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Behaviour of Investors Towards Investment

KEYWORDS: Investor, Investment, Behavior

Saloni Raheja	Bhuvan Lamba
Assistant Professor in Commerce, Phillaur, Punjab.	Assistant Professor in Commerce, Jalandhar, Punjab.

ABSTRACT *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. The investors prefer to invest in different investment options according to their need. Many studies have been done on the investment and individual behavior separately. But there were no such study has been available on both investment behavior and individual investment practices as per different stages in their life cycle. The present study focuses on the investment behavior of the investors and this study will also help in gaining a better understanding of what an investor look for in investment avenues. The result reveals that there are various investment options available in the market and people preferred to invest in different investment options with some objective behind investment.*

INTRODUCTION:
INVESTMENT

In today's scenario, money plays an important role in one's life. In order to overcome the problems in future one has to invest his or her money. Investment may be defined as sacrifice of certain present value for some uncertain future value. In other words, investment means the purchase of a financial product with an expectation of future returns. Patidar, (2010) defined investment as the funds which are invested as capital or other securities of either public or private sector for earning more money. It is the employment of funds with the aim of earning additional income. Chaturvedi (2012) defined investment as instead of keeping money idle use that money so that you may get higher returns. There are various types of investment options available in the market such as financial, physical, marketable and non marketable and transferable and non transferable. A person prefers to invest in particular investment according to his or her suitability and needs. There are some of the ideal investment programmes such as safety, liquidity, regularity of income, capital appreciation and many more. Investment aims at multiplication of money at higher or lower rates depending upon whether it is a long term or short term investment and whether it is risky or risk free investments. Samudra & Burghate (2012) explained investment as purchase of a financial product with an expectation of getting higher returns in future.

OBJECTIVES OF INVESTMENT IN SECURITIES

- **Income**: The first and the foremost objective is to earn income in the form of interest, dividend.
- **Capital appreciation**: It can be achieved by conservative growth, aggressive growth and speculation.
- **Forms of return**: These may be of two type, periodic cash receipts and the capital gain.
- **Safety of funds**: The objective is that the funds invested should be secure and safe.
- **Risk**: The investor who wants to earn more return should be ready to take more risk.
- **Liquidity**: The investors should prefer those investments which are liquid in nature.
- **Tax considerations**: Provisions of capital gain, income tax, and others so that tax burden should be minimized.

CLASSIFICATION OF INVESTMENTS

- **Physical Investments**: These investments are the investments in tangible assets such as buildings, machinery, gold and others.
- **Financial Investments**: These investments are the investments which are used for production of goods or for creation of assets.
- **Marketable and Non marketable Investments**: The marketable investments are those investments which can be converted into cash very easily. Non marketable investments are those investments which cannot be converted into cash very easily.
- **Transferable and non transferable Investments**: The avenues which can be transferred to the others are transferable investments. The avenues which cannot be transferred to the others are non transferable investments.

INVESTMENT BEHAVIOR

Investment behavior is the behavior of the investors while investing in any investment options. In other words, what an investor look in while investing in the investment avenues. There are various investment options available in the market. The people make an investment with some purpose. Brabazon (2000) investments were made with an objective of wealth maximization. SEBI and NCAER (2000) reported that safety and liquidity were the main objective behind the investment. Shah et al (2011) found that mostly people made an investment for retirement, future obligation, health insurance and many more. Geetha and Ramesh (2011) found that the investors preferred to invest in bank deposit, NSC and PPF. Suryavanshi (2012) found that respondents made investment for safety, return and tax saving. Samudra and Burghate (2012) found that the people preferred to invest in bank deposits. Kathuria (2012) found that most of the people preferred to invest in public provident fund and life insurance. Kantidas (2012) examined that the investors preferred to invest in insurance in order to get tax benefits. Murugan (2012) observed that people preferred to invest for income regularity. Jain and Jain (2012) examined that most of the respondents preferred to invest in bank deposits for future security.

From the above discussion, we try to understand the investment behavior of people. The people preferred to invest in particular investment options according to their need. The people were preferred to invest in particular investment options with certain objective in mind. There were various objectives behind investment in particular investment avenues such as retirement planning, tax saving, children marriage, future obligation, children insurance, improve standard of living, acquisition of asset, supporting parents, health insurance, income regularity and many more.

All the people preferred to invest in safe and secure investment avenues. People with different age group preferred to invest in different investment avenues. Young people pre-

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ferred to invest for income regularity, future obligation and others. Old age people preferred to invest for retirement planning, children education, children marriage and for other obligations. Males and females preferred to invest in different investment avenues. Females preferred to invest in safe investment such as gold, PPF and many more. Males preferred to invest in equity shares, debentures, mutual funds, precious metals, different commodities, and others.

INVESTMENT AVENUES

There is large number of investment avenues available in the market. The people have to choose proper investment avenue depending upon their need, risk preference and return expected. The plenty of investment avenues available for the investors make their decision making process more critical and complex. There are number of factors which influence the people to make their investment decisions such as income, age, gender and others. The different investors invest in different type of investment avenues. The professional investors like doctors, lawyers, academicians, bankers and others prefer to invest in very safe and secure type of investment avenues. Each professional investor has different investment strategy regarding their preferred investment avenues. The various investment avenues available in the market are equity, preference, debentures, precious metal, gold, silver, real state, life insurance, public provident fund, mutual fund, fixed deposits, post office savings & many more.

BEHAVIORAL FINANCE

Behavioral finance means psychological and sociological factors that influence the financial decision making process of individuals, groups, entities. Behavioral finance is defined as a rapidly growing area that deals with the influence of psychology on the behavior of financial practitioners. Behavioral finance is the study of the irrational behavior of the investors. The various behavioral patterns which are under cognitive psychology are as follows:

- **Heuristics:** Heuristics are the thumb rule which makes easy to take the decisions. There are two types of heuristics – one is when the decision is required to be made quickly and the other is used when higher stakes are there.
- **Overconfidence:** The investors are overconfident that they can predict the future better. Due to their overconfident, they take risks without expecting returns.
- **Mental accounting:** According to Richard Thaler, "mental accounting is the set of cognitive operations used by individuals and households to organise evaluate and keep track of financial activities."
- **Conservatism:** When the changes takes place then the people will take more time to adjust to that changes. When the changes take place people may under react or overreact to the situation.

SUGGESTIONS

The individual investor should not always follow the majority. They should try to search about his investments before the investing in market. 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.

CONCLUSION

From this study, we can say that the money plays an important role in one's life. So in order to have safe future one should convert their savings into investment. The people with different age groups prefer different investment options for different objectives behind investment. The portfolio of the academicians must consider the behavior of the academicians before making any investment. The study concludes that there are various investment avenues available in the market. The different people prefer to invest in different avenues according to their choice. It also concludes that life cycle stages and investment objectives are dependent on each other.

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