

A Study on Investors' Preference Attitude in Investment Avenue



Management

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ABSTRACT

Today many investment choices are available in India, Investors ready to invest their money for future plan. Investors' expectation always wants high turnover profit on their investment, based on their expectation the risk differs high or low. If they expect high return from their investment the risk falls high, if it is low the risk also low. The study examined various levels of Investors' preference ratio and attitude against the investment. The result will interpret whether their attitudes are significance or independent. Data has been collected based on the structured questionnaire. The analytical part is analysed by appropriate statistical test like Kruskal- Wallis rank and significance test.

Introduction

The study examined Investors' attitudes towards the various forms of investment and savings. A specific objective is better to understand the ratio for preference level of financial investments. Much type of investment areas is available in India. Some investment areas are marketable and liquid, others are non-marketable and some of them also highly risk and less risk.

The Investors' investment depend their specific need, feature profit, savings, high return expected and etc. Commonly it is categorised under the following heads.

Share Market:

this is mostly risky investment, but same time investor can earn high rate of return.

Commodity:

No risk, the investment becomes assets as well as its give facilities and social status.

Mutual funds:

It is also risky investment, and choose the investing firm, at the same time the rate of return is normal.

Life Insurance Corporation: LIC offers number of investment schemes, they promote tax saving scheme and covers life insurance.

Post Office Savings:

It is purely saving investment and no risk. It provides minimum rate of interest annually for the monthly savings. The interest rate for deposits is slightly higher than bank deposits.

Deposit in Bank:

depositing in the bank is very safe to the public, because of the regulation of the RBI. Verities of deposit schemes are initiated by the bank and rendering services to the public make confidence to the public investments.

Real Estate:

investment in this real estate get high returns to the investors. Returns and risk levels are depends on the land location.

Gold & Silver: Investment on the metals like Gold and Silver is a common to all, because the investment provides the social status and mortgage.

Bond & Govt. Securities:

its give fixed income to the investors, more over tax benefit to the investors. No risk in these investments.

Medical Insurance:

its give life safe guard investment and risk less safeguard to the investors' life. Medical expenditure will be compensated to the investors

Literature review

Dowling and Staelin (1994) suggest that, investors reduce their risk, who is less risk tolerant engaged in more information search than those who are more risk tolerant.

Schmidt and Spreng (1996) describe that better-educated Investors have a more extensive knowledge structure and are more capable of identifying, locating, and assimilating relevant information. Therefore, Investors with a higher education level would be able to search using sources that require more knowledge, such as books, newspapers, or the Internet. Moreover, Investors with higher educational levels may be more realistic about their own ability to invest and more open-minded toward professional service providers.

Avinash Kumar Singh (2006) concluded that the Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people those who are above 50 years give important to insurance, fixed deposits and tax saving benefits. But in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like Bank deposits, small savings, Post office savings etc.

Sunil Gupta (2008) define the people are not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. and professional class is going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments are concerned, people put their surplus in banks, post offices and other government agencies. Investors being rich have a tendency of investing their surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety and suitability of returns.

Research Methodology and Data Collection

In order to measure the Investors' preference attitude in the investment avenue, the respondents for this study included 300 Investors residing in and around Cuddalore Dt., Tamilnadu, so we are applying multi-stage sampling method, and stratified the respondent in occupation wise like Government employee, Private employee, Business people and Housewives, from the each segmented in 75 samples. The respondents' ages ranged from 30 to above 60, the level of education is segmented from under secondary to professional in six categories, and monthly income level segmented below Rs. 10000 to above Rs. 50000 in five categories.

Objective and Hypothesis (H₀):

There are no difference among the stratified respondents in the investment avenue ($\mu_1 = \mu_2 = \mu_3 = \mu_4$)

Table -1: Stratified Investors' Preference ratio of the Investment Avenue

Investment Avenue	Government Employee	Private Employee	Business People	House Wife	Total
Share Market	25 (33%)	21 (28%)	14 (18.7%)	02 (2.7%)	62(20.7%)
Commodities	01 (1.3%)	03 (4%)	02 (2.6%)	06 (8%)	12(4%)
Mutual Funds	12 (16%)	08 (10.7%)	04 (5.3%)	03 (4%)	27(36%)
LIC Policy	29 (38.7%)	24 (32%)	13(17.3%)	09 (12%)	75(25%)
Post office Savings	04 (5.3%)	08 (10.7%)	14(18.7%)	11 (14.6%)	37(12.3%)
Deposit in Bank	43 (57.3%)	37 (49.3%)	26(34.7%)	19 (25.3%)	125(41.7%)
Real Estate	16 (21.3%)	15 (20%)	07(9.3%)	12 (16%)	50(16.7%)
Gold & Silver	17 (22.6%)	16 (21.3%)	06(8%)	15 (20%)	54(18%)
Bond & Govt. Securities	11 (14.6%)	07 (9.3%)	02(2.7%)	01 (1.3%)	21(7%)
Medical Insurance	13 (17.3%)	11 (14.7%)	04(5.3%)	02 (2.6%)	30(10%)
Total	Out of 75	Out of 75	Out of 75	Out of 75	Out of 300

Table 1: shows that the stratified respondent's investment ratios, over all 300 respondents sample size each of which 75 samples. Overall the Investors highest investment area is Deposit in Bank (41.7%), the next highest investment is Mutual Fund (36%) and next preference investment is LIC (25%). The low concentration of investment is Bond & Govt. Securities (7%) and commodities (4%) respectively.

Table -2: Investors' Preference Ranking Level for the Investment Avenue

Investment Avenue	Government Employee		Private Employee		Business People		House Wife	
	F1	Rank (R _j)	F2	Rank (R _j)	F3	Rank (R _j)	F4	Rank (R _j)
Share Market	25	36	21	34	14	26.5	02	4.5
Commodities	01	1.5	03	7.5	02	4.5	06	12.5
Mutual Funds	12	22.5	08	16.5	04	10	03	7.5
LIC Policy	29	38	24	35	13	24.5	09	18

Post office Savings	04	10	08	16.5	14	26.5	11	20
Deposit in Bank	43	40	37	39	26	37	19	33
Real Estate	16	30.5	15	28.5	07	14.5	12	22.5
Gold & Silver	17	32	16	30.5	06	12.5	15	28.5
Bond & Govt. Securities	11	20	07	14.5	02	4.5	01	1.5
Medical Insurance	13	24.5	11	20	04	10	02	4.5
Total	Total - R ₁ =255		Total - R ₂ =242		Total - R ₃ =170.5		Total - R ₄ =152.5	

Table -2 represents Investors preference ranking level of Investment Avenue, the ranking level constructed by non- parametric method of Kruskal- Wallis (H-Test). The test statistics 'K' define as follows, $K = \frac{12}{n(n+1)} \sum_{j=1}^k \frac{R_j^2}{n_j} - 3(n+1) \frac{12}{n(n+1)} \sum_{j=1}^k \frac{R_j}{n_j} - 3(n+1)$, Where n_j = no of items in samples - j, k = numbers of the samples and R_j = sum of the ranks of all items in sample - j.

(i.e) $K = \frac{12}{40(41)} (\frac{25^2}{25} + \frac{40^2}{40} + \frac{37^2}{37} + \frac{39^2}{39}) - 3(41) = 5.59$, now n₁= n₂= n₃= n₄= 10 ; and n= n₁ + n₂ + n₃ + n₄ = 40. K= 5.59, d.f (k-1) = 3; where k = 4 at α- 0.5% is 12.8. The resulted that calculated 'K' less than tabulated value, so H₀ (μ₁=μ₂=μ₃=μ₄) is accepted. The result concluded that there is no difference among the stratified respondents in the investment avenue.

Discussion and Conclusion

Dowling and Staelin (1994) conclude that the investor like reduce their investment risk, Schmidt and Spreng (1996) derive better educated analysed more in all aspects of investment avenue on the basis they are invest. Avinash Kumar Singh (2006) describes investor choosing of Investment Avenue induced by the factor like risk, age and future benefit. Sunil Gupta (2008) define probably Investors, who are difficult to understand the investment avenue, but same time the professional class are going to invest share, debenture and different mutual fund, if they have surplus they invest fixed deposit in Bank, Post office saving and real estate.

In this study conclusion comes controversy of the above statements, the sample of stratified investors like Government employee, Private employee, Business people and House wives are having different age, different education, different professionals, and different income their attitude of investment have no difference, it's proved by table-2. Moreover this study significance the statement of Dowling and Staelin (1994), investors are like to reduce the risk in their investment, on the basis sample Investors are evenly choosing the investment avenue. It's described in the table-1.

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