

# A Study on Investor Pattern on Various Financial Instruments with Reference to Twin Cities of Hyderabad



## Engineering

**KEYWORDS :** Investment, Equity, Debt, Mutual Funds, Insurance, Gold

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### ABSTRACT

Investing is the act of committing money or capital to an endeavour with the expectation of obtaining an additional income or profit. Among all investment, investment in equity is in best high proportion. The study has been undertaken to analyze the investment pattern of investment community. The main reasons behind the study are the factors like income, economy condition, and the risk covering nature of the Indian investors. The study is based on descriptive research where survey method is adopted to collect primary information from the investors using different scales as required. It is found from the study that traditional investors do prefer continuously fluctuating investment options like stock markets but most of the investors strongly prefer options like mutual funds, insurance and standard return oriented investment options as Gold and other options. Investors who believe in statutory protection believe in regulatory bodies as SEBI invest in Stock options and Mutual funds. Focusing on the options as Tax Benefit people consider, long term deposits, insurance options compared to other investment options. In terms of Flexibility, it is found to be mixtures of secured and unstable options investors prefer stocks as well as completely controllable options as Gold and other options. Another major finding is that the people of age above 50 are in no case willing to take risk and due to this they preferred to invest in the insurance products or save them. These people need to be educated of the new schemes and their benefits. Thus, lot of information should be made available to the people regarding the various Financial Instruments and the benefits they get for them.

### Introduction:

Investment is referred to as the concept of deferred consumption, which could be in the form of an asset, rendering a loan, keeping the saved funds in a bank account such that it might generate lucrative returns in the future. The options of investments are huge; all of them having different risk-reward trade off. This concludes that the investment industry in India is really broad and that is why understanding the core concepts of investments and accordingly analyzing them is essential. Only after thorough understanding of the investment industry, can an investor create and manage his own investment portfolio such that the returns are maximized with the minimum level of risk.

### Research Methodology:

**Objective of the study:** To study the investors pattern on financial instruments like stock market, mutual funds, deposits, insurance, Gold and other products and to find out correlation between the parameters of preferences towards investment and overall preference variable.

**Type of research:** This is a descriptive research where survey method is adopted to collect primary information from the investors using different scales as required and the required secondary information for the analysis.

**Primary Data:** A questionnaire schedule was prepared and the primary data was collected through survey method.

**Data Collection Tool:** Investment pattern of investors on different products research work was carried on the basis of structured questionnaire.

**Sample Size:** The population being large the survey was carried among 100 respondents. They will be considered adequate to represent the characteristics of the entire population.

**Sampling Procedure:** The sampling procedure followed in this study is non-probability convenient sampling. Simple random procedures are used to select the respondent from the available database.

### Results and Discussions:

#### Preference for Different Investment Avenues by Investors.

The respondents were asked to give based on the 5 point Likert scale (Highly preferred(5) preferred(4),Neutral(3),Not Preferred(2), Not at all suggestible(1) allotting a score from 5...1). Respondents were asked about different investment windows

preferred by them on the basis of Risk, statutory protection, Liquidity, Tax benefit, Flexibility in Investment, Accessibility to information, Transaction cost, Capital appreciation and over all preferences.

### Option wise Response Analysis

Parameter/factor of reference	Stock Markets				
	5	4	3	2	1
Risk	19	21	32	25	3
Statutory Protection	35	15	19	21	10
Liquidity	42	29	17	9	3
Tax Benefit	11	34	15	20	20
Flexibility in Investment	38	27	12	13	10
Accessibility to information	29	23	15	25	8
Transaction cost	19	29	15	25	12
Capital Appreciation	21	25	25	19	10
<b>Over all Preference</b>	<b>39</b>	<b>24</b>	<b>12</b>	<b>19</b>	<b>6</b>

Parameter/factor of reference	Mutual Funds				
	5	4	3	2	1
Risk	35	19	15	10	21
Statutory Protection	42	17	29	8	4
Liquidity	11	15	34	12	28
Tax Benefit	38	12	27	10	13
Flexibility in Investment	29	19	23	6	23
Accessibility to information	15	25	12	28	20
Transaction cost	25	19	10	36	10
Capital Appreciation	12	19	6	37	26
<b>Over all Preference</b>	<b>35</b>	<b>25</b>	<b>12</b>	<b>18</b>	<b>10</b>

Parameter/factor of reference	Deposits				
	5	4	3	2	1
Risk	20	20	27	23	10
Statutory Protection	13	10	23	29	25
Liquidity	25	8	29	28	10
Tax Benefit	25	12	25	28	10
Flexibility in Investment	19	10	24	27	20
Accessibility to information	25	3	19	29	24

Transaction cost	21	10	17	32	20
Capital Appreciation	9	3	15	59	14
<b>Over all Preference</b>	20	20	12	41	7

Parameter/factor of reference	Insurance				
	5	4	3	2	1
Risk	24	27	20	19	10
Statutory Protection	19	29	24	25	3
Liquidity	17	32	20	21	10
Tax Benefit	15	59	14	9	3
Flexibility in Investment	12	41	7	20	20
Accessibility to information	29	24	8	29	10
Transaction cost	32	20	12	25	11
Capital Appreciation	59	14	10	14	3
<b>Over all Preference</b>	41	7	3	19	30

Parameter/factor of reference	Gold and other options				
	5	4	3	2	1
Risk	15	20	21	10	34
Statutory Protection	12	14	9	3	62
Liquidity	29	7	20	20	24
Tax Benefit	32	8	29	10	21
Flexibility in Investment	59	12	25	1	3
Accessibility to information	41	10	14	3	32
Transaction cost	23	29	20	18	10
Capital Appreciation	29	28	24	7	12
<b>Over all Preference</b>	25	26	20	18	11

From the above tables of data it can be interpreted that traditional investors do prefer continuously fluctuating investment options like stock markets but most of the investors strongly prefer options like mutual funds, insurance, quick and standard return oriented investment options as Gold and other options. Investors who believe in statutory protection believe in regulatory bodies as SEBI consistently believe in investing in Stock options and Mutual funds. Focusing on the options as Tax Benefit people consider, long term deposits, insurance options compared to other investment options. In terms of Flexibility options of investments it is found to be a mixture of secured and unstable options both together, investors prefer stocks as well as completely controllable options as Gold and other options.

**Correlation Analysis for the variables**

**Correlation between Overall preference to other variables of StockMarkets**

Stock Markets	Risk	Sta-tu_prot	Li-quad-ity	Tax ben-efit	Flex in in-vest	Ac-ces to info	Trans-action cost	Cap-ital ap-pre	Over all prefer-ence
Pearson Correlation	0.784	0.814	0.752	0.32	0.106	0.511	0.036	0.651	1
Sig. (2-tailed)	0.034	0.044	0.027	0.048	0.136	0.03	0.015	0.027	0.00
N	100	100	100	100	100	100	100	100	100

**Inference:** In the Stock Markets investment option the correlation between the parameters of preference towards investment and over all preference variable the result indicated that variables as Risk, Liquidity, Access to information and Capital appreciation are highly correlated and Flexibility in Investment cannot be considered for analysis where as Tax benefit is less positively correlated to the over all preference in selecting Stock markets as the investment option by the investors pattern in choosing investment options.

**Correlation between Overall preferences to other variables of Mutual Funds**

Mutual Funds	Risk	Sta-tu_prot	Li-quad-ity	Tax ben-efit	Flex in in-vest	Ac-ces to info	Trans-action cost	Cap-ital ap-pre	Over all prefer-ence
Pearson Correlation	0.768	0.914	0.552	0.62	0.706	0.011	0.836	0.151	1
Sig. (2-tailed)	0.034	0.044	0.127	0.048	0.036	0.03	0.015	0.027	0.00
N	100	100	100	100	100	100	100	100	100

**Inference:** In the Mutual Funds investment option the correlation between the parameters of preference towards investment and over all preference variable the result indicated that variables as Risk, Statutory protection, Tax benefit, Transaction cost and Flexibility in investment are highly correlated and Liquidity cannot be considered for analysis where as Capital appreciation is less positively correlated to the over all preference in selecting Mutual Funds as the investment option by the investors pattern in choosing investment options.

**Correlation between Overall preferences to other variables of Deposits**

Deposits	Risk	Sta-tu_prot	Li-quad-ity	Tax ben-efit	Flex in in-vest	Ac-ces to info	Trans-action cost	Cap-ital ap-pre	Over all prefer-ence
Pearson Correlation	0.569	0.814	0.252	0.362	0.706	0.911	0.536	0.125	1
Sig. (2-tailed)	0.024	0.043	0.012	0.048	0.026	0.03	0.015	0.27	0.00
N	100	100	100	100	100	100	100	100	100

**Inference:** In the Deposits investment option the correlation between the parameters of preference towards investment and over all preference variable the result indicated that variables as Risk, Statutory protection, Flexibility in investment and Transaction cost are highly correlated and Capital appreciation cannot be considered for analysis where as Liquidity, Tax benefit are less positively correlated to the over all preference in selecting Deposits as the investment option by the investors pattern in choosing investment options.

**Correlation between Overall preferences to other variables of Insurance**

Insurance	Risk	Sta-tu_prot	Li-quad-ity	Tax ben-efit	Flex in in-vest	Ac-ces to info	Trans-action cost	Cap-ital ap-pre	Over all prefer-ence
Pearson Correlation	0.687	0.814	0.552	0.862	0.706	0.794	0.575	0.725	1
Sig. (2-tailed)	0.041	0.037	0.021	0.038	0.023	0.015	0.045	0.017	0.00
N	100	100	100	100	100	100	100	100	100

**Inference:** In the Insurance investment option the correlation between the parameters of preference towards investment and over all preferences variable, the result indicated that all the variables are positively correlated to the overall preference in selecting insurance as the investment option by the investor's pattern in choosing investment options.

**Correlation between Overall preferences to other variables of Gold and other options**

Gold & other options	Risk	Sta-tu-prot	Li-quad-ity	Tax ben-efit	Flex in in-vest	Acces to info	Trans-action cost	Cap-ital ap-pre	Over all pref-er-ence
Pearson Correlation	0.485	0.654	0.352	0.562	0.296	0.495	0.678	0.525	1
Sig. (2-tailed)	0.041	0.37	0.021	0.38	0.023	0.015	0.045	0.17	0.00
N	100	100	100	100	100	100	100	100	100

**Inference:** In the Gold and other options investment the correlation between the parameters of preference towards investment and over all preferences variable, the result indicated that all the variables except statutory protection, tax benefit and capital appreciation cannot be considered for analysis and remaining all other parameters are positively correlated to the over all preference in selecting Gold and other options as the investment option by the investor's pattern in choosing investment options.

Note: Few parameters not being considered for analysis because their significance values are above 0.05 and hence cannot be considered for analysis as their correlation symmetry doesn't allow us to decide through statistical analysis.

**Discussion**

Though there is increased volatility in the capital market, the investors prefer to invest in share and securities, as they are known for higher returns over the long term. Due attention should be paid to bring to knowledge of the investors, the tax benefit and liquidity in securities. As the decision on the investment pattern and size of investment depend on the risk factor, the capital issuers may pay attention to highlight the risk and understandable manner to the investors.

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