

# A STUDY ON PREFERRED INVESTMENT AVENUES AMONG THE PEOPLE AND FACTORS CONSIDERED FOR INVESTMENT

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**Abstract:** How and where the people invest their hard-earned money is an important decision. Investment is the application of money for earning more money. The investment basically refers to the buying of a financial product or any valued item with anticipation that positive returns will be received in the future. People are earning, but they do not know where, when and how to invest their funds or money earned by them. A proper understanding of money, its value, the available investment avenues, various financial institutions providing the facility of investments, the rate of return/risk, etc., are very important to successfully manage one's finance for achieving future goal. The study basically focuses on the various investment avenues available to the investor, factors considered for investment. The study is based on using a structured questionnaire. Many people are not willing to take risk for their funds, so many prefer to invest in bank deposits, insurance, post office saving etc. Many of the people are not aware about how to make an investment in share market, equity etc. "No pain no gain" it is the golden principle of investment management. People now days are not ready to bear risk, but at the same time more risk leads to more profit. Investors cannot avoid risk but they can minimize the risk by investing their money in various types of investments so that they can get a moderate profit. This study basically provides awareness among people about various investment avenues available to them and what factors they should consider before making an investment.

**Keywords:** Investments avenues, awareness, savings, investor.

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## I. INTRODUCTION

Investment is putting money into an asset with the expectation of capital appreciation, dividends, or interest earnings. Most or all forms of investment involve some form of risk, such as investment in equities, property, and even fixed interest securities which are subject, among other things, to inflation risk. A good investment strategy will diversify the portfolio according to the specified needs. The most famous and successful investor of all time is Warren Buffett. In March 2013 *Forbes* magazine had Warren Buffett ranked as number 2 in their Forbes 400 list. Buffett has advised in numerous articles and interviews that a good investment strategy is long term and choosing the right assets to invest in requires due diligence. Investment usually involves diversification of assets in order to avoid unnecessary and unproductive risk. Investment has been classified as traditional investments and alternative investments.

The phrase traditional investment refers to bonds, cash, real estate, and stocks and shares and the phrase alternative investment refers to investment in precious metals, art, wine, antiques, coins, or stamps and some financial assets such as commodities, private equity, distressed securities, hedge funds, carbon credits, venture capital, film production and financial derivatives.

## II. TRADITIONAL INVESTMENTS AND ALTERNATIVE INVESTMENTS

**2.1 Bonds:** The investor purchases debt issued by companies or governments which promises to pay an annual return until the debt is repaid. The value of the investment changes as the level of general interest rates fluctuates, causing the bond to become more or less valuable.

**2.2 Cash:** In cash investing, money is typically invested in short-term, low-risk investment vehicles like certificates of deposit, money market funds, and High Yield bank accounts.

**2.3 Real estate:** In real estate, money is used to purchase property for the purpose of holding, reselling or leasing for income and there is an element of capital risk. It is of two types:

### *a. Residential Real Estate*

Investment in residential real estate is the most common form of real estate investment measured by number of participants because it includes property purchased as a primary residence. In many cases the buyer does not have the full purchase price for a property and must borrow additional money from a bank, finance company or private lender.

### *b. Commercial Real Estate*

Commercial real estate consists of apartments, office buildings, retail space, hotels, warehouses, and other commercial properties. Investors may purchase commercial property outright, with the help of a loan, or collectively through a real estate fund.

Stocks and shares: This involves purchasing a share in the equity of a company in the hope that the share price will increase.

### *2.4 Alternative investments*

Alternative investments are sometimes used as a tool to reduce overall investment risk through diversification.

Some of the characteristics of alternative investments may include:

- Low correlation with traditional financial investments such as stocks and bonds.
- It may be difficult to determine the current market value of the asset.
- Alternative investments may be relatively illiquid.
- Costs of purchase and sale may be relatively high.
- There may be limited historical risk and return data.
- A high degree of investment analysis may be required before buying.

## III. REVIEW OF LITERATURE

1. Prof. CA Yogesh P. Patel; Prof. CS Charul Y. Patel (2012): "A Study of Investment Perspective Of Salaried People (Private Sector) in Mumbai". This research aims to study and understand the behavioral pattern of investment among the salaried people working in private sector in Mumbai and the difference in perception of an individual related to various investment alternatives. This paper also aims to provide an insight into factors considered for an appropriate investment. Gives a wider scope to understand various issues related to investment by salaried people in Mumbai.
2. Smita Srivastava; Gunjan Saxena (2012); "Investment Trend Now & Then: A Survey Based Study of Moradabad (U.P.)". The paper attempts to know the awareness level of the investment alternatives available amongst the investors & compares the investment trend now from 20 years back. The area of the study is Moradabad, a city in Uttar Pradesh and the sample size is 150. The data used in the study comprises of both Primary & Secondary data. Most of the investors are risk averse & thus ignore risky investments like derivatives, equities & prefer safe heaven like bank deposits, post office deposits, gold, etc. There is very little enhancement in the awareness level for newer financial instruments amongst investors over the years.
3. V.R. Palanivelu, K.Chandrakumar (2013): "A Study on Preferred Investment Avenues among Salaried Peoples with Reference to Namakkal Taluk, Tamil Nadu, India". This research paper identifies the preferred investment avenues among the individual investors in Namakkal Taluk of Tamil Nadu. The study is based on primary sources of data .The data has been analyzed using percentage and chi-square test with the help of statistical software. In this paper

has examined how the salaried people are managing their investments. The paper concludes that many of them invest in common investment avenues and not aware about investment in share market, equity etc.

4. V. Alagu Pandian, G. Thangadurai (2013); "A Study of Investors Preference towards Various Investments Avenues in Dehradun District". This paper attempts to understand awareness level of the investors about various investment avenues. This study also provides suitable suggestions to promote the investment. The researcher has concluded that most of the investors prefer bank deposits followed by gold investment in Dehradun District.

## **IV. RESEARCH DESIGN**

### ***4.1 Purpose of the Study:***

The basic purpose of the study is to have an insight into different investment avenues available for an investment. To understand the preferred investment avenues among the people. To understand the awareness level of the people on various investment opportunities, factors considered for investment. In today's competitive environment a lot of investment avenues are being provided by various Public and private financial organizations, people are totally confused to decide where to make an investment. The study would also influence the people to choose the best investment avenues and also would help them to analyze the various factors which are required to be considered for making a sound investment.

### ***4.2 Statement of the Problem:***

In this competitive environment as lot of Private and public financial organizations are providing a wide variety of investment opportunities for the people to invest, the existences of these organization entirely depends on how innovatively they are able to provide their investment avenues in order to attract people and to retain their investors.

### ***4.3 Objectives:***

1. To understand the various investment avenues available for people to make an investment.
2. To understand and analyze the preferred investment avenues among the people.
3. To understand and analyze the factors considered for making an investment.
4. To understand the awareness level of the people about various investment avenues.

### ***4.4 Research Methodology:***

The study is planned to be carried out with the help of primary data and secondary data for the purpose to analyze and understand the preferred investment avenues by the people and factors considered for investment

#### ***4.4.1 Data Collection:***

The present study is mainly based on primary data and secondary data. The required data were collected through questionnaire and documents, certain web sites and other online data bases etc.

#### ***4.4.2 Sources of Data:***

Primary data was collected through questionnaire and Secondary data was collected from the reports, articles, journals, documents, printed literatures, certain web sites and other online data bases etc.

#### ***4.4.3 Tools of Analysis:***

Various tools are used for the analysis and interpretation of data. Data gathering tool- questionnaire. Data representation through charts.

#### ***4.4.4 Sample Size***

The study has taken around 100 respondents who are the part of working population in few cities in Bangalore. The investors are selected by convenient sampling method.

### ***4.5 Scope of the Study:***

This study was mainly planned to understand the various investment opportunities available for people and also to understand the preferred investment avenues. This research study surely will provide a parameter particularly for a better

understanding of the investment avenues available to an investor from various financial institutions. The findings of study present a comparison between selected investment avenues. The level of awareness about the investment avenues is also considered under the study.

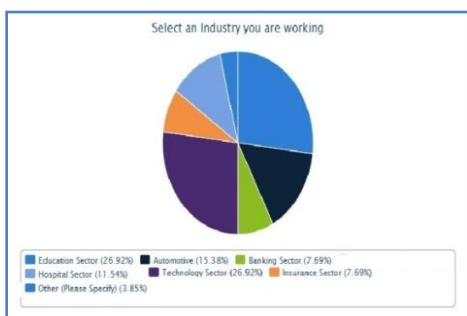
**4.6 Limitations:**

- Time Constraints was considered to be the major limitation of the study.
- The study is limited to the extent of the availability of data.
- The study has been restricted to only the few cities in Bangalore.

**V. ANALYSIS AND INTERPRETATION**

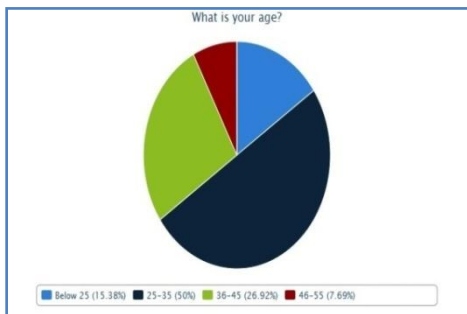
**5.1. Personal Profile of the People:**

**A) An industry the respondents do work**



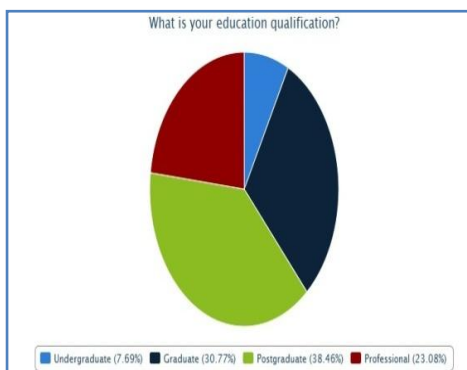
Among the respondents 26.92 % belongs to the education sector and technology sector, followed by 15.38% belonging to automotive sector, 11.54% belongs to Hospital sector, 7.69% is related to banking and insurance sector and 3.85% belong to other sector like market research and analytics.

**B) The Age of the people**



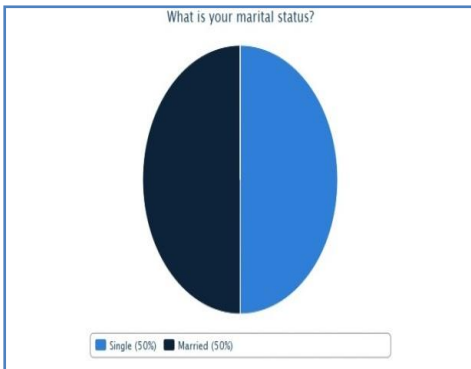
Among the respondents 50% belong to age category of 25-35 years, followed by 26.92% in 36-45 years category, 15.38% in age group below 25 years and 7.69% in 46-55 years of age.

**C) The education qualification**



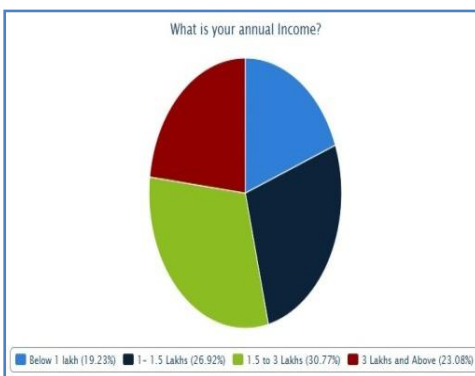
Among the respondents 38.46% of the respondents are post graduate, 30.77% of the respondents hold graduation degree, 23.08% is professionals and 7.69% are undergraduate. It is observed that maximum of the respondents are post graduates, followed by graduates and professionals whereas the minimum are undergraduates.

**D) Marital Status**



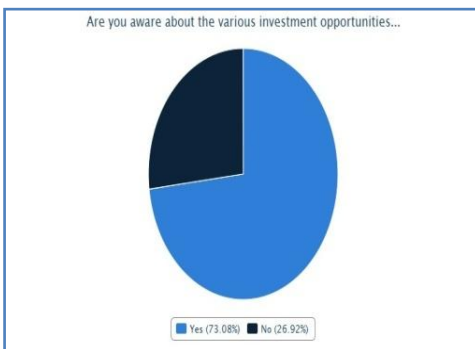
Among the respondents 50% are married category and 50% belong to single category.

**E) Annual Income**



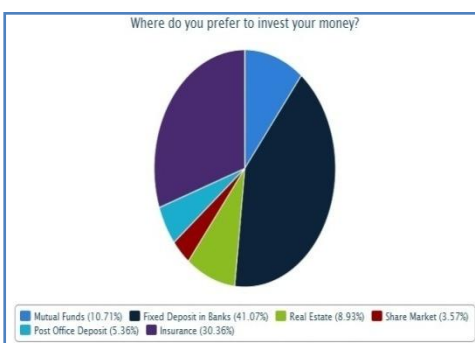
Among the respondents, 30.77% of the respondent's annual income falls between 1.5 to 3 lakhs pa, followed by 26.92% respondents annual income falls under 1 to 1.5 lakhs per annum, 23.08% of the respondents income fall under 3lakhs and above and 19.23% of the respondents income fall under below 1 lakh.

**5.2 Awareness Level among People about Various Investment Avenues:**



Among the respondents who are aware about the various investment options available to them for investment is about 73.08% and those who are not aware about the various investment avenues is about 26.92%. This chart clearly indicates that some respondents must be made aware about the investment options, its advantages etc.

**5.3 People Prefer To Invest Their Funds In The Following Investment Avenues:**



From the diagram it is stated that 41.07% of the people prefer to make investment in fixed deposits followed by 30.36% in insurance sector, 10.71% in mutual funds, 8.93% in real estate, 5.36% in post office savings and 3.57% in share market.

**a) Fixed Deposit is a Good Investment Option to start upon**

Fixed deposit in banks form a major percentage in terms of the safest investment in India. The most important reason for this is its ability to provide reasonable returns & the money invested is locked in safely. The time period for an FD may range from 15 days to more than five years. The returns will be decided by the financial organization the investor opts for. However, it is likely that a non-senior citizen can get returns at around 10% interest rate. The rate is a little higher, if the investors are above 60 years of age. The good thing here is that the money invested will be safe & the investor does not have to worry about it all till the maturity period.

**b) Insurance Policy Investment Is Also an Accepted Option Especially Among the Indian Investors**

After fixed deposits in banks, another popular choice of people in the list of the best investment options is Insurance Policy Investment. An excellent feature about this option is that the investor can get profits which are risk free. Insurance policies range from a variety of types & provide different types of coverage. Insurance policies like LIC, Home insurance, car insurance & Health insurance are few examples of such type of investment options. There are a lot of private insurance companies with a wide variety of policies.

**c) Mutual Fund Investments is a Safe Option**

Mutual Funds are also very popular among people. They can prove to be very fruitful if the investor makes limited investments & generate a diverse portfolio which can give high returns. It is an ideal way investment if the investor wants to diversify their risks & get good returns. A diverse portfolio reduces the risk factors & prevents the investor from complete loss of your investment.

**d) Real Estate Investment**

Real estate investment has always been a favorite of investors. Real estate investment has already attracted high-escalated rates which makes it even beyond the capabilities of rich people. This situation is particularly true for cities like Delhi, Mumbai & Bangalore. The state of affairs is comparatively better in the two or three tier cities. The investor should carefully consider the prices of the property before making an investment. If the prices seem pretty good to the investor then can go ahead. Otherwise the investor can think of investing in many other options.

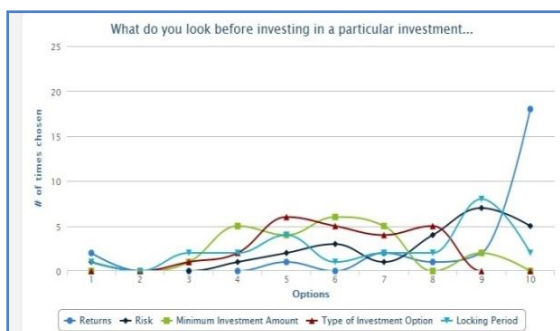
**e) Post office deposit**

Post office schemes are offered by the Government of India and are highly secure. Some of the schemes are exempted from tax and interestingly accounts can transfer across cities. There are different type of deposit schemes it post office deposit are post office Recurring Deposits, post office Time deposits, Post Office Monthly Income Scheme, Post Office Savings Account. Some people prefer it because this investment is highly secure.

**f) Stock Investments is the Best for Risk Takers**

Investment in stock market is an ideal way to generate higher profits faster. It is considered as one of the most risky investment options. However, there are high risks involved & the investor cannot be assured of the returns every time. Hence, it is very important to understand the market properly. Also the investor should have a sound knowledge about the various factors that affects the stock market.

**5.4. FACTORS CONSIDERED BY PEOPLE FOR MAKING AN INVESTMENT**



From the diagram it is stated that among people the most important factor they consider before making investment is the returns followed by risk, locking period, type of investment option and minimum investment amount. The people have rated the following factors out of 10 which gave the rating as follows Returns (8.73 / 10), Risk (7.71 / 10), Locking Period (6.79 / 10), Type of Investment Option (6.04 / 10), and Minimum Investment Amount (5.74 / 10).



**5.4.1 Some More Factors Considered By the People before Making an Investment:**

**a) Past market trends**

Sometimes history repeats itself; sometimes markets learn from their mistakes. The investors need to understand how various asset classes have performed in the past before planning for their finances.

**b) Risk appetite**

The ability to tolerate risk differs from person to person. It depends on factors such as the individual financial responsibilities, environment, basic personality, etc. Therefore, understanding the investor’s capacity to take on risk becomes a crucial factor in investment decision making.

**c) Investment horizon**

It is the period that the investor can keep his money invested. The longer the time-horizon, the greater are the returns that should be accepted. Further, the risk element reduces with time.

**d) Investible surplus**

It basically refers to how much money is the individual able to keep aside for investments. The investible surplus plays a vital role in selecting from various asset classes as the minimum investment amounts differ and so do the risks and returns.

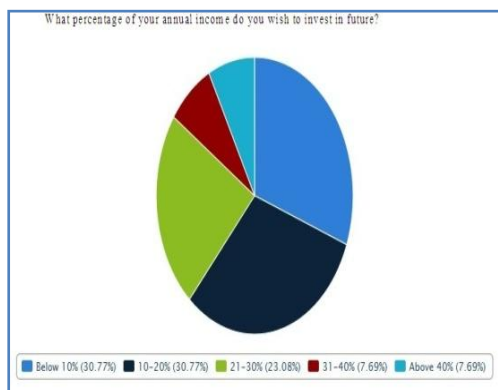
**e) Investment need**

It refers to how much money does the investor needs at the time of maturity. This helps the investor to determine the amount of money that they need to invest every month or year to reach the magic figure.

**f) Expected returns**

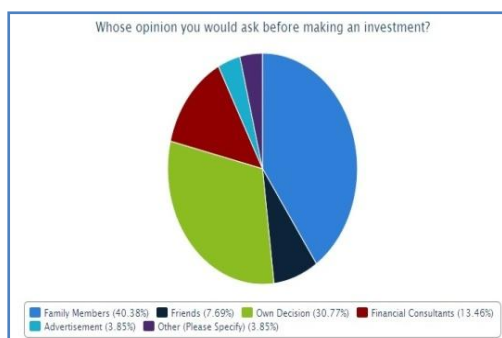
The expected rate of returns is a crucial factor as it will guide the choice of investment. Based on the investors’ expectations, the investor can decide whether they want to invest heavily into equities or debt or balance their portfolio.

**5.5. PERCENTAGE OF ANNUAL INCOME PEOPLE WISH TO INVEST**



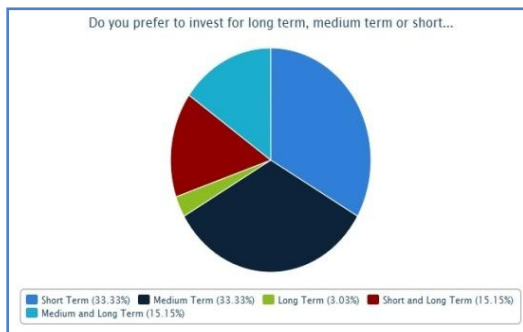
Among the respondents who wish to invest in future a part of their annual income is 30.77% of the respondents wish to invest around 10-20% and also below 10%, 23.08% of the respondents wish to invest around 21-30%, 7.69% wish to invest 31-40% and above 40% of their annual income.

**5.6. THE OPINION PEOPLE WOULD CONSIDER BEFORE MAKING AN INVESTMENT**



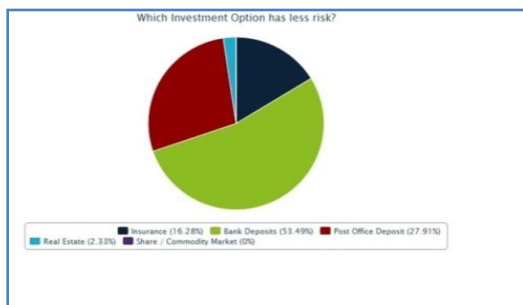
Majority of the respondents prefer to ask their family members (40.38%) before making an investment, followed by their own decision (30.77%), then the financial consultants (13.46%), friends (7.69%), through advertisements and other reasons (3.85%).

### 5.7. PEOPLE PREFER TO INVEST FOR LONG, MEDIUM OR SHORT TERM



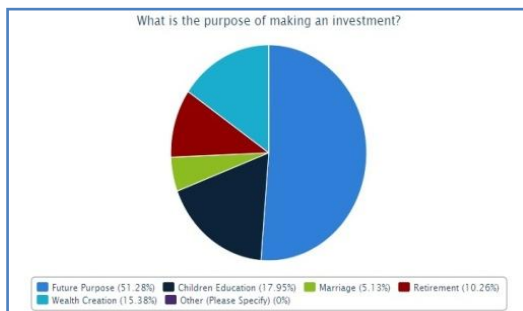
Among the respondents many of them are interested to make investments either for a period of medium term or short term (33.33%). Few other respondents would like to make an investment with a combination of short and long term and also a combination of medium and long term. Very few respondents would like to make investment alone for a long term. People would like to make investment in combination of short or medium term with long term investments rather than making investment only for long term.

### 5.8. THE INVESTMENT OPTION WHICH HAS LESS RISK



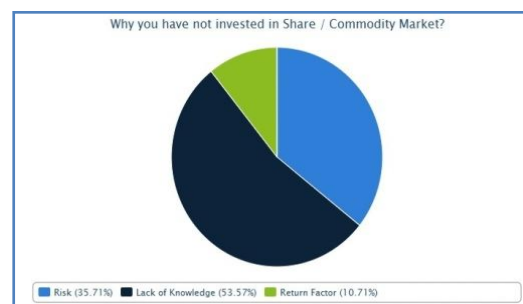
According to the respondents the investment option which is less risky is the bank deposits (53.49%), as they have ability to provide reasonable returns & the money invested is locked in safely. Next investment which is less risky is post office deposit (27.91%) which not commonly used still some respondents prefer it because of its safety followed by insurance (16.28%) and real estate (2.33%). It is clearly shown that investment in share market is very risky (0%).

### 5.9. PURPOSE OF MAKING AN INVESTMENT



Among the respondents the reasons for making investment is basically to secure their future (51.28%) followed by children education (17.95%). Many of them gave the response as wealth creation (15.38%), Retirement (10.265%) and for marriage (5.13%).

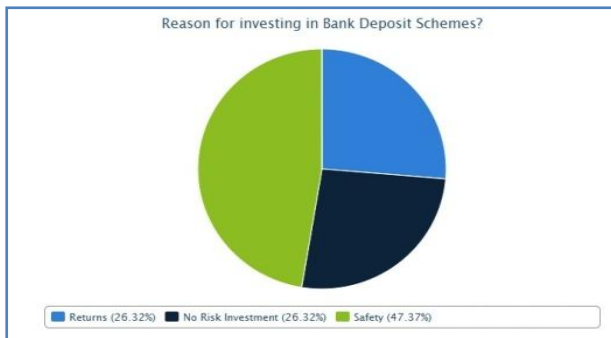
### 5.10. REASON FOR NOT INVESTING IN SHARE MARKET



Among the respondents the reasons for not making an investment in share market is for the few reasons such as lack of knowledge (53.57%), which means they don't know the dealings in share market in order to earn profits, Many of them have stated that because of risk factors (35.71%) and others because they are not assured of the returns investing in share market (10.71%).

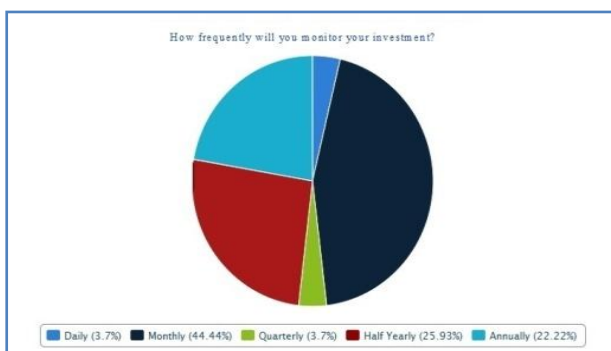


### 5.11. REASON FOR INVESTING IN BANK DEPOSIT SCHEME



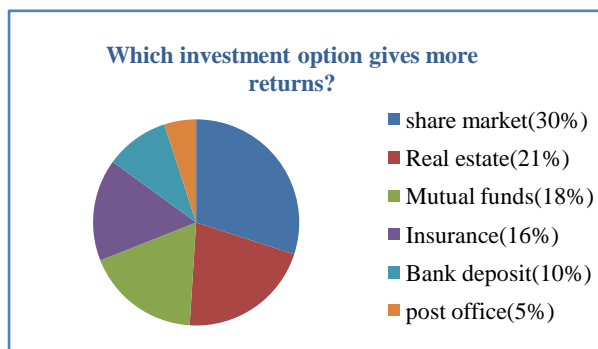
Among the respondents the reason for investing in bank deposits is mainly because of safety of their investment made (47.37%) and many of the respondents had given the reasons as returns are assured and also no risk is involved in such an investment (26.32%).

### 5.12. HOW FREQUENTLY WILL YOU MONITOR YOUR INVESTMENTS?



Among the respondents 44.44 % of them would like to monitor their investment monthly followed by 25.93% of them half yearly, 22.22% of them would monitor their investment annually and 3.75 of them would monitor their investment quarterly and daily. From the above chart it is clear that many of the respondents would monitor their investment made monthly which means they are very cautious about their investment.

### 5.13. THE INVESTMENT OPTION WHICH GIVES MORE RETURNS.



Among the respondents the investment options which gives more returns is investment in share market (30%), followed by real estate (21%), mutual funds(18%), insurance(16%) , bank deposit(10%) and post office deposit(5%).

## VI. CONCLUSION

The study on preferred investment choices has been undertaken with the objective, to analyze the investment choice of people in few cities in Bangalore. Analysis of the study was undertaken with the help of survey conducted. After analysis and interpretation of data it is concluded that some respondents are not much aware about various investment choices and also not much aware about the investing pattern in stock market, equity etc. The study is conducted by taking a limited number of sample sizes. There might be a chance that the preference of the respondents may be different because of difference in their awareness level, income level etc. All the age groups among my respondents give more importance to invest in bank deposit and Insurance. Income level of a respondent is an important factor which affects investment portfolio of the respondent. Respondents are more aware about various investment avenues like insurance, bank deposits,

small savings like post office savings etc. Every individual should be made aware about various investment avenues, its importance, advantages etc for a secured future and also many more reasons.

## **VII. SUGGESTIONS**

The awareness program has to be conducted by Stock Broking firms, because most of the respondents are unaware about these new services about stock market, how trading is carried out, how can people earn profits or make an investment in stock market, creating DEMAT account etc. Theoretical aspects are very much known to individuals about stock market and not the practical aspects. It is also important for the investor to make sure that the investment made is safe by monitoring their investment. Before or at the time of making an investment certain factors should be analyzed to ensure a safe investment. Factors like the type of return, risk related aspects, inflation, and cash reserve ratio, repo rates, tax benefits and many more. The respondents should approach to the professional such as Tax Consultant in order to get an understanding of the aspects relating to tax. It is also suggested to every respondents that they have to acquire a specific knowledge of various kinds of investment opportunities available in the financial market and appraisal of investment for avoiding loss.

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