with the use of different tables.

8. Data Analysis & Interpretation:

8.1 Purpose of Investment

Table 1.1

Group	Purpose of Investment	Percentage	Standard Devi.	Median
Future Need	42	42.00%	11.37248	20
Financial Security	20	20.00%		
Tax Benefits	20	20.00%		
Regular Source of Income	18	18.00%		

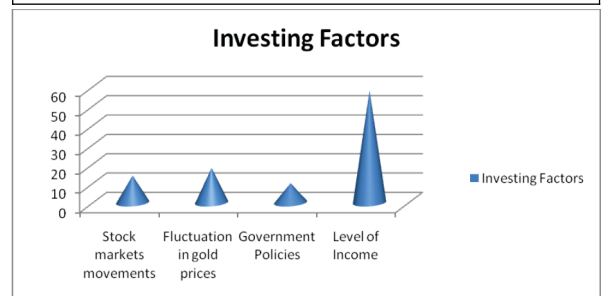


From the above table 1.1 and graph we can say that the most of the Investors invest their money for the future need other than financial security and other aspects.

8.2 Factors affecting Investment decision

Table 1.2

Group	Investing Factors	Percentage	Standard Deviation	Median
Stock markets movements	14	14.00%	22.2411	16
Fluctuation in gold prices	18	18.00%		
Government Policies	10	10.00%		
Level of Income	58	58.00%		



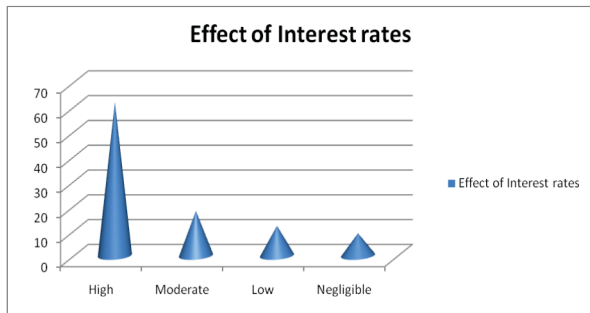
Graph 1.2

Table 1.2 shows that most of the investors thinks level of income of an individual affects on Investment strategy. Other parameters like prices of gold also are a part of Individual decision criteria for investment purposes.

8.3 Effect of Interest rates on savings

Table 1.3

Group	Observed Value	Expected Value	Percentage	Chi Square Test	Median
High	62	25.25	62.00%	9.81583	15
Moderate	18	25.25	18.00%		
Low	12	25.25	12.00%		
Negligible	9	25.25	9.00%		



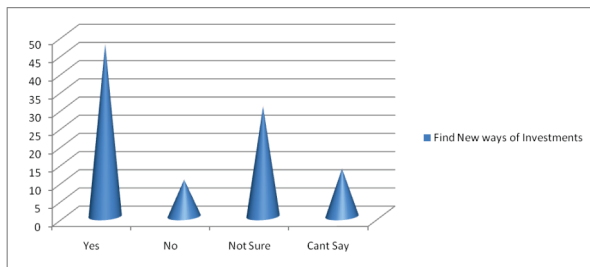
Graph 1.3

Table 1.3 shows that most of the individual said that Interest rates are highly affecting on their savings. It shows that Interest rates are making negative effect on the Savings of an Individual. In the above table the P-value is more than 0.05 so the H2 is accepted i.e. Interest rates is affecting on Investments patterns of Individual.

8.4 To find new ways of investments other than regular bank deposit.

Table 1.4

Group	Find New ways of Investments	Percentage	Standard Deviation	Median
Yes	47	47.00%	17.10750323	21.5
No	10	10.00%		
Not Sure	30	30.00%		
Can't Say	13	13.00%		



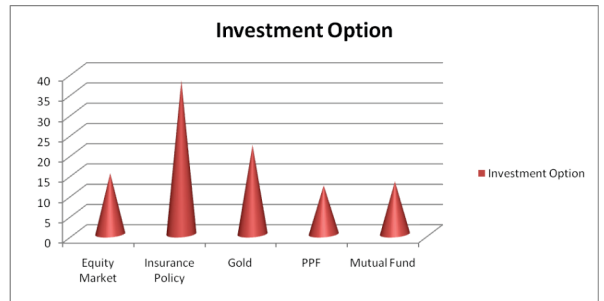
Graph 1.4

Table 1.4 & Graph 1.4 shows that most of the individual said that there is need to find new way of investments other than regular bank fixed deposits

8.5 New ways of investments other than regular bank deposit.

Table 1.5

Group	Investment Option	Percentage	Standard Deviation
Equity Market	15	15.00%	10.79351657
Insurance Policy	38	38.00%	
Gold	22	22.00%	
PPF	12	12.00%	
Mutual Fund	13	13.00%	



Graph 1.5

Graph 1.5 shows that most of the individual opt an option for Investment in Insurance policy because of security and safe scheme of Insurance companies.

9. Findings:

- 42% of Individual focuses on investment because of only future need of family or Individual.
- 58% Individual said that Level of Income is the key parameter which is affecting on their savings habits.
- Interest rate is the major concern and playing very crucial role in the investment psychology of individual investors.
- The study attempts to understand the behavior of individual investor in stock market, specifically their attitude and perception with respect to the stock market.

10. Conclusion:

In this fast affecting world, we keep extra money added risk directs to more profit. For the example total liquidity, income stability a variety as share, bank companies, gold and silver, real estate, life insurance postal etc. but most of the investors are to preferred bank deposit because more respondents invested for purchasing home and long-term growth but, most of the investors could not aware of investing their money in mutual funds. Therefore, mutual funds will give more compliment and awareness it will help to invest their money in the mutual funds and the capital market.

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