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Commerce

A STUDY ON INVESTMENT PATTERN OF INDIVIDUALS IN COIMBATORE CITY

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ABSTRACT Investments are an essential factor for capital structuring and development of the economy. A variety of different investment options are available these days. A research on the perceptions and inclinations of investors towards various investment avenues is essential to bring out the investor preferences so as to provide desirable conclusions. This study has been undertaken to investigate the preferences of investors towards various investment avenues and the factors that impact their investment decisions.

KEYWORDS : Investors, Savings, Preference, Investment avenues

1 INTRODUCTION
"**DO NOT SAVE WHAT IS LEFT AFTER SPENDING, BUT SPEND WHAT IS LEFT AFTER SAVING**"
• **Warren Edward Buffet(American business magnate and investor)**

"Saving" simply means to forego one's current consumption in favour of having an option to consume more in the future. Hence, saving is the tradeoff between consuming today and consuming tomorrow. Saving can be done for multiplicity of purposes – guarding against future contingencies, for a known future event, for acquisition of wealth, etc.

Investment is "saving", to be used by another party for productive activity. It can be in the form of an advance, or loan or contributing to the ownership capital or debt capital of a corporate or non-corporate business unit. Generalized, investment means conversion of cash or money into monetary asset or a claim on future money for a return. This return is for saving, particularly financial saving, parting with liquidity and lastly for taking a risk involving the uncertainty about the actual return, cost of getting back the funds, safety of funds, etc.

The cornerstone of any investment strategy is to strike the perfect balance between risk and return. The process of allocating savings towards various investment avenues is a way of attaining the balance.An investor has to be aware of the pros and cons of each avenue in order to make appropriate investment that can give them the best benefit. The level of financial literacy of an individual will have a direct impact on the income of the individual and also the growth of the economy as a whole. Today, the spectrum of investment is indeed wide. This study has been undertaken to analyze the investment patterns of individuals from different income levels.

1.1 STATEMENT OF PROBLEM
An Economy is made up of two major sectors, namely, households and businesses. The Allocative function performed by banks and financial markets help in channelizing the funds from households towards the businesses. This process of financial intermediation results in two major consequences which in turn result in wealth creation and paves way for economic growth and development. So we took up a study on the pattern of household savings which act as the backbone for economic growth and development.

1.2 SCOPE OF THE STUDY
From the time immemorial, our economic development is based on family savings which has helped to withstand ourselves during turbulent economic conditions worldwide. An effort has been made by us to analyze the investment patterns of individuals with respect to the different investment avenues and their awareness towards it. We have made our study on the following aspects.The investors' attitude towards investment is analyzed with respect to their financial needs, investment objective and return period of investment, willingness to take risk, etc.

1.3 OBJECTIVES OF THE STUDY
• To study the factors influencing the investment pattern of individuals.
• To analyze the different avenues of investments available in India.
• To know the level of investor awareness.

1.4 RESEARCH METHODOLOGY
A) Methods used for collection
• Primary Data
• Secondary Data

B) Tools used for analysis
• Percentage Analysis
• Chi-square test

2 REVIEW OF LITERATURE
• **Sanjay Kanti Das**[1] in his journal studies the investment behavior of middle class households of Nagaon district of Assam. It is observed that all the age groups have highest preference towards bank deposits and Insurance investments. Majority of the respondents look for tax benefits and high returns from their investment and the study also concluded that 71.33% of the respondents have increased their savings in the past 5 years.
• **Murlidhar A Lokhande**[2] finds that rural savings are not mobilized and invested properly. The study disclosed that there was no significant difference in the awareness levels of the respondent investors, based on their gender and educational qualification. The investment preference among the respondents indicates that they wish to invest in minimal risk investments like Bank deposits, gold jewellery and real estate.
• **Ms.Priya Zanvar & Mr.Sarang Bhola**[3] in their study have analyzed the drastic changes in the investor's behavior due to the post-economic reforms and have concluded that the most preferred investment options are Insurance and Bank Deposits and the factors that most influencing the decisions are returns, tax benefits and security.

3 PROFILE OF THE STUDY
Investment simply refers to the mechanism used for generating income. Investment and savings from individuals (or) households play a major role in any economy, since it is a major source of funds in the market. Apart from being a driver for the economic growth and development, individual investments and savings also act as financial provision for the future.

3.1 NEED FOR INVESTMENT
Investment is the allocation of monetary resources to assets that are expected to yield some gain or positive returns over a period of time. Investments control an individual's spending pattern. It decides how and what amount one should spend so that they have sufficient money for the future. This is from the point of view of individuals.To

economists, 'Investment' means the net additions to the economy's capital stock which is used in the production of other goods and services. It plays various roles in the macro-economic level. Investments widen the available capital base for businesses thereby enabling businesses to enlarge their production capabilities. This in turn contributes to the overall development of the nation.

3.2 VARIOUS INVESTMENT AVENUES

Banking Sector	Financial Market	Post Office Schemes	Other Avenues
☐ Fixed Deposits	☐ Shares	☐ Savings Account	☐ Gold, Bullion
☐ Recurring Deposits	☐ Bonds	☐ Sukanya Samriddhi Account Scheme	☐ EPF/PPF
☐ Savings Bank Account	☐ Debentures	☐ Kisan Vikas Patra	☐ Pension Funds
☐ Sweep Account	☐ Mutual Funds	☐ Monthly Income Scheme Account	☐ Insurance
	☐ Commodities & Derivatives	☐ National Saving Certificates	☐ Chit Funds
	☐ Commercial Papers		☐ Real Estate
	☐ Government Securities		
	☐ Gold Bonds		

3.3 ELEMENTS OF INVESTMENT
The various elements that help an individual determine his investment plan are return, risk, lock –in – period, minimum investment requirements and tax benefits.

4 ANALYSIS OF DATA
4.1 ANNUAL SAVINGS OF THE RESPONDENTS

S.No	Annual Savings	No of Respondents	Percentage
1	Below Rs.25,000/-	13	10.4%
2	Rs.25,000/- to Rs.50,000/-	20	16%
3	Rs.50,000/- to Rs.1,00,000/-	26	20.8%
4	Above Rs.1,00,000/-	66	52.8%
		125	100%

INTEREPTATION
All the respondents have savings habits. Majority of the respondents, about 52.80% of the respondents save over Rs.1,00,000/-.

4.2 FACTORS INFLUENCING INVESTMENT OPTIONS

S.No	Factor	Rank
1	Risk	2
2	Return	1
3	Lock in period	3
4	Minimum Investment requirement	4
5	Tax Benefit	5

INTEREPTATION
Investors look at various factors before investing. Majority of the respondents look at the return first and the tax benefit last while making investments.

4.3 PERFERRED INVESTMENT OPTIONS

S.No	Investment Option	Rank
1	Fixed Deposit	1
2	Recurring Deposit	3
3	Savings A/c	10
4	Shares	7
5	Mutual Funds	4
6	Bonds	11
7	Real Estate	6
8	Jewellery	2
9	Gold Bonds	13
10	Post Office Savings	12
11	Commodities & Derivatives	15
12	Insurance	5
13	Provident Fund	8
14	National Pension Scheme	14
15	Chit Funds	9

INTEREPTATION
The highly preferred investment options are Fixed Deposits, Jewellery, Mutual Funds, and Recurring Deposits. The moderately preferred investment options are Insurance, Real Estate, Shares and Provident Fund. The respondents are neutral towards Chit Funds, Post office Savings, Savings Bank accounts and Bonds. The least preferred investment options are National Pension Scheme, Commodities & Derivatives and Gold Bonds.

4.4 Annual Savings And Preference For Jewellery Two Way Table

Annual Savings	Highly preferred	Moderately preferred	Neutral	Not preferred	Grand Total
Below Rs.25,000	5	6	1	1	13
Rs.25,000 to Rs.50,000	11	6	2	1	20
Rs.50,000 to Rs.1Lakh	11	12	2	1	26
Above 1Lakh	32	22	10	2	66
Grand Total	59	46	15	5	125

INTEREPTATION
Out of the people who have annual savings below Rs.25,000/- p.a., 5 have Jewellery as their highly preferred investment avenue while only 1 of them find it as not preferable. In the case of the people who make savings between Rs.25,000/- and Rs.50,000/-, 11 of them highly prefer Jewellery while only 1 person considers it as not preferable. Among the people who make savings between Rs.50,000/- and Rs.1,00,000/-, 11 people highly prefer jewellery while only 1 person finds it as not preferable. Out of the people who make savings of Rs. 1,00,000/- or more in a year, 32 of them have highly preferred Jewellery while only 2 of them do not prefer it much.

Annual Savings and Preference for Jewellery
In order to find out the relationship between the annual savings of the respondents and the preference for jewellery, Chi square test is used and the result of the test is given below.

The annual savings of the respondents and the preference for jewellery were tested with the help of following hypothesis.

CHI – SQUARE TEST

FACTORS	Calculated Value	Table Value	Degree Of Freedom	Significant Value
Annual Savings	3.3029	16.919	9	5%

Since the calculated value is less than the table value, the result is Significant at 5% level. Hence the H1 hypothesis is accepted and it is concluded that the annual savings of the respondents and preference for jewellery are dependent.

4.5 Annual Savings And Preference For Mutual Funds Two Way Table

Annual Savings	Highly preferred	Moderately preferred	Neutral	Not preferred	Grand Total
Below Rs.25,000	4	3	5	1	13
Rs.25,000 to Rs.50,000	7	7	4	2	20
Rs.50000 to 1Lakh	8	7	8	3	26
Above 1Lakh	25	23	12	6	66
Grand Total	44	40	29	12	125

INTEREPTATION
Out of the people who have annual savings below Rs.25,000/- p.a., 4 have Mutual Funds as their highly preferred investment avenue while only 1 of them find it as not preferable. In the case of the people who make savings between Rs.25,000/- and Rs.50,000/-, 7 of them highly prefer Mutual Funds while only 2 person considers it as not preferable. Among the people who make savings between Rs.50,000/- and Rs.1,00,000/-, 8 people highly prefer Mutual Funds while only 3 person finds it as not preferable. Out of the people who make savings of Rs. 1,00,000/- or more in a year, 25 of them have highly preferred Mutual Funds while only 6 of them do not prefer it much.

Annual Savings and Preference for Mutual Funds
In order to find out the relationship between the annual savings of the respondents and the preference for mutual funds, Chi square test is used and the result of the test is given below.

The annual savings of the respondents and the preference for mutual funds were tested with the help of following hypothesis.

CHI – SQUARE TEST

Factors	Calculated Value	Table Value	Degree Of Freedom	Significant Value
Annual Savings	4.5172	16.919	9	5%

Since the calculated value is less than the table value, the result is

Significant at 5% level. Hence the H1 hypothesis is accepted and is concluded that the annual savings of the respondents and preference for mutual funds are dependent.

5 FINDINGS OF THE STUDY

- Majority of the respondents (52.8%) save more than Rs.1,00,000/- in a year which shows that there is a good savings pattern among the individuals.
- Risk and return are the important factors which influence the respondents to invest in a particular investment avenue.
- Fixed deposits, Jewellery, Mutual funds, Recurring deposits are the highly preferred investment avenues among the respondents.
- The Chi-square test shows that the annual savings of the respondents and preference for investing in jewellery are dependent at 5% level of significance.
- The Chi-square test shows that the relationship between annual savings of the respondents and preference for investing in mutual funds is significant at 5% level.

6 SUGGESTIONS

- Most of the people do not consider tax benefits as a deciding factor for investments. We suggest that this also has to be considered while deciding upon the appropriate investment pattern so that they achieve their investment objective with an added benefit.
- People find fixed deposits, jewellery and real estate as the preferred investment options. However, we can earn higher returns by making investments in shares, bonds, commodities & derivatives. People can also consider these investment options while designing their portfolios.

7 CONCLUSION

The prosperity in economic growth and development, the income levels of individuals have improved and so has their savings habits and savings patters. This paper is a reflection of the behavior of various categories of investors. Selection of a perfect investment avenue is a difficult task to any investor. So this effort is made to identify the preferences and selection of a sample of investors randomly out of a large population. Despite of many limitations to the study we were successful in identifying some investment patterns, that there is some commonness in these investors and many of them responded positively to the study. This report concentrated in identifying the investors preference towards various investment avenues based on their level of income. Investors while selecting a particular avenue still prefer 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, independent are conservative investors who prefer to play safe.

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