ORIGINAL RESEARCH PAPER

Commerce

INVESTORS' AWARENESS ON VARIOUS OPPORTUNITIES TOWARDS INVESTMENT AVENUES

KEY WORDS: Investment, Decisions, Judgment, Awareness, Avenues.

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ABSTRACT

Investment decisions are made by investors and investment managers. Investors usually perform investment analysis by making use of technical analysis, fundamental analysis and judgment. Investment decisions are often supported by decision tools. It is assumed that information structure and the factors in the market systematically affect individuals' investment decisions as well as market outcomes. Nowadays, the investor has huge awareness on making investment in various avenues. The present study aimed to know the awareness of investors on various investment avenues in Erode district. Investor market behaviour derives from psychological values of decision making to explain why people buy or sell stocks. These factors will focus upon how investors understand and act on information to make investment decisions.

INTRODUCTION

Individual savings and investment pattern plays important role in any economy since it is a major component of resource market. In the recent past the paradigm shift has been observed in the strategies of service sector in India. With the increase in purchasing power and the demand for a wide variety of products by the rural consumers, the rural markets offer new and greater opportunities to manufacturers of several consumer and industrial products in India. Selection of a perfect investment avenue is a difficult task to any investor. Institutional investors pride themselves on their ability to remain utterly rational, balancing every decision based on the powers of reason, and rigorous interrogation of data. This is as true for property professionals as it is for equity and fixed income investors. Assuming, though, that investors are wholly rational decision-makers gives only a partial view of the world. There is a need for a better understanding of how the humans behave when managing economic processes and when and why psychology clouds investor decision-making. Fortunately, there is a growing field of research examining the systematic biases relating to investment practices. Behavioural finance looks at how human psychology influences the world and the action of financial markets, where human needs, desires, goals and motivations lead players in the market to make mistakes of overconfidence, over-reliance on rules of thumb and human emotion. Financiers are increasingly using these insights to avoid further mistakes. When making investment decisions, investors can use a bottom-up investment analysis approach or top-down approach. Bottom-up investment analysis entails analyzing individual stocks for their merits, such as valuation, management competence, pricing power and other unique characteristics of the stock and company. Bottom-up investment analysis does not focus on economic cycles or market cycles firsthand for capital allocation decisions but instead aims to find the best companies and stocks regardless of economic, market or particular industry macro trends. In essence, bottom-up investing takes more of a microeconomic approach to investing rather than a macroeconomic one, which is a hallmark of top-down investment analysis. The present study aimed to know the awareness of investors on various investment avenues in Erode district.

MATERIALS AND METHODS

Dashi (2010) aimed to gain knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The individuals may be equal in all aspects, may even be living next door, but their financial planning needs are very different. It is by using different age groups along with gender that synergism between investors can be generated. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. The study concluded that investors' age and gender predominantly decides the risk taking capacity of investors. Bennet et al. (2011) sought to identify various factors that influence retail investors' attitude towards investing in equity stock markets. They applied a structured questionnaire to retail investors in Tamil Nadu, India. Collected data were analyzed through descriptive statistics and FA. According to the test results, out of the total 26 variables, it was found out that five factors (investors' tolerance for risk, strength of the Indian economy, media focus on the stock market, political stability and government policy towards business) had a very high influence over retail investors' attitude towards investing in equity stocks.

First-hand information was collected from 660 investors in Erode district. The respondents were selected on a simple random basis from the district. In order to fulfill the objectives set, a sample study was undertaken by using a well-framed questionnaire that was duly filled by the respondents. Respondents with varying background were selected based on the important aspects of their occupation, education, age, area etc. The primary data were supplemented by a spate of secondary sources of data. The secondary data pertaining to the study was gathered from the various. Regression analysis was used for further analysis.

RESULTS AND DISCUSSIONS

A regression is a statistical tool used to find out the relationship between two or more variables. One variable is caused by the behavior of another one. The former variable is defined as independent and the later variable is defined as the dependent. The following analysis shows the relationship between the level of awareness of the respondents on investment in various avenues and twelve independent variables that were studied. It was found that among these twelve variables, three variables were closely associated with the level of awareness of the respondents. In order to measure the interdependence of independent factors and their total contribution to the level of awareness, the results of the analysis were put into multiple regression analysis, and detailed results are shown in the following table.

TABLE 1: LEVEL OF AWARENESS OF INVESTORS (MULTIPLE REGRESSION ANALYSIS)

S. No.	Variables	B	Std. Error	T	Sig
	(Constant)	44.812	2.753	16.279	.000
1	Gender	-1.049	.675	-1.554	.121
2	Age	1.185	.464	2.556	.011
3	Educational status	.318	.383	.831	.406
4	Monthly income	-.199	.333	-.597	.551
5	Family size	-.176	.471	-.374	.709
6	Marital status	-.427	.717	-.595	.552
7	Occupation of investor	.660	.308	2.142	.033
8	Residential area	-.594	.435	-1.366	.173
9	Investment purpose	.276	.286	.964	.336
10	Investment period	.993	.328	3.025	.003
11	Influencing factor	-.157	.255	-.615	.539
12	Investment method	-.340	.400	-.851	.395

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.220a	.052	.031	8.265

The table indicates that the co-efficient of respondent's in age, educational status, occupational status, field of investment and investment period are positively associated with the level of awareness of the respondents on investment in various avenues.

Further, it indicates that these variables that contribute to the awareness are statistically a good food fit. The variable such as age, occupation and investment period of the respondents are significant at 1% and 5% level which implies that their influence is stronger than the other variables.

The rate of increasing the level of awareness of the respondents shows better results of the independent variables such as age with 2.556 unit change, with 0.831 unit change in educational qualification, with 2.142 unit change in occupational status, with 0.964 unit change in field of investment and with 3.025 unit change in investment period. Thus, from the analysis, the following observations could be made. The level of awareness of the respondents is positively associated with increase choice in age, educational status, occupational status, investment purpose and investment period. On the other hand, gender, marital status, monthly income, family size, residential area, influencing factor and way of investment are negatively associated with the level of awareness of the respondents on investment in various avenues.

RECOMMENDATIONS AND CONCLUSION

An investor may be an individual or corporate legal entity investing funds with a view to derive maximum economic advantage from investment such as rate of return, capital appreciation, marketability, tax advantages and convenience of investment. Different investment options represent a different risk-return trade off. Low risk investment offers are assured, but fetch lower returns, while high risk investments provide the potential to earn greater returns. Hence, an investors' level of risk tolerance plays a key role in choosing the most suitable investment. Investors are always exploited by traders and sellers. Investor awareness is needed to prevent the exploitation of investors by traders. Investors must also be made aware of their rights and duties. Investor awareness is the knowledge that an investor should have about legal rights and duties. It is must for an investor to follow these rights. It is implemented for the protection of the investor, so that the investor is not exploited by the trader of the different avenues. Most of the respondents are not aware of various types of investment and the features offered by the investment market. So, proper guidance should be given to them. The investment avenues of individual investors depend mainly on annual income and risk taking capacity .The main problem faced by the investors in the study area are not much aware of different avenues so proper awareness program should be conducted to improve the awareness level of investors. The level of interest rates is another aspect which is necessary for a sound investment plan. Interest rates vary between one investment and another. These may vary between risky and safe investments; they may also differ due to different benefit schemes offered by the investments. A high rate of interest may not be the only factor favouring the outlet for investment.

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